

BANKRUPTCY REPORT

Number: 2

Date: 8 August 2016

Company details

Unlimited Sports Group B.V. ('USG') and its bankrupt Dutch subsidiaries, for a list see section 1.7.

Bankruptcy number

C/13/16/87 F

Date of bankruptcy order

23 February 2016

Bankruptcy trustees

mr. A. van Hees and *mr.* J.E.P.A. van Hooff

Supervisory judge

mr. I.M. Bilderbeek

Company activities

Retail/wholesale in sporting goods articles, see below.

Consolidated turnover

Approximately €250 million in 2014

Personnel

2,145

Reporting period

13 April 2016 – 5 August 2016

Hours spent in the reporting period

812.50

Total hours spent

2,276.0

1. INVENTORY

1.1. Management board and organization

Report 1:

Unlimited Sports Group B.V. ('USG') is the parent company and financial holding of the group of entities that together make up the Unlimited Sports Group ('USG Group'). According to the information found in the trade register of the Chamber of Commerce, USG has existed since 31 July 2006.

The USG Group's principal activities are in the wholesaling and retailing of sports, lifestyle and outdoor-related articles. It has multiple subsidiaries in multiple countries, and is known for a number of different brands including Perry Sport and Aktiesport.

The USG Group operated around 350 shops, some in the shop-in-shop formula, and was active in the wholesaling and commercial exploitation of its own brands (including Tenson and Wildebeast) and various other known brands under license (including Fila, Le Coq Sportif, INQ and Ellesse). The USG Group was active in several countries, including Belgium and Luxembourg (Primo shops), Sweden, Denmark (Tenson), Germany (wholesale) and Hong Kong (sourcing office).

As per the date of bankruptcy, the official management of USG according to its articles of association is composed as follows:

- Jos Gillebaard (managing director, independently authorized, CEO);
- Jerry George (jointly authorized, CFO);
- Pascal Kouwenhoven (jointly authorized, Head of USG Brands).

1.2. Profit and loss

Report 1:

The consolidated annual accounts over the years 2006 through 2014 have been filed with the Chamber of Commerce. For financial year 2013, the result was €1,169,000 positive and over 2014 the result was €659,000 negative.

1.3. Balance-sheet total

Report 1:

At the end of 2013, USG's balance sheet total was €188,478,000, and at the end of 2014 it was €186,942,000 (both consolidated).

1.4. Pending legal proceedings

Report 1:

A list of pending legal proceedings will follow in the next report.

Report 2:

At the time of the bankruptcy, there was an lawsuit against the franchisees of TOS in process.

1.5. Insurances

Report 1:

The bankruptcy trustees have taken an inventory of the insurances contracted by the USG Group through Aon. A significant portion of these insurances have been continued by the bankruptcy trustees with a view to the temporary continuity of the enterprise through a portion of the reporting period.

Report 2:

Recently, a large number of insurances were terminated because they were no longer necessary after the transfer of the enterprise to the relaunched company Sports Unlimited Retail (hereinafter also referred to as "SUR"). The other insurances are expected to be terminated in the near future.

1.6. Lease

Report 1:

As per the date of bankruptcy, the USG Group was party to some 200 leases, of which approximately 190 were for the rental of shops, with the rest pertaining to the rental of a few warehouses, offices and showrooms.

Prior to the date of bankruptcy, the USG Group had already cancelled some 15 leases. As of the bankruptcy date, the notice period of these cancelled leases had not yet passed.

After the bankruptcy date, the bankruptcy trustees cancelled 55 leases in observance of a notice period of three months, these being primarily shops designated by the management of the USG group as shops making a negative contribution. No interest in the takeover of these shops was to be expected.

After the bankruptcy, approximately 50 tenants cancelled their leases with a notice period of three months. The bankruptcy trustees informed these tenants that they intended to transfer the leased shop, and in the event of a takeover the cancellation would be contested.

The total lease costs of all the leases referred to above were, as of the date of bankruptcy, approximately €2.2 million per month. On that date there was already an outstanding amount of rent in arrears of approximately €2.8 million. The total lease costs as from the date of the bankruptcy until 20 March 2016 was a total of approximately €2.3 million.

Report 2:

In the most recent part of the reporting period, the bankruptcy trustees have been forced to spend a great deal of time on contacts with tenants. In view of the extreme urgency with which the transaction with SUR had to be completed, a transition period was unavoidable. From a bankruptcy situation, the only way to transfer the enterprise as such to SUR was to give SUR the actual control over the shops, and by doing so, enable SUR to continue the shops. The time prior to the transaction was too short to allow SUR to conduct any remotely adequate due diligence investigation. As a result, it was only after the transaction that SUR could assess which shops it wished to continue. Of course, this also meant that there was no time prior to the transaction to allow SUR to reach a consensus with the tenants of the approximately 190 locations on a continuation of the tenancy relationship. The bankruptcy trustees and SUR agreed that after signing the purchase agreement, SUR would begin discussions with the lessors of the shops that SUR wished to continue in an effort to reach an arrangement with those lessors. If no arrangement could be reached, then the bankruptcy trustees would either seek the substitution of SUR (at SUR's request) or cancel the tenancy. In the event that substitution were to be forced by court order, arrangements were made with respect to a number of shops crucial to SUR on an additional fee to be paid by SUR to the estate in the event that the substitution sought by the bankruptcy trustees was awarded. Additionally, an arrangement was made with SUR that it would pay a fee to the estate for (in part) the use of the locations. A further agreement reached with SUR was that failing a new agreement or substitution, the shops would be cleared and that SUR would return them in a clean and swept state at the end of its use.

