

**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.**

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

MAY 25, 2017

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1.0 INTRODUCTION

- 1.1 On May 4, 2017 (the “**Filing Date**”), Express Fashion Apparel Canada Inc. (“**Express Canada**”) and Express Canada GC GP, Inc. (collectively, the “**Applicants**”) applied for and were granted protection by this Court under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to an Order of this Court dated May 4, 2017 (the “**Initial Order**”), these CCAA proceedings (the “**CCAA Proceedings**”) were commenced and Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as monitor of the Applicants in the CCAA Proceedings (in such capacity, the “**Monitor**”).
- 1.2 In connection with the CCAA Proceedings, the Monitor provided to this Court its First Report of the Monitor dated May 8, 2017 (the “**First Report**”). A&M has also, in its capacity as the proposed monitor of the Applicants, provided to this Court the Pre-Filing Report of the Proposed Monitor dated May 3, 2017 (the “**Pre-Filing Report**”, and together with the First Report, the “**Prior Reports**”). The Prior Reports, Application Record, Initial Order and other Court-filed documents and notices in these CCAA Proceedings are available on the Monitor’s website at www.alvarezandmarsal.com/ExpressCanada (the “**Monitor’s Website**”).
- 1.3 Capitalized terms used but not defined in this Second Report of the Monitor (the “**Second Report**”) have the meaning ascribed to them in the First Report.
- 1.4 Pursuant to the Initial Order, the stay of proceedings and other benefits of the Initial Order were extended to Express Canada GC, LP (“**Express Canada LP**” and together with the Applicants, the “**Express Canada Entities**”). Express Canada LP is wholly

owned by the Applicants and as described in the Pre-Filing Report performs functions integral to the Applicants' business.

1.5 On May 10, 2017, this Court issued an order (the "**Sale Approval Order**") which, among other things: (i) approved the Consulting Agreement, the Sale Guidelines and the transactions contemplated thereunder; and (ii) authorized Express Canada, with the assistance of the Consultant, to conduct the Sale of all of Express Canada's Merchandise and FF&E in accordance with the Sale Approval Order, the Consulting Agreement and the Sale Guidelines.

1.6 The purpose of this Second Report is to provide this Court with:

- (i) information regarding the following:
 - (a) the proposed amendments to the Initial Order;
 - (b) the proposed Claims Procedure Order;
 - (c) the receipts and disbursements of the Express Canada Entities from May 4, 2017 through May 19, 2017;
 - (d) the conduct of the Sale and the CCAA Proceedings generally;
 - (e) the proposed extension of the Stay Period (as defined in the Initial Order) to September 29, 2017;
 - (f) the Monitor's activities since the Filing Date; and

- (ii) the Monitor's conclusions and recommendations in connection with the proposed amendment to the Initial Order, the proposed Claims Procedure Order and the proposed extension of the Stay Period.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Second Report, the 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, LLC ("**Express U.S.**" and collectively, the "**Express Entities**") and has held discussions with the Express Entities' management (the "**Management**") and legal counsel for the Express Canada Entities (collectively, the "**Information**").

2.2 Except as otherwise described in this Second Report:

- (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 CASs 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.

- 2.3 Future oriented financial information referred to in this Second 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.
- 2.4 This Second Report should be read in conjunction with the Affidavit of Todd Painter, the President and sole director of each of the Applicants, sworn May 23, 2017 (the "**Third Painter Affidavit**"), filed in connection with the Applicants' motion for the granting of (i) the proposed Claims Procedure Order; (ii) the proposed amendments to the Initial Order; and (iii) the requested extension of the Stay Period.
- 2.5 Unless otherwise stated, all monetary amounts contained in this Second Report are expressed in Canadian dollars.

3.0 PROPOSED AMENDMENT TO THE INITIAL ORDER

- 3.1 As described in the Third Painter Affidavit, following the granting of the Initial Order, the Express Canada Entities initiated communications with Express Canada's landlords (the "**Landlords**"). As part of those discussions, certain of the Landlords requested, and the Express Canada Entities, in consultation with the Monitor, agreed to seek the Court's approval of a change to paragraph 10(a) of the Initial Order to clarify that, with respect to any leased premises, the Express Canada Entities "*may permanently, but not temporarily, cease, downsize or shut down a store unless provided for in the applicable lease*".
- 3.2 The Monitor supports this proposed amendment to the Initial Order.

