

**SCHEDULE "A"**

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Court File No. \_\_\_\_\_

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

THE HONOURABLE _____	)	WEDNESDAY, THE 10 <sup>th</sup>
	)	
JUSTICE _____	)	DAY OF JUNE, 2009

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 COPPLEY APPAREL GROUP  
 LIMITED (the "Applicant")

**INITIAL ORDER**  
**(June 10, 2009)**

**THIS APPLICATION**, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an order, *inter alia*, approving the Canadian Bid Procedure (attached hereto as **Schedule "A"**) was heard this day at 393 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Richard Sexton sworn June 10, 2009 (the "**Sexton Affidavit**") and the exhibits thereto and on hearing the submissions of counsel for Copley Apparel Group Limited, and Wachovia Capital Finance Corporation (Central) and Wachovia Capital Finance Corporation (Canada) (jointly "**Wachovia**") and on reading the consent of BDO Dunwoody Limited to act as the Monitor,

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged so that this Application is properly returnable today and hereby dispenses with further service thereof.

## **APPLICATION**

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies.

## **PLAN OF ARRANGEMENT**

3. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**") between, *inter alia*, the Applicant and one or more classes of its secured and/or unsecured creditors as it deems appropriate.

## **POSSESSION OF PROPERTY AND OPERATIONS**

4. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property, including, for greater certainty, in a manner consistent with sections 5.1, 5.2, 5.3(d) and 5.9 of the Canadian APA (as defined in the Sexton Affidavit). The Applicant shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize the central cash management system currently in place as described in the Sexton Affidavit or replace it with another central cash management system (the "**Cash Management System**") satisfactory to Wachovia acting reasonably and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits (except the Applicant shall not make any Special Payments (as defined in the Sexton Affidavit) in respect of any pension plan), vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this

Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order.

8. **THIS COURT ORDERS** that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

9. **THIS COURT ORDERS** that until such time as the Applicant delivers a notice in writing to repudiate a real property lease in accordance with paragraph 11(c) of this Order (a "**Notice of Repudiation**"), the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any arrears relating to the period commencing from and including the date of this Order shall also be paid. Upon delivery of a Notice of Repudiation, the Applicant shall pay all Rent due for the notice period stipulated in paragraph 11(c) of this Order, to the extent that Rent for such period has not already been paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

11. **THIS COURT ORDERS** that the Applicant shall, subject to such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations and to dispose of redundant or non-material assets not exceeding \$50,000 in any one transaction or series of related transactions, subject to paragraph 11(c), if applicable, and provided, however, that the Applicant shall not sell any of its Property (other than inventory in the ordinary course of business) generating proceeds in excess of \$50,000 in any one

transaction or series of related transactions without the consent of Wachovia and the approval of this Court;

- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate on such terms as may be agreed upon between the Applicant and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;
- (c) in accordance with paragraphs 12 and 13, vacate, abandon or quit the whole but not part of any leased premises and/or repudiate any real property lease and any ancillary agreements relating to any leased premises, on not less than [seven (7)/fourteen (14)] days notice in writing to the relevant landlord on such terms as may be agreed upon between the Applicant and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
- (d) repudiate such of its arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicant deems appropriate on such terms as may be agreed upon between the Applicant and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and
- (e) pursue, in accordance with the Canadian Bidding Procedure (as hereinafter defined), all avenues of refinancing and offers for material parts of its Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing or any sale (except as permitted by subparagraph (a) above);

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the business (the "**Restructuring**").

12. **THIS COURT ORDERS** that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to

observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant repudiates the lease governing such leased premises in accordance with paragraph 11(c) of this Order, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in paragraph 11(c) of this Order), and the repudiation of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a Notice of Repudiation is delivered, then (a) during the notice period prior to the effective time of the repudiation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the repudiation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises and such landlord shall be entitled to notify the Applicant of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### **NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY**

14. **THIS COURT ORDERS** that until and including July 8, 2009, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except, subject to the terms of the Forbearance Agreement (hereinafter defined) for any enforcement or proceeding initiated by Wachovia , or with the written consent of the

Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") other than: (i) Wachovia; and (ii) the Purchasers (as defined in the Sexton Affidavit) solely with respect to the exercise of rights under Article VII of the Canadian APA; against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) exempt the Applicant from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicant and the Monitor, or leave of this Court.

