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 **EXPRESS FASHION APPAREL CANADA INC.** and **EXPRESS CANADA GC GP, INC.**

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

MAY 3, 2017

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1.0 INTRODUCTION

1.1 Alvarez & Marsal Canada Inc. ("**A&M**" or the "**Proposed Monitor**") understands that Express Fashion Apparel Canada Inc. and Express Canada GC GP, Inc. (together, the "**Applicants**") intend to bring an application before this Court seeking certain relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), in the form of an Order granting, among other things, a stay of proceedings until June 3, 2017 and appointing A&M as Monitor (the "**Monitor**" once appointed, and the proposed Order, the "**Proposed Initial Order**"). The proceedings proposed to be commenced by the Applicants under the CCAA are referred to herein as the "**CCAA Proceedings**".

1.2 Express Fashion Apparel Canada Inc. ("**Express Canada**") is a New Brunswick corporation with its registered head office in Saint John, New Brunswick. Express Canada is a wholly owned subsidiary of Express, LLC ("**Express U.S.**") and an indirect wholly-owned subsidiary of the ultimate corporate parent Express, Inc., a Delaware corporation traded on the New York Stock Exchange (NYSE: EXPR).

1.3 Express Canada GC GP, Inc. ("**Express Canada GC**") is a New Brunswick corporation with its head office in Saint John, New Brunswick. Express Canada GC is a wholly owned direct subsidiary of Express Canada and an indirect subsidiary of Express U.S.

1.4 The only other Canadian entity that is affiliated to Express Canada is Express Canada GC, LP ("**Express Canada LP**", and together with Express Canada and Express Canada GC, the "**Express Canada Entities**"). Express Canada LP is not an applicant in the CCAA Proceedings, however the Applicants seek to have the stay of proceedings and other benefits of the Proposed Initial Order extend to Express Canada LP, which is wholly owned by the Applicants and as described in this Report performs functions integral to the Applicants' business.

1.5 A simplified organizational chart showing the legal structure of the relevant members of Express U.S. and the Express Canada Entities is attached as **Appendix "A"** to this report.

1.6 The purpose of this Pre-Filing Report of the Proposed Monitor (the "**Report**") is to provide this Court with:

(i) information regarding the following:

(a) A&M's qualifications to act as Monitor;

(b) background information with respect to the Express Canada Entities;

(c) the independent opinions prepared by counsel to the Proposed Monitor (collectively, the "**Security Opinion**") on the validity and enforceability of the security (the "**Express U.S. Security**") held by Express U.S.;

(d) the proposed orderly wind-down of the Express Canada Entities;

(e) the proposed stay of proceedings;

(f) the cash management system of Express Canada;

(g) intercompany arrangements among the Express Canada Entities and Express U.S.;

(h) the Express Canada Entities' 13-week cash flow forecast;

(i) the proposed employee retention plan;

(j) proposed payments during the CCAA Proceedings;

(k) court-ordered charges sought in the Proposed Initial Order; and

(ii) the Proposed Monitor's conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the Express Canada Entities and Express U.S. (collectively, the "**Express Entities**") and has held discussions with the Express Entities' management and respective legal counsel (collectively, the "**Information**"). Except as otherwise described in this Report in respect of the Express Canada Entities' 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.

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

2.3 This Report should be read in conjunction with the Affidavit of Todd Painter, the President and sole director of each of the Applicants, sworn May 3, 2017 (the "**Painter Affidavit**"), and filed in support of the Express Canada Entities' application for relief under the CCAA, for additional background and other information regarding the Express Canada Entities. Capitalized terms not defined in this Report are used as defined in the Painter Affidavit.

2.4 Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

3.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR

3.1 Alvarez & Marsal Canada ULC was originally engaged to act as a consultant to Express Canada on January 13, 2017, to assist the Express Canada Entities in assessing their financial performance and reviewing their strategic alternatives. A&M is an affiliate of Alvarez & Marsal Canada ULC and Alvarez & Marsal Holdings, LLC, which is an independent international professional services firm, providing, among other things, bankruptcy, insolvency and restructuring services. As such, the Proposed Monitor is familiar with the business and operations of the Express Canada Entities, its personnel, and the key issues and stakeholders in the proposed CCAA Proceedings.

3.2 A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. 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 Trustees in Bankruptcy, and who have acted in CCAA matters of a similar nature in Canada.

3.3 The Proposed Monitor has retained Blake, Cassels & Graydon LLP ("**Blakes**") to act as its independent legal counsel.

3.4 A&M has consented to act as Monitor of the Applicants should this Court grant the Applicants' request to commence the CCAA Proceedings.

4.0 BACKGROUND INFORMATION

General

4.1 A more extensive background of the Express Canada Entities is set out in the Painter Affidavit. Certain key points are summarized below.

4.2 The Express Canada Entities operate the Canadian business of Express U.S. Express U.S., through its subsidiaries and affiliates, including Express Canada, operate approximately 650 stores in the U.S., Canada and Puerto Rico, have approximately 18,000 employees and generate approximately US$2.2 billion in annual sales.

4.3 Express Canada operates 17 retail stores in malls in Ontario, Alberta and British Columbia, selling apparel, accessories and other products under the "EXPRESS" brand-name.

4.4 Since establishing its first Canadian stores in 2011, Express Canada has experienced losses during each year of operation and across the majority of its 17 stores.

