

**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.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**MOTION RECORD
(returnable March 21, 2013)**

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Index

**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.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

TABLE OF CONTENTS

	TAB NO.
Notice of Motion	1
Draft Order	2
Affidavit of Harris R. Hester sworn March 14, 2013	3
Affidavit of Harris R. Hester dated February 20, 2013 (without Exhibits)	4
Cash Flow Projection for the Period February 15, 2013 to May 10, 2013	5

Tab 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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OF THE JOHN FORSYTH SHIRT COMPANY LTD., FORSYTH HOLDINGS, INC.
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**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**NOTICE OF MOTION
(returnable March 21, 2013)**

The John Forsyth Shirt Company Ltd., Forsyth Holdings, Inc. and Forsyth of Canada, Inc. (collectively, the “**Applicants**”) will make a motion to a judge presiding over the Commercial List on Thursday, March 21, 2013 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

1. **THE MOTION IS FOR** an Order, among other things:
 - (a) abridging the time for service and filing of this notice of motion and the motion record and dispensing with further service thereof;
 - (b) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Wilton-Siegel granted on February 22, 2013 in these proceedings (the “**Initial Order**”)) to and including May 24, 2013;
 - (c) approving the First Report of BDO Canada Limited, in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the “**Monitor**”), dated

March 18, 2013 (the “**First Report**”), and approving the actions of the Monitor described therein; and

- (d) such further and other relief as counsel may advise and this Court may permit.

2. **THE GROUNDS FOR THE MOTION ARE:**

- (a) the Applicants are collectively in the business of manufacturing, distributing and selling apparel in both Canada and the United States of America;
- (b) on February 22, 2013, the Applicants made an application under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), seeking court protection from their creditors, which protection was granted pursuant to the Initial Order;
- (c) the Applicants, in consultation with the Monitor, are working diligently on restructuring their collective business and preparing and presenting a plan of compromise or arrangement to their creditors (the “**Plan**”);
- (d) pursuant to paragraph 14 of the Initial Order, the Stay Period expires on March 22, 2013;
- (e) the Applicants require an extension of the Stay Period to and including May 24, 2013 in order to permit them to continue to work towards completing a restructuring of their collective business and preparing and presenting the Plan to their creditors;
- (f) the Monitor is updating the cash flow projection of the Applicants to extend to June 2013, past the date of any extension, and that cash flow projection, which is prepared on a basis consistent with the existing cash flow projection, continues to show the Applicants as having sufficient availability of funding to meet their post-filing obligations. The updated cash flow projection shall be filed with the Monitor's report at the return of the Applicants’ motion for an extension;

- (g) based on the information available, creditors of the Applicants will not be materially prejudiced by an extension of the Stay Period to and including May 24, 2013;
- (h) the Applicants have acted, and continue to act, in good faith and with due diligence, and circumstances exist that make granting an extension of the Stay Period to and including May 24, 2013 appropriate;
- (i) the Monitor shall file with the Court its First Report outlining, among others things: (i) the actions of the Monitor since its appointment pursuant to the Initial Order; and (ii) the Applicants' financial situation;
- (j) the Monitor supports the relief being sought by the Applicants;
- (k) the other grounds set out in the First Report;
- (l) section 11.02 of the CCAA and the inherent and equitable jurisdiction of this Court;
- (m) rules 1.04, 2.03, 3.02, 16.08 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (n) such further and other grounds as counsel may advise and this Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- (a) the affidavit of Harris R. Hester sworn March 14, 2013;
- (b) the First Report; and
- (c) such further and other material as counsel may submit and this Court may permit.

Date: March 14, 2013

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*Lawyers for The John Forsyth Shirt
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Forsyth of Canada, Inc.*

TO: ATTACHED SERVICE 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., et al.

Court File No. CV-13-10009-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

NOTICE OF MOTION

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Tab 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE M) THURSDAY, THE 21ST DAY
)
JUSTICE) OF MARCH, 2013

**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.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**ORDER
(Stay Extension)**

THIS MOTION, made by The John Forsyth Shirt Company Ltd., Forsyth Holdings, Inc. and Forsyth of Canada, Inc. (collectively, the "**Applicants**"), for an order, *inter alia*: (a) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Wilton-Siegel granted on February 22, 2013 in these proceedings (the "**Initial Order**")) to and including May 24, 2013; and (b) approving the First Report of BDO Canada Limited, in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") dated March 18, 2013 (the "**First Report**") and approving the actions of the Monitor described therein, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Harris R. Hester sworn March 14, 2013 and the exhibits thereto and the First Report, and on hearing the submissions of counsel for the Applicants and

counsel for the Monitor, no one appearing for any other person on the service list, although duly served as appears from the affidavit of Christine Doyle sworn March 14, 2013, filed,

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
 2. **THIS COURT ORDERS** that the Stay Period, as defined in paragraph 14 of the Initial Order, be and is hereby extended to and including May 24, 2013.
 3. **THIS COURT ORDERS** that the First Report and the actions of the Monitor described therein be and are hereby approved.
-

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., et al.

Court File No. CV-13-10009-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

ORDER

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Forsyth Holdings, Inc. and Forsyth of Canada, Inc.*

Tab 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
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and FORSYTH OF CANADA, INC.**

**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

AFFIDAVIT OF HARRIS R. HESTER
(sworn March 14, 2013)

I, Harris R. Hester, of the Town of Darien, in the State of Connecticut, **MAKE OATH
AND SAY AS FOLLOWS:**

1. I am the President and a director of each of The John Forsyth Shirt Company Ltd., Forsyth Holdings, Inc. and Forsyth of Canada, Inc. (collectively, the "**Applicants**"). As such, I have personal knowledge of the matters to which I hereinafter depose in this Affidavit. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.

