

# RSM Richter

## **Revised Second Supplement to First Report of RSM Richter Inc. as Interim Receiver of Linens 'N Things Canada Corp., Linens 'N Things Investment Canada I Company and Linens 'N Things Investment Canada II Company**

**RSM Richter Inc.**  
Toronto, October 30, 2008

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**IN THE MATTER OF LINENS 'N THINGS CANADA CORP., LINENS 'N THINGS  
INVESTMENT CANADA I COMPANY AND LINENS 'N THINGS INVESTMENT  
CANADA II COMPANY**

**AND IN THE MATTER OF SECTIONS 47(1) AND 47.1(1) OF THE *BANKRUPTCY  
AND INSOLVENCY ACT*, R.S.C 1985, C. B-3, AND SECTION 101 OF THE *COURTS  
OF JUSTICE ACT*, R.S.O. 1990, C. C.43**

**REVISED SECOND SUPPLEMENT TO FIRST REPORT OF RSM RICHTER INC.,  
IN ITS CAPACITY AS INTERIM RECEIVER**

**DATED OCTOBER 30, 2008**

**1. INTRODUCTION**

This revised second supplement to the First Report to Court dated October 24, 2008 ("First Report") is being filed by RSM Richter Inc. ("Richter"), in its capacity as interim receiver and receiver appointed pursuant to Sections 47 (1) and 47.1(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the "BIA"), and pursuant to Section 101 of the *Courts of Justice Act*, R.S.O. 1990, C. C.43, as amended (the "Receiver") of all of the property, assets and undertaking (the "Assets") of Linens 'N Things Canada Corp. ("Opco"), Linens 'N Things Investment Canada I Company and Linens 'N Things Investment Canada II Company (collectively, "Linens Canada" or the "Company").

## **1.1 Purpose of this Supplement**

The purpose of this revised second supplement (“Second Supplement”) is to:

- a) Provide the Court with additional information with respect to the amount of the GE indebtedness and security; and
- b) Provide the Court with the revised form of occupancy and indemnity agreement (“Occupancy Agreement”) to be entered into by the Receiver and the trustee in bankruptcy of Opco (“Proposed Trustee”), when appointed.

## **1.2 Currency**

All references to currency are in Canadian dollars unless otherwise noted.

## **1.3 Definitions**

Capitalized terms have the same meaning as those defined in the First Report.

## **1.4 Terms of Reference**

In developing this Supplement, Richter has relied upon unaudited financial information prepared by the Company’s management, certain of the Company’s books and records and discussions with certain members of management. Richter has not performed an audit or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants (the “CICA”) Handbook has not been performed. Richter expresses no opinion or other form of assurance on the information contained in this Supplement.

## **2. BALANCE OWING TO GE**

GE provided the Receiver with a GE payout statement (“Payout”) at 4:50 pm on October 29, 2008. The Receiver forwarded the Payout to the Company for its review, particularly as there were certain material changes in the principal and letter of credit balances owing to GE from the letter provided by GE on October 24, 2008.

**RSM Richter**

The Company and GE reviewed the Payout in order to reconcile the total in the morning of October 30, 2008. At 2 pm on October 30, 2008, GE and the Company agreed on a final payout statement ("Final Payout").

The Final Payout is attached as Appendix "A". The Receiver understands that the Final Payout is in the process of being signed by the lenders represented by GE and the Company.

### **3. OCCUPATION AGREEMENT**

In Section 3 of the Supplement to the First Report dated October 28, 2008, the Receiver provided a form of Occupancy Agreement that, as Receiver, it intends to enter into with the Proposed Trustee, following the assignment in bankruptcy.

The Receiver has since been provided with comments from counsel to a landlord and counsel for the Agents on the Occupancy Agreement. Attached as Appendix "B" is a revised Occupancy Agreement, incorporating those comments.

All of which is respectfully submitted,

A handwritten signature in cursive script that reads "RSM Richter Inc.".

