

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

	x	
In re	:	Chapter 11
BROOKS BROTHERS GROUP, INC., et al.,	:	Case No. 20-_____
Debtors.¹	:	(Joint Administration Requested)
	x	

**DECLARATION OF STEPHEN MAROTTA IN SUPPORT OF
DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY RELIEF**

I, Stephen Marotta, pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true to the best of my knowledge, information, and belief:

1. I am a Senior Managing Director at Ankura Consulting Group, LLC (“**Ankura**”) and concurrently serve as the Chief Restructuring Officer (“**CRO**”) of Brooks Brothers Group, Inc. (“**Brooks Brothers Parent**”) and twelve of its affiliated debtors in possession in the above-captioned chapter 11 cases (collectively, the “**Debtors**”, and together with their non-debtor affiliates, the “**Company**” or “**Brooks Brothers**”). In this capacity, I am familiar with the Debtors’ day-to-day operations, books and records, business and financial affairs, and the circumstances leading to the commencement of these chapter 11 cases.

2. I have more than 35 years of experience providing professional accounting and consulting services to major corporations and businesses, including 30 years of consulting to financially troubled companies. My experience includes business plan development, viability

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are Brooks Brothers Group, Inc. (8883); Brooks Brothers Far East Limited (N/A); BBD Holding 1, LLC (N/A), BBD Holding 2, LLC (N/A), BBDI, LLC (N/A), Brooks Brothers International, LLC (N/A); Brooks Brothers Restaurant, LLC (3846); Deconic Group LLC (0969); Golden Fleece Manufacturing Group, LLC (5649); RBA Wholesale, LLC (0986); Retail Brand Alliance Gift Card Services, LLC (1916); and Retail Brand Alliance of Puerto Rico, Inc. (2147); and 696 White Plains Road, LLC (7265). The Debtors’ corporate headquarters and service address is 346 Madison Avenue, New York, New York 10017.

assessments, reengineering and overhead-reduction programs, claims and preference analyses, crisis management, forensic investigation, and litigation support. My industry experiences include retail, manufacturing, wholesale distribution, healthcare, telecommunications, entertainment, and financial services. I have served in restructuring advisory roles in chapter 11 cases such as *In re Payless Holdings LLC*, Case No. 19-40883-659 (Bankr. E.D. Mo. 2019) (shoe retailer); *In re Model Reorg Acquisition, LLC (aka Perfumania Inc.)*, Case No. 17-11794-CSS (Bankr. D. Del. 2017) (retailer and distributor of fragrances and beauty products); *In re SynCardia Sys., Inc.*, Case No. 16-11599-MFW (Bankr. D. Del. 2016) (CRO for medical technology company); *In re C. Wonder LLC*, Case No. 15-11127-MBK (Bankr. D.N.J. 2015) (CRO for specialty retailer, designer, and marketer of women’s clothing, jewelry, shoes, handbags, accessories, and home goods); *In re Deb Stores Holding LLC*, Case No. 14-12676-KG (Bankr. D. Del. 2014) (retailer of juniors “fast fashion”); *In re Daytop Vill. Found. Inc.*, Case No. 12-11436-SCC (Bankr. S.D.N.Y. 2012) (CRO for substance abuse prevention provider); *In re CoreComm N.Y., Inc.*, Case No. 04-10214-PCB (Bankr. S.D.N.Y. 2004) (CRO of facilities-based integrated communications providers); *In re Andover Togs, Inc.*, Case No. 96-41437-ALG (Bankr. S.D.N.Y. 1996) (garment manufacturer); *In re Alexander’s Inc.*, Case No. 92-42704 (Bankr. S.D.N.Y. 1992) (operator of department store chain); and *In re Federated Dep’t Stores, Inc.*, Case No. 90-00130 (Bankr. S.D. Ohio 1990) (retailing and real estate conglomerate with 258 department stores).²

3. On the date hereof (the “**Petition Date**”), the Debtors commenced voluntary cases under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”).

² The foregoing is a list of cases on which I advised while at Ankura, Marotta Gund Budd & Dzera, LLC, a predecessor in interest of Ankura, and Zolfo Cooper, a predecessor in interest to AlixPartners, LLP.

4. Just prior to the Petition Date, I was appointed CRO of the Debtors. As CRO, I report to and provide strategic advice to Brooks Brothers Parent's Board and Special Committee (each as defined below), and I am responsible for carrying out the Debtors' chapter 11 strategy and objectives described herein.

5. I submit this declaration (the "**Declaration**") to assist this Court and other parties-in-interest in understanding the circumstances and events that led to the commencement of these chapter 11 cases and in support of the motions and applications that the Debtors have filed with the Court, including the "first day" pleadings (the "**First Day Pleadings**"). The First Day Pleadings seek relief intended to preserve the value of the Debtors for the benefit of their stakeholders and maintain continuity of the Debtors' operations, which, as discussed more fully below, is critical in these chapter 11 cases.

6. Except as otherwise indicated herein, this Declaration is based upon my personal knowledge, my review of relevant documents, information provided to me by the Debtors' employees, or my opinion based upon my experience, knowledge, and information concerning the Debtors' operations and the fashion-retail industry. If called upon to testify, I would testify competently to the facts set forth in this Declaration, which I am authorized to submit on behalf of the Debtors.

7. This Declaration is divided into five sections. **Section I** provides an overview of the Debtors and these chapter 11 cases. **Section II** describes the Brooks Brothers business. **Section III** describes the Debtors' corporate and capital structure. **Section IV** describes the circumstances that led to the commencement of these chapter 11 cases. **Section V** provides a summary of the First Day Pleadings filed contemporaneously herewith and evidentiary support for the relief requested therein.

I.
Preliminary Statement³

8. Brooks Brothers is the oldest apparel company in the United States and a world-renowned fashion innovator. In 1818, H. & D.H. Brooks & Co. opened its first store in New York City and emerged as a leading gentlemen’s furnishings and haberdashery shop. Over time, Brooks Brothers has grown into one of the world’s leading clothing retailers with over 1,400 locations in over 45 countries, and a leading e-commerce platform that is built on best-in-class systems and supports a direct-to-consumer (or “DTC”) website (www.brooksbrothers.com) and mobile application.

9. For over 200 years, Brooks Brothers has been an iconic clothing company and has maintained the distinct privilege of dressing 40 of the 45 United States Presidents. While famous for its clothing offerings and related retail services, Brooks Brothers is known as a lifestyle brand for men, women, and children, which markets and sells footwear, eyewear, bags, jewelry, watches, sports articles, games, personal care items, tableware, fragrances, bedding, linens, food items, beverages, and more.

10. Unfortunately, like countless other retail companies, Brooks Brothers’ business has been impacted by significant operational and manufacturing challenges as well as shifting retail industry trends in recent years. Given these headwinds, in 2019, the Company began exploring strategic alternatives, including a potential merger or sale of all or substantially all of the assets of the Company, advised by PJ Solomon, L.P. (“PJ Solomon”), the Debtors’ proposed investment banker for these chapter 11 cases. However, the Company was unable to consummate a transaction prior to the onset of the COVID-19 pandemic, which forced the

³ Capitalized terms used but not defined in this overview section shall have the meanings assigned to them in subsequent sections.

Debtors to temporarily close nearly all of their retail and factory outlet stores worldwide to protect the health and safety of the public and approximately 4,025 employees.