I. NATURE OF MOTION AND RELIEF SOUGHT

2. This Affidavit is sworn in support of a motion by the Applicants under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order, among other things:

- (a) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Wilton-Siegel granted on February 22, 2013 in these proceedings (the "**Initial Order**")) to and including May 24, 2013; and

- (b) approving the First Report (the “**First Report**”) of BDO Canada Limited (“**BDO**”), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the “**Monitor**”) and approving the actions of the Monitor described therein.

II. BACKGROUND

3. The Applicants are collectively in the business of manufacturing, distributing and selling apparel in both Canada and the United States of America. Through their collective distribution channels, the Applicants sell apparel in various retail stores, through catalogues and through the Internet. Additionally, the Applicants sell uniform apparel to certain large organizations in North America.

4. On February 22, 2013, the Applicants made an application under the CCAA seeking court protection from their creditors, which protection was granted pursuant to the Initial Order.

5. I swore an affidavit on February 20, 2013 (the “**February 20 Affidavit**”) in support of the Initial Order. The February 20 Affidavit sets out the background of these CCAA proceedings, including the collective business of the Applicants and their financial difficulties, an overview of the Applicants’ major stakeholders and the anticipated steps in the Applicants’ restructuring plan.

III. ACTIONS TAKEN DURING THE INITIAL STAY

6. The Applicants have been implementing all of the operational changes as set out in their restructuring plan, which plan is set out in Schedule “C” to the DIP Commitment Letter dated February 20, 2013 (the “**DIP Agreement**”). The DIP Agreement was filed previously with this Court. The Applicants continue to work diligently towards completing the balance of the steps of their restructuring plan.

7. The Applicants’ completion of the aforementioned steps to their restructuring plan has consumed significant resources and time and, accordingly, the Applicants have not been in a position to have all of the necessary meetings and negotiations required to allow the Applicants to fully formulate a plan of compromise to their creditors. Moreover, the impact of the

operational changes have not been fully digested, which will impact on the nature of any plan to creditors.

8. The Applicants' largest unsecured creditor, Manunion Investment Limited ("Manunion"), is located in Hong Kong and, as a result of the geographical distance between the parties, negotiations are anticipated to be protracted. I understand that Manunion has retained Canadian counsel, which counsel has been added to the service list in these proceedings.

9. The Applicants' actual cash flows since the Initial Order are materially consistent with the cash flow projection prepared by the Applicants and filed previously with this Court in connection with the Initial Order. Moreover, the Applicants have maintained availability under the credit facility in accordance with the DIP Agreement, and as required to fulfill their post-filing commitments.

10. The Applicants have made all payments to their respective landlords in accordance with the Initial Order and are anticipated to continue to make such payments going forward.

11. The Applicants have been in communications with representatives of each of the Workers United Ontario Council, Local 2643 and the Workers United Canada Council, Local 1058C unions regarding these proceedings and the Applicants' restructuring plan. Both of the unions have been added to the service list in these proceedings.

12. Since the Initial Order, the Monitor, in conjunction with the Applicants, has maintained transparency of the Applicants' restructuring and operating activities with their secured creditors, including, without limitation, by participating in weekly telephone conference calls with the DIP Lender (as defined in the DIP Agreement). To the best of my knowledge, the Applicants' secured creditors are satisfied with the Applicants' progress to date.

IV. THE STAY PERIOD

13. Pursuant to paragraph 14 of the Initial Order, the Stay Period expires on March 22, 2013.

14. The extension of the Stay Period to and including May 24, 2013 is necessary in order to provide stability to the Applicants' business while the Applicants, with the assistance of the

Monitor, work diligently on restructuring their collective business and preparing and presenting a plan of compromise or arrangement to their creditors.

15. It is anticipated that the longer stay period sought in the relief requested by the Applicants will reduce the number of extension requests and Court attendances, which would also mitigate the costs to the Applicants.


16. The Monitor is updating the cash flow projection of the Applicants to extend to June 2013, past the date of any extension, and that cash flow projection, which is prepared on a basis consistent with the existing cash flow projection, continues to show the Applicants as having sufficient availability of funding to meet their post-filing obligations. The updated cash flow projection shall be filed with the Monitor's report at the return of the Applicants' motion for an extension.

17. Since the issuance of the Initial Order, the Applicants have acted, and continue to act, in good faith and with due diligence, and circumstances exist that make granting an extension of the Stay Period to and including May 24, 2013 appropriate.

18. I understand that the Monitor supports the motion to extend the Stay Period and the Applicants are unaware of any creditor who opposes this relief being granted. I do not believe that any creditor of the Applicants will suffer any material prejudice if the Stay Period is extended to and including May 24, 2013.

19. This Affidavit is sworn in support of the relief requested by the Applicants and for no other or improper purposes.

SWORN BEFORE ME at the City of)
Toronto, in the Province of Ontario,)
this 14th day of March, 2013.)



A commissioner of oaths, etc.)



HARRIS R. HESTER

**BRETT ANDREW KENWORTHY, a
Commissioner, etc., Province of Ontario,
while a Student-at-Law.
Expires April 29, 2014.**

Tab 4

**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**

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THE JOHN FORSYTH SHIRT COMPANY LTD., FORSYTH HOLDINGS, INC.
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**APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AFFIDAVIT OF HARRIS R. HESTER
(sworn February 20, 2013)**

I, Harris R. Hester, of the Town of Darien, in the State of Connecticut, **MAKE OATH
AND SAY AS FOLLOWS:**

1. I am the President and a director of each of The John Forsyth Shirt Company Ltd. ("**Forsyth Canada**"), Forsyth Holdings, Inc. ("**Forsyth Holdings**") and Forsyth of Canada, Inc. ("**Forsyth USA**" and, together with Forsyth Canada and Forsyth Holdings, the "**Applicants**" or the "**Companies**"). As such, I have personal knowledge of the matters to which I hereinafter depose in this Affidavit. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all such cases, believe it to be true.