#### **CONTINUATION OF SERVICES**

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the

Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

18. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, no creditor of the Applicant shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

## **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

20. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicants, after the date hereof, to make payments of the nature referred to in subparagraphs 6(a), 8(a), 8(b) and 8(c) of this Order which they sustain or incur by reason of or in relation to their respective capacities as directors and/or officers of the Applicants except to the extent that, with respect to any officer or director, such officer or director has actively participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.

21. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1,300,000 as security for the indemnity provided in paragraph 20 of this Order. The Directors' Charge shall have the priority set out in paragraphs 40 and 42 herein.

22. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

## **APPOINTMENT OF MONITOR**

23. **THIS COURT ORDERS** that BDO Dunwoody Limited is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicant's conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the

Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.

24. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender (as hereinafter defined) and its counsel at such times as they require, financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel at such times as required by the DIP Lender;
- (e) advise the Applicant in its development of the Plan and any amendments to the Plan;
- (f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the books, records and management, employees and advisors of the Applicant and to the Business and the Property to the extent required to perform its duties arising under this Order;

- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (i) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan;
- (j) to assist and consult with the Applicant in carrying out and conducting a sales process in accordance with the Canadian Bid Procedure; and
- (k) perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to

be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicant and the DIP Lender with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Applicant and FTI Consulting Canada ULC ("**FTI Consulting**"), the financial advisor to the Applicant, shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings, including, for greater certainty, such fees and disbursements incurred in connection with the preparation of the within application. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, counsel to the Applicant and FTI Consulting, retainers in the amounts of \$30,000, \$20,000, \$100,000 and \$75,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time, provided, however, that such retainers paid to the counsel to the Applicant and FTI Consulting shall be repaid to the Applicant

and/or applied against any outstanding fees and disbursements of counsel to the Applicant and FTI Consulting on or prior to July 3, 2009 or such later date as may be agreed to by Wachovia in writing.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. **THIS COURT ORDERS** that the Monitor shall forthwith instruct its legal counsel to prepare an independent security opinion in respect of the validity and enforceability of the security held by Wachovia against the Applicant and shall report on such security opinion at a sale approval motion to be heard on or before July 3, 2009.

#### **ADMINISTRATION CHARGE**

32. **THIS COURT ORDERS** that the Monitor and its counsel, the Applicant's counsel and FTI Consulting shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1,000,000.00 on a non-revolving basis, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 40 and 42 hereof.

33. **THIS COURT ORDERS** that the Administration Charge in the aggregate amount of \$1,000,000.00 shall be a non-revolving amount and shall be the total amount of all of the professional fees and disbursements of the Monitor and its counsel, the Applicant's counsel and FTI Consulting that are entitled to the benefit of the Administration Charge. Notwithstanding the foregoing, from and after July 3, 2009 or such other date as may be agreed to by Wachovia in writing, the aggregate amount of the Administration Charge shall be reduced to \$200,000 and only the Monitor and its counsel shall be entitled to the benefit of this reduced Administration Charge as security for their professional fees

and disbursements incurred at the standard rates and charges of the Monitor and its counsel from and after July 3, 2009 (or such other date as may be agreed to by Wachovia in writing) until the termination of these proceedings.

#### **DIP FINANCING**

34. **THIS COURT ORDERS** that, in addition to the amounts borrowed by the Applicant from Wachovia as at the date hereof, the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from Wachovia (the "**DIP Lender**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that additional borrowings under such credit facility after the date hereof shall not exceed \$6,000,000 unless permitted by further Order of this Court.

35. **THIS COURT ORDERS** that all advances by the DIP Lender after the date hereof shall be on the terms and subject to the conditions set forth in the forbearance agreement between Wachovia, the Applicant and certain other parties dated as of June 10, 2009 (the "**Forbearance Agreement**").

36. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to execute and deliver the Forbearance Agreement and such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the Forbearance Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Forbearance Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

37. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which charge shall not exceed the aggregate amount of: (i) advances by the DIP Lender under the

Forbearance Agreement, including, for greater certainty, the funding of the Administration Charge and the Directors' Charge thereunder; and (ii) the value of all cash utilized or committed by the Applicant from and after the date hereof other than advances from the DIP Lender under the Forbearance Agreement pursuant to paragraphs 32 and 33 above. The DIP Lender's Charge shall have the priority set out in paragraphs 40 and 42 hereof.

38. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents (including, for greater certainty, a default or an Intervening Event under the Forbearance Agreement) or the DIP Lender's Charge, the DIP Lender, upon two (2) days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Forbearance Agreement, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Forbearance Agreement, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant, and upon the occurrence of an event of default under the terms of the Definitive Documents (including, for greater certainty, a default or an Intervening Event under the Forbearance Agreement), the DIP Lender shall be entitled to seize and retain proceeds from the sale of the Property and the cash flow of the Applicant to repay amounts owing to the DIP Lender in

accordance with the Definitive Documents and the DIP Lender's Charge, but subject to the priorities as set out in paragraphs 40 and 42 of this Order; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

39. **THIS COURT ORDERS AND DECLARES** that Wachovia, both as pre-filing secured creditor and as the DIP Lender, as the case may be, shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made at any time to the Applicant.

**VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

40. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum non-revolving amount of \$1,000,000 up to July 3, 2009, or such other date as may be agreed to by Wachovia in writing and, thereafter, to the maximum amount of \$200,000);

Second – DIP Lender's Charge; and

Third – Directors' Charge (to the maximum amount of \$1,300,000).

41. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

42. **THIS COURT ORDERS** that each of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted, amended and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

43. **THIS COURT ORDERS** that the Monitor shall receive and hold funds in the amount of the Administration Charge and the Directors' Charge as provided for by the Forbearance Agreement and the terms of an escrow agreement to be entered into between Wachovia and the Monitor on terms satisfactory to such parties, and shall not release such funds without the consent of both the Applicant and Wachovia or by Order of the Court.

44. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Directors' Charge, the Administration Charge or the DIP Lender's Charge, unless the Applicant also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

45. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the Forbearance Agreement, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances,

contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Forbearance Agreement or the Definitive Documents shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the Forbearance Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicant pursuant to this Order, the Forbearance Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

46. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.

#### **CANADIAN BID PROCEDURE**

47. **THIS COURT ORDERS** that the bidding procedures, as set forth in Schedule "A" hereto (the "**Canadian Bid Procedure**") is approved and the Applicant, with the assistance of and in consultation with the Monitor, is authorized and directed to carry out and conduct the Canadian Bid Procedure and to take such actions as are required to complete the Canadian Bid Procedure.

48. **THIS COURT ORDERS** that following completion of the Canadian Bid Procedure, the Applicant shall return to this Court for approval of any sale.

#### **SERVICE AND NOTICE**

49. **THIS COURT ORDERS** that the Applicant shall, within ten (10) business days of the date of entry of this Order, send a copy of this Order to its known creditors, other than employees and creditors to which the Applicant owes less than \$2,500, at their addresses as they appear on the Applicant's records, and shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application, and (b) to any other interested Person requesting a copy of this Order, and the Monitor is relieved of its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

50. **THIS COURT ORDERS** that the Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

51. **THIS COURT ORDERS** that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at [www.bdo.ca/coppley](http://www.bdo.ca/coppley).

## **GENERAL**

52. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

53. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

54. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

55. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

56. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

57. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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## SCHEDULE "A"

### COPPLEY APPAREL GROUP LIMITED BIDDING PROCEDURES

Set forth below are the bidding procedures (the "**Bidding Procedures**") to be employed with respect to the proposed sale (the "Sale") of substantially all of the assets of Copley Apparel Group Limited (the "**Seller**" or the the "**Applicant**"), an applicant in a proceeding commenced in the Superior Court of Justice (Commercial List) at Toronto (the "**Commercial List**") pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). On June 10, 2009, the Seller executed that certain Asset Purchase Agreement (as amended from time to time in accordance with the terms thereof, the "**Agreement**") with Emerisque Brands UK Limited and SKNL North America, B.V. (collectively, the "**Purchasers**"). The transaction contemplated by the Agreement is subject to competitive bidding as set forth herein and approval by the Commercial List Court pursuant to the CCAA.

On June 10, 2009, the Applicant filed an Application Record pursuant to the CCAA for an Order, among other things, approving bidding procedures (the "**Bidding Procedures Order**"). The Bidding Procedures Order sets June 25, 2009 as the date when the Commercial List Court will conduct a hearing (the "**Sale Hearing**") for the approval of the Agreement or another transaction or series of transactions for the sale of all or substantially all of the Acquired Assets. All capitalized terms used but not otherwise defined in these Bidding Procedures have the meanings ascribed to them in the Agreement.

