

C A N A D A  
PROVINCE OF QUEBEC  
DISTRICT OF MONTREAL  
COURT. No.: 500-11-052159-171  
ESTATE. No.: 41-2223474

S U P E R I O R C O U R T  
Commercial Division

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

**BCBG MAX AZRIA CANADA INC.**, a legal person,  
duly constituted under the *Canada Business  
Corporations Act*, having its registered office at 1000  
de la Gauchetière Street West, Suite 2100, Montréal,  
Québec, H3B 4W5

Debtor/Petitioner

– and –

**DELOITTE RESTRUCTURING INC.**  
(Martin Franco, CPA, CA, CIRP, LIT designated  
person in charge), having a place of business at  
1190 des Avenue des Canadiens-de-Montréal  
Avenue, Suite 500, Montréal, Québec, H3B 0M7

Trustee

**FIRST REPORT TO THE COURT  
SUBMITTED BY DELOITTE RESTRUCTURING INC.  
IN ITS CAPACITY AS TRUSTEE TO THE NOTICE OF INTENTION TO MAKE A PROPOSAL**  
*(Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3)*

**INTRODUCTION**

1. On March 1, 2017, BCBG Max Azria Canada Inc. ("**BCBG Canada**", or the "**Company**" or the "**Debtor**") filed a Notice of Intention to make a proposal ("**NOI**") under the relevant provisions of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3.
2. Deloitte Restructuring Inc. ("**Deloitte**") was appointed as trustee to the Debtor (the "**Trustee**") under the NOI.

**PURPOSE OF THE FIRST REPORT**

3. In this first report (the "**First Report**") of the Trustee, the following will be addressed:
  - (i) Corporate structure of the Company and Company's operations;
  - (ii) Company's financial situation;
  - (iii) Company's creditors;
  - (iv) Overview of the consulting agreement and Store liquidation;
  - (v) Cash management system;
  - (vi) Debtor-in-possession financing ("**DIP Financing**");
  - (vii) Administration charge;

- (viii) D&O charge; and
  - (ix) Trustee's conclusion and recommendation.
4. In preparing this First Report, the Trustee has relied upon unaudited financial information, the Company's records, the Company's Application for an Order approving a DIP financing and related charge, an administration charge, a D&O charge, a consulting agreement and sale guidelines and for ancillary relief dated March 1, 2017 (the "**First Application**"), and its discussions with the management of the Company and their advisors. While the Trustee has reviewed the information, some in draft format, submitted in the abridged time available, the Trustee has not performed an audit or other verification of such information. Forward looking financial information included in the First Report is based on assumptions of the management of the Company regarding future events, and actual results achieved will vary from this information and the variations may be material.
5. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this First Report are as defined in the First Application or in the Canadian Forebearance Agreement (as defined hereinafter).
6. A copy of this First Report and further reports of the Trustee will be available on the Trustee's website at [www.deloitte.com/ca/BCBG](http://www.deloitte.com/ca/BCBG)

#### CORPORATE STRUCTURE OF THE COMPANY AND COMPANY'S OPERATIONS

7. BCBG Canada is a privately held company and was formed on December 11, 1998 under the *Canada Business Corporations Act* ("**CBCA**").
8. BCBG Canada is a wholly-owned indirect subsidiary of BCBG Max Azria Global Holdings LLC., a US entity ("**BCBG Global**").
9. BCBG Canada is the Canadian operating entity of the BCBG Max Azria group of companies ("**BCBG Group**"), a fashion design, wholesale and retail conglomerate specializing in women's apparel and accessories under the brands BCBGMaxAzria, Hervé Leger by Max Azria and BCBGeneration. These brands are sold in more than 41 countries, with over 700 retail stores worldwide.
10. The Company currently operates in Canada in 46 retail and 5 factory stores (the "**Stores**") and has one distribution center located in Montreal, Quebec ("**DC**").
11. BCBG Canada is also a party to a licensed department agreement ("**HBC Agreement**") with the Hudson's Bay Company ("**HBC**"), pursuant to which it operates 17 licensed Partner Shops within HBC retail locations ("**Partner Shops**").

#### Operating Locations by Province

Province	Stores (Retail)	Stores (Factory)	Partner Shops	DC	Total
Ontario	16	1	7	-	24
Quebec	13	3	4	1	21
British Columbia	9	1	4	-	14
Alberta	5	-	2	-	7
Manitoba	2	-	-	-	2
Nova Scotia	1	-	-	-	1
<b>Total</b>	<b>46</b>	<b>5</b>	<b>17</b>	<b>1</b>	<b>69</b>

12. The Company currently employs approximately 600 employees, 94 of which work at Partner Shops. None of the employees are unionized and there is no pension plan.

13. BCBG Canada leases all of its properties from third party landlords, with the exception of its DC which is leased from a related party. The Company has 52 leases with 18 different landlords or landlord groups (including the one with a related party).

#### Rental Contracts by Landlord

Landlord	Number of Premises	%
The Cadillac Fairview Corp.	15	28.9%
Oxford Properties Retail Holding Inc.	7	13.5%
Ivanhoe Cambridge Inc.	6	11.5%
Morguard Investments Ltd.	5	9.6%
Cominar R.E.I.T.	3	5.8%
OPB Realty Inc.	3	5.8%
RioCan R.E.I.T.	2	3.9%
Smart R.E.I.T.	1	1.9%
Hartleywood Holdings Inc.	1	1.9%
3356302 Canada Inc. (Affiliate) (DC)	1	1.9%
Others	8	15.4%
<b>Total</b>	<b>52</b>	<b>100.0%</b>

#### COMPANY'S FINANCIAL SITUATION

14. BCBG Canada's financial situation has deteriorated significantly over the last few years due to shifts in customer shopping patterns (e-commerce), expensive leases and underperforming and unprofitable store operations.
15. As appears from the First Application, BCBG Canada has suffered losses of approximately \$74.7M over the last 5 year period. As presented below, according to the unaudited financial statements for the year ended December 31, 2016, BCBG Canada had net sales of approximately \$64.6M and a negative EBITDA of approximately \$14.4M.

#### Historical Results (\$ 000)

Income Statement for the year ended	Dec-14	Dec-15	Dec-16
Revenues	83,933	69,678	64,561
Cost of Goods Sold	38,146	32,832	36,628
<b>Gross Profit</b>	<b>45,787</b>	<b>36,846</b>	<b>27,933</b>
Expenses	51,459	45,430	42,307
<b>EBITDA</b>	<b>(5,672)</b>	<b>(8,584)</b>	<b>(14,374)</b>

16. The latest unaudited balance sheet, as at December 31, 2016, is presented below.

<b>Historical Results (\$ 000)</b>	
<b>Balance sheet as at</b>	<b>Dec-16</b>
<b>ASSETS</b>	
Cash and other current assets	4,895
Inventories	22,859
Property, plant and equipment	3,280
Non-Current assets	695
<b>TOTAL ASSETS</b>	<b>31,729</b>
<b>LIABILITIES AND DEFICIT</b>	
Trade suppliers	1,845
Accrued liabilities and other current liabilities	2,345
Due to BCBG US	104,942
Revolving credit facility	17,085
Deferred rent, lease incentives and other	6,995
<b>TOTAL LIABILITIES</b>	<b>133,212</b>
Retained deficit and equity	(101,483)
<b>TOTAL LIABILITIES AND DEFICIT</b>	<b>31,729</b>

17. As shown above, BCBG Canada owned assets as at December 31, 2016 with a net book value of approximately \$31.7M and had total liabilities of approximately \$133.2M. As also indicated above, BCBG Max Azria Group LLC ("**BCBG US**") is the largest unsecured creditor.

18. The assets were mainly composed of inventory (\$22.9M) and property, plant and equipment (\$3.3M).

19. The total liabilities are further discussed in the following section of this report.

## **COMPANY'S CREDITORS**

### Secured creditors

20. BCBG Canada obtained a first lien revolving credit facility ("**Canadian Revolver**") with Bank of America, N.A. and other parties thereto ("**ABL Lenders**"). The Canadian Revolver is guaranteed by BCBG US and certain other members of the BCBG Group.

21. The Canadian Revolver is secured by hypothecs and liens on substantially all of the Company's assets (the "**universality of movable property**"). The amount due under the Canadian Revolver as of February 27, 2017 is estimated at approximately \$13.5M, excluding interest, fees and expenses.

22. As a result of certain events of default, on February 14, 2017, BCBG Canada and certain other members of the BCBG Group entered into a Forbearance Agreement (the "**Forbearance Agreement**") with the ABL Lenders to ensure the ABL Lenders did not enforce their rights.

