

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION: 01- Montreal
S.C.: 500-11-063292-179
SUPER: 41-2297864

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE PROPOSAL OF:

175413 CANADA INC. (doing business under the name of **m0851**), **body**, a corporation incorporated under the *Canada Business Corporation Act*, having its principal place of business at 201-5555, Casgrain Street, in the City of Montreal, province of Quebec, H2T 1Y1

Applicant

- and -

DRAFT

KPMG INC., a corporation duly incorporated under the *Canada Business Corporations Act* (Canada), having a place of business at 600, boul. De Maisonneuve Blvd. West, Suite 1500 Montreal, QC, H3A 0A3

Trustee

TRUSTEE'S REPORT ON THE SALE TRANSACTION OUTSIDE OF THE ORDINARY COURSE OF BUSINESS (SECTION 65.13) AND ON THE STATE OF THE INSOLVENT PERSON'S BUSINESS AND FINANCIAL AFFAIRS (PARAGRAPHS 50.4(7)(B) AND 50.4(9))

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF **175413 CANADA INC.**:

I, Stéphane De Broux, CPA, CA, CIRP, LIT of the firm KPMG Inc. ("**KPMG**" or the "**Trustee**"), the trustee under the Notice of Intention to Make a proposal filed by **175413 CANADA INC.** (hereinafter "**m0851**" or the "**Company**"), hereby report to the Court as follows.

INTRODUCTION

1. On September 27, 2017, m0851 filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to section 50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**"), and KPMG was appointed as Trustee to the NOI. As a result of the filing of the NOI, all proceedings against the Company and its assets were stayed until October 27, 2017 (the "**Stay Period**");
2. On October 6, 2017, the Trustee filed with the official receiver (i) a projected cash-flow statement for the period of October 2, 2017 to November 10 2017, (ii) the Company's report on its cash flow statement and (iii) The trustee report on said cash flow statement, in accordance with section 50.4(2) of the BIA and on October 4 , 2017, the Trustee sent a copy of the NOI to all known creditors of m0851;

3. On October 6, 2017, the Company filed a motion, and the Court issued an Order, for the authorization to provide interim credit facilities by Continental Capital Investments Inc. (the "Interim Lender") to the Company in order to execute its restructuring and operate the "Business" (hereinafter defined) and approval for granting charges in favour of the Interim Lender (the "Interim Financing Charge") ranking in priority to the security interests currently held by the Company's secured lenders.
4. On October 12, 2017, the Trustee issued its certificate rendering the senior ranking Interim Financing Charge effective in favor of the Interim Lender.
5. On October 24, 2017, the Company filed an Application for extension of the delay to file a proposal until December 11, 2017 (the "**Application for extension**");
6. On October 26, 2017, the Trustee filed its report on the state of the Company's business and affairs in regards with the first application for extension of the delay to file a proposal, along with a projected weekly cash flow for the period ending on December 29, 2017.
7. On October 26, 2017, the Court granted the extension to file a proposal until December 11, 2017.
8. The Trustee developed an internet micro-site, where the Applications and Orders described above are available for creditors to review.
9. As part of its restructuring, the Company has mandated the Trustee to assist with initiating and pursuing a sale and solicitation process in order to market and solicit offers for the Business and assets relating thereto, as presented in the October 24, 2017 Application for extension (hereinafter the "**SSP**").
10. The purpose of this report is to provide this Honourable Court with information regarding:
 - a) Background information on m0851;
 - b) m0851's activities since the filing of the NOI;
 - c) The SSP, and
 - d) The Trustee's recommendation with respect to the SSP.

BACKGROUND INFORMATION

11. Founded in 1987, m0851 is a privately owned company and operates a vertically integrated Montreal based business which designs and manufactures high-quality and functional leather and fabric goods sold at the wholesale level, to franchised stores internationally and at its own retail stores in Canada and through its e-commerce site (the "Business").
12. The design, manufacturing, wholesale, warehousing and administrative divisions of the Business operate from the Company's leased head office premises in Montreal at 5555, avenue Casgrain, Suite 201.
13. The Company operates seven (7) retail stores in Canada with four (4) in the province of Québec and three (3) in Ontario. Each such store is the object of a lease between the Company and the respective landlord.
14. In addition to its own Canadian operations, the Company has entered into agreements whereby it licenses selling rights to parties operating retail outlets which exclusively offer the Company's products. In Canada, two (2) such outlets are located in the province of Québec and two (2) in the greater Vancouver area. In Japan, four (4) such outlets exist and the licensee thereof operates a distinct e-commerce site.

15. Additionally, the Company has two wholly owned subsidiaries, m0851 Products and Architectural Design Inc. and m0851 Trading (Beijing) Co. Ltd., which operate stores in the United States and Beijing (collectively the "Subsidiaries"). As a result of the liquidation of the Subsidiaries' inventories by or for the benefit of TD Bank, the Subsidiaries have no assets of significant value.
16. In order to operate the Business, the Company has a workforce of over 90 employees who work in various divisions of the Business.
17. The NOI was filed in a context where:
 - a) The distressed North American retail market and the fierce competition in the niche market of exclusive leather and lifestyle goods has caused the Company to experience a great degree of difficulty.
 - b) As a result of the above, the Business has been negatively impacted and its performance has decreased to the point of insolvency.
 - c) Consequently, on September 12, 2017, TD Bank issued a notice pursuant to Section 244 *BIA* of its intention to enforce its security on all or substantially all of the Property and has demanded repayment of such loans.
 - d) Given its defaults under the TD Bank credit facilities and its insolvency, it was determined that it was in the best interests of the Company to file the NOI and enter into a formal restructuring process.

M0851'S ACTIVITIES SINCE THE FILING OF THE NOI

18. After the Motion was granted to the Interim Lender, on October 6, 2017, an agreement was reached between the Interim Lender and the TD Bank for the partial reimbursement of its Canadian line of credit and as such, the interim financing was executed.
19. The Company has made certain changes to its retail operations:
 - a) Lease disclaimers were issued to two landlords on October 10, 2017, pursuant to subsection 65.2 (1) of the *BIA*, relative to a store located in Montreal and another one in Toronto. Pursuant to the issuance of these disclaimers, lease amendments were concluded with the respective landlords;
 - b) In order to reduce its operating costs, the Company has met with other landlords and as a result has obtained additional lease amendments from two landlords, relative to a store located in Montreal and another one in Toronto;
 - c) Discussions are currently being held with two landlords, relative to another store in Montreal and another in Toronto, in order to renegotiate the lease.
20. The interim financing provided under the agreement between m0851 and the Interim Lender is discretionary and becomes due on the earlier of demand, default or January 6, 2018.
21. The Company diligently maintained its manufacturing and store operations since the filing of the NOI, including advertising special discounts in stores and on its internet site in order to promote sales.