Since that time, SUR has contracted new leases or taken over the existing leases with the tenants of 157 shops. That number is higher than the bankruptcy trustees had expected immediately following the bankruptcy date. As indicated in the previous report, in the first few weeks following the bankruptcy the bankruptcy trustees cancelled 55 leases, for the most part because the management had identified the shops in question as shops with a negative contribution, and which could not be expected to attract any interest. Despite this, SUR ultimately proved interested in continuing a large number of these shops (in some cases temporarily, and in others permanently).

The lessors of a number of shops were initially unwilling to enter into a new lease with SUR. One lessor filed preliminary relief proceedings seeking the clearing of a shop. Another suit was filed in which the bankruptcy trustees, in anticipation of a decision on the substitution request, sought a court order for another lessor to permit and tolerate SUR continuing the operation of the shop. And of course, the requisite threats of lawsuits were raised from all corners. In all of these cases, the parties were ultimately able to reach a settlement and the lawsuits were either settled or not filed. As such, in the end there was no need to force substitution of SUR as tenant by court order.

SUR requested the bankruptcy trustees to consent to SUR entering into new leases retroactive to 1 May 2016. The bankruptcy trustees granted this consent under the condition that the leases in question be entered into no later than 31 May 2016 and that by no later than that date the bankruptcy trustees were to be provided with statements from the lessors in question discharging the estate from all obligations (including the obligation to clear the locations, the obligation to restore the leased objects to their original state and any obligations of lost rental income as a result of the lower rent agreed with SUR), the exception being the obligation to pay rent back to 1 May 2016. At the end of May 2016, it became clear that SUR had signed a large number of leases, but for a number of others signing prior to the deadline was not realistic. Consequently, SUR requested the bankruptcy trustees to extend the deadline. The bankruptcy trustees were not particularly inclined to do so, for at least two reasons. In the first place, the bankruptcy trustees wanted to give SUR incentive to agree on new leases with all lessors with all due haste, so that the transition period would not last longer than necessary. Secondly, the estate has a financial interest: with the retroactive effect, SUR owes the estate a use fee over a shorter period. This is why the bankruptcy trustees agreed with SUR on a fee of €250,000 to be paid for the extension of the deadline up to and including 30 June 2016, that amount being based on an estimate of the use fee that SUR would have had to pay over the month of June without the retroactive effect. SUR has since paid the fee.

SUR has now cleared 43 shops.

The expectation is that in the coming weeks, SUR will reach an arrangement with the remaining lessors on either vacating their locations or continuing the tenancy relationship with SUR.

1.7. Cause of the bankruptcy

Report 1:

On 22 February 2016, USG submitted an application to the District Court of Amsterdam for suspension of payments under Section 214, Dutch Bankruptcy Act, because at that moment it expected that it would not be able to continue payment of its exigible debts. On

the same date, the District Court of Amsterdam granted provisional suspension of payments, appointing *mr.* I.M. Bilderbeek as supervisory judge and *mr.* A. van Hees as administrator.

On 23 February 2016, the administrator observed that it would be undesirable to continue the suspension of payments, and requested the District Court of Amsterdam to revoke the suspension of payments and simultaneously declare USG bankrupt, pursuant to Section 242(1) opening lines under 5, Dutch Bankruptcy Act. The administrator observed that the company was lossmaking and that it neither had the means to meet its running obligations nor any plan or realistic option of attracting financing or engineering a takeover of USG. No other solution appeared to be a realistic possibility. The administrator explained his intention to USG, and they supported this.

On 23 February 2016, the District Court of Amsterdam declared USG bankrupt, appointing *mr.* I.M. Bilderbeek as supervisory judge and *mr.* A. van Hees as bankruptcy trustee. In the bankruptcy declaration the District Court of Amsterdam also ordered a cooling-off period to continue up to and including 23 April 2016.

In conjunction with the bankruptcy of USG, the District Court of Amsterdam also declared the following companies making up part of the USG Group bankrupt, in each case appointing *mr.* I.M. Bilderbeek as supervisory judge and *mr.* A. van Hees as bankruptcy trustee.

- i. 525 Victories B.V. (C/13/16/96 F);
- ii. Aktiesport B.V. (C/13/16/78 F);
- iii. Aktiesport Holding B.V. (C/09/16/115 F);
- iv. Aktiesport Retail B.V. (C/09/16/118 F);
- v. Aktiesport Trading B.V. (C/09/16/116 F);
- vi. AT Sportswear Distribution B.V. (C/13/16/109 F);
- vii. Cars Footwear International B.V. (C/13/16/108 F);
- viii. DB Licensing B.V. (C/13/16/111 F);
- ix. Eredita Sports B.V. (C/13/16/106 F);
- x. FL Sports B.V. (C/13/16/104 F);