**RSM RICHTER INC.  
IN ITS CAPACITY AS INTERIM RECEIVER OF  
LINENS 'N THINGS CANADA CORP.,  
LINENS 'N THINGS INVESTMENT CANADA I COMPANY AND  
LINENS 'N THINGS INVESTMENT CANADA II COMPANY**

**GE CANADA FINANCE HOLDING COMPANY**

123 Front Street, Suite 1400  
Toronto, Ontario M5J 2M2

October 30, 2008

Fasken Martineau  
66 Wellington Street West  
Suite 4200, TD Bank Tower Box 20  
Toronto, ON M5K 1N6

Attention: Mr. Aubrey E. Kauffman

**Re: Linens 'n Things Canada Corp., Linens 'n Things Investment Canada I  
Company and Linens 'n Things Investment Canada II Company  
(collectively, "Linens Canada")**

Dear Sirs:

As you are aware, GE Canada Finance Holding Company ("GE Canada") is the Canadian Collateral Agent under that certain Senior Secured, Super-Priority Debtor-in-Possession and Exit Option Credit Agreement dated as of May 5, 2008 (the "Credit Agreement") entered into by, *among others*, Linens Canada. All capitalized terms used without definition shall have the same meanings as in the Credit Agreement.

Linens Canada is obligated to repay all Canadian Obligations which include, without limitation, all letter of credit obligations, indemnity obligations, the principal amount of, and all accrued and accruing interest on its obligations under the Credit Agreement and all recoverable fees, costs and expenses under the Credit Agreement. Notwithstanding the foregoing, for purposes of this document, the term "Canadian Obligations" shall not include those items listed in subsection (d) of the definition of "Canadian Obligations" appearing in Section 1.01 of the Credit Agreement.

Please find below the Canadian dollar pay-off figures (in respect of the Canadian Obligations which are set forth below and are denominated in Canadian Dollars) and the US dollar pay-off figures (in respect of the Canadian Obligations which are set forth below and are denominated in US dollars) for Linens Canada as of October 31, 2008 (the "Computation Date") under the Credit Agreement and the other Loan Documents (collectively, the "Pay-Off Amount"):

Canadian Dollar Pay-Off Figures

Principal:	Can\$19,328,370.33
Cash interest:	Can\$100,852.44
Cash Collateral holdback per Section 8.03(b)(viii) Credit Agreement:	Can\$500,000.00
GE Money exposure:	Can\$7,228.89
Legal fees:	
• McMillan LLP	
o As of October 26, 2008:	Can\$47,310.19
o Projected through and post Calculation Date:	Can\$30,000.00
• Bingham McCutchen LLP	Can\$153,213.82
<b><u>Total Canadian dollar pay-off amount:</u></b>	<b>Can\$20,166,975.67</b>
Per diem interest:	Can\$3,036.56

US Dollar Pay-Off Figures

Cash collateralization of outstanding Documentary Letters of Credit (@ 103%):	\$3,008,475.07
Unreimbursed, drawn Letters of Credit	\$1,335,685.95
Cash collateralization of outstanding Standby Letters of Credit (@ 105%):	\$945,000.00
Letter of Credit Fees:	\$9,412.92
<b><u>Total US Dollar pay off amount:</u></b>	<b>\$5,298,573.94</b>
Per diem L/C Fees:	\$271.43



From and after the Computation Date and until the date on which the Canadian Obligations under the Credit Agreement have been indefeasibly paid in full, interest and Letter of Credit fees shall continue to accrue on the unpaid principal amount of the Loans and any outstanding Letters of Credit issued for the account of any Canadian Loan Party, as applicable, at the rates set forth in the Credit Agreement. If all Canadian Obligations shall not have been indefeasibly paid in full on or prior to the Computation Date, GE Canada shall provide the Borrower with a further revised Payoff Amount, which shall include any additional reimbursable costs, fees and expenses incurred by GE Canada after the Computation Date.

GE Canada and the Lenders acknowledge and agree that, upon GE Canada's receipt of payment in full in cash of the Pay-Off Amount, including any additional interest accruing and additional fees and expenses incurred after the Computation Date, on or prior to 3:00 p.m. (Eastern time) on the date of payment (the time of receipt of such payment being hereinafter referred to as the "Pay-Off Date") pursuant to the wire instructions attached hereto as Exhibit A, the Canadian Obligations of the Canadian Loan Parties to GE Canada and the Lenders under or in respect of the Credit Agreement and the other Loan Documents set forth above shall be deemed to be and shall be paid and discharged in full. Linens Canada shall make payment of the Pay-Off Amount with respect to the Canadian Obligations set forth above in the applicable currency in which such Canadian Obligation is denominated.

Nothing contained in this letter shall terminate or otherwise impair those expense reimbursement, indemnification or other provisions of the Credit Agreement and the other Loan Documents.

