

**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.**

**THIRD REPORT OF THE MONITOR  
ALVAREZ & MARSAL CANADA INC.**

**JANUARY 23, 2025**

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## APPENDICES

**Appendix A – Second Report of the Monitor (without appendices)**

## 1.0 INTRODUCTION

1.1 On April 24, 2024 (the “**Filing Date**”), Ted Baker Canada Inc. (“**Ted Baker Canada**”), Ted Baker Limited, OSL Fashion Services Canada Inc. and OSL Fashion Services, Inc. (collectively, the “**Ted Baker Group**” or the “**Applicants**”) applied for and were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicants under the CCAA are hereinafter referred to as the “**CCAA Proceedings**”.

1.2 The Initial Order, among other things:

- (i) appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicants in these CCAA Proceedings (in such capacity, the “**Monitor**”);
- (ii) granted a stay of proceedings in favour of the Applicants and their directors and officers (the “**Stay of Proceedings**”) up to and including May 3, 2024 (the “**Stay Period**”);
- (iii) authorized Ted Baker Canada and Ted Baker Limited to continue to borrow from the Canadian Imperial Bank of Commerce (“**CIBC**”), as interim lender (in such capacity, the “**Interim Lender**”) under the Existing Credit Facility (as defined in the Initial Order) in an amount not to exceed \$7 million, subject to the requirements set out in the Initial Order;

- (iv) granted or confirmed the following charges, listed in order of priority and each as defined in the Initial Order:
  - (a) an Administration Charge in the maximum amount of \$750,000;
  - (b) an Interim Lender's Charge;
  - (c) the security granted with respect to the Existing Credit Facility (excluding the Interim Borrowings); and
  - (d) a Directors' Charge in the maximum amount of \$2.5 million, ranking subordinate to the security granted with respect to the Existing Credit Facility; and
- (v) authorized Ted Baker Canada to act as the foreign representative of the Applicants in respect of having these CCAA Proceedings recognized in the United States Bankruptcy Court for the Southern District of New York (the "**U.S. Court**") pursuant to Chapter 15 of Title 11 of the United States Bankruptcy Code (the "**Bankruptcy Code**"), and to seek related relief, as necessary.

1.3 On April 26, 2024, the Applicants were granted provisional relief by the U.S. Court in the form of a temporary restraining order, including among other things, a stay of proceedings against the Applicants in the United States. Those proceedings are hereinafter referred to as the "**Chapter 15 Cases**" (and, together with the CCAA Proceedings, the "**Insolvency Proceedings**").

- 1.4 On May 3, 2024, this Court granted the Realization Process Approval Order, which, among other things, approved the retention of Gordon Brothers Canada ULC and Gordon Brothers Retail Partners, LLC (together, the “**Consultant**”) pursuant to a Consulting Agreement dated as of April 30, 2024 (the “**Consulting Agreement**”) and guidelines for the Sale (the “**Sale Guidelines**”), and authorized the Applicants, with the assistance of the Consultant, to conduct the sale of merchandise and furniture, fixtures and equipment at the Ted Baker Group’s store and warehouse locations in Canada and the U.S. (the “**Sale**”).
- 1.5 On May 3, 2024, this Court also granted an amended and restated Initial Order, which, among other things:
- (i) extended the Stay of Proceedings to and including August 2, 2024;
  - (ii) approved the DIP Term Sheet (as defined therein) and granted various related relief, including a super-priority charge over the Property (as defined therein) as security for advances under the DIP Term Sheet;
  - (iii) increased the quantum of the Administration Charge to \$1.5 million, and the Directors’ Charge to \$5 million;
  - (iv) approved a key employee retention plan (the “**KERP**”) and granted a super-priority charge over the Property in the amount of \$250,000 as security for payments to be made in accordance with the KERP; and
  - (v) sealed the KERP and related confidential personal information subject to further order of the Court.

- 1.6 On May 17, 2024, the U.S. Court granted: (i) the Final Order Recognizing and Enforcing the Realization Process Approval Order and Granting Related Relief; and (ii) the Modified Order Recognizing the Foreign Main Proceedings and Granting Additional Relief.
- 1.7 On August 1, 2024, this Court granted an order extending the Stay of Proceedings to and including January 31, 2025, and granting certain relief relating to the *Wage Earner Protection Program Act* (Canada), S.C. 2005, c. 47, s. 1 (“**WEPPA**”).
- 1.8 In connection with the CCAA Proceedings, A&M, then in its capacity as proposed monitor, filed and served the Pre-Filing Report of the Proposed Monitor dated April 24, 2024 (the “**Pre-Filing Report**”). The Monitor has also provided this Court with the First Report of the Monitor dated May 2, 2024 (the “**First Report**”) and the Second Report of the Monitor dated July 30, 2024 (the “**Second Report**”, and together with the First Report, the “**Prior Reports**”).
- 1.9 The Pre-Filing Report, the Prior Reports and all other Court-filed documents in these CCAA Proceedings are available on the Monitor’s case website at: <https://www.alvarezandmarsal.com/TBRetail> (the “**Case Website**”). A copy of the Second Report is also attached hereto as **Appendix “A”**.
- 1.10 The purpose of this report (this “**Third Report**”) is to provide the Court with information, and where applicable, the Monitor’s views on:
  - (i) the Applicants’ motion for an order (the “**Stay Extension Order**”) among other things, extending the Stay of Proceedings to and including January 31, 2026;
  - (ii) information on the completion of the Sale;

- (iii) the activities of the Monitor since the date of the Second Report (July 30, 2024);  
and
- (iv) the Monitor's conclusions and recommendations with respect to the foregoing.