The Bidding Procedures set forth herein describe, among other things, the assets available for sale, the manner in which bidders and bids become Qualified Bidders and Qualified Bids (each as defined herein), respectively, the coordination of diligence efforts among bidders, the receipt and negotiation of bids received, the conduct of any subsequent Auction (as defined herein), the ultimate selection of the Successful Bidder(s) (as defined herein), and the Commercial List Court's approval thereof (collectively, the "**Bidding Process**"). The Applicant will consult with BDO Dunwoody Limited, in its capacity as Monitor (the "**Monitor**") and obtain the consent of Wachovia Capital Finance Corporation (Central) ("**Wachovia**") throughout the Bidding Process in accordance with the terms and conditions hereof. In the event that the Applicant and any party disagree as to the interpretation or application of these Bidding Procedures, the Commercial List Court will have jurisdiction to hear and resolve such dispute.

#### Assets To Be Sold

The assets proposed to be sold include substantially all of the assets of the Applicant (the "**Acquired Assets**"). Qualified Bidders may submit a bid for (i) all of the Acquired Assets or (ii) a portion of the Acquired Assets. To the extent that a Qualified Bidder desires to bid on less than all of the Acquired Assets, the Applicant suggests, but shall not require, that such bids be for one or more of the groups of assets set forth on **Appendix 1** attached hereto (each, an "**Asset Group**"). However, the Applicant may (i) provide priority diligence access to those Qualified Bidders bidding on less than all of the Acquired Assets who express interest in one or more of the identified Asset Groups as opposed to a portion thereof, and (ii) cease providing diligence access to such bidders for less than all of the Acquired Assets if, in the view of the Applicant (in

consultation with the Monitor and with the consent of Wachovia), the Applicant believes such bids for less than all of the Acquired Assets will not, when combined with other bids, result in a recovery to the Applicant's estate that is equal to or greater than the All Assets Minimum Bid Amount (as defined below). A bid for less than all of the Acquired Assets may be conditioned on the bidder(s) being the Successful Bidder(s) on all or a portion of the Asset Group(s) included in its bid. However, as set forth below, when valuing any bid for less than all of the Acquired Assets, the Applicant (in consultation with the Monitor and Wachovia) will take into account, among other things, whether the bid, when combined with other bids, equals or exceeds the All Assets Minimum Bid Amount.

### **"As Is, Where Is"**

The sale of the Acquired Assets, or any portion thereof, will be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Applicant, its agents, or estate, except, with respect to the Purchasers, to the extent set forth in the Agreement and, with respect to a Successful Bidder, to the extent set forth in the relevant purchase agreement of such Successful Bidder approved by the Commercial List Court.

### **Free Of Any And All Claims And Interests**

Except to the extent otherwise set forth in the relevant purchase agreement of such Successful Bidder or ordered by the Commercial List Court, all of the Applicant's right, title, and interest in and to the Acquired Assets, or any portion thereof, to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests on and/or against the Acquired Assets (collectively, the "**Claims and Interests**"), such Claims and Interests to attach to the net proceeds of the sale of such Acquired Assets subject to prior orders of the Commercial List Court.

### **Due Diligence**

Subject to entering into a confidentiality agreement as may be required by the Applicant and the Monitor, the Applicant will allow a potential bidder (a "**Potential Bidder**") to commence due diligence with respect to the Acquired Assets as described below. The Applicant will afford each Potential Bidder due diligence access to the Acquired Assets. Due diligence access may include such management presentations as may be scheduled by the Applicant, access to data rooms, on site inspections, and such other matters which a Potential Bidder may reasonably request and as to which the Applicant, in their reasonable discretion, may agree. The Applicant will designate an employee or other representative to coordinate all reasonable requests for additional information and due diligence access from Potential Bidders. The Applicant may, in its discretion, coordinate diligence efforts such that multiple Potential Bidders, including but not limited to the Purchasers, have simultaneous access to due diligence materials and/or simultaneous attendance at management presentations or site inspections. Neither the Applicant nor any of its representatives will be obligated to furnish any information relating to Acquired Assets to any Person other than to Potential Bidders.