23. The Trustee retained Davies Ward Phillips & Vineberg LLP to conduct a security review with respect to the general security agreement and hypothecs granted by BCBG Canada in respect of the Canadian Revolver. Said legal counsel have advised the Trustee (i) that the general security agreement creates a valid security interests in the property and the assets of BCBG Canada

described therein; and (ii) that each of the hypothecs creates a valid hypothec under the laws of the Province of Québec on the property described therein.

#### Unsecured creditors

24. BCBG Canada sources most of its inventory from its affiliate, BCBG US.
25. As of December 31, 2016, BCBG Canada is indebted to BCBG US for approximately \$105M for goods and services sold and delivered to BCBG Canada over the last few years, making BCBG US the largest unsecured creditor.
26. In addition to its indebtedness to its affiliate, of approximately \$105M, BCBG Canada is also indebted to various unsecured creditors for an amount of approximately \$4.2M including "Trade suppliers" and "Accrued liabilities and other current liabilities".
27. BCBG Canada has also received certain claims in connection with, among other things, withholding taxes, and transfer pricing adjustments, customs and duties charges. The aggregate amount of these contingent claims is approximately \$2.3M and may be subject to additional interest and penalties. This amount is not included in the above figures.

#### **OVERVIEW OF THE CONSULTING AGREEMENT AND STORE LIQUIDATION**

28. As part of its restructuring efforts, BCBG US engaged AlixPartners LLP as its global chief restructuring officer ("**CRO**").
29. In addition, BCBG Canada engaged FAAN Advisors Group Inc. ("**FAAN**") as chief Canadian restructuring advisor ("**CCRA**"). Furthermore, Mr. Naveed Manzoor of FAAN was appointed as the sole director of BCBG Canada on February 13, 2017.
30. The First Application describes the out-of-court restructuring efforts undertaken by both BCBG US and BCBG Canada, including the fact that BCBG Canada has failed to return its Stores' operations to profitability.
31. The Company determined, along with the CRO and the CCRA that its best alternative was to engage in a sale ("**Liquidation Sale**") of all its inventory and furniture, fixture and equipment ("**FF&E**") in the Stores and DC. The Liquidation Sale is to be performed under a formal restructuring process in order to achieve the best possible outcome for its stakeholders.
32. The Company shall be focusing its efforts on further developing department store relationships similar to the Partner Shops. Consequently, during the Liquidation Sale of the Stores, the Partner Shops will continue to operate in the normal course of business and are formally excluded from the Liquidation Sale.
33. In order to facilitate the Liquidation Sale and to maximize realization for its creditors, BCBG Canada has negotiated and executed an agreement (the "**Consulting Agreement**"), retaining Gordon Brothers Canada ULC and Merchant Retail Solutions, ULC (jointly, the "**Consultant**"), to advise the Company with respect to the Liquidation Sale. The Consultant shall be entitled to receive a fee equal to 1.5% (the "**Consultant Fee**") of the net proceeds of the Liquidation Sale, as defined in the Consulting Agreement, supervision costs and reimbursement of certain fees. (See Appendix A)
34. Under the terms of the Consulting Agreement, the Liquidation Sale will commence no later than two (2) business days following the Order to be issued by the Court and shall terminate no later than May 31, 2017 (the "**Termination Date**"), however BCBG Canada or the Consultant may

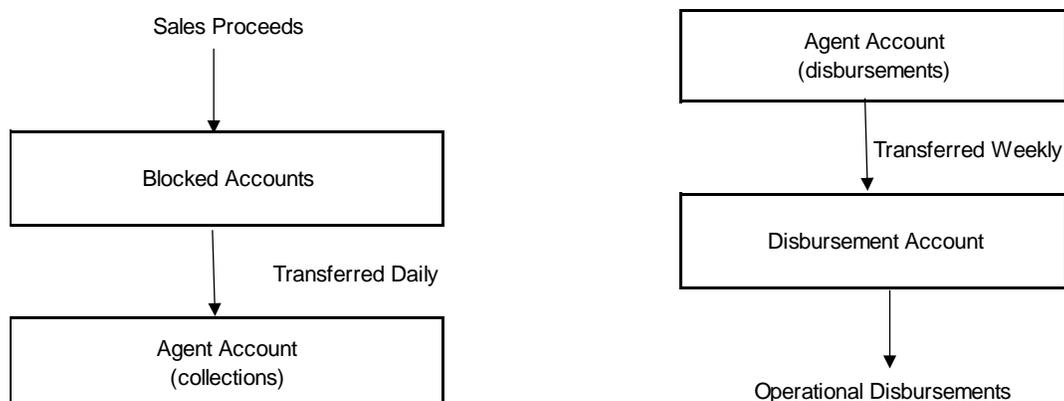
mutually agree in writing to terminate the Liquidation Sale at any Store prior to the Termination Date.

35. BCBG Canada will be responsible for all expenses of the Liquidation Sale, including operating expenses and reasonable, documented out-of-pocket expenses of the Consultant.
36. The Company also intends to continue to honour all outstanding gift certificates and store credits. All sales made during the Liquidation Sale will be final.
37. The Trustee supports the engagement of the Consultant. The Consultant's extensive experience will assist the Company in maximizing realizations, the whole in the best interests of the stakeholders. Moreover, the ABL Lenders are also supportive of the Consulting Agreement.

### **CASH MANAGEMENT SYSTEM**

38. The Company's cash management system is currently maintained and controlled by BCBG US' senior management in California, USA (the "**Cash Management System**") since as part of its restructuring efforts, BCBG Canada closed its head office in Canada in January 2017.
39. The Cash Management System allows for tracking of specific receipts and disbursements by Store and Partner Shop. The majority of transactions that take place are through credit cards or debit cards (settled daily) or through cash deposited into deposit accounts in Canada.
40. At the date of the filing of the NOI, the deposit bank accounts, the debit and the credit cards bank accounts are located in Canada and are blocked accounts ("**Blocked Accounts**") in favor of the ABL Lenders. As indicated in the First Application, in accordance with its agreements with the ABL Lenders, the Company must deposit all cash receipts on a daily basis to an account maintained by the ABL Lenders, through their agent (the "**Agent Account**").
41. Availability under the Canadian Revolver is determined on the basis of a weekly borrowing base calculation (the "**Borrowing Base Calculation**") on the inventory and accounts receivable of the Company. Advances under the Canadian Revolver are deposited into a designated disbursement account ("**Disbursement Account**") on a weekly basis to meet upcoming obligations.

42. See below for Cash Management System account flow chart:



Based on the above, you will find below the impact of such mechanic on the weekly cash flow (Appendix B)

Week Ended >>>>	2017-03-05	2017-03-12	2017-03-19	2017-03-26	2017-04-02	Total
<b>Canadian Revolver</b>						
Opening balance	13,484	13,788	12,978	11,487	9,576	13,484
Pre-filing repayment	(1,158)	(1,861)	(2,939)	(2,819)	(2,642)	(11,417)
Post-filing draws	1,462	1,051	1,447	908	1,979	6,846
<b>ENDING REVOLVER BALANCE</b>	<b>13,788</b>	<b>12,978</b>	<b>11,487</b>	<b>9,576</b>	<b>8,913</b>	<b>8,913</b>

43. As indicated above, of the total forecasted \$8.9M Canadian Revolver balance as at April 2, 2017, \$6.9M represents the total DIP Facility (as defined hereinafter).
44. In order to ensure liquidity throughout the NOI proceedings, as further described later in this First Report, the Company intends to enter into an agreement (the "**Canadian Forbearance Agreement**") to continue the operation of its pre-filing Canadian Revolver in the post-filing period (the "**DIP Facility**") with its existing ABL Lenders.
45. During the NOI proceedings, the Company will continue to deposit all of its receipts into the Blocked Accounts and such funds will be automatically transferred on a daily basis to the Agent Account. The sale proceeds will be used to gradually pay down the Canadian Revolver which is estimated at approximately \$13.5M, excluding interest, fees and expenses until it is fully paid down. Subject to the terms of the Canadian Forbearance Agreement, funds may be re-borrowed under the Canadian Revolver.
46. The Trustee has been advised that the maintenance of the current Cash Management System is critical to the Liquidation Sale to avoid business disruption. The Trustee is of the view that the continued use of the existing Cash Management System is appropriate in the current circumstances.

## DIP FINANCING

47. As previously indicated, BCBG Canada has been operating under the terms of the Forbearance Agreement since February 14, 2017. The Forbearance Agreement expired on February 28, 2017.
48. In order to have sufficient funds to operate, the ABL Lenders have agreed to act as Debtor-in-Possession lenders (the "**DIP Lenders**"), and to continue to provide the revolving facility of up to \$15,000,000 to the Company (the continued facility is referred to herein as the "**DIP Facility**").