I. NATURE OF APPLICATION AND RELIEF SOUGHT

2. This Affidavit is sworn in support of an application by the Applicants under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order, among other things:

- (a) declaring that each of the Applicants is a company to which the CCAA applies;

- (b) staying all proceedings and remedies taken or which might be taken in respect of the Applicants or any of their property, except upon the leave of the Court being granted, or as otherwise provided;
- (c) authorizing the Applicants to prepare and file with the Court a plan of compromise or arrangement with their creditors (the “**Plan**”);
- (d) appointing BDO Canada Limited (“**BDO**”) as monitor of the Applicants (in such capacity, the “**Monitor**”);
- (e) approving a debtor-in-possession financing facility (the “**DIP Facility**”) with Wells Fargo Capital Finance Corporation Canada and Wells Fargo Capital Finance, LLC (collectively, “**Wells Fargo**”) in the principal amount of CDN\$10,000,000 and granting a priority charge over the assets, properties and undertakings of the Applicants (collectively, the “**Property**”) to secure repayment of the amounts borrowed by the Applicants under the DIP Facility;
- (f) granting a priority charge over all of the Property in the principal amount of \$400,000 to secure the fees and disbursements of the Applicants’ counsel, the Monitor and the Monitor’s counsel; and
- (g) granting a priority charge over the Property in the principal amount of \$300,000 in order to protect the Applicants’ directors and officers from certain potential liabilities.

3. The most likely outcome of this proceeding is a restructuring of the Applicants’ business. However, there is also the possibility that there will be a going concern sale with respect to certain or all of the Applicants’ assets. Protection under the CCAA will allow for the restructuring to happen under the supervision of the Court for the benefit of all of the Applicants’ stakeholders and also allow for the prospect of a going concern sale of the Applicants’ business.

II. BACKGROUND OF THE APPLICANTS AND THEIR BUSINESS

4. The Applicants are collectively in the business of manufacturing, distributing and selling apparel in both Canada and the United States of America. Through its collective distribution

channels, the Applicants sell apparel in various retail stores, through catalogues and through the Internet in both Canada and the United States of America. Additionally, the Applicants sell uniform apparel to certain large organizations in North America.

5. Forsyth Canada is a corporation incorporated pursuant to the laws of the Province of Ontario. Its registered office is located at 6789 Airport Road, Mississauga, Ontario. Forsyth Canada is the operational company for the manufacture, distribution and sale of apparel in Canada. Forsyth Canada is a wholly-owned subsidiary of Forsyth Holdings. Forsyth Canada's directors are myself and Oliver Morante (together, the "**Forsyth Canada Directors**"). Forsyth Canada's officers are myself as President and Secretary, and Oliver Morante as Vice President (together, the "**Forsyth Canada Officers**"). A copy of the corporation profile report for Forsyth Canada is attached as **Exhibit "A"** to this Affidavit.

6. Forsyth USA is a corporation incorporated pursuant to the laws of the State of Delaware and is registered to conduct business in the State of New York. Its principal executive office is located at 1071 Avenue of the Americas, 8th Floor, New York, New York. Forsyth USA is the operational company for the distribution and sale of apparel in the United States of America. Its books and records are kept at the Administration Location (as defined herein). Forsyth USA is a wholly-owned subsidiary of Forsyth Holdings. I am the sole director (the "**Forsyth USA Director**") and officer of Forsyth USA, holding the offices of President, Secretary and Treasurer (in such capacities, the "**Forsyth USA Officer**"). Forsyth USA's corporate profile report is attached hereto as **Exhibit "B"**.

7. Forsyth Holdings is a corporation incorporated pursuant to the laws of the State of Delaware. Its principal office is located at 1071 Avenue of the Americas, 8th Floor, New York, New York. Forsyth Holdings is not engaged in any form of manufacturing, distributing or selling of any goods or services. Its books and records are kept at the Administration Location. I am the sole director (the "**Forsyth Holdings Director**", and, together with the Forsyth Canada Directors and the Forsyth USA Director, the "**Directors**") and officer of Forsyth Holdings, holding the offices of President, Secretary and Treasurer (in such capacities, the "**Forsyth USA Officer**", and, together with the Forsyth Canada Officers and the Forsyth USA Officer, the "**Officers**"). Forsyth Holdings' corporate profile report is attached hereto as **Exhibit "C"**.

8. PremiumWear, Inc. ("**PremiumWear**"), a corporation incorporated pursuant to the laws of the state of Delaware, is a wholly-owned subsidiary of Forsyth Holdings. Its registered office is 1071 Avenue of the Americas, 8th Floor, New York, New York. A manufacturer and seller of apparel, PremiumWear was acquired by Forsyth Holdings in 2007 and ceased operations on or around January, 2010. It does not have any material assets and is a dormant company. Accordingly, it is not currently contemplated that PremiumWear will be an applicant in these proceedings.

9. The Applicants' ownership structure is set out in the organizational chart which is attached as **Exhibit "D"** to this Affidavit.

10. The vast majority of the Applicants' business operations, including, without limitation, their manufacturing, warehousing, distribution and administrative operations, are conducted in Canada by and through Forsyth Canada. The Applicants' collective books and records are kept and maintained in Ontario at the Administration Location and their cash management system is primarily conducted by and through various bank accounts in Canada, as discussed below. Additionally, the Applicants' executive management operates from the Administration Location in Ontario. I further understand that the Applicants' largest secured creditor, Wells Fargo, recognizes the Applicants' Canadian operations as being the centre of their collective operations. The Applicants' business in the United States is presently limited to a sales office in the State of New York and a distribution centre in the State of Georgia, which, as discussed below, are anticipated to be downsized and closed, respectively.

