



**Eighteenth Report of
KSV Kofman Inc.
as CCAA Monitor of
Eddie Bauer of Canada, Inc. and
Eddie Bauer Customer Services Inc.**

September 18, 2015.

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COURT FILE NO: 09-8240-CL

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
EDDIE BAUER OF CANADA, INC. AND EDDIE BAUER CUSTOMER SERVICES INC.

EIGHTEENTH REPORT OF
KSV KOFMAN INC.

SEPTEMBER 18, 2015

1.0 Introduction

1. Pursuant to an order of the Ontario Superior Court of Justice (the "Court") made on June 17, 2009, as amended and restated (the "Initial Order"), Tenere of Canada Inc. (formerly, Eddie Bauer of Canada, Inc.) ("Tenere") and Yuma Customer Services Inc. (formerly, Eddie Bauer Customer Services Inc.) ("Yuma") (jointly, the "Company") were granted protection under the *Companies' Creditors Arrangement Act* ("CCAA") and RSM Richter Inc. ("Richter") was appointed as Monitor (the "Monitor").
2. As a result of the acquisition of Richter's Toronto restructuring practice by Duff & Phelps Canada Restructuring Inc. ("D&P"), D&P replaced Richter as Monitor pursuant to a Court order dated December 12, 2011. On June 30, 2015, D&P was acquired by KSV Kofman Inc. ("KSV"). Pursuant to a Court Order made on July 10, 2015, D&P's ongoing mandates were transferred to KSV, including acting as Monitor in these proceedings. The licensed trustees/restructuring professionals overseeing this mandate from the outset remain unchanged.
3. This report ("Report") is filed by KSV in its capacity as Monitor.

1.1 Purposes of this Report

1. The purposes of this report (“Report”) are to:
 - a) Provide background information about the Company and these proceedings;
 - b) Provide an update on the status of tax refunds owing to Tenere;
 - c) Provide an overview of the Monitor’s activities since its Seventeenth Report to Court dated December 9, 2014 (the “Seventeenth Report”); and
 - d) Recommend that this Honourable Court make an order:
 - Granting the Company’s request for an extension of its stay of proceedings from September 30, 2015 to March 31, 2016; and
 - Approving the Monitor’s activities, as described in this Report.

2.0 Background

1. The Company sold outerwear, apparel and accessories.
2. The Eddie Bauer brand is internationally recognized - at the commencement of the US and Canadian insolvency proceedings, Eddie Bauer products were available at approximately 370 retail and outlet stores in North America, including 36 retail stores and one warehouse located in Canada, as well as through catalogue and website sales. The Company employed approximately 933 individuals in Canada.
3. On June 17, 2009, Amargosa, Inc. (formerly, Eddie Bauer, Inc.), the Company’s US based parent company, and certain other US affiliates (collectively, “Eddie Bauer US”), commenced reorganization cases under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the “Chapter 11 Proceedings”). The Company is not subject to the Chapter 11 Proceedings. Pursuant to the First Amended Joint Plan of Liquidation filed in the Chapter 11 Proceedings (the “Plan”), EBHI Liquidating Trust, successor-in-interest to Amargosa, Inc. (“EBHI Trust”) was formed. Pursuant to the Plan, the shares of Tenere were transferred to EBHI Trust.

2.1 Sale of Assets, Claims Procedure and Distributions

1. The Monitor’s Eleventh Report to Court dated June 13, 2011 (the “Eleventh Report”) provides details of the Court-approved sale of substantially all of the Company’s business and assets, the value allocation between the Company and Eddie Bauer US, the results of the claims procedure and distributions to creditors made over the course of these proceedings. A copy of the Eleventh Report is attached as Appendix “A”, without appendices.

2. At this time, there are no remaining creditors of Tenere. Pursuant to orders of this Honourable Court made on May 12, 2010, August 12, 2010 and June 23, 2011, all creditor claims have been paid in full and approximately \$2.7 million (net of withholding taxes) has been distributed to Tenere's shareholder, EBHI Trust. Distributions made to EBHI Trust in its capacity as shareholder were made in accordance with a Court-approved Settlement Agreement dated May 10, 2011 among Tenere, Yuma and Canada Revenue Agency ("CRA").
3. CRA is the sole remaining creditor of Yuma; however, there are no remaining funds or realizable assets in Yuma's estate.