49. In addition, the ABL Lenders have agreed to continue to forebear from exercising their rights and remedies under the Canadian Revolver, as amended, until the earlier of May 31, 2017 and the occurrence of certain forbearance termination events.
50. The Company will be using the DIP Facility to continue to operate and satisfy its obligations.
51. The DIP Facility is subject, inter alia, to the granting of an order by this Court providing for specific relief as detailed in the First Application, including seeking an order of the Court approving an \$18,000,000 priority charge over all of the assets and undertakings of BCBG Canada securing the DIP Facility (the "**DIP Charge**").
52. In addition, as required under the Canadian Forbearance Agreement, prior to the filing of the NOI, the ABL Lenders delivered a notice pursuant to section 244 of the BIA to BCBG Canada and the Company consented to waive the applicable notice period.
53. Except as otherwise set forth in the Canadian Forbearance Agreement, the DIP Facility shall generally operate on the same terms and conditions and as a continuation of the Canadian Revolver. The Canadian Forbearance Agreement provides for the delivery of a 14-week cash flow and variance reports in connection with budget compliance covenants more fully detailed in the Canadian Forbearance Agreement.
54. The DIP Facility will continue to be subject to the Borrowing Base Calculation to be submitted by the CCRA on a weekly basis. The sale proceeds, generated by the Liquidation Sale will be used to pay down the DIP Facility only once the Canadian Revolver has been fully paid down (as continued through the DIP Facility).
55. The DIP Facility essentially allows for the continuance of the existing Canadian Revolver facility and Cash Management System, while providing for a DIP Charge to secure all draws made subsequent to the filing of the NOI proceedings.
56. The DIP Charge is proposed to rank behind the Administration Charge and the D&O Charge.
57. The Trustee is of the view that given (i) the urgency of the filing (ii) the maintenance of the current Cash Management System (iii) the DIP Facility will not result in a greater level of secured debt than what was provided for under the pre-filing Canadian Revolver (iv) the support by the ABL Lenders of the DIP Facility as sponsors of the said facility, (v) the DIP Facility will not materially prejudice any existing creditors, and (vi) the terms and conditions of the DIP Facility (including notably the pricing in connection therewith) are reasonable. The DIP Facility and the DIP Charge are fair and reasonable in the circumstances.

#### **ADMINISTRATION CHARGE**

58. The First Application seeks a \$500,000 Administration Charge (the "**Administration Charge**") to secure the fees and disbursements relating to professional services rendered both before (in connection with preparing for the NOI) and after the filing of the NOI by the Trustee and its counsel, counsel to BCBG Canada, and FAAN Advisors, as CCRA. The Administration Charge is proposed to have first priority over all other charges.
59. The Trustee is of the view that given (i) the anticipated timeline to complete the Liquidation Sale and the NOI proceedings (ii) the support of the ABL Lenders and BCBG US (iii) the nature and value of the Debtor's property and (iv) the fact that no creditors will be materially prejudiced, both the size of the Administration Charge and the recipients entitled to benefit from the Administration Charge is fair and reasonable in the circumstances. As such, the Trustee supports the Company's request that the Court approve the Administration Charge.

#### **DIRECTOR & OFFICERS ("D&O") CHARGE**

60. The Trustee understands that the Company maintains a directors and officers insurance policy in the aggregate amount of \$4M with Liberty International Underwriters and AIG and that the coverage expires on October 30, 2017 (the "**D&O Insurance Policy**").
61. The Trustee further understands that there is potential for there to be insufficient coverage in respect of the potential director and officers' liability. Notably, in respect of wages, including accrued vacation pay, and source deductions, other employee related obligations, certain contingent tax claims as discussed in paragraph 27 and sales taxes. As presented in the cash flow in Appendix B, the estimated monthly Payroll & related payments, Sales taxes on expenses and Sales taxes on remittance total approximately \$1.9M.
62. The First Application provides for a charge in an amount of \$500,000 to secure the indemnity provided to the director and officers in respect of liabilities they may incur after the NOI in their capacity as director and officers (the "**D&O Charge**"). As per the First Application, the D&O Charge becomes effective only if the existing D&O Insurance Policy is not sufficient.
63. The D&O Charge is proposed to rank behind the Administration Charge.
64. The Trustee is of the view that the continued support and service of BCBG Canada's director and officers during the NOI is essential to BCBG Canada's efforts to preserve value and maximize recoveries for stakeholders through the completion of the Liquidation Sale. The Trustee is of the view that the granting of the D&O Charge is fair and reasonable in the circumstances given (i) the anticipated amount of time it will take to complete the Liquidation Sale and the NOI proceedings (ii) the support of the ABL Lenders and BCBG US (iii) the nature and value of the Debtor's property and (iv) the fact that no creditors will be materially prejudiced.

#### **TRUSTEE'S CONCLUSION AND RECOMMENDATION**

65. For the reasons set out in this First Report, the Trustee is of the view that the relief sought by BCBG Canada in its First Application is appropriate and reasonable in the circumstances. The Trustee is also of the view that the relief requested will enhance the Company's ability to achieve the best possible outcome for its stakeholders.

The Trustee respectfully submits to the Court this, its First Report.

DATED AT MONTREAL, this 2<sup>nd</sup> day of March, 2017.



Martin Franco, CPA, CA, CIRP, LIT  
Senior Vice President

DELOITTE RESTRUCTURING INC.  
In its capacity as Trustee

## APPENDIX A

February 24, 2017

VIA EMAIL

BCBG MAX AZRIA GROUP, LLC  
c/o Holly Felder Etlin  
Chief Restructuring Officer  
2761 Fruitland Avenue  
Vernon, CA 90058  
+1-212-297-1594  
Email: hetlin@alixpartners.com

Re: Letter Agreement Governing Inventory Disposition

Dear Holly:

By executing below, this letter shall serve as an agreement ("Agreement") between Merchant Retail Solutions, ULC, an affiliate of Hilco Merchant Resources, LLC and Gordon Brothers Canada ULC, on the one hand (together, "Consultant" or a "Party"), and BCBG Max Azria Canada Inc., on the other hand ("Merchant" or a "Party" and together with the Agent, the "Parties"), under which Consultant shall act as the exclusive consultant for the purpose of conducting a sale of certain Merchandise (as defined below) at the Merchant's stores set forth on Exhibit A (each a "Store" and collectively, the "Stores") through a "Store Closing", "Everything Must Go", "Everything on Sale" or similar themed sale (the "Sale") in accordance with the terms of the sale guidelines substantially in the form attached hereto as Exhibit B (the "Sale Guidelines"). Only Merchant-approved Sale terminology will be utilized at each Store.

The Merchant intends to file a Notice of Intention to Make a Proposal ("NOI") pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3. ("BIA") and file an application with the Superior Court of Quebec (Commercial Division) (the "Court") seeking an order approving, among other things, this Agreement and the conduct of the Sale, in accordance with the terms hereof and the Sale Guidelines (the "Order").

The Consultant and the Merchant agree and acknowledge that the entering into of this Agreement by the Merchant is subject to the issuance of the Order approving, among other things, this Agreement and the conduct of the Sale and that should the Order not be obtained, this Agreement shall have no force or effect.

**A. Merchandise**

For purposes hereof, "Merchandise" shall mean all goods, saleable in the ordinary course, located in the Stores on the Sale Commencement Date (defined below) and certain goods located or to be located in the Merchant's distribution center (the "Distribution Center") to which Merchant and Consultant mutually agree. "Merchandise" does not mean and shall not include: (1) goods that belong to sublessees, licensees or concessionaires of Merchant or are leased or licensed from third parties by

Merchant; (2) owned furnishings, trade fixtures, equipment and improvements to real property that are located in the Stores (collectively, "FF&E"), or any FF&E that is leased by Merchant located in the Stores; (3) damaged or defective merchandise that cannot be sold; and (4) any goods or furnishings, trade fixtures, equipment and improvements to real property that are located in the locations occupied by Merchant within the Hudson Bay Canada retail locations across Canada (the "Partner Shops") or any inventory located in the Distribution Center identified by Merchant, in its sole discretion, to be delivered to any Partner Shop during the Sale Term

**B. Sale Term**

For each Store, the Sale shall commence no later than two (2) business days following the date of the Order (the "Sale Commencement Date") and conclude no later than May 31, 2017 (the "Sale Termination Date"); provided, however, that the Parties may mutually agree in writing to terminate the Sale at any Store prior to the Sale Termination Date. The Consultant shall provide the Merchant with no less than 21 days prior written notice of its intention to surrender any Store premises. The period between the Sale Commencement Date and the Sale Termination Date shall be referred to as the "Sale Term." At the conclusion of the Sale, Consultant shall surrender the premises for each Store to Merchant in broom clean condition and in accordance with the lease requirements for such premises; provided, however, Merchant shall bear all costs and expenses associated with surrendering the premises in accordance with the lease requirements for such premises to the extent such expenses were incurred by Consultant in accordance with a budget mutually agreed to in writing between the Consultant and Merchant. At the conclusion of the Sale at each Store, Consultant shall photographically document the condition of each such Store and provide such photographs to Merchant within ten (10) days. Photographs shall reference with specificity each Store by number, name and/or location.

