

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-043787-122
ESTATE NO.: 41-1695267

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

Sixty Canada Retail 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

**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*)**

The purpose of the First Meeting of Creditors is to consider the Proposal filed on January 9, 2013 (hereinafter referred to as "the Proposal") by Sixty Canada Retail Inc. (hereinafter referred to as the "Debtor" or "Sixty Retail").

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 Proposal, the Trustee is submitting its report on the financial situation of the Debtor and on the Proposal.

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. INTRODUCTION

On December 10, 2012, the Debtor and its parent company, Sixty Canada Inc. ("Sixty Canada") each filed a Notice of Intention to Make a Proposal in accordance with the Bankruptcy and Insolvency Act ("the Act").

On December 21, 2012, the Honourable Justice Lalonde authorized the sale of all the assets of the Debtor (excluding cash and receivables) to Sixty Trading Inc. (the "Purchaser") with an effective closing date of December 31, 2012 (the "Transaction"). Consequently, the Debtor has no remaining assets (other than cash and receivables) and is no longer operating.

On January 9, 2013, the Debtor filed a Proposal to its creditors. We have enclosed herewith the Proposal made by the Debtor to its creditors, a proof of claim form, a voting form, a proxy and a notice indicating the place and time of the Meeting of Creditors to address the Proposal.

The purpose of the Proposal is to distribute to creditors, the cash on hand, the funds generated by the Transaction and the collection of the receivables.

The following summarizes the relevant information and key elements that may assist the creditors in evaluating the Debtor's affairs and the Proposal.

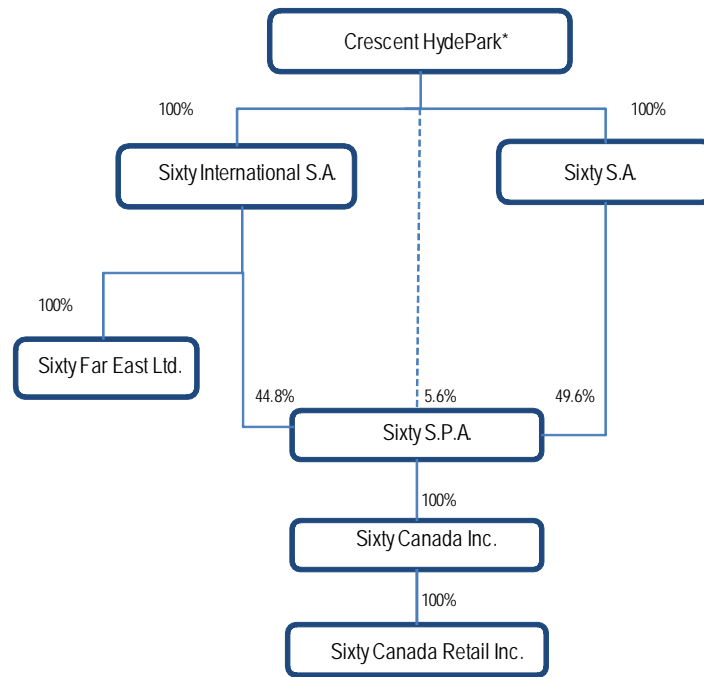
II. OVERVIEW OF THE COMPANY

Sixty Retail was a fashion company that distributed apparel, footwear and accessories across Canada under the brands Miss Sixty, Energie, Killah and Sixty. Sixty Retail distributed its products through boutiques and company-owned stores and employed approximately 75 employees.

Sixty Canada was a wholesaler that distributed its products to Sixty Retail and other retailers across Canada under the brands Miss Sixty, Energie, Killah and Sixty. Sixty Canada employed approximately 7 employees.

Sixty Retail and Sixty Canada are referred to herein as the "Companies".

Sixty Retail is a wholly-owned subsidiary of Sixty Canada, which is wholly owned by Sixty S.P.A., a legal person constituted under the laws of Italy. The organization chart of the Sixty Group is summarized as follows:



* Full name is Crescent HydePark European Opportunities I (Asian fund managed by Crescent HydePark Management Ltd.)

As shown in the table below, the Companies were tenants of eight retail stores located in malls across Canada, two of which were closed as part of the restructuring initiatives implemented following the filing of the Notices of Intention. All the stores were operated by Sixty Retail. The Companies' Head Office and warehouse were located in Montreal (Quebec).