4.5 For the fiscal year ended January 28, 2017 ("**Fiscal 2016**"), Express Canada generated revenue of $44.8 million and earnings before interest, taxes, depreciation, and amortization ("**EBITDA**") of negative $7.4 million, prior to taking into account certain accounting adjustments based on a transfer pricing policy discussed in more detail below.

<u>Stores & Leases</u>

4.6 Express Canada's 17 stores include 11 in Ontario, four in Alberta and two in British Columbia. Although Express Canada's registered head office is in Saint John, New Brunswick, there are no corporate or regional offices in Canada.

4.7 All of Express Canada's retail stores are leased from third party landlords. The following table sets out store locations by landlord (a landlord that is listed below may use special purpose entities to enter into commercial leases, thus the name of the landlords listed below may not be the party to the applicable leases but rather, a special purpose entity created by that landlord may be the entity that is a party to the applicable lease):

Landlord	**Stores**
Cadillac Fairview	11
Oxford Properties	2
Brookfield	1
Ivanhoe Cambridge	1
Morguard	1
Triple Five	1
Total	**17**

4.8 As described in more detail in the Painter Affidavit, nine of Express Canada's leases are currently subject to indemnities provided by Express U.S. in favour of the applicable landlord. These nine indemnities can be grouped into two categories:

(i) there are eight indemnities that expire at the end of their respective lease term (ranging between January 31, 2022 and January 31, 2025). Each of these indemnities covers all amounts payable by Express Canada under the applicable lease up to a maximum cap amount in respect of such lease. Collectively, these capped indemnities amount to an aggregate total of approximately $5 million. The Proposed Monitor understands that these indemnities originally expired on December 31, 2016 but were further extended and capped in exchange for rent relief pursuant to certain tenant assistance agreements in respect of certain leases; and

(ii) there is one indemnity that is not subject to a maximum cap amount, which expires at the end of the term of the lease (being January 31, 2024).

Employees

4.9 As of April 28, 2017, Express Canada employed 339 employees, comprised of 56 full-time and 283 part-time employees. Express Canada's employees include a district manager, store managers, assistant managers and other sales associates. With the exception of one district manager (who oversees each of the 17 stores), all of Express Canada's employees are store level employees.

4.10 Payroll for employees of Express Canada is processed internally by Express U.S. at its head office in Ohio but is paid through Express Canada's Cash Management System (described in more detail below).

4.11 None of Express Canada's employees are represented by a union and there are no registered pension plans or stock option plans for Express Canada's employees.

4.12 As described in the Painter Affidavit, 51 employees are enrolled in a health benefits program providing supplemental medical, pharmacy, dental, life insurance and disability programs, and four employees are enrolled in a group RRSP**.** The Proposed Monitor has been advised that during the CCAA Proceedings, Express Canada: (i) intends to continue the health benefits programs and RRSP contributions in the normal course for the period of time employees are working for Express Canada; and (ii) assist the employees participating in the group RRSP in dealing with their investment accounts.

Inventory & Shared Services

4.13 As described in the Painter Affidavit, Express Canada was previously party to a number of intercompany agreements with Express U.S., notably the purchasing agreement effective as of October 1, 2011 (the "**Prior Purchasing Agreement**"), the services agreement effective as of October 1, 2011 (the "**Prior Services Agreement**"), the license agreement effective as of September 20, 2011 (the "**Prior License Agreement**") and the transfer pricing policy last updated on October 31, 2016 (the "**Transfer Pricing Policy**" and collectively, the "**Prior Intercompany Agreements**").

4.14 As set out in greater detail below, the Proposed Monitor understands that on or about May 3, 2017, each of the Prior Intercompany Agreements were consensually terminated by Express U.S. and Express Canada. On or about that same day, those parties, in consultation with the Proposed Monitor, entered into a new services agreement (the "**CCAA Services Agreement**") and a new license agreement (the "**CCAA License Agreement**"). A copy of each of these agreements is exhibited to the Painter Affidavit.

4.15 In accordance with the Prior Intercompany Agreements, Express U.S. provided Express Canada with all of its inventory, as well as all of its corporate functions, including legal, accounting/finance, internal audit, treasury, tax, insurance/risk management, information technology, store operations, procurement, real estate, marketing and logistics services (collectively, "**Shared Services**"), from its head office in Ohio.

4.16 The costs and fees associated with inventory purchases and Shared Services are charged through the intercompany ledger (the "**Intercompany Account**") creating a payable for Express Canada.

4.17 Historically, Express U.S. shipped inventory to Express Canada multiple times each month, with legal title transferring when the merchandise left the Ohio shipping building destined for Canada.

4.18 An intercompany sale occurred when title transferred and was recorded through the Intercompany Account based on Express U.S.'s original acquisition costs. Monthly invoices were issued by Express U.S. to Express Canada (in electronic format) to record the intercompany transactions. An adjustment was then made in accordance with the Transfer Pricing Policy, as described below.

4.19 During Fiscal 2016, Express Canada purchased approximately $22.7 million dollars of inventory, at cost, from Express U.S.

4.20 The Proposed Monitor understands that other than shipments in respect of sales which have already occurred, no additional inventory will be sold and shipped to Express Canada following the commencement of the CCAA Proceedings.