**C. Project Management**

(i) Consultant's Undertakings

During the Sale Term, Consultant shall, in collaboration with Merchant, (a) provide qualified supervisors (the "Supervisors") engaged by Consultant and approved in advance by Merchant to oversee the management of the Stores and the Sale; (b) determine appropriate point-of-sale and external advertising for the Stores, approved in advance by Merchant; (c) determine appropriate discounts of Merchandise, staffing levels for the Stores, and appropriate bonus and incentive programs, if any, for the Stores' employees, in each case approved in advance by Merchant; (d) oversee display of Merchandise for the Stores; (e) to the extent that information is available, evaluate sales of Merchandise by category and sales reporting and monitor expenses; (f) maintain the confidentiality of all proprietary or non-public information regarding Merchant in accordance with the provisions of the confidentiality agreement signed by the Parties; (g) assist Merchant in connection with managing and controlling loss prevention and employee relations matters; (h) to the extent necessary, assist Merchant in obtaining all required permits and governmental consents required to conduct the Sale; (i) ensure that all marketing, advertising and other communications provided by Merchant to Consultant for distribution to customers are provided to customers by including same in bags along with purchased merchandise or through other similarly appropriate means; and (j) provide such other related services deemed necessary or appropriate by Merchant and Consultant.

Without limiting the generality of the foregoing, all information of a business nature relating to the pricing, sales, promotions, marketing, assets, liabilities or other business affairs of Merchant, its customers, parent, subsidiary, or other affiliated entities (for purposes of this paragraph, all such entities are included within each reference to "Merchant") is Merchant's confidential, trade secret information ("Merchant Confidential Information"), which is and shall remain the exclusive intellectual property of Merchant. Except as may be required for Consultant to perform its obligations under this Agreement in respect of the Sale, Consultant shall not divulge, furnish, make available, or in any other manner disclose such information to any third party other than Consultant's officers, employees, representatives, and agents. Consultant shall take and shall cause its officers, employees, representatives, and agents to take such action as shall be reasonably necessary or advisable to preserve and protect the confidentiality of Merchant Confidential Information. Consultant agrees to maintain strict confidentiality and agrees that it may use Merchant Confidential Information only as reasonably necessary to the performance of its obligations related to the Sale. If and to the extent the use or other handling of any Personal Information is necessary for Consultant to perform its obligations hereunder, Consultant shall comply with all Data Security Requirements and such other reasonable restrictions requested by Merchant. For purposes of this Agreement, "Personal Information" means any natural person's name, street address, telephone number, e-mail address, social security number, driver's license number, passport number, credit card number, or user or account number, or any other piece of information that, individually or when combined with other information, allows the identification of a natural person or is otherwise considered personally identifiable information or personal data protected under any applicable Data Security Requirement. For purposes of this Agreement, "Data Security Requirements" means, collectively, all of the following to the extent relating to privacy, security, or security breach notification requirements: (i) Merchant's own rules, policies, and procedures; (ii) all applicable regulations; (iii) industry standards applicable to the industry in which the Merchant's business is conducted (including, as applicable, the Payment Card Industry Data Security Standard (PCI DSS)); and (iv) contracts into which Merchant has entered or by which it is otherwise bound, provided such contracts (or the requirements of such contracts) are provided to Consultant.

The Parties expressly acknowledge and agree that Merchant shall have no liability to the Supervisors for wages, benefits, severance pay, termination pay, vacation pay, pay in lieu of notice of termination or any other liability arising from Consultant's hiring or engagement of the Supervisors, and the Supervisors shall not be considered employees of Merchant.

(ii) Merchant's Undertakings

During the Sale Term, Merchant shall: (a) be the employer of the Stores' employees, other than the Supervisors; (b) pay all taxes, costs, expenses, accounts payable, and other liabilities relating to the Stores, the Stores' employees and other representatives of Merchant; (c) prepare and process all tax forms and other documentation; (d) collect all HST/GST and other applicable taxes assessed on the sale of the Merchandise and pay them to the appropriate taxing authorities for the Stores; (e) use reasonable efforts to cause Merchant's employees to cooperate with Consultant and the Supervisors; (f) execute all agreements mutually determined by the Merchant and Consultant to be necessary or desirable for the operation of the Stores during the Sale; (g) arrange for the ordinary maintenance of all point-of-sale equipment required for the Stores; and (h) use reasonable efforts to ensure that Consultant has quiet use and enjoyment of the Stores for the Sale Term in order to perform its obligations under this Agreement.

Merchant shall provide throughout the Sale Term central administrative services necessary for the Sale, including (without limitation) customary POS administration, sales audit, cash reconciliation, accounting, and payroll processing, as currently available through the Merchant's existing accounting and IT systems, all at no cost to Consultant.

The Parties expressly acknowledge and agree that Consultant shall have no liability to Merchant's employees for wages, benefits, severance pay, termination pay, vacation pay, pay in lieu of notice of termination or any other liability arising from Merchant's employment, hiring or retention of its employees, and such employees shall not be considered employees of Consultant.

**D. The Sale**

All sales of Merchandise shall be made on behalf of Merchant. Consultant does not have, nor shall it have, any right, title or interest in the Merchandise. All sales of Merchandise shall be by cash, gift card, gift certificate, merchandise credit, or credit or debit card and, at Merchant's discretion, by check or otherwise in accordance with Merchant's policies, and shall be "final" with no returns accepted or allowed, unless otherwise directed by Merchant.

**E. Agent Fee and Expenses in Connection with the Sale**

As used in this Agreement, the following terms shall have the following meanings:

(i) "Gross Proceeds" shall mean the sum of the gross proceeds of all sales of Merchandise made in the Stores during the Sale Term using the "gross rings" method, net only of HST/GST and other applicable taxes assessed against the sale of Merchandise.

(ii) "Net Proceeds" shall mean aggregate Gross Proceeds, less Consultant's actual expenses incurred pursuant to the Expense Budget.

In consideration of its services hereunder, Agent shall earn a fee equal to one and one half percent (1.5%) of the aggregate Net Proceeds.

Merchant shall be responsible for all expenses of the Sale, including (without limitation) all Store level operating expenses, all costs and expenses related to Merchant's other retail store operations, and Consultant's other reasonable, documented out of pocket expenses. To control expenses of the Sale, Merchant and Consultant have established an aggregate budget (the "Expense Budget") of certain delineated expenses, including (without limitation) payment of the costs of supervision (including (without limitation) Supervisors' wages, fees, travel, and deferred compensation) and advertising costs. The Expense Budget may only be modified by mutual written agreement of Consultant and Merchant and Merchant may review, verify, and/or audit the expenses at any time, including any expense paid in advance by the Sale Expense Advance (as defined below). The costs of supervision set forth on the Expense Budget shall include, among other things, industry standard deferred compensation. Notwithstanding anything herein to the contrary, unless otherwise agreed to by Merchant, Merchant shall not be obligated to pay costs of supervision and advertising costs that have not been included, or provided for, in the Expense Budget, as may be amended in accordance with this Agreement.

All accounting matters (including, without limitation, all fees, expenses, or other amounts reimbursable or payable to Consultant) shall be reconciled on every Wednesday for the prior week and shall be paid within seven (7) days after each such weekly reconciliation. The Parties shall complete a final reconciliation and settlement of all amounts payable to Consultant and contemplated by this Agreement (including, without limitation, Expense Budget items, and fees earned hereunder) no later than forty five (45) days following the Sale Termination Date for the last Store (the "Final Reconciliation").

The Consultant hereby acknowledges receipt of the amount of \$222,206.59 representing an advance payment of costs and expenses delineated in the Expense Budget (the "Sale Expense Advance") which shall be held by Consultant and applied towards Expense Budget items as incurred. Any portion of the Sale Expense Advance not so used shall be returned to Merchant within three days following the final reconciliation.

**F. Indemnification**

(i) Merchant's Indemnification

Merchant shall indemnify, defend, and hold Consultant and its consultants, members, managers, partners, officers, directors, employees, attorneys, advisors, representatives, lenders, potential co-investors, principals, affiliates, and Supervisors (collectively, "Consultant Indemnified Parties") harmless from and against all liabilities, claims, demands, damages, costs and expenses (including reasonable attorneys' fees) arising from or related to: (a) the willful or negligent acts or omissions of Merchant or the Merchant Indemnified Parties (as defined below); (b) the material breach of any provision of this Agreement by Merchant; (c) any liability or other claims, including, without limitation, product liability claims, asserted by customers, any Store employees (under a collective bargaining agreement or otherwise), or any other person (excluding Consultant Indemnified Parties) against Consultant or an Consultant Indemnified Party, except claims arising from Consultant's negligence, willful misconduct, gross negligence, or unlawful behavior; (d) any harassment, discrimination or violation of any laws or regulations or any other unlawful, tortious or otherwise actionable treatment of Consultant's Indemnified Parties or Merchant's customers by Merchant or Merchant's Indemnified Parties; and (e) Merchant's failure to pay over to the appropriate taxing authority any taxes required to be paid by Merchant during the Sale Term in accordance with applicable law.

