



CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC

Division N° : 01 - Montreal
Court N° : 500-11-062928-235,500-11-062929-233,
500-11-062927-237
Estate N° : 41-2995095, 41-2995093, 41-2995092

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE BANKRUPTCY OF : **LXR CANADA INC., LXR LUXURY PRODUCTS INTERNATIONAL INC. and GROUPE GLOBAL LXR INC**, each a body politic and corporate, duly incorporated according to Law, and having the head office and principal place of business at 7399 Saint-Laurent Blvd., in the city of Montreal, province of Quebec H2R 1W7.

Debtor Company

- and -

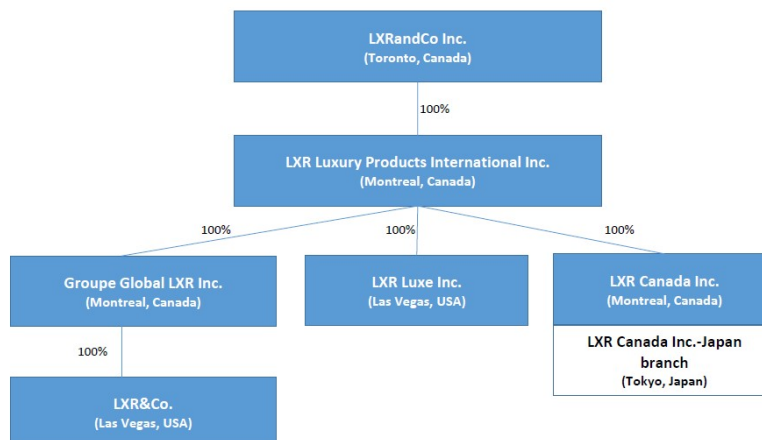
KPMG INC., 600 de Maisonneuve Blvd. West, Suite 1500, Montreal, Quebec, H3A 0A3.

Licensed Insolvency Trustee

TRUSTEE'S PRELIMINARY REPORT TO THE CREDITORS

BACKGROUND

Established in 2010, LXR Canada Inc., Groupe Global LXR Inc. and LXR Luxury Products International Inc. (cumulatively the "Debtors" or the "Company"), together with two (2) United States-based companies, LXR&Co and LXR Luxe Inc. (all together the "OpCos") are the subsidiaries and operating companies of LXRandCo Inc. ("TopCo"), a publicly listed company on the TSX Exchange (collectively, the "LXR Group"). Please refer to the organizational chart dated December 31, 2022, below.



Headquartered in Montreal, Quebec, the LXR Group was a socially responsible, digital-first omni-channel retailer of branded vintage luxury handbags and other personal accessories. The LXR Group curated, sourced and authenticated high-quality, pre-owned products from iconic brands such as Hermès, Louis Vuitton, Gucci, Prada and Chanel.

The LXR Group sourced their products internationally, primarily from Japan. These products were uniquely authenticated by the LXR Group before being sold or listed for sale. Most of the LXR Group's sales were via e-commerce on their own online platform, though operations were maintained in Canada, the United States and Japan, with employees in each location.

The OpCos were financed by its operating lender and secured lender, Canadian Imperial Bank of Commerce ("CIBC"), pursuant to various credit facilities secured by security on all moveable (personal) property of the Debtors in various Canadian Provinces and in the United States. The OpCos also obtained a term loan from CIBC subject to the Business Credit Availability Program ("BCAP") under which the Business Development Bank of Canada is responsible for 80% of said loan.

The LXR Group's financial situation and liquidity deteriorated primarily due to macroeconomic headwinds that negatively impacted consumer discretionary spending, which ultimately negatively impacted the LXR Group's sales. In 2022, LXR engaged Stifel Nicolaus Canada Inc. ("Stifel"), a well-known investment banker, to solicit interest in the sale of LXR Group's business. However, despite these efforts, including the contacting of around 160 parties, no sale materialized. In the spring of 2023, Stifel contacted certain parties that were interested in the purchase of the LXR Group in 2022. Again, no sale materialized.

