

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-047847-146
ESTATE NO.: 41-1938986**

**SUPERIOR COURT
(Commercial Division)
*Bankruptcy and Insolvency Act***

IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF :

Mexx Canada Company

a body politic and corporate, duly
incorporated according to law and having its
head office and its principle place of business
at:

905 Hodge Street
Saint-Laurent, QC H4N 2B3

Debtor

- and -

Richter Advisory Group Inc.

Trustee

**TRUSTEE'S THIRD REPORT ON THE STATE OF THE INSOLVENT PERSON'S
BUSINESS AND FINANCIAL AFFAIRS
(Pursuant to 50.4(7)(b)(ii) and 50.4(9) of the Bankruptcy and Insolvency Act)**

I, Andrew Adessky, CPA, CA, CIRP, of Richter Advisory Group Inc. ("Richter" or "Trustee"), Trustee, with respect to the Notice of Intention to Make a Proposal ("Notice of Intention") filed by Mexx Canada Company (the "Company" or "Debtor"), an insolvent person, do hereby report to the Court the following:

1. On December 3, 2014, the Debtor filed a Notice of Intention in accordance with the *Bankruptcy and Insolvency Act* (the "Act").
2. The Company is part of the Mexx Group, which is an international fashion group engaged in the design and sale of clothing and accessories for men, women and children. At the time of the filing of the Notice of Intention, the Company operated 95 stores located across Canada and also operated a wholesale business and had point of sale locations in various department stores operated by the Bay. The Company employed approximately 1,700 people in its retail operations and a further 85 people at its head office and distribution center located in Montreal, Quebec as of the filing of the Notice of Intention.
3. On December 10, 2014, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's Notice of Intention.

4. On December 12, 2014, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("Projections") together with its report pursuant to Section 50.4(2)(c) of the Act, covering the period from November 30, 2014 to January 10, 2015, which included the major Assumptions used in the preparation of the aforementioned Projections. Concurrently therewith, the Trustee filed its Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act.
5. On December 18, 2014, the Court issued an order extending the time for filing the proposal to January 30, 2015.
6. Also on December 18, 2014, the Court issued an order authorizing the Debtor to enter into a Consulting Agreement with Merchant Retail Solutions ULC and Gordon Brothers Canada ULC ("Joint Venture") whereby the Joint Venture would assist the Debtor in the liquidation of all inventory (located primarily in its retail locations) as well as in disposing of its furniture, fixtures and equipment, all to enable it to potentially generate sufficient funds to enable the Debtor to file a proposal to its creditors.
7. On January 26, 2015, the Court issued an order extending the time for filing the proposal to March 12, 2015.
8. In order to monitor the affairs and finances of the Debtor, the Trustee has been provided with access to the books, records and other important documents of the Company.
9. We inform the Court that the Trustee has not conducted an audit or investigation of the information which has been provided to it by the Debtor and that accordingly, no opinion is expressed regarding the accuracy, reliability or completeness of the information contained within this Third Report.

RESULTS OF OPERATIONS

10. The Trustee has compared the reported results to those projected since the filing relating to the second extension of time to file a proposal (January 11, 2015 to February 28, 2015) of which the cumulative summary is annexed hereto as "**Exhibit A**". The actual results to date have been favourable and can be summarized as follows:
 - Cash receipts for the Period amounted to approximately \$21.8 million, a \$3.6 million favourable variance as compared to the Projections (\$18.2 million) due primarily to stronger than forecast liquidation sales and stronger than forecast receipts from the sale of furniture, fixtures and equipment.
 - Operating disbursements for the Period were reported at \$16.1 million versus a budget of \$16.8 million resulting in a favourable variance of \$0.7 million. The favorable variance is due to savings in various categories including lower than forecast payments into the Safeguard Escrow (see paragraphs 18 to 22) and lower than forecast payroll costs.
 - \$5.7 million net cash flow for the Period resulted in a favourable variance of \$4.3 million (versus a projected net cash flow of \$1.4 million).