(ii) Consultant's Indemnification

Consultant shall indemnify, defend and hold Merchant and its consultants, members, managers, partners, officers, directors, employees, attorneys, advisors, representatives, lenders, potential co-investors, principals, and affiliates (other than the Consultant or the Consultant Indemnified Parties) (collectively, "Merchant Indemnified Parties") harmless from and against all liabilities, claims, demands, damages, costs and expenses (including reasonable attorneys' fees) arising from or related to (a) the willful or negligent acts or omissions of Consultant or the Consultant Indemnified Parties; (b) the breach of any provision of, or the failure to perform any obligation under, this Agreement by Consultant; (c) any liability or other claims made by Consultant's Indemnified Parties or any other person (excluding Merchant Indemnified Parties) against a Merchant Indemnified Party arising out of or related to Consultant's conduct of the Sale, except claims arising from Merchant's negligence, willful misconduct, gross negligence, or unlawful behavior; (d) any

harassment, discrimination or violation of any laws or regulations or any other unlawful, tortious or otherwise actionable treatment of Merchant Indemnified Parties, or Merchant's customers by Consultant or any of the Consultant Indemnified Parties and (e) any claims made by any party engaged by Consultant as an employee, agent, representative or independent contractor arising out of such engagement.

**G. Insurance**

(i) Merchant's Insurance Obligations

Merchant shall maintain throughout the Sale Term, liability insurance policies (including, without limitation, products liability (to the extent currently provided), comprehensive public liability insurance and auto liability insurance) covering injuries to persons and property in or in connection with the Stores, and shall cause Consultant to be named an additional insured with respect to all such policies. At Consultant's request, Merchant shall provide Consultant with a certificate or certificates evidencing the insurance coverage required hereunder and that Consultant is an additional insured thereunder. In addition, Merchant shall maintain throughout the Sale Term, in such amounts as it currently has in effect, workers compensation insurance in compliance with all statutory requirements.

(ii) Consultant's Insurance Obligations

Consultant shall maintain (at Consultant's expense) throughout the Sale Term, liability insurance policies (including, without limitation, products liability/completed operations, contractual liability, comprehensive public liability and auto liability insurance) on an occurrence basis in an amount of at least Two Million dollars (\$2,000,000) and an aggregate basis of at least five million dollars (\$5,000,000) covering injuries to persons and property in or in connection with Consultant's provision of services at the Stores. Consultant shall name Merchant as an additional insured and loss payee under such policy, and upon execution of this Agreement provide Merchant with a certificate or certificates evidencing the insurance coverage required hereunder. In addition, Consultant shall maintain throughout the Sale Term, workers' compensation insurance in compliance with all statutory requirements. Further, should Consultant employ or engage third parties to perform any of Consultant's undertakings with regard to this Agreement, Consultant will ensure that such third parties are covered by Consultant's insurance or maintain all of the same insurance as Consultant is required to maintain pursuant to this paragraph and name Merchant as an additional insured and loss payee under the policy for each such insurance.

**H. Representations, Warranties, Covenants and Agreements**

(i) Merchant warrants, represents, covenants and agrees that, subject to the issuance of the Order: (a) Merchant is a company duly organized, validly existing and in good standing under the laws of its province of organization, with full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and maintains its principal executive office at the address set forth herein; (b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary actions of Merchant and this Agreement constitutes a valid and binding obligation of Merchant enforceable against Merchant in accordance with its terms and conditions, and the consent of no other entity or person is required for Merchant to fully perform all of its obligations herein; (c) all ticketing of Merchandise at the Stores has been and will be done in

accordance with Merchant's customary ticketing practices; (d) all normal course hard markdowns on the Merchandise have been, and will be, taken consistent with Merchant's customary practices; and (e) the Stores will be operated in the ordinary course of business in all respects, other than those expressly agreed to by Merchant and Consultant.

(ii) Each party comprising the Consultant warrants, represents, covenants and agrees that: (a) Consultant is a company duly organized, validly existing and in good standing under the laws of its province of organization, with full power and authority to execute and deliver this Agreement and to perform the Consultant's obligations hereunder, and maintains its principal executive office at the addresses set forth herein; (b) the execution, delivery and performance of this Agreement has been duly authorized by all necessary actions of Consultant and this Agreement constitutes a valid and binding obligation of Consultant enforceable against Consultant in accordance with its terms and conditions, and the consent of no other entity or person is required for Consultant to fully perform all of its obligations herein; (c) Consultant shall comply with and act in accordance with any and all applicable federal, provincial and local laws, rules, and regulations, and other legal obligations of all governmental authorities; (d) no non-emergency repairs or maintenance in the Stores will be conducted without Merchant's prior written consent; (e) Consultant will not take any disciplinary action against any employee of Merchant; and (f) Consultant is not a non-resident of Canada pursuant to the *Income Tax Act* and shall provide the Merchant with its relevant sales tax numbers prior to the Sale.

(iii) The Merchant shall seek Court approval of this Agreement pursuant to the Order. The Parties expressly acknowledge and agree that the entering into of this Agreement by the Merchant is subject to the issuance of the Order approving, among other things, this Agreement and the conduct of the Sale and that should the Order or Court approval of this Agreement not be obtained, this Agreement shall have no force or effect.

#### **I. Furniture, Fixtures and Equipment**

Consultant shall sell the FF&E in the Stores from the Stores themselves. Merchant shall be responsible for all reasonable and documented costs and expenses incurred by Consultant in connection with the sale of FF&E, which costs and expenses shall be incurred pursuant to a written budget or budgets to be established from time to time by mutual agreement of the Parties. Consultant shall have the right to abandon at the Stores any unsold FF&E.

Notwithstanding the foregoing, Merchant has informed Consultant that it intends to remove certain POS systems from the closing stores. Merchant will provide a list of equipment and store location to Consultant shortly after the Sale Commencement Date, and will remove the equipment at the conclusion of the Sale. Consultant will make all commercially reasonable efforts to ensure that the designated equipment remains in good, working condition throughout the Sale.

In consideration for providing the services set forth in this section I, Consultant shall be entitled to a commission from the sale of the FF&E equal to fifteen percent (15%) of the Gross Proceeds of the sale of the FF&E.

Consultant shall remit to Merchant all Gross Proceeds from the sale of FF&E. During each weekly reconciliation described in section E above, Consultant's FF&E fee shall be calculated, and

Consultant's calculated FF&E fee and all FF&E costs and expenses then incurred shall be paid within seven (7) days after each such weekly reconciliation.

**J. Termination**

The following shall constitute "Termination Events" hereunder:

- (a) Merchant's or Consultant's failure to perform any of their respective material obligations hereunder, which failure shall continue uncured seven (7) days after receipt of written notice thereof to the defaulting Party;
- (b) Any representation or warranty made by Merchant or Consultant is untrue in any material respect as of the date made or at any time and throughout the Sale Term (other than with respect to the representations and warranties of Merchant set forth in section H(i)(d) and H(i)(e), which representations and warranties are made solely as of the date hereof; or
- (c) the Sale is terminated or materially interrupted or impaired for any reason other than an event of default by Consultant or Merchant.

If a Termination Event occurs, the non-defaulting Party (in the case of an event of default) or either Party (if the Sale is otherwise terminated or materially interrupted or impaired) may, in its discretion, elect to terminate this Agreement by providing seven (7) business days' written notice thereof to the other Party and, in the case of an event of default, in addition to terminating this Agreement, pursue any and all rights and remedies and damages resulting from such default. If this Agreement is terminated, Merchant shall be obligated to pay Consultant all amounts due and owing by Merchant to Consultant under this Agreement through and including the termination date.

**K. Notices**

All notices, certificates, approvals, and payments provided for herein shall be sent by fax or by recognized overnight delivery service as follows: (a) To Merchant: at the address listed above, with a copy to (i) Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, Attn: Joshua Sussberg and Kirkland & Ellis LLP, 300 North LaSalle, Chicago, Illinois 60654, Attn: Benjamin Rhode; and (ii) Osler, Hoskin and Harcourt LLP, 1000, rue De La Gauchetière Ouest Bureau 2100, Montréal QC, H3B 4W5, Attn: Sandra Abitan (b) To Consultant: c/o Hilco Merchant Resources, LLC, One Northbrook Place, 5 Revere Drive, Suite 206, Northbrook, Illinois 60062, Fax: 847- 897-0859, Attn: Ian S. Fredericks and c/o Gordon Brothers Retail Partners, LLC, 800 Boylston Street, 27<sup>th</sup> Floor, Boston, Massachusetts 02199, fax: 617-531-7906, Attn: Michael Chartock; or (c) such other address as may be designated in writing by Merchant or Consultant.