III. THE APPLICANTS' CURRENT FINANCIAL SITUATION

11. As of the date of this Affidavit, the Applicants' collective business is operating at a loss.

12. The failure of the anticipated financial benefits of the acquisition of PremiumWear to materialize initiated the Applicants' financial hardship. As a result of various circumstances, the acquisition caused significant financial harm to the Applicants that was never fully recovered.

13. The Applicants' collective financial position, cash flow and profit margins further eroded in 2012 due to, among other things, increased competition in the apparel industry, increased raw input and distribution costs, and increased wage and salary expenses.

14. Prior to 2013, Forsyth Canada was a beneficiary of the Tailored Collar Shirts Remission Order, 1997, SOR/97-291 (the “**Duty Remission Program**”), which granted certain remission discounts regarding duties payable under the Customs Tariff to prescribed manufacturers of tailored collar shirts, including Forsyth Canada. Forsyth Canada’s duty remission entitlement for 2011 was \$1,884,508.60.

15. Suddenly, in late 2012, the Government of Canada decided not to renew the Duty Remission Program and, accordingly, Forsyth Canada became ineligible for the Duty Remission Program. Such ineligibility imposed an immediate, unforeseen and significant cash requirement on Forsyth Canada, which, as discussed above, is the chief operating company of the Applicants. Given the Applicants’ already diminished financial state, the loss of revenue from the Duty Remission Program was a major factor in the Applicants’ becoming insolvent in that they are currently, collectively and individually, unable to pay their obligations as they become due.

16. Attached as **Exhibit “E”** to this Affidavit is a copy of the Applicants’ consolidated audited financial statements for the fiscal year ended 2011 and copy of the Applicants’ consolidated unaudited financial statements for the period ended December 31, 2012 (collectively, the “**Financials**”). The Financials reflect a cash deficit of approximately \$3,932,000 in 2011, a negative EBIT of approximately \$2,111,000 in 2012 and a net loss of approximately \$1,863,000 in 2012. The Applicants’ gross sales have decreased by approximately 1.1% from 2011 to 2012 while its cost of goods sold has increased by approximately 7.9% for the same period.

17. The Applicants’ collective liabilities total approximately \$17.1 million, approximately \$9 million of which are secured (including capital lease and mortgage obligations).

IV. STAKEHOLDERS

(a) Wells Fargo

18. The Applicants and Congress Financial Corporation (Canada), as agent (“**Congress**”), entered into a loan agreement dated June 23, 1997 (the “**Initial Loan Agreement**”) pursuant to which Congress agreed to make certain loans to Forsyth Canada and Forsyth USA. Congress was subsequently acquired by Wells Fargo. The Initial Loan Agreement has since been amended

several times, the most recent of which being the fifth amended and restated loan agreement dated October 20, 2012 (the "**Wells Fargo Loan Agreement**") among the Applicants and Wells Fargo. Pursuant to the Wells Fargo Loan Agreement, Wells Fargo agreed to provide a revolving credit facility to Forsyth Canada and a revolving credit facility to Forsyth USA in the combined maximum principal amount of CDN\$12,000,000 (collectively, the "**Wells Fargo Facilities**"). A copy of the Wells Fargo Loan Agreement is attached as **Exhibit "F"** to this Affidavit.

19. Forsyth Canada executed and delivered a general security agreement dated July 23, 1997 (the "**Forsyth Canada GSA**") in favour of Congress, registration in respect of which was made against Forsyth Canada pursuant to the *Personal Property Security Act* (Ontario) (the "**PPSA**") over "Inventory", "Equipment", "Accounts", "Other" and "Motor Vehicle Included" on June 30, 1997 pursuant to financing statement number 19970630 1147 3037 1596 and reference file number 832198851, as amended. PPSA financing change statement number 20100929 0923 1590 9196, as amended, was registered against Forsyth Canada to reflect Wells Fargo as the secured creditor and remove reference to Congress. This PPSA registration currently expires on June 30, 2016. A copy of the Forsyth Canada GSA is attached as **Exhibit "G"** to this Affidavit.

20. The Forsyth Canada GSA was also registered in the District of Columbia pursuant to the Uniform Commercial Code on September 19, 2005, pursuant to registration number 20051345375, as amended, and expires April 15, 2015.

21. Forsyth USA executed and delivered a general security agreement dated July 23, 1997 (the "**Forsyth USA GSA**") in favour of Congress, registration in respect of which was made against Forsyth USA pursuant to the PPSA over "Inventory", "Equipment", "Accounts", "Other" and "Motor Vehicle Included" on April 25, 2000 pursuant to financing statement number 20000425 1443 9065 7813 and reference file number 861168105, as amended. PPSA financing change statement number 20100929 0923 1590 9197, as amended, was registered against Forsyth USA to reflect Wells Fargo as the secured creditor and remove reference to Congress. This PPSA registration currently expires on April 25, 2019. A copy of the Forsyth USA GSA is attached as **Exhibit "H"** to this Affidavit.

22. The Forsyth USA GSA was also registered in the State of Delaware pursuant to the Uniform Commercial Code on March 13, 2002, pursuant to registration number 20650394, as

amended, and expires March 13, 2017. Similar registrations were made with the New York Secretary of State (registration number 154554 on July 25, 1997), the Erie (New York) County Clerk's Office (registration number Q36-7272 on July 25, 1997), the New York City Register, NY County (registration number 97PN36425 on July 25, 1997) and the Crisp County Clerk of the Superior Court in Georgia (registration number 040-1999-1234 on August 23, 1999). In connection with the Cordele Mortgage transaction noted below, Wells Fargo made a further Uniform Commercial Code registration against Forsyth USA in the State of Georgia on April 6, 2007, pursuant to the registration at Book 750 Page 051, as amended, regarding the fixtures, equipment and accessions related to the real property known municipally as 301 S. Harris Street, Cordele, GA, which registration expires February 10, 2017.

