

This is an English translation of the original Dutch text. In the case of a discrepancy between the English and Dutch texts, the Dutch text shall prevail

FIRST PUBLIC BANKRUPTCY REPORT PURSUANT TO SECTION 73A OF THE DUTCH BANKRUPTCY ACT IN THE DUTCH BANKRUPTCIES OF THE MS MODE GROUP:

1. **MS MODE GROUP B.V.**
 2. **MS MODE HOLDING B.V.**
 3. **MS MODE NEDERLAND B.V.**
-

- Data of the companies:
1. The private limited liability company **MS MODE GROUP B.V.**, having its registered office in Diemen and its place of business at Diemermere 1 in (1112 TA) Diemen, entered in the Commercial Register under number 51331012,
 2. The private limited liability company **MS MODE HOLDING B.V.**, having its registered office in Diemen and its place of business at Diemermere 1 in (1112 TA) Diemen, entered in the Commercial Register under number 52639649, and
 3. The private limited liability company **MS MODE NEDERLAND B.V.**, having its registered office in Diemen and its place of business at Diemermere 1 in (1112 TA) Diemen, entered in the Commercial Register under number 33111725.
- Suspensions of payments nos. : 1. C/13/16.38 S
2. C/13/16.39 S
3. C/13/16.40 S
- Bankruptcy numbers : 1. C/13/16/356 F
2. C/13/16/357 F
3. C/13/16/358 F
- Date of judgments : By order of the Amsterdam District Court, dated 5 August 2016, the three companies were granted a provisional suspension of payments.
By judgment, dated 11 August 2016, the provisional suspensions of payments were revoked and at the same time the companies were declared bankrupt.
- Declared on : The bankruptcies of the companies were declared in response to the joint application of the Board and the Administrators in the suspensions of payments.
- Receivers : C. de Jong LL.M (Van Benthem & Keulen N.V., P.O Box 85005, 3508 AA, Utrecht, telephone: 030-2595567, fax: 030-2595507, email: ceesdejong@vbk.nl); and

F. Kemp LL.M (Fort Advocaten N.V., P.O. Box 70091, 1007 KB Amsterdam, telephone: 020-6645111, fax: 020-6620470, email: kemp@fortadvocaten.nl).

Delegated Judge : Ms C.P. Bleeker LL.M, Amsterdam District Court

Activities of the enterprise : Wholesale and retail trade in ladies outwear.

Turnover data : 0. MS Mode Group, consolidated

2015 EUR 234,539,000

2014 EUR 237,860,000

1. MS Mode Group B.V.

2015 EUR --

2014 EUR --

2. MS Mode Holding B.V.

2015 EUR --

2014 EUR --

3. MS Mode Nederland B.V.

2015 EUR 76,800,000

2014 EUR 74,400,000

Average number of personnel : 0. MS Mode Group, consolidated : 2,350

1. MS Mode Group B.V. : 0

2. MS Mode Holding B.V. : 0

3. MS Mode Nederland B.V. : 935

Date of report : 14 October 2016

Reporting period : 5 August 2016 to 14 October 2016 inclusive

Hours spent in the reporting period: In the period of suspension of payments from 5 August 2016 to 10 August 2016 inclusive:
267.3 hours

In the period after the bankruptcies of the companies from 11 August 2016 to 14 October 2016 inclusive:
1,820.8 hours.

Total amount of hours spent : 2,088.1 hours.

Balance bankruptcy account(s) : EUR 1,782,718.84

GENERAL INTRODUCTION

The reporting on these bankruptcies has been consolidated, however the winding up will be carried out per company.

The reporting in these bankruptcies has been prepared in accordance with the Recofa Guidelines for Bankruptcies and Suspensions of Payments. However, for the processing of the financial data in an Interim Financial Report, we decided to use the model known under the name “Standard Financial Report”, which was developed by the Winding Up of Bankruptcies Working Group 2011.

Only those reports which are printed on letter paper of Van Benthem & Keulen N.V. in Utrecht or Fort Advocaten N.V. in Amsterdam and bear a signature of the Receivers are authentic.

The Receivers have tried to compile this report with the greatest possible care but they do not vouch for the completeness or accuracy of all information contained in this report; in any case no rights may be derived from the information provided in this report. It is possible that further investigation will produce new or other facts or lead to different opinions or conclusions.

TABLE OF CONTENTS

1. INVENTORY

- 1.1 Introduction
- 1.2 Management and Organisation
- 1.3 Balance Sheet Total, Turnover, Profit and/or Loss
- 1.4 Ongoing Legal Proceedings
- 1.5 Insurance Policies
- 1.6 Lease
- 1.7 Causes of the Bankruptcies

2. EMPLOYEES

- 2.1 Number of Employees at the Time of Bankruptcy
- 2.2 Number of Employees in the Year prior to Bankruptcy
- 2.3 Date of Notice of Dismissal
- 2.4 Explanatory Note

3. ASSETS

Immovable Property

- 3.1 Description
- 3.2 Sales Proceeds
- 3.3 Mortgage Amount
- 3.4 Estate Contribution

Operating Assets

- 3.5 Description
- 3.6 Sales Proceeds
- 3.7 Estate Contribution
- 3.8 Preferential Claim of the Netherlands Tax and Customs Administration

Stocks/Work in Hand

- 3.9 Description
- 3.10 Sales Proceeds
- 3.11 Estate Contribution

Other Assets

- 3.12 Intellectual Property Rights
- 3.13 Participating Interests
- 3.14 Cash on Hand

4. DEBTORS

- 4.1 Amount of Accounts Receivable
- 4.2 Proceeds
- 4.3 Estate Contribution

5. BANK/SECURITIES

- 5.1 Claims of Bank
- 5.2 Lease Agreements
- 5.3 Contributions and Cost Reimbursements
- 5.4 Reservations of Ownership
- 5.5 Right of Reclamation
- 5.6 Rights of Retention

6. RESTARTS/CONTINUATION

Continuation

- 6.1 Operation/Securities
- 6.2 Financial Reporting

Restart

- 6.3 Description
- 6.4 Proceeds

7. LEGALITIES

- 7.1 Accounting Records Obligation
- 7.2 Filing of Annual Accounts
- 7.3 Unqualified Auditor's Report
- 7.4 Obligation to pay up Shares
- 7.5 Mismanagement
- 7.6 Actions prejudicial to the Creditors within the meaning of the *Actio Pauliana*

8. CREDITORS

- 8.1 Estate Debts
- 8.2 Preferential Claim of the Netherlands Tax & Customs Administration
- 8.3 Preferential Claim of the UWV
- 8.4 Other Preferential Creditors
- 8.5 Unsecured Creditors
- 8.6 Anticipated Manner of Settlement

9. LAWSUITS

- 9.1 Opposing Parties
- 9.2 Nature
- 9.3 State of Progress

10. OTHER

- 10.1 Period Required for Completion of the Bankruptcy Proceedings
- 10.2 Action Plan
- 10.3 Filing of the Next Report

1. INVENTORY

1.1 Introduction

The three companies declared bankrupt are part of the MS Mode Group; this concern was an internationally operating fashion retailer with approximately 400 shops in the Netherlands, Germany, Belgium, Luxembourg, France and Spain. The group will be hereinafter referred to as “MS”.