Support Services

4.21 As set out above, the Prior Services Agreement has been terminated.

4.22 Under the Prior Services Agreement, Shared Services were calculated quarterly and charged through the Intercompany Account. The costs for Shared Services covered, among other things, the wages and benefits of employees engaged in the performance of Shared Services. Actual fees and costs were allocated to Express Canada based on relevant factors, such as the number of Canadian stores, relative percentage of overall sales, and time studies.

4.23 During Fiscal 2016, Express Canada incurred a total of approximately $1.1 million in fees for Shared Services.

Transfer Pricing Policy

4.24 Historically, Express U.S. utilized a Transfer Pricing Policy that, in addition to the above transactions, resulted in "market support adjustments" to the benefit of Express Canada.

4.25 Initially, inventory and Shared Services provided to Express Canada by Express U.S. created a payable by Express Canada in the Intercompany Account at the actual cost of the inventory and Shared Services. If Express Canada achieved less than a 3% operating income, a market support adjustment was recorded in the Intercompany Account to the benefit of Express Canada to adjust its operating income to this target. The amount owed by Express Canada to Express U.S. would be reduced by the amount of the market support adjustment.

4.26 Because Express Canada had been operating at a loss since inception, the market support adjustment provided a benefit to Express Canada, significantly reducing the actual amount that would otherwise be payable by Express Canada to Express U.S. for inventory and Shared Services.

4.27 During Fiscal 2016, Express Canada received the benefit of market support adjustments totalling approximately $12.8 million. Since establishing Express Canada in 2011, Express U.S. has provided a total of approximately $56.4 million in market support adjustments to Express Canada.

4.28 As set out above, on or about May 3, 2017, the Transfer Pricing Policy was consensually terminated.

<u>Intercompany Payments</u>

4.29 Express Canada periodically makes intercompany payments to Express U.S. to pay for amounts owing by Express Canada to Express U.S. as set out in the Intercompany Account, which amounts relate to the cost of inventory and Shared Services, taking into account market support adjustments and other adjustments for foreign exchange, interest and the reimbursement of certain third-party costs incurred by Express U.S. for the benefit of Express Canada.

4.30 During Fiscal 2016, Express Canada paid Express U.S. an adjusted total of approximately $19.1 million.

4.31 As described in the Painter Affidavit, as at December 31, 2016, Express Canada owed Express U.S. a net liability of approximately $9.6 million. In January 2017, Express

Canada fully discharged this liability by making a cash payment to Express U.S. of the same amount.

4.32 The following table sets out a summary of intercompany activity for Fiscal 2016:

Intercompany Account Summary for Fiscal 2016 (period ending January 28, 2017, in $'000s)	
Opening Payable/(Receivable) Balance, as at February 1, 2016	**8,051**
Add: Inventory Purchases	22,662
Add: Costs for Shared Services	1,103
Less: Market Support Adjustments	(12,771)
Less: Intercompany Payments	(19,104)
Less: Other (including interest and foreign exchange)	(1,097)
Closing Express Canada Payable/(Receivable) Balance, as at January 28, 2017	**(1,156)**

4.33 As at January 28, 2017, the Intercompany Account was in a receivable position of approximately $1.2 million, to the benefit of Express Canada. Since this time, Express Canada has continued to purchase inventory and receive Shared Services. The Proposed Monitor forecasts that as at the date of this Report, the costs of such inventory and Shared Services will have, after taking into account market support adjustments, reversed the receivable position into a payable balance by Express Canada. Once the market support adjustments for the period prior to the CCAA Proceedings have been determined and the Intercompany Account has been reconciled, the Monitor will report on the amount that is expected to be payable by Express Canada to Express U.S.

4.34 Express Canada has not made any intercompany payments to Express U.S. since the January payment described above.

5.0 THE SECURITY OPINION

5.1 Blakes and a local agent in New Brunswick (where Express Canada's head office is registered), conducted a review of the security provided to Express U.S. by Express Canada and delivered the Security Opinion to the Proposed Monitor. Specifically, the Security Opinion opines on the validity, legality and enforceability of the general security agreement made as of January 5, 2017 by Express Canada in favour of Express U.S. (the "**GSA**"). The GSA does not purport to secure any obligations owing to Express U.S. prior to January 5, 2017.

5.2 Subject to the standard assumptions and qualifications contained in the Security Opinion, the Proposed Monitor's counsel opined that the GSA:

(i) creates a valid, legal and binding obligation of Express Canada, enforceable against Express Canada in accordance with its terms;

(ii) constitutes a valid security interest in favour of Express U.S. in all Secured Property, as such term is defined therein (which is generally, all of Express Canada's undertaking, property, rights and assets of every nature and kind, including all personal property);

(iii) is sufficient to secure payment and performance of all obligations, debts, expenses, fees and liabilities, whether primary or secondary, direct or indirect, absolute or contingent, matured or unmatured, arising on or after the date of the GSA at any time and from time to time owing by Express Canada to Express U.S., including, but not limited to, those arising under or pursuant to the Prior

Purchasing Agreement, the Prior Services Agreement or the Prior License Agreement, as such agreements may be amended, restated, supplemented, renewed, extended or superseded from time to time; and

(iv) is properly perfected in the applicable jurisdictions.

5.3 Accordingly, to the extent that on or after January 5, 2017, any amounts become due and owing by Express Canada to Express U.S., such amounts would be secured by the GSA. Express Canada has no other registered secured creditors.