### **Bid Deadline**

A Potential Bidder who desires to make a bid must deliver the Required Bid Documents (as defined herein) to: (i) Coppley Apparel Group Limited, 56 York Blvd, Hamilton; (ii) the Monitor, BDO Dunwoody Limited, 123 Front Street West, Suite 1200, Toronto; (iii) the Applicant's counsel, Gowling Lafleur Henderson LLP, 100 King Street West, Suite 1600, Toronto; (iv) counsel to Wachovia, Goodmans LLP, 2400-250 Yonge Street, Toronto; and (v) counsel to the Monitor, Fasken Martineau, 66 Wellington Street West, Suite 4200, Toronto; so as to be received not later than 5:00 p.m. (prevailing Eastern time) on June 21, 2009 (the "**Bid Deadline**"). The Applicant shall serve a copy of all Required Bid Documents received by them to the Purchasers so as to be received by Purchasers' counsel on the Bid Deadline. The Applicant may extend (but is not obligated to do so) the Bid Deadline to a date no later than June 22, 2009 or to such later date as the Purchasers consent. If the Applicant extends the Bid Deadline, it will promptly notify all Potential Bidders of such extension. As soon as reasonably practicable following receipt of each Qualified Bid, the Applicant will deliver complete copies of all items and information enumerated in the section below entitled "**Bid Requirements**" to Wachovia..

### **Bid Requirements**

All bids, other than a Concord Bid (hereinafter defined), must include the following documents (the "**Required Bid Documents**"):

- (a) a letter stating that the bidder's offer is irrevocable until the earlier of (i) two Business Days after the closing of the Sale of the applicable Acquired Assets and (ii) 45 days after the Sale Hearing;
- (b) an executed agreement in the form of the Agreement, including schedules (a "**Marked Agreement**") to show those amendments and modifications to such Agreement and schedules that the Potential Bidder proposes, including the purchase price;
- (c) in the alternative to (b) above, an executed agreement, including any schedules thereto (an "**Alternative Agreement**"), showing whether the bid is for: (i) all the Acquired Assets; or (ii) certain of the Acquired Assets having regard to appendix 1; and the purchase price in respect of same;
- (d) a good faith deposit (the "**Good Faith Deposit**") in the form of a certified bank check from a Canadian bank or by wire transfer (or other form acceptable to the Applicant in its sole discretion) payable to Coppley Apparel Group Limited (or such other party as the Applicant may determine) in an amount equal to 5% of the proposed purchase price, which Good Faith Deposit the Applicant shall hold in a segregated escrow account; and
- (e) written evidence of a commitment for financing, or other evidence of ability to consummate the proposed transaction, that is satisfactory to the Applicant and the Monitor.

### **Qualified Bids**

A bid will be considered only:

- (a) if the bid is not conditioned on obtaining financing or on the outcome of unperformed due diligence by the bidder;
- (b) if the bid proposes a transaction on terms and conditions (other than the amount of the consideration and the particular liabilities being assumed) that the Applicant determines, in its sole discretion in consultation with the Monitor and Wachovia, is not materially more burdensome or conditional than the terms of the Agreement;
- (c) with respect to a bid:
  - (i) for all, or substantially all, of the Acquired Assets, if the bid proposes a transaction that the Applicant determines in its sole discretion in consultation with the Monitor and after obtaining the agreement of Wachovia, has a value greater than or equal to the sum of the Purchase Price plus \$250,000 (collectively, the "**All Assets Minimum Bid Amount**"). For purposes of valuing the Purchase Price set forth in the Agreement, the Applicant estimates the value of the Assumed Liabilities to be not less than \$865,000; or
  - (ii) for less than substantially all of the Acquired Assets, if the bid proposes a transaction that, when valued in conjunction with the value that the Applicant determines it can obtain (whether through a combination of Qualified Bids or otherwise) for the Acquired Assets not included in such bid, the Applicant determines, in its sole discretion in consultation with the Monitor and after obtaining the agreement of Wachovia, has a value greater than or equal to the All Assets Minimum Bid Amount;
- (d) if the bid is not conditioned upon any bid protections, in the nature of a break-up fee, termination fee, expense reimbursement, or similar type of payment;
- (e) if the bid includes an acknowledgement and representation that the bidder: (i) has had an opportunity to conduct any and all due diligence regarding the Acquired Assets prior to making its offer, (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Acquired Assets in making its bid, and (iii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express, implied, by operation of law, or otherwise, regarding the Acquired Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in the Marked Agreement or the Alternative Agreement;
- (f) if the bid includes a commitment to consummate the purchase of the applicable Acquired Assets (including the receipt of any required Governmental Approvals) within not more than fifteen days after entry of an order by the Commercial List Court approving such purchase; and

(g) if the bid is received by the Bid Deadline;

unless the bid is for one or more of the Asset Groups identified as 6, 7 and 8 on **Appendix 1** (a "**Concord Bid**").