At the time of the declarations of bankruptcy, MS consisted of eleven companies, of which five had their registered office under the Articles of Association in the Netherlands. The group employed almost 2,500 people.

A legal structure chart of MS is attached as **Appendix 1** to this report. Please refer for an explanatory note to 1.2 of this report.

With the exception of MS Mode France B.V. and MS Mode Spain B.V., all Dutch entities have been declared bankrupt.

The other companies have their registered office under the Articles of Association outside the Netherlands. During the reporting period MS Mode België N.V. and MS Mode GmbH were declared bankrupt and insolvency proceedings have been instituted in France. The Receivers were not involved in these proceedings. Foreign receivers have been appointed under local law. The foreign companies are dependent for the conduct of their business operations on the Dutch companies, to which the central organisation, the intercompany wholesale and the distribution were transferred. The bankruptcies of the foreign entities fall outside the scope of this report.

MS Mode Nederland B.V. operated the shops. The central headquarters in Diemen was responsible for purchasing and directed all activities of the companies that were part of MS. These central departments of MS Mode Nederland B.V. took decisions on strategy, marketing and purchasing and also developed and compiled the collection, which was always done for the whole group. Approximately 140 employees worked at the central headquarters.

As an explanatory note to the activities, a company brochure generally used by the enterprise has been attached as **Appendix 2**. According to this brochure, MS focuses on “curvy, European women in their early forties”.

Moreover, MS Mode Group B.V. holds – whether or not via intermediate holding companies such as MS Mode Holding B.V. – the shares in the companies MS Mode GmbH, Sarl MS Mode France, MS Mode España S.L., MS Mode België N.V., MS Mode Luxembourg Sarl, MS Mode Distribution Sarl and MS Mode Asia Ltd., by means of which the foreign activities of the MS Mode Group were undertaken. The French participating interest always made a significant contribution to the results of MS. MS Mode Asia Ltd., which had its registered office in Hong Kong, was the only company that did not undertake retail activities but acted as agent for the purchase of goods from suppliers in Asia.

MS also ran a web shop from the Netherlands in the abovementioned foreign countries.

On 3 August 2016 the Board applied for suspensions of payments, which were provisionally granted on 5 August 2016. The District Court contacted the Receivers for the first time on 4 August 2016; therefore silent administration was conducted.

Immediately upon their appointment, the Receivers (at that time still Administrators) realised that for some time attempts had been made to sell the enterprise and that extensive sales efforts had been made to that end. On 1 August 2016 it was established that no parties were interested in a sale on a going concern basis, and therefore a bankruptcy situation was unavoidable. This was initially suspensions of payments.

The Receivers also realised on 5 August 2016 that Rabobank already had concrete plans to realise its securities and that just before the suspension of payments a “sale by foreclosure agreement” was concluded between Rabobank and MS Mode Nederland B.V., under which agreement Rabobank was given consent to sell by foreclosure (pledged) stocks from the Dutch MS shops. This greatly hampered the Receivers, especially in the initial phase. Rabobank had promised the Board that a reasonable contribution to the operating costs would be paid. In the Receivers’ view, this promise was not kept and therefore, they consider that it is unfortunate that this agreement was concluded at the eleventh hour. The Board’s evident assumption that by concluding this agreement they were contributing to the possibility of achieving a quick restart, was a misconception.

The Administrators and Board members quite quickly, actually immediately, agreed that it was inadvisable to maintain the suspensions of payments, partly because the operating costs could not be paid, as the enterprise did not have any cash flows. An agreement with a bank to sell stocks from the shops is not consistent with the rationale of a suspension of payments.

On 11 August 2016 the bankruptcies were pronounced and the Administrators were appointed as Receivers.

After bankruptcy the Receivers strived to sell – parts of – the enterprise. These efforts were successful, albeit to a buyer in which a party affiliated to the ultimate shareholder of MS plays a prominent role. The Receivers believe that it is important to state here that this party did not receive any preferential treatment whatsoever. Please refer to 6; Restart.

In conclusion, we were successful in retaining a large part of MS. At the time of filing of this report, it was clear that at least 90 Dutch shops will remain open and many former employees will be re-employed. It is anticipated that this number will further increase. This means that more than 2/3 of the Dutch activities have been retained. The shops abroad will also remain open.

1.2 Management and Organisation

On 28 January 2011 Maxeda Retail Group (a merger of Vendex and Koninklijke Bijenkorf Beheer B.V.) sold the chain of fashion shops M&S Mode for an amount of approximately EUR 55m to Retail Beheer B.V. (formerly called Excellent Retail Branche Group B.V., also known under the name Excellent Retail Brands).

The name used at that time “M&S Mode” was changed to the current MS Mode, because later in 2011 the brand name, at any rate the right to use the ampersand sign (“&”) in the brand name, was sold to the British company Marks & Spencer. MS was paid a sum of EUR 37m for this sale. From the proceeds EUR 12m was repaid on a loan from Rabobank, 10m was paid for repayment of a subordinated loan to Maracaibo Ltd, EUR 3m was used to pay the costs involved in changing the brand name such as new signing. The remainder was used to reinforce the cash position. EUR 26m for goodwill was written off in the profit and loss account.

The shares in the capital of MS Mode Group B.V. were held by Retail Beheer B.V. (99.04%) and Stichting Administratiekantoor MS Mode Group (0.96%) until the end of June 2015. Retail Beheer B.V. also holds the shares in AT B.V. (America Today). Shortly before the bankruptcy, Retail Beheer B.V. transferred its shares in MS to Retail Beheer II B.V., which is not stated as such in Appendix I. The share transfer took place in order to thus deconsolidate the fiscal unity for the corporation tax. That transfer did not result in a material change of control.

Therefore, at the present time Retail Beheer B.V is only holding company of America Today; Retail Beheer II B.V. is holding company of MS.

The ultimate parent of both holdings is Excellent Retail Brands B.V. This company is controlled by J.G. Kahn Beheer B.V., J.J. Kahn Beheer B.V. and J.D. Kahn Beheer B.V.

The Board of MS Mode Group B.V., MS Mode Holding B.V. and MS Mode Nederland B.V. is formed by Ms E.M. Hoebe (CFO) and Mr M. Lagerweij (CEO, as from 1-1-2015). In the case of MS Mode Group B.V., the directors were each solely/independently authorised to represent the company, in the case of MS Mode Holding B.V. and MS Mode Nederland B.V., the Board was only jointly authorised. In MS Mode Nederland B.V. Ms Hoebe and Mr Lagerweij each had a limited, independent power of attorney up to EUR 100,000.

MS Mode Group B.V. has a Supervisory Board, which supervises and advises the Board. The Supervisory Board comprises Mr R. M. Kahn, Mr D. J. Mok, Mr J. N. Scheffers and Mr E. D. Drok.

Appendix 3 is an extract from the Commercial Register of MS Mode Group B.V.