3.0 Assets under Administration

3.1 Cash

1. There is presently approximately \$41,000 in Tenere's trust account maintained by the Monitor ("Trust Account"). An interim statement of receipts and disbursements for the period ended September 16, 2015 is attached as Appendix "B".

3.2 Potential Tax Refunds

1. As previously reported, the sole outstanding issue in these proceedings is a "Competent Authority" transfer pricing refund application ("Competent Authority Application") being handled by Gowling Lafleur Henderson LLP ("Gowlings") on behalf of Tenere.
2. Gowlings was engaged by the Monitor, on behalf of Tenere, on a contingency fee basis in accordance with a Court order made on December 8, 2009. If successful, the Competent Authority Application could result in significant tax refunds payable to Tenere.
3. The following is a summary of recent developments in respect of the Competent Authority Application since the Seventeenth Report¹:
 - March 2, 2015: CRA sent a letter to the Monitor and Gowlings requesting additional information in connection with its review of the Competent Authority Application. The Monitor worked with Gowlings to respond to this information request.
 - June 25, 2015: CRA sent a letter to the Monitor and Gowlings advising that it has allowed certain adjustments related to the Competent Authority Application, which Gowlings has estimated should result in a refund to Tenere of approximately \$1 million. A copy of CRA's June 25th letter is attached as Appendix "C".

¹ This process has been going on since 2010.

4. As at the date of this Report, the Monitor has not received the Notice of Assessment from CRA ("Assessment"). The Monitor understands that the refund is typically paid shortly following CRA's issuance of the Assessment. Gowlings continues to follow up with CRA regarding the expected timing of the Assessment and refund cheque.

3.3 Other Assets

1. Other than the funds on deposit in the Trust Account (approximately \$41,000) and potential tax refunds, the Monitor is not aware of any assets remaining to be realized upon.

4.0 Company's Request for an Extension

1. The Monitor supports the Company's request for an extension of the stay of proceedings for the following reasons:
 - The Company is acting in good faith and with due diligence;
 - An extension will provide the opportunity to continue to pursue the tax refunds; and
 - Eddie Bauer US, the ultimate beneficiary of any funds to be realized in these proceedings, has been apprised of the status of the Competent Authority Application and consents to the proposed extension.
2. Given the uncertainty around the amount of time required to resolve tax matters, and the potential for additional objections or other matters to be addressed with CRA following the receipt of the Assessment, the Monitor believes an extension of the stay of proceedings until March 31, 2016 is appropriate.

4.1 Cash Flow

1. As the Company is inactive, a cash flow projection has not been prepared for the stay extension period. The remaining costs in these proceedings (largely professional fees) are to be funded from the funds in the Trust Account, which are subject to the Administration Charge.

5.0 Overview of the Monitor's Activities

1. Since the date of its last report (December 9, 2014), the Monitor's activities have included:
 - Corresponding with representatives of Gowlings regarding the Competent Authority Application;
 - Corresponding with Bederson LLP, EBHI Trust's accountants;

- Attending at Court on December 22, 2014 in connection with the Company's most recent stay extension motion;
- Corresponding with Deloitte LLP, the Company's tax advisor, to prepare and file the Company's tax returns for the fiscal year ended December 31, 2014;
- Corresponding with Alvarez & Marsal LLC, Eddie Bauer US' financial advisor, in connection with the Competent Authority Application;
- Corresponding periodically with legal counsel to the Company and the Monitor in respect of these proceedings;
- Performing activities on behalf of the Company in accordance with a Court order made on August 20, 2009 enhancing the Monitor's powers, including making payments from the Trust Account, filing monthly HST returns and pursuing potential tax refunds; and
- Drafting this Report and reviewing the accompanying motion materials.

6.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 of this Report.

* * *

All of which is respectfully submitted,

KSV Kofman Inc

**KSV KOFMAN INC.
IN ITS CAPACITY AS CCAA MONITOR OF
TENERE OF CANADA, INC. AND YUMA CUSTOMER SERVICES INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

RSM Richter

Eleventh Report of RSM Richter Inc. as CCAA Monitor of Eddie Bauer of Canada, Inc. and Eddie Bauer Customer Services Inc.