## **2.0 TERMS OF REFERENCE AND DISCLAIMER**

2.1 In preparing this Third Report, A&M, in its capacity as Monitor, has been provided with, and has relied upon, unaudited financial information, books and records and other financial information prepared by the Ted Baker Group and has held discussions with management of the Ted Baker Group and their legal counsel (collectively, the "**Information**"). Except as otherwise described in this Third Report in respect of the Ted Baker Group's cash flow forecast:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 ("**CAS**") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and
- (ii) some of the Information referred to in this Third 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.

2.2 Future oriented financial information referred to in this Third Report was prepared based on the Ted Baker Group management'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 may vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Third Report should be read in conjunction with the Affidavit of Antoine Adams sworn January 22, 2025 (the "**Fourth Adams Affidavit**") and filed in support of the Applicants' motion for the proposed Stay Extension Order. Capitalized terms used and not defined in this Third Report have the meanings given to them in the Pre-Filing Report, the Prior Reports or the Fourth Adams Affidavit, as applicable.

2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.

### **3.0 UPDATES SINCE THE SECOND REPORT**

#### Employees

3.1 At the time of the Second Report, the Applicants employed approximately 180 retail employees in the U.S., 240 retail employees in Canada, and approximately 30 corporate employees in Toronto and New York.

3.2 Following the completion of the Sale on August 4, 2024, all remaining retail employees were terminated, and a small group of corporate employees were retained to assist with the collection of accounts receivable, payment of remaining obligations, and other operational

wind-down matters. As these matters were completed, substantially all corporate employees were terminated.

- 3.3 At this time, the Applicants' sole representative is Mr. Antoine Adams, who remains to oversee the Applicants' remaining restructuring efforts.

#### Leases and Store Closures

- 3.4 The Sale was completed on August 4, 2024, in accordance with the Sale Guidelines. The Applicants' final exit date from its last leased location was August 7, 2024. As set out in the Second Report, all landlords received a 30-day lease disclaimer notice specifying the final date for each property. No disclaimer objections were received.

#### Assignment of Secured Debt and Security

- 3.5 As described in the Fourth Adams Affidavit, on or about October 23, 2024, an affiliate of OSL Fashion Services Canada Inc. and OSL Fashion Services, Inc. (the "**Guarantor**") agreed to assume and be bound by the obligations of Mr. Farren under the Limited Recourse Guarantee. The Guarantor entered into an agreement with CIBC, in its capacity as Agent for the Lenders pursuant to the Existing Credit Agreement (the "**Settlement Agreement**"), pursuant to which the Guarantor paid the Guarantee Amount (each as defined in the Settlement Agreement) to CIBC in consideration for, among other things, a full and final release of the Guarantee and the Guarantor's assumption of CIBC's security interests. As a result of these transactions, the Guarantor has succeeded CIBC as the Applicants' sole secured creditor, with the exception of CIBC's continuing first ranking security interest against a cash collateral account securing any claims that CIBC may have

against the Applicants in connection with certain letters of credit which were issued by CIBC under the Existing Credit Agreement, in the (then) amount of \$2,162,054 and CAD \$350,00.

- 3.6 As at the date of this Third Report, approximately \$2.3 million of secured debt remains outstanding.

#### Potential Tax Refund

- 3.7 Ted Baker Limited is awaiting a determination from the U.S. Internal Revenue Service (“IRS”) as to whether it is eligible to receive an Employee Retention Tax Credit (“ERTC”). The ERTC is a refundable tax credit made available to eligible businesses and tax-exempt organizations that had employees and were impacted during the COVID-19 pandemic.
- 3.8 If determined to be eligible, Ted Baker Limited could potentially receive a substantial tax refund from the IRS (the “**ERTC Refund**”).<sup>1</sup> The Monitor understands that the IRS’s review process for ERTC claims is currently delayed due to a high volume of claims, including a number of improper claims.
- 3.9 Given the potential for a meaningful recovery for the estate, if or when the ERTC Refund is received, and the expectation that the estate will not incur any material costs during the extended Stay Period, the Monitor is of the view that the Stay of Proceedings should be

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<sup>1</sup> As noted in the Fourth Adams Affidavit, Ted Baker Limited has identified \$6,162,972.24 in potential ERTCs to which it may be entitled.

extended to provide additional time for the Ted Baker Group and its advisors, under the supervision of the Monitor, to continue to pursue the ERTC Refund.

Remaining Open Letters of Credit

3.10 On the Filing Date, the Applicants had four outstanding letters of credit (“LC”), each of which are described below:

- (i) the Applicants had two LCs outstanding for the benefit of: (1) the Warehouse Landlord with respect to the Warehouse located in Atlanta, Georgia; and (2) the Applicants’ U.S. insurance agent with respect to U.S. Customs and Border Protection surety. The Applicants worked with the counterparties to each of these LCs and the LCs have either been returned and cancelled, or applied against final costs, and therefore no longer remain outstanding;
- (ii) the Applicants had an LC with its Canadian insurance agent in the aggregate amount of CAD\$350,000, with respect to a Canadian Customs surety. After CIBC issued a non-renewal notice in November 2024 (effective February 28, 2025), the LC counterparty called on the full amount of the LC. The Applicants and the Monitor are currently working with Canadian Customs and its insurance agent to reconcile and close the customs account, such that the drawn funds can be released back to the Applicants. The Applicants’ Canadian insurance agent has advised that this process can take up to two years; and
- (iii) the Applicants have an LC outstanding with a US-based insurance agent with respect to U.S. duties in the aggregate amount of \$2.0 million. CIBC issued a non-

renewal notice in November 2024, and the Applicants intend to allow this LC to expire on July 6, 2025.