This letter shall be governed by the laws of the State of New York (without reference to conflict of laws). No party may assign its rights, duties or obligations under this letter without the prior written consent of the other parties. This letter may be executed in any number of separate counterparts, each of which shall, collectively and separately, constitute one agreement. The undersigned parties have signed below to indicate their consent to be bound by the terms and conditions of this letter.

Yours truly,

**GE CANADA FINANCE HOLDING  
COMPANY**

By: \_\_\_\_\_

Name:

Title: Duly Authorized Signatory

**Accepted and Agreed:**

**BANK OF AMERICA, N.A., as L/C Issuer**

By: \_\_\_\_\_  
Name:  
Title:

**BANK OF AMERICA, N.A. (CANADA  
BRANCH), as L/C Issuer**

By: \_\_\_\_\_  
Name:  
Title:

**LINENS 'N THINGS, INC.**  
**LINENS 'N THINGS CENTER, INC.**  
**LINENS 'N THINGS CANADA CORP.,**  
as Borrowers

By: \_\_\_\_\_  
Name:  
Title:

**Guarantors**

**LINENS HOLDING CO.**  
**BLOOMINGTON, MN., L.T., INC.**  
**LNT, INC.**  
**LNT SERVICES, INC.**  
**LNT WEST, INC.**  
**VENDOR FINANCE, LLC**  
**LNT LEASING II, LLC**  
**LNT VIRGINIA LLC**  
**LNT MERCHANDISING COMPANY LLC**  
**LNT LEASING III, LLC**  
**CITADEL LNT, LLC**  
**LINENS 'N THINGS INVESTMENT**  
**CANADA II COMPANY**  
**LINENS 'N THINGS INVESTMENT**  
**CANADA I COMPANY**

By: \_\_\_\_\_  
Name:  
Title:

**LINENS 'N THINGS CANADA LIMITED**  
**PARTNERSHIP**, by Linens 'N Things  
Investment Canada II Company, its general  
partner

By: \_\_\_\_\_  
Name:  
Title:

:

**EXHIBIT A**

Wiring Instructions

**GE CANADA FINANCE HOLDING COMPANY:**

Treasury Code:	CF18
Bank Name:	Royal Bank of Canada
Account Name:	GE Canada Finance CL Incoming Wire Account
BSLA:	C58CLG
Swift ID:	ROYCCAT2-00002
Account No.:	1061993
Reference:	Linens N Things CND4071

**OCCUPANCY AGREEMENT**

**THIS AGREEMENT** made as of this \_\_\_\_\_ day of October, 2008.

**BETWEEN:**

**RSM RICHTER INC.**, in its capacity as interim receiver and receiver of the assets, undertakings and property of Linens 'N Things Canada Corp., and not in its personal capacity

(the "**Receiver**")

- and -

**RSM RICHTER INC.**, in its capacity as trustee in bankruptcy of the estate of Linens 'N Things Canada Corp., a bankrupt and not in its personal capacity

(the "**Trustee**")

**WHEREAS:**

- A. Pursuant to an Order of the Ontario Superior Court of Justice dated October 23, 2008 (the "**Appointment Order**"), the Receiver was appointed as interim receiver and receiver of the assets, undertakings and property of Linens 'N Things Canada Corp. ("**Linens Canada**"), Linens 'N Things Investment Canada I Company and Linens 'N Things Investment Canada II Company, with the authority, *inter alia*, to file an assignment in bankruptcy on behalf of Linens Canada and to enter into an occupancy agreement with a trustee in bankruptcy.
- B. Pursuant to the Appointment Order, the Court approved the Canadian Agency Agreement with the Agent (all as defined therein) and directed the Receiver to perform the obligations of Linens Canada thereunder.
- C. Pursuant to the Order of the Ontario Superior Court of Justice dated October 30, 2008, the Trustee of Linens Canada, upon appointment was directed to enter into this form of occupancy agreement.
- D. In accordance with the authority conferred on the Receiver pursuant to the Appointment Order, the Receiver filed an assignment in bankruptcy on behalf of Linens Canada on October 31, 2008.
- E. Pursuant to the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended and the laws of the provinces in which the Leased Premises (as defined herein) are located, the Trustee is entitled to occupy the properties leased

by Linens Canada, as described in Appendix "A" hereto (the "**Leased Premises**").

- F. The Receiver desires to occupy the Leased Premises through the Trustee in order to perform the obligations of Linens Canada under the Canadian Agency Agreement thereby maximizing the realizations from Linens Canada's assets, undertaking and property.