RSM Richter Inc.
Toronto, June 13, 2011

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**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
EDDIE BAUER OF CANADA, INC. AND
EDDIE BAUER CUSTOMER SERVICES INC.**

**ELEVENTH REPORT OF RSM RICHTER INC.
AS CCAA MONITOR OF
EDDIE BAUER OF CANADA, INC. AND
EDDIE BAUER CUSTOMER SERVICES INC.**

June 13, 2011

1. INTRODUCTION

Pursuant to an order of the Ontario Superior Court of Justice (the "Court") made on June 17, 2009, as amended and restated (the "Initial Order")¹, Tenere of Canada Inc. (formerly, Eddie Bauer of Canada, Inc.) ("Tenere") and Yuma Customer Services Inc. (formerly, Eddie Bauer Customer Services Inc.) ("Yuma") (jointly, the "Company") were granted protection under the *Companies' Creditors Arrangement Act* ("CCAA") and RSM Richter Inc. ("Richter") was appointed the Monitor (the "Monitor"). A copy of the Initial Order is attached as Appendix "A".

This report ("Report") is filed by Richter in its capacity as Monitor.

¹ The Initial Order was amended and restated on consent shortly after its issuance to include provisions requested by counsel to certain landlords and by counsel to the US DIP Lender.

On June 17, 2009, Amargosa, Inc. (formerly, Eddie Bauer, Inc.) (“Amargosa”), the Company’s US based parent company, and certain other US affiliates (collectively, “Eddie Bauer US”), commenced reorganization cases under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the “US Court”) (the “Chapter 11 Proceedings”). The Company is not subject to the Chapter 11 Proceedings. Pursuant to the First Amended Joint Plan of Liquidation filed in the Chapter 11 Proceedings (the “Plan”), EBHI Liquidating Trust, successor-in-interest to Amargosa (“EBHI Trust”) was formed. Pursuant to the Plan, the shares of Tenere were transferred to EBHI Trust.

1.1 Purposes of this Report

The purposes of this Report are to:

- a) Provide background information about the Company and these proceedings;
- b) Provide an update on the funds available for distribution, the status of the potential tax refunds owing to Tenere and an amended proof of claim filed by EBHI Trust;
- c) Summarize the terms and conditions of a settlement agreement dated May 10, 2011 between the Company and Canada Revenue Agency (“CRA”) (“Settlement Agreement”);
- d) Set out the Company’s proposed distributions totalling approximately \$5.4 million (“Proposed Distributions”);
- e) Provide an overview of the Monitor’s activities since December 7, 2010, the date of its last report; and
- f) Recommend that this Honourable Court make an order:
 - Approving the Settlement Agreement;
 - Authorizing and directing the Monitor to make the Proposed Distributions on the Company’s behalf;
 - Authorizing further distributions from Tenere to EBHI Trust, in its capacity as Tenere’s sole shareholder, without further Court order;

- Granting the Company's request for an extension of its stay of proceedings from June 30, 2011, the date that the stay expires, to December 31, 2011; and
- Approving the Monitor's activities, as described in this Report.

2. BACKGROUND

Eddie Bauer US and the Company (jointly, the "Eddie Bauer Group") sold outerwear, apparel and accessories, as well as down products for the home, including comforters, pillows and throws. Eddie Bauer Holdings, Inc. was a publicly traded company, the shares of which were listed on the NASDAQ Global Market under the trading symbol "EBHI". The Eddie Bauer brand is internationally recognized and Eddie Bauer products are available at approximately 370 retail and outlet stores, including approximately 36 retail stores located throughout Canada, one Canadian warehouse store, catalogue sales and on the Eddie Bauer Group's website. At the commencement of these proceedings, the Company employed approximately 933 individuals in Canada.

2.1 The Transaction

At a joint hearing conducted on July 22, 2009, the US Court and this Honourable Court approved a transaction ("Transaction") between the Eddie Bauer Group and Everest Holdings LLC, an affiliate of Golden Gate Private Equity, Inc. (the "Purchaser"). The Transaction included, among other things, the purchase and sale of all of the Company's business and assets. The purchase price was US\$286 million, of which US\$11 million (the "Canadian Proceeds") was allocated to the Company's assets. The Transaction closed on August 3, 2009 and the Canadian Proceeds were paid to the Monitor and deposited into a trust account which it controls (the "Trust Account").

