

CANADA  
PROVINCE OF QUÉBEC  
DISTRICT OF QUÉBEC  
DIVISION NO.: 01-MONTREAL  
COURT NO.: 500-11-043786-124  
ESTATE NO.: 41-1695261

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

**Sixty Canada Inc.**

a legal person duly constituted, having its registered  
office at 225 Chabanel Street West, Suite 620  
Montreal QC H2N 2C9

**Debtor**

- and -

**Richter Advisory Group Inc. (formerly RSM Richter  
Inc.)**

**Trustee**

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**SECOND REPORT OF THE TRUSTEE ON THE FINANCIAL SITUATION  
OF THE DEBTOR AND ON THE PROPOSAL  
(Sections 50(10)(b) and 50(5) of the *Bankruptcy and Insolvency Act*)**

On January 9, 2013, Sixty Canada Inc. (hereinafter referred to as the "Debtor" or "Sixty Canada") filed a Proposal (hereinafter referred to as the "Initial Proposal"). Subsequently, the Debtor informed the Trustee that it wishes to amend its Proposal at the Meeting of Creditors to be held on January 30, 2013 (the "Amended Proposal").

The purpose of the First Meeting of Creditors is to consider the Amended Proposal. Copies of the Amended Proposal, which is submitted to Creditors for approval, are being herewith made available for the Creditors' consideration.

Pursuant to Sections 50(10)(b) and 50(5) of the *Bankruptcy and Insolvency Act* (hereinafter referred to as the "Act" or "BIA"), and to assist the creditors in considering the Amended Proposal, the Trustee is submitting its Second Report on the financial situation of the Debtor and on the Amended Proposal.

This Second Report of the Trustee provides an update on certain analysis conducted by the Trustee and summarizes the elements of the Initial Proposal that have been amended by the Debtor.

**We caution the Creditors to read the Amended Proposal in its entirety as this Second Report is only a succinct summary.**

**We caution the reader that we have neither conducted an audit nor a verification of the books and records of the Debtor. Consequently, we cannot render an opinion as to the accuracy of the information contained therein. The**

information discussed herein emanates from the books and records of the Debtor as well as from our discussions with the Management of the Debtor.

## I. RECEIVABLES FROM RELATED PARTIES

Accounts and Other receivables include \$5.8 million which relates to amounts due from Related Parties. Management indicated that these receivables are not collectable. We summarize the Related Party receivables as follows:

(In 000's)	Net Carrying Amount
Sixty International S.A.	\$ 953
Sixty Retail	4,853
	<u>\$ 5,806</u>

The Trustee was not able to obtain sufficient information on the balance due from Sixty International S.A. in order to assess the collectability of the receivable. Further analysis is required and the Trustee will report to the Creditors' Committee to be created pursuant to the Amended Proposal.

## II. AMOUNTS DUE TO RELATED PARTIES

Approximately \$7.3 million (or 95%) of the unsecured claims represent amounts due to Related Parties. We summarize the Related Party payables as follows:

(In 000's)	Net Carrying Amount
Sixty S.P.A.	\$ 6,672
Sixty Far East Ltd.	582
Sixty Hong Kong	8
	<u>\$ 7,262</u>

The Trustee has not yet received the proof of claims from the Related Parties. Upon receipt of those proofs of claims, an analysis will be conducted to determine the application of Section 139 of the Act and assess if said claims should be postponed. A report will be submitted to the Creditors' Committee to be constituted pursuant to the Amended Proposal.

### **III. PREFERENCES AND TRANSFER AT UNDERVALUE**

Paragraph 10 of the Initial Proposal provides that Sections 95 to 101 of the Act will not be applicable. The remedies pursuant to these provisions relate to the recovery of certain amounts under reviewable transactions, preferential treatments and asset disposals. These remedies would be available in the event of a bankruptcy of the Debtor.

The Trustee was provided with some information and performed a limited analysis of certain transactions involving the Debtor and its Related Parties during the last twelve months.

Although some transactions have been noted, the Trustee does not have sufficient information to assess if they could constitute preferences. The analysis needs to be completed and the Trustee will report to the Creditors' Committee to be constituted pursuant to the Amended Proposal.

### **IV. AMENDED PROPOSAL**

In essence, the Amended Proposal addresses the issues discussed above as follows:

- The rights of the Debtor to the receivables from Sixty International S.A. and Sixty Canada Retail Inc., if any, will vest in the Trustee;
- The Committee will have the power to give instructions to the Trustee with respect to the collection of the above-mentioned receivables; and
- Paragraph 10 of the Initial Proposal is removed.

### **V. CONCLUSION & RECOMMENDATION**

The Amended Proposal submitted by the Debtor at the Meeting of Creditors on January 30, 2013, is the result of meetings and discussions held between the Trustee, representatives of major creditors and Sixty Canada. It is the view of the Trustee that the Amended Proposal is better than the Initial Proposal as it gives the ability to the Trustee to collect certain receivables and review certain transactions should it be determined advisable by the Committee.

For these reasons, the Trustee recommends the approval of the Amended Proposal and votes received before the Meeting of Creditors in favour of the Initial Proposal will be considered as votes in favour of the Amended Proposal during the Meeting of Creditors on January 30, 2013.

Dated at Montréal, Province of Québec, this 30<sup>th</sup> day of January 2013.

**Richter Advisory Group Inc.**  
**(formerly RSM Richter Inc. – Trustee)**



Benoit Gingues, CPA, CA, CIRP