1.3 Balance Sheet Total, Turnover, Profit and/or Loss

All internal reports within MS were always aligned, as far as possible, with the consolidated figures, therefore including the figures of foreign companies that do not fall within the scope of the bankruptcies declared in the Netherlands. The Receivers' report is partially aligned thereto as it is necessary to acquire insight into and information on the results of the group as an organic whole.

However, where possible and appropriate, unconsolidated figures will also be presented, whereby it should be noted that only MS Mode Nederland B.V. realised its own turnover from business activities.

The most recent consolidated Annual Accounts as approved and audited and published, i.e. the Annual Accounts for the year 2014, dated 30 June 2015, are attached as **Appendix 4**. The Director's Report has been added thereto in Appendix 4.

The Receivers would refer to the figures in these Annual Accounts, in which summarised unconsolidated figures are also included as from Page 43. In this report the following unconsolidated figures are also indicated.

	2014	2015
<u>MS Mode Nederland B.V.</u>		
Turnover	EUR 74.4m	EUR 76.8m

Shareholders' Equity	EUR 47.3m	EUR 52.5m
Balance Sheet Total	EUR 52.4m	EUR 545m
<u>MS Mode Holding B.V.</u>		
Turnover	--	--
Shareholders' Equity	EUR 25.2m	EUR 29.2m
Balance Sheet Total	EUR 22.3m	EUR 19.2m
<u>MS Mode Group B.V.</u>		
Turnover	--	--
Shareholders' Equity	EUR 14.4m	EUR 15.7m
Balance Sheet Total	EUR 46.3m	EUR 51.4m

The Annual Accounts for the year 2015 were only prepared in draft form because there were doubts as to whether this was still justified on the basis of a continuity presumption. An important consideration was that MS as group was primarily financed through loans, including loans from affiliated parties, but mainly from Rabobank.

At the beginning of 2016 the Board decided that the possibility of continuing to operate as a going concern was entirely dependent on Rabobank's willingness to continue providing loans and it was not certain that Rabobank would be willing to do so. The Board did prepare a draft of the Annual Accounts on the basis of continuity pending the outcome of the consultations with Rabobank. Deloitte Accountants, which had been instructed to audit the Annual Accounts, audited the draft of the Annual Accounts and the various items were discussed with the Board. The Annual Accounts were not adopted because of the uncertainty mentioned above, and the valuation of the deferred corporation tax also played an important role. The draft of the Annual Accounts for the year 2015 is attached as **Appendix 5**.

These Annual Accounts show that in 2014 the entire MS group realised a net turnover of EUR 237,860,000. The turnover in the Netherlands amounted to EUR 74,435,000. In 2015 this dropped to EUR 234,539,000, however in the Netherlands there was a slight growth to EUR 76,817,000. This turnover relates to both shop sales and e-commerce.

1.4 Ongoing Legal Proceedings

There were no legal proceedings before the court on the date on which suspensions of payments were granted.

1.5 Insurance Policies

All insurance policies of MS were contracted through AON Groep Nederland B.V. ("AON"). The following insurance policies were in force:

- Property Damage & Business Interruption Certificate no. 3;
- Liability Insurance Policies;
- Cargo Transportation Insurance Policy;
- Money Insurance Policy;
- Construction "All Risks" Turnover Insurance Policy;
- Collective Accident Insurance Policy

- Business Travel Insurance Policy;
- Car Insurance Policies;
- Passenger Liability Plus Insurance Policy.

The policyholder is MS Mode Group B.V. All premiums had been paid and therefore there is coverage under the aforementioned insurance policies until 1 January 2017; this was checked with the Board and confirmed by AON. Bankruptcy clauses are not included in the terms and conditions.

There is also a Management Liability Insurance Policy (BCA), in which Cool Cat Holding B.V. is the policyholder.

In the context of the restart (more about this later), it was discussed that the insurance policies would be continued for the time being. The restarting party will pay the insurance premiums due to the bankruptcy estate as from 1 September 2016. It is anticipated that the insurance policies can soon be terminated and a refund of the premiums paid in advance will be requested.

1.6 Lease

All Dutch business premises were leased by MS Mode Nederland B.V., namely the headquarters in Diemen and 134 shop premises in the Netherlands. Three of those shop premises were (partially) sub-leased, of which the premises in Oss (Heuvel) is shared by MS Mode Nederland B.V. with two sub-lessees. Therefore, there is a total of four sub-lessees. The sub-lessees are not bound to apply the MS formula.

Headquarters in Diemen

MS Mode Nederland B.V. leases from Cool Cat Real Estate B.V. the business premises in which the headquarters are housed. The office premises are located at Diemermere 1 in Diemen. The rental includes the use of the parking spaces, the communal parts on the ground floor and the entire second floor of the office premises. The sub-lease also includes various shared facility services, energy supplies, waste disposal and office supplies.

The annual rent amounts to approximately EUR 175,000 including VAT. The sub-lease agreement was terminated, subject to three months' notice, pursuant to Section 39 of the Dutch Bankruptcy Act by letter from the lessor dated 12 August 2016.

The restarting party has indicated that it will conclude a new agreement with the (sub-)lessor.

Shops

MS Mode Nederland B.V. leases shop premises from various lessors. For the total of 134 shop premises, there are just as many lease agreements.

The annual rent for the shops jointly amounts to approximately EUR 12,500,000 including VAT. For the shops in Amsterdam (Buikslotermeerplein), Arnhem (Hanzestraat) and Barendrecht (Van Beuningenhaven), a turnover-related rent has to be paid in addition to the fixed rent. This variable component is not included in the abovementioned annual rent.

In the period prior to the realised restart, the Receivers engaged the services of property consultant, Brickstone Retail Beheer B.V. ("Brickstone"), to analysis and value the shop portfolio of MS Mode Nederland B.V. Brickstone was requested to advise on the continuation, or not, of

lease agreements and to act as intermediary in the takeover of (separate) shops, if required by means of subrogation.

The restarting party has indicated that it wishes to restart the enterprise with a large number of shops. The Receivers have agreed with the restarting party that they will directly consult with the lessors in order to possibly enter into a new lease relationship. Therefore, the existing lease agreements will not be continued and subrogation will not be requested. For that reason, all lease agreements, to the extent that these agreements have not been terminated at an earlier date by the lessor, have been terminated, subject to three months' notice, by letter dated 8 September 2016.

Sub-Lease

The three shops in (i) Deventer (Lange Bisschopstraat), (ii) Oss (Heuvel) and (iii) Veenendaal (Hoofdstraat) are sub-leased to third parties. The sub-lessees have been informed that they will be discharged from payment of the rent only if these payments are made into the bankruptcy account. They have also been informed that after termination of the principal lease agreement, the Receivers will no longer be able to sub-lease the premises concerned to them.

1.7 Causes of the Bankruptcies

At the time of the takeover in 2011, a credit agreement was concluded with Rabobank. The terms and conditions to be observed by MS are stated in this credit agreement. For that purpose, MS provided information each month to Rabobank.

However, the credit facility at Rabobank was insufficient, because there was a strongly fluctuating financing requirement that could not be met from the regular bank credit of EUR 30m from Rabobank. At the times when the greatest need for credit arose (twice a year), an additional working capital of EUR 15m was required.