- xi. FL Sport Scandinavia B.V. (C/13/16/105 F);
- xii. Footwear International Distribution B.V. (C/13/16/110 F);
- xiii. High Tide B.V. (C/13/16/93 F);
- xiv. Norsk Sport B.V. (C/13/16/91 F);
- xv. Perry Sport B.V. (C/13/16/77 F);
- xvi. Retail Ventures B.V. (C/13/16/184 F)
- xvii. Ruby Point Real Estate B.V. (C/13/16/90 F);
- xviii. SC Sport B.V. (C/13/16/99 F);
- xix. SL Services B.V. (C/13/16/95 F);
- xx. SL Services Holding B.V. (C/13/16/94 F);
- xxi. SL Services Loyalty B.V. (C/09/16/117 F);
- xxii. Sport Illimitato Gruppo B.V. (C/13/16/98 F);
- xxiii. Sports & Teamwear Benelux B.V. (C/13/16/101 F);
- xxiv. Sportsgear Unlimited B.V. (C/13/16/97 F);
- xxv. Squadra Italia B.V. (C/13/16/100 F);
- xxvi. Studio 23 B.V. (C/09/16/119 F);
- xxvii. Teamsport B.V. (C13/16/76 F);
- xxviii. Teamsport Holding B.V. (C/13/16/92 F);
- xxix. Time Out Footwear B.V. (C/13/16/88 F);
- xxx. Time Out Sport Licenties B.V. (C/08/16/102 F);
- xxxi. Time Out Sport Winkels B.V. (C/08/16/103 F);
- xxxii. Time Out Unlimited B.V. (C/13/16/89 F);

- xxxiii. USG Sourcing B.V. (C/13/16/102 F);
- xxxiv. Valsport International B.V. (C/13/16/112 F);
- xxxv. Venn B.V. (C/13/16/107 F); and
- xxxvi. Ven III B.V. (C13/16/103 F).

By decision of 18 March 2016, *mr.* J.E.P.A. van Hooff was appointed as second bankruptcy trustee alongside the aforesaid *mr.* A. van Hees in these bankruptcies.

It emerged from the discussions with the management and third parties concerning the possible cause of the bankruptcy that the cause of the bankruptcy lay in a combination of circumstances, the first being the poor retail market. Although the USG Group was doing relatively well, it did suffer from the poor market conditions of recent years. Additionally, the USG Group had a total of 139 shop-in-shop locations in V&D department shops and Scapino shops. As is common knowledge, Dutch department shop chain V&D went bankrupt at the end of December, and the bankruptcy trustees in that bankruptcy were forced to close all V&D shops. This cost the USG Group 11 shop-in-shop locations. At almost the same time, the Macintosh Retail Group also went bankrupt, bringing down a number of shop formulas including Scapino. The Macintosh Retail Group had provided the USG Group with 128 Aktiesport shop-in-shop locations in Scapino shops. In addition to this, the Macintosh Retail Group was a major customer of the USG Group. The Scapino shops were bought out of bankruptcy by Mr H. Ziengs, a retailer active in the shoe industry, who purchased them from the bankruptcy of Scapino. On Thursday, 18 February 2016, Ziengs informed the USG Group that he did not wish to continue the 128 Aktiesport shop-in-shop locations. The next day, the group was forced to report this to its consortium of financing banks (Rabobank U.A. (**‘Rabobank’**) as leader of the consortium, and also ING N.V. (**‘ING’**), Deutsche Bank AG (**‘Deutsche Bank’**) and Bank of America Merrill Lynch Limited (**‘BoAML’**) (referred to jointly hereinafter as the **‘Banks’**)). This consortium then announced, on Sunday, 21 February 2016, that it was discontinuing the extension of credit and freezing all the group’s accounts.

The investigation into the cause of the bankruptcy is expected to commence in the second half of 2016.

2. PERSONNEL

2.1. Number at time of bankruptcy

Report 1:

At the time of the bankruptcy there were 2,145 people employed by the USG Group.

2.2. Number in year prior to bankruptcy

Report 1:

At the end of 2015, there were 2,125 employees employed by the USG Group.

2.3. Date of dismissal notice

Report 2:

After having obtained the permission of the supervisory judge, the bankruptcy trustees cancelled all employment contracts of the employees of the bankrupt companies in observance of the statutory notice period of six weeks (in accordance with Section 40, Dutch Bankruptcy Act), by letter of 1 March 2016. In most cases, the last day of the employees of the bankrupt companies was 12 April 2016.

The bankruptcy trustees terminated all fixed-term employment contracts with an originally agreed end date in the months of February and March by operation of law (in some cases following a brief extension). For these contracts, no notice of cancellation was necessary.

Additionally, the employment contracts of six Belgian employees of SL Services B.V. and two Swedish employees of Teamsport B.V. were terminated in observance of the applicable local employment laws. On these the bankruptcy trustees were advised by Belgian and Swedish attorneys.

Report 2:

Recently, the bankruptcy trustees continued the labour relationship with seven employees. For one of them, the notice period was extended and the six others were given temporary contracts. These employees (hereinafter also to be referred to as the “estate team”) supported the bankruptcy trustees in the settlement of the estate, conducting the estate administration, verifying registered claims and answering the questions of former employees.

Since then, the contracts of six of the seven employees have been terminated. The seventh's employment contract is to end in mid-August. The bankruptcy trustees offered one of the six terminated employees (the USG tax manager) a new temporary contract because in the upcoming phase the bankruptcy trustees will still require further support on aspects such as filing the second quarter VAT tax return.

Pensions

Report 2:

There are two outstanding issues on pensions.

