

Court File No.: _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF TED BAKER CANADA INC., TED
BAKER LIMITED, OSL FASHION SERVICES CANADA INC.,
and OSL FASHION SERVICES, INC.

**PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

APRIL 24, 2024

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1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that Ted Baker Canada Inc. (“**Ted Baker Canada**”), Ted Baker Limited, OSL Fashion Services Canada Inc. (“**Fashion Canada**”), and OSL Fashion Services, Inc. (“**Fashion Services**”, and collectively with Ted Baker Canada, Ted Baker Limited and Fashion Canada, the “**Ted Baker Group**” or the “**Applicants**”) intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order (the “**Initial Order**”), among other things, granting an initial stay of proceedings pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing A&M as Monitor of the Applicants (in such capacity, the “**Monitor**”). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 The Applicants operate a fashion clothing and accessories retail, wholesale and e-commerce business in Canada and the United States facilitated by certain License Agreements with Authentic Brands Group (“**ABG**”).
- 1.3 In Canada, Ted Baker Canada operates 25 retail store locations under the Ted Baker (9), Lucky Brand (7) and Brooks Brothers (9) store banners, with approximately 280 employees. Ted Baker Canada also sells to customers through six retail concession locations in certain Hudson Bay Company stores in Canada.
- 1.4 In the United States, Ted Baker Limited operates 34 retail stores under the Ted Baker store banner only, with approximately 350 employees. Ted Baker Limited also sells to customers

through retail concession locations in 31 Bloomingdale's stores and one Macy's store in the United States.

- 1.5 Ted Baker Canada and Ted Baker Limited are also party to agreements with certain wholesale customers who purchase bulk Ted Baker branded products from Ted Baker NA (as defined below), and then sell the products to their retail customers through their own stores and websites (www.tedbaker.ca in Canada and www.tedbaker.us in the United States).
- 1.6 Ted Baker Canada is a limited company incorporated pursuant to the laws of Nova Scotia and continued pursuant to the laws of Ontario. Ted Baker Limited is a limited company incorporated pursuant to the laws of New York (Ted Baker Canada and Ted Baker Limited, together "**Ted Baker NA**"), whose head offices are in Mississauga, Ontario and New York, New York, respectively.
- 1.7 Ted Baker Canada is a wholly-owned direct subsidiary of Fashion Canada, a company incorporated pursuant to the laws of Ontario and headquartered in Mississauga, Ontario. Ted Baker Limited is a wholly-owned direct subsidiary of Fashion Services, a company incorporated pursuant to the laws of Michigan and headquartered in Mississauga, Ontario. All or substantially all of the key operational and strategic and corporate decision-making relating to the Applicants' business is performed by and through Fashion Canada's head office in Mississauga, Ontario. A corporate chart depicting the legal structure of the Applicants is included in Section B to the Adams Affidavit (as defined below).
- 1.8 Since first entering the North American retail fashion clothing industry through an acquisition completed in early 2023, the Applicants' financial and operational performance

has struggled and the consolidated business has failed to achieve positive cash flow. Over the last year, the business has underperformed relative to budget and revenues have significantly declined, due in management's view to, among other factors: (i) supply chain disruption and accelerating payment terms following failures by ABG's operating partners in Europe and elsewhere to make payments to suppliers in the lead up to and as a result of the administration process in the UK in respect of that Ted Baker business; (ii) transition to a new technology platform during the busiest selling season, which exacerbated the supply delays; and (iii) generally poor sales performance.

1.9 Negative cash flows and working capital issues have caused a strain on the borrowing base under the Applicants' Existing Credit Facility (defined below), resulting in the Applicants being unable to pay their obligations in the ordinary course. These liquidity constraints have resulted in significant arrears owing to critical vendors, including in excess of \$2 million owing to ABG as of April 1, 2024, pursuant to the License Agreements (the "**Missed April Payments**"). On April 17, 2024, Ted Baker Limited and Ted Baker Canada received Notices of Breach from ABG as a result of the Missed April Payments. Under the terms of the License Agreements, ABG has the right to terminate the License Agreements if the Applicants' failure to make payments under the License Agreements is not cured within five business days.