#### Cash Balance

- 3.11 As of January 21, 2025, the Applicants are maintaining a cash balance of approximately \$600,000, which is anticipated to be sufficient to satisfy the remaining costs and expenses in these proceedings.
- 3.12 The Monitor understands that the Applicants intend to return to this Court if and when necessary for any additional relief that may be required to facilitate the termination of these CCAA Proceedings.

#### **4.0 EXTENSION OF THE STAY PERIOD**

- 4.1 The Stay Period expires on January 31, 2025. Pursuant to the proposed Stay Extension Order, the Applicants are seeking an extension of the Stay of Proceedings to and including January 31, 2026.
- 4.2 The Monitor supports the Applicants' request to extend the Stay of Proceedings for the following reasons:
- (i) the proposed Stay Period extension will permit the Ted Baker Group, with the assistance of its advisors, to continue to pursue the ERTC Refund;
  - (ii) the extension of the Stay Period will enable the Ted Baker Group, with the assistance of the Monitor, to continue to pursue remaining amounts receivable and other miscellaneous refunds payable to the Ted Baker Group;

- (iii) the extension of the Stay Period will enable the Ted Baker Group, with the assistance of the Monitor, to complete remaining activities with respect to the remaining LCs and collect on any available funds;
- (iv) the Ted Baker Group has acted, and continues to act in good faith and with due diligence to advance their restructuring efforts and these CCAA Proceedings;
- (v) the Ted Baker Group is expected to have sufficient liquidity to fund their operations and the costs of the CCAA Proceedings during the extended Stay Period; and
- (vi) the Monitor is not aware of any party that would be materially prejudiced by the proposed Stay Period extension.

## **5.0 ACTIVITIES OF THE MONITOR**

5.1 Since the date of the Second Report, the activities of the Monitor have included the following:

- (i) assisting with a number of operational matters relating to the conclusion of the Sale;
- (ii) assisting the Ted Baker Group with reconciling fees and expenses owing to the Consultant in accordance with the Consulting Agreement;
- (iii) engaging with Canadian and U.S. counsel to the Ted Baker Group and CIBC regarding the CCAA Proceedings and the Chapter 15 Cases;
- (iv) engaging with certain suppliers, landlords and other stakeholders and their counsel who have reached out to the Monitor;

- (v) assisting the Ted Baker Group with communications to employees, suppliers and other parties;
- (vi) working with the Ted Baker Group to identify employees eligible for payment under WEPPA;
- (vii) assisting eligible employees with their claim submissions to Service Canada in connection with WEPPA applications;
- (viii) monitoring Ted Baker Limited's ongoing efforts to advance the ERTC claim with the IRS;
- (ix) monitoring the Ted Baker Group's cash receipts and disbursements;
- (x) maintaining the Case Website and coordinating the posting of documents filed in the Insolvency Proceedings thereon; and
- (xi) with the assistance of Bennett Jones LLP, counsel to the Monitor, preparing this Third Report.

## **6.0 CONCLUSIONS AND RECOMMENDATIONS**

- 6.1 For the reasons set out in this Third Report, the Monitor respectfully recommends that the Court grant the relief requested by the Applicants.

All of which is respectfully submitted to the Court this 23<sup>rd</sup> day of January, 2025.

**Alvarez & Marsal Canada Inc., solely in its capacity as  
Monitor of the Ted Baker Group,  
and not in its personal or corporate capacity**

Per:  \_\_\_\_\_

Josh Nevsky  
Senior Vice-President

**APPENDIX A  
SECOND REPORT**

See attached

**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.**

**SECOND REPORT OF THE MONITOR  
ALVAREZ & MARSAL CANADA INC.**

**JULY 30, 2024**

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### APPENDICES

Appendix A – First Report of the Monitor (without appendices)

Appendix B – Updated Cash Flow Forecast for the 10-Week Period Ending September 29, 2024

Appendix C – DIP Amendment Agreement

## 1.0 INTRODUCTION

1.1 On April 24, 2024 (the “**Filing Date**”), Ted Baker Canada Inc. (“**Ted Baker Canada**”), Ted Baker Limited, OSL Fashion Services Canada Inc. and OSL Fashion Services, Inc. (collectively, the “**Ted Baker Group**” or the “**Applicants**”) applied for and were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicants under the CCAA are hereinafter referred to as the “**CCAA Proceedings**”.