- As reflected in the Trustee's Second Report dated January 21, 2015, on or about January 14, 2015, the Company was notified by Crystal Financial LLC ("Crystal") that it had assigned its rights under the December 19, 2011 credit agreement with the Company to Gores Capital Partners (Alternative) III, L.P. and Gores Co-Invest Partnership (Alternative) L.P. (collectively the "Gores Assignees") in exchange for a payment of \$5.3 million. During the Period, the Debtor made payments to the Gores Assignees (excluding interest and fees) to repay almost entirely the outstanding indebtedness under the Crystal credit agreement.
11. The Company has been paying its suppliers and employees, on a timely basis, for goods and services provided subsequent to the date of the filing of the Notice of Intention.
 12. As noted in the Trustee's Second Report dated January 21, 2015, the Company was covered under the various insurance policies subscribed to by the Mexx Group, which were extended to expire on March 31, 2015. As the Company will have disposed of all of its assets by March 31, 2015, no further extension of the Company's insurance policies will be obtained, with the exception of the potential purchase of an extension to its Director and Officer ("D&O") liability policy.

RESTRUCTURING INITIATIVES

13. As noted above, the liquidation sales which commenced on December 19, 2014, have exceeded forecast.
14. As of March 1, 2015, the Company has closed 86 of its 95 store locations, with the balance to be closed on or about March 9, 2015.
15. As previously reported, the Company, in coordination with the Joint Venture, and with the assistance of its counsel, the Trustee and the Trustee's counsel have resolved most landlord issues raised in connection with the liquidation and the closure of the stores. However, as a result of a landlord seizing one of the store locations, the Company may file a claim for damages caused by this landlord's action including the failure to respect the stay of proceedings.
16. As noted in the Trustee's Second Report, the Company, assisted by its counsel and the Trustee, negotiated the early termination of the lease for its head office and distribution center. As of the date of this report, the Debtor expects to meet all terms and conditions under the agreement such that it will vacate the head office and distribution center by March 31, 2015, and receive the return of the security deposit held by the landlord.

17. The Company with the assistance of its third party leasing consultant had identified interested parties for approximately six of its store locations. However, as a result of landlord opposition to the potential transfer of most of these locations, it was only able to assign a single store location to one of the interested parties.

CARGO ARREST

18. We refer to the Trustee's Second Report for a summary of the relevant details in respect of the cargo arrest issued by the Federal Court of Canada ("Federal Court") on December 23, 2014 of certain goods in transit ("Cargo Arrest"), by LF Centennial Pte Ltd. ("LF Centennial").
19. Following negotiations between the Company and LF Centennial, on January 6, 2015, this Court approved the terms of a Safeguard Order whereby bail was granted in respect of the cargo arrest to enable the goods to be released so that they could be sold with the net proceeds to be held in an escrow account with the Trustee. The Trustee was also to report on a weekly basis to LF Centennial's attorneys.
20. On or about January 8, 2015, the Debtor along with the Trustee, filed a motion in Federal Court seeking various relief including a motion to strike the seizure. Following a hearing before Prothonotary Morneau on January 27, 2015, the Federal Court, issued an order on February 3, 2015 which, amongst other conclusions, quashed the cargo arrest and released the Debtor from any obligations under the Safeguard Order including declaring the escrow agreement rescinded ("Motion to Strike Order"). The Motion to Strike Order has been posted on the Trustee's website.
21. Following LF Centennial's appeal of the Motion to Strike Order, on February 18, 2015, the Honourable Mr. Justice de Montigny of the Federal Court, issued a judgment dismissing LF Centennial's appeal ("Appeal Judgment"). The Appeal Judgment has been posted on the Trustee's website.
22. At the present time, as a result of the Motion to Strike Order and the Appeal Judgment, the Trustee discontinued any weekly reporting to LF Centennial's attorneys and is not placing any further net proceeds into escrow.