1.10 The principal purpose of these CCAA Proceedings is to stabilize and maintain the Ted Baker Group's business, which urgently requires a stay of proceedings granted under the CCAA and related relief, including access to interim financing required by the Applicants. The Applicants intend to use the breathing room afforded by the CCAA to consider their next steps and restructuring alternatives in consultation with key stakeholders.

1.11 The Affidavit of Antoine Adams, a director and Corporate Secretary of each of the Applicants and the Chief Operating Officer of OSL Retail Services Inc. (“**OSL Retail**”), an affiliate of the Applicants, sworn April 24, 2024 in support of the CCAA application (the “**Adams Affidavit**”), provides a detailed summary of the Applicants’ background, including the events leading up to, and reasons for, the commencement of these CCAA Proceedings.

2.0 PURPOSE OF THIS REPORT

2.1 The purpose of this pre-filing report (this “**Report**”) is to provide the Court with information, and where applicable, the Proposed Monitor’s views on:

- (i) A&M’s qualifications to act as Monitor (if appointed);
- (ii) the Ted Baker Group’s business and financial circumstances;
- (iii) the Ted Baker Group’s 2-week cash flow projection for the period April 24, 2024 through to May 5, 2024 (the “**Cash Flow Forecast**”);
- (iv) the Ted Baker Group’s proposed payments during the Cash Flow Forecast period;
- (v) the Ted Baker Group’s centralized cash management system;
- (vi) the Ted Baker Group’s intended next steps in these CCAA Proceedings, including the proposed commencement of Chapter 15 recognition proceedings;
- (vii) the opinions of counsel to the Proposed Monitor regarding the validity and enforceability of the security granted by the Applicants in favour of Canadian

Imperial Bank of Commerce (“**CIBC**”), in its capacity as agent for the senior secured lenders;

(viii) the proposed Court-ordered Charges (as defined below) over the property and assets of the Ted Baker Group (collectively, the “**Property**”) sought in the proposed Initial Order; and

(ix) the Proposed Monitor’s conclusions and recommendations in connection with the foregoing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Ted Baker Group and has held discussions with management of the Ted Baker Group and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this Report in respect of the Cash Flow Forecast:

(i) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

(ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this Report was prepared based on the Ted Baker Group's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

3.3 This Report should be read in conjunction with the Adams Affidavit, filed in support of the Applicant's application for relief under the CCAA. Capitalized terms used and not defined in this Report have the meanings given to them in the Adams Affidavit.

3.4 Unless otherwise stated, all monetary amounts contained herein are expressed in US dollars.

4.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR

4.1 Alvarez & Marsal Canada ULC, an affiliate of A&M, was engaged to act as a consultant to the Applicants on April 16, 2024, and, as such, the Proposed Monitor is familiar with the business and operations of the Applicants, its personnel and the key issues and stakeholders in the proposed CCAA Proceedings.

4.2 A&M is related to Alvarez & Marsal Holdings LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. The senior A&M professional personnel with carriage of this matter

include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals, and Licensed Insolvency Trustees, and who have previously acted in CCAA matters of a similar nature and complexity in Canada.

4.3 A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 and is not subject to any of the restrictions on who may be appointed as monitor set out in subsection 11.7(2) of the CCAA.

4.4 The Proposed Monitor has retained Bennett Jones LLP to act as its independent legal counsel.

4.5 A&M has consented to act as Monitor of the Ted Baker Group should the Court grant the proposed Initial Order.

5.0 BACKGROUND INFORMATION

5.1 Extensive background information on the Ted Baker Group as it relates to, among others, its recent financial and operating performance, retail footprint and sales channels, employees, assets and liabilities, and primary causes of financial difficulty are set out in the Adams Affidavit and is therefore not repeated herein.