23. Forsyth Holdings executed and delivered a general security agreement dated May 12, 2003 (the "**Forsyth Holdings GSA**") in favour of Congress, registration in respect of which was made against Forsyth Holdings pursuant to the PPSA over "Inventory", "Equipment", "Accounts", "Other" and "Motor Vehicle Included" on November 29, 2000 pursuant to financing statement number 20001129 1032 9065 4398 and reference file number 867929751, as amended. PPSA financing change statement number 20100929 0925 1590 9200, as amended, was registered against Forsyth Holdings to reflect Wells Fargo as the secured creditor and remove reference to Congress. A second and identical registration was made in favour of Congress on September 16, 2005 pursuant to financing statement number 20050916 1106 1862 6056 and reference file number 618926337, as amended. Again, PPSA financing change statement number 20100929 0925 1590 9199, as amended, was registered against Forsyth Holdings to reflect Wells Fargo as the secured creditor and remove reference to Congress. This PPSA registration currently expires on November 29, 2016. A copy of the Forsyth Holdings GSA is attached as **Exhibit "I"** to this Affidavit.

24. The Forsyth Holdings GSA was also registered in the State of Delaware pursuant to the Uniform Commercial Code on April 17, 2003, pursuant to registration number 31017816, as amended, and expires April 17, 2018.

25. The Applicants are currently in default of certain of their obligations under the Wells Fargo Loan Agreement.

26. The total cumulative indebtedness of the Applicants owing to Wells Fargo as at the date hereof is approximately CDN\$8,300,000.

(b) Oliver Morante

27. Forsyth Canada executed and delivered a demand promissory note in the principal amount of CDN\$200,000 and dated September 20, 2011 (the "**Morante Note**") in favour of Oliver Morante in connection with a \$200,000 loan provided by Oliver Morante to Forsyth Canada. A copy of the Morante Note is attached as **Exhibit "J"** to this Affidavit.

28. In connection with the Morante Note, Forsyth Canada executed and delivered a general security agreement dated September, 2011 in favour of Oliver Morante (the "**Morante GSA**"). Registration in respect to the Morante GSA was made against Forsyth Canada on September 22, 2011 pursuant to the PPSA over "Consumer Goods", "Inventory", "Equipment", "Accounts" and "Other" pursuant to financing statement number 20110922 1012 1862 9387 and reference file number 673111539. A copy of the Morante GSA is attached as **Exhibit "K"** to this Affidavit.

29. Oliver Morante executed and delivered a subordination and postponement agreement in favour of Wells Fargo, as agent, dated September 15, 2011 (the "**Subordination Agreement**"), pursuant to which the debts owing by Forsyth Canada to Oliver Morante are subordinated in favour of Wells Fargo, as agent.

30. The total cumulative indebtedness of the Applicants owing to Oliver Morante as of the date hereof is approximately CDN\$217,300, including interest and costs.

(c) Harris Hester

31. Forsyth Canada executed and delivered a demand promissory note in the principal amount of USD\$200,000 and dated September 20, 2011 (the "**Hester Note**") in favour of myself in connection with a USD\$200,000 loan provided by me to Forsyth Canada. A copy of the Hester Note is attached as **Exhibit "L"** to this Affidavit.

32. In connection with the Hester Note, Forsyth Canada executed and delivered a general security agreement dated September 20, 2011 in favour of myself (the "**Hester GSA**"). Registration in respect to the Hester GSA was made against Forsyth Canada on September 22,

2011 pursuant to the PPSA over "Consumer Goods", "Inventory", "Equipment", "Accounts" and "Other" pursuant to financing statement number 20110922 1012 1862 9387 and reference file number 673111539. A copy of the Hester GSA is attached as **Exhibit "M"** to this Affidavit.

33. I am also a party to the Subordination Agreement, pursuant to which the debts owing by Forsyth Canada to myself are subordinated in favour of Wells Fargo, as agent.

34. The total cumulative indebtedness of the Applicants owing to myself as of the date hereof is approximately USD\$217,300, including interest and costs.

(d) Other Secured Creditors

35. Orlando Corporation ("**Orlando**"), the landlord of the Distribution Location (as defined below), has made a PPSA registration against Forsyth Canada with respect to "Inventory", "Equipment" and "Other" pursuant to PPSA financing statement number 20090522 1003 1862 7403 and reference file number 653606721, which registration does not appear to be related to specific equipment.

36. Each of GE VFS Canada Limited Partnership and IBM Canada Limited has made PPSA registrations against Forsyth Canada with respect to specific equipment.

37. A summary of the PPSA registrations made against the Applicants is attached as **Exhibit "N"** to this Affidavit.

38. Other than the creditors described above, I am not aware of any other creditors with general security over the Applicants' assets.

(e) Cash Management System

39. As of the date hereof, Forsyth Canada maintains the following bank accounts with Royal Bank of Canada ("**RBC**") in Ontario:

- (a) a Canadian currency account used for disbursements;
- (b) a Canadian currency blocked account under the dominion of Wells Fargo;

- (c) a USA currency account used for disbursements; and
- (d) a USA currency blocked account under the dominion of Wells Fargo.

40. As of the date hereof, Forsyth USA maintains the following bank accounts:

- (a) a Canadian currency account with RBC in Ontario used for disbursements;
- (b) a USA currency account with RBC in Ontario used for disbursements;
- (c) a USA currency blocked account with RBC in Ontario under the dominion of Wells Fargo; and
- (d) an account with Bank of America in the United States of America used for disbursements related to payroll.

41. As of the date hereof, Forsyth Holdings maintains a Canadian currency bank account with RBC in Ontario which is used for disbursements.