1.2 The Initial Order, among other things:

- (i) appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicants in these CCAA Proceedings (in such capacity, the “**Monitor**”);
- (ii) granted a stay of proceedings in favour of the Applicants and their directors and officers (the “**Stay**”) up to and including May 3, 2024;
- (iii) authorized Ted Baker Canada and Ted Baker Limited to continue to borrow from the Canadian Imperial Bank of Commerce (“**CIBC**”), as interim lender (in such capacity, the “**Interim Lender**”) under the Existing Credit Facility (as defined in the Initial Order) in an amount not to exceed \$7 million, subject to the requirements set out in the Initial Order;

- (iv) authorized the Applicants to pay certain pre-filing amounts with the consent of the Monitor and the Interim Lender to key participants in the Applicants' distribution network, and to other critical suppliers, if required;
- (v) granted or confirmed the following charges, listed in order of priority and each as defined in the Initial Order:
  - (a) an Administration Charge in the maximum amount of \$750,000;
  - (b) an Interim Lender's Charge;
  - (c) the security granted with respect to the Existing Credit Facility (excluding the Interim Borrowings); and
  - (d) a Directors' Charge in the maximum amount of \$2.5 million, ranking subordinate to the security granted with respect to the Existing Credit Facility; and
- (vi) authorized Ted Baker Canada to act as the foreign representative of the Applicants in respect of having these CCAA Proceedings recognized in the United States Bankruptcy Court for the Southern District of New York (the "**US Court**") pursuant to Chapter 15 of Title 11 of the United States Bankruptcy Code (the "**Bankruptcy Code**"), and to seek related relief, as necessary.

1.3 On April 26, 2024, the Applicants were granted provisional relief by the US Court in the form of a temporary restraining order, including among other things, a stay of proceedings against the Applicants in the United States. Those proceedings are hereinafter referred to

as the “**Chapter 15 Cases**” (and, together with the CCAA Proceedings, the “**Insolvency Proceedings**”).

- 1.4 On May 2, 2024, the Court granted the Realization Process Approval Order, which, among other things, approved the retention of Gordon Brothers Canada ULC and Gordon Brothers Retail Partners, LLC (together, the “**Consultant**”) pursuant to a Consulting Agreement dated as of April 30, 2024 (the “**Consulting Agreement**”) and guidelines for the Sale (the “**Sale Guidelines**”), and authorized the Applicants, with the assistance of the Consultant, to conduct the sale of merchandise (“**Merchandise**”) and furniture, fixtures and equipment (“**FF&E**”) at the Ted Baker Group’s store and warehouse locations in Canada and the United States (the “**Sale**”).
  
- 1.5 On May 3, 2024 the Court also granted an amended and restated Initial Order (the “**ARIO**”), which, among other things:
  - (i) extended the Stay to and including August 2, 2024;
  
  - (ii) approved the DIP Term Sheet (as defined therein) and granted various related relief, including a super-priority charge over the Property as security for advances under the DIP Term Sheet (the “**DIP Lender’s Charge**”);
  
  - (iii) increased the quantum of the Administration Charge to \$1.5 million, and the Directors’ Charge to \$5 million;
  
  - (iv) approved a key employee retention plan (the “**KERP**”) and granted a super-priority charge over the Property in the amount of \$250,000 (the “**KERP Charge**”) as security for payments to be made in accordance with the KERP; and

- (v) sealed the KERP and related confidential personal information subject to further order of the Court.
- 1.6 On May 17, 2024, the US Court granted: (i) the Final Order Recognizing and Enforcing the Realization Process Approval Order and Granting Related Relief; and (ii) the Modified Order Recognizing the Foreign Main Proceedings and Granting Additional Relief.
- 1.7 In connection with the CCAA Proceedings, A&M, then in its capacity as proposed monitor, filed and served the Pre-Filing Report of the Proposed Monitor dated April 24, 2024 (the “**Pre-Filing Report**”). The Monitor has also provided this Court with the First Report of the Monitor dated May 2, 2024 (the “**First Report**”). The Pre-Filing Report, the First Report and all other Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: <https://www.alvarezandmarsal.com/TBRetail> (the “**Case Website**”). A copy of the First Report is also attached hereto as **Appendix “A”**.
- 1.8 The purpose of this Second Report is to provide the Court with information, and where applicable, the Monitor’s views on:
- (i) the Applicants’ motion for an Order (the “**Stay Extension Order**”) among other things:
    - (a) extending the Stay to and including January 31, 2025; and
    - (b) declaring that, pursuant to section 5(5) of the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s. 1, as amended (“**WEPPA**”), Ted Baker Canada is a “former employer” in accordance with the criteria established

by section 3.2 of the *Wage Earner Protection Program Regulations*, SOR/2008-222 (the “**WEPP Regulations**”);

- (ii) an update on the Sale;
- (iii) the Ted Baker Group’s cash flow results for the 13-week period ended July 21, 2024, together with an updated cash flow forecast for the period July 22, 2024 to September 29, 2024 (the “**Updated Cash Flow Forecast**”);<sup>1</sup>
- (iv) amendments to the DIP Term Sheet as contemplated in an amending agreement entered into by the Applicants and the DIP Lender on July 30, 2024 (the “**DIP Amendment Agreement**”) in connection with the Updated Cash Flow Forecast;
- (v) the activities of the Monitor since the date of the First Report (May 2, 2024); and
- (vi) the Monitor’s conclusions and recommendations with respect to the foregoing.

## **2.0 TERMS OF REFERENCE AND DISCLAIMER**

2.1 In preparing this Second Report, A&M, in its capacity as Monitor, has been provided with, and has relied upon, unaudited financial information, books and records and other financial information prepared by the Ted Baker Group and has held discussions with management of the Ted Baker Group and their legal counsel (collectively, the “**Information**”). Except as otherwise described in this Second Report in respect of the Ted Baker Group’s cash flow forecast:

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<sup>1</sup> The Updated Cash Flow Forecast includes a reserve (comprised of estimated professional fees) to provide sufficient liquidity during the period following the requested Stay period, at which time there will be no, or minimal, activity in the Applicants’ business.

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the 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 Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and
- (ii) some of the Information referred to in this Second 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.