The Debtors and TopCo ultimately decided to institute formal insolvency proceedings through the filing of a notice of intention to make a proposal (the "NOI's") pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act* (the "BIA") and KPMG Inc. consented to act as Trustee under the NOI's (the "Trustee"). On October 8, 2023, the Trustee, with the support of the Debtors and the Secured Lender, initiated the Sales Solicitation Process (the "SSP").

A potential transaction (the "Transaction") was identified through the SSP that contemplated the disposition of nearly all of the Debtors' operating assets, which was accepted by the Debtors and supported by CIBC. Following which, CIBC filed an application to seek Court-approval of the Transaction and appoint KPMG Inc. as receiver (the "Receiver") pursuant to section 243 of the BIA over the property of the Debtors (the "Property"), to implement the Transaction and to complete an orderly liquidation of the Debtors remaining assets.

On November 3, 2023, the Superior Court of Quebec (the "Court") issued an order appointing KPMG Inc. as Receiver (the "Receivership Order"). On November 5, 2023, the Debtors were deemed bankrupt due to the non-filing of the proposal during the extension period.

ASSETS

The assets listed on each subsidiary's Statement of Affairs (the "SOA's") are as follows:

LXR Canada Inc.'s

LXR Canada Inc. Assets per Statement of Affairs in (CAD)	
Inventory	1 200 000
Accounts receivable	224 070
Deposits in financial institutions	175 200
Total Assets	1 599 270

LXR Luxury Products International Inc.

LXR Luxury Products International Inc. Assets per Statement of Affairs in (CAD)	
Deposits in financial institutions	1 664
Total Assets	1 664

Groupe Global LXR Inc

Groupe Global LXR Inc. Assets per Statement of Affairs in (CAD)	
Deposits in financial institutions	39 400
Accounts receivable	3 885
Total Assets	43 285

All of the Debtor's assets will be realized upon through the Receivership proceedings.

BOOKS AND RECORDS

The Trustee has obtained all relevant books and records which are required for the administration of the estate.

CONSERVATORY MEASURES

As all of the Company's assets are subject to the Receivership Order and the ongoing receivership proceedings, conservatory and protection measures were implemented by the Receiver. These include:

- Securing the Debtor's head office and records;
- Freezing and making deposit-only all of the Debtor's bank accounts.

DESCRIPTION OF CREDITORS

As of November 5, 2023 the Companies' books and records reported the following creditors:

- CIBC, LXR Canada Inc.'s only secured creditor with a total claim in the amount of \$2.8M; and
- The rest of the Company's creditors are unsecured with total claims across all of the Debtors summing to the amount of \$2.7M. Please refer to the SOA's for a detailed breakdown.

PROVABLE CLAIMS

At the date of writing this report, there were no material differences between the claims received and those reported in the statement of affairs.

REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee will be reviewing transactions in accordance with the BIA and will notify the inspectors, if appointed, of our findings.

DETAILS OF THIRD-PARTY DEPOSITS OR GUARANTEES

There were no third-party deposits or guarantees made regarding the Debtor Company's filing.

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

It is estimated that there will be no distribution to the unsecured creditors as there is a concurrent receivership where the assets of the Company are being realized and there is a shortfall to the secured creditor.

LEGAL

The Receiver had retained the services of Kugler Kandestin LLP ("Kugler") to provide an independent security opinion regarding the enforceability of CIBC's security (the "CIBC Security"). Kugler has rendered an opinion that, subject to customary assumptions and qualifications, the CIBC Security constitutes a valid and enforceable first charge in respect to the Property.

The Trustee will be seeking confirmation of Kugler as the bankrupt estate solicitor at the first meeting of inspectors, if inspectors are appointed.

OTHER

The Trustee's fees and disbursements will be funded through the realization of the assets in the Receivership.

Please refer to <https://kpmg.com/ca/en/home/services/advisory/deal-advisory/creditorlinks/lxr.html> for all of the latest information regarding the bankruptcy of the Debtors.

Dated at Montreal, this 23rd day of November 2023.

KPMG INC.

In its capacity as Trustee of the estate of **LXR CANADA INC., LXR LUXURY PRODUCTS INTERNATIONAL INC. and GROUPE GLOBAL LXR INC.**, and not in its personal capacity.



David Malin, CPA, CIRP, LIT