CASH FLOW RESULTS RELATIVE TO PROJECTIONS

22. Cash receipts and disbursements for the 34 day period ended on November 24, 2017 as compared to the cash flow projections, are summarized in the following table:

For the weeks ended from October 27 to November 24, 2017	Total		Total Variance
	Projections	Actuals	
Interim Lender Indebtedness - beginning of period	(\$1 660 013)	(\$1 660 013)	-
Receipts			
Proceeds from sales and collection of accounts receivables	1 606 956	1 313 970	(292 986)
Disbursements			
Purchases	150 000	83 961	(66 039)
Payroll/Group Insurance /Contractors	559 973	580 400	20 427
Rent	266 080	204 625	(61 455)
Insurance	6 000	10 264	4 264
Leases	22 200	13 216	(8 984)
Consultants/Legal/Accountants/Trustee	79 000	104 508	25 508
GST & QST	130 000	63 228	(66 772)
Credit Cards	55 000	32 434	(22 566)
Other expenses	141 000	109 670	(31 330)
Interests and Capital	30 114	-	(30 114)
	1 439 367	1 202 306	(237 061)
Net Cash Flow	167 589	111 664	(55 925)
Interim Lender Indebtedness - end of period	(\$1 492 424)	(\$1 548 349)	(55 925)

23. As at November 24, 2017, net advances by the Interim Lender to m0851 totaled \$1,548,000 (\$1,667,000 less cash in Bank of \$118,000) compared to a projection of \$1,492,000, representing a negative variance of \$56,000. As of November 29, 2017 the debt owed to the Interim Lender was \$1,724,000.
24. The negative net cash flow during the period was \$56,000 greater than projected. The main reasons for the net cash flow variance are summarized below:
- Total cash receipts during the period were lower than expected by \$293,000. This variance is for the most part related to the decision made by management to delay to December, the sample and liquidation sales.
 - Payments for the purchases of raw material are made only once confirmations are received from the overseas suppliers that the goods are ready to be shipped.
 - Payments of commissions to sales representatives at the stores were higher than the amounts projected.
 - A landlord has not yet cashed its rent for November 2017 and the company has obtained a lease reduction from another landlord.
 - The payment of the GST/QST will be made at month-end on November 30, 2017.
 - As part of its restructuring efforts, the Company has been able to reduce certain operating expenses, thus resulting in lower cash disbursements. Certain other cash disbursements were lower than forecasted due to timing differences.
25. m0851 has paid, and continues to pay for any goods and services received subsequent to the date of the filing of the NOI, including payroll, rent and new purchases.

SALE PROCESS

26. As part of its restructuring plan, the Company has put in place a SSP to sell all of its assets with the assistance and under the supervision of the Trustee in order to market and solicit offers for the Business and assets relating thereto, the whole pursuant to that "Request for Offers", a copy of which is annexed hereto as **Appendix A**.
27. The following summarizes the key elements that occurred between the launch of the SSP on October 27, 2017 and the bid deadline on November 24, 2017 at 12:00 P.M. (the "**Bid Deadline**"):
 - a) The Trustee and the Company, prior to the launch of the SSP, had prepared a list of potential interested parties active in the industry or a similar industry. During the solicitation period, additional names were added to the list. In all, the list contained the names of forty-three (43) companies, a copy of which is annexed hereto as **Appendix B**.
 - b) In addition, the Company communicated with certain other parties who could be potential investors or had shown interest in the business of m0851 in the past.
 - c) The Trustee contacted the potential interested parties on the list and twenty-six (26) of them provided the coordinates of a management representative to whom a description of the company and the assets for sale was provided, a copy of which is annexed hereto as **Appendix C**.
 - d) Certain companies indicated during the first communication with them that they were not interested in pursuing this opportunity.
 - e) Follow-up communications were made by the Trustee with the other potentially interested parties on the list, including those who had accepted to receive more information about the Company and the assets for sale.
 - f) Among those parties, six (6) of them requested and received a Non-Disclosure Agreement (the "**NDA**") and the Terms and Conditions of sale.
 - g) Four (4) parties signed the NDA and were granted access to the private virtual data room created by the Trustee.
28. The Interim Lender was kept informed of the steps taken by the Company and the Trustee during the SSP.
29. BDC Capital Inc (the "**BDC**"), one of the Company's secured creditors, was provided with the list of potential interested parties and was granted access to the virtual data room. The Trustee answered the questions received from the BDC, pursuant to its review of the information included in the virtual data room.
30. The Trustee informed other creditors and stakeholders that communicated with him, with regards to the status of the file and the SSP.
31. In accordance with the terms and conditions of the SSP, on November 24, 2017, the Trustee opened the only offer received at the Bid Deadline, a copy of which is annexed hereto as **Appendix D**. None of the other potential investors which the Trustee pursued garnered enough interest to make or participate in an offer.

PROPOSED OFFER TO PURCHASE

32. 10498700 Canada Inc. (the "**Proposed Purchaser**") has submitted an offer (the "**Proposed Offer**") pursuant to that certain Offer to Purchase submitted by the Proposed Purchaser under the SSP.
33. Although the Proposed Purchaser is not owned directly by the same shareholders of the Company, such shareholders direct the Proposed Purchaser and as such, the authorization of the Proposed Offer contemplated by the Application is being sought as though such proposed sale will be made to a person related to the Company pursuant to Section 65.13(5) BIA.
34. The Proposed Offer consists in the purchase of the following assets of m0851 (the "**Purchased Assets**"):
- a) Certain of the retail store leases and head office lease (the "Acquired Premises Leases");
 - b) All license agreements;
 - c) Lease for certain equipment and such certain equipment;
 - d) All inventories;
 - e) All furniture, fixtures, computers, office equipment, store fixtures and equipment;
 - f) All intellectual properties;
 - g) All accounts receivable and other claims;
 - h) All goodwill pertaining to the business;
 - i) All monies and cash on hand held by m0851 or at a financial institution, and
 - j) All shares of m0851 Trading (Beijing) Co. Ltd.
35. The purchase price for the assets will be paid through the assumption by the Proposed Purchaser of certain debts (the "**Assumed Debts**").
- a) All indebtedness owing to Continental Capital Investments Inc., the Interim Lender, as at and after the closing of the transaction. As at November 29, 2017, the amount due was 1 724 000 \$. This amount may vary somewhat until the contemplated date of the closing of the transaction;
 - b) All salaries and other remuneration and benefits owing to the current employees, from and after the closing of the transaction. The salaries are paid by the Company bi-weekly;
 - c) All indebtedness owing under the Acquired Premises Leases for the premises as at and after the closing of the transaction. Some of the leases have terms up to 2020 and 2021.
 - d) All indebtedness owing under the acquired equipment leases as at and after the closing of the transaction;
 - e) All amounts owing to suppliers of any in-transit inventory, and
 - f) Professional fees.
36. On November 27, 2017, m0851 informed the Trustee of its decision to accept the Proposed Offer and to sell the Purchased Assets, on an "as is, where is" basis to the Proposed Purchaser, subject to the approval of this Court, and the execution of an asset purchase agreement and other related agreements or documents satisfactory to them.

ANALYSIS OF THE PROPOSED OFFER

37. The Trustee respectfully makes the following comments to this Honourable Court:
38. The Trustee supports the request sought by the Company in its Application to obtain the approval from the Court of the Proposed Offer, for the reasons below. In supporting the Proposed Offer, the Trustee has considered the transaction as though the sale contemplated thereby will be made to a person related to the Company.
- a) The SSP was reasonable under the circumstances. The Company had a time frame of four weeks in order to identify potential interested parties, run a due diligence process and close a transaction, given that the agreement with the Interim Lender will expire on January 6, 2018. In addition, the Interim Lender has indicated to the Company that it will likely have no other alternative than to enforce its security unless the transaction is approved, considering the time of year and the limited period remaining until Christmas. Notwithstanding the tight timeframe under the current context, more than 40 potential interested parties were contacted.
- b) As appears from the table below, as at November 24, 2017, the estimated net realization value of m0851's assets in the context of a liquidation scenario is estimated to range between \$555,000 and \$1,398,000. Two (2) inventory valuations were completed in recent months, by professional appraisers, at the request of m0851. For the most part, the realization values for the inventories presented in the table and the associated liquidation costs, reflect the assumptions used by the appraisers.

