COURT FILE NO CV-13-10009-OOCL

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 THE JOHN FORSYTH SHIRT COMPANY LTD., FORSYTH HOLDINGS, INC. AND FORSYTH OF CANADA, INC.

REPORT OF
BDO CANADA LIMITED
IN ITS CAPACITY AS PROPOSED MONITOR OF
THE APPLICANTS UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*

DATED FEBRUARY 20, 2013

APPENDICES

INTRODUCTION AND BACKGROUND

Introduction

1. BDO Canada Limited ("**BDO**") understands that The John Forsyth Shirt Company Ltd. ("**Forsyth Canada**"), Forsyth Holdings, Inc. ("**Forsyth Holdings**") and Forsyth of Canada, Inc. ("**Forsyth USA**") (together referred to as either "**Forsyth**", the "**Companies**" or the "**Applicants**") intend to bring an application before this Honourable Court seeking certain relief under the *Companies' Creditors Arrangement Ac*t, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") granting, *inter alia*, a stay of proceedings until March 22, 2013 and appointing BDO as Monitor (the "**Monitor**") in such proceedings.

Disclaimer

2. BDO has reviewed the sworn affidavit of Harris R. Hester dated February 20, 2013 (the "**Hester Affidavit**") and relied on discussions with management in support of the Applicants' motion.

3. BDO has relied upon the financial records and financial statements of Forsyth, as well as other information supplied by management, accountants, auditors and financial advisors to Forsyth. Our procedures and enquiries did not constitute an audit or review engagement. BDO assumes no responsibility or liability for loss or damage occasioned by any party as a result of the circulation, publication, re-production or use of the Pre-filing Report (defined below). Any use which any party, other than the Court, makes of this Pre-filing Report or any reliance on or a decision made based upon it is the responsibility of such party.

4. Capitalized terms not defined in this report are as defined in the Hester Affidavit filed in support of the Applicants' application for relief under the CCAA. This report should be read in conjunction with the Hester Affidavit as certain information contained in the Hester Affidavit has not been included herein in order to avoid unnecessary duplication.

5. The Proceedings to be commenced by the Applicants under the CCAA will be referred to herein as the "**CCAA Proceedings**".

6. Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars.

Purpose

7. The purpose of this pre-filing report of the proposed Monitor in the CCAA Proceedings (the "**Pre-filing Report**") is to provide this Honourable Court with further background and commentary related to the relief sought by Forsyth and/or to provide recommendations on the following:

   (a) BDO's qualification to act as proposed Monitor in the Applicants' proposed CCAA Proceedings;

   (b) insolvency of the Applicants;

   (c) objectives of the CCAA Proceedings;

   (d) funding of the CCAA Proceedings, including an overview of the consolidated 13 week cash flow forecast (the "**Cash Flow Projection**") and the proposed debtor-in–possession ("**DIP**") financing;

   (e) the Applicants' cash management system;

   (f) proposed payment of certain pre-filing amounts;

   (g) proposed Court-ordered charges;

   (h) requested director and officer protection; and

   (i) proposed creditor notification procedures.

Proposed Monitor

8. BDO has been acting since 2011 as a consultant to Wells Fargo Capital Finance Corporation Canada and Wells Fargo Capital Finance, LLC (collectively "**Wells Fargo**"), the senior secured lender, with respect to its lending arrangements with Forsyth and has assisted Forsyth in preparing for this CCAA application, including assisting with and reviewing the Cash Flow Projection for the next 13 weeks.

9. The professionals of BDO who will have carriage of this matter as proposed Monitor, have acquired sufficient knowledge of Forsyth and its business since the commencement of BDO's engagement as consultant. BDO is therefore in a position to immediately assist Forsyth with the implementation of any restructuring process.

10. Blair Davidson, the individual within BDO with primary carriage of this matter, is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). BDO is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

11. BDO has consented to act as Monitor should this Honourable Court grant the Applicants' request to commence CCAA Proceedings. Both Wells Fargo and Forsyth's management support the appointment of BDO as the proposed Monitor.