6.0 PROPOSED ORDERLY WIND-DOWN

6.1 The Proposed Initial Order contemplates the orderly wind-down of Express Canada's store locations (the "**Orderly Wind-down**").

Overview

6.2 The proposed Orderly Wind-down is intended to provide a platform to allow Express Canada to liquidate its remaining inventory and furniture, fixtures and equipment ("**FF&E**") in an orderly fashion designed to maximize realizations for the benefit of all creditors.

6.3 The Painter Affidavit states that Express U.S. would not be willing to support realization efforts outside of a CCAA proceeding. The Proposed Monitor is of the view that an immediate cessation of operations through a bankruptcy would result in value destruction and could result in increased claims against the estates of the Express Canada Entities, relative to the Orderly Wind-Down.

6.4 The following table sets out the timeline for the Orderly Wind-down:

Date	Milestone
May 4, 2017	Hearing of application for the Proposed Initial Order
May 5, 2017	Serve motion seeking approval of realization process and sale guidelines
May 10, 2017	Hearing to approve the realization process and sale guidelines
May 11, 2017	Commence liquidation of Canadian stores
May 25, 2017	Hearing for CCAA claims process motion, comeback motion and stay extension
June 15, 2017	Projected liquidation sale end-date and Express Canada to vacate leased premises
July 5, 2017	Proposed CCAA claims process bar date (deadline to file claims in the CCAA process)

6.5 As described in the Painter Affidavit, key aspects of the Orderly Wind-down include the following, subject to the approval of this Court:

(i) providing all current employees with working notice of termination, effective June 15, 2017. Further, given the essential role that employees would play in the realization process, Express Canada has developed a twofold employee retention program (the “**ERP**”) to incentivize active employees to remain in their positions. The ERP includes:

(a) a retention incentive “top-up” payment that will pay all employees their regular wages for any period not worked in the case of a store being closed prior to the targeted completion date of June 15, 2017 (for example, if the decision was made to close a store early because the realization process was completed ahead of schedule, the employee would still be paid to June 15, 2017); and

(b) a retention and sales target bonus payment to provide certain key employees with financial incentive during the Orderly Wind-down to facilitate and encourage maximizing realizations. This portion of the ERP is forecast to be approximately $56,000 in the aggregate and payable to 58 key employees, including, the district manager (1), store managers (15), co-managers (27), and assistant managers/sales leaders (15);

(ii) the ability for Express Canada, in consultation with the Monitor, to engage a third-party consultant to assist the Express Canada Entities during the Orderly Wind-down in respect of the liquidation of the inventory and FF&E; and

(iii) the ability, but not the requirement, to honour gift cards issued before or after the date of the Proposed Initial Order and pay amounts owing in respect of existing return policies, refunds, discounts or other amounts on account for similar customer programs or obligations.

<u>Creditor Profile</u>

6.6 As outlined below in Section 10 – Cash Flow Forecast, at the conclusion of the Orderly Wind-down as at July 28, 2017, Express Canada is expected to have a cash balance of approximately $14.6 million.

6.7 For illustrative purposes only, and based on Express Canada’s balance sheet as at April 1, 2017 (which is attached to the Painter Affidavit as Exhibit H), the Proposed Monitor has prepared the following summary in connection with the estimated potential creditor profile:

(i) non-landlord claims may include employee claims for potential severance and termination, non-merchandise trade creditors and other third-party creditor claims. For illustrative purposes only and based on information reviewed by the Proposed Monitor to date, third-party non-landlord claims are estimated, on a preliminary basis, to be in the order of approximately $1 million; and

(ii) landlord claims are expected to make up the vast majority of creditor claims, even after taking into account their obligation to mitigate damage claims. In reaching this assessment, the Proposed Monitor has considered a number of data points. In particular, the Proposed Monitor notes that: (a) 12 months' gross rents for all landlords is approximately $20 million; and (b) the remaining obligations over the term of Express Canada's leases are approximately $120 million.

6.8 As described in Section 5 – The Security Opinion above, the GSA would result in a secured claim for Express U.S,. which would rank in priority to the unsecured third party claims described above, to the extent of the amount of Express Canada's intercompany payable to Express U.S. arising from and after January 5, 2017. Once the market support adjustments for the period prior to the CCAA Proceedings have been determined and the Intercompany Account has been reconciled, the Monitor will report on this amount.

7.0 PROPOSED STAY OF PROCEEDINGS

7.1 The Applicants are seeking a stay of proceedings, including in respect of actions against Express Canada LP.

7.2 As described in the Painter Affidavit, gift cards are primarily issued by Express Canada LP. As a limited partnership, the Proposed Monitor is advised by Blakes that Express Canada LP does not meet the requirements to be included as an applicant under the CCAA, but that the stay of proceedings and other benefits of the Proposed Initial Order can be extended to it by the Court.

7.3 The Proposed Monitor is further advised by the Applicants that while the Applicants have not included Express Canada LP as an applicant, they do wish to have the stay of proceedings and other benefits of the Proposed Initial Order extend to it as Express Canada LP is subject to potential claims from consumers holding gift cards issued by it.

7.4 The Proposed Monitor supports the requested stay of proceedings as it will provide the Express Canada Entities with the ability to continue to operate throughout the contemplated Orderly Wind-down for the benefit of stakeholders and will allow all claims to be assessed through an orderly Court supervised process.