42. In connection with the Wells Fargo Loan Agreement, Forsyth Canada, Wells Fargo and RBC are parties to a blocked account agreement dated March 23, 2011 (the "**Blocked Account Agreement**"), pursuant to which Wells Fargo has dominion over Forsyth Canada's bank accounts maintained by the Applicants at RBC. The Blocked Account Agreement does not apply to any of bank accounts of either Forsyth USA or Forsyth Holdings.

(f) Landlords

43. The Applicants have existing lease agreements with the following landlords:

- (a) PFS GTA Industrial Inc., in respect to the premises known municipally as 6789 Airport Road, Mississauga, Ontario (the "**Administration Location**");
- (b) Savage Holdings Inc., in respect to the premises known municipally as 111 Savage Drive, Cambridge, Ontario (the "**Cambridge Location**");
- (c) Orlando, in respect to the premises known municipally as 6471 Northwest Drive, Mississauga, Ontario (the "**Distribution Location**"); and

(d) Adams & Company Real Estate, LLC, in respect to the premises known municipally as 1071-1079 Avenue of the Americas, #801, New York, New York (the “**New York Location**”).

(g) Mortgage with Wachovia Bank, N.A., which was assumed by Wells Fargo

44. Forsyth USA owns the real property located at the addresses known municipally as 301 Harris Street, Cordele, Georgia, USA and 2810 East 13th Avenue, Cordele, Georgia, USA (together, the “**Cordele Location**”).

45. Wachovia Bank, N.A. (“**Wachovia**”) provided a \$1,300,000 construction mortgage loan to Forsyth USA (the “**Wachovia Loan**”) in respect to the Cordele Location pursuant to a term sheet dated December 7, 2006, and a real estate loan commitment letter dated February 14, 2007, unexecuted copies of which are attached as **Exhibit “O”** to this Affidavit.

46. In connection with the Wachovia Loan, Forsyth USA executed and delivered a promissory note in the principal amount of \$1,300,000 in favour of Wachovia dated March, 2007, as amended (the “**Wachovia Note**”). An unexecuted copy of the Wachovia Note is attached as **Exhibit “P”** to this Affidavit.

47. In connection with the Wachovia Note, Forsyth USA executed and delivered a deed to secure debt and assignment of rents with respect to the Cordele Location in favour of Wachovia dated March, 2007 (the “**Wachovia Deed**”), a copy of which is attached as **Exhibit “Q”** to this Affidavit.

48. Wachovia was subsequently acquired by Wells Fargo.

49. As of the date hereof, the total amount outstanding under the Wachovia Loan is approximately \$700,000.

(h) Employees and the Unions

50. Forsyth Canada presently employs 160 full-time employees in Ontario (the “**Ontario Employees**”). Forsyth USA currently employs 9 full-time employees in the United States of

America (the **"USA Employees"**, and, together with the Ontario Employees, the **"Employees"**). Wages and benefits total approximately \$450,000 per month.

51. As of the date hereof, all source deductions related to Employees were current, including, without limitation, income tax withholdings, employee health tax, worker's compensation, Canada Pension Plan and employment insurance.

52. The Applicants have no pension plans.

53. 89 of the Ontario Employees worked at the Cambridge Location (collectively, the **"Cambridge Union Members"**) and are members of the union known as Workers United Ontario Council, Local 2643 (the **"Cambridge Union"**). The relationship between the Cambridge Union Members, Forsyth Canada and the Cambridge Union are set out in a collective agreement dated January 1, 2010 (the **"Cambridge Union Agreement"**), a copy of which is attached as **Exhibit "R"** to this Affidavit. An additional 11 of the Ontario Employees worked at the Cambridge Location who were not unionized (the **"Non-Union Cambridge Employees"**, and, together with the Cambridge Union Members, the **"Cambridge Employees"**).

54. As of the date hereof, all 100 Cambridge Employees have been terminated pursuant to and in compliance with the *Employment Standards Act, 2000* (Ontario) and the *Labour Relations Act, 1995* (Ontario), as applicable.

55. 14 of the Ontario Employees work at the Distribution Location (collectively, the **"Distribution Union Members"**) and are members of the union known as Workers United Canada Council, Local 1058C (the **"Distribution Union"**). The relationship between the Distribution Union Members, Forsyth Canada and the Distribution Union are set out in a collective agreement dated April 4, 2011 (the **"Distribution Union Agreement"**), a copy of which is attached as **Exhibit "S"** to this Affidavit. An additional 7 of the Ontario Employees work at the Distribution Location who are not unionized (the **"Non-Union Distribution Employees"**, and, together with the Distribution Union Members, the **"Distribution Employees"**).

56. As of the date hereof, 1 Distribution Employee has been terminated pursuant to and in compliance with the *Employment Standards Act, 2000* (Ontario) and the *Labour Relations Act, 1995* (Ontario), as applicable.

57. 39 of the Ontario Employees work at the Administration Location (the "**Administration Employees**") and are not unionized. As of the date hereof, 15 of the Administration Employees have been terminated pursuant to and in compliance with the *Employment Standards Act, 2000* (Ontario).

58. 3 of the USA Employees work at the New York Location and are paid via commission. The balance of the USA Employees work at the Cordele Location.

59. There are insufficient funds to satisfy the future anticipated amounts owing to the Employees based on the Applicants' current consolidated cash position and their pro-forma cash flows. Accordingly, and in conjunction with the other anticipated restructuring steps, further terminations or temporary or indefinite layoffs of the remaining Employees may be required throughout these CCAA proceedings.

(i) Government

60. As at the date of this Affidavit, the Applicants' federal and outstanding provincial sales tax obligations and goods and services tax obligations are all current, as well as their source deduction remittances.

61. I am not aware of any actual or threatened environmental claims or investigations by any government or similar authority in respect to the Cordele Property.

(j) Trade Creditors

62. As at February 15, 2013, the Applicants' other unsecured liabilities, including trade debt, totalled approximately \$8,100,000.