175413 Canada inc.			
Estimated Net Orderly Liquidation Value in a liquidation context			
As of November 24, 2017			
	Book Value	Estimated Realization Value in a liquidation	
		Low	High
Cash	118,233	118,233	118,233
Accounts receivables	413,861	157,207	190,895
Inventories	3,904,827	1,662,192	3,369,336
Security deposits (Lanlords)	416,401	-	-
Advances to shareholder / Parent company	941,678	-	-
Fixes assets (incl. Leasehold improv. and Capital leases)	2,201,514	56,698	113,395
Goodwill	97,102	-	-
Estimated realization from Assets	8,093,616	1,994,330	3,791,859
Less: priority charges		(184,000)	(184,000)
Less: Estimated Realization Costs		(1,254,936)	(2,210,000)
Estimated Net Realization available to creditors		555,394	1,397,859

- c) The book values presented in the table were derived from the unaudited financial statements of m0851.
- d) As at November 29, 2017, the debt owed to the Interim Lender was \$1,724,000.
- e) The net realization value in the context of a bankruptcy / liquidation scenario (range of \$555,000 to \$1,398,000) is estimated to be fairly lower than the amount of secured claims which are estimated at \$4,889,394, including the indebtedness of \$1,724,000 owing to the senior ranking Interim Lender as at November 29, 2017), thus yielding no recoveries for the unsecured creditors and no business continuity for the employees, contractors, suppliers and holders of license agreements. Additionally, these values assume a timely liquidation leading up to the holiday season, in general, and do not take into account the diminished value which

will result from the few selling days remaining before Christmas, in particular. Therefore, the consideration to be received for the Purchased Assets is reasonable and fair, taking into account their estimated value in the current context.

- f) An important portion of the fixed assets of the Company is comprised of leasehold improvements and certain equipment under capital leases, which have no value in the context of a liquidation. The remaining computer, office and manufacturing equipment, and furniture and fixtures would have limited realization value.
- g) The m0851 brand has little value for other manufacturers / retailers, as evidenced by the absence of offers received from the potential interested parties that were contacted by the Company and the Trustee. The value of the brand is closely tied to its founder and current president, Mr. Frédéric Mamarbachi.
- h) The Proposed Offer provides for the assumption of the debt of the Interim Lender and of the Acquired Premises Leases, for the benefit of the various stakeholders.
- i) m0851 would be under the management of the same directors of the Company, who have a thorough knowledge of the business and it's industry.
- j) The Proposed Purchaser has advised the Trustee that it has secured the working capital necessary in order to obtain financial commitments from lenders in order to support the Business and refinance the Interim Financing expiring on January 6, 2018. The Proposed Purchaser is confident to obtain these commitments very shortly.
- k) The sale would ensure that the majority of the over 90 jobs would be maintained at the head office, including the skilled labour production force, and at the retail stores and provides for the assumption of any debts owing to such employees.
- l) The independent contractors doing production work for m0851, with a total workforce of approximately 50 employees, would retain an important client.
- m) Six (6) stores would remain in operations in Québec and in Ontario, as the leases would be assigned to the Proposed Purchaser.
- n) The Proposed Purchaser would continue the licensing agreements, thus maintaining the operations of four (4) independent stores in Québec and in British-Columbia.
- o) The Proposed Purchaser would also maintain its licensing agreement in Japan with a company operating four (4) stores, thus maintaining a volume of sales overseas.
- p) The supply relationships and orders with the Company's current suppliers would also be maintained by the Proposed Purchaser.

ASSIGNMENT AGREEMENTS

39. With respect to the assignment of the leases for retail stores, the head office lease, the equipment lease and the license agreements, the Trustee approves such assignments for the following reasons:
- a) All rentals and/or other amounts or obligations owing or to become owing to the lessors of the premises leases and the equipment lease to be acquired will be assumed by the Proposed Purchaser. Additionally, the Proposed Purchaser will assume any and all defaults under such leases, to the extent same are owed.
 - b) The proposed Purchaser will operate the Business in the same manner as the Company previously operated the Business and will maintain the licensing arrangements pursuant to the license agreements and the retail selling of the same merchandise under the same trade name.

- c) The Proposed Purchaser has secured the working capital necessary in order to obtain commitments from lenders to support the operation of the Business.

TRUSTEE'S RECOMMENDATIONS

40. In light of the above, The Trustee has therefore come to the conclusion that the transaction contemplated by the Proposed Offer would be more beneficial to the Debtor's stakeholders generally than a liquidation and the consideration to be received is reasonable taking into account their market and liquidation values. In addition, the transaction coupled with the assignment of the agreements mentioned above represents the best solution in the present circumstances.
41. Additionally, given Continental's position, the Transaction must occur imminently in order to avoid a liquidation.
42. The failure to conclude the transaction will result in the Company's bankruptcy, the liquidation of the Company's assets and thus cause significant prejudice to the Company's Interim Lender, Continental, suppliers and landlords, as well as to employees, independent contractors and other stakeholders.

All of which is respectively submitted this 1st day of December, 2017.

KPMG INC., in its capacity
as Trustee of 175413 Canada Inc.



Stéphane De Broux, CPA, CA, CIRP, LIT

APPENDIX A

REQUEST FOR OFFERS

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF 175413 CANADA INC.

KPMG Inc. (“**KPMG**”) acts as trustee to the notice of intention to make a proposal of 175413 Canada Inc. (operating under the trade name “M0851”) (the “**Debtor**”) filed on September 27, 2017.

The Debtor has mandated KPMG to initiate and conduct a sale and solicitation process to market the Debtor's business and the assets related thereto. Any transaction in connection with the Debtor's business and/or the assets will require Court approval.

As part of this solicitation process, KPMG will allow Qualified Bidders to access (at KPMG's choice, either through KPMG's virtual data room or through other means chosen by KPMG) all documents and information which the Debtor believes to be required in order for a Qualified Bidder to be in a position to make an offer or propose a transaction in connection with the Debtor's business or the Assets (the “**Information**”).

The present Request for Offers (the “**Request**”) is subject to and governed by the following conditions and terms:

- 1. VENDOR.** The Vendor of the Assets will be either the Debtor, a receiver to be appointed in respect of the Assets or, in the event of the Debtor's bankruptcy, the Debtor's bankruptcy trustee (“**Vendor**”).
- 2. ASSETS.** The assets forming the object of any Qualified Bid (the “**Assets**”) will consist of the whole or any portion of all of the Debtor's corporeal and incorporeal, tangible and intangible property and any interests of the Debtor therein (to the extent of such interests) including, without limitation, all inventory, accounts receivable, leasehold improvements, leasehold rights, contractual rights under agreements, fixed assets, intellectual property and goodwill and shares in all of the Debtor's subsidiaries including, without limitation, M0851 Products and Architectural Design Inc. and M0851 Trading (Beijing) Co. Ltd.
- 3. QUALIFIED BIDDER.** The Debtor will only consider Qualified Bids from bidders who have provided to KPMG a fully executed “Confidentiality and Non-Disclosure Agreement” (the “**NDA**”) to the Debtor's complete satisfaction (a “**Qualified Bidder**”).
- 4. DUE DILIGENCE.** Upon request made by a Qualified Bidder to KPMG, the Qualified Bidder may be granted access to the Information, in order to allow the Qualified Bidder to complete its due diligence prior to submitting a bid, all subject to and in accordance with the provisions of the NDA.