8.0 CASH MANAGEMENT SYSTEM

8.1 Express Canada maintains a centralized cash management system which is administered by Express U.S. from its head office in Ohio to collect, transfer and disburse funds generated by the operations of Express Canada (the "**Cash Management System**").

8.2 Express Canada is dependent upon Express U.S. for treasury, banking and related services that are provided pursuant to a treasury services agreement with Express U.S.

8.3 Express Canada has eight bank accounts, each maintained at Fifth Third Bank. Store receipts and debit/credit card receipts are deposited into separate deposit accounts on a daily basis. These deposit accounts are zero balance Canadian dollar accounts and are transferred electronically on a daily basis into a single master account (the "**Canadian Master Account**").

8.4 Express Canada maintains five disbursement accounts that process all outgoing wires, Automatic Clearing House (ACH) and cheque payments for disbursements to landlords, vendors, employees, Express U.S. for inventory purchases and intercompany charges, and for taxes. These disbursement accounts are funded by the Canadian Master Account.

8.5 Express Canada provides a credit card to the Canadian regional manager (the "**Credit Card**") primarily for travel, store and other miscellaneous expenses. Express Canada estimates that, on average, approximately $1,800 is charged to the Credit Card on a monthly basis and that, as of April 27, 2017, approximately $1,200 was accrued and unpaid under the Credit Card.

8.6 The Applicants have advised the Proposed Monitor that the Cash Management System is critical to the orderly management of Express Canada's business affairs and accordingly is seeking to continue to operate the Cash Management System post-filing in substantially the same manner as before the commencement of these CCAA Proceedings. The Proposed Monitor supports this request.

9.0 INTERCOMPANY ARRANGEMENTS DURING THE CCAA PROCEEDINGS

9.1 As described in the Painter Affidavit and as set out above, Express Canada, in consultation with the Proposed Monitor, entered into the CCAA Services Agreement and the CCAA License Agreement.

9.2 The CCAA Service Agreement provides for the continuation of services the Applicants anticipate requiring during the Orderly Wind-down, including accounting and finance services, cash management services, human resources and payroll services, legal services, customer services, real estate services, tax compliance services and merchandise-related services. In addition, Express U.S. has also agreed under the CCAA Services Agreement to provide such other services or procure other services from third parties as may be agreed by Express Canada and Express U.S. in consultation with the Monitor.

9.3 The CCAA Services Agreement will continue until the earlier of: (i) the date on which the proposed stay under the Proposed Initial Order, as amended from time to time, expires without being extended; (ii) the date on which the CCAA Proceedings are terminated; or (iii) such later date as the parties may agree, in consultation with the Monitor. The CCAA Services Agreement may also be terminated by mutual agreement among the parties and with approval of the Monitor.

9.4 Pursuant to the CCAA Services Agreement, Express Canada will be charged by Express U.S. a monthly fee as consideration for the services Express U.S. will provide to Express Canada. This monthly fee will be based on costs actually incurred by Express U.S. and allocated to Express Canada on the same basis as described above in paragraph 4.22. The CCAA Services Agreement provides for the adjustment of fees from time to time, in consultation with the Monitor, as the services provided by Express U.S. are reduced during the CCAA Proceedings.

9.5 For the duration of the CCAA Proceedings, Express U.S. currently forecasts the total fees and costs under the CCAA Services Agreement to be approximately $300,000. This amount has been included in the Cash Flow Forecast (as described below) as a charge through the intercompany account. In the Proposed Monitor's view, such fees are reasonable in the circumstances.

9.6 Pursuant to the CCAA License Agreement, Express U.S. has provided Express Canada with a limited and temporary exclusive, royalty-free license in Canada to Express U.S.'s rights to the Marks and Copyrights (as each term is defined therein) in connection with and to support Express Canada's wind down and liquidation of its retail operations in the CCAA Proceedings.

9.7 The CCAA License Agreement will continue until the earlier of: (i) the date upon which the wind down and liquidation of Express Canada's retail operations is completed and the final store closing sale is concluded; and (ii) December 31, 2017; or (iii) such later date as agreed to by both parties in consultation with the Monitor. The CCAA License Agreement may also be terminated by mutual agreement among the parties and with approval of the Monitor.

10.0 CASH FLOW FORECAST

10.1 The Express Canada Entities have prepared a weekly cash flow forecast (the "**Cash Flow Forecast**") for the 13-week period from May 4, 2017 to July 28, 2017 (the "**Cash Flow**

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 section 10(2)(b) of the CCAA are attached hereto as **Appendices "B"** and **"C"**, respectively.

10.2 As set out in the table below, during the Cash Flow Period, the Cash Flow Forecast shows positive net cash flows of approximately $1.6 million during the period with a closing cash balance of approximately $14.6 million, as at July 28, 2017.