63. Of the Applicant's total unsecured liabilities, \$7,100,000 is attributable to Manunion Investments Limited ("**Manunion**"), a Hong Kong company. Manunion is the chief manufacturer of the Applicants' imported apparel product line, which line accounts for the

majority of the Applicants' total annual sales. As such, Manunion's supply of goods to the Applicants is critical to their continued operation.

64. The relationship between the Applicants and Manunion began 20 years ago and has continued amicably since that time without any written agreements. Orders are made by Forsyth Canada via telephone where the price, quantity and delivery time are negotiated and reduced to a purchase order. Payment is made to Manunion by Forsyth USA 30 days after receipt of goods.

65. The Applicants have had discussions with Manunion in respect to the Applicants' financial position and contemplation of these CCAA proceedings. These discussions culminated in Manunion expressing its support to the Applicants' proposed steps to restructure.

V. RESTRUCTURING UNDER CCAA PROTECTION

66. The Applicants are insolvent. The aggregate value of their assets at a fair valuation or if disposed of in a fairly conducted sale under legal process would not be sufficient to enable them to pay all of their obligations. As well, the Applicants are not able to pay their liabilities as they become due. The Applicants' current lenders are no longer willing to continue to fund the Applicants' ongoing losses in the existing business structure without substantial change to the Applicants' structure, operations and, perhaps, business model, given the Applicants' place in the market and the changing dynamics of the apparel industry. I believe the same would be true of any other lenders, so a simple refinancing would not solve the Applicants' issues.

67. In order for the Applicants to ensure the best possible recovery for their stakeholders, including, without limitation, suppliers, vendors, employees and landlords, management of the Applicants has determined that a restructuring or a sale of its business is required.

68. The anticipated steps in the Applicants' restructuring plan are, in order of anticipated completion and without limitation:

- (a) to relocate the administrative function carried out at the Administration Location to the Distribution Location, followed closely by the closure of the Administration Location;
- (b) to cease operations at the Cambridge Location and vacate the premises;

- (c) to terminate the employment of such of the Employees or temporarily or indefinitely lay off such of the Employees as the Applicants deem appropriate on such terms as may be agreed upon between the Applicants and such Employee(s) or, failing such agreement, to deal with the consequences thereof in the Plan;
- (d) to list the Cordele Property for sale and cease operations thereat;
- (e) to relocate the operations from the New York Location to an alternative and less costly location in the same geographical region; and
- (f) to seek out alternative, long-term suppliers of goods in order to diminish the Applicants' dependence on Manunion.

69. The Applicants have every intention of preparing and presenting the Plan to their creditors, including, without limitation, current and former employees, landlords in respect of repudiated leases, trade creditors and, perhaps, their remaining secured creditors.

70. A CCAA stay is needed to ensure that the Applicants' business can be restructured and/or sold in an efficient and orderly way under the protection of the Court without the threat of proceedings.

VI. STAY OF PROCEEDINGS

71. A CCAA stay of proceeding is needed to ensure that the Applicants, with the support of the Monitor, can restructure their collective business or sell certain or all of their assets as a going concern in an efficient and orderly way under the protection of the Court without the threat of proceedings or discontinuation of essential services. A stay of proceedings will restrain temporarily the exercise of rights and remedies under the various agreements to which the Applicants are a party, preserve the status quo, and restrain existing creditors from taking unfair advantage in the circumstances. In so doing, the Applicants, with the aid of the Monitor, will be in a position to, among other things, determine the validity of creditors' claims and understand the priority of such claims, all of which is an important step in the Applicant's formulation of the Plan.

72. The Applicants believe that a stay of proceedings will not materially prejudice any of the existing creditors when compared to the consequences if a stay of proceedings is not granted. On certain terms, Wells Fargo has agreed to provide the Applicants with the DIP Facility and to fund necessary post-filing expenses during the CCAA proceedings, the details of which are set out below. I believe that the alternative to a stay of proceedings is the forced sale and/or liquidation of the Applicants and their assets, respectively.

VII. THE PROPOSED MONITOR

73. BDO has assisted the Applicants in preparing for this CCAA application, including, without limitation, reviewing the cash flow projections of the Applicants for the next 13 weeks, assuming the relief sought is granted (the "**Cash Flow Projection**"). The amounts set out in the Cash Flow Projection reflect, among other things, the minimum payments required to maintain the Applicants' business during an initial thirty day stay period, as well as professional fees. A copy of the 13 week Cash Flow Projection together with a report containing the prescribed representations of the Applicants regarding the preparation of the Cash Flow Projection is attached as **Exhibit "T"** to this Affidavit.

74. Management believes that it is in the best interests of all stakeholders if this Court appoints BDO as the Court-appointed monitor of the Applicants. As a result of BDO's involvement with the Applicants in advance of and in preparation for this filing, BDO has gained insight into the Applicants' business and will be in a position to perform the monitoring duties effectively and without delay.

75. BDO has consented to act as monitor of the Applicants in accordance with the requirements of the CCAA, subject to the Court's approval. A copy of BDO's consent is included in the Application Record in these proceedings.

VIII. FINANCING DURING CCAA PROCEEDINGS

76. Wells Fargo is prepared to provide the Applicants with the financing they will need to have available to them during these proceedings through the DIP Facility, a new credit facility in the maximum principal amount of CDN\$10,000,000 pursuant to a DIP Commitment Letter (the "**DIP Term Sheet**"), a draft copy of which is attached as **Exhibit "U"**. Under the DIP Term

Sheet, each of Forsyth Canada and Forsyth USA are borrowers, and each of the Applicants guarantees payment of the obligations of the others under the DIP Facility. As provided in the DIP Term Sheet, such funding is conditional on Wells Fargo, as the DIP Lender, being granted security over the Property, ranking in priority to any existing security except for the First Administration Charge (as such term is defined below), pursuant to the terms an order substantially in the form filed in these proceedings (the "**DIP Charge**"). Recognizing the nature of the asset based lending arrangements in place at this time, while the DIP Term Sheet contemplates the establishment and funding of a new credit facility to fund the Applicants' expenses post-filing, the DIP Facility is also conditional on the Applicants' receipts after the CCAA filing being deposited into the existing Wells Fargo controlled bank accounts and being applied in reduction of the amounts outstanding under the Wells Fargo Facilities.