The following table summarizes information on the stores prior to the Transaction:

Tenant	Shopping Center	City	Province	Gross Leaseable area (sq. ft.)	Landlord
Stores in operation					
Sixty Canada Retail Inc.	Vaughan Mills (Outlet)	Vaughan	ON	1,455	Vaughan Mills Shopping Centre Corporation (Ivanhoe Cambridge)
Sixty Canada Retail Inc.	Metropolis at Metrotown	Burnaby	BC	1,116	Ivanhoe Cambridge II Inc.
Sixty Canada Inc.	West Edmonton Mall	Edmonton	AB	1,569	West Edmonton Mall Property Inc.
Sixty Canada Inc.	Chinook Centre	Calgary	AB	1,616	Ontrea Inc. (Cadillac Fairview Corporation Ltd.)
Sixty Canada Inc.	Le Carrefour Laval	Laval	QC	2,120	Le Carrefour Laval Leaseholds Inc. (Cadillac Fairview Corporation Ltd.)
Sixty Canada Inc.	Pacific Centre	Vancouver	BC	1,345	Pacific Centre Leaseholds Ltd (Cadillac Fairview Corporation Ltd.)
Closed Stores					
Sixty Canada Retail Inc.	Robson Street ¹	Vancouver	BC	2,035	Oxford Properties Group and 735832 Alberta Ltd.
Sixty Canada Inc.	Yorkdale Shopping Centre ²	Toronto	ON	1,960	Yorkdale Shopping Centre Holdings Inc. (Oxford Properties Group)

¹ Sixty Retail sent a notice of resiliation of the lease on December 11, 2012 effective January 12, 2013

² Sixty Canada received an eviction notice from the landlord to vacate the premises by January 6, 2013

III. CAUSES OF INSOLVENCY AND RECENT DEVELOPMENTS

Sixty S.P.A. supplies its retail network and wholesale distributors which purchase almost all of their products from Sixty S.P.A. and Sixty Far East Ltd (more than 95% of purchases). The production of goods is mainly carried out by suppliers located in the Far East and coordinated by Sixty Far East Ltd.

Sixty S.P.A. operates by virtue of trademark licensing agreements (the "Licensing Agreements") with Sixty International S.A., a corporation constituted under the laws of Luxembourg and owner of such trademarks. The Licensing Agreements expired on December 31, 2012.

On September 20, 2012, Sixty S.P.A initiated a reorganization procedure pursuant to Italian law and is currently seeking to conclude a deed of arrangement (*concordato preventivo*) with its creditors within 120 days (i.e. January 20, 2013) in an attempt to avoid bankruptcy.

As a result of Sixty S.P.A.'s financial difficulties and the complexity to reach a restructuring agreement with its creditors, the shareholders of Sixty International S.A. and Sixty S.A. sold all their shares to an Asian fund, Crescent HydePark European Opportunities I ("Crescent HydePark"). This transaction occurred in July 2012 and gave Crescent HydePark ownership of the trademarks and control of the production.

The Debtor's financial distress is directly related to the situation described above. Indeed, as a result of the financial difficulties being experienced by Sixty S.P.A. coupled with the sale of Sixty International S.A. and Sixty S.A. to Crescent HydePark, no new inventory has been shipped to the Companies in the last four months of 2012. As a result, inventory on-hand has been depleted and Sixty Retail did not have any current season inventory to sell in its stores while Sixty Canada was not generating any new sales. Miss Sixty is considered a fashion brand; therefore, new collections, new designs and availability of new products are crucial factors to success in this industry.

Sixty Retail's main creditors are Sixty S.P.A., Sixty Canada and Sixty Far East Ltd. which collectively represent approximately 95% of the amounts due to the creditors. Sixty Canada's main creditors are Sixty S.P.A. and Sixty Far East Ltd. which collectively represent 95% of the amounts due to the creditors.

IV. TRANSACTION

Taking into account the complexity of the negotiations with Sixty S.P.A.'s creditors, the uncertainty of the legal procedures in Italy and the cash flow constraints, Crescent HydePark contacted the Companies directly with the objective of purchasing their operating assets in order to maintain the operations in Canada.

In this context, a rapid sale of the Companies' assets to Crescent HydePark was viewed as the most logical solution for the following reasons:

- Crescent HydePark owns the trademarks through Sixty International S.A. The Licensing Agreements with Sixty S.P.A. were expiring on December 31, 2012. Therefore, a transaction with another acquirer on a going concern basis was unlikely;
- The cash flow forecast reflected that the Companies would not have sufficient cash to pay the rent on January 1st, 2013 and otherwise fund their operations;
- Sixty S.P.A. had not been able to reach an agreement with its creditors and the situation could carry on for a long time which is in conflict with the urgency of the situation for the Companies;
- Crescent HydePark controls the production and can supply new inventory with the brands through Sixty Far East Ltd.