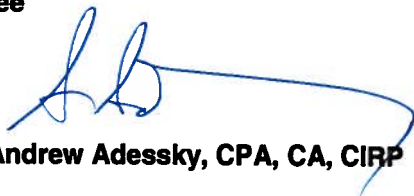
MOTION TO EXTEND

23. The Debtor is filing the Third Motion to Extend the Delay for the Filing of a Proposal, in order to allow it to complete the liquidation of its inventory and wind down its affairs, the whole to maximize realization for all stakeholders and permit it to file a Proposal to its creditors, if possible.
24. Annexed hereto as **Exhibit "B"** is the Statement of Projected Cash Flow covering the period from March 1, 2015 to April 24, 2015, the Trustee's Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act and the Debtor's Report pursuant to Section 50.4(2)(c) of the Act.

25. Based on the information available to the Trustee, the Trustee does not believe that any creditor would suffer a material prejudice in the event that the stay of proceedings is extended as requested by the Debtor.
26. In the event that the extension is not granted and a Bankruptcy immediately ensues, the reorganization efforts of the business may be negatively impacted. Consequently, the creditors' opportunity to maximize recovery in this matter is enhanced by allowing the Company the time it requires to continue its liquidation, and wind down its operations, the whole to enable it to formulate a Proposal.
27. Given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to April 24, 2015.

DATED AT MONTREAL, this 6th day of March 2015.

Richter Advisory Group Inc.
Trustee



Per: Andrew Adessky, CPA, CA, CIRP

EXHIBIT A

Mexx Canada Company

Reported results vs. projected from January 11, 2015 to February 28, 2015

(\$000's)	Reported	Projected	Variance	Notes
Receipts				
Gross Receipts	\$ 20,462	\$17,621	\$ 2,841	
FF&E Proceeds	1,372	576	796	
Other Proceeds	-	-	-	
	21,834	18,197	3,637	1
Disbursements				
Purchases, Duty & Freight	195	1,364	1,169	2
Rent	2,986	3,120	134	
Store expenses & Other	4,653	4,327	(326)	3
Payroll	4,273	4,982	709	4
Sales Tax	3,016	1,621	(1,395)	
Interest	75	84	9	
Deposits	(5)	246	251	
Professional Fees	925	1,072	147	
	16,118	16,816	698	
Net Cash Flow	\$ 5,716	\$ 1,381	\$ 4,335	
Opening Bank Cash	\$ 9,149	\$ 9,149	\$ -	
Net Cash Flow	5,716	1,381	4,335	
Revolver/Term Loan Repayment	(7,117)	(5,736)	(1,381)	
Ending Bank Cash	\$ 7,748	\$ 4,793	\$ 2,955	
Opening Revolver/Term Loan	\$ 8,000	\$ 8,000	\$ -	
Revolver/Term Loan Repayment	(7,117)	(5,736)	(1,381)	
Other Term Loan Reduction	(883)	-	(883)	5
Ending Revolver/Term Loan	\$ -	\$ 2,264	\$ (2,264)	

(1) Favourable variance due to stronger than forecasted retail sales as well as the sales of furniture, fixtures and equipment.

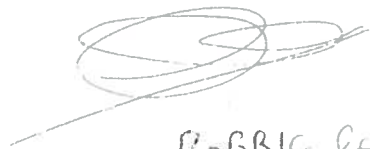
(2) Due to favourable court rulings, the Company did not remit the projected amount of funds in respect of the sale of inventory under cargo arrest into an escrow account, thereby resulting in the favourable variance.

(3) The negative variance is primarily attributable to higher than forecast receipts, thereby increasing the commission payable to the consultants.

(4) Represents a permanent favorable variance.

(5) An amount of \$883k was allocated to the outstanding term loan from the proceeds generated by the sale of the Mexx Group global intellectual property rights.