The Transaction did not set out an allocation of the Canadian Proceeds between Tenere and Yuma. Pursuant to a Court order dated May 12, 2010, the Court approved an allocation of the Canadian Proceeds of approximately US\$10.923 million (99.3%) to Tenere and US\$77,000 (0.7%) to Yuma.

2.2 Claims Procedure

Pursuant to a Court order dated July 22, 2009, the Monitor conducted a claims procedure which solicited pre-filing claims against the Company, post-filing restructuring claims and claims against the Company's directors and officers (the "Claims Procedure"). The results of the Claims Procedure were detailed in previous reports to Court, and are summarized as follows:

- The Company has no secured creditors;
- The principal creditor of Tenere is EBHI Trust – its admitted claim totalled approximately US\$11.2 million (C\$12 million). This claim was subsequently amended to approximately US\$13 million (C\$14 million using the exchange rate specified by the Claims Procedure of US\$1 to C\$1.0777), as discussed in Section 4 of this Report;
- Tenere's other unsecured creditors were CRA, with an admitted claim of approximately \$195,000, and three creditors having claims totalling approximately \$1,200. These unsecured claims have been paid in full; and
- CRA is the sole creditor of Yuma. CRA filed claims against Yuma totalling approximately \$6.3 million, of which approximately \$250,000 is undisputed and was admitted as an unsecured claim.

The limited number of claims filed in the Claims Procedure resulted from the assumption by the Purchaser of the majority of the Company's landlord and vendor obligations. Additionally, the Initial Order authorized the Company to pay for pre-filing goods and services, which payments were made over the course of these proceedings.

2.3 Distributions of the Canadian Proceeds and Certain Tax Refunds

Pursuant to orders of this Honourable Court made on May 12, 2010 and August 12, 2010, the Monitor has distributed:

- Approximately US\$11.2 million² to EBHI Trust to be applied against its unsecured claim against Tenere;
- Approximately \$1,200 to the holders of three admitted unsecured claims against Tenere. CRA has released refunds owing to Tenere, net of CRA's admitted claim against Tenere (\$195,000); and
- US\$70,000 to CRA to be applied against its admitted claim against Yuma.

These distributions leave EBHI Trust as the sole remaining creditor of Tenere. CRA is the sole remaining creditor of Yuma; however, there are no remaining funds or realizable assets in Yuma's estate.

3. ASSETS UNDER ADMINISTRATION

3.1 Cash

There is presently approximately \$5.7 million in the Monitor's Trust Account. All of the Canadian Proceeds have been distributed to the Company's creditors. The balance of the funds represent the proceeds of provincial and federal tax refunds collected on behalf of Tenere. A statement of receipts and disbursements for the period ending June 8, 2011 is attached as Appendix "B".

3.2 Potential Tax Refunds

The Monitor has corresponded routinely with Deloitte & Touche Inc. ("Deloitte"), the Company's tax advisor, in respect of potential tax refunds that may be owing to Tenere. The

² Comprised of US\$9.98 million and C\$1.22 million.

Monitor has received approximately \$7.4 million of such refunds to date and is expecting additional federal and provincial tax refunds of approximately \$200,000.

In addition to the tax refunds being pursued by Deloitte, there is an ongoing Competent Authority transfer pricing refund request being administered by Gowling Lafleur Henderson LLP (“Gowlings”). Gowlings was engaged on a contingency fee basis in accordance with a Court order made on December 8, 2009. The Monitor understands that this refund could be significant; however, the timing and quantum of the refund is uncertain. As at the date of this Report, the Competent Authority transfer request has been filed by Gowlings and it continues to pursue the refund with CRA. The Monitor understands that the timeline for refunds of this nature is protracted given that, *inter alia*, they include cross-border communications and administration between CRA and the US Internal Revenue Service.

Other than the funds on deposit in the Trust Account and these potential tax refunds, the Monitor is not aware of any significant assets remaining to be realized upon.