Based on the foregoing, on December 21, 2012, the Companies executed an Asset Purchase Agreement ("APA") with Sixty Canada Trading Inc. (the "Purchaser") with an effective closing date of December 31, 2012. Pursuant to the terms of the APA, the Purchaser acquired all of the operating assets of the Companies, excluding cash and accounts receivable (the "Purchased Assets").

Prior to the Companies executing the APA, the Trustee mandated two independent firms (the "Experts") in order to assess the realization value of the Purchased Assets:

- Oberfeld Snowcap Real Estate Agency for the valuation of the leases; and
- Crescent Commercial Corporation for the valuation of the inventory, fixed assets and leasehold improvements.

Based on the Experts reports, the value of the Purchased Assets as of November 30, 2012 was approximately \$1,400,000. Applying the same valuation factors resulted in the Purchased Assets being valued at \$1,005,000 as of December 31, 2012, summarized as follows:

(In 000's)	Sixty Canada Retail Inc.	Sixty Canada Inc.	Total
Inventory (Note 1)	\$ 439	\$ 12	\$ 451
Fixed assets and Leasehold Improvements	45	117	162
Assignment of Leases	92	300	392
Total	\$ 576	\$ 429	\$ 1,005

Note 1: Based on the inventory as of December 31, 2012, except for the Yorkdale location (as of Jan. 6/13).

The Purchaser has remitted the full \$1,005,000 purchase price to the Trustee.

The Purchased Assets were conveyed to the Purchaser on an "as is, where is" basis and subject to the usual terms and conditions contained in such a transaction.

In addition to the amounts presented above, the Purchaser is assuming certain obligations, as follows:

- The Purchaser has offered continuing employment to approximately 65 Sixty Retail employees and 7 Sixty Canada employees on substantially the same terms and conditions under which they were employed by the Companies ("Transferred Employees"); and
- The Purchaser will assume the Companies' obligations under the commercial leases.

V. FINANCIAL INFORMATION

The following financial data was extracted either from the books and records of the Debtor, the unaudited financial statements or from discussions held with Management. This information is submitted solely to assist the reader in assessing the current financial position of the Debtor.

The Trustee makes no representations or warranty as to the accuracy of said financial information.

A) Statement of Earnings and Retained Earnings (Deficit)

Sixty Canada Retail Inc.			
Statement of Earnings and Deficit			
(In 000's)	6-month period ended		
	June 30, 2012 Unaudited	F2011 Unaudited	F2010 Unaudited
Revenues	\$ 3,723	\$ 10,951	\$ 11,203
Cost of Sales	1,962	2,986	4,804
Gross profit	1,761	7,965	6,399
	47%	73%	57%
Expenses			
Selling	1,180	3,318	3,372
Administrative	2,018	4,128	4,537
Financial	51	193	196
Income taxes	-	142	(152)
Net earnings (loss)	(1,488)	184	(1,554)
Deficit, beginning	(1,388)	(1,572)	(18)
Dividends paid	-	-	-
Deficit, ending	\$ (2,876)	\$ (1,388)	\$ (1,572)

As shown in the above table, for the 6-month period ended June 30, 2012 (the latest information available), the Debtor reported a net loss of \$1,488,000. For the fiscal year ended December 31, 2011, the Debtor reported net earnings of \$184,000 compared to a net loss of \$1,554,000 in fiscal 2010. For the 6-month period ended June 30, 2012, sales reached \$3,723,000 compared to \$10,951,000 for the year ended December 31, 2011. Moreover, sales decreased by 2.2% from fiscal 2010 to fiscal 2011.