In addition, MS always paid its accounts payable on the 7th of each month, which placed a heavy burden on the working capital. For that reason, sister companies (Cool Cat Real Estate B.V. or Cool Cat Fashion B.V.) affiliated to the Shareholder regularly provided "flash loans". The required amounts were consistently provided at first call and then repaid as quickly as possible. There was an informal procedure, whereby the Board requested a payment from the controller of Cool Cat Real Estate B.V., after which the controller discussed this request with his director, Mr Scheffers. Up to June 2016 requests for the provision of a flash loan were always met; this loan would then be quickly repaid.

The credit agreement with Rabobank was tailored to the takeover and was renewed in 2015, whereby clearer agreements were made on the applicable terms and conditions. A seasonal credit limit was agreed (of EUR 25m or EUR 30m), the current account facility was increased while the LC facility was reduced and a right of pledge was established on the French key monies (please see below for an explanation). The reporting frequency was reduced to three months.

It was established in the last quarter of 2015 on the basis of such a quarterly report that MS was not complying with the financial terms and conditions of the credit agreement. In response to this matter, Rabobank sent a notification of default on 4 February 2016. That was again the case after the first quarter of 2016, and on 14 April 2016 Rabobank then sent a letter to MS, in which it informed MS that in this period two of the financial ratios from the profit and loss account,

which were designated as conditions, namely the Ebitda Cover test and the Absolute Ebitda, had been breached. This was deemed by Rabobank as continuing default and was described as follows:

Breaches concluded

We have concluded that, based on the information delivered to us on 8 April 2016, the EBITDA Cover test and the Absolute EBITDA as respectively defined in Section 25.2 and 25.3 as part of "Financial Covenants" of the Agreement have not been met for Q1 2016.

As result of the above, an Event of Default has occurred under Section 20 "Termination, Events of Default" of the Agreement. This is a continuing default as the breach of the Absolute EBITDA as defined in Section 25.3 "Financial Covenants" of the Agreement was also breached per Q4 2015 for which we send you a Notification of Default on 4 February 2016.

Rabobank announced that in view of this situation, it wished to deliberate and would get back to MS. Then talks took place between MS, its shareholders, the Supervisory Board and the Rabobank Special Management Department in order to consider how the acute financing requirements could be met. Rabobank indicated during these talks that it was not prepared to provide further financing and demanded repayment of the entire contingent liability facility.

In an email letter dated 9 May 2016, Rabobank informed MS that the entire credit facility had to be fully repaid on 1 July 2016. The Board informed Rabobank that this was not attainable.

Rabobank reinforced its position by establishing rights of pledge on almost all assets (to the extent that these assets had not been already pledged). The shareholders were only prepared to consider further financing if, in exchange for this financing, securities would also be provided. Rabobank did not agree to this and insisted on an accelerated reduction of its position.

This situation generated a lot of tension and lasted until 15 July 2016. The Receivers were informed that Rabobank demanded immediate repayment of the entire contingent liability facility and that the means required for that purpose should be provided by the shareholders. They were not prepared to do so.

On 17 May 2016 the Board presented a recovery plan to Rabobank and the Supervisory Board. This plan included:

- a stock reduction of EUR 5m;
- an additional reduction of the working capital of EUR 5m. This reduction would have to be realised by an extension of the payment terms to the suppliers. The Board had already started up this process at the end of March;
- a reorganisation. The objectives were to reduce labour costs in the shops and achieve cutbacks at the headquarters;
- the sale of maximum 12 shops in France, this sale would result in anticipated proceeds of EUR 5m key monies to be received (the French system deviates in this respect from the Dutch system).

The recovery plan was based on specific turnover forecasts. However, these forecasts were not met, because the turnovers in Q2 2016 showed a further decline, therefore there was no recovery.

In June 2016 the Shareholder wished to disband the fiscal unity for the Value Added Tax and in doing so to thus limit future financial loss of Retail Beheer B.V. and America Today B.V. (which are part of the fiscal unity) in the event of insolvency. In June the Shareholder requested the Board to cooperate with an early payment of the VAT due to be paid for the current quarter. MS then requested the Netherlands Tax and Customs Administration to issue an early assessment; which it did for an amount of EUR 2,125m. That amount was paid and then Retail Beheer B.V., as head of the fiscal unity, submitted a request to reduce the number of group members of the fiscal unity to the Netherlands Tax and Customs Administration. The reduction of group members was effected on 21 July 2016 by the exit of Retail Beheer B.V. and America Today B.V. The interim payment of the VAT due by MS put even more pressure on the relationship with Rabobank.

In June 2016, at the request of Rabobank, MS instructed PwC Nederland to prepare, in short, an overview of the legal and financial structure of the enterprise, including an overview of relevant securities, intercompany relationships, 403 declarations and fiscal unities, as well as the validation of the proposed restructuring measures. PwC worked on this overview together with the Board.

At the beginning of July 2016, MS's request for a flash loan was not granted by the Shareholder.

On account of the increasing complications, in which several advisers had since become involved (Norton Rose as lawyer of the directors, Wijn & Stael as lawyer of MS, the Rabobank Special Management Department, NautaDutilh as lawyers for Rabobank, NTAB on behalf of Rabobank and finally PwC), on 5 July 2016 Mr Hovestad was appointed CRO (Chief Risk Officer) in order to assist the Board and also to support PwC.

On 15 July 2016 the abovementioned report, which was drawn up by the Board and reviewed by PwC, was presented to the Supervisory Board and Rabobank. The possibilities to deal with the liquidity problems and financing requirement were examined in the report.

During the meeting on 15 July 2016 it appeared, first of all, that the Board's report correctly represented the financial state of the enterprise and that the Board had been rightly concerned about the liability risks and the financing requirements.

Various causes of the liquidity problems are mentioned in the document:

- all purchases are made in USD and the value of the American dollar has risen sharply since July 2015;
- decreasing retail spending in women's fashion;
- strongly declining turnovers in France. The decline is caused by a disappointing collection and a series of incidents in France (attacks and strikes);
- unfortunate purchasing policy. For the 2016 collection MS focussed more on the "smart" part of the collection, at the expense of the "casual" part. This choice was not in line with the customer's wishes and requirements;
- MS has a partially outdated shop base and there is an investment gap;
- warm winter 2015; the margin on coats/jackets and outerwear sharply declined;
- poor positioning MS. Those involved believe that a modernisation is taking place in the large sizes segment, towards which MS was not sufficiently geared.

The Receivers would add that there are also other causes of the bankruptcy that can be mentioned. For example, as from 2011 the financing of the company was not adequately arranged because there was a too great dependency on flash loans. This informal arrangement did not pose any problems as long as there was a positive Ebitda, but was discontinued when in 2016 the Ebitda was negative or threatened to become negative. Moreover, the enterprise had too few reserves in order to absorb setbacks, such as two disappointing seasons or a poor purchasing policy.

All parties involved came to the conclusion that there was an acute liquidity requirement of approximately EUR 7m until the end of 2016. Moreover, it was assumed that the already fully utilised credit facility with Rabobank would be continued, while Rabobank had always made it clear that it was no longer prepared to do so.