77. Under the DIP Term Sheet, the interest rate is 1% per annum higher than under the Wells Fargo Facilities, and the only new fee for the establishment of the DIP Facility is a fee of \$50,000. In our view, the terms of the DIP Facility are better than we would likely receive from a lender unfamiliar with the business and assets, who would likely charge a substantially higher interest rate and/or fee for the provision of the credit facilities. Also, it is unlikely that another lender could react and be in a position to provide credit in these circumstances.

78. The Applicants believe that the terms of the DIP Facility are reasonable and favourable to them having regard to the circumstances. Among other things, Wells Fargo has an existing relationship with the Applicants and is familiar with their business and assets. Also, Wells Fargo has an economic interest in preserving and developing the Applicants' business.

79. 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 a prudent and responsible level of liquidity so that they can meet post-filing obligations as they become due for 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 Facility.

IX. ADMINISTRATION CHARGE

80. Each of the Applicants' legal counsel, the Monitor and the Monitor's legal counsel, as a condition of their continued involvement with the Applicants, has indicated that its ongoing involvement is conditional upon the granting of an order under the CCAA which grants the administration charge in the aggregate maximum amount of \$400,000 on the Property, which charge shall be allotted, subject to the approval of this Court, according to the following tranches and priorities pursuant to the terms of an order substantially in the form filed in these proceedings:

- (a) \$100,000 ranking first in priority (the "First Administration Charge"); and
- (b) \$300,000 ranking fourth in priority behind the First Administration Charge, the DIP Charge and the pre-filing secured claims of Wells Fargo, respectively (the "Second Administration Charge" and, together with the First Administration Charge, the "Administration Charge").

81. I believe that that the following factors support the granting of the Administration Charge:

- (a) the beneficiaries of the Administration Charge will provide essential legal and financial advice and support to the Applicants throughout the CCAA proceedings;
- (b) the roles of the Applicants' legal counsel, the Monitor and the Monitor's legal counsel are distinct and there is no anticipated unwarranted duplication; and
- (c) the Administration Charge does not purport to prime any secured party who has not received notice of this motion.

82. Accordingly, I believe that this is an appropriate case in which to grant the Administration Charge. Each of the proposed beneficiaries of the Administration Charge will play a critical role in the Applicants' restructuring, and it is unlikely that the above-noted advisors will participate in these CCAA proceedings unless the Administration Charge is granted to secure their fees and disbursements.

X. DIRECTORS' AND OFFICERS' CHARGE

83. The Directors and Officers, as a condition of their continued involvement with the respective Applicants, have indicated that their respective ongoing involvement is conditional upon the granting of an order under the CCAA which grants a charge on the Property in the maximum amount of \$300,000 (the "D&O Charge") as security for the Applicants' indemnification for possible liabilities which may be incurred by such Directors and Officers, which would be subordinate to the Administration Charge, the DIP Charge, and the pre-filing secured claims of Wells Fargo.

84. The Applicants maintained an Executive Insurance policy with Liberty Mutual Insurance Company (the "Liberty Policy"). The Liberty Policy provides coverage to the Applicant, any subsidiary or joint-venture of the Applicant and the Directors and Officers. The aggregate limit of liability coverage provided for under the Liberty Policy is \$5,000,000. The Liberty Policy expired on February 17, 2013.

85. The Applicants also maintained an Executive Liability & Indemnification insurance policy with Chartis Insurance Company of Canada (the "Chartis Policy", and, together with the Liberty Policy, the "Policies"). The aggregate limit of liability coverage provided for under the Chartis Policy was \$5,000,000. The Chartis Policy expired on December 31, 2012.

86. Management of the Applicant has made inquiries with the Applicant's current insurance broker and I am advised that a comparable level of insurance coverage will not likely be available to the Applicants after the Policies expire or, if such policies are available, they will be cost-prohibitive for the Applicants, due to the Applicants' poor financial health.

87. The Policies contains several exclusions and limitations to the coverage they provide and there is a potential for there to be insufficient coverage in respect of the potential liabilities for which the Directors and Officers may be found responsible.

88. The D&O Charge is required in order to provide a level of protection to the Directors and Officers with respect to the possible liabilities imposed on individuals in their capacity as directors and officers of a corporation. I believe that the request of the Directors and Officers to receive adequate protection in the form of the D&O Charge is fair and reasonable and advances

the integral need of the Applicants to have fully functional, experienced and qualified advisors, boards of directors and officers.

XI. CONCLUSION

89. It is in the best interests of all stakeholders of the Applicants for this Court to grant the relief sought by the Applicants. It will allow the Applicants, with the support of the Monitor, to restructure or realize the collective business in a way to maximize value for all stakeholders. I believe this is preferable to the Applicants' assets becoming subject to bankruptcy or receivership proceedings.

90. This Affidavit is sworn in support of the relief requested by the Applicants and for no other or improper purposes.

SWORN BEFORE ME at the City of)
Toronto, in the Province of Ontario,)
this 20th day of February, 2013.)

_____)
A commissioner of oaths, etc.)

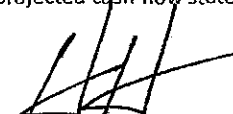
James Desjardins


_____)
HARRIS R. HESTER

Tab 5

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
Prepays	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.

**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., et al.**

Court File No. CV-13-10009-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
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**MOTION RECORD
(returnable March 21, 2013)**

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