Background

12. Forsyth is in the business of manufacturing, distributing and selling apparel in both Canada and the United States of America. Forsyth has been manufacturing shirts in Canada since 1903, and has developed its product line to include five brands, and a variety of products including knits, wovens, tees, ties, uniforms, and outerwear. Product lines include private label apparel as well as such recognized brands as Bill Blass.

13. The majority of Forsyth's business operations, including, the manufacturing, warehousing, distribution and administrative operations, are conducted in Canada by Forsyth Canada. Forsyth primarily imports finished goods and domestic manufacturing represent approximately 25 percent or less of the Companies'

operations. Domestic manufacturing of product takes place in Cambridge, Ontario and most of the raw materials are imported from Hong Kong.

14. Forsyth has a strong customer base in both the United States and Canada which includes many North American retail chains.

15. Forsyth Holdings is the parent company of Forsyth Canada, Forsyth USA and Premium Wear, Inc. (**"Premium Wear**"). Premium Wear was acquired by Forsyth Holdings in 2007 and ceased operations on or around January 2010. Premium Wear has no material assets and is dormant. Forsyth Holdings does not manufacture, distribute or sell any goods or services.

16. Forsyth Canada is the operational entity that imports, manufactures, distributes and sells apparel in Canada. Forsyth USA is the operational entity that distributes and sells apparel in the United States of America.

17. Copies of the Applicants' corporate profile reports and ownership structure are attached as Exhibits A, B, C, and D respectively to the Hester Affidavit.

18. Forsyth is currently operating at a loss and has suffered losses over the last five years. Forsyth's financial performance over the last five years is summarized below:

FORSYHTH HOLDINGS, INC.	Audited	Audited	Audited	Audited	Internal	
Consolidated Figures (000's)	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	Total
Revenue	$ 43,659	$ 33,546	$ 30,507	$ 27,646	$ 27,948	$ 163,306
Margin	37.6%	23.6%	30.5%	30.3%	25.6%	
Loss Before Discontinued Operations	$2,019	($6,622)	($1,057)	($1,068)	($2,072)	($8,800)
Net Loss	($5,117)	($11,861)	($2,336)	($1,273)	($1,863)	($22,450)

19. Forsyth's business, financial performance, position and affairs, including the causes of its insolvency, are covered extensively in the Hester Affidavit and so are not repeated herein. The proposed Monitor has reviewed the Hester Affidavit and is of the opinion that it provides an accurate summary of Forsyth's causes of insolvency.

RESTRUCTURING PLAN

20. As set out in the Hester Affidavit, prior to 2013, Forsyth Canada was a beneficiary of the Duty Remission Program which granted certain remission discounts on duties payable under the Customs Tariff to prescribed manufacturers of tailored collar shirts.

21. In view of Forsyth's current financial state, combined with the Federal Government of Canada's decision to remove the Duty Remission Program thereby causing a nearly $1.9 million reduction in Forsyth's projected net income in 2013, the lenders are no longer willing to fund ongoing losses given Forsyth's place in the market and the changing dynamics of the apparel industry.

22. Under the circumstances, Forsyth's management has determined that a restructuring of the business or a going-concern sale of some or all of the assets is in the best interest of the Companies' stakeholders.

23. Forsyth's principal objectives of the CCAA Proceedings are to: (i) sustain ongoing operations to preserve entity value and avoid possible liquidation through receivership and/or bankruptcy proceedings; (ii) eliminate the unprofitable Canadian manufacturing operation while also downsizing and relocating certain US operations to further reduce operating costs; and (iii) ensure Forsyth has the ability and necessary working capital to effect its proposed restructuring plans to maximize recoveries for the benefit of Forsyth's stakeholders.

24. Forsyth's Operational Restructuring Plan which includes details and timelines of Forsyth's planned restructuring initiatives during the CCAA Proceedings is included hereto as **Appendix A**. These restructuring strategies have been reviewed with the proposed Monitor and have been incorporated in the Cash Flow Projection.