March 5, 2015



ROBBIE REYNOLDS



EXHIBIT B

Mexx Canada
Cash Flow Forecast For the Period March 1, 2015 to April 30, 2015

(\$000's)	07-Mar-15	14-Mar-15	21-Mar-15	28-Mar-15	April '15	Total
Receipts						
Gross Receipts	\$775	\$89	\$10	\$0	\$160	\$1,035
FF&E Proceeds	25	-	-	-	104	129
	800	89	10	-	264	1,164
Disbursements						
Purchases, Duty & Freight	-	-	-	-	(132)	(132)
Rent	-	25	-	-	-	25
Store expenses & Other	746	260	1,118	50	221	2,395
Payroll	-	1,688	-	-	100	1,788
Sales Tax	-	-	-	759	-	759
Interest	-	-	-	-	-	-
Deposits	-	-	(81)	-	-	(81)
Professional Fees	138	122	105	105	250	719
	884	2,095	1,142	914	438	5,473
Net Cash Flow	\$ (84)	\$ (2,006)	\$ (1,132)	\$ (914)	\$ (174)	\$ (4,309)
Opening Bank Cash	\$ 7,744	\$ 7,661	\$ 5,655	\$ 4,523	\$ 3,609	\$ 7,744
Net Cash Flow	(84)	(2,006)	(1,132)	(914)	(174)	(4,309)
Revoiver/Term Loan Repayment	-	-	-	-	-	-
Ending Bank Cash	\$ 7,661	\$ 5,655	\$ 4,523	\$ 3,609	\$ 3,435	\$ 3,435

Dated at London, England, this 6 day of March, 2015.


 Mexx Canada Company

Robbie Reynders

Richter Advisory Group Inc.

Per


 Andrew Adessky

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-047847-146
Estate No. 41-1938986

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Mexx Canada Company
Of the City of Montreal, Borough Saint-Laurent
In the Province of Quebec

The management of Mexx Canada Company, has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 3rd day of March 2015, consisting of the period from March 1 to April 30, 2015.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of London, in England, this 5th day of March 2015.



Mexx Canada Company
Debtor

Robbie Reynders, President

Name and title of signing officer

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-047847-146
Estate No. 41-1938986

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Mexx Canada Company
Of the City of Montreal, Borough Saint-Laurent
In the Province of Quebec

Purpose:

Mexx Canada Company filed a Notice of Intention to Make a Proposal on December 3, 2014. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Mexx Canada Company (the "Company"), for the period from March 1 to April 30, 2015, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on March 3, 2015 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from March 1 to April 30, 2015, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of London, in England, this 5th day of March 2015.



Mexx Canada Company

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-047847-146
Estate No. 41-1938986

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Mexx Canada Company
Of the City of Montreal, Borough Saint-Laurent
In the Province of Quebec

The attached statement of projected cash flow of Mexx Canada Company, as of the 3rd day of March 2015, consisting of the period from March 1 to April 30, 2015, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

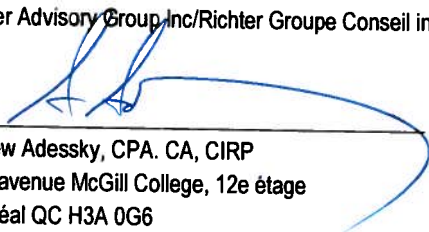
(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Montréal in the Province of Quebec, this 6th day of March 2015.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee
Per:



Andrew Adessky, CPA, CA, CIRP
1981 avenue McGill College, 12e étage
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-047847-146
Estate No. 41-1938986

**_FORM 29_ - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)**

**In the Matter of the Notice of Intention to Make a Proposal of
Mexx Canada Company
Of the City of Montreal, Borough Saint-Laurent
In the Province of Quebec**

Purpose:

Mexx Canada Company filed a Notice of Intention to Make a Proposal on December 3, 2014. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Mexx Canada Company (the "Company"), for the period from March 1 to April 30, 2015, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on March 3, 2015 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period from March 1 to April 30, 2015, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

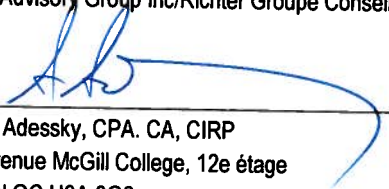
The current government remittances for source deductions and sales taxes are included in the disbursement assumptions.

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

Dated at the City of Montréal in the Province of Quebec, this 6th day of March 2015.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Trustee

Per:


Andrew Adessky, CPA, CA, CIRP
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