4.0 PROPOSED CLAIMS PROCEDURE ORDER

Overview

4.1 Capitalized terms used but not defined in this section of the Second Report have the meaning ascribed to them in the proposed Claims Procedure Order.

4.2 Key dates for the Claims Process are set out below:

Timeframe	Activity
May 29, 2017	Scheduled date for the hearing of the motion seeking the proposed Claims Procedure Order
No later than June 6, 2017	Claims Packages are to be mailed to each party on the Service List, each party who has requested a Claims Package and all other known Claimants
No later than June 23, 2017	A Statement of Employee Claim is to be mailed to each of Express Canada's employees
July 28, 2017	(i) Claims Bar Date for the filing of Pre-Filing Claims against any of the Express Canada Entities and/or the Directors & Officers of the Applicants (ii) Date by which any employees that wish to dispute the quantum of their Claim as set-out in their Statement of Employee Claim must submit a Notice of Dispute of Statement of Employee Claim

Claims

4.3 As set out in greater detail in the proposed Claims Procedure Order, the Monitor, on behalf of the Express Canada Entities, will solicit the following claims:

- (i) *Pre-Filing Claims*: Being, generally, any right or claim of any Person against the Express Canada Entities in connection with any indebtedness, liability or obligation of any kind whatsoever that was in existence on the Filing Date (May 4, 2017);

- (ii) *Restructuring Period Claims*: Being, generally, any right or claim of any Person against the Express Canada Entities arising out of the restructuring, disclaimer, resiliation, termination or breach by such Express Canada Entity on or after the Filing Date of any contract, lease or other agreement whether written or oral;
- (iii) *D&O Claims*: Being, generally, any right or claim of any Person against one or more of the Directors and/or Officers of the Applicants, however arising, whereby such Directors and/or Officers are by law or equity, liable to pay in his or her capacity as a Director or Officer; and
- (iv) *Intercompany Claim*: Being, generally, any right or claim by any of the Express Canada Entities, or any of their affiliated entities, including Express U.S. or any of its affiliated entities.

4.4 The proposed Claims Procedure Order does not apply to any Excluded Claims, being: (i) any Claim secured by the Administration Charge and any indemnity claims of Directors and Officers which are secured by the Directors' Charge (as each term is defined in the Initial Order); (ii) any Claim enumerated in sections 5.1(2) and 19(2) of the CCAA; (iii) any Claim of Fifth Third Bank and Bank of America Merchant Services Canada Corp. in connection with the Cash Management System; and (iv) any Claim of Merchant Retail Solutions ULC (the "**Consultant**") in connection with the Consulting Agreement.

Employee Claims

4.5 As set out in greater detail in the proposed Claims Procedure Order, the Monitor will as soon as practicable following the granting of the proposed Claims Procedure Order and in any event by no later than 5:00 p.m. on June 23, 2017, send to all Employees at their

respective last known municipal or e-mail addresses as recorded in the Express Canada Entities' books and records, a Statement of Employee Claim.

- 4.6 The Statement of Employee Claim will be prepared by the Express Canada Entities, in consultation with the Monitor, and will advise Employees as to certain of their rights and obligations, and will include an assessment of the quantum of such Employee's Claim based on the books and records of the Express Canada Entities.
- 4.7 In the event an Employee is in agreement with the assessment of its Employee Claim, no further action is required and the Claim of such Employee shall be deemed to be as set out in such Employee's Statement of Employee Claim.
- 4.8 In the event an Employee disagrees with the assessment of its Employee Claim, such Employee must send to the Monitor a completed Notice of Dispute of Statement of Employee Claim by no later than the Claims Bar Date (July 28, 2017).

Claims Bar Dates

- 4.9 It is proposed that any Claimant asserting a Pre-Filing Claim or a Director/Officer Claim be required to file the applicable Proof of Claim form with the Monitor by no later than 5:00 p.m. Toronto Time on the Claims Bar Date (July 28, 2017) or such later date as the Court may otherwise direct, failing which the Claim of such Claimant will be forever extinguished and such Claimant barred from asserting or enforcing any such Claim. The Monitor believes that the Claims Bar Date is reasonable in that it provides sufficient time from the date of the receipt of the Claims Package for potential Claimants to evaluate and submit any Claim they may have against any of the Express Canada Entities or any of the Directors and Officers of the Applicants.