2.2 Future oriented financial information referred to in this Second Report was prepared based on the Ted Baker Group management’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 may vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 This Second Report should be read in conjunction with the Affidavit of Antoine Adams sworn July 25, 2024 (the “**Third Adams Affidavit**”) and filed in support of the Applicants’ motion for the proposed Stay Extension Order. Capitalized terms used and not defined in this Second Report have the meanings given to them in the Pre-Filing Report, the First Report or the Third Adams Affidavit, as applicable.

2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.

### **3.0 UPDATE ON THE SALE**

3.1 The Sale commenced at each of the Applicants' 55 store locations and 37 concession locations on May 10, 2024 (the "**Sale Commencement Date**").

3.2 Pursuant to the Realization Process Approval Order, the Applicants, with the assistance of the Consultant utilized the following strategies to promote the Sale:

- (i) in-store signage, all of which was consistent with the Sale Guidelines;
- (ii) targeted marketing campaigns, including email, text message and social media marketing; and
- (iii) dynamic promotional pricing and discounts to encourage increased purchases.

3.3 On May 10, 2024, the Applicants also turned off their online sales channels, including TedBaker.com and BrooksBrothers.ca, and ceased offering drop-ship sales via other online platforms.

3.4 On the Sale Commencement Date, the Applicants had inventory totaling approximately \$40.8 million (at landed cost value), comprised of: (i) \$32.8 million allocated for sale through retail and concession stores; and (ii) \$8 million allocated for sale to wholesale customers. No Additional Consultant Goods or other types of inventory augmentation were utilized by the Consultant as part of the Sale.

3.5 As of July 20, 2024, the Applicants, with the assistance of the Consultant, have sold approximately \$22.8 million of inventory (at landed cost value). The remaining inventory, as well as the FF&E, is anticipated to be sold in the coming weeks: (i) through retail stores; (ii) as part of the United Legwear Transaction (as defined and described below); and (iii) to wholesale customers in connection with transactions that have been arranged but for which delivery has not yet occurred.

3.6 Regarding the concession business:

- (i) the last day of sales at the six Hudson's Bay locations was June 23, 2024;
- (ii) the last day of sales at the 31 Bloomingdale's locations was July 21, 2024. On July 22, 2024, the United Legwear Transaction closed and United Legwear: (a) purchased the Applicants' remaining inventory at the Bloomingdale's locations; and (b) offered employment to the Applicants' approximately 60 employees whose primary place of work was from the Bloomingdale's locations.

3.7 On the Sale Commencement Date, the Applicants had existing accounts receivable of approximately \$7.3 million owing from wholesale and concession customers. To date, the Applicants have collected approximately \$5.7 million of this balance, and continues collection efforts for the remaining balance.

#### **4.0 OTHER UPDATES SINCE THE FIRST REPORT**

##### Employees

- 4.1 As of the Sale Commencement Date, the Applicants had approximately 587 employees comprised of 270 retail employees in the U.S., 240 retail employees in Canada, and 77 corporate employees in the Company's corporate offices in Toronto and New York.
- 4.2 Following the Sale Commencement Date, a large number of the Applicants' employees resigned, including three KERP participants. The Company continued to operate without meaningful disruption by backfilling retail store hours with temporary staff, increasing scheduled hours for retained staff, and simultaneously offering KERP amounts to staff who were able to assist with wind-down activities.
- 4.3 As of July 20, 2024, the Applicant continues to employ approximately 180 retail employees in the U.S., 240 retail employees in Canada, and approximately 30 corporate employees in Toronto and New York.
- 4.4 The majority of the Applicants' remaining employees will be terminated following the completion of the Sale (on or before August 9, 2024), while a small contingent of corporate employees will be retained to assist with the collection of accounts receivable, payment of remaining obligations, and other operational wind-down matters.
- 4.5 On July 22, 2024, as part of the United Legwear Transaction, 61 concession employees were offered employment by United Legwear on the same or similar terms to their employment with the Applicants. The Monitor understands that United Legwear has also

offered employment to a number of the Applicants' corporate employees who have been or will be terminated by August 9, 2024.

- 4.6 All of the Applicants' employees have been provided working notice of termination effective as of their respective store closure dates.

Leases and Store Closures

- 4.7 Pursuant to the Sale Guidelines, retail sales were to be completed by August 2, 2024, with a final exit date from the Applicants' leased locations being August 7, 2024 (the "**Outside Date**").

- 4.8 With input from the Consultant, and designed to maximize recoveries, the Applicants selected the final day of retail sales for each store and store closure dates for each of its store locations.

- 4.9 Each of the Applicants' landlords has now received a 30-day lease disclaimer notice. As set out in the table below, each of these lease disclaimers have an effective date on or prior to the Outside Date:

No. of Locations Canada	No. of Locations U.S.	Final Day of Retail Sales	Lease Exit Date
--	1	June 25	June 28
2	--	July 7	July 9
2	--	July 14	July 16
4	11	July 28	July 31
16	19	August 4	August 6 or August 7
<b>24</b>	<b>31</b>		

4.10 As noted in the above table, the Sale was extended at certain stores to August 4, 2024 (without any corresponding change to the Outside Date). With input from the Consultant, extending the Sale was implemented to increase recoveries at these store locations. The Applicants and the Monitor have been in contact with the majority of the landlords in this regard, and to date, have not received any objection to the additional two days of sales.

Next Steps

4.11 As detailed above, the Sale is anticipated to be completed by August 7, 2024, after which time substantially all remaining employees will be terminated, save for a small number who will be retained to assist with wind-down matters.