11. These closures and the corresponding disruption to the Debtors' supply chain exacerbated issues that the Debtors were facing on account of the general downturn in the retail industry in recent years. Further, with businesses closed around the globe, cancellations of formal events, and employees working from home, the demand for formal and professional attire, comprising a large portion of the Debtors' business, faced temporary sharp declines. Today, only 18 of the Debtors' 244 Brooks Brothers® and Deconic® retail and factory outlet stores in the United States⁴ are open for operation and, although the Debtors are developing a store re-opening plan, given the uncertainty and evolving nature of the ongoing COVID-19 pandemic, the Debtors are continuously evaluating the appropriate timing and scope for more broadly re-opening their stores.

12. With their brick-and-mortar operations largely shuttered and sales temporarily depressed, prior to the Petition Date the Debtors were left with limited liquidity, forcing them to furlough employees, cut corporate employee salaries, permanently close approximately 51 Brooks Brothers® stores, delay their trade and other payables, and announce the shut-down of their manufacturing facilities in Massachusetts, North Carolina, and New York. The Debtors produced face masks for front line workers and consumers in their manufacturing facilities, and sought CARES Act financing and other funding from the federal government to support the operation, but were unable to obtain government support for such activities or the Debtors' other operations.

⁴ Based on number of stores prior to COVID-19 pandemic.

13. The pandemic forced the Debtors and their advisors to re-assess the appropriate strategic transaction and refocus their efforts on a restructuring of their businesses through a chapter 11 filing. The Debtors obtained \$32.5 million of financing in May and June 2020 secured by previously unencumbered intellectual property from an affiliate of Gordon Brothers to meet the Company's ongoing liquidity needs while it examined its store footprint, strategically prepared its store re-opening plan, and pursued a value-maximizing restructuring or possible sale transaction.

14. The Company undertook a number of additional measures to ensure a seamless transition into chapter 11, including appointing two new independent directors—Alan J. Carr and William L. Transier—to the board of directors of Brooks Brothers Parent (the “**Board**”) and a special committee of the Board (the “**Special Committee**”) to oversee the Company's restructuring process. Further, the Debtors and their advisors, including Weil, Gotshal & Manges LLP, PJ Solomon, and Ankura, overseen by the Special Committee, worked to, among other things, (i) carefully manage liquidity, (ii) obtain financing to allow the Debtors to preserve the value of their assets during this chapter 11 process and maximize value through a postpetition sale process, and (iii) attempt to secure a transaction that would ensure the continuation of the Brooks Brothers business and maximize value for the Debtors' creditors.

15. The Debtors' prepetition sale process has yielded significant interest in Brooks Brothers' assets. The Debtors are engaged in active discussions with multiple bidders, and the Debtors expect to file a motion seeking approval of bidding procedures in the early days of these chapter 11 cases. The Debtors' postpetition sale strategy will be the foundation of these chapter 11 cases and will be critical to maximizing recoveries for all creditors through a value-maximizing sale transaction intended to benefit all stakeholders.

16. Further, the Debtors have obtained a commitment from an affiliate of WHP Global, to provide a \$75 million debtor-in-possession financing facility (the “**DIP Facility**”) that will provide the Debtors a much-needed reprieve from their short-term liquidity issues and pay off the prepetition rescue loan from Gordon Brothers. The Debtors also secured an agreement with their Prepetition ABL Facility Agent, Wells Fargo, National Association (“**Wells Fargo**”) to allow for the consensual use of cash collateral in these chapter 11 cases.

17. Although the Debtors have secured financing and the consensual use of cash collateral, given that the majority of their stores remain closed, it will be imperative that the Debtors move expeditiously through these chapter 11 cases and utilize the liquidity available to them to consummate a value-maximizing transaction. The DIP Facility sets forth milestones by which the Debtors must accomplish various objectives.

<u>Milestone</u>	<u>Earliest Deadline</u>
Entry of Interim DIP Order	3 days from Petition Date (July 11, 2020)
File Bid Procedures Motion	5 days from Petition Date (July 13, 2020)
Entry of Final DIP Order	35 days from Petition Date (August 12, 2020)
Entry of Bid Procedures Order	35 days from Petition Date (August 12, 2020)
Entry of Order Approving Sale	53 days from Petition Date (August 30, 2020)
Consummation of the Sale	68 days from Petition Date (September 14, 2020)

18. The Debtors, overseen by the Special Committee, have concluded in the exercise of their business judgment, and as fiduciaries for all of the Debtors’ stakeholders, that continuing their sale process in chapter 11 is the best path to maximize the value of their assets, seek to preserve jobs, carefully manage their operations, and provide the continuation of one of America’s longest-standing businesses.

19. Time is of the essence in these chapter 11 cases. In accordance with the protections and tools afforded by the Bankruptcy Code and the liquidity provided under the DIP Facility, the Debtors intend to reject burdensome leases, reduce unnecessary administrative expenses, and efficiently consummate a sale transaction to preserve a transformed company with a reduced store footprint. The Debtors intend to file a motion seeking to reject over 60 leases and a motion seeking approval of procedures to reject additional leases on an expedited basis to reduce unnecessary administrative expenses, should the Debtors deem it to be in their business judgment to do so. Further, the Debtors intend to carefully manage liquidity and only make payments and incur administrative expenses that are critical and necessary to preserve the Debtors' ability to obtain the highest value in a sale for the benefit of the estates.

20. The Debtors believe that all constituents—including lenders, landlords, vendors, and employees—will benefit significantly from this chapter 11 proceeding over any other alternative and, as a result, must maintain the timeline presented to maximize value for all stakeholders through a strategic sale transaction. For these chapter 11 cases to be a true success, the Debtors require the cooperation of their stakeholders to minimize both the negative impact on the Debtors' business and the cost of administering these chapter 11 cases.

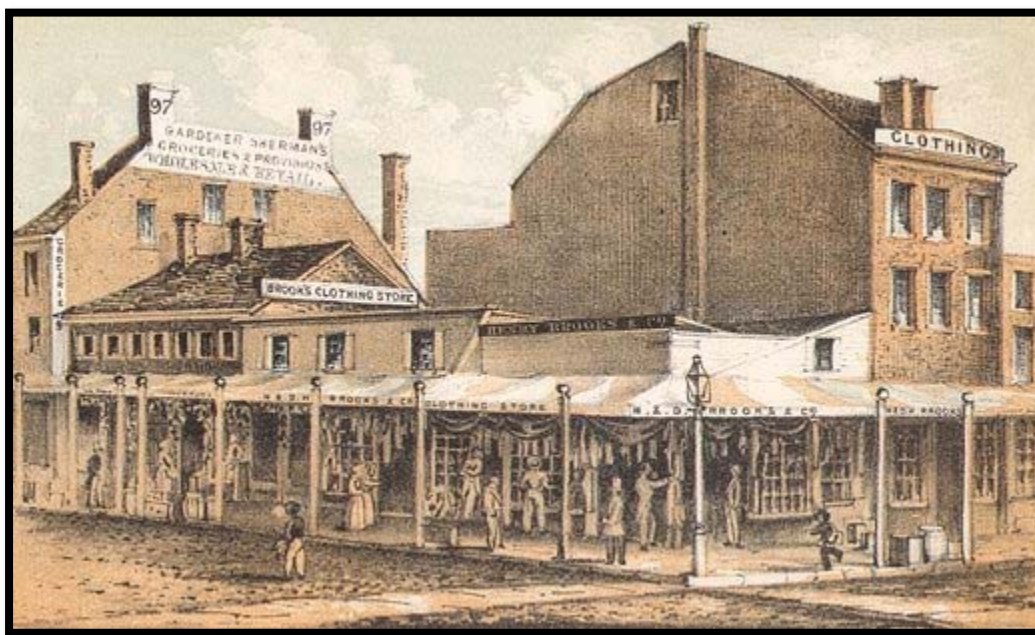
II.

