

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 at:
905 Hodge Street
Saint-Laurent, QC H4N 2B3

Debtor

- and -

Richter Advisory Group Inc.

Trustee

**TRUSTEE'S FOURTH 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 was 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. On March 12, 2015, the Court issued an order extending the time for filing the proposal to April 24, 2015.
9. On April 14, 2015, the Debtor filed its Fourth Motion for an Extension of the Time to File a Proposal ("Fourth Extension Motion").
10. 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.
11. 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 Fourth Report.

RESULTS OF OPERATIONS

12. The Trustee has compared the reported results to those projected since the filing relating to the second extension of time to file a proposal (March 1, 2015 to April 11, 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 \$1.6 million, a \$0.4 million favourable variance as compared to the Projections (\$1.2 million) due primarily to the sale of a store lease and the return of a security deposit from the head office landlord;
 - Operating disbursements for the Period were reported at \$3.7 million versus a budget of \$5.5 million resulting in a favourable variance of \$1.8 million. The favorable variance is due to

savings in various categories including lower than forecast store expenses, payroll and sales tax costs;

- Ending cash balance of \$5.6 million representing a favorable variance of \$2.2 million (versus a projected ending cash balance of \$3.4 million).
13. As noted below, the Company has completed its liquidation. The Company is continuing to pay its suppliers in the ordinary course for goods and services provided subsequent to the date of the filing of the Notice of Intention.
 14. As the Company has disposed of all of its assets by March 31, 2015, no further extension of the Company's insurance policies, which expired on March 31, 2015, has been obtained other than an extension of the D&O policy which is in process.

RESTRUCTURING INITIATIVES

15. As of March 9, 2015, the Company closed the remainder of its 95 store locations and all store employees have been terminated. There have been no contestations of any of the lease disclaimers and the Trustee has assisted in reconciling issues raised by various landlords. The Company, with the Trustee's assistance, has completed a reconciliation of the transaction with the Consultant hired to conduct the liquidation sales.
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 ("Early Termination Agreement"). The Company has complied with the terms of the Early Termination Agreement and has received approximately \$169,000 in respect of the return of the security deposit for the head office and distribution center.
17. In conjunction with the closure of its head office, all remaining head office employees were terminated and various employees continue to work on a contract basis for the Debtor. Further, all mail has been redirected to the Trustee who is providing logistical support to the Debtor to assist it in winding down its operations, consisting principally of paying post-filing obligations.
18. As noted above, all inventory and fixed assets of the Debtor have been sold. The Debtor has engaged a third party collection agency to pursue any remaining receivable collections, although only limited amounts are forecast to be collected.

CARGO ARREST

19. We refer to the Trustee's Second and Third Reports 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") and subsequent orders issued by this Court and the Federal Court.
20. Since the issuance of the Trustee's Third Report, the Debtor has completed settlement discussions in principal with LF Centennial, which the Trustee has been consulted on. Further details will be

provided once an agreement has been finalized.

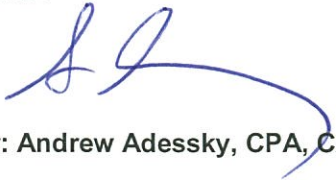
21. The Trustee is continuing to hold certain funds in escrow, which amounts will be released upon execution of the formal settlement agreement between LF Centennial and the Debtor.

MOTION TO EXTEND

22. The Debtor is filing the Fourth Motion to Extend the Delay for the Filing of a Proposal, in order to allow it to complete the wind down of its affairs and permit it to file a Proposal to its creditors, if possible.
23. Annexed hereto as **Exhibit "B"** is the Statement of Projected Cash Flow covering the period from April 12, 2015 to June 6, 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.
24. 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.
25. Given the foregoing, the Trustee hereby recommends the granting of the extension by the Court to June 1, 2015.

DATED AT MONTREAL, this 14th day of April 2015.

Richter Advisory Group Inc.
Trustee



Per: Andrew Adessky, CPA, CA, CIRP

Exhibit A

Mexx Canada Company
Reported results vs. projected from March 1, 2015 to April 11, 2015

(\$000's)	Reported	Projected	Variance	Notes
Receipts				
Gross Receipts	\$ 1,100	\$1,035	\$ 65	
FF&E Proceeds	173	129	44	
Other Proceeds	282	-	282	
	1,555	1,164	391	1
Disbursements				
Purchases, Duty & Freight	-	(132)	(132)	2
Rent	-	25	25	
Store expenses & Other	1,481	2,395	914	3
Payroll	1,509	1,788	279	3
Sales Tax	332	759	427	3
Interest	-	-	-	
Deposits	-	(81)	(81)	4
Professional Fees	383	720	337	4
	3,705	5,474	1,769	
Net Cash Flow	\$ (2,150)	\$ (4,310)	\$ 2,160	
Opening Bank Cash	\$ 7,744	\$ 7,744	\$ -	
Net Cash Flow	(2,150)	(4,310)	2,160	
Ending Bank Cash	\$ 5,594	\$ 3,433	\$ 2,161	

(1) Favourable variance due to stronger than forecasted retail sales, stronger than forecasted sales of furniture, fixtures and equipment, as well as the refund of the letter of credit held by the former head office landlord and the sale of leases to a third party.

(2) Temporary difference as the Trustee has not released the funds held in escrow back to the Company.

(3) Represents a permanent favorable variance.

(4) Timing differences expected to partially reverse in future periods.

Exhibit B


Mexx Canada
Cash Flow Forecast For the Period April 12, 2015
to June 6, 2015

(\$000's)

Receipts	
Gross Receipts	\$40
FF&E Proceeds	-
	<u>40</u>
Disbursements	
Purchases, Duty & Freight	-
Rent	-
Store expenses & Other	250
Payroll	5
Sales Tax	-
Interest	-
Deposits	(25)
Professional Fees	300
	<u>530</u>
Net Cash Flow	\$ (490)
<hr/>	
Opening Bank Cash	\$ 5,593
Net Cash Flow	(490)
Revolver/Term Loan Repayment	-
Ending Bank Cash	\$ 5,103

Dated at London, England, this 15 day of April, 2015.

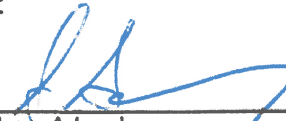
Mexx Canada Company



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 13th day of April 2015, consisting of the period from April 12, 2015 to June 6, 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 14th day of April 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 April 12, 2015 to June 6, 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 April 13, 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 April 12, 2015 to June 6, 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.

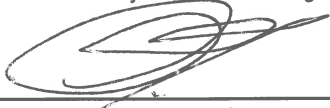
(b) Projected Cash Disbursements

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 14th day of April 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 13th day of April 2015, consisting of the period from April 12, 2015 to June 6, 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 14th day of April 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
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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
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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 April 12, 2015 to June 6, 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 April 13, 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 April 12, 2015 to June 6, 2015, considering economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variance 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

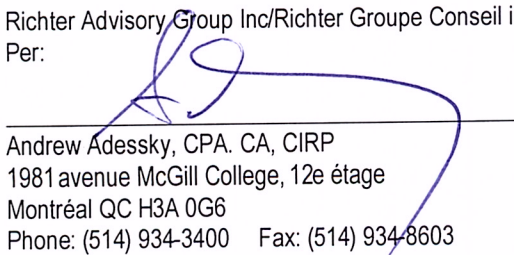
The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

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 14th day of April 2015.

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


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