25. The proposed Monitor is of the view that a CCAA stay is needed and protection under the CCAA Proceedings will allow for a restructuring to occur under the supervision of the Court or allow for the prospect of a going-concern sale of the business to maximize recoveries for Forsyth's stakeholders.

CASH FLOW PROJECTION

26. The Chief Financial Officer of the Company, Mr. Vic Tugwell, together with BDO's assistance, prepared the Cash Flow Projection.

27. BDO has reviewed the Cash Flow Projection, accompanying notes, and assumptions. A copy of the Cash Flow Projection, notes and assumptions, and a report containing the prescribed representations of the Applicants regarding the preparation of the Cash Flow Projection are included hereto as **Appendix B**.

28. The proposed Monitor has reviewed the Cash Flow Projection and notes that it reflects the Companies' restructuring plan and historical experience. The Cash Flow Projection relies on the following key assumptions, including:

    (a) the vacating of the Companies' current administrative headquarters and relocation of administrative staff to the Companies' Distribution centre no later than March 29, 2013;

    (b) the cessation of operations at the Cambridge Location no later than March 15, 2013;

    (c) the cessation of operations at the Cordele Property and the subsequent sale thereof by June 30, 2013;

    (d) the termination of employment of 15 administrative and sales staff commencing February 23, 2013, and the termination of employment of an additional 6 staff following cessation of operations at the Cordele property;

    (e) the relocation of operations of Forsyth USA to an alternative and less costly location in the same geographical region by no later than February 28, 2013;

    (f) DIP financing to be provided by Wells Fargo during the CCAA Proceedings and the deferral of the DIP facility fee payable to Wells Fargo in the amount of $50,000 until the week ending April 26, 2013;

(g) payment of pre-filing liabilities owing to Manunion in the amount of $230,000 to ensure continued supply of raw materials during the CCAA Proceedings.

29. As shown in the Cash Flow Projection, Forsyth expects to have a beginning loan balance at the commencement of the CCAA proceedings of approximately $8,047,500. Forsyth estimates that it will have total receipts of approximately $6,896,132, require DIP financing of approximately $6,800,882, incur operating disbursements and restructuring costs of approximately $6,800,882, resulting in a forecasted total ending secured loan balance of $7,952,250 (combined pre-filing and DIP indebtedness) for the 13-week period ending May 10, 2013.

Proposed Monitor's Report on the Cash Flow Projection

30. Section 23(1)(b) of the CCAA requires the Monitor to *"review the company's cash-flow statement as to its reasonableness and file a report with the court on the monitor's findings"*.

31. Pursuant to Section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the proposed Monitor hereby reports as follows:

    (a) The Cash Flow Projection has been prepared by the management of the Applicants for the purpose described in Note 1 using the Probable and Hypothetical Assumptions set out in Notes 2 through 16 in the accompanying Notes and Assumptions to the Cash Flow Projection.

    (b) The proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of the Applicants. Since Hypothetical Assumptions need not be supported, the proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Projection. The proposed Monitor has also reviewed the support provided by management of the Applicant for the Probable Assumptions, and the preparation and presentation of the Cash Flow Projection.

(c) Based on its review, nothing has come to the attention of the proposed Monitor that causes it to believe that, in all material respects:

i. the Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Projection;

ii. as at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Projection, given the Hypothetical Assumptions; or

iii. the Cash Flow Projection does not reflect the Probable and Hypothetical Assumptions.

(d) Since the Cash Flow Projection is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the proposed Monitor expresses no assurance as to whether the Cash Flow Projection will be achieved. The proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by the proposed Monitor in preparing this report.

(e) The Cash Flow Projection has been prepared solely for the purpose described in Note 1 of the Notes and Assumptions to the Cash Flow Projection, and readers are cautioned that it may not be appropriate for other purposes.

DIP Financing

32. As reported in the Cash Flow Projection, Forsyth will require additional funding to finance its operations during the CCAA Proceedings. It is anticipated that Forsyth will require DIP financing in the amount of $6,800,882 to be able to meet its post-

CCAA filing liabilities during the 13 week period covered in the Cash Flow Projection.