The Brooks Brothers Business

A. History and Formation

21. In 1818, Henry Sands Brooks opened his first store, H. & D.H. Brooks & Co., in New York City. From its inception, the Brooks Brothers brand distinguished itself through innovation, fine quality, unparalleled customer service, excellent workmanship, and devotion to exceptional value. Brooks Brothers is known worldwide for its unique heritage and timeless American aesthetic, which to this day remains core to the brand's product design. It is

also known for its focus on integrity of product, tailored fit, rich textiles, craftsmanship, and attention to detail. Historically, the Brooks Brothers brand focused primarily on gentlemen's clothing, featuring classic oxford shirts, suits, sport coats, dress shirts, sport shirts, pants, trousers, and ties. Brooks Brothers is also credited for being first to design the iconic button-down polo shirt, the first to make ready-made suits, and many other inventions and introductions which have shaped the fashion landscape.



22. In 1945, Brooks Brothers began to expand by opening additional retail locations across the United States. In 1979, Brooks Brothers introduced its first international store in Tokyo, Japan. Since 2001, led by current Chief Executive Officer and Chairman of the Board, Claudio Del Vecchio, Brooks Brothers has expanded across the globe, growing into a multi-national fashion leader that seeks the balance between professional and casual clothing for men women, and children.

23. Brooks Brothers continues to shape American style through its important role in the history of American retailing and has set the wardrobe standard for generations. It

enjoys a strong reputation for providing its customers with stylish and quality products. Brooks Brothers is not in the business of “fast fashion” and prides itself on long-lasting merchandise, quality designs, and attentive customer service. It is deeply focused on producing items using the highest-quality of raw materials hand-picked by Brooks Brothers teams across the globe and has stayed at the forefront of men’s style, transitioning much earlier than its peers to more modern and tailored looks. Since 2016, Brooks Brothers has also partnered with established fashion designers for its exclusive women’s wear collections.

24. Brooks Brothers’ pricing strategy reflects a commitment to providing high-quality merchandise at compelling values. Prices are generally set below designer price points and aligned with (or slightly above) other accessible and luxury brands.

B. Brooks Brothers’ Business

25. Brooks Brothers maintains control over its proprietary brands by designing, sourcing, marketing, and (in large part) selling its own merchandise. Brooks Brothers generates revenue through various channels, including (i) North America “omni-channel” operations (retail stores, factory outlet stores, and e-commerce), (ii) worldwide wholesale, (iii) wholly-owned international operations, (iv) non-wholly-owned international operations, and (v) other businesses and arrangements. For the fiscal year ending 2019, the Company’s revenue totaled over \$991 million.

26. Brooks Brothers sells its merchandise through over 1,400 points of sale locations worldwide, which includes approximately 424 retail and factory outlet stores (including stores operated by non-debtor affiliates, joint ventures, and third-party licensees). Under its wholesale, travel retail, and licensing segment, Brooks Brothers maintains high-quality partnerships with third-party franchisees and licensees that operate over 1,000 points of sale locations around the world.



1. North America Retail and Factory Outlet Stores

27. The Company’s North America retail and factory outlet stores have historically accounted for the majority of Brooks Brothers’ revenues. The Debtors utilize high-quality, modernized retail stores with attractive neighboring tenants located in most major cities and other communities across the United States and Canada. All of the Company’s U.S. stores are operated by the Debtors, and the Company’s Canadian stores are operated by a non-debtor, wholly-owned subsidiary. Prior to COVID-19, the Company operated 236 retail and factory outlet Brooks Brothers stores in the United States, and twelve (12) Brooks Brothers stores in Canada. Prior to the Petition Date, on account of the COVID-19 pandemic, the Debtors decided to close approximately 51 Brooks Brothers® stores in the United States and have closed, or are in the process of closing, such stores.

28. Like many high-end retailers, Brooks Brothers operated in-store cafés. In 2016, the original “Red Fleece Café” opened in Manhattan’s Flatiron district and became an instantly popular neighborhood destination for local residents and workers. In late 2018, a

second Red Fleece Café location opened at the Brooks Brothers flagship store in Midtown Manhattan. Unfortunately, and as a result of the COVID-19 pandemic, the Debtors were forced to temporarily close both locations. The Debtors subsequently permanently closed their operations in Flatiron.



29. For the fiscal year ending 2019, net sales from Brooks Brothers' North America retail and factory outlet store operations totaled approximately \$519 million, approximately 52.3% of Brooks Brothers' total revenue.

2. North America e-Commerce Business

30. Brooks Brothers also maintains an e-commerce platform that is built on best-in-class support systems and supports a DTC website and multiple online marketplaces. DTC is the highest-growth, highest-margin segment of Brooks Brothers' business and is a central component of the Debtors' long-term omni-channel strategy. The current online platform ships Brooks Brothers' products to consumers in North America and over 50 countries across Europe, America, Asia, and the Middle East. For the fiscal year ending 2019, net sales from the Debtors'

North America e-commerce business totaled approximately \$147 million, approximately 21.3% of Brooks Brothers' revenue; however, since March 2020, revenue sources have dramatically shifted and, as of the Petition Date, e-commerce accounts for over 90% of Brooks Brothers' North America revenue.

3. North America Wholesale

31. The Debtors are party to arrangements with unaffiliated third parties that (i) purchase Brooks Brothers' merchandise through wholesale agreements, (ii) enter into licensing agreements with the Debtors to operate Brooks Brothers-branded stores or shop-in-shops, or (iii) enter into agreements that provide for a combination of each of the foregoing. Through those arrangements, the Company partners with numerous well-known retailers, including Nordstrom and Macy's, which carry Brooks Brothers products at approximately 595 locations across North America. The Debtors also contract to make uniforms for companies such as NetJets and United Airlines and have a long history of manufacturing uniforms for the United States military.

32. For the fiscal year ending 2019, revenues from the Debtors' North America wholesale business totaled approximately \$23.0 million, approximately 3.3% of Brooks Brothers' revenue.⁵

4. Brooks Brothers' International Operations

33. Brooks Brothers enjoys a premium positioning in its international markets, along with higher average retail price points. There are approximately 606 Brooks Brothers points of sale locations across Europe, the Middle East, and Africa (EMEA), Japan, South Korea,

⁵ For purposes of management financials, only the revenues from the Debtors' wholesale business are recorded. The Debtors wholesale business includes revenues from traditional wholesale to the Debtors North America partners, uniforms sales, Paradies' travel retail, and certain of the Debtors partners in Latin America.