Therefore, in this period until the end of 2016, structural solutions for the abovementioned causes would have to be worked on. Furthermore, it was clear from the report that in 2015 there had been a peak in the working capital requirement of approximately EUR 40m, of which not more than EUR 25m could be met from the Rabobank facility. That situation would repeat itself in 2016.

The question was how that liquidity requirement could be met. The Board considered further extension of the payment terms to be irresponsible and was no longer prepared to enter into new obligations for the purchasing, as long as it was not clear whether those obligations could also be met.

The report did not cause Rabobank (repayment) and the representatives of the shareholders and the Supervisory Board (no longer prepared to provide additional financing) to reconsider its//their position.

In response to the report of 15 July 2016, Rabobank nevertheless decided to continue the credit relationship until 1 August 2016, in order to thus keep the business activities going with a view to a sale of MS as a going concern.

Conditions were set for this continuation, such as for example that only the absolutely necessary payments would be made, that payment transactions would be supervised and that supplies to foreign countries would be restricted.

Moreover, it was decided to initiate a sales process (for which purpose the services of PwC were engaged) and preparatory measures were taken in connection with a formal insolvency.

On 20 July 2016 PwC was appointed by the Management of MS Mode Group B.V. as adviser in order to guide and assist with an accelerated sales process of MS. The sales process was focussed on a sale of the entire group on a solvent, "going concern" basis. A deadline of 1 August 2016 was set, namely the date up to which Rabobank was prepared to continue the relationship.

At this first stage of the sales process, approximately fifty strategic buyers and financial investors were approached (both national and international). Parties were approached with a Teaser document in which the main lines of the acquisition opportunities were presented. Fifteen interested parties responded and after signing a non-disclosure agreement, were given access to an extensive sale document (in the form of a "Company Presentation") as well as an electronic data room with financial, operational, commercial and legal data, including a financial model with historical and forecasted figures, which includes the Management's restructuring plan.

At this stage of the sales process, they did not manage to get "going concern" offers for the whole group. This was especially due to:

- the short lead time between the first approach of potential buyers as from 21 July 2016 up to the set deadline on 1 August 2016 (therefore in the middle of the summer holiday period);
- the cross-border restructuring challenges in respect of the foreign entities, France in particular (only if a bankruptcy could be avoided in France would Rabobank be able to recover its debts from the key monies);
- the required investment amount and the risk profile in combination with the restructuring of the entire MS Mode Group on a solvent basis.

On 1 August 2016 it was clear that the sales process had not been successful. Rabobank had announced that in that case it would end the relationship. On 4 August 2016 notice of termination of the credit was given. On 3 August 2016 the Management applied for postponement of payment, which was granted on Friday 5 August 2016.

As there was no prospect whatsoever of being able to satisfy the creditors, and even the operating costs could not be paid, the Administrators were obliged to request withdrawal and with the Board's consent, the (provisional) suspensions of payments were converted into bankruptcies on 11 August 2016.

2. PERSONNEL

2.1 Number of Employees at the Time of Bankruptcy

MS Mode Nederland B.V.	:	935
MS Mode Group B.V.	:	0
MS Mode Holding B.V.	:	0

2.2 Number of Employees in the Year prior to Bankruptcy

In the year prior to the bankruptcy a start was made with the divestment of loss-making shops. The employees working at these shops were transferred to other shops or could opt for a voluntary severance package. However, partly on account of the growth of the e-commerce department, the number of employees in the year prior to bankruptcy scarcely changed. Most employees worked on a part-time basis. In addition, on-call employees were hired.

2.3 Date of Notice of Dismissal

12 August 2016.

2.4 Explanatory Note

All employees of the Dutch shops and of the headquarters have an employment contract with MS Mode Nederland B.V. The majority, approximately 800, was employed in the Dutch shops. The Dutch and foreign shops were supported and directed from the headquarters in Diemen, where approximately 140 employees were employed.

As from 8 August 2016 there were consultations almost every day with the chairman of the Works Council. In addition, in consultation with the HR managers, a "Q&A", containing the answers to a number of the most frequently asked questions, was drawn up. On 11 August 2016, a collective redundancy notification was given to the relevant trade unions in compliance with the provisions of the Dutch Collective Redundancy Notification Act.

All employees were dismissed on 12 August 2016, with the authorisation of the Delegated Judge.

The Receivers ensured that the Wage Guarantee Scheme was put into operation. In connection with the size of the bankruptcies and the desired speedy settlement of the salary arrears, a shortened intake procedure was achieved with the assistance of the Employee Insurance Agency [*Uitvoeringsinstituut Werknemersverzekeringen*], hereinafter called "UWV", whereby the Receivers (with the assistance of staff members of MS) ensured the intake of all employees at the UWV. This data was processed by the UWV after receipt of a written authorisation from the individual employees. These authorisations were submitted at one of the five employee meetings that were held on 18, 19 and 22 August 2016 in Zwolle, Eindhoven, Rotterdam, Amsterdam and Diemen. On 5 September 2016 a catch-up meeting was organised to which employees, who were not able to attend the previous meetings, were invited. In addition to the collection of authorisation forms, the employees were informed about the Wage Guarantee Scheme and the procedures to be followed in the context of the Dutch Unemployment Act at the abovementioned meetings.

The UWV was permitted to inspect the personnel and salary records. These salary records were found to be well organised and accurate. On Monday 15 August 2016 a meeting was held with the Works Council. In the days and weeks prior to and after this meeting, the employees were informed regularly, and in any case weekly, about the progress of the bankruptcies by means of

central email messages and messages via the cash register systems in the shops. In addition, the abovementioned “Q&A” was continually updated and supplemented.

Through expiration of the term of notice, all employment contracts have since ended. The UWV paid out the first advances to the employees around 6 September 2016. The UWV will draw up and submit the final settlement statement.

A number of employees have submitted a claim in the bankruptcy on the grounds of (salary) obligations that have not been assumed by the UWV.

3. ASSETS

3.1 to 3.4 Immovable Property

Ownership of immovable property or registered property has not been found.

Operating Assets

3.5 Description

The furniture, fixtures and equipment in the stores and in the headquarters were valued by the valuation and consultancy agency, Troostwijk Waardering en Advies. The joint shop furniture, fixtures and equipment were valued at a liquidation value of EUR 157,600 and the furniture, fixtures and equipment of the headquarters were valued at a liquidation value of EUR 54,000.

3.6 Sales Proceeds

In the context of the restart, the furniture, fixtures and equipment were sold for an amount of EUR 232.760.

3.7 Estate Contribution

Not applicable.

3.8 Preferential Claim of the Netherlands Tax and Customs Administration

The furniture, fixtures and equipment were pledged to Rabobank. The claim of the Netherlands Tax and Customs Administration to the proceeds is of a higher priority than the claim of Rabobank.

Stocks / Work in Hand

3.9 The following stock positions could be deduced from the financial records:

- Distribution centre:	EUR 6,754,057
- Dutch shops:	EUR 4,897,255
- Web shop:	EUR 708,169
- Wehkamp:	EUR 376,777

There was no work in hand.