5. **QUALIFIED BID.** The Debtor shall only consider bids which meet the following conditions (a “**Qualified Bid**”), namely:
- (a) the bid is submitted by a Qualified Bidder;
 - (b) the bid is submitted by the Bid Deadline;
 - (c) the bid pertains to the acquisition or liquidation of the whole or any portion of the Assets or a transaction in connection with the investment or partnership in the Debtor's business;
 - (d) the bid indicates the consideration offered for the Assets to be purchased or the proposed transaction (the “**Purchase Price**”) and the method of its payment;
 - (e) the bid is not conditional upon the outcome of unperformed due diligence or the obtaining of financing;
 - (f) the bid is conditional upon the issuance by the Commercial Division of the Quebec Superior Court for the District of Montreal (the “**Court**”) of a judgment or order (the “**Approval Order**”) which has been made executory notwithstanding appeal or which has become final as a result of the delay for appeal having expired without an appeal having been lodged or, an appeal having been lodged, the Order having been confirmed on appeal withdrawn which:
 - (i) authorizes Vendor (**A**) in the case of the sale of Assets, to sell the relevant Assets to the Qualified Bidder, free and clear of all hypothecs, prior claims, security interests, liens, charges and encumbrances whatsoever other than any expressly assumed by the Qualified Bidder in its Qualified Bid, and/or (**B**) to enter into and complete the proposed transaction with the Qualified Bidder, the whole in accordance with the terms and conditions of the Qualified Bid;
 - (ii) in the case of the Assets comprising leasehold rights, orders the assignment by Vendor to the Qualified Bidder of all of the Debtor's rights and obligations under some or all leases creating such leasehold rights; and
 - (iii) in the case of Assets comprising contractual rights, orders the assignment by Vendor to the Qualified Bidder of all of the Debtor's rights and obligations under some or all agreements creating such contractual rights.
 - (g) in the case of a sale of the Assets, the bid is accompanied by a deposit equal to the lesser of \$50,000 or 5% of the Purchase Price (the “**Deposit**”) in the form of a certified cheque, irrevocable electronic transfer of funds or bank draft, payable to “KPMG Inc. – In Trust”;

- (h) the bid provides for a closing of the transaction envisaged by the Qualified Bid (the “**Contemplated Transaction**”) by no later than 5 o’clock p.m. (Montreal time) on December 5, 2017 (the “**Closing Date**”); and
 - (i) the Qualified Bid provides for the following acknowledgments and representations from the Qualified Bidder, namely that:
 - (i) the Qualified Bidder has had the opportunity to conduct all due diligence regarding the Assets and/or the Debtor, before submitting its bid;
 - (ii) the Qualified Bidder acknowledges and recognizes that the Contemplated Transaction will be made on an “*as is / where is*” basis, at the Qualified Bidder’s own risk and peril, without any representations or warranties of any nature whatsoever, implicit or explicit, legal or conventional, statutory or otherwise, with respect to the Assets and/or the Debtor;
 - (iii) the Qualified Bidder, in submitting its bid, has relied solely upon its own independent review, investigation and/or inspection of the Assets and the Information concerning the Assets and/or the Debtor;
 - (iv) the Qualified Bidder, in submitting its bid, has not relied upon any written or oral representations, warranties, guaranties or statements whatsoever, whether express or implied, statutory or otherwise, regarding the Assets and/or the Debtor or regarding any Information or the completeness thereof; and
 - (v) the bid is accompanied by such other information as may be reasonably requested by the Debtor and/or KPMG.
6. **BID DEADLINE.** Qualified Bids accompanied by the Deposit must be received in a sealed envelope by KPMG by no later than noon (Montreal time) on November 24, 2017 (the “**Bid Deadline**”). Such sealed envelope must clearly be marked “**BID – 175413 CANADA INC.**”.
 7. **OPENING OF QUALIFIED BIDS.** Qualified Bids will be opened at KPMG’s offices upon the expiry of the Bid Deadline. No bidder will be present at the opening of bids.
 8. **WITHDRAWAL OF A QUALIFIED BID.** All Qualified Bids submitted constitute a firm offer and cannot be revoked, unless a written notice of withdrawal of the Qualified Bid is received by KPMG prior to the expiry of the Bid Deadline.
 9. **RETAINED BIDDER AND CONTEMPLATED TRANSACTION.** KPMG, after consultation with the Debtor, and/or the Debtor, will determine which of the Qualified Bids, if any, is acceptable. KPMG may elect to reject any or all of the Qualified Bids and is under no obligation to accept the highest Qualified Bid or to accept any of the Qualified Bids. The Qualified Bidders will be informed in writing by no later than 5 o’clock p.m. (Montreal time)

on November 27, 2017 of the decision in respect of their respective Qualified Bids as follows:

- (a) if a Qualified Bid is accepted, the Qualified Bidder will receive a notice of acceptance from KPMG (the “**Notice of Acceptance**”) confirming that the Debtor agrees to complete the Contemplated Transaction with the Qualified Bidder (each a “**Retained Bidder**”), the whole subject to the issuance of the Approval Order (each a “**Retained Bid**”); and
 - (b) if a Qualified Bid is dismissed, the Qualified Bidder will receive notice of dismissal from KPMG and the Deposit (without any accrued interest thereon) will be promptly returned by KPMG to the Qualified Bidder. The Qualified Bidder recognizes and acknowledges that it has absolutely no recourse against KPMG and/or the Debtor as a result of the dismissal of its Qualified Bid, save and except with respect to the return of its Deposit (without any accrued interest thereon).
10. **DEFINITIVE AGREEMENTS.** Following receipt of a Notice of Acceptance, the Retained Bidder, the Debtor and KPMG undertake to negotiate in good faith to finalize the definitive agreements necessary to fully implement the Contemplated Transaction (the “**Definitive Agreements**”).
 11. **APPLICATION TO THE COURT.** Unless the Debtor otherwise agrees, the Application to the Court seeking issuance of the Approval Order will not be filed with the Court prior to the drafts of the Definitive Agreements having been approved in writing by each of the Debtor, KPMG and the Retained Bidder.
 12. **CLOSING.** Closing of the Contemplated Transaction(s) will occur no later than the Closing Date.
 13. **LIABILITY FOR TAXES.** All applicable duties and taxes (including all sales taxes) that may be payable as a result of or in connection with the Contemplated Transaction will be paid by the Retained Bidder (in addition to the Purchase Price) in full at closing.
 14. **WITHDRAWAL OF ACCEPTANCE.** The Debtor may withdraw its Notice of Acceptance at any time prior to the closing of the Contemplated Transaction. In the event of such withdrawal, KPMG will immediately return the Deposit (without any accrued interest thereon) to the Retained Bidder and the Retained Bidder will have no further rights or recourses whatsoever against the Debtor and/or KPMG.
 15. **EXCLUSION OF WARRANTIES.** Any Contemplated Transaction will be made strictly on an “*as is / where is*” basis, without any representations or warranties on the part of the Debtor, any other Vendor or KPMG, of any nature whatsoever, implicit or explicit, legal or conventional, statutory or otherwise with respect to the Assets and/or the Debtor, all such representations or warranties being expressly excluded from the Contemplated Transaction. Without limiting the generality of the foregoing, in connection with a sale of the Assets, the Qualified Bidder acknowledges (and will acknowledge in the Definitive

Agreements) having examined the Assets in all respects and being completely satisfied with their existence, state, condition, saleability, quality and quantity in all respects. Additionally, in connection with a sale of the Assets, the Retained Bidder recognizes and acknowledges (and will recognize and acknowledge in the Definitive Agreements) that the Debtor and any other Vendor is not a professional seller of the Assets.