Latin America, and Asia Pacific (APAC): approximately 227 retail and factory outlet stores, 4 travel retail locations, 123 shop-in-shops, and 252 other points of sale operated by third parties. For the fiscal year ending 2019, net sales from Brooks Brothers' international operations totaled nearly \$303 million, approximately 30.5% of Brooks Brothers' total revenue.

a. International Wholly-Owned Omni-Channel Retail and Factory

34. Brooks Brothers Parent's wholly-owned non-debtor subsidiaries operate retail and factory outlet stores in Europe, South Korea, Australia, Malaysia, and Singapore. Brooks Brothers' wholly-owned non-debtor subsidiaries (other than Canada) currently account for approximately 50 international retail and factory outlet points of sale and approximately 9.5% of Brooks Brothers' annual revenue.

b. International Joint Ventures

35. Brooks Brothers also licenses its intellectual property to its joint ventures in Japan (60% ownership), China (50% ownership), and India (51% ownership) that generally pay the Debtors royalties to use the trademark and purchase product from Brooks Brothers at a set premium to sourcing cost. Brooks Brothers' joint ventures account for approximately 167 international points of sale and 21.0% of Brooks Brothers' annual revenue. The Debtors' intellectual property is critical to its ability to generate royalty revenue for the benefit of its estate.

c. International Third-Party Licenses and Franchises

36. The Debtors also enter into licensing, franchise, and wholesale agreements with unaffiliated third parties, whereby they license the Debtors' intellectual property or authorize such parties to operate a Brooks Brothers franchise, and the Debtors supply such licensee or franchisee with Brooks Brothers merchandise on a wholesale basis. Excluding the Company's three (3) joint ventures, the Company's license and franchise agreements exist

exclusively in EMEA, Southeast Asia, and Latin America.⁶ These agreements are structured to provide Brooks Brothers with royalty income, generally paid as a percentage of sales generated by the licensee or franchisee. Third-party licenses and franchises (retail and factory outlet stores) account for approximately 60 international points of sale and \$5.4 million of annual income.

5. Other Businesses

37. Golden Fleece Manufacturing. Prior to the Petition Date, Debtor Golden Fleece Manufacturing, LLC (“**Golden Fleece**”) operated three (3) manufacturing facilities in the United States that produced suits, sport coats, shirts, and accessories, such as neckties. Although the vast majority of such products have historically been distributed to the Debtors for use in their store and DTC channels, from time to time Golden Fleece manufactured and sold merchandise to third-parties. The Golden Fleece facilities are currently operating off work-in-process at their facilities and expect to completely halt operations by August. For the fiscal year ending 2019, third-party revenues from Golden Fleece’s manufacturing operations totaled approximately \$9 million.

38. Deconic. Debtor Deconic Group LLC (“**Deconic**”) is a subsidiary of Brooks Brothers that is engaged in the business of manufacturing, merchandising, marketing, selling, and licensing of premium fashion jewelry under the “Alexis Bittar,” “Carolee,” and “Deconic” trademarks. Deconic sells its products online, through third parties such as Nordstrom, Von Maur, Bloomingdales, and Amazon, and historically through its nine (9) retail stores located in New York, Massachusetts, California, Washington, D.C., and Illinois. Deconic

⁶ The EMEA licenses and franchises are located in Bahrain, Greece, Russia, Saudi Arabia, Turkey, and the United Arab Emirates. Latin America licensees and franchisees are located in Chile, Guatemala, Mexico, Panama, Peru, and Venezuela.

leases an office and manufacturing facility in Brooklyn, New York and a showroom in Manhattan. For the fiscal year ending 2019, revenues from Deconic totaled approximately \$15 million.

C. **Brooks Brothers' Operations**

1. **Sourcing and Manufacturing**

39. Prior to the Petition Date, all of the Debtors' finished goods were manufactured by either Golden Fleece (~6.8%) or third-party merchandise suppliers ("**Merchandise Suppliers**") (~93.2%). As noted above, the Golden Fleece facilities expect to completely halt operations by August 15, 2020.

40. Like many retailers, the substantial majority of the Debtors' Merchandise Suppliers are based outside of the United States. Brooks Brothers has historically conducted business with approximately 155 Merchandise Suppliers, with the top 15 supplying approximately 80% of the Debtors' merchandise. Brooks Brothers has strong relationships with its Merchandise Suppliers, some of which rely upon the Debtors for a significant portion of their business and others who advance costs for the Debtors in connection with producing the Debtors' merchandise.

41. Brooks Brothers manages all sourcing through Debtor Brooks Brothers Far East Limited ("**BB Far East**"), which operates its centralized Global Trading Office in Hong Kong and acts as a local intermediary between Brooks Brothers and its foreign sourcing base.⁷ BB Far East provides arm's-length services to the Debtors and their non-debtor affiliates (as well as third-party licensees) through the procurement and sourcing of goods from its Merchandise

⁷ Based on a one-year buy from Winter 2019 through Fall 2020, Brooks Brothers sourced its merchandise from the following regions: Malaysia (27.39%); Vietnam (14.57%); China (14.48%); United States (6.84%); Egypt (6.47%); Indonesia (6.24%); Thailand (6.19%); Jordan (3.81%); Italy (3.20%); Sri Lanka (3.18%); Turkey (3.01%); and other countries (4.62%).

Suppliers, which are critical to the Debtors' business operations. BB Far East purchases inventory, which it subsequently sells to Brooks Brothers entities and third-party licensees on an arm's-length basis.

2. Headquarters and Facilities

42. The Debtors' operations are directed out of their leased corporate headquarters at 346 Madison Avenue in Manhattan, where their historic flagship store is located. The Debtors also own an office building located in Enfield, Connecticut that houses certain corporate functions, including finance, human resources, IT, and real estate. The Debtors maintain two distribution centers to process merchandise and warehouse inventory and to support the Debtors' stores in the United States, Canada, and Puerto Rico, including a 660,000 square foot distribution center facility in Enfield, Connecticut, and a 250,000 square foot distribution center facility in Clinton, North Carolina. Brooks Brothers' non-debtor subsidiaries also lease space in five other distribution centers around the globe. Deconic leases over 29,000 square feet between its office space and manufacturing facility in Brooklyn, New York and showroom in Manhattan.

3. Employees

43. As discussed in further detail in the Wages Motion, prior to the COVID-19 pandemic, the Debtors employed approximately 4,025 individuals, including approximately 850 salaried full-time employees and approximately 3,175 hourly employees. Of the Debtors' hourly employees, approximately 1,890 were employed on a full-time basis (30+ hours per week), approximately 275 were employed on a part-time plus basis (20-29 hours per week), and approximately 1,010 were employed on a part-time basis (less than 20 hours per week).

44. Due to the COVID-19 pandemic, on March 29, 2020, the Debtors made the decision to initiate a furlough program pursuant to which approximately 2,900 of the Debtors

employees were placed on temporary, unpaid leave (the “**Furlough Program**”) and non-furloughed, salaried employee pay was reduced by 10%. The Debtors continued to pay benefits to all employees. As of the Petition Date, the Debtors employ approximately 1,125 non-furloughed employees, of which approximately 500 are salaried and approximately 625 are hourly. At the appropriate times, the Debtors intend to re-hire a number of the furloughed employees.

III.

The Debtors’ Corporate and Capital Structure

A. Corporate and Governance Structure

45. Brooks Brothers Parent is the Debtors’ ultimate corporate parent, which directly or indirectly owns each of the other Debtor entities. An organizational chart illustrating the Debtors’ corporate structure as of the date hereof is attached hereto as **Exhibit A**.

46. Brooks Brothers Parent’s Board is comprised of four (4) members: (i) Alan J. Carr (independent); (ii) William L. Transier (independent); (iii) Claudio Del Vecchio; and (iv) Matteo Del Vecchio. Messrs. Carr and Transier are members of the Special Committee, to which the Board delegated authority with respect to the Debtors’ restructuring process and these chapter 11 cases.

B. Capital Structure

47. Brooks Brothers Parent is a closely-held private company. Four entities affiliated with the Del Vecchio family collectively own 100% of the Brooks Brothers Parent’s Class A common stock (representing approximately 91% economic ownership interest in the Company). Castle Apparel Limited (“**Castle**”), an entity affiliated with the Debtors’ supplier TAL Apparel Limited (“**TAL**”), owns 100% of the Class B common stock (representing approximately 9% economic ownership interest in the company). Brooks Brothers Parent has no

preferred stock outstanding. All of the other Debtors are direct or indirect subsidiaries of Brooks Brothers Parent.