4.12 The Monitor understands that following the completion of the Sale, the Applicants will review the final results of the Sale, the remaining secured and unsecured claims against the Applicants, and, in consultation with the Monitor develop a strategy to complete the orderly wind-down of the Applicants business and terminate the CCAA Proceedings.

4.13 The Monitor understands that the Applicants intend to return to this Court if and when necessary for any additional relief that may be required to facilitate the termination of the CCAA Proceedings.

United Legwear Transaction

4.14 In late June, the Ted Baker Group was contacted by United Legwear & Apparel Co. (“**United Legwear**”), who indicated an interest in purchasing various inventory and/or assuming certain operations of the Ted Baker Group.

4.15 Following a period of due diligence, on July 12, 2024, United Legwear, the Ted Baker Group, Authentic Brands Group (“ABG”) and Bloomingdale’s arranged a transaction whereby United Legwear would assume the license and operations of the Ted Baker concession stores within Bloomingdale’s and purchase the related inventory and FF&E from the Ted Baker Group (the “**United Legwear Transaction**”). Following transition planning with all involved parties, the United Legwear Transaction closed on July 22, 2024 (the “**Closing Date**”). A summary of the transaction is outlined here:

<b>Summary of the United Legwear Transaction</b>	
<b>Ted Baker Canada Inc. and Ted Baker Limited (together, “Ted Baker”) as seller and United Legwear as purchaser, with the consent of ABG and Bloomingdale’s as affected parties to the Transaction</b>	
<b>Object, Intent and Closing Dates</b>	<ul style="list-style-type: none"> <li>• Ted Baker will sell, and United Legwear will purchase, all retail inventory located at Bloomingdale’s Concessions as at the opening of business on the Closing Date, all FF&amp;E located at the Bloomingdale’s concessions, and certain wholesale and in-transit inventory.</li> <li>• United Legwear will offer employment on the same terms and conditions to the 61 current Ted Baker employees at the Bloomingdale’s Concessions, including assuming such employees’ accrued vacation balances.</li> </ul>
<b>Assigned License</b>	<ul style="list-style-type: none"> <li>• Ted Baker and United Legwear entered into an agreement (the “<b>Assignment Agreement</b>”) whereby Ted Baker assigned to United Legwear the Department License Agreement dated August 26, 2011, between Ted Baker Limited and Bloomingdale’s (the “<b>Bloomingdale’s Agreement</b>”).</li> </ul>
<b>Payment</b>	<ul style="list-style-type: none"> <li>• A deposit of \$400,000 was provided by United Legwear, which amount was held in trust by the Monitor and applied against the purchase price on closing.</li> <li>• The purchase price is comprised of: (a) an estimated amount of \$4,169,305.23 (subject to final reconciliation within 60 days of the Closing Date) in respect of inventory; and (b) \$125,000 in respect of FF&amp;E.</li> </ul>
<b>Conditions Precedent</b>	<ul style="list-style-type: none"> <li>• Bloomingdale’s consent to the Assignment.</li> <li>• Ted Baker and ABG to enter into an amendment to their license agreement, which license amendment was entered into on July 3, 2024.</li> <li>• Ted Baker and United Legwear, with the consent of Bloomingdale’s, to enter into an Assignment Agreement, which assignment was entered into effective as of July 22, 2024.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• To support the transition of the Bloomingdale’s concession business to United Legwear, the parties entered into a transition services agreement effective as of July 22, 2024 pursuant to which Ted Baker agreed to provide certain temporary services to United Legwear until not later than August 30, 2024, which services include employee transition services that will allow for the seamless migration of employees to United Legwear’s payroll systems.</li> </ul>

## 5.0 WEPPA DECLARATION

- 5.1 Section 5(1) of the WEPPA provides that an individual is eligible to receive payment under WEPPA if, among other things: (i) the former employer is subject to proceedings under the CCAA; (ii) a court determines under subsection 5(5) that the criteria prescribed by the *Wage Earner Protection Program Regulations*, SOR/2008-222 (the “**WEPP Regulation**”) are met; and (iii) the individual is owed eligible wages by a former employer. Section 3.2 of the WEPP Regulation provides that the Court “may determine whether the former employer is the former employer of all of whose employees in Canada have been terminated other than any retained to wind down its business operations.”
- 5.2 Ted Baker Canada has terminated employees not required to wind down the Applicants’ business with all such terminations being effective on or prior to August 9, 2024, and has provided working notice to the limited number of employees who will be required to wind down its business. Accordingly, the Monitor supports the Applicants’ request for a declaration that Ted Baker Canada is a former employer for the purposes of section 5(5) of the WEPPA.
- 5.3 Should the requested order be granted, the Monitor will work with Ted Baker Canada to identify all employees that may be eligible for payments under WEPPA and will assist those eligible employees in their claim submissions to Service Canada at the appropriate time.

## **6.0 CASH FLOW RESULTS AND UPDATED CASH FLOW FORECAST**

6.1 Cash receipts and disbursements for the 13-week period ended July 21, 2024 (the “**Reporting Period**”), as compared to the “Updated Cash Flow Forecast” attached as Appendix “A” to the First Report (the “**Initial Cash Flow Forecast**”), are summarized in the table below.