3.10 Sales Proceeds

Up to the date of sale to the restarting party, total gross sales proceeds of EUR 8,084,786 were realised.

3.11 Estate Contribution

As the sale largely took place from the Dutch shops, a contribution to the operating costs will be paid from the sales proceeds, which is not an estate contribution.

Other Assets

3.12 Intellectual Property Rights

MS Mode Holding B.V. had fourteen (14) internationally registered brand names and logos.

All Intellectual Property rights were transferred in the context of the restart.

3.13 Participating Interests

The bankrupt Dutch entities (indirectly) hold the shares in the following participating interests, please also refer to Appendix 1:

- MS Mode Asia Ltd.

- MS Mode France B.V.
- Sarl MS Mode France
- MS Mode België N.V.
- MS Mode Spain B.V.
- MS Mode España S.L.
- MS Mode Luxembourg Sarl
- MS Mode Distribution Sarl
- MS Mode GmbH

The directors appointed under the Articles of Association of the foreign companies are in all cases the same directors as in the Dutch companies. In the last weeks the Board has sought the advice of local law firms.

The foreign companies operated independently, kept their own accounting records and took care of matters such as insurance, promotion and (tax) returns. The strategy was developed in the Netherlands. All stock was designed, purchased and sold intercompany to the foreign participating interests by MS Mode Nederland B.V.

MS Mode Nederland B.V. had concluded with the foreign companies transfer pricing agreements, which included agreements on prices, payments and margins. The purport of these agreements was to allow the foreign companies to operate with an operating margin of 2% (Belgium 3.5%). Settlements were made each year. If the turnover of a participating interest was disappointing and the operating margin was not met, MS Mode Nederland B.V. had to pay the difference between the realised margin and the operating margin. In this way, various current account relationships exist in the group.

The Receivers investigated the possibility of including the shares in the foreign participating interests in a possible restart. The shares in MS Mode Espana S.L., MS Mode Asia Ltd and MS Mode Luxembourg S.a.r.l were purchased by the restarting party.

A brief overview of the foreign companies is given below:

MS France

MS Mode Holding B.V. holds all shares in MS Mode France B.V. MS Mode France B.V. holds, in turn, all shares in Sarl MS Mode France. Key figures:

- 138 shops
- 659 employees
- EBITDA in 2015: € 8.5m

MS Belgium / Luxembourg

MS Mode Group B.V. and MS Mode Holding B.V. hold 99.92% and 0.08% respectively in MS Mode België N.V. MS Mode Group B.V. holds all shares in MS Mode Luxembourg Sarl. Key figures:

- 52 shops
- 292 employees
- EBITDA 2015: € 0.8m

MS Germany

MS Mode Nederland B.V. holds all shares in MS Mode GmbH. Key figures:

- 38 shops
- 289 employees
- EBITDA 2015: € 0.3m

MS Spain

MS Mode Holding B.V. holds all shares in MS Mode Spain B.V. which, in turn, holds all shares in MS Mode España S.L. Key figures:

- 32 shops
- 289 employees
- EBITDA 2015: € 1.3m

MS Asia

MS Mode Group B.V. holds all shares in MS Mode Asia Ltd, which is a purchasing organisation that also performs services for other customers. Key figures:

- 0 shops
- 0 employees
- EBITDA 2015: € 4.1m (it is not yet known which part of this is applies for MS Mode)

4. DEBTORS

4.1 Amount of Accounts Receivable

There is only a limited receivables position, because MS, as a retail company, sold its stock in the shops against payment in cash.

The financial records show a receivables position of EUR 798,614 due from 28 debtors. That partially refers to old receivables and receivables from foreign parties. Therefore, the Receivers anticipate problems with the debt collection.

A substantial receivable is the one due from Wehkamp; Wehkamp has since made a payment of EUR 316,067.

The Receivers will be preparing an inventory and are consulting with Rabobank.

4.2 Proceeds

As at the date of this report, an amount of EUR 316,067 has been collected.

4.3 Estate Contribution

An estate contribution of 10% on the collected amounts has been agreed with the pledgee.

5. BANK / SECURITIES

5.1 Claims of Bank

As from 27 January 2011, Rabobank (the Coöperatieve Rabobank U.A.), as legal successor under universal title of Coöperatieve Rabobank Kromme Rijnstreek U.A., has provided to MS Mode Group B.V. a credit facility of a total of EUR 56,350,000. The companies, MS Mode Holding B.V., MS Mode Nederland B.V., MS Mode France B.V., SARL MS Mode France, MS Mode Spain BV, MS Mode España S.L., MS Mode België N.V. and MS Mode Asia Ltd., were contracting party (each party as both obligor and borrower) to the credit agreement. Therefore, these companies are jointly and severally liable to Rabobank.

The credit agreement was amended and laid down in an Amendment and Restatement Agreement dated 3 June 2015. Facilities of a total of EUR 65,681,375 were provided under the credit agreement.

As security for payment of all amounts due to be paid by MS to Rabobank under the abovementioned credit facilities, MS established various rights of pledge on the stocks, amongst other things. Rabobank is claiming a right of pledge on stocks, furniture, fixtures and equipment, accounts receivable, intellectual property rights and shares in participating interests.

On the date of the bankruptcy, the amount payable by MS Mode Group B.V. and its affiliated companies to Rabobank amounted to EUR 31,818,723.09. Rabobank terminated the credit by letter dated 4 August 2016.

The Receivers will carry out their customary investigation into the legal validity of the credit agreements and security rights, but assuming that these agreements and rights will be found to be legally valid, Rabobank's claim was due and payable and MS Mode Group B.V. was in default. Therefore, as pledgee, Rabobank was authorised to exercise its right of foreclosure and to sell the stocks pledged to it by way of a public auction and to recover the amount payable from the proceeds.

However, Rabobank was of the opinion that a sale by way of a public auction pursuant to Section 3:248 in conjunction with 3:250 of the Dutch Civil Code would not realise the maximum proceeds for it.

On 26 July 2016 the valuation and consultancy agency, Nederlands Taxatie- en Adviesbureau ("NTAB"), carried out an investigation, on the instructions of Rabobank, into the stocks on hand and published a report on this investigation. The cost price of the stock on hand in the 134 Dutch shops amounted to EUR 6,776,000. The purchase value/cost price of the stock in the central warehouse (distribution centre, "DC") amounted to EUR 8,043,000. The DC is used for sales via the web shops and sales in the shops (also including the foreign shops).

NTAB was of the opinion that in the case of a sale by foreclosure scenario (as prescribed by law), auction proceeds of approximately EUR 4 to 5m would be realised. That is at most 30% of the cost price. In the event that the stock would be sold from the shops, the proceeds would be much higher, according to NTAB.

For that reason, Rabobank strongly requested the pledger's consent (initially the Board, later the Receivers) to proceed with a private sale by Rabobank from the shops. A few hours before the suspension of payments entered into force, the Board granted this consent on the basis of a "sale by foreclosure agreement" pursuant to Section 3:251(1) of the Dutch Civil Code.