In regard to the guarantee facility:

USG introduced a guarantee facility (also referred to as the catch-up pension) when it eliminated the early retirement plan. Under the guarantee facility, certain employees are offered the prospect of extra pension claims. These claims are conditional; only employees who up to their retirement dates remain employed by USG are actually entitled to these extra claims. The accrual of the guarantee facility only happens at the moment that and to the extent to which the promised claims are funded (i.e., purchased by USG as employer). The applicable statutory system apparently allows purchase of claims within a period of 15 years after the date of commitment of the claims, but no later than on the retirement date. USG's policy was to wait until the last possible moment to purchase the claims.

Unfortunately, the bankruptcy trustees have observed that for six employees who had already left the employment of USG prior to the bankruptcy date because they had reached retirement (including, in some cases, early retirement), the guarantee facility was not purchased; this is both wrongful and in violation of the applicable regulations. The claims of these six former employees based on the guarantee facility are pari passu claims in the bankruptcy (cf. Supreme Court, 24 January 2003, JOR 2003/72 (Niehe/Heidinga)). These employees have been informed of this. With a number of employees, explanatory meetings have been held. There have been intensive discussions with the UWV (employee insurance schemes implementing body), but the claims of these former employees for the guarantee facility are not covered by the wage guarantee scheme.

Two employees reached their retirement date or early retirement date after the date of the bankruptcy, but before the end of the notice period of their employment contracts. These employees therefore meet the condition attached to the claims under the guarantee facility. The bankruptcy trustees will further investigate the status of these claims in the bankruptcy, specifically whether these are or are not debts of the bankruptcy estate. After initially taking a different position, the UWV has now changed its mind and taken the position that the claims of these two employees do fall under the wage guarantee scheme. The bankruptcy trustees are consulting with the UWV on possible ways to set up the financing of the relevant pension claims with the structure of the wage guarantee scheme.

Additionally, a number of employees lost their jobs as a result of the bankruptcy. As a result, through no fault of their own they will not be able to meet the condition of having been working for USG on the retirement date or early retirement date. This means that they will not be entitled to any claim in connection with the guarantee facility.

In regard to unbundling the Retail Network pension/buyout buffer deposit:

Up until the takeover by USG, Perry Sport was, alongside chains like Kijkshop, Scapino and Siebel, part of the Retail Network group. The pension contract that these chains had with Aegon turn out to have never been fully unbundled. Perry Sport had contact with Aegon about this before the bankruptcy date. An agreement was ready to be signed, under which Perry Sport (partly for the purposes of unbundling) would waive a buffer deposit and would purchase a one-time indexation for the participants. The bankruptcy trustees have collected recommendations on this agreement and will announce a decision shortly.

Work

Report 1:

Various discussions in regard to the cancellation of the employment contracts, discussions with the UWV (social insurance schemes implementing body), document review, drafting dismissal letters and organizing and coordinating various meetings to inform the personnel.

Report 2:

Drafting temporary employment contracts with estate team. Correspondence and consultation with UWV. Meetings with former employees. Answering questions of employees and former employees in writing and by phone. Drafting information bulletins for employees and former employees. Reviewing documents in connection with the specified pension issues, meetings with relevant persons and collecting recommendations.

3. ASSETS

Immovable property

3.1. Description

Report 1:

Insofar as known to the bankruptcy trustees, there is one building owned by the bankrupt companies, a building at Ambachtenstraat 10 in Ouderkerk aan de Amstel. The building consists of a warehouse and an office. In 2015, the value of the building for the purposes of the WOZ (Valuation of Immoveable Property Act) was €1,124,000.

Report 2:

The banks have reached an agreement in principle on the sale of this building.

3.2. Sales proceeds

Report 1:

The building is encumbered by a first right of mortgage in favour of the Banks. The bankruptcy trustees have asked the Banks to foreclose on the property, and the Banks have already committed to start the foreclosure sale proceedings.

3.3. Amount of mortgage

Report 1:

The amount of the mortgage registration is €88,000,000 in principal.

3.4. Estate contribution

Report 2:

€2,000 (the bankruptcy trustees have made no material efforts for a sale), but the bankruptcy trustees and the banks have yet to reach an agreement on the scope of the indemnification to be extended to the bankruptcy trustees by the banks.

Work

Report 2:

Evaluation of the sales contract presented by the banks, in consultation with the banks on the contribution to the estate and the scope of the indemnification to be extended by them to the bankruptcy trustees.

Operating assets

3.5. Description

Report 1:

Fixtures & fittings

The business assets of the USG group consist primarily of shop fixtures & fittings and office fixtures & fittings.

Cash and cash equivalents

The USG Group held bank accounts with Rabobank, ING and ABN AMRO N.V. ('**ABN AMRO**'). The total balance as at the bankruptcy date (23 February 2016) was approximately €5 million negative.

3.6. Sales proceeds

Report 1:

The shop inventory of the Aktiesport shop-in-shop locations in the Scapino shops was sold to Scapino Retail B.V. for a sum of €500,000.

The inventory of the Aktiesport and Perry Sport shops was sold to Sport Unlimited Retail B.V. (SUR) together with all other assets including goodwill and intellectual property rights. For the sales proceeds, see section **Error! Reference source not found.**

The office fixtures & fittings of the headquarters will be sold in the near future.

Report 2:

The bankruptcy trustees sold a portion of the fixtures and fittings of the headquarters to SUR for a sum of €277,100 excluding VAT. Another portion of the fixtures and fittings were sold at an auction by BVA Auctions for €96,567 (a portion of this revenue pertains to property not found on the premises, such as laptops and mobile phones; these are still to be split up). The rest of the fixtures and fittings will be sold by post-auction.