16. **POSSESSION.** Upon occurrence of closing on the Closing Date, in the event the contemplated transaction is in respect of the Assets, the Retained Bidder will take possession of the Assets strictly on an “*as is / where is*” basis, at its own cost and expense, without any liability on the part of the Debtor or KPMG. The Retained Bidder will indemnify and hold each of the Debtor and KPMG harmless for and against all claims in connection with any damages caused to any premises where the Assets are located as a result of the Qualified Bidder’s taking possession thereof.
17. **TITLE.** Title to the Assets will not pass to the Retained Bidder nor will the Retained Bidder be entitled to possession thereof until the occurrence of closing on the Closing Date.
18. **DEFAULT OF A QUALIFIED BIDDER.** If a Qualified Bidder fails to comply with any of the terms, conditions and provisions of this Request, the NDA or its Qualified Bid, the Qualified Bidder will indemnify and hold harmless each of the Debtor and KPMG for any damages incurred as a result of such failure.
19. **DEFAULT OF A RETAINED BIDDER.** If a Retained Bidder fails to complete the Contemplated Transaction or breaches the terms, conditions and provisions of this Request or the NDA, then:
 - (a) such Retained Bidder will be absolutely deemed to have completely forfeited its Deposit to and in favour of the Debtor and KPMG shall immediately remit such Deposit to the Debtor, which the Debtor shall be entitled to retain as pre-determined partial damages (and not as a penalty) resulting from such Retained Bidder’s default; and
 - (b) the Debtor and/or KPMG, as the case may be, will be entitled to claim damages from the Retained Bidder resulting from such Retained Bidder’s default in excess of the Deposit.
20. **NO ASSIGNMENT.** Neither a Qualified Bidder nor a Retained Bidder will be entitled to transfer or assign, in whole or in part, any of its rights, title and/or interest in or to its Qualified Bid and/or Retained Bid, except with the express prior written consent of the Debtor. If such consent is given by the Debtor, such Qualified Bidder, the Retained Bidder and the designated transferee/assignee will be solidarily (jointly and severally) liable towards the Debtor for all of the obligations of the Qualified Bidder and/or the Retained Bidder under its Qualified Bid and/or Retained Bid.
21. **NOTICE.** All communications (including, without limitation, all notices, acceptances, consents and approvals) provided for or permitted under this Request shall be in writing,

sent by personal delivery, courier, facsimile or electronic transmission at the following coordinates:

(a) For any Qualified Bidders: At the coordinates indicated in their respective bids;

(b) For the Debtor: 175413 CANADA INC.

5555 avenue Casgrain

Suite 201

Montréal, Québec H2T 1Y1

Attention: Frederic Mamarbachi

Daniel Becker

E-Mail: frederic@m0851.com

daniel@m0851.com

(c) To KPMG: KPMG INC.

600 Maisonneuve Blvd West

Suite 1500

Montreal, Quebec H3A 0A3

Attention: Stéphane De Broux

Richard Lépine

E-Mail: sdebroux@kpmg.ca

rlépine@kpmg.ca

- 22. APPLICABLE LAW AND JURISDICTION.** This Request, the NDA, the Definitive Agreements and the Contemplated Transaction(s) will be subject to and governed by the laws of the Province of Quebec and the laws of Canada in force therein from time to time. Each Qualified Bidder, the Debtor and KPMG attorns to the exclusive jurisdiction of the Court with respect to any and all legal proceedings or remedies related, directly or indirectly, to this Request, the NDA, the Definitive Agreements and the Contemplated Transaction(s).
- 23. DELAYS.** If any delay provided for herein expires on a day that is not a business day (i.e. any day other than a Saturday, Sunday or statutory holiday in the Province of Quebec or any other day on which banks are generally closed for business in the Province of Quebec), the delay will be extended to the next business day. All delays set forth in this Request, including, without limitation, the Bid Deadline, the Closing Date and the delays set forth in Sections 7 and 9 hereof, may be extended by the Debtor, with the consent of KPMG.
- 24. WAIVER OR VARIANCE OF CONDITIONS.** All of the conditions set forth in this Request, the NDA and the Contemplated Transaction will enure to the exclusive benefit of the Debtor or any other Vendor and, accordingly, the Debtor or any other Vendor alone (and

expressly not any Qualified Bidder or any Retained Bidder) will be entitled to waive or vary any of such conditions.

- 25. LANGUAGE.** Each of the Debtor, KPMG and the Qualified Bidders agree that this Request, the NDA, the Definitive Agreements, the Contemplated Transaction and all related documents be drawn up solely in the English language. / *Chacun des "Debtor", "KPMG" et "Qualified Bidders" consentent à ce que ce "Request", "Confidentiality Agreement", "Definitive Agreements", "Contemplated Transaction" et tous les documents y afférents soient rédigés dans la langue anglaise.*

MONTREAL, October 30, 2017

KPMG INC., in its capacity as Trustee
to the Notice of Intention to Make a Proposal of
175413 Canada Inc.

APPENDIX B

175413 Canada Inc.**List of potential interested parties****Nom de la compagnie**

Groupe Dynamite Inc.
Gildan Apparel Inc.
Le Château
Lowell MTL / LEF industries
Point Zero
Collection La Marque Inc.
Pajar
Nobis
Quartz and Co
Sorel - Columbia
Brave Leather
Arcteryx
Erin Templeton
Laura
Jack & Jones - Bestsellers
Frank & Oak
Reitmans
Joseph Ribkoff, Inc.
Canada Leathers
Eileen Fisher, Inc.
James Perse Enterprises, Inc.
Tristan
Aritzia
Kanuk / Champlain
Frank Lyman
Joe Fashions / Premium Retail Group
Canada Goose Holdings Inc.
Roots Canada Ltd.
Lulu Lemon
Elie Tahari, Ltd.
Lafayette 148 New York Inc.
Andrew & Suzanne Company, Inc.
Audvik
APP Group - Mackage
The Levy Group, Inc.
Peerless Garments LP
DK Company
Overland Sheepskin Company, Inc.
Soprano Handbags
NYGÅRD International Partnership
Danier Leather Inc.
Jaw Leather Goods
Vince Holding Corp.

APPENDIX C



Designer, Manufacturer and Retailer in the textile industry (clothing, bags and accessories)

Communications

All communications regarding this opportunity should be directly sent to: **KPMG inc.**
600, de Maisonneuve W,
Suite 1500
Tour KPMG
Montreal (QC) H3A OA3
Canada

Contact Information

Richard Lépine
Vice-President
+1 (514) 840 -2501
rlepine@kpmg.ca

Additional Informations

Please contact the representative of the Trustee to obtain a copy of the call for tender, which includes the details of the Assets and the conditions.