33. The salient terms of the DIP financing arrangement between the Applicants and Wells Fargo are contained in the DIP Term Sheet (appended to the Hester Affidavit) and are summarized in the Hester Affidavit and are therefore not repeated herein.

34. The DIP financing proposed will create a new facility for the funding of new expenses, Over all, given the terms of the DIP Term Sheet, it will operate essentially as a continuation of the existing credit facilities between Wells Fargo and the Applicants (the "**Wells Fargo Facilities**"). Under the DIP Term Sheet, the interest rate is 1% per annum higher than under the Wells Fargo Facilities (prime plus 3%), and the only new fee for the establishment of the DIP Facility is $50,000.

35. The DIP financing is proposed to be secured by a DIP Charge with a super priority security interest on the assets and property of the Applicants that will secure all post-filing advances. It is also contemplated that post-filing receipts of the Companies will be applied to reduce the pre-filing secured debt in respect of the Wells Fargo Facilities. The Monitor is not troubled by this as Wells Fargo currently holds a first ranking security interest on the assets and property of the Applicants as security for the Wells Fargo Facilities and is prepared to provide the funding necessary to support this CCAA process on the terms set out in the DIP Term Sheet.

36. The proposed Monitor believes that the terms of the DIP financing are reasonable and favourable given the circumstances. Wells Fargo has an existing lending relationship with the Applicants and is familiar with their business and assets. Also, Wells Fargo has the greatest economic interest in preserving and developing the Applicants' business.

37. Although the market for DIP financing was not canvassed, given Forsyth's current financial circumstances, place in the market, and the changing dynamics of the apparel industry, the proposed Monitor is of the view that canvassing other lenders would have required a great deal of time and expense with no commercial advantage to be gained from the exercise. A lender unfamiliar with Forsyth's

business and assets would have likely charged a substantially higher interest rate and fee for providing DIP financing.

38. The Applicants believe that the amount of the DIP financing being sought is necessary and reasonable in the circumstances to ensure that the Applicants have the necessary level of liquidity to meet post-filing obligations as they become due during the period of the initial stay. The Applicants will not be able to continue their operations and initiate any restructuring efforts without access to the DIP financing.

39. Forsyth's restructuring is supported by its primary secured creditors, namely Wells Fargo and the shareholders, as well as its primary unsecured creditor, Manunion which represents approximately 7/8ths of Forsyth's unsecured debt. In all, creditors holding over 90% of Forsyth's debt support the proposed restructuring.

40. In the circumstances, the proposed Monitor is of the view that the DIP Financing contemplated to be provided by Wells Fargo and the associated proposed DIP Charge are reasonable and necessary for Forsyth to carry out its restructuring plans for the benefit of its stakeholders.

CASH MANAGEMENT SYSTEM

41. The proposed Monitor is advised that the cash management system as described in the Hester Affidavit, specifically with regard to maintaining the Blocked Account Agreement arrangement between RBC, Wells Fargo and the Forsyth Canada needs to be continued. Maintaining the use of the Blocked Account is critical to the orderly management of Forsyth Canada's banking affairs and a requirement of the DIP financing.

42. The proposed Monitor notes that the cash management system employed by Forsyth is a typical structure for an asset based loan.

43. Forsyth intends to operate its cash management system post-filing in substantially the same manner as before the commencement of the CCAA Proceedings. The proposed Monitor supports the Applicants' request.

PAYMENT OF CERTAIN PRE-FILING AMOUNTS

44. The Applicants are seeking Court approval to allow (but not require) it to pay pre-filing amounts to its suppliers, subject to the prior approval of the Monitor.

45. Forsyth has paid or intends to pay $230,000 in pre-fling amounts to Manunion, its largest unsecured creditor representing $7.1 million of the $8.1 million in total unsecured liabilities. Manunion requires and has demanded payment of the $230,000 in order to continue to supply apparel goods to Forsyth.

46. Forsyth may need to make additional pre-filing payments to creditors to ensure continued supply of goods and services to avoid disruption of its business.