48. As summarized in the following chart, as of the Petition Date the Debtors have outstanding funded debt obligations in the amount of approximately \$392.1 million in aggregate:

Debt Instrument	Principal Outstanding
Secured Funded Debt	
Prepetition ABL Facility Loan	\$212,133,776
<i>Prepetition Revolving Loan</i>	\$182,955,500
<i>Prepetition FILO Loan</i>	\$15,000,000
<i>Prepetition L/C</i>	\$7,851,300
<i>JPMorgan Credit Card</i>	\$6,326,976
Prepetition Term Loan	\$32,500,000
Prepetition L/C Facility	\$13,611,420
Haverhill Mortgage	\$6,999,720
Clinton Mortgage	\$491,183
Total Secured Funded Debt	\$265,736,099
Unsecured Funded Debt	
Subordinated Notes	\$66,286,368
Convertible Note	\$50,000,000
Japan JV Note	\$5,075,532
Shareholder Promissory Note	\$5,000,000
Total Unsecured Funded Debt	\$126,361,900
TOTAL FUNDED DEBT	\$392,097,999

a. Prepetition ABL Facility

49. Certain of the Debtors are party to that certain Credit Agreement, dated as of June 28, 2019 (as amended by that certain First Amendment to Credit Agreement, dated as of April 22, 2020, and as further amended, modified, or otherwise supplemented from time to time, the “**ABL Credit Agreement**”), by and among, among others, Brooks Brothers Parent, RBA Wholesale, LLC, and Golden Fleece (collectively, the “**Prepetition ABL Borrowers**”), Wells Fargo as administrative agent and collateral agent (in such capacities, the “**Prepetition ABL**

Agent”), L/C Issuer, and Swing Line Lender, and the lenders from time to time party thereto (the “**Prepetition ABL Lenders**” and, collectively with the Prepetition ABL Agent, the “**Prepetition ABL Secured Parties**”), pursuant to which the Prepetition ABL Lenders agreed to provide the Prepetition ABL Borrowers with (i) a revolving credit facility in a maximum aggregate principal amount equal to \$300 million (of which up to \$30 million is available for the issuance of letters of credit) (the “**Prepetition Revolving Facility**”) and (ii) a “first-in-last-out” (“**FILO**”) term loan facility in an aggregate principal amount equal to \$15 million outstanding under the Prepetition FILO Loan (the “**Prepetition FILO Loan**” and, together with the Prepetition Revolving Facility, the “**Prepetition ABL Facility**”). The Prepetition ABL Facility matures on June 28, 2024. As of the Petition Date, the aggregate amount outstanding under the ABL Credit Agreement is approximately \$212.1 million in unpaid principal, plus accrued and unpaid interest, fees, and other amounts (comprised of approximately \$182.9 million outstanding under the Prepetition Revolving Facility (including approximately \$7.9 million outstanding in respect of issued letter of credit), \$15 million outstanding under the Prepetition FILO Loan, and approximately \$6.3 million outstanding under a bank product with J.P. Morgan Chase).

50. Pursuant to the ABL Credit Agreement and that certain Guaranty dated as of June 28, 2019 (as amended, modified, or otherwise supplemented from time to time), and the Canadian Guarantee dated as of June 28, 2019 (as amended, modified, or otherwise supplemented from time to time), the obligations under the ABL Credit Agreement are guaranteed by Brooks Brothers Canada Ltd. (“**BB Canada**”), RBA Wholesale, LLC, Golden Fleece, Brooks Brothers International, LLC, Retail Brand Alliance Gift Card Services, LLC, Retail Brand Alliance of Puerto Rico, Inc., and 696 White Plains Road, LLC.

51. The outstanding obligations under the ABL Credit Agreement are secured, in each case, in accordance with the terms of that certain Security Agreement, dated as of June 28, 2019 (as amended, modified, or otherwise supplemented from time to time), and that certain Canadian Security Agreement (as amended, modified, or otherwise supplemented from time to time), dated as of June 28, 2019. The obligations under the Prepetition ABL Facility are secured by a first priority security interest and continuing lien (the **“Prepetition ABL Liens”**) on **“Collateral,”** as such term is defined in the Prepetition ABL Credit Agreement, which includes, subject to certain exceptions and carve outs, the Debtors’ cash and accounts, U.S. inventory, credit card receivables, and trade account receivables, as well as BB Canada’s inventory and credit card receivables (the **“Prepetition ABL Collateral”**).

b. Prepetition Term Loan

52. Pursuant to that certain Term Loan Agreement, dated as of May 21, 2020 (as amended by that certain First Amendment to Term Loan Agreement, dated as of June 29, 2020, and as further amended, modified, or otherwise supplemented from time to time, the **“Prepetition Term Loan Agreement”**), among Brooks Brothers Parent, Golden Fleece (collectively, the **“Prepetition Term Loan Borrowers”**), Brand Funding, LLC, in its capacities as a lender (in such capacity, together with the other lenders from time to time party thereto, the **“Prepetition Term Loan Lenders”**) and as administrative agent and collateral agent (in such capacities, the **“Prepetition Term Loan Agent”**, and together with the Prepetition Term Loan Lenders, collectively, the **“Prepetition Term Loan Parties”**), the Prepetition Term Loan Lenders provided term loans to the Prepetition Term Loan Borrowers. The loans under the Prepetition Term Loan Agreement mature on June 28, 2024. As of the date hereof, the aggregate amount outstanding under the Prepetition Term Loan Agreement is approximately \$32.5 million in unpaid principal.

53. Pursuant to that certain Guaranty, dated as of May 21, 2020 (as amended, modified, or otherwise supplemented from time to time), RBA Wholesale LLC, Brooks Brothers International, LLC, Retail Brand Alliance Gift Card Services, LLC, Retail Brand Alliance of Puerto Rico, Inc., and 696 White Plains Road, LLC (the “**Prepetition Term Loan Guarantors**”) have guaranteed the obligations under the Prepetition Term Loan Agreement. The outstanding obligations under the Prepetition Term Loan Agreement are secured in accordance with the terms of that certain Security Agreement, dated as of May 21, 2020 (amended, modified, or otherwise supplemented from time to time, the “**Term Loan Security Agreement**”). Pursuant to the Term Loan Security Agreement, the Prepetition Term Loan Borrowers, together with the Prepetition Term Loan Guarantors, granted to the Prepetition Term Loan Agent for the benefit of the Prepetition Term Loan Parties a first priority security interest and continuing lien on all Intellectual Property Collateral (as such term is defined in the Term Loan Security Agreement), the Term Loan Collateral Proceeds Account (as such term is defined in the Prepetition Term Loan Agreement), and all related investment property, all books and records related to the foregoing, and all collateral security and guarantees with respect to, and all proceeds of the foregoing (collectively, the “**Prepetition Term Loan Collateral**”).

c. Prepetition Secured L/C Facility

54. As of the Petition Date, there is approximately \$13.6 million in outstanding unpaid principal, plus accrued and unpaid interest, fees, and other amounts under that certain Uncommitted Facility Agreement, dated as of September 2, 2014 (as amended by that certain Amendment to Uncommitted Facility Agreement, dated as of March 13, 2017, and that certain Second Amendment Agreement, dated as of May 19, 2020, and as further amended, modified, or otherwise supplemented from time to time, the “**Prepetition L/C Facility Agreement**”), by and among Brooks Brothers Parent (in such capacity, the “**Prepetition L/C**

Facility Borrower”) and Unicredit S.p.A. – New York Branch (the “**Prepetition L/C Facility Lender**”), pursuant to which the Prepetition L/C Facility Lender agreed to provide an uncommitted credit facility (the “**Prepetition Secured L/C Facility**”), in the form of loans to the Prepetition L/C Facility Borrower not to exceed \$7,950,000 and in the form of letters of credit not to exceed, together with the aggregate amount of any loans outstanding thereunder, \$13,700,000.