**L. Independent Consultant**

Consultant's relationship to Merchant is that of an independent contractor without the capacity to bind Merchant in any respect. No employer/employee, principal/agent, joint venture or other such relationship is created by this Agreement. Merchant shall have no control over the hours that Consultant or its employees or assistants or the Supervisors work or the means or manner in which the services that will be provided are performed and Consultant is not authorized to enter into any contracts or agreements

on behalf of Merchant or to otherwise create any obligations of Merchant to third parties, unless authorized in writing to do so by Merchant.

**M. Non-Assignment**

Neither this Agreement nor any of the rights hereunder may be transferred or assigned by either Party without the prior written consent of the other Party. No modification, amendment or waiver of any of the provisions contained in this Agreement, or any future representation, promise or condition in connection with the subject matter of this Agreement, shall be binding upon any Party to this Agreement unless made in writing and signed by a duly authorized representative or agent of such Party. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, legal representatives, successors and permitted assigns.

**N. Severability**

If any term or provision of this Agreement, as applied to either Party or any circumstance, for any reason shall be declared by a court of competent jurisdiction to be invalid, illegal, unenforceable, inoperative or otherwise ineffective, that provision shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect and enforceable. If the surviving portions of the Agreement fail to retain the essential understanding of the Parties, the Agreement may be terminated by mutual consent of the Parties.

**O. Governing Law, Venue, Jurisdiction and Jury Waiver**

This Agreement, and its validity, construction and effect, shall be governed by and enforced in accordance with the internal laws of the Province of Ontario (without reference to the conflicts of laws provisions therein) and the laws of Canada applicable therein. Merchant and Consultant waive their respective rights to trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding and/or hearing brought by either Consultant against Merchant or Merchant against Consultant on any matter whatsoever arising out of, or in any way connected with, this Agreement, the relationship between Merchant and Consultant, any claim of injury or damage or the enforcement of any remedy under any law, statute or regulation, emergency or otherwise, now or hereafter in effect.

**P. Entire Agreement**

This Agreement, together with all additional schedules and exhibits attached hereto, constitutes a single, integrated written contract expressing the entire agreement of the Parties concerning the subject matter hereof. No covenants, agreements, representations or warranties of any kind whatsoever have been made by any Party except as specifically set forth in this Agreement. All prior agreements, discussions and negotiations are entirely superseded by this Agreement.

**Q. Execution**

This Agreement may be executed simultaneously in counterparts (including by means of electronic mail, facsimile or portable document format (pdf) signature pages), any one of which need not contain the signatures of more than one party, but all such counterparts taken together shall constitute one and the same instrument. This Agreement, and any amendments hereto, to the extent

signed and delivered by means of electronic mail, a facsimile machine or electronic transmission in portable document format (pdf), shall be treated in all manner and respects as an original thereof and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person.

**R. Language.**

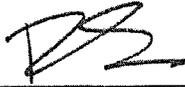
The Parties do hereby agree that this Agreement and related documents be drawn up in the English language only. Les Parties aux présentes ont convenu que cette convention et les documents s'y rattachant soient rédigés en langue anglaise seulement.

\* \* \*

If this Agreement is acceptable to you, kindly execute a copy in the space provided, and return a countersigned version to the undersigned. Thank you again for this opportunity -- we look forward to working with you.

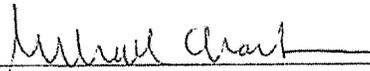
Very truly yours,

MERCHANT RETAIL SOLUTIONS, ULC



By: Ryan O. Lawlor  
Its: Authorized Agent

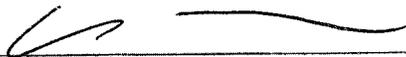
GORDON BROTHERS CANADA ULC



By: Michael Chan  
Its: Vice President

AGREED AND ACCEPTED as of the 24<sup>th</sup> day  
of February, 2017:

BCBG MAX AZRIA CANADA INC.

  
By: BCBG MAX AZRIA B.V., its sole shareholder  
Its: Erica Alterwitz Meierhans, Managing Director

**Exhibit "A"**

**Stores**

**BCBG Canada- Retail Stores  
Exhibit A**

Store List

Store #	Location Type	Name	Address	City	State	Zip	Phone	District	Selling Sq. Ft.
10	Retail	St Catherine I	1300 rue Ste-Catherine Ouest	Montreal	QC	H3G 1P6	(514) 398-9130	59	10,000
12	Retail	Robson	1080 Robson Street	Vancouver	BC	V6E 1A7	(604) 681-3733	34	2,730
15	Retail	Rockland	2305 Chenin Rockland Suite -41	Mont-Royal	QC	H3P 3E9	(514) 344-9444	32	2,380
16	Retail	St Catherine II	950 rue Ste-Catherine Ouest	Montreal	QC	H3B 1E3	(514) 868-9561	59	11,208
17	Retail	Sherway	25 The West Mall Suite -1766	Etobicoke	ON	M9C 1B8	(416) 695-0606	43	5,440
18	Retail	Carrefour Laval	3003 boulevard Le Carrefour Suite -T-105	Laval	QC	H7T 1C7	(450) 902-0158	59	3,680
19	Retail	Ste Foy	2450 boulevard Laurier Suite -40E	Ste-Foy	QC	G1V 2L1	(418) 263-0223	32	2,411
20	Retail	South Ctr	100 Anderson Road S.E. Suite -234	Calgary	AB	T2J 3V1	(403) 225-8020	55	3,083
21	Retail	Calgary Eaton Centre	317 - 7th Ave S.W. Suite -322	Calgary	AB	T2P 2Y9	(403) 539-0193	55	3,394
24	Retail	Yorkdale	3401 Dufferin Street Suite -223	Toronto	ON	M5A 2T9	(416) 642-2626	43	3,605
25	Retail	Toronto Eaton Ctr	218 Yonge Street Suite -307	Toronto	ON	MSB 2H1	(416) 640-2766	43	3,239
26	Retail	Oakridge	650 West 41st Avenue Suite -272	Vancouver	BC	V5Z 2M9	(604) 630-0560	34	3,600
29	Retail	Fairview	1800 Sheppard Avenue East Suite -2031	North York	ON	M2J 5A7	(416) 644-0331	53	4,006
30	Retail	Promenade	1 Promenade Circle Suite -0215A	Thornhill	ON	L4J 4P8	(905) 695-0602	53	2,860
32	Retail	Pacific Centre	701 West Georgia Suite -D067	Vancouver	BC	V7Y 1A1	(604) 638-0655	34	3,059
34	Retail	Rideau	50 Rideau Street Suite -235	Ottawa	ON	K1N 9J7	(613) 288-2874	59	3,500
35	Retail	Quartier DIX30	9140 Boul. Leduc Suite -130	Brossard	QC	J4Y 0L2	(450) 676-4455	32	3,011
36	Retail	Edmonton City	10200 102nd Avenue NW Suite -D209	Edmonton	AB	T5J 4B7	(780) 702-4930	55	3,788
38	Retail	Bloor	50 Bloor Street West Suite -A07	Toronto	ON	M4W 3L8	(416) 642-1606	43	4,693
39	Retail	Orchard	2271 Harvey Avenue Suite -1025	Kelowna	BC	V1Y 6H2	(250) 763-7763	34	3,701
40	Retail	Square One	100 City Centre Drive Suite -2-462	Mississauga	ON	LSB 2C9	(905) 366-0440	53	2,317
41	Retail	Grandview	16031 24th Avenue Suite -40	Surrey	BC	V3Z 9H7	(604) 531-0654	34	4,006
42	Retail	Don Mills	16 Aggie Hogg Gardens	Toronto	ON	M3C 0G7	(416) 640-4376	53	3,475
43	Retail	Metropolis	4700 Kingsway Suite -1176	Burnaby	BC	V5H 4M1	(604) 638-5758	34	4,475
44	Retail	Hillcrest	9350 Yonge Street Suite -F004A	Richmond Hill	ON	L4C 5G2	(905) 770-4333	53	3,026
47	Retail	Southgate	11100-51st Avenue Suite -834	Edmonton	AB	T6H 4M6	(780) 702-0386	55	3,607
48	Retail	Richmond	6551 No. 3 Road Suite -1430	Richmond	BC	V6Y 2B6	(604) 248-0210	34	5,176
49	Retail	Markville	5000 Highway 7 East Suite -321B	Markham	ON	L3R 4M9	(905) 947-8552	53	3,918
61	Retail	Rosemere	401 boulevard Labelle Suite -J-10	Quebec	QC	J7A 3T2	(450) 435-5771	59	4,853
63	Retail	Chinook	1171 6455 Mac Leod Trail South West Suite -223	Calgary	AB	T2H 0K8	(403) 536-1344	55	4,004
64	Retail	Bramalea	25 Peel Centre Drive Suite -645	Brampton	ON	L6T 3R5	(905) 595-0644	53	4,151
65	Retail	Uptown	3500 Uptown Blvd. Saanich Suite -111	Victoria	BC	V8Z 0B9	(250) 380-0678	34	4,302
66	Retail	Polo Park	66Q-1485 Portage Avenue Suite -L156A	Winnipeg	MA	R3G 0W4	(204) 775-7774	55	5,000
67	Retail	Mapleview	900 Maple Avenue	Burlington	ON	L7S 2J8	-	0	3,559
68	Retail	St Laurent	1200 St. Laurent Blvd. Suite -505	Ottawa	ON	K1K 3B8	(613) 688-1255	59	3,548
69	Retail	Erin Mills	5100 Erin Mills Parkway, PO Box 109 Suite -B111B	Mississauga	ON	LSM 4Z5	(905) 412-3089	53	3,445
70	Retail	Victoria Bay	1150 Douglas Street Suite -124-5	Victoria	BC	V8W 3M9	(250) 412-1150	34	3,568
71	Retail	Mic Mac	21 Mic Mac Blvd. Exit 5 Hwy 11 Suite -223	Halifax	NS	B3A 4K6	(902) 442-0375	32	3,798
77	Retail	Pointe Claire	6801 Route Transcanadienne Suite -H-011B	Pointe-Claire	QC	H9R 5J2	(514) 697-9701	59	4,270
78	Retail	Mail Champlain	2151 boulevard Lapiniere Suite -1000	Brossard	QC	J4W 2T5	(450) 465-7233	32	4,494
79	Retail	St. Vital	1225 St. Marys Rd. Suite -8	Winnipeg	MA	R2M SE5	(204) 253-3976	55	3,929
870	Retail	St. Bruno	1 boulevard des Promenades Suite -G02C	Saint Bruno	QC	J3V 5J5	(450) 441-7734	32	5,286