3.7. Estate administrations fee

n/a

3.8. Right of seizure by the tax authorities of property found on the premises

Report 1:

The tax authorities have right of seizure of revenue from sales of property found on the premises.

Work

Report 1:

The Netherlands Valuation and Advisory Agency ('NTAB') was engaged to provide support services in the area of inventory and valuation of the estate, as well as the provisional continuation and practical winding-up of the business.

Studying documents, various discussions with NTAB on valuation of fixtures & fittings and other business assets, sale of inventory to Scapino Retail, sale of inventory to Sports Unlimited Retail.

Report 2:

Contact with NTAB and BVA Auctions, Sale of fixtures & fittings to SUR.

Stock/work on hand

3.9. Description

Report 1:

Stock

The stock of the USG Group on the date of the bankruptcy consisted of significant amounts of clothing, accessories and sports-related articles. Some of the stock was sold during the (temporary) continuation of the operation of the USG Group from the shops, and the rest was sold to Sport Unlimited Retail. See section 6, relaunch.

3.10. Sales proceeds

Report 1:

During the reporting period, the bankruptcy trustees continued the business with the authorization of the supervisory judge. As a result of these activities, the bankruptcy trustees took in €14.1 million (including VAT) in payments from shop sales.

The stock of the USG Group was sold as of 20 March 2016 to Sport Unlimited Retail for a sum of approximately €21 million; see also section **Error! Reference source not found..**

The shop inventory of the Aktiesport shop-in-shop locations in the Scapino shops was sold as of 5 March 2016 to Scapino Retail B.V. for a sum of €2.6 million.

3.11. Estate administrations fee

n/a

Work

Report 1:

Various discussions with stakeholder parties, discussions with potential buyers of the USG Group, inventory of stock on hand, discussions and correspondence with NTAB, discussions surrounding sales of stock and various activities relating to the continuation of business operations.

Other assets**3.12. Description**

Report 1:

Intellectual property rights

The USG Group holds various intellectual property rights including trademark rights. The intellectual property rights of the USG Group were all sold to Sport Unlimited Retail, with the exceptions of those of Tenson Holding B.V., Tenson B.V., Retail Ventures B.V. and Studio 23 B.V.

The intellectual property rights of Tenson Holding B.V. and Tenson B.V. were sold to BDM B.V.; see below under “*shares in companies*”.

Any rights of intellectual property not yet sold will be monetized by the bankruptcy trustees in the upcoming period.

Goodwill

The goodwill of the USG Group was sold to Sport Unlimited Retail. See section 6, relaunch.

Shares in companies

USG held all shares in Tenson Holding B.V., which in turn held all shares in Tenson B.V. The shares that USG held in Tenson Holding B.V. were pledged to the Banks. The shares in Tenson Holding B.V. were sold to BDM B.V.

Report 2:

On the date of the bankruptcy, USG had 18 foreign subsidiaries across 11 countries: Belgium, Denmark, Germany, Finland, France, Hong Kong, Italy, Luxembourg, Norway, the UK and Sweden. Insofar as possible and necessary, the bankruptcy trustees have carried out the bankruptcy or the voluntary liquidation of these companies. From the estate, contact is being maintained with the various bankruptcy trustees and liquidators abroad for the purposes of resolving issues of various natures (tax, administrative, assets and their attribution, personnel, etc.), this in part to assist those bankruptcy trustees and liquidators.

3.13. Sales proceeds

Report 1:

The shares in Tenson Holding B.V. were sold for a sum of approximately €6.1 million.

For the revenues from the sale of the other assets of the USG Group, see section 6, relaunch.

Work

Report 1:

Review of documents, various discussions with Deloitte and Banks, sale of intellectual property rights, goodwill and shares in Tenson Holding B.V. to BDM B.V., as well as sale of other assets of the USG Group.

Report 2:

Contacts with bankruptcy trustees and liquidators of foreign subsidiaries on a large number of issues of various natures.

4. DEBTORS

4.1. Amount of debtors

Report 1:

A list of the total amount of debtors will follow in the next report. Debtors collection has been taken on by Mirus International B.V., at the commission of the Banks, which have a pledge on these claims.

Report 2:

The scope of the accounts receivable is not as yet relevant to the estate. The accounts receivable have been pledged to the banks and collection for the banks is being handled by Mirus.

4.2. Proceeds

Report 1:

Not yet known.

4.3. Estate administrations fee

Report 1:

n/a

Work

Report 1:

Review of documents, various discussions with stakeholder persons, consultation with Banks.

5. BANK/SECURITY RIGHTS

5.1. Claim of bank(s)

Report 1:

The USG Group was financed by means of a senior bank loan extended by a syndicate of Banks (listed at section 1.7). Under the credit agreement that the USG Group entered into with these banks, USG and a number of its subsidiaries acted as borrower and was also jointly and severally liable for the obligations of its subsidiaries under the credit agreement. Additionally, all entities of the USG Group were jointly and severally liable for each other's obligations under the credit agreement.

Under the credit agreement, the Banks extended various different instalment loans and a current account credit. The outstanding debt to the banks under the credit agreement was, on the date of the bankruptcy, approximately €63 million. As security for the bank loan, the Banks held the mortgage right referred to in the foregoing, a pledge on all stock and fixtures & fittings, and all claims of the USG Group and on the shares of USG in (among others) the Dutch bankrupt subsidiaries.