55. The Prepetition Secured L/C Facility is used solely for (i) short-term loans to the Prepetition L/C Facility Borrower with a maximum maturity of 30 days, (ii) continuation of certain letters of credit issued prior to and outstanding as of the date of entry into the Prepetition L/C Facility Agreement, or (iii) the issuance of letters of credit (each, an “**L/C**”). Each L/C has a maximum maturity of one year. The Prepetition Secured L/C Facility is secured by a first lien mortgage granted by Brooks Brothers Parent to the Prepetition Secured L/C Facility Lender on the facilities located in Enfield, Connecticut.

d. Mortgages

56. Haverhill Mortgage. Pursuant to that certain Mortgage and Security Agreement, dated as of January 25, 2016 (the “**Haverhill Mortgage**”), among Golden Fleece as grantor or mortgagor and JP Morgan Chase Bank, N.A. (“**JPM**”) as grantee or mortgagee, JPM agreed to provide to Golden Fleece a term loan of \$10 million, pursuant to that certain Term Loan and Security Agreement dated as of January 25, 2016, by and among Golden Fleece, as borrower, Brooks Brothers Parent, as guarantor, and JPM, to finance the purchase of Golden Fleece’s manufacturing facility in Haverhill, Massachusetts. The mortgage obligation matures in January 2021 and bears an interest rate of approximately 6%. As of the date hereof, the aggregate amount outstanding under the Haverhill Mortgage is approximately \$7 million in unpaid principal, plus accrued and unpaid interest, fees, and other amounts.

57. Clinton Mortgage. Pursuant to that certain promissory note, dated as of October 31, 2012 (the “**Clinton Promissory Note**”), issued in connection with that certain Purchase and Sale Agreement, dated as of August 28, 2012, Brooks Brothers Parent entered into a mortgage in the principal amount of \$1.85 million with Dixie Development Company (the “**Clinton Mortgage**”) to finance the purchase of the Debtors’ manufacturing and distribution centers in Clinton, North Carolina. The mortgage obligations mature in October 2022 and bears an interest rate of 3.50% per annum. As of the Petition Date, the aggregate amount outstanding under the Clinton Promissory Note is approximately \$491,000 in unpaid principal, plus accrued and unpaid interest, fees, and other amounts.

e. Japan JV Note

58. Pursuant to that certain Promissory Note, dated as of August 1, 2011 (the “**Japan JV Note**”), among Daidoh Limited (“**Daidoh**”) and Brooks Brothers Parent, Brooks Brothers Parent is obligated to pay ¥545,855,933 (approximately \$5 million in U.S. dollars) to Daidoh, together with interest thereon. The Japan JV Note is secured by an L/C issued under the Prepetition L/C Facility Agreement. The Japan JV Note matures on July 31, 2021, and bears interest at the one-year Japanese Government Bond interest rate as published by the Ministry of Finance of Japan, commencing on the first business day immediately preceding August 1 of each year. As of the date hereof, the aggregate principal amount outstanding under the Japan JV Note is approximately \$5 million.

f. Convertible Note

59. Pursuant to that certain Securities Purchase Agreement, dated as of June 23, 2016 (the “**Securities Purchase Agreement**”), among Brooks Brothers Parent, Castle, and TAL, for consideration of \$100 million, (i) Brooks Brothers Parent issued 148,025 shares of Class B Common Stock, convertible into 148,025 shares of Class A Common Stock, to Castle,

(ii) Brooks Brothers Parent agreed to issue to Castle a promissory note in the amount of \$50 million dollars, convertible into 122,599 shares of Class A Common Stock, and (iii) Castle pledged its Class B Common Stock to Brooks Brothers Parent pursuant to a Share Pledge Agreement, to secure Castle's obligation to purchase the \$50 million promissory note.

60. Subsequently, Castle loaned an additional \$50 million to Brooks Brothers Parent, who issued that certain Convertible Promissory Note, dated as of July 3, 2017 (as amended by that certain Amended and Restated Convertible Promissory Note, dated as of June 28, 2019, the "**Convertible Note**"), pursuant to which Brooks Brothers Parent is obligated to pay \$50 million of principal and accrued interest equal to 3.0% per annum. The Convertible Note is unsecured and matures on December 31, 2024. As of the date hereof, the aggregate principal amount outstanding under the Convertible Note is approximately \$50 million.

g. Subordinated Notes

61. The Debtors have approximately \$66.3 million in the aggregate of unsecured notes (the "**Subordinated Notes**") outstanding related to dividends declared but not yet paid to certain shareholders. Each of the Subordinated Notes are subject to (i) that certain Subordination Agreement dated as of June 28, 2019, which subordinates such obligations to the obligations under the terms of the ABL Credit Agreement, and (ii) subordination agreements dated as of July 3, 2017, that subordinate the obligations under the Subordinated Notes to the obligations under the Securities Purchase Agreement.

62. First Subordinated Note. Pursuant to that certain Third Amended and Restated Subordinated Unsecured Promissory Note, dated as of June 28, 2019, Brooks Brothers Parent is obligated to pay approximately \$37.7 million to the CDV 2015 Annuity Trust or its registered assigns. The note is unsecured, bears interest at a rate of 3.0% per annum, and matures on December 31, 2024.

63. Second Trust Subordinated Note. Pursuant to that certain Third Amended and Restated Subordinated Unsecured Promissory Note, dated as of June 28, 2019, Brooks Brothers Parent is obligated to pay approximately \$26.9 million to the CDV 2015 Annuity Trust or its registered assigns. The note is unsecured, bears interest at a rate of 3.0% per annum, and matures on December 31, 2024.

64. Third Subordinated Note. Pursuant to that certain Third Amended and Restated Subordinated Unsecured Promissory Note, dated as of June 28, 2019, Brooks Brothers Parent is obligated to pay approximately \$1.7 million to Claudio Del Vecchio, or his registered assigns. Such note is unsecured, bears interest at a rate of 3.0% per annum, and matures on December 31, 2024.

h. Shareholder's Unsecured Promissory Note

65. Pursuant to that certain Unsecured Promissory Note, dated as of January 23, 2020, Brooks Brothers Parent borrowed \$5 million from Claudio Del Vecchio at an interest rate of 9.0% per annum. The promissory note matured on February 22, 2020 and remains unpaid.

i. Intercompany Claims and Interests

66. As discussed in further detail in the Cash Management Motion (and below), the Debtors engage in intercompany transactions with each other and with certain of their non-debtor affiliates in the ordinary course of their business, which gives rise to both intercompany receivables and payables. As a result, there may be claims owing by one Debtor to another or to a non-debtor affiliate (or vice versa). All intercompany transactions generally appear in the Debtors centralized accounting system, which are recorded concurrently on the Debtors' balance sheets. These transactions are regularly reconciled and result in a net balance of zero when all intercompany accounts are consolidated.

j. General Unsecured Claims

67. In the ordinary course of business, the Debtors incur various fixed, liquidated, and undisputed payment obligations (the “**Trade Claims**”) to various third-party providers of goods and services that are sold in the Debtors’ stores or facilitate the Debtors’ business operations. Certain of the Trade Claims (i) are entitled to statutory priority; (ii) may give rise to shippers’, warehousemen’s, or mechanics’ liens against the Debtors’ property if unpaid; or (iii) may be secured by letters of credit, security deposits, or rights of setoff.