Context

The Company started a restructuring process on September 27, 2017, by the filing of a notice of intention to file a proposal (hereinafter the “**NOI**”) pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act* (hereinafter the “**BIA**”). KPMG inc. (hereinafter “KPMG”) has been appointed as trustee to the NOI.

As part of its restructuring process, the Company, with the support and supervision of KPMG, solicits offers for the purchase of its assets, subject to the approval of the Superior Court of Quebec.

The offers must be received by no later than November 24, 2017.

Company profile

A private company with a manufacturing, distribution and Head Office complex located in Montreal, Quebec.

With 30 years of experience, the Company designs and manufactures leather bags, accessories, jackets and outerwear, with high-end raw materials sourced around the world.

The Company caters to a diverse clientele through its own network of Canadian corporate and franchisee stores, in the US and abroad, through corporate stores owned by related companies and selected third party retail stores.

The Company :

- ❖ In operation since 1987
- ❖ High-quality leather and fabric products designed and manufactured locally.
- ❖ Creative design house of international reputation
- ❖ Products distributed in concept boutiques in Canada, the USA and various cities around the world.
- ❖ Carries approximately 400 different product styles.

Business assets offered for sales:

All the assets of the Company , including among others:

- ❖ Manufacturing operations based in Montreal, including equipment
- ❖ Inventories located at the head office and accounts receivable.
- ❖ Canadian corporate stores operations, including inventories, and furniture and fixtures
- ❖ Leasehold rights
- ❖ Contractual rights under agreements
- ❖ Intellectual property;
- ❖ Shares in subsidiaries (USA and China)

Important notice

This document contains basic information, statements and estimates provided to KPMG Inc. by the Company and its management. This document contains certain statements, estimates and projections with respect to the anticipated future performance of the Company. Such statements, estimates and projections reflect various assumptions made by the management of the Company concerning anticipated results, which assumptions may or may not prove to be correct. No representation is made as to the accuracy of such statements, estimates and projections.

Any person including any purchaser referred to in this document or any business or assets referred to herein must satisfy himself as to all matters relating to that Company or such business assets including all the information and statement contained herein.

KPMG Inc. on behalf of itself and all other member firms of KPMG, and all partners, staff and agents thereof, does not accept responsibility for any information contained herein and disclaims all liability to any person or entity arising out of or in connection with such information. KPMG Inc. is a division of KPMG LLP which is authorized and regulated by the Financial Services Authority for investment business activities.

APPENDIX D

OFFER TO PURCHASE

175413 CANADA INC.

c/o KPMG Inc.
600 de Maisonneuve Blvd. West
Montreal, Quebec
H3A 0A3

ATTENTION: Stéphane De Broux

Gentlemen:

10498700 Canada Inc. ("**Purchaser**"), hereby offers to purchase from Vendor all corporeal/tangible and incorporeal/intangible property, of any nature, form or location whatsoever which is, as of the Closing Date, owned by 175413 Canada Inc. ("**Debtor**") or in which the Debtor has any right, title or interest (to the extent of such interest), save and except for the Excluded Assets, but including, without limitation, the following:

- A. all leases and similar agreements including all amendments thereto and offers to lease (the "**Premises Leases**") for the Debtor's occupancy of the following (collectively the "**Acquired Premises Leases**"):
 - (i) each and every one of the retail store premises marked by Purchaser as being "ACQUIRED" on **Schedule "A"** hereto; and
 - (ii) the Debtor's head office and warehouse located at 5555 Casgrain, Suite 201, Montreal, Quebec H2T 1Y1;
- B. all contractual rights under all of the trademark license agreements to which the Debtor is party as licensor as more fully described at "**Schedule B**" hereto (the "**License Agreements**");
- C. the equipment lease and similar agreements more fully described at "**Schedule C**" hereto for the Debtor's leasing of certain equipment (the "**Acquired Equipment Lease**");
- D. all of the equipment which is the object of the Acquired Equipment Lease;
- E. all of the Debtor's goods, wares, merchandise and inventory wherever situated, including, without limitation, all in-transit inventory and/or on-order inventory (the "**In-Transit Inventory**"), the full benefit of all deposits or other partial payments made by the Debtor to the suppliers of all of the foregoing (collectively the "**Inventory**");

- F. all of the Debtor's furniture, fixtures, computers, office equipment and other equipment other than the Non-Acquired Equipment, store fixtures and store equipment wherever situated;
- G. all intellectual property in its broadest sense including, without limitation, all patents, trademarks, copyrights, tradenames and all other intellectual property (including, without limitation, the trademarks/names "m 0851" and/or "m0851");
- H. all accounts receivable and other claims;
- I. all goodwill pertaining to the business carried on by the Debtor (the "**Business**") including, without limitation, the right of Purchaser to continue to carry on the Business for the Purchaser's own account and to the complete exoneration of the Debtor;
- J. all monies and cash on hand held by the Debtor or held by any financial institution(s) on behalf of the Debtor; and
- K. all shares held by the Debtor in the Debtor's subsidiary: M0851 Trading (Beijing) Co. Ltd.,

(all collectively the "**Purchased Assets**"), subject to and upon the following conditions and terms, namely:

1. DEFINITIONS

1.1. In addition to words and terms otherwise defined herein, whenever used herein, the following words and terms shall have the following meanings:

(a) "**Approval Order**" means a Final Judgment which:

- (i) authorizes Vendor to sell all of the Purchased Assets to Purchaser free and clear of all hypothecs, prior claims, security interests, liens, charges and encumbrances whatsoever other than the Assumed Charges;
- (ii) authorizes Vendor to enter into and complete the sale of the Purchased Assets to Purchaser, the whole in accordance with the terms and conditions of this Offer;
- (iii) orders the assignment by Vendor to Purchaser of all of the following:
 - a. Acquired Premises Leases;
 - b. Acquired Equipment Lease; and
 - c. License Agreements.

- (b) **"Assumed Charges"** means any and all of the charges, hypothecs, prior claims, security interests, liens or encumbrances, enumerated in **Schedule "D"** hereto;
- (c) **"Assumed Debts"** means:
 - (i) all salaries, other remuneration and benefits owing or to become owing to all Assumed Employees from and after the Closing Date;
 - (ii) all indebtedness owing by the Debtor under the Acquired Premises Leases (the **"Acquired Premises Lease Debts"**) as at and after the Closing Date;
 - (iii) all indebtedness owing by the Debtor under the Acquired Equipment Lease as at and after the Closing Date;
 - (iv) all amounts owing to suppliers of any In-Transit Inventory, whether prior to or after the Closing Date, and all costs and expenses of shipping and landing such In-Transit Inventory in Canada (including, without limitation, all shipping charges, customs duties, sales taxes, other taxes, brokerage fees and other charges); and
 - (v) the Professional Fees;
- (d) **"Assumed Employees"** means any and all of Debtor's current (but not past) employees;
- (e) **"Closing Date"** has the meaning ascribed thereto in **Clause 6.1** hereof;
- (f) **"Closing Deadline"** means the date which is no later than **5 o'clock P.M.** (Montreal time) on **December 5, 2017** or such later date as may be agreed to in writing by the Debtor, Purchaser and the Trustee;
- (g) **"Court"** means the Commercial Division of the Quebec Superior Court for the District of Montreal;
- (h) **"Escrow Agent"** means KPMG Inc.;
- (i) **"Excluded Assets"** means:
 - (i) the Non-Acquired Equipment;
 - (ii) the Non-Acquired Equipment Lease;
 - (iii) the Non-Acquired Premises Leases;
 - (iv) all shares held by the Debtor in the Debtor's US subsidiary: M0851 Products and Architectural Design Inc.;