6.2 As described in the Pre-filing Report, these CCAA Proceedings were commenced on an accelerated basis to stabilize and maintain the Ted Baker Group’s business. At the time of the Initial Order and the ARIO, the Applicants and the Monitor were working with the Consultant to plan for and forecast the Sale, including preparing the Initial Cash Flow Forecast. A key assumption in that original forecast was a sale period of approximately ten weeks from May 10, 2024 through July 21, 2024. After further planning with the Consultant, the sale was modified and extended through August 4, 2024 for the majority of the Applicants’ locations. Accordingly, many of the variances set out in the table below are primarily due to this change in timing.

6.3 Shortly following the Sale Commencement Date, CIBC approved an updated cash flow forecast that included, among other things, the extended timeline. Following its approval, this revised projection replaced the Initial Cash Flow Forecast for the purposes of testing the Applicants’ cash flow variance covenants during the Insolvency Proceedings.

<b>Cash Flow Variance Reporting</b>		<b>Cumulative 13-Week Period Ended July 21, 2024</b>		
<i>\$USD '000's</i>	<b>Forecast</b>	<b>Actual</b>	<b>Variance \$</b>	
<b>Receipts</b>				
Retail Sales	54,552	40,553	(13,999)	
Sales Tax	4,546	3,197	(1,350)	
Wholes & Accounts Receivable	15,371	6,766	(8,604)	
<b>Total Receipts</b>	<b>74,469</b>	<b>50,516</b>	<b>(23,953)</b>	
<b>Disbursements</b>				
Duties, Freight & Warehousing	11,082	6,387	4,695	
Rent & Occupancy	9,056	7,326	1,729	
Payroll & Benefits	8,131	7,942	189	
Sales Tax	4,410	1,838	2,572	
Licensing Fees	3,492	2,514	978	
Liquidation Fees & Expenses	3,349	1,387	1,961	
Bank Fees, IT & Other	2,974	2,068	906	
Restructuring Professional Fees	4,315	3,017	1,298	
DIP Financing Fee	300	300	-	
<b>Total Disbursements</b>	<b>47,109</b>	<b>32,779</b>	<b>14,330</b>	
<b>Net Cash Flow</b>	<b>27,360</b>	<b>17,737</b>	<b>(9,623)</b>	
<b>Net Debt Position</b>				
Outstanding Pre-Filing Revolver	0	5,000	(5,000)	
Outstanding DIP Financing	0	10,611	(10,611)	
Less: Cash on Hand	(2,837)	(5,175)	2,338	
<b>Net Debt Outstanding</b>	<b>(2,836)</b>	<b>10,436</b>	<b>(13,272)</b>	

6.4 During the Reporting Period, the Applicants' total receipts were approximately \$24.0 million lower than projected in the Initial Cash Flow Forecast. The negative variance is primarily attributable to:

- (i) lower than forecast retail sales due to the extended Sale timeline as over \$7.7 million of inventory (at landed cost value) remains to be sold through the retail channel in the final weeks of the Sale; and

(ii) timing variances in the sale of wholesale inventory and the collection of accounts receivable, such timing variance is expected to reverse in the Updated Cash Flow Forecast described below.

6.5 During the Reporting Period, the Applicants' total disbursements were approximately \$9.6 million less than projected in the Initial Cash Flow Forecast. The positive variance is primarily attributable to timing differences discussed above, relating to duties, freight & warehousing costs (approximately \$4.7 million), sales tax remittances (approximately \$2.6 million), the Consultant's fees & expenses (approximately \$2.0 million), rent and occupancy costs (\$1.7 million) and licensing fees (approximately \$1.0 million) which are expected to reverse throughout the remainder of the Cash Flow Period (defined below).

#### Updated Cash Flow Forecast

6.6 The Applicants, with the assistance of the Monitor, prepared the Updated Cash Flow Forecast for the period July 22, 2024 to September 29, 2024 (the "**Cash Flow Period**"). A copy of the Updated Cash Flow Forecast, together with Notes and Summary of Assumptions (the "**Updated Cash Flow Assumptions**"), is attached to this Second Report as **Appendix "B"**.

6.7 A summary of the Updated Cash Flow Forecast is set out in the following table:

<b>Updated Cash Flow Forecast</b>	
<i>10-Week Period Ended September 29, 2024</i>	
<i>USD \$ 000's</i>	<b>Total</b>
<b>Receipts</b>	
Collections	14,573
Sales Tax	493
<b>Total Receipts</b>	<b>15,066</b>
<b>Disbursements</b>	
Duties, Freight & Warehousing	2,678
Rent & Occupancy	1,325
Payroll & Benefits	2,759
Sales Tax	2,785
Licensing Fees	768
Liquidation Fees & Expenses	1,504
Bank Fees, IT & Other	759
Restructuring Professional Fees	1,568
<b>Total Disbursements</b>	<b>14,146</b>
<b>Net Cash Flow</b>	<b>920</b>

6.8 The Monitor notes the following with respect to the Updated Cash Flow Forecast:

- (i) collections include cash receipts forecast from (a) the sale of Merchandise through retail and concession stores, and from wholesale customers through to the end of the Sale; and (b) the collection of accounts receivable;
- (ii) disbursements include payments for logistics, warehousing and transportation services, rent and occupancy costs for stores through to the end of the Sale, warehouses and necessary office space, payroll and benefits, payment processing services, transition services, and certain other store-level and corporate operating costs;

- (iii) Licensing Fees include estimated fees payable to ABG on the sale of all merchandise affiliated with the Ted Baker brand, calculated as a percentage of sales; and
- (iv) Liquidation Fees & Expenses include the Consultant's remaining fees and expenses;
- (v) a reserve has been included in the Updated Cash Flow Forecast to provide liquidity for the period following the end of the requested extended Stay period (described below), when it is anticipated that there will be little to no activity in the Applicants' Business.