4. AMENDED CLAIM OF EBHI TRUST

As discussed in the Monitor’s tenth report to Court dated December 7, 2010, the Monitor, Deloitte, Alvarez & Marsal (“Alvarez”), Eddie Bauer US’ financial advisor, and the Company’s former accounting personnel have been engaged in the process of reconciling certain accounting and tax accounts between the books and records of the Company and EBHI Trust. The initial claim filed by Amargosa did not consider certain foreign exchange gains/losses between Eddie Bauer US and Tenere which came to light when the Company’s 2009 and other pre-filing tax returns were being prepared and reconciled with those of Eddie Bauer US. The reconciliation process is now complete and resulted in EBHI Trust filing an amended proof of claim on June 1, 2011 for approximately US\$13 million (the

“Amended Claim”). The Amended Claim represents an increased claim of approximately US\$1.8 million³. The Company and the Monitor were involved in the reconciliation process and have reviewed the Amended Claim, including the supporting documentation and analyses. The Amended Claim has been admitted in the Claims Procedure.

5. CRA SETTLEMENT AGREEMENT

At the stay extension motion before this Honourable Court on December 14, 2010 (the “December 14th Motion”), CRA expressed its intention to object to any distribution being made to EBHI Trust as shareholder while CRA’s claims against Yuma remain unpaid. CRA advised that it intended to use a “substantive consolidation” argument in relation to the Tenere and Yuma estates as the basis for its position.

Following the December 14th Motion, the Company, CRA, the Monitor and their respective legal counsel exchanged correspondence on this issue. As a result of these discussions and negotiations, CRA and the Company have entered into the Settlement Agreement, pursuant to which, *inter alia*:

- CRA has agreed that it will not object to any distributions from Tenere to EBHI Trust or other stakeholders of Tenere;
- CRA has acknowledged that all remaining funds held by the Monitor on behalf of Tenere are assets of Tenere and that CRA has no claim in respect thereof;
- \$75,000 is to be paid by Tenere to CRA; and
- The approval of this Honourable Court is the sole condition precedent to the Settlement Agreement, following which the Monitor is to remit \$75,000 from the Trust Account to CRA.

A copy of the Settlement Agreement is attached as Appendix “C”.

³ Translates to approximately C\$1.93 million using the foreign exchange rate specified in the Claims Procedure (1.0777).

5.1 Recommendation re: Settlement Agreement

The Monitor recommends that this Honourable Court approve the Settlement Agreement on the basis that EBHI Trust, being the sole creditor of Tenere, has consented to the Settlement Agreement. In addition, the Settlement Agreement avoids litigation costs that Tenere would incur, which would likely exceed the amount payable to CRA under the Settlement Agreement.

6. PROPOSED DISTRIBUTIONS

The Company is seeking approval to fund distributions totalling approximately \$5.4 million, comprised of the following:

Description	(C\$)			
	EBHI Trust	CRA (withholding taxes)	CRA (other)	Total
Distribution to EBHI Trust as creditor	1,888,613	91,023	-	1,979,636
Distribution to EBHI Trust as shareholder	2,531,250	843,750	-	3,375,000
Payment to CRA re Settlement Agreement	-	-	75,000	75,000
Total – Proposed Distributions	4,419,863	934,773	75,000	5,429,636

The basis for each distribution included in the above table is provided in the following sections of this Report.

6.1 EBHI Trust

6.1.1 Distribution as Creditor

The Proposed Distribution to EBHI Trust of approximately \$1.9 million⁴ (translated to Canadian dollars using the exchange rate specified under the Claims Procedure) represents the unpaid portion of the Amended Claim. The Amended Claim includes unpaid interest and royalties totalling approximately \$364,000, on which a 25% withholding tax is payable

⁴ Net of withholding taxes on accrued interest and royalties.

to CRA. As noted above, the Amended Claim has been admitted under the Claims Procedure.

6.1.2 Distribution as Shareholder

Subject to the payment of the remaining portion of the Amended Claim, all claims against Tenere have been paid in full. After payment of the CRA settlement amount and the distribution to EBHI Trust on its Amended Claim (together with the related withholding taxes), there would be approximately \$3.65 million in the Trust Account. Accordingly, the Company is seeking approval for a \$3.375 million distribution to EBHI Trust in its capacity as Tenere's sole shareholder. Of the \$3.375 million proposed distribution, \$843,750 (25%) is payable to CRA for withholding taxes.

The Company is also seeking this Honourable Court's approval to make further distributions to its shareholder, EBHI Trust, without further order of this Honourable Court, should additional monies become available through the potential tax refunds discussed in Section 3.2, or otherwise. Any further distributions to EBHI Trust as shareholder would also be subject to a 25% withholding tax payable to CRA.