As a result, sales were being conducted from the shops in a way that was not clearly visible to the public, not by MS, but by Rabobank, as from the date of the suspensions of payments.

The Receivers opposed this agreement, partly because no income was released from the shop proceeds in order to pay the operating costs, such as the costs of rent and personnel. The VAT (21%) on the shop sales, due to be paid by Receivers, could not be paid either because Rabobank recovered its costs from these proceeds.

Negotiations on this matter were held with Rabobank and initially, the parties were so far apart that the Receivers had to close the Dutch shops.

Finally, a new arrangement, with commencement date 5 August 2016, was concluded on 13 August 2016. This agreement was acceptable to the Receivers and therefore the relationship with Rabobank was restored in a positive way, partly because effective agreements on the VAT component were made and justice was done to the interests of unpaid suppliers.

Unpaid suppliers with a valid property right can be offered a percentage of 80% of the purchase price for the unpaid stock which was delivered by them and was sold in the period up to 1 September 2016.

In addition, the Receivers considered it of major importance that the attempts to arrive at a sale of the enterprise would be doomed to failure if the sales organisation was not maintained as far as possible.

Rabobank subsequently requested the Receivers to also accept an application to be submitted, on behalf of Rabobank, to the Court in Provisional Relief Proceedings [*Voorzieningenrechter*] for permission to conduct a private sale in the shops. The Receivers refused to cooperate with that application because it was not included in the application that the parties had already reached agreement on this issue. This issue is relevant on account of the possible tax consequences. Ultimately, the application was not submitted.

5.2 Lease Agreements

Consultations were held with all leasing companies.

31 cars were leased from Athlon. In the context of the restart and the continuation of the business activities, all 31 lease contracts were continued up to and including 31 August 2016. Athlon will consider, in consultation with the restarting party, which lease agreements will be taken over. Athlon will complete, together with the restarting party, the further settlement and collection of the vehicles.

The printers and coffee machines are also leased. The restarting party will take over the contacts and in any case, bear the costs as from 1 September 2016.

5.3 Contributions and Cost Reimbursements

The Receivers have agreed with Rabobank various reimbursements for the period up to the restart agreement.

That is, first of all, a fixed contribution to the costs of EUR 800,000. In addition, the VAT due on the sale (21%) will be paid to the Receivers.

An amount on account of necessary variable costs and essential suppliers, namely EUR 1,905,563, will first be deducted from the total sales proceeds of EUR 8,084,786. On top of that, an amount due to suppliers (see 5.5) of maximum EUR 805,322.77 will be deducted. Of the net proceeds to be thus calculated, an additional 19% is due to the Receivers as payment for the operating costs.

5.4 Reservations of Ownership

MS reportedly agreed with suppliers that the general purchasing terms and conditions of MS apply and therefore reservations of ownership cannot be legally valid. This will be further investigated.

5.5 Right of Reclamation

Various parties have invoked a right of reclamation. These parties have a joint claim of EUR 7,225,976.

The Receivers have found the right invoked to be legally valid in fifteen cases and the accompanying stock has an invoice value of EUR 2,793,980.

Rabobank sold stock during the continuation period. It has been established that stock was sold for a purchase value of EUR 912,250, for which a right of reclamation has been invoked. The amount has been carefully established by NTAB and staff members of MS.

It was agreed with Rabobank that the Receivers may offer 80% of the purchase value to the suppliers concerned (who therefore have invoked a legally valid right of reclamation) and it was also agreed that, notwithstanding the statutory system, the right of reclamation (provided that it is invoked within six weeks after date of bankruptcy) will have retroactive effect.

The Receivers have consulted with the suppliers. Nine suppliers have since accepted the proposal. The remaining suppliers have not yet responded, or they are still considering the proposal.

The stocks remaining on 1 September 2016 were handed over to the restarting party and it was agreed that the suppliers' ownership rights will be respected and that the restarting party will also be responsible for the settlement of these stocks, either by returning or buying them.

5.6 Rights of Retention

Bleckmann Nederland B.V. operates the distribution centre of MS where the stocks are stored. The value of the stock stored there amounted to approximately EUR 7m (cost price). The amount payable by MS to Bleckmann Nederland B.V. was approximately EUR 1m. Rabobank paid Bleckmann Nederland B.V. an amount of EUR 1,161,648 in order to obtain release of the property subject to the right of retention and as payment of the necessary continuation costs of the activities until 1 September 2016. This right of retention has thus been settled.

Damco Netherlands B.V. invoked a right of retention in respect of stocks that were in the Rotterdam Port. Rabobank paid an amount of EUR 60,825 in order to settle this right of retention.

The road haulage operator, Inter Rutges B.V., invoked a right of retention. The services of these parties were necessary for the continuation of the activities. For that reason, the right of retention was also settled with Inter Rutges B.V. Rabobank made two payments of EUR 120,758 and EUR 249,418.

6. RESTART / CONTINUATION

Continuation

6.1 Operation / Securities

After agreement was reached with Rabobank, the activities could be continued. The operation of the shops was continued, as far as possible, in a normal manner. In consultation with the Receivers, the CRO (Mr Hovestad) worked closely with the Board to that end. From the headquarters in Diemen directions were given to the district managers, who, in turn, then directed the shop managers and/or the shop staff. Thus the necessary, regular business processes were well under control.

NTAB and the Receivers made agreements, in good consultation, with essential suppliers about the (temporary) continuation of the supplies and services.

Moreover, there were daily meetings at which the Board, the CRO, NTAB and the Receivers were present in order to discuss the general matters and any problems.

An important part of the meeting was devoted to the sales strategy to be pursued. In the interests of a restart, it was important to maintain the integrity of the brand and therefore, to not organise sales. If a choice was only made for a quick foreclosure, that would lead to sales. The choice was made to not grant any further reductions to customers than the customary seasonal reductions.

There was also the question as to what extent goods had been sold to foreign participating interests. There was a pricing agreement between the Dutch parent company and the foreign participating interests. Under this agreement the sale of stock to participating interests would be made on the basis of cost price plus a small surcharge. Therefore, the sale of stock from one's own shops in the Netherlands would realise higher proceeds than sale to a participating interest. However, the continuity of the participating interests was of great importance. If the participating interests no longer received stocks, they would have to discontinue their activities. In consultation with Rabobank and the Board, it was decided to deliver restricted supplies to the participating interests, provided that these stocks were paid for in cash.

The continuation took place from 5 August 2016 up to and including 31 August 2016. A restart took place as from 1 September 2016.

In appropriate cases, there was direct communication with the shops by means of messages sent via the cash register systems.

Customers were primarily informed via the website of MS, but also by means of press releases distributed to the national media.

Initially, vouchers were not accepted in the continuation period. Shortly afterwards, an alternative construction was devised whereby vouchers could be submitted after all, subject to the restriction that these vouchers could only be used to pay maximum one half of the purchase amount. The other half of the purchase amount had to be paid in cash. Thus a concession could be made, in cooperation with Rabobank, to holders of vouchers.