IV.

Events Leading to Commencement of Chapter 11

a. Market Conditions and Industry Trends

68. In recent years, the Company’s revenues have declined, in large part due to increased competition from online retailers and general declines in the specialty retail clothing industry. The specialty retail industry is highly competitive and, in recent years, the retail industry as a whole has been challenged by shifts in consumer purchasing preferences and habits. The Debtors primarily compete with other specialty retailers, department stores, and e-commerce businesses that engage in the sale of apparel, accessories, and similar merchandise.

69. Prior to the Petition Date, the Debtors’ management team made significant efforts to reduce costs, improve efficiencies, and increase brand loyalty and presence. In early 2020, the Debtors completed a comprehensive review of Brooks Brothers’ business and identified a multi-year, cost-optimization, and revenue growth program with the potential to materially increase EBITDA. The Debtors anticipated expending significant efforts to optimize and simplify general and administrative expenses by reducing the Company’s overhead cost-structure and streamlining corporate personnel to narrowly focus on core competencies.

b. Impact of COVID-19 and Store Closures

70. In 2019 the Debtors asked PJ Solomon to advise on multiple strategic investment initiatives and transactions, including a potential sale of the Company. Unfortunately, as PJ Solomon progressed in discussions with potential investors, the impact of COVID-19 began to materialize.

71. Beginning in late February 2020, the Debtors began to face unprecedented liquidity and operational challenges associated with the spread of COVID-19. As the pandemic spread through Asia and Europe, Brooks Brothers' international operations suffered, and the Debtors' foreign vendors found themselves unable to operate or produce and ship inventory, which led to the borrowing base under the Debtors' Prepetition ABL Facility decreasing in size, reducing the Debtors' liquidity. By March 2020, as the pandemic entered full force in North America, the Debtors were forced to close all North America stores and their headquarters consistent with governmental health guidelines and directives.

72. Since then, the Debtors have relied primarily on e-commerce sales, which have been relatively small compared to lost brick-and-mortar sales. The Debtors have been disproportionately and adversely affected by the shutdown as compared to some other retailers—with office buildings closed throughout the United States, office workers have been working remotely and demand for professional attire has become temporarily depressed. Moreover, because specialty apparel and accessories generally are discretionary purchases, consumer purchases of the Debtors' products have declined. As a result, the Debtors experienced a steep drop in revenue, with revenues from March to June 2020 estimated to have decreased approximately 76% year-over-year. The Debtors are not alone. According to the U.S. Census Bureau, men's clothing store sales were down 56.1% from February to March 2020, which

represented the largest decline of any individual type of retail business tracked in its report.⁸ For March to April 2020, men's clothing store sales declined an additional 73.9%.⁹

c. Initiatives in Response to COVID-19

73. In response to COVID-19, the Debtors undertook a number of critical cost-saving initiatives, including:

- Employees. The Debtors initiated a variety of temporary employee-related measures to ensure public health and safety and manage the impact of the crisis, including the Furlough Program, reducing certain employee hours, decreasing the salaries of certain field, distribution, and corporate employees, suspending the Debtors' 401(k) matching program, and suspending certain employee incentive programs.
- Suppliers. The Debtors negotiated concessions with their merchandise suppliers and reached agreements with a number of their major suppliers to defer payment of amounts outstanding for months and to reduce the amount payable by 35%, in each case with the expectation that the Debtors would be able to access new financing and utilize such financing to pay for new merchandise shipments and outstanding amounts owed, each on new and longer payment terms. Through such efforts, Brooks Brothers reduced its payables to its merchandise suppliers by over \$11 million, subject to the terms of various agreements.
- Leases. The Debtors also engaged in extensive discussions with their landlords to ensure the deferral and reduction of rent while their stores remained closed. The Debtors entered into numerous amendments with their landlords. Further, beginning in early April 2020, the Debtors began to evaluate their lease portfolio to assess whether to close certain underperforming stores. Prior to the Petition Date, the Debtors moved inventory from 51 underperforming Brooks Brothers® and 5 Deconic stores to the Debtors' distribution centers and other stores, and closed (or began to close) such stores on a permanent basis.
- Manufacturing Facilities. After initially producing over 1.14 million face masks to support the then-existing U.S.-production shortfall, and failing to receive government funding, on May 14, 2020, the Debtors announced the shut-down of their three domestic manufacturing facilities.

⁸ U.S. Census Bureau, Monthly Retail Trade Report (Apr. 2020), <https://www.census.gov/retail/index.html>. Estimates are adjusted for seasonal variations and holiday and trading-day differences, but not for price changes. Cumulative seasonally adjusted sales estimates are not tabulated.

⁹ *Id.*

74. Beginning in early April 2020, after several weeks of government mandated store closures and uncertainty as to the duration and resulting impact of the pandemic, the Debtors determined they would require additional financing to fund their operations. Following a competitive process, the Debtors' obtained \$20 million of financing from a Gordon Brothers affiliate.

75. The Debtors anticipated using the proceeds of such financing freely in their operations, but shortly after the closing of the financing transaction, to the Debtors' surprise, the Prepetition ABL Agent placed the Debtors in cash dominion—swept the loan proceeds—and left Brooks Brothers in severely financially distressed circumstances. For several weeks, the Prepetition ABL Agent provided funding for the Debtors' operations on a day-to-day basis. The Prepetition ABL Agent continued to charge additional reserves against the Debtors' borrowing availability and eventually refused to advance funds to the Debtors, essentially leaving the Debtors without to cash for over a week as it swept the Debtors' bank accounts.

76. Accordingly, on June 29, 2020, the Debtors obtained an additional \$12.5 million in financing from Gordon Brothers (the "**Incremental Term Loan**") to bridge to these chapter 11 cases. On the same day, Prepetition ABL Agent agreed to forbear from, among other things, sweeping the proceeds of the Incremental Term Loan, and the Debtors and Prepetition ABL Agent reached an agreement on the consensual use of cash collateral in these chapter 11 cases. The Debtors intend to use the proceeds of their proposed debtor-in-possession financing facility in their cash management system without being subject to sweeps under the Prepetition ABL Credit Agreement.

77. With incremental financing in hand, the Debtors and their advisors worked to, among other things, (i) carefully manage liquidity, (ii) develop an appropriate store re-

opening plan, (iii) continue the marketing process, and (iv) obtain postpetition financing. As described above, the Debtors solicited indications of interest from bidders and financing proposals from the Debtors' existing lenders and third-parties. Prior to the Petition Date, the Debtors and their advisors, overseen and authorized by the Special Committee, negotiated the best postpetition financing for the Debtors and commenced these chapter 11 cases. The Debtors now intend to use these chapter 11 cases to secure the best value-maximizing transaction for their estate in order to ensure that Brook Brothers' historic business survives.