B) Historical Balance Sheet

Sixty Canada Retail Inc.		
Balance Sheet		
As at December 31		
(In 000's)	F2011 Unaudited	F2010 Unaudited
Assets		
Cash	\$ 1,360	\$ 102
Accounts receivable	143	91
Inventory	1,889	2,346
Income taxes receivable	8	19
Prepaid expenses	31	31
	<u>3,431</u>	<u>2,589</u>
Loan receivable, corporate shareholder ¹	928	747
Future income taxes	-	140
Property, plant and equipment	3,560	4,386
Intangible assets	8	9
	<u>\$ 7,927</u>	<u>\$ 7,871</u>
Liabilities		
Bank indebtedness	\$ -	\$ 70
Accounts payable	2,651	3,756
Deferred revenue	77	42
	<u>2,728</u>	<u>3,868</u>
Long-term accounts payable ²	2,100	1,700
Loan payable, parent company ³	4,486	3,874
	<u>9,314</u>	<u>9,442</u>
Shareholder's Equity		
Capital Stock	1	1
Retained earnings	(1,388)	(1,572)
	<u>(1,387)</u>	<u>(1,571)</u>
	<u>\$ 7,927</u>	<u>\$ 7,871</u>

¹ Amount due from Sixty International S.A.
² Amount due to Sixty S.P.A.
³ Amount due to Sixty Canada Inc.

C) Assets

Based on the Debtor's Statement of Affairs as of January 9, 2013 and certain additional information provided by Management, the Debtor's assets can be summarized as follows:

(In 000's)	Assets	
	Net Carrying Amount	Estimated gross realization amount
Cash (Transaction)	\$ 576	\$ 576
Cash in bank	244	244
Other Receivables	925	-
Total	\$ 1,745	\$ 820

Cash (Transaction) refers to the purchase price which has since been received by the Trustee. Estimated gross realization amount is prior to consideration of the payment of post-filing obligations as well as professional fees.

Other receivables consist of amounts due from Related Parties which are being reviewed by the Trustee, but are assumed by Management not to be collectable. We summarize the Related Party receivables as follows:

(In 000's)	Net Carrying Amount
Sixty International S.A.	\$ 923
Sixty Hong Kong	2
	\$ 925

D) Liabilities

The Debtor has provided us with a list of its Creditors. Notices have been sent to the known creditors and, to date, we are unable to determine if the Debtor's records agree with those of its Creditors. As Proofs of Claim are received, we shall record the specific amounts claimed by the Creditors, and prior to paying any dividend, we shall perform a variance analysis (where applicable).

Liabilities indicated below are based on the books and records of the Debtor, the Statement of Affairs as of January 9, 2013, Management's representations as well as information provided by certain creditors.

Liabilities (In 000's)	
Secured Creditors	\$ -
Preferred Creditors	-
Unsecured Creditors	
Due to Related Parties	11,259
Other Creditors	549
Total	\$ 11,808

As per the Statement of Affairs, there are no secured or preferred claims presently, excluding claims relating to Proposal expenses.

Approximately \$11.3 million (or 95%) of the unsecured claims represent amounts due to Related Parties (Sixty S.P.A., Sixty Canada and Sixty Far East Ltd.). The Trustee is presently reviewing the details of these Related Party payables.

We caution that these amounts may change as proofs of claim are received.

VI. PROPOSAL

A) Summary

As noted above, the operating assets of the Debtor have been sold, the majority of employees have been transferred to the Purchaser and the Debtor is no longer carrying on business.

The terms of the Proposal provide that after payment of priority claims, post-filing obligations and professional fees, the net funds will be used to pay an initial dividend to Ordinary Creditors 60 days following approval of the Proposal, as more fully summarized below. A further dividend will be paid to Ordinary Creditors at a later date following the realization of all receivables.

B) Amounts to be paid as a priority

According to the terms of the Proposal, the following amounts must be paid in priority:

- The secured claims shall be paid in priority to any other claims;

- Amounts due to Her Majesty the Queen in right of Canada or of any province which are subject to a demand under subsection 224 (1.2) of the *Income Tax Act*, or of any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224 (1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts, or of any provision of provincial legislation essentially similar to the foregoing provisions as provided in paragraph 60(1.1)(c) of the Act and that were outstanding at the time of the filing of the Notice of intention, shall be paid in their entirety, without interest, within six (6) months after the approval of the Proposal;
- Amounts owing to employees (past and present) and that they would have been entitled to receive under Section 136(1)(d) of the Act if the Debtor had been declared bankrupt on the date of the approval of the Proposal, shall be paid in their entirety immediately after the approval of the Proposal. (Note: any such amounts are the responsibility of the Purchaser in respect of Transferred Employees);
- The Proposal costs shall be paid in priority to all claims other than secured claims;
- The priority claims, without interest or penalty, shall be paid in their entirety in priority to unsecured claims, within sixty (60) days of the approval of the Proposal;
- Post-filing obligations shall be paid in priority to all other claims save and except for proposal costs.