6.0 SECURED CREDITORS

CIBC

6.1 CIBC is the main operating and senior secured lender to the Ted Baker Group pursuant to a credit agreement dated March 14, 2023 (as amended on August 3, 2023 and April 24, 2024, the “**CIBC Credit Agreement**”), among Ted Baker Canada (in such capacity, the “**Canadian Borrower**”) and Ted Baker Limited (in such capacity, the “**US Borrower**”) and, together with the Canadian Borrower, the “**Borrowers**”) as borrowers, and Fashion Canada (in such capacity, the “**Canadian Guarantor**”) and Fashion Services (in such capacity, the “**US Guarantor**”) and, together with the Canadian Guarantor, the “**Guarantors**”) and together with the Borrowers, the “**Credit Parties**”), CIBC and the other lenders from time to time party thereto as lenders (the “**Lenders**”) and CIBC, in its capacity as administrative agent to the Lenders (in such capacity, the “**Agent**”). Pursuant to the CIBC Credit Agreement, the Lenders provide revolving loans to the Borrowers in the aggregate principal amount of \$36.5 million (the “**Existing Credit Facility**”).

6.2 The maximum amount available for borrowing under the Existing Credit Facility is derived from a borrowing base formula based on the Borrowers’ receivables, inventory on hand and inventory in-transit, less outstanding letters of credit and availability reserves (including priority payables such as wages, worker’s compensation and certain taxes).

Security Review

6.3 The Proposed Monitor requested that its counsel, and its counsel’s local agents, conduct a review of the security granted by the Credit Parties in favour of the Agent in connection with the CIBC Credit Agreement. The obligations under the CIBC Credit Agreement are

secured by certain Canadian security documents granted in favour of the Agent (collectively, the “**Canadian Security Documents**”). The Proposed Monitor’s counsel has provided a written opinion to the Proposed Monitor (collectively, the “**Canadian Opinion**”), that, subject to the customary qualifications and assumptions set out therein, the security granted by the Ted Baker Group pursuant to each Canadian Security Document constitutes valid security interest in the collateral specified therein, enforceable in accordance with its terms, and perfected by registration in the provinces of Ontario, Quebec, Alberta, British Columbia, Nova Scotia, and Manitoba (the “**PPSA Jurisdictions**”) to the extent capable under applicable law. Based on a search conducted in respect of the Ted Baker Group in the PPSA Jurisdictions, the only lien registrations identified were in favour of the Agent and OSL Retail (as discussed below).

6.4 The obligations under the CIBC Credit Agreement are secured by certain US security documents granted in favour of the Agent (collectively, the “**US Security Documents**”). The Proposed Monitor’s Canadian counsel’s local agents, have provided draft written opinions to the Proposed Monitor (the “**US Opinions**”, and collectively with the Canadian Opinion, the “**Opinions**”) that, subject to the customary qualifications and assumptions set out therein, the security granted by the Ted Baker Group pursuant to each US Security Documents constitutes valid perfected security interest in the collateral specified therein, enforceable in accordance with its terms. The Opinions can be made available to the Court upon request.

6.5 Based on lien searches conducted respectively in respect of Ted Baker Limited in the office of the Secretary of State of New York under that state’s Uniform Commercial Code, Ted Baker Canada in the office of the Recorder of Deeds of the District of Columbia under the

Uniform Commercial Code of the District of Columbia and Fashion Services in the office of the Secretary of State of Michigan under that state's Uniform Commercial Code, the only lien registrations identified were in favour of the Agent.