Cash Flow Forecast	**$000's**
Receipts	**6,870**
Disbursements	
Intercompany payments	(289)
Salaries and benefits	(1,100)
Rent and occupancy	(767)
Store expenses	(525)
HST remittance	(797)
Professional fees	(1,368)
Liquidation agent fees	(306)
Other expenses	(150)
Total Disbursements	**(5,300)**
Net cash flow	**1,569**
Beginning Cash balance	**13,069**
Net cash flow	1,569
Ending cash balance	**14,639**

10.3 The Proposed Monitor notes the following with respect to the CCAA Cash Flow Forecast:

(i) cash collections and store related disbursements are based on the assumption that Express Canada's 17 stores will be wound down during the period May 4, 2017 to June 15, 2017;

(ii) no new inventory will be sold to Express Canada by Express U.S. following the commencement of the CCAA Proceedings;

(iii) other than cash on hand, no additional financing is forecast to be required during the CCAA Proceedings; and

(iv) total intercompany fees and costs during the CCAA Proceedings are forecast to be approximately $300,000 and will be charged through the Intercompany Account and paid to Express U.S. on a monthly basis pursuant to the CCAA Services Agreement.

10.4 The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor under section 23(1)(b) of the CCAA. Section 23(1)(b) 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 the Express Canada Entities and certain key members of management of Express U.S. 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.

10.5 Based on the Proposed Monitor's review, 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 Applicants 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.

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

11.0 EMPLOYEE RETENTION PLAN

11.1 As described in the Painter Affidavit and summarized in paragraph 6.5 of this Report, in order to encourage the continued participation of employees during the Orderly Wind-down process, the Applicants are seeking approval of the ERP.

11.2 The Proposed Monitor supports the ERP as: (i) it will provide stability to, and facilitate the Orderly Wind-down by encouraging employees to remain with Express Canada; and

(ii) the employees are considered to be key to the execution of the Orderly Wind-down and their participation will assist in maximizing realizations for the benefit of stakeholders.

12.0 PAYMENTS DURING THE CCAA PROCEEDINGS

12.1 The Express Canada Entities intend to make payments for goods and services supplied post-filing as contemplated in the Cash Flow Forecast. In addition, the Applicants are requesting as part of the Proposed Initial Order the authority (but not the requirement) to pay pre-filing amounts with the consent of the Monitor to certain critical service providers if required to ensure the success of the Orderly Wind-down for the benefit of stakeholders. These critical service providers include:

(i) providers of credit, debit and gift card processing related services, viewed by the Applicants as forming an important component of the Cash Management System;

(ii) logistics or supply chain providers, including customs brokers and freight forwarders and security and armoured truck carriers; and

(iii) other third party suppliers up to a maximum aggregate amount of $50,000, if, in the opinion of the Express Canada Entities, the supplier is critical to the Orderly Wind-down.

12.2 The Applicants are also requesting the authority (but not the requirement) to pay: (i) outstanding or future amounts owing in respect of existing return policies, refunds, discounts or other amounts on account of similar customer programs or obligations; and

(ii) outstanding or future amounts related to honouring gift cards issued before or after the commencement of the CCAA Proceedings.

12.3 The Proposed Monitor is of the view that the above relief is reasonable and appropriate in the circumstances to give the Applicants additional flexibility, taking into consideration the potential impact of even a short delay in the delivery of these required services on the success of the Orderly Wind-down, given the expedited timelines of the proposed Orderly Wind-down.

13.0 COURT ORDERED CHARGES SOUGHT IN THE PROPOSED INITIAL ORDER

13.1 The Proposed Initial Order provides for two charges (collectively, the "**Charges**"), as described below.

Administration Charge

13.2 The Proposed Initial Order provides for a charge in an amount not to exceed $650,000 in favour of the Monitor, counsel to the Monitor and counsel to Express Canada (the "**Administration Charge**").

13.3 The Proposed Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that it is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings, potential work involved at peak times, and the size of charges approved in similar sized proceedings.

Directors' Charge

13.4 Mr. Painter is currently the sole officer and director of the Applicants.

13.5 The Proposed Initial Order provides that the Applicants will indemnify their directors and officers against obligations and liabilities that they may incur in their capacity as directors and officers of the Applicants after commencement of these CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of gross negligence or wilful misconduct, and provides for a charge in the amount of $500,000 in favour of the Applicants' directors and officers as security for any such obligations or liabilities arising after the commencement of these CCAA Proceedings.

13.6 As discussed in the Painter Affidavit, the Express Canada Entities have a liability insurance policy for the potential benefit of present and former directors and officers of the Express Canada Entities.

13.7 The Proposed Monitor assisted the Applicants in the calculation of the Directors' Charge, taking into consideration the amount of the Applicants' payroll, vacation pay and federal and provincial sales tax liabilities. The Proposed Monitor is of the view that the Directors' Charge is required and reasonable in the circumstances.

<u>Priority of Charges Created by the Proposed Initial Order</u>

13.8 The priorities of the Charges, as between them, are proposed to be as follows:

(i) First – Administration Charge (to the maximum amount of $650,000); and

(ii) Second – Directors' Charge (to the maximum amount of $500,000).

13.9 In summary, the Proposed Monitor has assisted in the preparation and/or reviewed the calculations that support the Administration Charge and the Directors' Charge, and believes that the amounts are reasonable in the circumstances.

14.0 PROPOSED MONITOR'S RECOMMENDATIONS

14.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicants is reasonable and appropriate in order to implement the Orderly Wind-down, and respectfully recommends that this Court make the Order granting the relief requested by the Applicants.

All of which is respectfully submitted to this Court this 3rd day of May, 2017.

