

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF COPPLEY APPAREL GROUP LIMITED

June 10, 2009

See counsel sheet.
For an Initial Order under the CCAA, the Applicant, based on the record, is insolvent. The total claims against it significantly exceed \$5M. The requisite cash flow statement & financial information have been filed. The benefit of the proposed DIP financing, by the Applicants existing secured creditor, at pre-order rates, clearly outweighs any prejudice. Without it, there is no possibility of a going concern sale; the cash flow statement indicates that the Applicant is out of cash this week.

The Applicant has a stalking horse bid for 3 of its former facilities, on a going concern basis. The prospective purchaser has ~~not~~ also entered into a stalking horse bid

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

PROCEEDING COMMENCED AT TORONTO)

APPLICATION RECORD
(VOLUME 1 OF 2)

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Solicitors for the Applicant
Copley Apparel Group Limited

for the assets of the Applicant's U.S. parent. The Applicant proposed that a bid process for ~~the~~ its assets be approved by the court. The process is that required by the prospective purchaser, & approved in the US Chpt 11 proceeding. The timelines for the Applicant's sale process are the same as those in the U.S. ~~and~~ they are extremely short - indeed effectively shorter in Canada, as the process began in the U.S. on June 2, or earlier.

The monitor & I share concerns about the effectiveness of the sales process, given the very short time lines, & the lack of evidence of any ground work undertaken by the Applicant to date to identify prospective purchasers.

I have not approved the sales process; I have, however, authorized the Applicant to undertake it. All parties are aware that if the court cannot be satisfied on ^{any} the sale approval motion that the process was indeed effective & sufficient, it is

unlikely that the sales transaction will be approved. I have commented to counsel for the prospective purchaser that de-linking the U.S. & Can. timelines, & providing for more time in Canada would increase the chance of approval.

As counsel for the Applicant submits, the proof will be in the pudding.

somewhat reluctantly, but have
noted the Monitor's view that if
a process is not approved at this
juncture, the immediate shut down
of the Applicant's entire business
is likely.

The DIP holder is unwilling to
support ^{an operator} a receivership process due to
concerns about liability.

Order to go in form issued
by me. I am satisfied
that circumstances exist
that make such order
appropriate.

Alexander von D
(HOY)