- (v) all right, title and interest in and to any and all leases, or similar agreements, and amendments thereto, for the Debtor's occupancy of that certain premises known as 134 Newbury Street, Boston, Massachusetts; and
- (vi) any and all tax credits owing or to become owing by fiscal authorities to the Debtor;
- (j) **"Final Judgment"** means a judgment or order of the Court which has been made executory notwithstanding appeal or which has become final as a result of the delay for appeal having expired without an appeal having been lodged or, an appeal having been lodged, such judgment or order having been confirmed on appeal or appeal withdrawn;
- (k) **"Interim Financing Debt"** means the aggregate amount of all debts and obligations owing by the Debtor to Continental Capital Investments Inc. ("**Continental**") as at and after the Closing Date (including all capital, interest, fees and charges) in respect of the revolving operating facility extended by Continental to the Debtor pursuant to the terms of that certain "Commitment Letter" issued by Continental on October 2, 2017 and accepted by the Debtor on October 3, 2017 and thereafter authorized and ratified by the Court pursuant to the "Charge Order" issued by the Court on October 6, 2017 under Court number 500-11-053292-179;
- (l) **"Non-Acquired Equipment"** means the Debtor's right, title and interest (to the extent of such interest) in and to the equipment which is the object of the Non-Acquired Equipment Lease including, without limitation: (a) the Teseo S.P.A. 3230 TH Automatic Leather Cutting Line; and (b) the Morgan Tecnica S.P.A. Razor 50 Split mod 01;
- (m) **"Non-Acquired Equipment Lease"** means the "Equipment Lease Agreement" between Royal Bank of Canada, as lessor, and 175413 Canada Inc., as lessee, bearing lease no. 201000010794 and lessee no. 698466984 for the lease of, *inter alia*: (a) the Teseo S.P.A. 3230 TH Automatic Leather Cutting Line; and (b) the Morgan Tecnica S.P.A. Razor 50 Split mod 01;
- (n) **"Non-Acquired Premises Leases"** means the Premises Leases for the Debtor's occupancy of the retail store premises marked by Purchaser as "NOT ACQUIRED" on **Schedule "A"** hereto;
- (o) **"Offer"** means this Offer to Purchase including all Schedules hereto;
- (p) **"Professional Fees"** means the aggregate amount of all fees and disbursements of the Trustee, the Trustee's legal counsel (if applicable) and the Debtor's legal counsel which remain outstanding on the Closing Date and which may become owing after the Closing Date;

- (q) "**Trustee**" means KPMG Inc., in its capacity as Trustee to the Debtor's notice of intention to make a proposal filing; and
- (r) "**Vendor**" means the Debtor, a Court appointed receiver or interim receiver in respect of the Debtor or the Debtor's bankruptcy trustee, in each case authorized by the Court pursuant to the Approval Order.

2. PURCHASE PRICE

2.1. The total purchase price for the sale and purchase of the Purchased Assets envisaged by this Offer shall be the sum of the following (collectively the "**Purchase Price**"), payable by Purchaser as follows, namely:

- (a) the Interim Financing Debt, which shall be paid by Purchaser's full assumption of the Interim Financing Debt to the Debtor's complete exoneration; and
- (b) the Assumed Debts, which shall be paid by Purchaser's full assumption of such Assumed Debts to the Debtor's complete exoneration.

2.2. With and as a condition of submitting this Offer, Purchaser shall remit to the Escrow Agent in trust a deposit of \$50,000 (the "**Deposit**") by immediately available funds. Such Deposit shall be dealt with by the Escrow Agent as follows:

- (a) in the event that Closing occurs by the Closing Deadline, the Deposit shall be returned by the Escrow Agent to Purchaser;
- (b) in the event that this Offer becomes null, void and inoperative as a result of the non-occurrence/non-fulfillment of all of the Closing Conditions by the Closing Deadline, the Deposit shall be immediately returned by the Escrow Agent to Purchaser;
- (c) in the event that the Closing Conditions have occurred by the Closing Deadline and the Purchaser fails to proceed to and effect Closing on the Closing Date, the Deposit shall be deemed, for all purposes, to have been forfeited by Purchaser to the Debtor as pre-determined and liquidated damages (and not as a penalty) resulting from Purchaser's breach of this Offer and shall be remitted by the Escrow Agent to the Debtor;
- (d) the Escrow Agent, provided only that it has acted honestly and in good faith having regard to all of the circumstances, shall have absolutely no liability whatsoever towards Vendor or Purchaser as a result of anything done or not done by the Escrow Agent in the fulfillment of or related to fulfillment of the Escrow Agent's duties hereunder;

2.3. At Closing, Vendor and Purchaser shall sign and thereafter file with the relevant taxation authorities all such elections as may be necessary in order to exempt

Vendor from collecting and Purchaser from paying any Canadian goods and services tax and Quebec sales tax (collectively the "**Sales Taxes**") in respect of the sale and purchase of the Purchased Assets envisaged hereby. If such elections are not possible, Purchaser shall, at Closing, in addition to the Purchase Price, pay all of the Sales Taxes to Vendor.

3. EXCLUDED ASSETS AND LIABILITIES

- 3.1.** The sale and purchase envisaged hereby shall exclude all of the Debtor's property other than the Purchased Assets and expressly excludes the Excluded Assets.
- 3.2.** Other than the Assumed Debts and the Interim Financing Debt, Purchaser shall neither assume nor bear any responsibility whatsoever for any of the Debtor's debts, liabilities and obligations, including, without limitation, any debts and liabilities secured by the Non-Acquired Equipment. Notwithstanding the foregoing, there is no representation or warranty extended by Vendor to Purchaser with respect to Purchaser's potential debts or obligations towards Debtor's employees.

4. WARRANTIES

- 4.1.** Vendor, at Closing, shall warrant to Purchaser that:
- (a)** the Approval Order has been issued by the Court;
 - (b)** Vendor is duly empowered and authorized to effect the sale to Purchaser of the Purchased Assets in accordance with the terms and conditions of this Offer and the Approval Order;
 - (c)** Debtor has not disposed of any of the Purchased Assets (other than sales of Inventory in the ordinary course of business) prior to the Closing Date;
 - (d)** Debtor is not a non-resident of Canada under the relevant provisions of the *Income Tax Act*, Canada and the *Taxation Act*, Quebec; and
 - (e)** Debtor shall have paid and shall pay all Acquired Premises Lease Debts accruing up until (but not after) the Closing Date.
- 4.2.** The warranties set forth in **Clause 4.1** hereof are the only warranties and representations, of any nature or form whatsoever, made or to be extended or to be made and extended at Closing by Vendor to Purchaser.
- 4.3.** Without limiting the generality of **Clauses 4.1** and **4.2** hereof, Purchaser acknowledges and represents that:
- (a)** Purchaser has had the opportunity to conduct all due diligence regarding the Purchased Assets and/or the Debtor, before submitting this Offer;

- (b) Purchaser has examined the Purchased Assets in all respects and having been completely satisfied with their existence, state, condition, salability, quality and quantity in all respects;
- (c) Purchaser acknowledges and recognizes that the sale and purchase envisaged hereby will be made on an "as is/where is" basis, at Purchaser's own risk and peril, without any representations or warranties of any nature whatsoever, implicit or explicit, legal or conventional, statutory or otherwise, with respect to the Purchased Assets and/or the Debtor;
- (d) Purchaser, in submitting this Offer, has relied solely upon its own independent review, investigation and/or inspection of the Assets and all information furnished to Purchaser concerning the Purchased Assets and/or the Debtor; and
- (e) Purchaser, in submitting this Offer, has not relied upon any written or oral representations, warranties, guarantees or statements whatsoever, whether express or implied, statutory or otherwise, regarding the Purchased Assets and/or the Debtor or regarding any information furnished to Purchaser or the completeness thereof.