78. The Debtors now require immediate access to the DIP Facility to ensure (i) sufficient working capital to make critical and necessary payments to operate their business and administer their estates, (ii) a positive message to the Debtors' stakeholders, and (iii) sufficient funding to run a value-maximizing sale process. The Debtors enter chapter 11 with severely limited available liquidity. Without additional financing and the ability to use cash collateral, the Debtors will be in a negative cash position in short order. Prior to the Petition Date, the Debtors, in consultation with their advisors, reviewed and analyzed the Debtors' projected cash needs and prepared an initial DIP budget outlining the Debtors' postpetition cash need in the initial thirteen weeks of the chapter 11 cases. The DIP financing will provide the Debtors with the liquidity necessary to, among other things, make payroll and satisfy necessary working capital and general corporate purposes, including essential payments to vendors, service providers, and employees to preserve the value of their business.

79. In addition, the Debtors require access to the Prepetition ABL Collateral and Prepetition Term Loan Collateral, including cash collateral currently subject to the liens of the Prepetition ABL Parties and the Prepetition Term Loan Parties. Following an entry of an interim order, the Debtors will provide adequate protection to the Prepetition ABL Parties and

the Prepetition Term Loan Parties. Without the ability to access such cash, the Debtors will not be able to administer these chapter 11 cases and achieve a value-maximizing sale.

V.
First Day Pleadings

80. The Debtors have filed, or expect to file, with the Court First Day Pleadings seeking orders granting various forms of relief intended to stabilize the Debtors' business operations, facilitate the efficient administration of these chapter 11 cases, and expedite a swift and smooth reorganization. The First Day Pleadings include the following:

- *Motion of Debtors for Entry of Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief* (the “**Joint Administration Motion**”);
- *Motion of Debtors for (I) Authority to (A) Obtain Postpetition Financing, (B) Use Cash Collateral, (C) Grant Liens and Provide Superpriority Administrative Expense Status, (D) Grant Adequate Protection, (E) Modify the Automatic Stay, and (F) Schedule a Final Hearing and (II) Related Relief* (the “**DIP Motion**”);
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue Existing Cash Management System, (B) Honor Certain Prepetition Obligations Related to the Use Thereof, (C) Continue Intercompany Transactions and Provide Administrative Expense Priority for Postpetition Intercompany Claims, and (D) Honor Prepetition Bank Fees; (II) Extending Time to Comply With 11 U.S.C. § 345(b); and (III) Granting Related Relief* (the “**Cash Management Motion**”);
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Pay Prepetition Wages, Salaries, Reimbursable Expenses, and Other Obligations on Account of Compensation and Benefits Programs and (B) Continue Compensation and Benefits Programs, and (II) Granting Related Relief* (the “**Wages Motion**”);
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Vendor Claims and Lien Claims, (II) Confirming Administrative Expense Priority of Undisputed Outstanding Prepetition Orders, and (III) Granting Related Relief* (the “**Vendors Motion**”);
- *Motion of Debtors for Entry of Interim and Final Orders (I) Approving of Debtors' Proposed Form of Adequate Assurance of Payment to Utility Providers, (II) Establishing Procedures for Determining Adequate Assurance of Payment for Future Utility Services, (III) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Utility Service, (IV) Authorizing the Debtors to Honor Obligations to Payment Processor in the Ordinary Course of Business, and (V) Granting Related Relief* (the “**Utilities Motion**”);

- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Continue to Maintain Their Insurance Policies and Programs and Surety Bond Program, and (B) Honor All Insurance Obligations, (II) Modifying the Automatic Stay, and (III) Granting Related Relief (the “**Insurance and Surety Bond Motion**”);*
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Maintain and Administer Prepetition Customer Programs, Promotions, and Practices, (B) Pay and Honor Related Prepetition Obligations, and (II) Granting Related Relief (the “**Customer Programs Motion**”);*
- *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing Debtors to Pay Certain Prepetition Taxes and Fees, and (II) Granting Related Relief (the “**Taxes Motion**”);*
- *Debtors’ Application for Appointment of Prime Clerk LLC as Claims and Noticing Agent (the “**Prime Clerk Retention Application**”);*
- *Omnibus Motion of Debtors for Entry of Order (I) Authorizing Debtors to (A) Reject Certain Unexpired Leases of Nonresidential Real Property and (B) Abandon De Minimis Property in Connection Therewith and (II) Granting Related Relief (the “**Lease Rejection Motion**”);*
- *Motion of Debtors for Entry of Order (I) Approving Procedures for Rejecting Unexpired Leases of Nonresidential Real Property and (II) Granting Related Relief (the “**Lease Rejection Procedures Motion**”);*
- *Motion of Debtors for Entry of Order (I) Extending Time for Performance of Obligations Arising Under Unexpired Non-Residential Real Property Leases and (II) Granting Related Relief (the “**Rent Suspension Motion**”);¹⁰*
- *Motion of Debtors for Entry of Orders Establishing Notification Procedures and Approving Restrictions on Certain Transfers of Interests In and Claims Against the Debtors and Certain Worthless Stock Deduction Claims (the “**NOL Motion**”); and*
- *Motion of Debtors for Entry of Order (I) Authorizing Debtors to Redact Certain Personal Identification Information in Creditor Matrix and Certain Other Documents and (II) Granting Related Relief (the “**Creditor Matrix Motion**”).*

81. The First Day Pleadings seek authority to, among other things, obtain postpetition financing, honor employee-related wages and benefits obligations, pay claims of certain vendors and suppliers critical to the Debtors’ business operations, and ensure the

¹⁰ The Debtors are not seeking any relief at the “first day” hearing with respect to the Lease Rejection Motion, Lease Rejection Procedures Motion and Rent Suspension Motion.

continuation of the Debtors' cash management system and other operations in the ordinary course of business with as minimal interruption as possible on account of the commencement of these chapter 11 cases. I believe that the relief requested in the First Day Pleadings is necessary to provide the Debtors an opportunity to work towards a successful restructuring that will inure to the benefit of each stakeholder.

82. Several of the First Day Pleadings request authority to pay certain prepetition claims against the Debtors. I understand that Rule 6003 of the Federal Rules of Bankruptcy Procedure provides, in relevant part, that the Court shall not consider motions to pay prepetition claims during the first 21 days following the filing of a chapter 11 petition, "except to the extent relief is necessary to avoid immediate and irreparable harm." In light of this requirement, the Debtors have narrowly tailored their requests for immediate authority to pay certain prepetition claims to those circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors and their estates. The Debtors will defer seeking other relief to subsequent hearings before the Court.

83. I am familiar with the content and substance of each of the First Day Pleadings and hereby reference and expressly incorporate into this Declaration the facts in each First Day Pleading with the exception of paragraphs 33, 35, 41, 46, and 58 of the DIP Motion, which rely on the Pitts Declaration. I believe approval of the relief sought in each of the First Day Pleadings is critical to the Debtors' ability to successfully implement their chapter 11 strategy, with minimal disruption to their business operations. Obtaining the relief sought in the First Day Pleadings will permit the Debtors to preserve and maximize the value of their estates for the benefit of all of their stakeholders.

84. I declare under penalty of perjury that, after reasonable inquiry, the foregoing is true and correct to the best of my knowledge, information, and belief.

Executed: July 8, 2020

/s/ Stephen Marotta

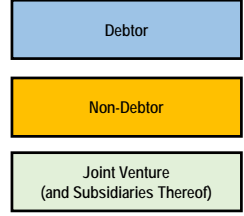
Stephen Marotta
Chief Restructuring Officer

*Brooks Brothers Group, Inc. and its
Debtor Affiliates*

Exhibit A

Organizational Chart

Brooks Brothers Group, Inc.
Organizational Chart



* = Obligor Under Debtors' Prepetition ABL Facility
 † = Obligor Under the Debtors' Prepetition Term Loan Facility
 # = Obligor Under Debtors' Proposed DIP Facility