5.2. Lease agreements

Report 1:

The USG Group has in the past signed leases for cars that were provided to personnel. Upon termination of any given employee's contract, any car lease for that employee will also be terminated. In effect, this means that the bankruptcy trustees will terminate all leases as of 12 April 2016.

5.3. Description of security rights

Report 1:

The Banks have reported the following pledges to the bankruptcy trustees:

- Shares in the companies making up the USG Group
- Accounts receivable of the USG Group
- Movables (stock on hand, fixtures & fittings) of the USG Group
- Intellectual property rights of the of the USG Group

The bankruptcy trustees have been in discussions with Banks on the claimed right of pledge on the USG Group's stock on hand. The bankruptcy trustees wished to make an arrangement with the Banks that would have allowed them to earn sales revenue during the provisional continuation of the business, with the purchase costs of the stock pledged being transferred to the Banks. The Banks did not wish to consent to this, and claimed a portion of the sales margin plus a portion of the VAT.

This arrangement was not acceptable to the bankruptcy trustees. Their position on this was, in essence, that the value of the shop stock (no longer in packaging, and spread out over more than 300 locations) was certainly no longer worth more to the Banks (and in reality, considerably less) than the wholesale value. The additional value earned on that stock through sale in the shops (the shop value) was achieved by the bankruptcy estate, and so, in the bankruptcy trustees' view, should accrue to the estate. If the bankruptcy trustees were to give up any portion of these earnings they would be disadvantaging the other creditors. Likewise, transfer of a portion of the VAT was also unacceptable to the bankruptcy trustees, since the bankruptcy estate as a whole was still subject to the bankrupt company's obligation to transfer this VAT to the tax authorities.

The Banks then forbid the bankruptcy trustees to sell the pledged stock. This would have effectively forced all shops to close. The bankruptcy trustees refused, as closing the shops would have resulted in significant damages, not least of which on the employment front, and further in the interests of the estate because there was still a relevant margin to be earned on the goods up until the sale of the enterprise. The bankruptcy trustees also informed the Banks that they would oppose any injunction. In their view, continuation of the sale in the shops was not in any way wrongful towards the banks, and even if that was not the case, any injunction on the part of the Banks would fail based on Section 168, Book 6, Dutch Civil Code. The bankruptcy trustees also maintained to the Banks that if they did not manage to reach an agreement amongst each other, the bankruptcy trustees would pay damages to the Banks (in accordance with Section 168, Book 6, Dutch Civil Code), noting that these would most likely come out considerably lower than the purchase value as previously offered.

The Banks then held the bankruptcy trustees personally liable, ordered the bankruptcy trustees to inform customers in the shops that the goods they purchased were encumbered

by pledge to the Banks, and threatened to place the various advertisements concerning the matter. Further, the Banks refused to transfer the estate funds that they had received on their accounts to the bankruptcy trustees. At that point all revenues of the group still went through the bank accounts held with the Banks. The bankruptcy trustees demanded that the Banks release this money. The banks maintained their position, which led to the bankruptcy trustees bringing preliminary relief proceedings in order to seek relief. Those preliminary relief proceedings were to be heard in court on 11 March 16. Despite all this, on 10 March 2016, the bankruptcy trustees and the Banks reached an agreement, with the Banks consenting to the retail margin earned on the continuation of the sales in the shops accruing to the estate. For this reason, the bankruptcy trustees withdrew their preliminary relief proceedings.

5.4. Position as a secured creditor

Report 1:

Several creditors referred to security rights in the filing of their claims.

5.5. Estate administrations fee

n/a

5.6. Retention of title and/or right of reclamation

Report 1:

A large number of creditors reported with an appeal to some form of extended or limited retention of title and/or right of reclamation. The bankruptcy trustees made an offer to these creditors to (in short) settle the purchase value of the stock sold in the shops by the bankruptcy trustees with them. Most creditors with a retention of title then consented to this offer. The stock of the USG Group, including the portion of the stock on which a retention of title and/or right of reclamation is vested, was sold to Sport Unlimited Retail. All risks and liabilities relating to this stock with a retention of title and/or right of reclamation were undertaken by Sport Unlimited Retail. Sport Unlimited Retail will handle the further resolution of these retentions of title and rights of reclamation.

A list of the parties that invoked a retention of title and/or right of reclamation will be provided in the following report.

Report 2:

Because this type of detailed information is less appropriate to a public report such as this one, contrary to what was stated in the previous report no list of parties invoking a

retention of title and/or right of reclamation will be given here. Insofar as the bankruptcy trustees sold goods under a retention of title for the transfer to SUR, this has been settled with the holders of the retention of title. They have invoiced the goods in question to the estate and have credited the invoices for those goods previously sent to the bankrupt companies in question.

5.7. **Concession and consignment holders**

Report 1:

Approximately 19 parties registered with an appeal to a consignment agreement. A list of the parties that invoked a consignment agreement will be provided in the following report.

Report 2:

Because this type of detailed information is less appropriate to a public report such as this one, contrary to what was stated in the previous report no list of parties invoking a consignment agreement will be given here.

5.8. **Rights of retention**

Report 2:

A list of the parties that invoked a retention of title and/or right of reclamation will be provided in the following report.

Report 2:

Because this type of detailed information is less appropriate to a public report such as this one, contrary to what was stated in the previous report no list of parties invoking a right of retention will be given here.