**BCBG Canada- Retail Stores  
Exhibit A**

**Store List**

Store #	Location Type	Name	Address	City	State	Zip	Phone	District	Selling Sq. Ft.
871	Retail	Lime Ridge	999 Upper Wentworth Street Suite -0261C	Hamilton	ON	L9A 4X5	(905) 538-5626	53	3,252
872	Retail	Rivieres	4225 boulevard Des Forges Suite -E2B	Trois-Rivieres	QC	G8Y 1W2	(819) 379-2808	32	5,151
894	Retail	Galeries Capitale	5401 Boul. De les Galeries	Quebec City	QC	G2K 1N4	(418) 263-0309	32	2,490
895	Retail	Promenades Gatineau	1100 boulevard Maloney Ouest Suite -88	Gatineau	QC	J8T 6G3	(819) 243-5177	59	-
22	Factory	Notre Dame	2202 Chomedey (A-13) Ouest Suite -19D	Laval	QC	H7X 4G8	(450) 689-2787	59	3,000
31	Factory	Heartland	5985 Rodeo Drive	Mississauga	ON	LSR 3X8	(905) 366-0197	53	5,856
46	Factory	Tremblant	2455 Rue De L'Aulnale Suite -201	Ville De Mont-Tremblant	QC	J8E 0E5	(819) 425-7928	59	5,000
74	Factory	Queensborough	805 Boyd Street Suite -E140	New Westminster	BC	V3M 5X2	(604) 636-0355	34	5,996
75	Factory	Rive Sud	582 Chemin de la Touraine Suite -208	South Shore Montreal	QC	J4B 5E4	(450) 641-7671	32	7,100
								<b>Average Sq. Ft.</b>	<b>4,189</b>

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**Exhibit "B"**  
**Sale Guidelines**

## SALES GUIDELINES

The following procedures shall apply to the Sale to be conducted at the Stores of BCBG Max Azria Canada Inc. (the "**Merchant**"). All terms not herein defined shall have the meaning set forth in the Consulting Agreement by and between a contractual joint venture composed of Gordon Brothers Canada ULC and Merchant Retail Solutions ULC (together the "**Consultant**") and the Merchant dated as of February 24, 2017 (the "**Consulting Agreement**").

1. Except as otherwise expressly set out herein, and subject to: (i) the Order or any further Order of the Court; or (ii) any subsequent written agreement between the Merchant and the applicable landlord(s) (individually, a "Landlord" and, collectively, the "Landlords") and approved by Consultant, or (iii) as otherwise set forth herein, the Sale shall be conducted in accordance with the terms of the applicable leases/or other occupancy agreements to which the affected landlords are privy for each of the affected Stores (individually, a "Lease" and, collectively, the "Leases"). However, nothing contained herein shall be construed to create or impose upon the Merchant or the Consultant any additional restrictions not contained in the applicable Lease or other occupancy agreement.
2. The Sale shall be conducted so that each of the Stores remain open during their normal hours of operation provided for in the respective Leases for the Stores until the respective Sale Termination Date of each Store. The Sale at the Stores shall end by no later than May 31, 2017. Rent payable under the respective Leases shall be paid as provided in the Order.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws and regulations, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Consultant in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. Notwithstanding anything to the contrary contained in the Leases, the Consultant may advertise the Sale at the Stores as a "everything on sale", "everything must go", "store closing" or similar theme sale at the Stores (provided however that no signs shall advertise the Sale as a "bankruptcy", a "going out of business" or a "liquidation" sale, it being understood that the French equivalent of "clearance" is "liquidation" and is permitted to be used). Forthwith upon request from a Landlord, the Landlord's counsel, the Merchant or the Trustee, the Consultant shall provide the proposed signage packages along with the proposed dimensions and number of signs (as approved by the Merchant pursuant to the Consulting Agreement) by e-mail or facsimile to the applicable Landlords or to their counsel of record. Where the provisions of the Lease conflict with these Sales Guidelines, these Sales Guidelines shall govern. The Consultant shall not use neon or day-glow or handwritten signage (save that handwritten "you pay" or "topper" signs may be used). In addition, the Consultant shall be permitted to utilize exterior banners/signs at stand alone or strip mall Stores or enclosed mall Stores with a separate entrance from the exterior of the enclosed mall, provided, however, that where such banners are not explicitly permitted by the applicable Lease and the Landlord requests in writing that the banners are not to be used, no banners shall be used absent further Order of the Court, which may be sought on an expedited basis on notice to the Service List. Any banners used shall be located or hung so as to make clear that the Sale is being conducted only at the affected Store and shall not be wider than the premises occupied by the affected Store. All exterior banners shall be professionally hung and to the extent that there is any damage to the façade of the premises of a Store as a result of the hanging or removal of the exterior banner, such damage shall be professionally repaired at the expense of the Consultant. If a Landlord is concerned with "store closing" signs being placed in the front window of a Store or with the number or size of the signs in the front window, the Consultant and the Landlord will discuss the Landlord's concerns and work to resolve the dispute.

5. The Consultant shall be permitted to utilize sign walkers and street signage; provided, however, such sign walkers and street signage shall not be located on the shopping centre or mall premises.
6. Conspicuous signs shall be posted in the cash register areas of each Store to the effect that all sales are "final".
7. The Consultant shall not distribute handbills, leaflets or other written materials to customers outside of any of the Stores on any Landlord's property, unless permitted by the applicable Lease or, if distribution is customary in the shopping centre in which the Store is located. Otherwise, the Consultant may solicit customers in the Stores themselves. The Consultant shall not use any giant balloons, flashing lights or amplified sound to advertise the Sale or solicit customers, except as permitted under the applicable Lease, or agreed to by the Landlord.
8. At the conclusion of the Sale in each Store, the Merchant shall arrange that the premises for each Store are in "broom-swept" and clean condition, and shall arrange that the Stores are in the same condition as on the commencement of the Sale, ordinary wear and tear excepted. No property of any Landlord of a Store shall be removed or sold during the Sale. No permanent fixtures (other than FF&E which for clarity is owned by the Merchant) may be removed without the Landlord's written consent unless otherwise provided by the applicable Lease. Any fixtures or personal property left in a Store after the Sale Termination Date in respect of which the applicable Lease has been disclaimed by the Merchant shall be deemed abandoned, with the applicable Landlord having the right to dispose of the same as the Landlord chooses, without any liability whatsoever on the part of the Landlord.
9. Subject to the terms of paragraph 8 above and the Consulting Agreement, the Consultant may sell FF&E which is located in the Stores during the Sale. The Merchant and the Consultant may advertise the sale of FF&E consistent with these guidelines on the understanding that any Landlord may require that such signs be placed in discreet locations within the Stores acceptable to the Landlord, acting reasonably. Additionally, the purchasers of any FF&E sold during the Sale shall only be permitted to remove the FF&E either through the back shipping areas designated by the Landlord, or through other areas after regular store business hours, or through the front door of the Store during store business hours if the FF&E can fit in a shopping bag, with Landlord's supervision as required by the Landlord. The Consultant shall repair any damage to the Stores resulting from the removal of any FF&E by Consultant or by third party purchasers of FF&E from Consultant.
10. The Consultant shall not make any alterations to interior or exterior Store lighting, except as authorized pursuant to the applicable Lease. The hanging of exterior banners or other signage, where permitted in accordance with the terms of these guidelines, shall not constitute an alteration to a Store.
11. The Merchant hereby provides notice to the Landlords of the Merchant and the Consultant's intention to sell and remove FF&E from the Stores. The Consultant will arrange with each Landlord represented by counsel on the service list and with any other Landlord that so requests, a walk through with the Consultant to identify the FF&E subject to the sale. The relevant Landlord shall be entitled to have a representative present in the Store to observe such removal. If the Landlord disputes the Consultant's entitlement to sell or remove any FF&E under the provisions of the Lease, such FF&E shall remain on the premises and shall be dealt with as agreed between the Merchant, the Consultant and such Landlord, or by further Order of the Court upon application by the Merchant on at least two (2) days' notice to such Landlord. If the Merchant has disclaimed or resiliated the Lease governing such Store in accordance with the BIA, it shall not be required to pay rent under such Lease pending resolution of any such dispute (other than rent payable for the notice period provided for in the BIA), and the disclaimer or resiliation of the Lease shall be without prejudice to the Merchant's or Consultant's claim to the FF&E in dispute.