4.10 It is proposed that any Claimant asserting a Restructuring Period Claim be required to file the applicable Proof of Claim form, by the later of: (i) 30 days after the date on which the Monitor sends a Claims Package with respect to a Restructuring Period Claim; and (ii) the Claims Bar Date (the “**Restructuring Period Claims Bar Date**”), or such later date as the Court may otherwise direct, failing which the Claim of such Claimant will be forever extinguished and such Claimant barred from asserting or enforcing any such Claim. The Monitor believes that a 30-day period is reasonable in that it provides sufficient time from the date a Claims Package is sent to a Claimant to evaluate and submit any Claim they may have against the Express Canada Entities in respect of a Restructuring Period Claim.

Notice

4.11 The proposed Claims Procedure Order provides that the Monitor will do the following in providing notification of the Claims Process:

- (i) as soon as practicable after the date of the Claims Procedure Order, post a copy of the Notice to Claimants and the Claims Package on the Monitor’s Website;
- (ii) as soon as practicable after the date of the Claims Procedure Order, cause the Notice to Claimants to be published for at least two Business Days in *The Globe and Mail* (National Edition);
- (iii) by no later than 5:00 p.m. Toronto Time on June 6, 2017, cause a Claims Package to be sent to: (i) each party that appears on the Service List or has requested a Claims Package; and (ii) all known Claimants, other than Employees, as evidenced by the books and records of the Express Canada Entities, at their

respective last known municipal or e-mail addresses as recorded in the Express Canada Entities' books and records;

- (iv) by no later than 5:00 p.m. Toronto Time on June 23, 2017, cause the Statements of Employee Claims to be sent to all Employees at their respective last known municipal or e-mail addresses as recorded in the Express Canada Entities' books and records; and
- (v) provide a Claims Package to any Claimant that requests documents or information relating to the Claims Process prior to the Claims Bar Date, or if the Express Canada Entities and the Monitor become aware of any further Claims, the Monitor shall take the steps that are considered appropriate to provide such Claimant with a Claims Package.

Assessment and Determination of Claims

- 4.12 The Monitor, in consultation with the Express Canada Entities, will (i) review all Proofs of Claim received on or before the Claims Bar Date and Restructuring Period Claims Bar Date, as applicable; and (ii) accept, revise or reject each Claim. In respect of D&O Claims, the Monitor, in consultation with the Express Canada Entities and the Directors and Officers named in such D&O Claim, will review and accept, revise or reject such D&O Claim. In respect of any Intercompany Claims, the Monitor shall only consult with the Express Canada Entities if the Monitor determines, in its sole discretion, that such consultation is necessary to assess the Intercompany Claims.
- 4.13 If the Monitor intends to revise or reject a Claim, the Monitor will notify the Claimant by sending a Notice of Revision or Disallowance along with the reasons for such revision or

disallowance by no later than September 15, 2017, and if a Notice of Revision or Disallowance has not been sent by the Monitor to a Claimant by such date, such Claimants' Proof of Claim or D&O Proof of Claim shall be deemed to have been accepted by the Monitor in the amount filed by such Claimant, unless otherwise ordered by the Court.

4.14 Any Claimant who intends to dispute a Notice of Revision or Disallowance must send written notice to the Monitor by completing a Notice of Dispute of Revision or Disallowance by no later than 28 days after the date on which the Claimant receives the Notice of Revision or Disallowance, or such other date as may be agreed by the Monitor. In the event that a dispute raised in a Notice of Dispute of Revision or Disallowance is not settled within a time period or in a manner satisfactory to the Monitor, in consultation with the Express Canada Entities, the Monitor shall, at its election, refer the dispute raised in the Notice of Dispute of Revision or Disallowance to a Claims Officer (described below) or the Court for adjudication.

4.15 Any Claimant that receives a Notice of Revision or Disallowance that does not file a completed Notice of Dispute of Revision or Disallowance with the Monitor within the prescribed 28 day time period shall be deemed to have accepted the amount and determination as set out in the Notice of Revision or Disallowance and such Claimant shall have no further right to dispute same.

Assessment and Determination of Employee Claims

4.16 The Monitor, in consultation with the Express Canada Entities, will review any Notices of Dispute of Statement of Employee Claim that are received on or before the Claims Bar

Date, and if the Monitor disagrees with the amount of the Claim as set out therein, the Monitor shall attempt to resolve such dispute and settle the purported Claim with the Employee.

