

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

FORM 40
Report of Trustee on Proposal
(Section 59(1) and paragraph 58(d) of the Act)

In the Matter of the Proposal of
Mexx Canada Company
Of the City of Montreal, Borough Saint-Laurent
In the Province of Quebec

We, Richter Advisory Group Inc/Richter Groupe Conseil Inc, the trustee acting in the proposal of Mexx Canada Company ("MCC"), hereby report to the Court as follows:

1. That a proposal was filed with us on the 1st day of June 2015, a copy of which is attached and marked as **Exhibit "A"**, and that we filed a copy of the proposal with the official receiver on the 1st day of June 2015.
2. That on the 8th day of June 2015, we gave notice to the debtor, to the division office and to every known creditor affected by the proposal, whose names and addresses are shown in **Exhibit "B"** to this report, of the calling of a meeting of creditors to be held on the 19th day of June 2015 to consider the proposal and of the notice of hearing of application for court approval of the proposal to be held on the 26th day of June 2015.
3. That with the notice was included a condensed statement of the assets and liabilities of the debtor, a list of the creditors affected by the proposal who have claims of \$250 or more and showing the amounts of their claims, a copy of the proposal, a form of proof of claim and proxy in blank and a voting letter. Copies of the notice, the condensed statement and the list of creditors are attached and marked as **Exhibits "C.1", "C.2" and "C.3"** respectively.
4. That prior to the meeting of creditors we made a detailed and careful inquiry into the liabilities of the debtor, the debtor's assets and their value, the debtor's conduct and the causes of the debtor's insolvency.
5. That the meeting of creditors was held on the 19th day of June 2015, and was presided over by Nicole Lachance from the Office of the Superintendent of Bankruptcy.
6. That at the meeting of meeting of creditors on the 19th day of June 2015, MCC amended its proposal to clarify the definition of Landlord Claim. A copy of said amended proposal is attached as **Exhibit "D"**.
7. We note that at the meeting of creditors held on 19th day of June, 2015, two of MCC's largest landlords (representing approximately one-third of all locations) had the opportunity to question the Trustee and the Debtor regarding the proposal and subsequently voted in favor of the proposal.
8. That the proposal was accepted by the required majority of creditors.
9. That a copy of the minutes of the meeting is attached and marked as **Exhibit "E"**.

10. That we are of the opinion that:

a. the assets of the debtor and their fair realizable value are as follows:

PROPERTY NAME	ESTIMATED \$	REALIZATION \$
Business Assets - Book Debts - Deposit in escrow (Li & Fung) & Supplier deposits	181,976.74	181,976.74
Cash on hand – Chequing (Note 1)	5,022,000.00	5,022,000.00
Debts Due - Business - Accounts receivable	30,000.00	30,000.00
Total Property Value	5,233,976.74	5,233,976.74
Note 1: Cash on hand is prior to a provision for amounts owing to Subsequent Creditors.		

b. the liabilities of the debtor are as per the list of creditors attached and marked as **Exhibit "F"**.

11. That we are also of the opinion that:

a. The causes of the insolvency of the debtor are as follows:

Commencing in 2011, Mexx began experiencing a decline in sales and operations with a significant downturn in 2014. Management attributes this negative trending to a number of factors including:

- Increasing competition in the marketplace
- Fixed cost structure (head office and distribution center) not in line with the level of operations;
- Unprofitability of numerous retail locations.

b. The conduct of the debtor is subject to censure in the following respects:

N/A

c. The following facts, mentioned in Section 173 of the Act, may be proved against the debtor:

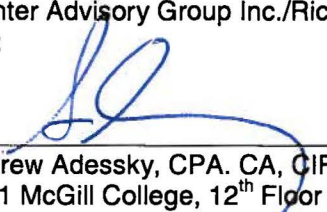
N/A

12. In view of the overwhelming support and vote in favour of the proposal and given that the proposal is in the best interests of creditors generally, the Trustee is of the view that the proposal is fair and reasonable.

13. That we forwarded a copy of this report to the official receiver on this day.

Dated at the City of Montréal in the Province of Québec, this 23rd day of June 2015.

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



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