47. The proposed Monitor concurs with the Applicants' view that interruption of the supply of certain critical goods and services could have a significant detrimental impact on the Companies' business. Therefore, the proposed Monitor supports Forsyth's request to allow (but not require) it to pay certain pre-filing amounts to certain critical suppliers, but only with the prior approval of the Monitor.

ADMINISTRATION CHARGE

48. The proposed Initial Order provides for a charge in the maximum amount of $400,000 comprised of the First Administration Charge in the amount of $100,000 and the Second Administration Charge in the amount of $300,000 together referred to as the ("**Administration Charge**"). The Administration Charge charges the Applicants' assets and property to secure payment of the Applicants' legal fees and the fees of the proposed Monitor and that of its counsel.

DIRECTOR AND OFFICER PROTECTIONS

49. As set out in the Hester Affidavit, the Applicants' directors' and officers' insurance policy has recently expired. The proposed Monitor understands that Forsyth's management has made inquiries with their current insurance broker and that

directors' and officers' coverage will not likely be available, or if such policies are available, will either provide insufficient coverage or be too cost prohibitive for the Applicants.

50. Accordingly, the Applicants are seeking a Court-ordered charge in the amount of $300,000 over Forsyth's assets and property to indemnify the Directors and Officers of the Applicants in respect of the liabilities they may incur in such capacities after the commencement of the CCAA Proceedings (the "**D&O Charge**").

51. The proposed Monitor has reviewed the quantum of the potential liability that the Directors and Officers may incur during the CCAA Proceedings. The proposed Monitor is of the opinion that the proposed D&O Charge is reasonable in relation to the estimated potential post-filing liabilities.

SUMMARY OF THE PROPOSED RANKING OF CHARGES

52. The priorities of the charges contemplated in the Initial Order sought by the Applicants (collectively the "**Charges**") will be as follows:

    1. the First Administration Charge in the amount of $100,000;

    2. the DIP Charge;

    3. the Second Administration Charge in the amount of $300,000, but subsequent to any Wells Fargo pre-filing secured claim; and

    4. the D&O Charge in the maximum amount of $300,000, but subsequent to the Wells Fargo pre-filing claim and the Second Administration Charge.

53. Except for the Second Administration Charge and D&O Charge which will both be subsequent to the Wells Fargo pre-filing secured claim, the Initial Order sought by the Applicants provides that the Charges will rank in priority to all security interests and encumbrances, statutory or otherwise.

54. The ranking of the Charges is what Wells Fargo, the senior secured creditor, has permitted and agreed to accept. The Monitor is of the opinion that the

aforementioned Charges are necessary to effect a restructuring of the Applicants' business and are reasonable in the circumstances.

TRANSACTION THRESHOLDS

55. The proposed Initial Order permits the Applicants, subject to the requirements of the CCAA and such covenants as may be contained in the DIP Term Sheet, to sell or dispose of property not exceeding $250,000 in any one transaction or $500,000 in the aggregate. After having reviewed the proposed DIP Term Sheet and the Companies' restructuring plans, the proposed Monitor's view is that these thresholds are reasonable in the circumstances.

CREDITOR NOTIFICATION PROCEDURES

56. The proposed Monitor, if appointed as Monitor will send out notices in compliance with the Initial Order and in accordance with Section 23(1)(a) of the CCAA.

57. The proposed Monitor's web-site address as noted in the Initial Order is www.bdo.ca/forsyth.

PROPOSED MONITOR'S RECOMMENDATIONS

58. Should the Court grant the Initial Order requested under the CCAA, BDO consents to act as Monitor, and is prepared to assist Forsyth with its efforts to restructure its affairs and operations within the CCAA Proceedings.

59. The proposed Monitor believes the relief requested by the Applicants is necessary, reasonable and justified. The proposed Monitor is of the view that granting the relief requested provides Forsyth with the best opportunity to restructure its business affairs or to complete a going-concern sale to ensure the best possible recovery for all stakeholders.

60. Furthermore, BDO supports the thresholds in the proposed Initial Order, including:

(j) an Administration Charge of $400,000;

(k) the DIP financing in the maximum amount of $10 million together with the associated DIP Charge; and

(l) the D&O Charge in the maximum amount of $300,000.