Alvarez & Marsal Canada Inc., solely in its capacity as Proposed Monitor of Express Fashion Apparel Canada Inc. and Express Canada GC GP, Inc. and not in its personal or corporate capacity

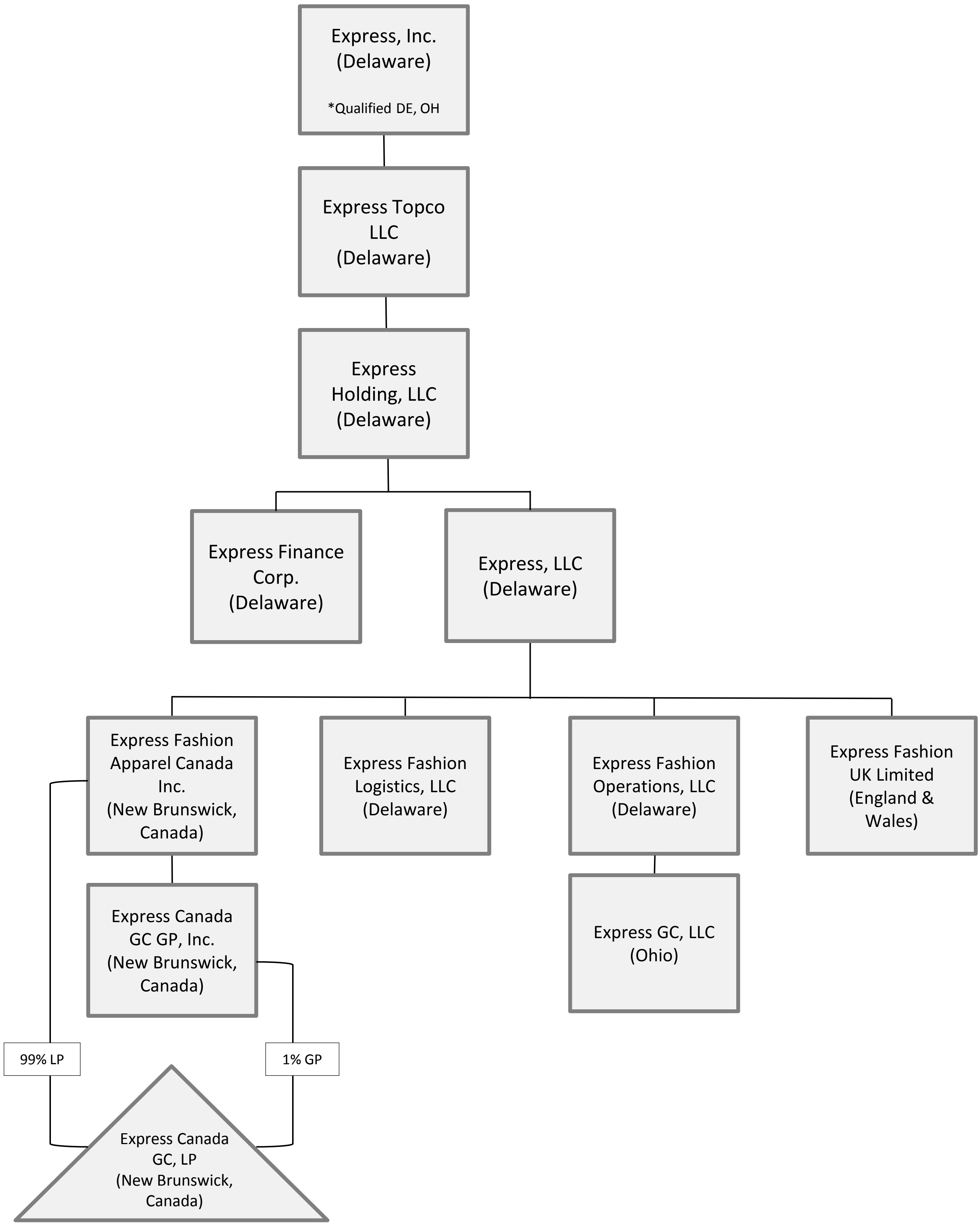
Per: ______________________________

Name: Douglas R. McIntosh
Title: President

APPENDIX A

EXPRESS ENTITIES SIMPLIFIED CORPORATE STRUCTURE

Express Entity Structure



APPENDIX B

CASH FLOW FORECAST FOR THE 13-WEEK PERIOD ENDING JULY 28, 2017

Express Canada Entities
Weekly Cash Flow Forecast
Cash Flow Forecast for the 13-Week Period May 4, 2017 to July 28, 2017
(Unaudited, in $'000s of CAD)