In the previous reporting period, one creditor that had previously waived its right of retention against SUR did actually invoke its right of retention. The bankruptcy trustees spoke with this creditor's attorney and provided SUR with the correspondence conducted with that creditor. SUR filed preliminary relief proceedings seeking a court order for this creditor to surrender the goods, and that claim was granted by the preliminary relief judge.

Work

Report 1:

Review of various documents, multiple meetings with stakeholder parties, consultation

with banks, various discussions with NTAB, various correspondence with and about vendors (with and without retention of title), discussions with the Banks, preparation of preliminary relief proceedings in order to obtain provisional measure.

6. RELAUNCH/CONTINUATION

Continuation

6.1. Commercial operations/security tights

Report 1:

In consultation with the supervisory judge and the Banks, after the bankruptcy date of 23 February 2016 the shops of Perry Sport B.V. and Aktiesport B.V. were continued on 23 February 2016 in consultation with the supervisory judge and the Banks, excepting where a sale to a third party could be achieved earlier.

6.2. Financial reporting

Report 2:

The financial reporting of the USG Group was continued through the reporting period. As part of this, the bankruptcy trustees were supported by employees of the NTAB who made a start on the inventory of the stock on hand, the number of creditors invoking a retention of title and the inventory of the various creditors which necessarily had to be paid in order to guarantee the continuity of the enterprise.

Work

The bankruptcy trustees kept the shops open from 23 February 2016 through 22 March 2016.

Relaunch

6.3. Description

Report 1:

The bankruptcy trustees engaged Deloitte to oversee the sale and possible relaunch of all business activities of the USG Group. A few days after the bankruptcy, a large number of serious parties registered interest in a possible takeover.

After receipt of offers from various parties, the bankruptcy trustees made a shortlist of the

most interesting offers. The main factors in the bankruptcy trustees' selection were:

- employment; the more shops that could be sold in a single deal, the more people would be able to keep their jobs;
- financial (Banks and other creditors): in consideration of the very considerable amount of stock on hand, a buyer for this stock had to be found. Given that Perry Sport and Aktiesport together represented some 35-40% of the Dutch market, the bankruptcy trustees could only sell this stock at normal conditions to a party that would have continued as many Perry Sport and Aktiesport shops as possible. A sale to third parties would have most likely devolved into a price per kilo;
- retail market: following on from this last point, if the stock were to be sold at fire sale prices, this would have presumably resulted in severe disruption of the market, with potentially severe consequences on other companies in the same industry. In consideration of the situation in the entire retail market, this could potentially even have been fatal to a number of other companies; and
- practical: continuing the shops on a temporary basis proved increasingly difficult; vendors no longer delivered, warehouses and transport companies held onto their goods, personnel left, tenants of buildings cancelled their leases, etc. This is why the bankruptcy trustees had a limited amount of time in which to transfer the shops. A sale to a single (and financially robust) party would have been quicker to complete than a partial sale to multiple different parties, and moreover entailed fewer inherent risks.

Only a limited number of the tenders met these requirements. In consultation with the supervisory judge, the Banks, and Deloitte, JD Sports Fashion PLC ('**JD Sports**') was designated as the most suitable party. In its bid, JD Sports showed an interest for all good to reasonably running shops of both Perry Sport B.V. and Aktiesport B.V. Additionally, JD is a strategic, rather than a financial party. The shops to be sold by the bankruptcy trustees were an excellent fit for the JD Sports organization. Moreover, JD Sports was a financially solid company that needed no third-party financing and as a result could also move quickly.

Sport Unlimited Retail B.V. is the Dutch company founded by JD sports for the takeover of the assets of the USG Group.

6.4. **Accountability**

Report 1:

The business operations of all Perry Sport B.V. and Aktiesport B.V. shops to be transferred to Sport Unlimited Retail B.V. were transferred, and as of 21 March 2016 are at the expense and risk of Sport Unlimited Retail B.V.

6.5. Proceeds

Report 1:

The total purchase price based on the relaunch of the USG Group:

- €5,500,000 for the intellectual property rights, various business equipment and the goodwill of the USG Group.
- €21,034,000 for the stocks of the USG Group.

The bankruptcy trustees made arrangements with the Banks on the distribution of these revenues. In the agreed apportionment system, the estate receives a fixed amount of the estate from the net revenue for goodwill (particularly the leases to be taken over) and fixtures & fittings. The ultimate division will be based in part on the results of the proceedings (Rabobank/Reuser) currently before the Supreme Court.

Report 2:

The Supreme Court has now rendered a decision in Rabobank/Reuser. On the basis of that decision, the bankruptcy trustees have requested the Banks to commence distribution of the revenue on the assets. In the coming period, the bankruptcy trustees will be continuing to speak with the Banks on the distribution of this revenue.

6.6. Estate administrations fee

Report 1:

For the purposes of the relaunch, the estate temporarily provides various business assets not taken over to Sport Unlimited Retail and provides transitional services. As a result of this, the estate receives a reimbursement of €250,000, while all related costs are covered.

Work

Report 1:

Reviewing documents, various discussions with the buyer on a relaunch, discussions with NTAB on the documentation of the stock on hand. Correspondence with interested parties, reviewing bids. Negotiations with selected interested party.

Report 2:

Correspondence and discussions with NTAB and the banks on the revenues and their distribution.

7. REGULARITY

7.1. Accounting obligation

Report 1:

At this time the bankruptcy trustees have no indications that the accounting obligation has not been complied with. However, further review will follow.