All of which is respectfully submitted this 20th day of February, 2013.

BDO CANADA LIMITED
Per:

Gary Cerrato, CIRP
Vice-President

APPENDIX A

Forsyth Group

Operational Restructuring Plan

Initiative	Description	Timeframe	Impact
1. Vacate Head Office – Airport Road	• Relocate 30 staff to Toronto warehouse • Require some moving costs and leasehold improvements	**By March 29, 2013**	• Annual rent and operating costs savings of $580,000 • Relocation costs – onetime $175,000
2. Close Cambridge Plant	• Continue operations for 4 weeks to facilitate customer orders and process WIP/raw materials • Outsource domestic production for Marks and Career Apparel • 84 Hourly employees and 11 supervisory and management employees	**Completed by March 15, 2013**	• Lost sales of $2,350,000 and gross margin of $455,000 • Annual rent and operating cost savings of $460,000 • Annual payroll cost of reduction of $2,510,000 • Severance liability of $1,945,000 captured in CCAA Plan of Arrangement
3. drop dead dateSalary Cost Reductions	• Reduce office/management salaries by 20% by moving to a four day work week • Reduce headcount from 58 to _46 in Toronto and Cordele • Further headcount reduction from 46 to 40 • Wage concessions by senior management/ownership group • Further headcount reduction in sales and sourcing to reduce head count from 40 to 37	Commencing January 1, 2013 **Completed by February 23, 2013** **Completed by February 23, 2013** **Begins pay period ending Mar 1st , 2013** **Completed by February 23, 2013**	• Annual cost savings of $760,000 due to reduced work week • Annual savings of $645,000 from headcount reductions • In total, with Cambridge, head count is reduced from 167 to 54, or 113. • Annual savings from senior management/ownership group of $200,500 • Annual savings from sales and sourcing reductions of $163,500
4. Sale and Closure of US Warehouse	• Immediate listing of Cordele property • Transfer customer service employee to Toronto and eliminate 1 job. • Future purchases for the US market will be shipped to Toronto • Ship existing inventory directly to customers for the next 22 weeks to avoid doubling up on shipping and handling costs • Transfer remaining inventory to Toronto and close the facility	**March 1, 2013** **Completed February 23, 2013** **March 29, 2013** January to June 30, 2013 July 1, 2013	• Annualized reduction of wages and operating costs including the mortgage of $660,000 • Increase in shipping costs from Canada to US customers in the range of $80,000 per year. The costs are offset by lower shipping costs from the Orient to Canada. The cost and savings are essential a full offset with no impact on cash flow. • Reduction of term loan by $633,000

5. Clearing Sales	• $1,400,000 of inventory is expected to be liquidated.	Commencing March 29, 2013 completed by the end of the 2nd quarter	• This is expected to result in $850,000 of net cash proceeds.
6. Reduction in New York Rent	• It is expected that a smaller and less costly facility will be sought. • Associated moving costs will be incurred.	Ending February , 2013	• This is expected to result in a reduction in rent of $75,000. • The costs associated with the physical move are estimated to be minimal.
7. Address and mitigate risk associated with Manunion supplying the Spring line and as an ongoing supplier.	• Manunion, who is located in Hong Kong, is the main manufacturer of the imported products including the 2013 Spring line. There was a risk that this supplier would not continue to ship goods to Forsyth after a formal insolvency proceeding was initiated. Manunion is the largest unsecured creditor owed $7.0million and has the ability to control the approval vote. • Inability to procure the Spring line from Manunion could result in Forsyth unable to fill customer orders which would unfavourable impact sales as well as straining customer relationships. This risk has been mitigated by obtaining Manunion's verbal support. • Less risk exists with respect to the Fall line as there is currently sufficient time to find an alternate supplier. • Several discussions were held with the principal of Manunion. These discussions included the payments required by Manunion in order to continue supply. While the full amount of funds requested by Manunion, $600,000, could not be made Manunion has verbally agreed to support Forsyth during its restructuring.	Completed	• Currently $410,000 of the Spring goods are in transit from the Orient. While these goods are not paid for, title transferred at the time of shipment. • Approximately $2 million of additional Spring goods, translating into sales of $2.7 million, were awarded to Manunion. Had Manunion not agreed to ship these goods the unfavourable impact on cash flow was approximately $700,000. • Manunion payments of $230,000 are included in the cash flow during the week of February 22, 2012. On a go forward basis it is anticipated that Manunion will be paid as products are shipped. • Manunion was advised that pre-filing liabilities and associated interest could not be paid post filing. As a result, the interest associated with the termed payables, $140,000, was eliminated from the cash flow.
8. Other changes	• The other changes were made to the cash flow model date February 2, 2013 include: o Reversal of the foreign exchange impact, $119,000, in order to reflect the $1USD=$1CDN assumption o Increased collections by $360,000 to reflect collection of clearing sales during the cash flow period o Removal of contingency payments of $200,000.	Incorporated in the February 2 model	• Increased cash flow by $679,000.