Week Ending	Notes	Week 1 May 5	Week 2 May 12	Week 3 May 19	Week 4 May 26	Week 5 Jun 2	Week 6 Jun 9	Week 7 Jun 16	Week 8 Jun 23	Week 9 Jun 30	Week 10 Jul 7	Week 11 Jul 14	Week 12 Jul 21	Week 13 Jul 28	13-week Total
Receipts															
Sales	1	143	695	1,173	1,173	1,273	954	795	-	-	-	-	-	-	**6,206**
HST		15	74	125	125	136	102	85	-	-	-	-	-	-	**664**
Total receipts		**158**	**770**	**1,298**	**1,298**	**1,409**	**1,057**	**880**	**-**	**-**	**-**	**-**	**-**	**-**	**6,870**
Disbursements															
Intercompany payments	2	-	-	-	-	-	139	-	-	-	-	150	-	-	**289**
Salaries and benefits	3	-	240	-	240	-	240	-	380	-	-	-	-	-	**1,100**
Rent and occupancy	4	-	-	-	767	-	-	-	-	-	-	-	-	-	**767**
Store expenses	5	125	125	50	50	50	50	25	25	25	-	-	-	-	**525**
HST remittance		-	-	-	222	-	-	-	251	-	-	-	323	-	**797**
Professional fees	6	-	175	235	150	198	-	125	118	-	125	118	-	125	**1,368**
Liquidation agent	7	-	173	32	32	27	22	19	-	-	-	-	-	-	**306**
Other expenses	8	20	15	15	10	10	10	10	10	10	10	10	10	10	**150**
Total disbursements		**145**	**728**	**332**	**1,472**	**285**	**460**	**179**	**783**	**35**	**135**	**277**	**333**	**135**	**5,300**
Net cash flow		**13**	**41**	**966**	**(174)**	**1,124**	**596**	**702**	**(783)**	**(35)**	**(135)**	**(277)**	**(333)**	**(135)**	**1,569**
Beginning cash balance		13,069	13,082	13,124	14,090	13,916	15,040	15,636	16,338	15,554	15,519	15,384	15,107	14,774	13,069
Net cash flow		13	41	966	(174)	1,124	596	702	(783)	(35)	(135)	(277)	(333)	(135)	1,569
Ending cash balance		**13,082**	**13,124**	**14,090**	**13,916**	**15,040**	**15,636**	**16,338**	**15,554**	**15,519**	**15,384**	**15,107**	**14,774**	**14,639**	**14,639**

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

Express Canada Entities
Cash Flow Forecast
Notes and Summary of Assumptions

In the Matter of the CCAA Proceedings of Express Fashion Apparel Canada Inc. and Express Canada GC GP, Inc. (collectively "Express Canada" or the "Company")

Disclaimer

In preparing this cash flow forecast (the "Forecast"), Express Canada has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions discussed below with respect to the requirements and impact of a filing 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 during the Forecast period 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.

Overview

The Forecast assumes that Express Canada filed for protection under the CCAA on May 4, 2017. Express Canada, with the assistance of the Monitor, has prepared the Forecast based primarily on historical results and Express Canada's current expectations. The Forecast is presented in thousands of Canadian dollars. Disbursements denominated in US currency have been converted into Canadian dollars at an exchange rate of C$1.00:US $0.75, throughout the Forecast period.

Assumptions

1) Sales Receipts

Receipts from sales are estimated based on Management's current sales forecast during the Orderly Wind-down period from May 4, 2017 to June 15, 2017, net of a provision for gift cards expected to be redeemed by customers during the liquidation period.

2) Intercompany Payments

Disbursements represent projected payments to Express U.S. for fees and costs pursuant to the CCAA Services Agreement. Fees and costs related to the CCAA Services Agreement are forecast to decrease in accordance with projected requirements during the CCAA Proceedings.

3) Salaries and Benefits

Disbursements include: (i) payroll, taxes and benefits for employees during the Orderly Wind-down period ending June 15, 2017; and (ii) approximately $56,000 during the week ending June 23, 2017 in accordance with the Employee Retention Plan.

4) Rent and Occupancy

Rent and occupancy includes rent, common area maintenance, property taxes and utilities. Rent and occupancy for the entire month of May was paid by Express Canada prior to the CCAA proceedings. The disbursements forecast during the week ending May 26, 2017 represent rent and occupancy for the remainder of the Orderly Wind-down period ending June 15, 2017.

5) Store Expenses

Store expenses include costs related to credit card processing, security, IT, maintenance and other related costs.

6) Professional Fees

Disbursements include payments to Express Canada's legal counsel, the Monitor and the Monitor's legal counsel.

7) Liquidation Agent

Disbursements include estimated transaction fees and reimbursement of costs, comprised primarily of labour and advertising expenses.

8) Other Expenses

A provision for additional costs totaling $150,000 is projected through the 13-week period ending July 28, 2017.

APPENDIX C

MANAGEMENT'S REPRESENTATION LETTER
REGARDING THE CASH FLOW FORECAST

EXPRESS

Alvarez & Marsal Canada Inc.
Royal Bank Plaza South Tower
200 Bay Street, Suite 2900
Toronto, ON M5J 2J1

Attention: Mr. Douglas R. McIntosh

May 3, 2017

Dear Sirs:

Re: Express Fashion Apparel Canada Inc. and Express Canada GC GP, Inc. in the Proposed Initial Order (collectively, the "Express Canada Entities") – CCAA section 10(2) Prescribed Representations with Respect to Cash Flow Forecast

In connection with the application by the Applicants for the commencement of proceedings under the *Companies' Creditors Arrangement Act*, the management of the Express Canada Entities has, with the assistance of Alvarez & Marsal, prepared the attached 13-week projected cash flow statement for the period May 4, 2017 to July 28, 2017 (the "**Cash Flow Statement**") and the list of assumptions on which the Cash Flow Statement is based. The purpose of the Cash Flow Statement is to determine the liquidity requirements of the Express Canada Entities during the CCAA proceedings.

The Express Canada Entities confirm that the hypothetical assumptions on which the Cash Flow Statement is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of the Express Canada Entities and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Cash Flow Statement (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 Statement may not be appropriate for other purposes.

Yours truly,

Per: Name: Todd Painter
Title: President
(authorized director or officer of the Express Canada Entities)