OSL Retail

- 6.6 Fashion Canada issued a secured promissory note dated March 14, 2023, in favour of OSL Retail, pursuant to which Fashion Canada has promised to pay on demand to OSL Retail a principal amount of \$10 million. Fashion Canada granted a security interest to OSL Retail in all of its present and after-acquired undertaking and property pursuant to a general security agreement dated March 14, 2024.
- 6.7 Pursuant to a postponement, subordination and standstill agreement dated March 14, 2023 (the "**Subordination Agreement**") by OSL Retail to the Senior Lenders and the Agent, and acknowledged by Fashion Canada, inter alia, all debts, liabilities and obligations owing by Fashion Canada to OSL Retail were subordinated and postponed to all debts, obligations and liabilities owed by the Borrowers to the Senior Lenders and the Agent under the CIBC Credit Agreement.

7.0 INTERIM FINANCING

- 7.1 As set out in the Adams Affidavit, Ted Baker NA no longer has access to further availability under the Existing Credit Facility and CIBC had advised that it is unwilling to extend further credit to the Applicants outside of a CCAA process.
- 7.2 Accordingly, to support the Applicants' restructuring efforts and avoid an abrupt shutdown of the business, on April 24, 2024 CIBC entered into an amendment to the Existing Credit

Facility as a pre-condition to CIBC making further borrowings available under the Existing Credit Facility during the initial 9-day period.

7.3 Such additional borrowings (each, an “**Interim Borrowing**” and collectively, the “**Interim Borrowings**”) are subject to the following conditions:

- (i) such Interim Borrowings are to fund obligations which the Applicants, with the consent of the Monitor and the Interim Lender, deem to be necessary for the preservation of the Property or their business;
- (ii) such Interim Borrowings do not, individually or in the aggregate, exceed \$7 million;
- (iii) such Interim Borrowings under the Existing Credit Facility accrue interest at the rates set out in the CIBC Credit Agreement;
- (iv) Fashion Canada and Fashion Services are deemed to guarantee the Interim Borrowings together with all interest accrued thereon and costs and expenses incurred in connection therewith in the same manner as the other Obligations (as defined in the CIBC Credit Agreement) that they have guaranteed under the CIBC Credit Agreement and the loan and security documents provided by them in connection therewith, without the need for any further documentation or guarantee from Fashion Canada or Fashion Services;
- (v) such Interim Borrowings mature on May 8, 2024 (as they are expected to be replaced by more traditional DIP financing prior to such date); and

- (vi) unless the Interim Lender provides its written waiver, the United States Bankruptcy Court shall have granted an Order pursuant to the Bankruptcy Code: (a) provisionally recognizing, ordering and giving effect to the Initial Order and the Interim Lender's Charge in the United States, and (b) granting such other provisional relief that is sought by the Applicants, at the request of the Interim Lender.
- 7.4 Further, having regard to CIBC's rights under the CIBC Credit Agreement and the existing defaults under the CIBC Credit Agreement, the Applicants will be required to submit draw requests for each expenditure during the initial 9-day period and CIBC will make a funding determination on a case-by-case basis.
- 7.5 The requested Initial Order contemplates that Interim Borrowings will be secured by way of a court-ordered charge (defined as the Interim Lender's Charge) subordinate only to the Administration Charge.
- 7.6 As indicated in the Adams Affidavit, CIBC has sweep rights over all existing Canadian bank accounts under the CIBC Credit Agreement, and has established a DACA (defined and described below) in respect of the main operating US bank account. Funds swept through these mechanisms during these CCAA proceedings will be used to partially repay the pre-filing balance owing under the Existing Credit Facility (i.e. a "creeping roll-up").
- 7.7 Leading up to these proceedings, the Proposed Monitor has been cooperatively working with CIBC and their advisors in connection with the sizing and structure of the Interim Borrowings, the ranking and sizing of the Charges, and the Cash Flow Forecast. The

Proposed Monitor understands that CIBC is supportive of the Interim Borrowings and the other relief requested.