12. If a notice of disclaimer or resiliation is delivered pursuant to the BIA to a Landlord while the Sale is ongoing and the Store in question has not yet been vacated, then: (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Merchant and the Consultant 24 hours' prior written notice; and (b) at the effective time of the disclaimer or resiliation, the relevant Landlord shall be entitled to take possession of any such Store without waiver of or prejudice to any claims or rights such landlord may have against the Merchant in respect of such Lease or Store, provided that nothing herein shall relieve such Landlord of its obligation to mitigate any damages claimed in connection therewith.
13. The Consultant and its agents and representatives shall have the same access rights to the Stores as the Merchant under the terms of the applicable Lease, and the Landlords shall have the rights of access to the Stores during the Sale provided for in the applicable Lease (subject, for greater certainty, to any applicable stay of proceedings).
14. The Merchant and the Consultant shall not conduct any auctions of Merchandise or FF&E at any of the Stores.
15. The Consultant shall designate a party to be contacted by the Landlords should a dispute arise concerning the conduct of the Sale. The initial contact person for Consultant shall be Jane Dietrich who may be reached by phone at (416) 860-5223 or email at [jdietrich@casselsbrock.com](mailto:jdietrich@casselsbrock.com). If the parties are unable to resolve the dispute between themselves, the Landlord or Merchant shall have the right to schedule a "status hearing" before the Court on no less than two (2) days written notice to the other party or parties, during which time the Consultant shall cease all activity in dispute other than activity expressly permitted herein, pending the determination of the matter by the Court; provided, however, subject to para. 4 of these Sales Guidelines, that if a banner has been hung in accordance with these Sale Guidelines and is thereafter the subject of a dispute, the Consultant shall not be required to take any such banner down pending determination of the dispute.
16. Nothing herein is, or shall be deemed to be a consent by any Landlord to the sale, assignment or transfer of any Lease, or to grant to the Landlord any greater rights than already exist under the terms of any applicable Lease.
17. These Sale Guidelines may be amended by written agreement between the Merchant, the Consultant and any applicable Landlord (provided that such amended Sale Guidelines shall not affect or bind any other Landlord not privy thereto without further Order of the Court approving the amended Sales Guidelines).

## APPENDIX B – CASH FLOW

### BCBG CANADA, INC.

#### Weekly Cash Flow Forecast

For the 5-week period ending April 02 2017

(Unaudited, in \$000s CAD)

<i>Week Ended &gt;&gt;&gt;&gt;</i>	Note	05-Mar-17	12-Mar-17	19-Mar-17	26-Mar-17	02-Apr-17	Total
Receipts	1	1,158	1,861	2,939	2,819	2,642	11,417
<b>TOTAL RECEIPTS</b>		<b>1,158</b>	<b>1,861</b>	<b>2,939</b>	<b>2,819</b>	<b>2,642</b>	<b>11,417</b>
<b>DISBURSEMENTS</b>							
Payroll & related payments	2	(23)	(445)	-	(445)	(462)	(1,374)
Occupancy costs	3	(885)	(15)	(885)	(15)	(863)	(2,664)
Trade vendor payments (third party)	4	(194)	(233)	(53)	(34)	(73)	(586)
Inventory Purchases		-	-	-	-	-	-
Property taxes	5	(23)	-	-	-	(23)	(45)
Sales taxes on expenses	5	(98)	(15)	(111)	(19)	(110)	(353)
Sales taxes remittance	5	(105)	-	-	-	(105)	(210)
Operating leases, credit card and bank fees	6	(16)	(29)	(45)	(43)	(39)	(171)
Liquidation fees and expenses	7	(242)	(150)	(189)	(187)	(99)	(867)
Professional fees	8	(205)	(165)	(165)	(165)	(205)	(905)
Interest and fees		-	-	-	-	-	-
Other Expenses		-	-	-	-	-	-
<b>TOTAL DISBURSEMENTS</b>		<b>(1,791)</b>	<b>(1,051)</b>	<b>(1,447)</b>	<b>(908)</b>	<b>(1,979)</b>	<b>(7,175)</b>
<b>NET CASH FLOW FROM OPERATIONS</b>		<b>(633)</b>	<b>810</b>	<b>1,492</b>	<b>1,911</b>	<b>663</b>	<b>4,242</b>
Beginning cash balance		328	-	-	-	-	328
Pre-filing repayment		(1,158)	(1,861)	(2,939)	(2,819)	(2,642)	(11,417)
Post-filing draws		1,462	1,051	1,447	908	1,979	6,846
<b>ENDING CASH BALANCE</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CONTINUITY OF FINANCING</b>							
<b>Canadian Revolver</b>							
Opening balance		13,484	13,788	12,978	11,487	9,576	13,484
Pre-filing repayment		(1,158)	(1,861)	(2,939)	(2,819)	(2,642)	(11,417)
Post-filing draws		1,462	1,051	1,447	908	1,979	6,846
<b>ENDING REVOLVER BALANCE</b>		<b>13,788</b>	<b>12,978</b>	<b>11,487</b>	<b>9,576</b>	<b>8,913</b>	<b>8,913</b>

To be read in conjunction with the attached Notes and Summary of Assumptions

## Notes and Summary of Assumptions

1. *Receipts* include product sales from Stores and Partner Shops. Forecast product sales from Stores are gross of credit card fees, Consultant Fees, and include sales tax collections. They are based on the forecasted sales determined by the Consultant in order to liquidate all remaining inventory at the end of the Termination Date. Forecast product sales from Partner Shops are net of all partner fees (including credit card fees) and are based on historical sales patterns on a weekly basis, with a negative adjustment due to the impact of the Liquidation Sale.
2. *Payroll and related payments* include all Store, Partner Stores, DC (temporary), and corporate related payroll, and fringe benefits. Amounts are Management's estimate based on current average payrolls of hourly, temporary and salaried employees.
3. *Occupancy costs* include rent payments to landlords (paid bi-weekly), telephone and utilities, based on historical expense patterns. Amounts exclude sales tax.
4. *Trade vendor payments (third party)* include payments to suppliers, as well as amounts for security, maintenance and equipment, based on historical expense patterns. Amounts exclude sales tax.
5. *Property taxes, Sales taxes on expenses and remittance* include Sales taxes on remittance which reflect the net PST, HST, and GST amounts remitted (collected) to (from) the provinces and federal governments in line with the prior month's activity. Sales taxes on expenses are calculated based on the amount disbursed (paid weekly / bi-weekly). Property taxes include taxes paid to municipalities to continue operations in specific locations. Amounts are management's best estimate based on historical results.
6. *Operating leases, credit card and bank fees* include credit card fees which are forecast at 1.6% of all credit Store sales; monthly bank fees and operating lease costs determined based on historical expense patterns.
7. *Liquidation fees and expenses* include the Consultant Fee, a supervision fee, and advertising and freight costs related specifically to the Liquidation Sale. The Consultant and supervision fee, payable to the Consultant, are forecasted based on the Consulting Agreement. Advertising and freight costs are management's best estimate.
8. *Professional fees* include estimated professional fees for the trustee, its legal advisors, the CCRA and the Company's legal counsel to be incurred by the Company for its restructuring.