6.2 Financial Reporting

The Receivers received daily and accurate reports on the realised shop sales and the costs incurred for the continuation. These reports were prepared by the Management of MS and

NTAB and if necessary, could be adjusted each day. Attention was also given to ensuring that it was clear which stocks were sold so that the supplier positions were recorded properly.

During the continuation period a turnover of EUR 8,080,847 was realised, of which the largest part of EUR 5,958,680 was realised by sales from the Dutch shops. The remaining part of EUR 2,122,168 was from paid supplies to the participating interests.

A VAT component of EUR 1,033,104 is only involved in respect of the shop sales.

The Receivers receive as contribution to the costs an amount of EUR 800,000, the VAT due and 19% of the net proceeds.

Restart

6.3 Description

After 1 August 2016 the sales process was at a standstill until the date of the suspension of payments.

Then it took some time before agreement could be reached between Rabobank and the Receivers. During this period the already known parties, but also new parties who were proactive in making themselves known, were provided as far as possible with information about the situation and the intended process.

After agreement was reached with Rabobank, the Receivers appointed PwC in order to continue the sales process (now aimed at a sale as assets transaction of the Dutch entities and a share transaction as regards the foreign activities). Efforts were made to achieve an accelerated sales process.

On the basis of the work already carried out in phase 1, the most probable buyers for the entire group or parts thereof were identified in a short space of time. There was also contact with new parties who had made themselves known after the suspension of payments.

The sales procedure was established in consultations between the Receivers, CRO Hovestad and PwC and also involved the use of a non-disclosure declaration and a procedure letter. After signing and after a number of obligations (including proof funding) had been met, access was given to the data room.

Meetings (sometimes by telephone conference call) were held with various parties in order to provide the necessary insight and information for an indicative offer that had to have been made on 22 August 2016 at 13:00 CET at the latest. A final offer had to have been received on 26 August 2016 at 17:00 CET.

In the first round PwC received seven indicative offers from interested parties. It was decided to continue with three parties in the final round of the sales process. The selection was based on the intended form of the transaction (whereby a continuity scenario was preferable to a liquidation scenario) as well as the expected proceeds.

On 29 August 2016 these three parties were requested to provide further information about their offer. During these presentations the parties were given a short period of time until 31 August 2016 17:00 CET in order to declare in writing the offer unconditional (or to submit an amended proposal) on the basis of the most recent stock levels.

On Thursday 1 September 2016 consultations were held with Rabobank about the offers and the analysis that PwC had made of these offers. Shortly afterwards, one party withdrew its offer, the takeover of foreign activities by means of a share transaction was felt to be too complicated and risky. Then it was decided on the basis of the abovementioned starting points to exclusively hold final talks on the offer made by a combination of GA Europe & CoolCat Real Estate B.V. (hereinafter jointly called "GA").

The Receivers feel that it is important to point out that there was an open bidding process in which many parties were involved.

Consultations with GA resulted in an agreement in principle on 2 September 2016.

A first draft of a takeover agreement was discussed on Monday 5 September 2016. Many complications arose, such as the effective date of transfer and the indemnities requested by the Receivers. After extensive negotiations, an outline agreement was reached on 7 September 2016. However, agreement had still not been reached on the way in which GA should settle the rights of third parties. After many negotiating rounds, an agreement was signed on 14 September 2016.

In any case, a good result was obtained as regards the Dutch activities, as on the date of filing of this report it seems likely that approximately 75% of the Dutch company will be maintained.

6.4 Proceeds

In the context of the restart the bankruptcy estate has already received the following amounts:

- EUR 500,000 for the goodwill;
- EUR 60,000 for three participating interests;
- EUR 232,760 for the furniture, fixtures and equipment of the headquarters and the shops;
- EUR 250,000 as contribution to the general bankruptcy costs.

These proceeds were multiplied by a share in the net sales proceeds of the stocks. The Receivers anticipate that in the coming reporting period a settlement can be made.

7. LEGALITIES

7.1 Accounting Records Obligation

The accounting records were well kept and organised. At unconsolidated level, additional information will have to be provided.

7.2 Filing of Annual Accounts

On time.

7.3 Unqualified Auditor's Report

Issued for the Annual Accounts 2014, but not for 2015

7.4 Obligation to pay up Shares

Fulfilled.

7.5 Mismanagement

Under investigation.

7.6 Actions prejudicial to the Creditors within the meaning of the *Actio Pauliana*

Under investigation.

8. CREDITORS

Claims can be filed via an online registration service. Creditors can file their claim for verification via the website www.crediteurenlijst.nl, accompanied by (scanned) supporting documents. Any claim to a right of preference, a right of retention, a reservation of ownership and/or any other right should be explicitly stated and substantiated.

8.1 Estate Debts

These debts will be identified and set out in more detail.

8.2 Preferential Claim of the Netherlands Tax and Customs Administration

An overview of the tax position has not yet been received from the Netherlands Tax and Customs Administration. A calculation of the claim has been drawn up pursuant to Section 29(2) of the Dutch Value Added Tax Act and is under discussion.

8.3 Preferential Claim of the UWV

The UWV has not yet filed a claim.

8.4 Other Preferential Creditors

This category of creditors has not yet been clarified. In the bankruptcy of MS Mode Nederland B.V. an amount of EUR 5,732,407.80 in preferential claims has been filed, however a large amount of these claims do not appear to be preferential but unsecured claims.

8.5 Unsecured Creditors

1. MS Mode Group B.V. does not have, other than that for which it is jointly and severally liable to Rabobank, regular trade creditors. There are several intercompany debts to the other bankrupt companies;
2. MS Mode Holding B.V. does not have, other than that for which it is jointly and severally liable to Rabobank, creditors;
3. in the bankruptcy of MS Mode Nederland B.V. an amount of EUR 33,195.419.21 has been filed. This amount is expected to increase significantly.

8.6 Anticipated Manner of Settlement

In view of the current state of the bankruptcy proceedings, a definite answer on the manner of settlement cannot be given.

9. LEGAL PROCEEDINGS

9.1 Opposing Party(ies)

9.2 Nature

9.3 State of Progress

Before the bankruptcy date MS Mode Nederland B.V. summarily dismissed an employee for shop theft. On 18 August 2016 this employee filed an application with the Midden-Nederland District Court, location Utrecht, requesting annulment of the dismissal and (continued) payment of salary.

The application contains formal errors; the applicant has been informed of these errors.

10. OTHER

10.1 Period required for Completion of the Bankruptcy Proceedings

Not yet known

10.2 Action Plan

The inventory phase has not yet been completed. Ad hoc problems, which have to be resolved, arise regularly.

The settlement of the rights of unpaid suppliers whose stock was sold has priority and is progressing well.

In the context of the continuation of activities and the restart agreement, the Receivers stipulated the payment of reimbursements which partially have to be set and calculated retroactively.

The tax position will be further determined.

It is part of the Receivers' standard duties to investigate actions prejudicial to creditors and illegalities. That investigation will receive attention in the following phase of the bankruptcy.

10.3 Filing of the Next Report

In three months' time.

Prepared, signed and filed with the Amsterdam District Court Bankruptcy Registry on 14 October 2016.

C. de Jong,
Receiver

F. Kemp,
Receiver