A bid received from a Qualified Bidder will constitute a "**Qualified Bid**" only if: (i) it includes all of the Required Bid Documents and meets all of the requirements in (a) to (g) above; or (ii) it is a Concord Bid. The Agreement will be deemed a Qualified Bid for all purposes in connection with the Bidding Process, the Auction, and the Sale. A bid will be valued based upon factors that include, but are not limited to, (i) the net value provided by such bid, (ii) whether it is a bid for all, or only a portion of, the Acquired Assets, (iii) if it is a bid for only a portion of the Acquired Assets, whether the bid, when combined with other bids, will exceed the All Assets Minimum Bid Amount, (iv) whether the bid contemplates the assumption and assignment of the Applicant's collective bargaining agreement with their labor unions or otherwise provides for the employment of members of such unions and (v) the likelihood and timing of consummating such transaction (collectively, the "**Bid Considerations**"). Each Qualified Bid other than that of the Purchasers is referred to as a "**Subsequent Bid**".

#### **Auction**

If the Applicant receives one or more Qualified Bids in respect of the assets subject to the Agreement, in addition to the Agreement, which the Applicant determines, in consultation with the Monitor and after obtaining the agreement of Wachovia, will provide greater value to the estate than the Agreement, the Applicant may conduct an auction (the "**Auction**") of the Acquired Assets, upon notice to all Qualified Bidders who have submitted Qualified Bids, at 10:00 a.m. (prevailing Eastern time) on June 23, 2009, at the offices of Gowling Lafleur Henderson LLP, Suite 1600, 100 King Street West, Toronto, Ontario or such later time or other place as the Applicant notifies all Qualified Bidders who have submitted Qualified Bids, but only with the consent of the Purchasers, in their sole discretion, in accordance with the following procedures:

(a) Only the Applicant and its financial advisors, the Monitor, the Purchasers, any representative of Wachovia, and any Potential Bidder who has timely submitted a Qualified Bid will be entitled to attend the Auction, and only the Qualified Bidders will be entitled to make any subsequent Qualified Bids at the Auction.

(b) By 5:00 p.m. on the Business Day prior to the Auction, each Qualified Bidder must inform the Applicant whether it intends to participate in the Auction. At the Auction, the Applicant will provide copies of the Qualified Bid or combination of Qualified Bids which the Applicant believes, subject to the terms hereof, is the highest or otherwise best offer(s) to all Qualified Bidders who have informed the Applicant of their intent to participate in the Auction.

(c) All Qualified Bidders must be present for all Subsequent Bids with the

understanding that the true identity of each bidder must be fully disclosed to all other bidders and that all material terms of each Subsequent Bid must be fully disclosed to all

other bidders throughout the entire Auction. The Purchasers shall be told who the other Qualified Bidders are prior to the Auction and shall have the right to bid at the Auction.

(d) The Applicant may employ and announce at the Auction additional procedural rules that are reasonable under the circumstances (e.g., the amount of time allotted to make Subsequent Bids) for conducting the Auction, provided that such rules are not inconsistent with these Bidding Procedures, the CCAA, or any order of the Commercial List Court entered in connection herewith.

(e) Bidding at the Auction will begin with the highest or otherwise best Qualified Bid or combination of Qualified Bids and continue in such minimum increments or other bid improvements as determined by the Applicant in consultation with the Monitor and DIP Lender. In the event that the Purchasers' Qualified Bid as evidenced in the Agreement is the highest and otherwise best Qualified Bid produced at the Auction, Wachovia will not seek to exercise to credit bid at the Auction.

### **Selection Of Successful Bid**

At the conclusion of the Auction, or as soon thereafter as practicable, the Applicant, in consultation with the Monitor and after obtaining the agreement of Wachovia, will: (i) review each Qualified Bid on the basis of financial and contractual terms and the factors relevant to the sale process, including, but not limited to, those factors affecting the speed and certainty of consummating the sale, as well as the Bid Considerations; and (ii) identify the highest or otherwise best offer(s) for all of the Asset Groups or otherwise, received at the Auction (the "**Successful Bid(s)**", and the bidder(s) making such bid(s), the "**Successful Bidder(s)**").