- 4.17 In the event that a dispute raised in a Notice of Dispute of Statement of Employee Claim is not settled within a time period or in a manner satisfactory to the Monitor, in consultation with the Express Canada Entities, the Monitor shall refer the dispute raised to a Claims Officer or the Court for adjudication at its election.

Claims Officer

- 4.18 The proposed Claims Procedure Order provides for the usage of a Claims Officer in the event that a disputed Claim, is unable to be resolved by the Monitor (in consultation with the Express Canada Entities) and the Claimant, and the Monitor elects to refer the matter to a Claims Officer. It is proposed that The Honourable Dennis O'Connor be appointed as Claims Officer, with the flexibility for further Claims Officers to be appointed on motion to the Court.
- 4.19 In such circumstances, the Claims Officer will (i) review and determine the validity and amount of disputed Claims in accordance with the terms of the Claims Procedure Order and, to the extent necessary, may determine whether any Claim or part thereof constitutes an Excluded Claim; and (ii) determine all procedural matters which may arise in respect of their determination of the foregoing matters, including the manner in which any evidence may be adduced.
- 4.20 Claims officers are commonly used in CCAA proceedings in order to expedite the resolution of disputed claims in a cost-effective manner. The Monitor views the use of a

claims officer in these CCAA Proceedings, if necessary, as reasonable and appropriate given the objectives of completing the orderly wind-down of the Express Canada Entities and the determination of Claims in an expeditious and cost effective manner.

Claims Against Non-Express Canada Entities

- 4.21 The proposed Claims Procedure Order provides that nothing shall prejudice, limit, bar, extinguish or otherwise affect any right or claim of any Person, including under any guarantee, indemnity or otherwise, against Express U.S., or any other Person other than the Express Canada Entities and the Directors and Officers.

5.0 CASH FLOW RESULTS RELATIVE TO FORECAST

- 5.1 Receipts and disbursements for the period May 4 to 19, 2017 (the “**Reporting Period**”), as compared to the Cash Flow Forecast attached as Appendix “B” to the Pre-Filing Report, are summarized in the table below.

Cash Flow Results for the Reporting Period			\$000's
	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
Receipts	4,093	2,226	1,867
Disbursements			
Intercompany payments	-	-	-
Salaries and benefits	(210)	(240)	30
Rent and occupancy	-	-	-
Store expenses	(45)	(300)	255
HST remittance	-	-	-
Professional fees	(130)	(410)	280
Consultant fees	-	(206)	206
Other expenses	-	(50)	50
Total Disbursements	(385)	(1,206)	821
Net cash flow	3,708	1,020	2,688
Beginning Cash balance	12,741	13,069	(328)
Net cash flow	3,708	1,020	2,688
Ending cash balance	16,449	14,090	2,360

5.2 During the Reporting Period, the Express Canada Entities experienced the following:

- (i) the beginning cash balance was approximately \$328,000 less than projected in the Cash Flow Forecast. Management attributes this primarily to timing differences with respect to certain professional fees forecast to occur during the Reporting Period but actually made prior to the Filing Date;
- (ii) total receipts were approximately \$1.9 million greater than projected in the Cash Flow Forecast. Management attributes this to better than anticipated performance to date in connection with the Sale and expects that the positive variance may decline or reverse in future weeks as sales track closer to forecast; and
- (iii) total disbursements were approximately \$821,000 less than projected in the Cash Flow Forecast. Management attributes this to: (i) timing differences explained

above in connection with the beginning cash balance; and (ii) timing differences with respect to the receipt of certain vendor invoices which Management expects will reverse in future weeks.

5.3 Overall, during the Reporting Period, the Express Canada Entities experienced a positive net cash flow variance of approximately \$2.4 million relative to the Cash Flow Forecast. It is anticipated that this variance will partially decline as the timing differences noted above reverse as the CCAA Proceedings progress.

5.4 The closing cash balance as at May 19, 2017 was approximately \$16.4 million (the “**May 19 Cash Balance**”), as compared to the projected cash balance of \$14.1 million. This variance was due primarily to the positive variance in net cash flow as described above.

5.5 The May 19 Cash Balance, together with net realizations anticipated to be generated from the Sale through June 15, 2017 are projected to provide sufficient liquidity through the remainder of these CCAA Proceedings.

5.6 The Initial Order entitled the Express Canada Entities to continue to utilize its existing Cash Management System, as described in the Pre-Filing Report. The Cash Management System continues to operate in the same manner as it had prior to the commencement of the CCAA Proceedings.