APPENDIX B

13 Week Cash Flow Forecast													
Period	1	2	3	4	5	6	7	8	9	10	11	12	13
Date - Week Ending	15-Feb-13	22-Feb-13	01-Mar-13	08-Mar-13	15-Mar-13	22-Mar-13	29-Mar-13	05-Apr-13	12-Apr-13	19-Apr-13	26-Apr-13	03-May-13	10-May-13
Cash inflows													
Cash receipt from customers	130,799	725,918	334,623	361,978	611,271	664,492	282,777	337,000	705,035	430,600	1,039,000	664,900	607,740
Total cash inflows	130,799	725,918	334,623	361,978	611,271	664,492	282,777	337,000	705,035	430,600	1,039,000	664,900	607,740
Cash outflows													
Accounts payable payments	217,100	678,402	329,250	574,617	504,018	593,302	442,969	352,266	305,518	108,158	370,415	396,826	371,759
Wages	40,542	174,348	30,542	125,025	15,842	109,025	8,842	109,043	8,861	109,043	8,861	109,043	8,861
Debt repayment	10,000	0	0	0	10,000	0	0	0	0	10,000	0	20,000	0
Interest	0	0	70,853	0	0	0	0	55,683	0	0	0	66,777	0
LC Payments	0	0	0	0	0	182,100	0	15,100	0	0	0	0	96,500
HST Payments	0	0	0	0	0	0	22,493	0	0	0	109,898	0	0
Prepaids	0	7,000	0	3,500	4,500	0	0	0	0	0	0	14,000	0
Total cash outflows	267,642	859,750	430,645	703,142	534,361	884,427	474,304	532,092	314,379	227,201	489,173	606,647	477,120
Net cash inflows/(outflows)	(136,844)	(133,832)	(96,022)	(341,164)	76,910	(219,935)	(191,527)	(195,092)	390,656	203,399	549,827	58,253	130,620
Opening cash balance	(8,047,500)	(8,184,343)	(8,318,175)	(8,414,197)	(8,755,361)	(8,678,451)	(8,898,387)	(9,089,914)	(9,285,006)	(8,894,349)	(8,690,950)	(8,141,123)	(8,082,870)
Closing line, net of cash	(8,184,343)	(8,318,175)	(8,414,197)	(8,755,361)	(8,678,451)	(8,898,387)	(9,089,914)	(9,285,006)	(8,894,349)	(8,690,950)	(8,141,123)	(8,082,870)	(7,952,250)

This statement of projected cash-flow of The John Forsyth Shirt Company Ltd., Forsyth Holdings, Inc., and Forsyth Of Canada Inc. should be read in conjunction with the notes and assumptions to the projected cash-flow statement as well as the Monitor's report on the projected cash-flow statement dated February 20, 2013.

Harris Hester
John Forsyth Shirt Company Ltd.,
Forsyth Holdings, Inc.,
Forsyth of Canada Inc.