5. CLOSING CONDITIONS

5.1. The sale and purchase of the Purchased Assets envisaged hereby are subject to the occurrence and/or fulfillment of each of the following conditions (the "**Closing Conditions**"), namely:

- (a) the issuance of the Approval Order; and
- (b) all of the warranties set forth in **Clause 4.1** hereof being true and accurate,

by no later than the Closing Deadline.

5.2. The Closing Conditions shall enure to the sole benefit of Purchaser and may be waived solely by Purchaser in its discretion.

6. CLOSING

6.1. Subject to the occurrence and/or fulfillment of all of the Closing Conditions (unless waived by Purchaser) by the Closing Deadline, closing of the sale and purchase of the Purchased Assets contemplated hereby shall occur on or before the Closing Deadline (the "**Closing Date**") at the offices of Kugler Kandestin LLP, 1 Place Ville Marie, Suite 1170, Montreal, Quebec H3B 2A7, which shall consist of the following (collectively the "**Closing**"), namely:

- (a) the signature by Vendor and Purchaser of an Agreement of Sale effecting the sale and purchase of the Purchased Assets envisaged hereby in accordance with the terms and conditions of this Offer;
- (b) the written assumption by Purchaser of the Interim Financing Debt and the Assumed Debts in the Agreement of Sale referred to in **Clause 6.1(a)** above;
- (c) the signature, execution and delivery of the exemption regarding payment and collection of sales taxes as envisaged by **Clause 2.3** hereof and, failing such election, the payment by Purchaser to Vendor of the Sales Taxes; and
- (d) the signature by Vendor and Purchaser of all other documents and the doing by Vendor and Purchaser of all other things in order to give full and proper effect to the sale and purchase of the Purchased Assets envisaged hereby.

7. GENERAL

- 7.1. Except to the extent inconsistent with the terms, conditions and provisions of this Offer, all of the terms, conditions and provisions of the "Request for Offers" issued by the Trustee in respect of the Debtor shall be deemed to form part of this Offer and shall bind both Vendor and Purchaser.
- 7.2. The interpretation, validity and enforcement of this Offer and the sale and purchase of the Purchased Assets envisaged hereby shall be subject to and governed by the laws of the Province of Quebec and the laws of Canada applicable therein.
- 7.3. These presents may be executed in one or more counterparts in photocopy, facsimile or pdf format, each of which shall be deemed to be an original and all of which together shall constitute one and the same document.
- 7.4. The Clause headings herein contained are for ease of reference only, do not form part hereof and shall not, in any manner, be used in the interpretation of the contents hereof.

8. ACCEPTANCE

- 8.1. This Offer shall be and remain open for acceptance by Debtor's signing where indicated below and returning a signed copy of this Offer to Purchaser (in person, by messenger, by facsimile transmission or by e-mail) at Purchaser's coordinates set forth below by no later than **5 o'clock P.M. on November 27, 2017** (or such later date to which Purchaser may, in its discretion, agree to in writing), failing which this Offer shall lapse and become null, void and inoperative for all purposes, in which case the Deposit shall be immediately returned by the Escrow Agent to Purchaser.

9. LANGUAGE


- 9.1.** The parties hereto acknowledge that they have required that this agreement and all related documents be prepared in English. *Les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais.*

[Signature page follows]

MONTREAL, this 23rd day of November, 2017:

10498700 CANADA INC.

Per:



Faye Mamarbachi, President

COORDINATES OF PURCHASER:

Address:5555 Casgrain, Suite 201
Montreal, Quebec
H2T 1Y1

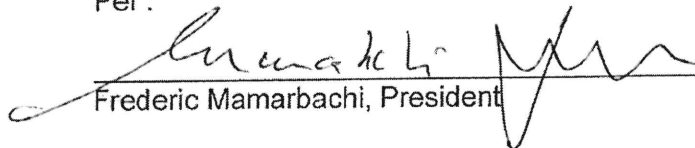
E-Mail:faye@m0851.com

ACCEPTANCE:

The Debtor hereby accepts this Offer at 10 o'clock on November 27, 2017.

175413 CANADA INC.

Per :



Frederic Mamarbachi, President

[Signature page to Offer to Purchase]

SCHEDULE "A"

ACQUIRED STORE LEASES

(Purchaser is to mark with a check whether it will acquire the Premises Leases
for each of the following retail store premises)

	RETAIL STORE PREMISES	ACQUIRED	NOT ACQUIRED
1.	3526 Blvd. Saint-Laurent Montreal, Quebec	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2.	2305 Chemin Rockland (Rockland Shopping Centre) Montreal, Quebec	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3.	677 Sainte-Catherine West Montreal, Quebec	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.	4925 Sherbrooke Street West Westmount, Quebec	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5.	38 Avenue Road Toronto, Ontario	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6.	2901 Bayview Avenue North York, Ontario	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7.	220 Yonge Street Toronto, Ontario	<input checked="" type="checkbox"/>	<input type="checkbox"/>

SCHEDULE "B"

LICENSE AGREEMENTS

- (a)** "Trademark License Agreement" between 175413 Canada Inc., as licensor, and Lapine Co., Ltd., as licensee, dated January 2015;
- (b)** "Trademark License Agreement" between 175413 Canada Inc., as licensor, and 0806433 BC Ltd., as licensee, dated March 2012; and
- (c)** "Trademark License Agreement" between 175413 Canada Inc., as licensor, and 9265-6057 Quebec Inc., as licensee, dated September 12, 2012.

SCHEDULE "C"

ACQUIRED EQUIPMENT LEASE

- "Equipment Lease Agreement" dated as of September 25, 2013 between Royal Bank of Canada, as lessor, and 175413 Canada Inc., as lessee, bearing lease no. 201000010795 and lessee no. 698466984.

SCHEDULE "D"

ASSUMED CHARGES

- (a) Rights arising under a lease by 175413 Canada Inc., as lessee, and Royal Bank of Canada, as lessor, with respect to the standard equipment lease dated September 25, 2013, together with all attachments, accessories, replacements, substitutions and proceeds thereof, published by notice thereof at the Register of Personal and Movable Real Rights (the "RDPRM") on October 4, 2013 under no. 13-0881781-0001; and
- (b) That certain "Interim Financing Charge" in favour of Continental Capital Investments Inc. created pursuant to the "Charge Order" issued by the Commercial Division of the Superior Court of Quebec on October 6, 2017 under Court no. 500-11-053292-179 charging all of the Debtor's present and future assets, rights, undertakings and property, movable, personal, corporeal or incorporeal, tangible or intangible and wherever situate, including all proceeds thereof, to the extent of the aggregate principal amount of \$2,400,000 plus interest at the rate of 17% *per annum*, and any and all publications/registrations thereof including, without limitation, that certain publication registered by notice at the RDPRM on November 22, 2017 under no. 17-1239293-0001.