7.8 The Proposed Monitor is supportive of the proposed Interim Lender's Charge because, among other things:

- (i) in the absence of the Interim Lender's Charge, the Applicants have no ability to draw under the Existing Credit Facility, and therefore have no liquidity to fund operations or these CCAA Proceedings;
- (ii) as confirmed by the Proposed Monitor's counsel, CIBC has valid registered security against each of the Applicants, and the Proposed Monitor is not aware of any creditor ranking in priority to CIBC at this time;
- (iii) the terms of the Interim Borrowings are not materially different than under the Existing Credit Facility; and
- (iv) the Proposed Monitor is not aware of any creditor that will be prejudiced by the Interim Lender's Charge.

8.0 CASH FLOW FORECAST

8.1 The Ted Baker Group has prepared a cash flow forecast (the "**Cash Flow Forecast**") for the period from April 24, 2024 to May 5, 2024 (the "**Initial Period**"). A copy of the Cash Flow Forecast, together with a summary of assumptions (the "**Cash Flow Assumptions**") and Management's report on the cash-flow statement required by subsection 10(2)(b) of the CCAA are attached hereto as **Appendices "A" and "B"**, respectively.

8.2 The following table provides a summary of the Cash Flow Forecast for the Initial Period:

Ted Baker Group (Consolidated) Cash Flow Forecast (USD \$000's)		<i>Initial Period</i>
Receipts		
Sales Receipts		2,007
Sales Tax Collections		170
Total Receipts		2,177
Disbursements		
Rent		1,900
Payroll		1,256
Logistics and Duties		870
Other Vendors		3,500
Sales Tax Remittances		600
Restructuring Professional Fees		64
Total Disbursements		8,191
Net Cash Flow		(6,014)
<i>Cash & Interim Borrowings</i>		
Opening Cash Balance		1,196
Interim Borrowings		6,994
Disbursements		(8,191)
Ending Cash Balance		-
<i>Pre-Filing Revolver</i>		
Opening Balance		(29,651)
Net Cash Flow after cash disbursements		2,177
Ending Balance		(27,474)

8.3 During the Initial Period, total disbursements of approximately \$8.2 million are projected to be sufficiently funded from Ted Baker Group's cash on hand and the Interim Borrowings proposed to be provided by CIBC. Forecast cash receipts of approximately \$2.2 million are to be applied against the Company's outstanding pre-filing revolver balance.

8.4 The Proposed Monitor also notes the following with respect to the Cash Flow Forecast:

- (i) receipts reflect forecast sales from retail stores and e-commerce channels consistent with the Company's recent sales trend;

- (ii) the Ted Baker Group is not currently purchasing additional inventory and accordingly no merchandise payments have been included during the Initial Period;
- (iii) rent is forecast to be paid on May 1, 2024 for all store and office locations;
- (iv) Canadian and US payrolls are to be paid in the ordinary course; and
- (v) Logistics and Duties, and Other Vendors include logistics, warehousing and transportation services, information technology services, and other store-level and corporate costs required to facilitate the continued flow of goods in-transit and online sale deliveries.

8.5 Based on the Proposed Monitor's review,¹ nothing has come to its attention that causes it to believe, in all material respects that: (i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast; (ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Ted Baker Group or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.

¹ The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor under subsection 23(1)(b) of the CCAA. Subsection 23(1)(b) of the CCAA requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by certain key members of management. The Proposed Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast.

- 8.6 The Cash Flow Forecast has been prepared solely for the purpose and subject to the assumptions described above, and readers are cautioned that it may not be appropriate for other purposes.

9.0 CASH MANAGEMENT SYSTEM

- 9.1 As described in the Adams Affidavit, the Applicants have a centralized cash management system for the collection, transfer and disbursement of funds (the “**Cash Management System**”), which is maintained and administered by treasury and finance personnel based in Fashion Canada’s head office in Mississauga, Ontario and Ted Baker Limited’s head office in New York.