7.2. Filing of financial statements

Report 1:

In the years 2006 through 2014, USG published its annual accounts by filing them with the office of the trade register. The consolidated annual accounts over financial year 2015 have not yet been definitively completed, and have not yet been filed.

7.3. Unqualified auditor's opinion

Report 1:

The consolidated annual accounts over financial year 2014 have been filed without an approved going concern declaration on the part of the accountant.

The consolidated annual accounts over financial year 2013 include an unqualified audit statement by accounting firm KPMG.

7.4. Obligation to make payments on shares

Report 1:

The information filed with the trade register of the Chamber of Commerce indicates that the subscribed capital of €567,900 has been fully paid up.

7.5. Mismanagement

Report 1:

The bankruptcy trustees have yet to investigate whether mismanagement may have been a factor in the bankruptcy.

7.6. Fraudulent acts

Report 1:

Up to this point the bankruptcy trustees have seen no indications that in the period prior to the bankruptcy there were any fraudulent acts. In the context of the investigation into the causes of the bankruptcy, there will be a further investigation of whether any fraudulent acts may have contributed.

Work

Report 1:

Consultation with relevant parties on the securing of the administration.

Report 2:

Further consultation with relevant parties. Archiving of physical administration. Securing of electronic administration.

8. CREDITORS

8.1. Claims against the estate

A list of the claims against the estate will follow in the next report.

8.2. Preferential claims of the Tax Authorities

A list of the preferential claims of the tax authorities will follow in the next report.

8.3. Preferential claims of UWV

UWV has not as yet submitted any claims.

8.4. Other preferential creditors

A number of creditors referred to security rights in the filing of their claims. The bankruptcy trustees are to investigate whether the creditors in question rightly invoke priority or a preferential right.

8.5. Number of ordinary creditors

A list with the number of ordinary creditors will follow in the next report.

Report 2: Up to 5 August 2015, a total of 928 creditors registered in the various bankruptcies. These include both creditors with a registered preference and creditors with a pari passu claim. For further information, the bankruptcy trustees refer to the annex: List of submitted claims.

8.6. Amount of ordinary creditors

A list with the expected amount of ordinary claims will follow in the next report.

Report 2: Up to 5 August 2015, a total amount of approximately €159,660,000 in claims was submitted in the various bankruptcies. This includes both preferential claims and pari passu claims. For further information, the bankruptcy trustees refer to the annex: List of submitted claims.

8.7. Expected manner of settlement

At present it is not clear when and how the bankruptcy can be settled.

Work

Report 1:

Inventory of creditors, correspondence and telephone contact with creditors, various discussions with NTAB in relation to creditors who have invoked a preferential right.

Report 2:

The bankruptcy trustees wrote to all known creditors requesting that they submit their claims before 1 May 2016 via www.crediteurenlijst.nl. Many creditors responded by doing so. For the sake of completeness, the bankruptcy trustees sent out a second mailing to creditors requesting that those that had not submitted any claims via www.crediteurenlijst.nl do so before 15 July 2016. Creditors who had not yet registered on www.crediteurenlijst.nl were also requested to do so. Because of the sheer number of the bankruptcies and the large number of creditors, communication with creditors will as a rule only be conducted via www.crediteurenlijst.nl.

Recently, with the support of the estate team, a start has been made on the evaluation of the claims submitted.

9. OTHER

9.1. Term for settlement of bankruptcies

Report 1:

At present the time frame that the settlement of the bankruptcy will require is not yet clear. In view of the size and complexity of the bankruptcies, what is clear is that this will involve a considerable amount of time.

9.2. Plan of approach

Report 1:

The upcoming reporting period will be primarily focused on the further inventory of the status of the estate as well as the inventory of the various creditors. Furthermore, work will involve the sale of any stock not yet monetized, operating assets, and the handover of shops the rent of which is not being taken over by Sport Unlimited Retail. The bankruptcy trustees will also have to take stock of the debt burden and begin investigating the causes of the bankruptcy, as well as a regularity audit and an investigation of the validity of any security interests or other rights claimed by third parties.

Report 2:

The winding up of USG is coming to its end, in the sense that virtually all assets have been monetized and a significant portion of the submitted claims have been evaluated. In the coming period, the bankruptcy trustees will continue to speak with the banks on the distribution of the revenues, and will attempt to arrive at a final settlement with SUR. The verification of the claims by employees of the bankruptcy trustees will also continue in the upcoming period. Additionally, the bankruptcy trustees will be starting the investigation into the causes of the bankruptcy.

9.3. Submission of next report

Report 2:

3 months from this date

Work

Report 2:

Drafting of this report.

Status of the report

This report is based on information that the bankruptcy trustees became aware of in the reporting period. The bankruptcy trustees emphasize that the information in this report is the subject of further investigation. At a later stage, it may become clear that this information must be adjusted. No conclusions can as yet be drawn concerning the completeness and accuracy of the information set out in this report.

The report is not intended to serve as an accounting of the status of the estate or provide

full transparency thereon. Individual creditors can derive no rights from this report. Of course, it is possible that certain information is not yet available, cannot yet be disclosed, or must be adjusted retroactively at a later stage. This can have an impact on the information set out in this report. Consequently, no rights can be derived from this report.

Amsterdam, 8 August 2016

mr. A. van Hees
bankruptcy trustee
bankruptcy trustee

mr. J.E.P.A. van Hooff