6.0 UPDATED INFORMATION REGARDING CONDUCT OF THE SALE AND THE CCAA PROCEEDINGS GENERALLY

Orderly Wind-down

6.1 Pursuant to the Sale Approval Order, the Express Canada Entities, with the assistance of

the Consultant and the Monitor, commenced the Sale on May 11, 2017. In accordance with the Sale Guidelines, the Sale will continue until June 15, 2017, at the latest.

- 6.2 As at May 19, 2017, approximately 35% of the inventory which Express Canada owned as at the Filing Date has been sold.

Employees

- 6.3 With the exception of the district manager, all of Express Canada's employees are store level employees.

- 6.4 On May 4, 2017, Express Canada delivered termination letters to each of its 339 employees. These termination letters provided each of Express Canada's employees with working notice of termination effective June 15, 2017 and advised them of the employee retention plan approved in the Initial Order and described in the Pre-Filing Report.

Disclaimed Contracts

- 6.5 Following the Filing Date, the Monitor engaged an independent third party real estate consultant who was identified as having the requisite expertise, qualifications and capability to (i) review each of Express Canada's real estate leases; (ii) consider, among other things, the rents provided for in Express Canada's real estate leases, the location and configuration of Express Canada's stores and compare such factors against current market conditions; and (iii) arrive at an independent view as to whether any of Express Canada's real estate leases have realizable market value. Based on its review, the real estate consultant was of the view that the real estate leases likely have no realizable

market value. As such, Express Canada and the Monitor concluded that a marketing and sale process in respect of such leases was not desirable.

- 6.6 Accordingly, on May 16, 2017, Express Canada, with the consent of the Monitor, provided each of the Landlords with notice, in the prescribed form, of its intention to disclaim or resiliate each of Express Canada's real estate leases in respect of its 17 stores, effective June 15, 2017 (collectively, the "**Lease Disclaimers**").
- 6.7 In addition to the Lease Disclaimers, the Express Canada Entities, with the consent of the Monitor, have issued notices, in the prescribed form, of their intention to disclaim or resiliate certain contracts between them and various third parties (the "**Non-Lease Disclaimers**"). Each of the Non-Lease Disclaimers advised the applicable counterparty that the Express Canada Entities intend to disclaim the applicable contract effective 30 days after delivering such Non-Lease Disclaimer. As of the date of this Second Report, the Express Canada Entities have issued thirteen Non-Lease Disclaimers.
- 6.8 To date, the Monitor has not received any formal objection to the Lease Disclaimers or Non-Lease Disclaimers or any request for reasons for such disclaimers. Counsel to the Express Canada Entities has advised that the Express Canada Entities have also not received any such objection or request for reasons.
- 6.9 Pursuant to the proposed Claims Procedure Order, any rights or claims arising out of the Lease Disclaimers and Non-Lease Disclaimers can be filed as Restructuring Period Claims (as defined in the proposed Claims Procedure Order).

Intercompany Balance

- 6.10 Capitalized terms used but not defined in this section of the Second Report have the meaning ascribed to them in the Pre-Filing Report.
- 6.11 As described in the Pre-Filing Report, prior to the date of the Initial Order, Express Canada was party to a number of intercompany agreements with Express U.S. (collectively, the “**Prior Intercompany Agreements**”) which were terminated prior to the Filing Date. In accordance with the Prior Intercompany Agreements, Express U.S. provided Express Canada with all of its inventory and Shared Services (described in greater detail in the Pre-Filing Report). The costs and fees associated with inventory purchases and Shared Services were charged through the intercompany ledger (the “**Intercompany Account**”). As further described in the Pre-Filing Report, certain of the Prior Intercompany Agreements were replaced with new agreements to be effective during the CCAA Proceedings.
- 6.12 As at April 29, 2017, the Intercompany Account was in a payable position of approximately \$165,000 (due from Express Canada to Express U.S.). As described in the Pre-Filing Report and subject to the qualifications contained therein, to the extent that any amounts become due and owing by Express Canada to Express U.S. from and after January 5, 2017, such amounts are secured by the general security agreement.
- 6.13 During the period of April 30 to May 3, 2017 (the day immediately prior to the Filing Date), Express Canada continued to purchase inventory and receive Shared Services from Express U.S which in turn increased amounts payable by Express Canada to Express U.S. in respect of same.