- 9.2 The Applicants maintain and administer 45 bank accounts. 41 bank accounts are held at CIBC (the “**Canadian Bank Accounts**”) and four are held in the US, comprised of three at HSBC and one at American Savings Bank (the “**US Bank Accounts**”). The balance outstanding under the Existing Credit Facility is paid down on a daily basis through the sweeping of certain Canadian Bank Accounts. Ted Baker Limited, CIBC and HSBC Bank USA, National Association (“**HSBC USA**”) have entered into a deposit account control agreement (“**DACA**”) in respect of the Applicants’ main US operating account held with HSBC USA.

- 9.3 Pursuant to the proposed Initial Order, the Ted Baker Group seeks approval of its continued use of the Cash Management System in substantially the same manner as before the commencement of these CCAA Proceedings, including the daily sweeping of certain Canadian Bank Accounts in repayment of the Existing Credit Facility. Given the scale and nature of the Ted Baker Group’s operations and the volume of transactions that are

processed daily within the Cash Management System, the Proposed Monitor is of the view that the continued use of the existing Cash Management System is required and appropriate during these CCAA Proceedings.

- 9.4 The Proposed Monitor is comfortable that the Cash Management System will allow the Applicants and the Monitor to adequately track all payments.

10.0 CHAPTER 15 RECOGNITION PROCEEDINGS

- 10.1 As discussed in the Adams Affidavit, the Applicants intend to seek recognition of these CCAA Proceedings under Chapter 15 of the United States Bankruptcy Code. The Applicants seeking to appoint Ted Baker Canada as the “foreign representative” for purposes of commencing such recognition proceedings.

- 10.2 The Proposed Monitor is supportive of Ted Baker Canada acting as the “foreign representative” and of the Ted Baker Group seeking Chapter 15 protection to protect the business and assets in the United States.

11.0 STAY OF PROCEEDINGS

- 11.1 The proposed Initial Order contemplates the granting of an initial 9-day stay of proceedings in respect of the Applicants, their business and the Property.

- 11.2 In the circumstances, the Proposed Monitor is of the view that the stay of proceedings is appropriate and is in the best interests of Ted Baker Group and its stakeholders given that:

- (i) absent the stay of proceedings, creditors – including third-party logistics providers, landlords, and ABG in respect of the License Agreements – will be in a position to

commence/continue claims or terminate agreements/licenses in respect of one or more of the Applicants;

- (ii) the proposed stay of proceedings will provide the breathing room required by the Ted Baker Group to stabilize its business and advance its restructuring options;
- (iii) the commencement of enforcement steps against the Applicants would be detrimental to the stability and success of the Ted Baker Group and these CCAA Proceedings; and
- (iv) the Ted Baker Group has acted, and continues to act, in good faith and with due diligence in commencing these CCAA Proceedings and seeking to preserve and maximize value for its stakeholders.

12.0 COURT-ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

- 12.1 In the addition to the Interim Lender's discussed above, the Proposed Initial Order seeks the granting of the Administration Charge and the Directors' Charge (together with the Interim Lender's Charge, collectively, the "**Charges**") over the Property of the Ted Baker Group, as described below.

Administration Charge

- 12.2 The proposed Initial Order provides for an initial Administration Charge in an amount not to exceed \$750,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicants. The Proposed Monitor understands that the Applicants intend to seek an increase in the amount of the Administration Charge to \$1.5 million at the Comeback Hearing.

- 12.3 The Proposed Monitor assisted the Ted Baker Group with the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 9-day stay period is reasonable and appropriate in the circumstances, having regard to the nature of these CCAA Proceedings, the anticipated professional costs to be incurred during the initial 9-day stay period, the significant arrears already existing, and the size of charges approved in similar CCAA proceedings.