6.2 CRA

6.2.1 Withholding Taxes

A 25% withholding tax is payable to CRA on the portion of the Amended Claim related to accrued interest and royalty expenses (approximately \$364,000). The amount of the withholding tax owing to CRA in respect of these obligations totals \$91,023.

In addition, there are withholding taxes payable to CRA on any distributions to EBHI Trust in its capacity as shareholder, to the extent that the distributions exceed Tenere's paid-up-capital, being \$1. The Company's tax advisors have advised that the withholding tax rate on

shareholder distributions can range from 5% to 25% depending on, *inter alia*, the residency status and treaty eligibility of the beneficiaries of EBHI Trust. Since the number of beneficiaries is significant, it was determined to be impractical and costly to assess these and other attributes for each beneficiary - such an exercise would not be cost effective nor would it eliminate the risk of penalties being assessed against Tenere for failing to withhold the applicable taxes. As a result, the Trustee of EBHI Trust instructed the Company to withhold 25% of the dividend, being the maximum withholding tax that may be owing. Should the beneficiaries of EBHI Trust wish to claim treaty benefits in order to have a portion of the withholding taxes refunded, the Trustee of EBHI Trust will advise these beneficiaries the mechanism by which these parties can apply for such refunds, if applicable. The total amount of withholding taxes that are to be remitted to CRA in connection with the proposed dividend paid to EBHI Trust is \$843,750.

6.2.2 Payment under Settlement Agreement

The Company is seeking approval to fund the amount payable to CRA under the Settlement Agreement (\$75,000). For the reasons set out in Section 5.1 of this Report, the Monitor is of the view that the Settlement Agreement is appropriate.

6.3 Holdback

The Proposed Distributions would leave approximately \$250,000 in the Trust Account, being the amount withheld for costs to completion of these proceedings⁵. The Administration Charge (as defined in the Initial Order) was reduced to \$250,000 pursuant to a Court order made on August 12, 2010.

⁵ As at the date of this Report, the professional fees have been paid current.

6.4 Recommendation re: Proposed Distributions

The Monitor is of the view that the Proposed Distributions are appropriate given that the administration of the Claims Procedure is complete and the holdback is sufficient to cover any potential priority claims under the Administration Charge. In addition, there are no secured creditors and the other two charges created under the Initial Order, being the Intercompany Charge and the Directors' Charge, were discharged and released previously in these proceedings.

7. COMPANY'S REQUEST FOR AN EXTENSION

The Monitor supports the Company's request for an extension of the stay of proceedings for the following reasons:

- The Company is acting in good faith and with due diligence; and
- An extension will provide the Company and the Monitor with the opportunity to work with Deloitte and Gowlings to pursue the tax refunds that may be owing to the Company, as described in Section 3.2 of this Report.

Given the nature of the outstanding issues, being tax matters which typically require time to resolve, the Monitor believes an extension of the stay of proceedings until December 31, 2011 would be appropriate.

7.1 Cash Flow

A cash flow projection has not been prepared for the stay extension period. The remaining costs in these proceedings (largely professional fees) are to be funded from the funds in the Trust Account which are subject to the Administration Charge.

8. OVERVIEW OF THE MONITOR'S ACTIVITIES

In addition to the activities described in this Report, the Monitor's activities have included:

- Corresponding extensively with Deloitte and the Company's former inhouse tax advisors, regarding tax issues;
- Corresponding with Deloitte and Alvarez in connection with the reconciliation between the books and records of the Company and those of Eddie Bauer US;
- Corresponding with Deloitte in connection with the preparation of the Company's 2010 tax returns;
- Reviewing the Company's fiscal 2010 tax returns for the periods ending April 5, 2010 and December 31, 2010;
- Corresponding with Deloitte, Alvarez and the Company regarding the tax matters detailed in this Report;
- Reviewing correspondence between CRA and the Company's legal counsel in connection with the Settlement Agreement;
- Reviewing and commenting on a Notice of Appeal filed with the Tax Court of Canada between Yuma and Her Majesty the Queen on March 8, 2011;
- Reviewing and commenting on a schedule of Proposed Distributions and discussing with legal counsel implications of certain of the distributions;
- Corresponding with Bederson & Company LLP ("Bederson"), the US based accountants for EBHI Trust, and facilitating Bederson's information requests;
- Corresponding with representatives of Gowlings with regard to the Competent Authority refund application process;
- Facilitating payments, filing tax returns and following up on potential tax refunds on behalf of the Company in accordance with a Court order dated August 20, 2009;
- Completing the administration of the Claims Procedure in accordance with the Claims Procedure Order, particularly as it relates to the Amended Claim filed by EBHI Trust;
- Responding to creditor inquiries regarding the CCAA proceedings and the Claims Procedure;

- Placing on the Monitor's website copies of materials filed in these proceedings;
- Corresponding with counsel concerning the issues described in this Report;
- Drafting this Report; and
- Other matters pertaining to the administration of this mandate.

