



CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
Division N° : 01 - Montreal
Court N° : 500-11-062930-231
Estate N° : 41-2995090

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE BANKRUPTCY OF : **LXRandCO, Inc.**, body politic and corporate, duly incorporated according to Law, and having its 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 -

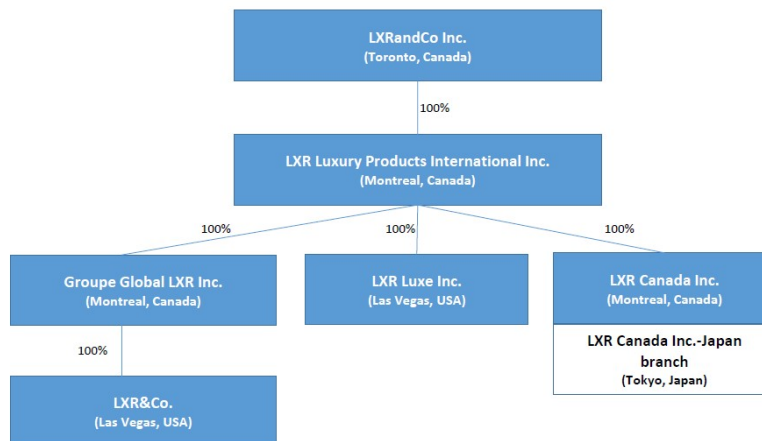
KPMG INC., 600 de Maisonneuve Blvd. West, Suite 1500, Montreal, Quebec, H3A 0A3.

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., together with two (2) United States-based companies, LXR&Co and LXR Luxe Inc. (together the "OpCos") are the subsidiaries and operating companies of LXRandCo Inc. (the "Company" or "TopCo" or the "Debtor"), 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.

In March 2023 the Company raised approximately \$1.2M through the brokerage of private placement debentures, which was primarily utilized to finance the operations of the OpCos. Additionally, financing for operations was provided by Canadian Imperial Bank of Commerce ("CIBC") by way of a secured lending facility.

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 LXR Group 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 TopCo 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 OpCos' operating assets, which was accepted by the LXR Group 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 OpCos (the "Property"), to implement the Transaction and to complete an orderly liquidation of the OpCos remaining assets.

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

ASSETS

The assets listed on LXRandCO, Inc.'s Statement of Affairs are as follow:

| LXRandCO, Inc. | |
|---|---------------|
| Assets per Statement of Affairs in (CAD) | |
| Deposits in financial institutions | 37 200 |
| Total Assets | 37 200 |

All of the Debtor's assets are in possession of the Trustee.

BOOKS AND RECORDS

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

CONSERVATORY MEASURES

The following conservatory and protection measures were implemented by the Trustee:

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

DESCRIPTION OF CREDITORS

As of November 5, 2023 the Companies' creditors, which includes debenture holders, are all unsecured with total claims summing to the amount of \$1.3M.

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

A third-party deposit of \$40k was received from Topco relating to the professional fees under the insolvency proceeding. Approximately \$29k has been used to fund professional fees, and \$11k remains, which will be utilized to continue to fund the insolvency proceedings.

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

At this time, it is unknown if there will be a distribution to the unsecured creditors, as this will be dependant on the costs of completing the administration of the estate.

OTHER

The Trustee's fees and disbursements will be funded through the cash held by the Company at the time of filing.

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 Debtor.

LXRandCO, Inc.
Trustee's preliminary report to the creditors

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

KPMG INC.

In its capacity as Trustee
of the estate of **LXRandCO, Inc.**
and not in its personal capacity.



David Malin, CPA, CIRP, LIT