Directors' Charge

- 12.4 Consistent with the CCAA Model Order, the proposed Initial Order provides that the Ted Baker Group shall indemnify its directors and officers against obligations and liabilities that they may incur as directors and officers of the Ted Baker Group after the commencement of these CCAA Proceedings, except to the extent that any such obligation or liability arises as a result of an officer's or director's gross negligence or wilful misconduct. The proposed Initial Order grants a charge over the Ted Baker Group's Property in the amount of \$2.5 million in favour of the Ted Baker Group's directors and officers as security for any such obligations or liabilities arising after the commencement of these CCAA Proceedings. The Applicants intend to seek an increase in the amount of the Directors' Charge to \$5 million at the Comeback Hearing.
- 12.5 The Proposed Monitor understands that the Ted Baker Group holds directors' and officers' insurance policies that provide coverage for certain director and officer obligations. However, these policies contain certain exceptions, exclusions and carve-outs, and as a result, the policies may not provide adequate coverage to the Ted Baker Group's directors and officers during these CCAA Proceedings. The Ted Baker Group's directors and officers will only be entitled to the benefit of the Directors' Charge to the extent they do

not have coverage under directors' and officers' insurance policies or to the extent such coverage is insufficient to pay an indemnified amount.

- 12.6 The Proposed Monitor assisted the Ted Baker Group in the calculation of the initial quantum of the Directors' Charge, taking into consideration the amount of the Ted Baker Group's payroll, vacation pay and federal and provincial/state sales tax liabilities during the initial 9-day stay period. The components that comprise the proposed Directors' Charge are estimated as follows:

Proposed Directors' Charge	\$000's
Provision for employee wages and source deductions	\$1,300
Provision for sales taxes	\$400
Provision for accrued vacation pay	\$700
Provision for employee benefits, EHT and other similar amounts	\$100
Total	\$2,500

- 12.7 The Proposed Monitor understands that the directors and officers of the Ted Baker Group have advised that they are not willing to continue in their current roles absent the protection afforded to them under the Directors' Charge. In the circumstances, the Proposed Monitor is of the view that the Directors' Charge is required and reasonable.

Priority of Charges Created by the Proposed Initial Order

- 12.8 The priorities of the Charges are proposed to be as follows:

- (i) First – Administration Charge (to the maximum amount of \$750,000);
- (ii) Second - Interim Lender's Charge;

(iii) Third – security granted with respect to the Existing Credit Facility (excluding Interim Borrowings); and

(iv) Fourth – Directors' Charge (to the maximum amount of \$2.5 million).

12.9 As set out above, the Proposed Monitor believes that the Charges are reasonable in the circumstances.

13.0 INTENDED NEXT STEPS IN THESE CCAA PROCEEDINGS

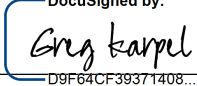
13.1 The Proposed Monitor understands that, subject to obtaining the proposed Initial Order, during the period prior to the Comeback Hearing, the Ted Baker Group intends to commence the Chapter 15 proceedings, and work with its key stakeholders to develop a plan to maximize value for the benefit of its creditors and other stakeholders.

14.0 CONCLUSIONS AND RECOMMENDATIONS

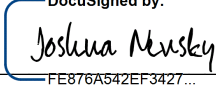
14.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Ted Baker Group in the proposed Initial Order is reasonable, appropriate and necessary having regard to the Ted Baker Group's current circumstances. As such, the Proposed Monitor supports the Ted Baker Group's application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Ted Baker Group.

All of which is respectfully submitted to the Court this 24th day of April, 2024.

**Alvarez & Marsal Canada Inc., solely in its capacity as
Proposed Monitor of Ted Baker Canada Inc., Ted Baker Limited, OSL Fashion Services
Canada Inc., and OSL Fashion Services, Inc., and not in its personal or corporate capacity**

Per: 
D9F64CF39371408...

Greg Karpel
Senior Vice-President

Per: 
FE876A542EF3427...

Josh Nevsky
Senior Vice-President

APPENDIX A
CASH FLOW FORECAST

See attached.