The Applicant's presentation of any particular Qualified Bid or combination of Qualified Bids to the Commercial List Court for approval, other than Purchasers' Successful Bid at the direction of Wachovia, does not constitute the Applicant's acceptance of the bid or bids. The Applicant will be deemed to have accepted a bid only when the bid has been approved by the Commercial List Court at the Sale Hearing.

### **The Sale Hearing**

The Sale Hearing will be held before the Commercial List Court on June 25, 2009 at 10:00 a.m. (prevailing Eastern time), but may be adjourned or rescheduled in the Applicant's sole discretion, subject to Commercial List Court approval, as necessary, without further notice, by an announcement of the adjourned date at the Sale Hearing so long as the deadlines set forth in the Agreement are not violated or with the consent of the Purchasers if the Purchasers are the Successful Bidder. At the Sale Hearing, the Applicant may seek approval of the Successful Bid and an alternate bid (the "Alternate Bid" and such bidder, the "**Alternate Bidder**"). Following approval of the sale to the Successful Bidder, if the Successful Bidder fails to consummate the sale, then the Alternate Bid will be deemed to be the Successful Bid and the Applicant will be authorized, but not directed, to effectuate a sale to the Alternate Bidder subject to the terms of the Alternate Bid without further order of the Commercial List Court. The Purchasers shall have standing for all matters relating to and arising from the proposed Sale transaction, including

standing at the Sale Hearing and enforcement of all orders entered by the Commercial List Court relating to these Bidding Procedures, the Bidding Procedures Order and the Sale Order.

### **Return Of Good Faith Deposits**

Good Faith Deposits of all Qualified Bidders (except for the Successful Bidder) will be held in an interest-bearing escrow account and all Qualified Bids will remain open (notwithstanding Commercial List Court approval of a sale pursuant to the terms of one or more Successful Bids by one or more Qualified Bidders), until the earlier of: (i) two (2) Business Days after the closing of the Sale of the applicable Acquired Assets; and (ii) forty-five (45) days after the Sale Hearing (the "**Return Date**"). Notwithstanding the foregoing, the Good Faith Deposit, if any, submitted by the Successful Bidder, together with interest thereon, will be applied against the payment of the Purchase Price upon closing of the Sale to the Successful Bidder. If a Successful Bidder breaches its obligations under the Bidding Procedures Order or any agreement entered into with respect to its Successful Bid or fails to consummate a sale because of a breach or failure to perform on the part of such Successful Bidder, the Applicant will not have any obligation to return the Good Faith Deposit deposited by such Successful Bidder, and such Good Faith Deposit will irrevocably become property of the Applicant's estate. On the Return Date, the Applicant will return the Good Faith Deposits of all other Qualified Bidders, together with the accrued interest thereon. Notwithstanding the forgoing or anything else herein, the Purchasers' deposit obligations shall be governed by the terms of the Agreement.

### **Reservations Of Rights**

The Applicant, after consultation with the Monitor and consistent with the requirements to obtain the consent of Wachovia set forth elsewhere in these Bidding Procedures: (i) may determine which Qualified Bid, if any, is the highest or otherwise best offer and (ii) may reject at any time any bid that is (a) inadequate or insufficient, (b) not in conformity with the requirements of the Bidding Procedures, or the terms and conditions of the Sale, or (c) contrary to the best interests of the Applicant, its estate, creditors, and other parties in interest as determined by the Applicant in its sole discretion. Notwithstanding the forgoing or anything else herein: (i) the Applicant may not impair or modify the Purchasers' rights and obligations under the Bidding Procedures Order; or (ii) in the event the Applicant elects to withdraw from the Auction the Acquired Assets, cancels the Auction, and/or rejects all Qualifying Bids, the Applicant shall nonetheless be obligated to request at the Sale Hearing that the Commercial List Court approve the Agreement with the Purchasers at the direction of Wachovia.

## Appendix 1

### Asset Groups

1. Brands
2. Accounts receivable
3. Hamilton inventory
4. Hamilton plant & equipment
5. Hamilton leases
6. Concord inventory
7. Concord plant & equipment
8. Concord lease

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