THE JOHN FORSYTH SHIRT COMPANY LTD.

shirtmaker • chemisier

SINCE 1903

February 20, 2013

BDO Canada Limited
123 Front Street West
Suite 1200
Toronto, ON M5J 2M2
Attention: Blair Davidson

Re: Proceedings under the Companies' Creditors Arrangement Act ("CCAA") Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections

Dear Blair,

In connection with the application by The John Forsyth Shirt Company Ltd., Forsyth Holdings, Inc., and Forsyth of Canada Inc. (the "Debtor") for the commencement of proceedings under the CCAA in respect of the Debtor, the management of the Debtor ("Management") has prepared the attached Cash-Flow Statement and the assumptions on which the Cash-Flow Statement is based.

The Debtor confirms that:

1. the Cash-Flow Statement and the underlying assumptions are the responsibility of the Debtor;

2. all material information relevant to the Cash-Flow Statement and to the underlying assumptions has been made available to BDO Canada Limited in its capacity as Monitor;

3. management has taken all actions that it considers necessary to ensure:

    a. that the individual assumptions underlying the Cash-Flow Statement are appropriate in the circumstances; and

    b. that the individual assumptions underlying the Cash-Flow Statement, taken as a whole, are appropriate in the circumstances.

4. The Cash-Flow Statement has been approved by the Debtor's Board of Directors.

Yours Truly,

Harris Hester
President
The John Forsyth Shirt Company Ltd.,
Forsyth Holdings, Inc.,
and Forsyth of Canada Inc.

IN THE MATTER OF THE APPLICATION FOR PROTECTION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT OF THE JOHN FORSYTH SHIRT COMPANY LTD., FORSYTH HOLDINGS, INC., AND FORSYTH OF CANADA INC.

Notes and Assumptions to the Projected Cash Flow Statement

1. This projected cash-flow statement has been prepared for the purposes of filing a plan of arrangement pursuant to the Companies' Creditors and Arrangement Act.
2. The projected cash-flow statement has been prepared by the management of the insolvent person and from information supplied from the company's records.
3. Sales levels are based on the company's historical experience in addition to current customer orders.
4. Collections are based on customers' historical payment patterns. Customer terms range from 30 to 90 days.
5. Payments for inventory purchases are forecast to be made at the time that goods are shipped.
6. Inventory purchases are based on the company's current purchase orders in addition to projected purchases of fall goods.
7. The company's manufacturing facility in Cambridge, Ontario will close by March 15, 2013 after which manufacturing will be outsourced to a third party contractor. The company assumes that this outsourced manufacturing will be conducted at a price equal to Forsyth's current standard cost. Contracted manufacturing will not commence until the second quarter.
8. There will be no gain or loss on any equipment sold as a result of the Cambridge, Ontario manufacturing facility closure.
9. Current finished goods on hand for uniform customers will be shipped as required. There is no residual fabric for these customers.
10. The Company's Airport Road facility in Mississauga, Ontario will be vacated in February. Staff will be re-located to the Company's distribution facility which is also located in Mississauga, Ontario.
11. The company's office in New York City, New York will be downsized by either sub-leasing or relocating.
12. Relocation costs are estimated at $175,000.
13. The company's distribution centre in Cordele, Georgia will be listed for sale and vacated prior to July, 2013 after which all of the company's customers will be served by the company's Canadian distribution centre in Mississauga, Ontario.
14. There will be no gain on the sale of the Cordele, Georgia facility as the selling price is assumed to equal the outstanding mortgage.
15. The company assumes terminations, in addition to those relating to the closure of the Cambridge, Ontario manufacturing facility will occur during the week ending February 22, 2013. Customer service staff presently located Cordele, Georgia will be relocated to the Mississauga, Ontario distribution centre while other administrative staff are assumed to be terminated in the same week. Staff continuing to work at the Cordele, Georgia facility are assumed to be terminated during the week ending July 6, 2013.

16. Inventory clearing items will be disposed of aggressively. The first clearing is planned in March 2013 and the balance in the first half of the second quarter.

The John Forsyth Shirt Company Ltd.,
Forsyth Holdings, Inc. and
Forsyth of Canada Inc.
Per:

____
Harris Hester
Authorized Signing Officer

Date: 20 February 2015