CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION 01 - MONTRÉAL
COUR : 500-11-042856-126
SUPERINT. : 41-1635185

SUPERIOR COURT
COMMERCIAL DIVISION

IN THE MATTER OF THE PROPOSAL OF

LINDOR INC., body politic and corporate, duly incorporated according to Law, and having its head office and its principal place of business at 9600, rue Meilleur, suite 750, in the City of Montréal, province of Québec, H2N 3E3.

Debtor Company

- and -

KPMG INC.

Trustee

TRUSTEE'S PRELIMINARY REPORT TO THE CREDITORS

The Bankruptcy and Insolvency Act provides the holding of a first meeting of creditors so that they can discuss of their interest and vote on the proposal.

BACKGROUND

LINDOR INC. ("Lindor") or (the "Debtor Company") was incorporated in 1944 under the *Canada Corporations Act* (Part 1A). The Debtor Company is currently under the regime of the *Canada Business Corporations Act.*

The Debtor Company operates in the field of women clothing retail by the Liverant family since three generations.

In recent seasons, Lindor incurred operating losses decreases due to the challenging retail environment relating to economic factors as well as to increased competition from European and American retailers who have established themselves in the Canadian market and internet retailers.

Management analyzed all available options, with the assistance of outside consultants and professionals, including, but not limited to, investing in major marketing campaigns, rebranding, changing merchandising strategies and investing in systems and infrastructure. After analyzing the available options, it was determined that the Company did not have the resources to undertake these strategies and there was no certainty of success.

Consequently, it was decided to wind down and then end the operations while there was still a possibility of generating a dividend to creditors, rather than incurring significant losses by unduly continuing operations.

On the 13th day of June 2012, The Debtor Company filed with the Official Receiver a Notice of Intention to make a proposal (the "**Notice of Intention**") pursuant to paragraph 50.4 (1) of the *Bankruptcy and Insolvency Act* (the "**Act**"). KPMG Inc. has been appointed for the purpose of acting as Trustee under the law in the proceedings.

On the 9th day of July 2012, the Debtor Company has obtained an extension of delay.

During the period of Notice of Intention, the Debtor Company sent to its lessors notices to disclaim or resiliate a lease to close all its stores. During its process, the Debtor Company had closed 73 stores.

On the 23rd day of August, 2012, the Debtor Company has filed a proposal on which the creditors must vote at a meeting scheduled for September 11, 2012.

ASSETS

Assets		Estimated realization value (Note 1)
Deposits in financial institutions	$	1 540 500
Trade fixtures	$	10 000
Corporate tax receivables	$	423 878
Total	**$**	**1 974 378**

Note 1 : It should be noted that these values are estimates made by the Trustee based on the information obtained at the date of this report.

Deposits in financial institutions

The deposits in financial institutions correspond to the cash available for dividend at the end of the liquidation process.

The Debtor Company has, since the filing of the proposal, sold all of its inventories and cashed in its bank accounts their realization.

Trade fixtures

The Trade fixtures correspond to the equipments and office furniture located in the Debtor Company head office. Lindor expects to put in place shortly a sale process for its trade fixtures for the benefit of the creditors participating to the proposal.

Corporate tax receivables

The Debtor Company expects being able to recuperate an amount estimated at $ 424,000 for the reimbursement of corporate taxes paid in previous eligible years due to the lost recorded during previous financial period.

SECURED CREDITORS

The Debtor Company has no secured creditor.

PROVABLE CLAIMS

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

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

Based on the information known at the date of this report, we believe that the dividend to be paid under the proposal and to be paid under the bankruptcy would be almost the same because the proposal presented to the creditors provides the distribution of the totality of the funds generated by the closing of the stores and the liquidation of the assets, less administration costs and fees, which cannot be determined due to the number of claims to be analysed during the process.

In fact, it is to be noted that the closing process of the stores will have an impact on total claims because the lessors with an unsecured claim with no right to a priority pursuant to the section 136 of the Act will submit their claim during the process. To this date, it is hard to quantify the amount that will be claimed by each of them.

Moreover, we found in the process of closing the deep interest for the administrator to maximize the dividend to creditors, taking the decision to close its stores quickly when it concluded that revival would be impossible. In addition, early in the filing of the notice of intention, the administrator told us its sensitivity to that process ends honorably for a family business that has existed for three generations. In our opinion it has always acted in good faith during this process.

Accordingly, and based on information known to date, we recommend the acceptance of the proposal.

Dated in Montreal on this 11th day of September 2012.

KPMG INC.
The Trustee acting *in re* the proposal of
LINDOR INC.

Dev A. Coossa, CIRP, Trustee