9. CONCLUSION AND RECOMMENDATION

Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(f) of this Report.

* * *

All of which is respectfully submitted,

A handwritten signature in black ink that reads "RSM Richter Inc." in a cursive, flowing script.

**RSM RICHTER INC.
IN ITS CAPACITY AS CCAA MONITOR OF
TENERE OF CANADA, INC. AND
YUMA CUSTOMER SERVICES INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “B”

Tenere of Canada, Inc. and Yuma Customer Services Inc.
Statement of Receipts and Disbursements
For the Period Ended September 16, 2015

	USD Account	CAD Account
Receipts		
Proceeds of sale of assets	11,000,000	-
Tax refunds	-	7,700,459
Sundry collections	100	133,254
Interest income	9,684	47,177
Transfers between estate accounts	-	1,069,606
	<u>11,009,784</u>	<u>8,950,495</u>
Disbursements		
Court approved distributions		
Amargosa, Inc.	9,983,500	1,374,020
EBHI Liquidating Trust	-	4,419,863
Canada Revenue Agency	70,000	1,059,773
Other creditors	185	1,026
Transfers between estate accounts	955,392	-
Professional fees		
Monitor	-	618,634
Legal fees and disbursements	281	622,046
Tax Advisory	-	412,906
GST/HST on disbursements	-	135,655
PST remittances (for July, 2009)	-	229,926
Publication costs	-	20,570
Payroll obligations	-	2,771
Miscellaneous expenses	426	12,432
	<u>11,009,784</u>	<u>8,909,622</u>
Balance in Estate Accounts	<u>-</u>	<u>40,873</u>

Appendix “C”



Canada Revenue
Agency

Agence du revenu
du Canada

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C/O Duff & Phelps
333 Bay Street
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Your file Votre référence

Our file Notre référence

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Teg Manno

Tel 416 973 6931

Fax 416 954 0525

Attn: Mr. David Sieradzki

June 25, 2015

Dear Sir:

Re: Review of Request for Downward Adjustments for Tenere of Canada Inc. dated June 29, 2010 and May 14, 2012, for 2004, 2005 and 2006 taxation years

Please find attached our reply to Gowlings' letters dated February 10, 2015, March 30, 2015, and to the Memorandum dated May 14, 2015, which provided supporting documentation for the US\$3,470,000 (CDN\$4,417,825) professional fees claimed in 2005 taxation year.

Our reply addressed the concerns Gowlings' raised in their letters and provides our review and conclusion of the supporting documentation provided for the professional fees.

Based on our findings we will allow an increase of CDN\$2,791,522 for 2004 taxation year, a decrease of CDN\$1,568,177 for 2005 taxation year, and an increase of CDN\$2,482,964 for 2006 taxation year.

In the 2005 taxation year, we have allowed CDN\$1,178,360 to be deducted out of the CDN\$4,417,825 professional fees claimed. The difference CDN\$3,239,465 (\$4,417,825 – 1,178,360) will be subject to Part XIII tax.

We will hold further action for thirty (30) days from the date of this letter if you wish to make further representation; otherwise we consider the June 29, 2010 and May 14, 2012 downward adjustment requested concluded, and we will proceed with the reassessments of the years involved.

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Toronto ON
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Canada

Tenere of Canada, Inc.
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If you have any question, please do not hesitate to contact the under signed.

Yours truly,

A handwritten signature in black ink, appearing to read 'Teg Mammo', with a stylized flourish at the end.

Teg Mammo
International Tax Audit
Toronto Centre Tax Services Office

cc: Mr. Dale Hill, Partner, Gowling Lefleur Henderson LLP
Mr. Alex Ho, A/Manager, Field Advisory Team