6.9 Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects that: (i) the Updated Cash Flow Assumptions are not consistent with the purpose of the Updated Cash Flow Forecast; (ii) as at the date of this Second Report, the Updated 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 Updated Cash Flow Forecast, given the Updated Cash Flow Assumptions; or (iii) the Updated Cash Flow Forecast does not reflect the Updated Cash Flow Assumptions.

## **7.0 AMENDMENTS TO DIP TERM SHEET**

7.1 After reviewing the Updated Cash Flow Forecast with the DIP Lender, the Applicants and the DIP Lender, with the assistance of the Monitor, determined that certain amendments to the DIP Term Sheet were necessary, and, accordingly, entered into the DIP Amendment

Agreement on July 30, 2024. A copy of the DIP Amendment Agreement is attached as **Appendix “C”**. Pursuant to the DIP Amendment Agreement:<sup>2</sup>

- (i) the Facility Amount has been decreased from \$28 million to \$12.5 million, reflecting the Applicants' anticipated liquidity needs;
- (ii) the Outside Date has been extended from August 2 to September 30, 2024, with a recognition that the Outside Date may need to be further extended on a month-to-month basis;
- (iii) minor amendments have been made to the repayment section to provide that the DIP Facility shall not immediately mature and the DIP Financing Obligations shall not be due and repayable in full upon the sale of all or substantially all of the Collateral; and
- (iv) minor amendments were made to certain of the milestone dates set out in Schedule “D” to reflect timing updates to the Sale timeline described above, as well as the actual date of the orders issued in the Chapter 15 Cases.

7.2 The Monitor is of the view that the DIP Amendment Agreement is appropriate in the circumstances for the following reasons:

- (i) The DIP Facility was set to mature on August 2, 2024;

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<sup>2</sup> Capitalized terms in this section have the meanings ascribed to them in the DIP Term Sheet.

- (ii) the DIP Facility, as amended by the DIP Amendment Agreement, is forecast to provide the necessary liquidity for the Applicants and Monitor to undertake the next steps in the Insolvency Proceedings; and
- (iii) the Monitor is not aware of any party that is prejudiced by the DIP Amendment Agreement.

## **8.0 EXTENSION OF THE STAY PERIOD**

8.1 The Stay period under the ARIO expires on August 2, 2024. Pursuant to the proposed Stay Extension Order, the Applicants are seeking an extension of the Stay to and including January 31, 2025.

8.2 The Monitor supports the Applicants' request to extend the Stay for the following reasons:

- (i) the proposed Stay extension will permit the Ted Baker Group, with the assistance of the Consultant and under the oversight of the Monitor, to complete the Sale and final reconciliation in accordance with the Consulting Agreement and Sale Guidelines with a view to maximizing the value of the Ted Baker Group's Merchandise and FF&E in an orderly and efficient manner;
- (ii) the extension of the Stay Period will enable the Ted Baker Group, with the assistance of the Monitor, to complete certain steps necessary to wind down operations in Canada and the U.S.;
- (iii) the Ted Baker Group has acted, and continues to act in good faith and with due diligence to advance their restructuring efforts and the Insolvency Proceedings;

- (iv) the Ted Baker Group is expected to have sufficient liquidity to fund their operations and the costs of the CCAA Proceedings during the extended Stay period; and
- (v) the Monitor is not aware of any party that would be materially prejudiced by the proposed Stay extension.

## **9.0 ACTIVITIES OF THE MONITOR**

9.1 Since the date of the First Report, the activities of the Monitor have included the following:

- (i) engaging in discussions and reviewing potential transactions with the Consultant, the Ted Baker Group and their respective counsel in respect of the Sale;
- (ii) engaging with Canadian and US counsel to the Ted Baker Group and CIBC regarding the CCAA Proceedings and the Chapter 15 Cases;
- (iii) assisting the Ted Baker Group in structuring, negotiating and executing the United Legwear Transaction;
- (iv) assisting the Ted Baker Group in reviewing accounting cut-off to ensure proper determination of pre and post-filing obligations and liabilities;
- (v) engaging with certain suppliers, landlords and other stakeholders and their counsel who have reached out to the Monitor;
- (vi) assisting the Ted Baker Group with communications to employees, suppliers and other parties;

- (vii) corresponding and communicating with the Consultant regarding a range of day-to-day issues relating to the Sale;
- (viii) monitoring the Ted Baker Group's cash receipts and disbursements, and assisting in preparing the Updated Cash Flow Forecast;
- (ix) maintaining the Case Website and coordinating the posting of documents filed in the Insolvency Proceedings thereon; and
- (x) with the assistance of Bennett Jones LLP, counsel to the Monitor, preparing this Second Report.

## 10.0 CONCLUSIONS AND RECOMMENDATIONS

10.1 For the reasons set out in this Second Report, the Monitor respectfully recommends that the Court grant the relief requested by the Applicants.

All of which is respectfully submitted to the Court this 30<sup>th</sup> day of July, 2024.

**Alvarez & Marsal Canada Inc., solely in its capacity as  
Monitor of the Ted Baker Group,  
and not in its personal or corporate capacity**

Per:



Greg Karpel  
Senior Vice-President

Per:



Josh Nevsky  
Senior Vice-President

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

Court File No.: CV-24-00718993-00CL

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

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

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**THIRD REPORT OF THE MONITOR**

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personal or corporate capacity