6.14 The Monitor has been advised by the Express Entities that there may be additional amounts remaining to be recorded through the Intercompany Account and reconciled. Once the Intercompany Account has been fully updated and reconciled, the Monitor will conduct a review of such amounts and report to the Court on the final amount reflected therein. Pursuant to the proposed Claims Procedure Order, Intercompany Claims, if any, must be filed with the Monitor prior to the Claims Bar Date.

Creditor Notifications

6.15 Pursuant to the Initial Order, the Monitor was required to: (i) without delay, publish in *The Globe and Mail* (National Edition), a notice containing the information prescribed under the CCAA; and (ii) within five days after the date of the Initial Order, (A) make the Initial Order publicly available in the manner prescribed under the CCAA, (B) send or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against the Express Canada Entities of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with section 23(1)(a) of the CCAA and the regulations made thereunder, provided however that the Monitor was not to make public, the claims, names and addresses of individuals who are creditors.

6.16 A notice containing the information prescribed under the CCAA was published in *The Globe and Mail* (National Edition) on May 8 and 15, 2017.

6.17 On the Filing Date, the Monitor activated the Monitor's Website and thereupon posted a copy of the Initial Order. On May 5, 2017, the Monitor prepared and posted to the

Monitor's Website a list showing the names and addresses of every known creditor of the Express Canada Entities with a claim of more than \$1,000, excluding the claims, names and addresses of individuals who are be creditors. Also on May 5, 2017, a notice was mailed by the Monitor to every known creditor with a claim against the Express Canada Entities of more than \$1,000.

7.0 EXTENSION OF THE STAY PERIOD

7.1 Pursuant to the Initial Order, the Stay Period is to expire on June 3, 2017. The Applicants are seeking an extension of the Stay Period to September 29, 2017.

7.2 The Monitor supports the Applicants' motion to extend the Stay Period to September 29, 2017 for the following reasons:

- (i) the stay of proceedings is required to provide the necessary stability and certainty to enable the Express Canada Entities to complete the wind-down of their business and operations;
- (ii) the stay of proceedings will permit the Monitor and the Express Canada Entities to implement the proposed Claims Process (as defined in the proposed Claims Procedure Order);
- (iii) the Express Canada Entities are projected to have sufficient liquidity through the remainder of these CCAA Proceedings; and
- (iv) the Applicants continue to act in good faith and with due diligence.

8.0 MONITOR'S ACTIVITIES TO DATE

8.1 In addition to those described above, the activities of the Monitor since the Filing Date have included the following:

- (i) assisting the Express Canada Entities with communications with employees, landlords, suppliers, critical service providers, customers and other parties;
- (ii) engaging in discussions with the Express Canada Entities and their legal counsel regarding various supplier issues;
- (iii) responding to inquiries from stakeholders, including addressing questions or concerns of parties who contacted the Monitor on the hotline number or email account established by the Monitor for these CCAA Proceedings;
- (iv) assisting the Express Canada Entities in implementing an appropriate accounting cut-off to ensure proper determination of pre and post-filing obligations and liabilities;
- (v) monitoring the receipts, disbursements and commitments with certain suppliers and creditors, including the review of any payments made to service providers;
- (vi) posting non-confidential materials filed with the Court to the Monitor's Website;
- (vii) completing: (a) the general noticing required under the CCAA as described above; and (b) the statutory filings pursuant to Section 23 of the CCAA;
- (viii) filing requisite forms with the Office of the Superintendent of Bankruptcy (Canada);

- (ix) together with legal counsel to the Express Canada Entities, attending meetings with legal counsel to the Landlords; and
- (x) communicating with the Consultant on aspects of the Sale.

9.0 MONITOR'S RECOMMENDATIONS

- 9.1 For the reasons set out in this Second Report, the Monitor is of the view that the relief requested by the Applicants is reasonable and respectfully recommends that this Court grant (i) the proposed Claims Procedure Order; (ii) the proposed amendment to the Initial Order; and (iii) an extension of the Stay Period to September 29, 2017.

All of which is respectfully submitted to this Court this 25th day of May, 2017.

Alvarez & Marsal Canada Inc., solely in its capacity as 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

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

Court File No.: CV-17-11785-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **EXPRESS
FASHION APPAREL CANADA INC.** and **EXPRESS CANADA GC GP, INC.**

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

Proceeding Commenced at Toronto

SECOND REPORT OF THE MONITOR

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