C) Amounts to be Disbursed to Ordinary Creditors

The net proceeds available after payment of the above-mentioned amounts shall be distributed to ordinary creditors as follows:

- Each of the ordinary creditors shall receive, in full and final payment of its unsecured claim, without interest or penalty:
 - a) Within sixty (60) days of the Approval of the Proposal:
 - i. The lesser of the first five hundred dollars (\$500) of the unsecured claim or the payment in full of the unsecured claim as set out in its proof of claim; and

- ii. A pro-rata share of the balance of the Net Amount then available (as defined in the Proposal) at the moment the dividend is to be paid; and

- b) A pro rata portion of the remaining Net Amount (as defined in the Proposal) when so decided by the Committee (as defined below) of Creditors or by the Trustee if no such Committee is in place.

D) Creditors' Committee

The Debtor consents to the creation of a committee which shall be comprised of, at most, three (3) individuals (the "Committee") designated by the creditors at the Meeting of Creditors. The Committee shall have the following powers:

- to advise the Trustee with respect to the administration of the Proposal;
- to waive any default in the execution of the Proposal;
- to confirm that the Debtor has satisfied all of the terms and conditions of the Proposal; and
- to adjourn the payment of any dividends to ordinary creditors provided for in the Proposal.

VII. ESTIMATE AS TO DISTRIBUTION TO CREDITORS

In the event that the creditors reject the Proposal, the Debtor will automatically be bankrupt and the net proceeds from the liquidation of the assets (after the payment of the Trustee's fees and expenses) will be distributed to the creditors in the order provided for under the Act. The following information is to inform the creditors on the estimate as to the distribution to creditors under the Proposal in comparison to the estimated distribution under a bankruptcy scenario.

A) Proposal

As noted above, the Transaction has been completed and the proceeds have been remitted to the Trustee. There remain various accounts receivable to collect and various post-filing obligations to settle. Based on Management's representations and the aggregate amount of the Unsecured Claims as reflected in the Debtor's Statement of Affairs and information provided by certain creditors, at the present time, we estimate funds of \$429,000 to be available for distribution to ordinary creditors, representing 3.6% of Unsecured Claims, as follows:

Proposal			
Estimated Distribution			
(In 000's)			
Net Realization of Assets (estimated)			
Cash (proceeds from Transaction and cash on hand)	\$	820	
Accounts Receivable		-	
		<u>820</u>	
Post-Filing Obligations/Professional Fees		(391)	
		<u>\$ 429</u>	
	Estimated		
	Claims	Distribution	
Secured Claims	\$ -	\$ -	
Preferred Claims	-	-	
Unsecured Claims	11,808	429	3.6%
Total	<u>\$ 11,808</u>	<u>\$ 429</u>	

The Trustee is analyzing the related party balances and the impact on the dividends to ordinary creditors. At the Meeting of Creditors scheduled for January 30, 2013, we will provide a further update based on information then available.

B) Bankruptcy

In a bankruptcy scenario, it has been estimated that the net realization value of the assets would be the same as in the Proposal or lower, considering that additional costs and professional fees may have to be incurred in a bankruptcy.

C) Other considerations

The following are additional elements to be considered:

- i. The Proposal provides for the payment of an initial dividend within sixty (60) days of the approval of the Proposal. In a bankruptcy, it is expected that any distribution will occur at a much later date.
- ii. Sections 95 to 101 of the Act will not be applicable to the Proposal. The remedies pursuant to these provisions relate to the recovery of certain amounts under reviewable transactions, preferential treatments and asset disposals.

Since these remedies would be available in the event of a bankruptcy of the Debtor, we are in the process of performing a summary analysis of various transactions involving the Debtor during the last twelve months and will provide an update at the Meeting of Creditors.

- iii. As mentioned above, there exists a related party receivable owed by Sixty International S.A. to the Debtor in the approximate amount of \$923,000. The Trustee has been unable to determine whether such receivable is collectable, nor at what cost. Under the present Proposal, only the Debtor has the ability to collect that receivable. Should the Debtor become bankrupt, the Trustee can pursue the claim on behalf of the creditors. The Trustee will provide further analysis of this receivable at the Meeting of Creditors.

VIII. CONCLUSION & RECOMMENDATION

The Trustee will further investigate the collectability of the Related Party receivable and, if applicable, the mechanism to collect the balance owing. Therefore, the Trustee will make his recommendation on the acceptance of the present Proposal at the Meeting of Creditors.

Dated at Montreal, Province of Quebec, this 18th day of January 2013.

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



Benoit Gingues, CPA, CA, CIRP