Disclaimer

In preparing this illustrative cash flow forecast (the “**Forecast**”), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast reflects assumptions including those discussed below with respect to the requirements and impact of a potential filing in Canada under the Companies’ Creditors Arrangement Act (“**CCAA**”). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in thousands of US dollars.

Ted Baker Group (Consolidated)	<i>Week 1</i>	<i>Week 2</i>	
Cash Flow Forecast			<i>Initial 10-</i>
(USD \$000's)	28-Apr-24	05-May-24	day Period
Receipts			
Sales Receipts	500	1,507	2,007
Sales Tax Collections	35	135	170
Total Receipts	535	1,642	2,177
Disbursements			
Rent	-	1,900	1,900
Payroll	1,196	60	1,256
Logistics and Duties	800	70	870
Other Vendors	1,400	2,100	3,500
Sales Tax Remittances	600	-	600
Restructuring Professional Fees	64	-	64
Total Disbursements	4,060	4,131	8,191
Net Cash Flow	(3,525)	(2,489)	(6,014)
Cash & Interim Borrowings			
Opening Balance	1,196	-	1,196
Interim Borrowings	2,864	4,131	6,994
Disbursements	(4,060)	(4,131)	(8,191)
Ending Balance	-	-	-
Pre-Filing Revolver			
Opening Balance	(29,651)	(29,116)	(29,651)
Net Cash Flow after cash disbursements	535	1,642	2,177
Ending Balance	(29,116)	(27,474)	(27,474)

Assumptions

-
- a) Sales Receipts include forecast sales from retail, wholesale, concession, and online channels.
 - b) Rent includes post-filing rent for the month of May for all store and office locations.
 - c) Payroll for both Canadian and US-based employees is forecast to be paid in the normal course.
 - d) Logistics and Duties, and Other Vendors include amounts to facilitate the continued flow of goods in-transit and online sale deliveries.
 - e) Disbursements during the initial 10-day period are forecast to be funded by cash on hand plus Interim Borrowings. Sales Receipts are forecast to pay down the Pre-Filing Revolver.

APPENDIX B
MANAGEMENT'S REPRESENTATION LETTER
REGARDING CASH FLOW FORECAST

See attached.

T E D B A K E R

L O N D O N

Alvarez & Marsal Canada Inc.
200 Bay Street, Suite 3501
Toronto ON M5J 2J1

Attention: Mr. Joshua Nevsky and Mr. Greg Karpel

April 23, 2024

Dear Sirs:

Re: Ted Baker Canada Inc., Ted Baker Limited, OSL Fashion Services Canada Inc. and OSL Fashion Services, Inc. (together, the "Ted Baker Group", or, the "Applicants") – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

In connection with the application by the Ted Baker Group for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, the management of Ted Baker Group have prepared the attached 10-day projected cash flow statement for the period April 24, 2023 to May 5, 2024 (the "**Cash Flow Forecast**") and the list of assumptions on which the Cash Flow Forecast is based. The purpose of the Cash Flow Forecast is to determine the liquidity requirements of Ted Baker Group during the CCAA proceedings.

Ted Baker Group confirms that the hypothetical assumptions on which the Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of Ted Baker Group and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Cash Flow Forecast (the "**Notes**").

Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,

Per: 
Name: Antoine Adams
Title: Corporate Secretary

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

Court File No.: _____

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TED
BAKER CANADA INC., TED BAKER LIMITED, OSL FASHION SERVICES CANADA
INC., AND OSL FASHION SERVICES, INC.**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

**PRE-FILING REPORT OF THE
PROPOSED MONITOR**

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, ON M5X 1A4

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Counsel for Alvarez & Marsal Canada Inc.,
solely in its capacity as the Proposed Monitor
and not in its personal or corporate capacity.

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Greg Karpel

gkarpel@alvarezandmarsal.com

Managing Director

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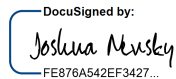
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