**NOW THEREFORE**, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The Trustee hereby authorizes the Receiver and the Receiver hereby agrees to occupy the Leased Premises through its servants, agents, the Agent, licensees or employees, as agent for the Trustee to perform the obligations of Linens Canada under the Canadian Agency Agreement and Sales Guidelines referred to in paragraph 47 of the Appointment Order, for such period of time as permitted by the laws of the jurisdiction in which the Leased Premises is situate and in accordance with the terms of the Canadian Agency Agreement, subject to earlier termination of the Receiver's occupancy as the Receiver may cause by notice in writing to the Trustee, but subject to the rights of the Agent under the Canadian Agency Agreement. In no event shall such occupation extend beyond January 31, 2009.
2. During its period of occupancy of the Leased Premises, the Trustee shall pay all amounts constituting rent or payable as rent under the real property leases relating to the Leased Premises including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease, as calculated on a per diem basis and payable semi-monthly, in arrears as set out in paragraph 6(a)(iv) in the Appointment Order (the "**Occupancy Expenses**").
3. The Receiver hereby undertakes to reimburse the Trustee for the Occupancy Expenses paid during the Receiver's period of occupancy of the Leased Premises upon the Trustee providing the Receiver with evidence of such payments.
4. Subject to the rights of the Agent under the Canadian Agency Agreement, the Receiver or any person obtaining occupancy through the Receiver shall use, keep and maintain the Leased Premises and shall, upon the expiry of the Receiver's occupancy, vacate the Leased Premises in such condition as may be required to avoid any charges or costs of any nature being borne or expended by the Trustee in connection with the Receiver's occupation, and place all Leased Premises in a broom swept condition.
5. Nothing herein shall affect the Trustee's possession of or right of possession, if any, in and to the Leased Premises and its rights of access thereto for the purposes of the administration of the bankrupt estate of Linens Canada.

6. The Receiver hereby indemnifies and saves harmless the Trustee from and against all manner of claims, demands, liabilities, debts, dues, actions, causes of actions, suits, proceedings, judgments, expenses, damages and distributions (including without limitation, legal fees on a complete indemnity basis and any amount arising under Section 4 herein) of any nature whatsoever arising from, as a result of, or in any way connected with (i) the occupation and use of the Leased Premises by the Receiver, the Agent or any person obtaining occupancy through the Receiver, including their employees, agents, licencees and invitees, and whensoever asserted or arising, whether prior to or subsequent to the Receiver ceasing to occupy the same, including without limiting the generality of the foregoing, any and all rents, charges and costs arising from the occupation and use by the Receiver or any person obtaining occupancy through the Receiver or the Trustee of the Leased Premises; and (ii) the agreement of the Trustee to retain the former employees of Linens Canada on the terms set out in the letter attached hereto as Appendix "B" and the agreement of the Receiver to indemnify the Trustee for such costs.
7. The Trustee shall not disclaim or otherwise terminate any interest it may have in any lease during the occupancy of the Leased Premises by the Receiver pursuant hereto, without the prior written consent of the Agent and without prior written notice to the Receiver unless the Trustee is obligated to disclaim any such lease or unless the 10 day notice given by the Agent under the Canadian Agency Agreement has expired.
8. The Receiver agrees to obtain, or cause to be obtained, adequate insurance coverage on the Leased Premises and to provide evidence of same to the Trustee, to the extent that such insurance has not been obtained by the landlord of the Leased Premises.
9. This Agreement shall be binding upon and enure to the benefit of the Receiver and the Trustee and their respective successors and assigns.
10. The Receiver and the Trustee acknowledge that the Receiver is acting solely in its capacity as interim receiver and receiver of the assets, undertakings and property of Linens Canada, with no personal or corporate liability.
11. The Receiver and the Trustee acknowledge that the Trustee is acting solely in its capacity as the trustee in bankruptcy of the estate of Linens Canada, a bankrupt, with no personal or corporate liability.
12. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereby irrevocably attorn to the courts of the Province of Ontario with respect to any matter ensuing hereunder.
13. Each of the parties hereto, at the expense of the requesting party (unless otherwise specified herein), shall promptly do, make, execute or deliver, or cause to be



done, made, executed or delivered, all such further acts, documents and things as the other party hereto may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to the full extent the provisions of this agreement.

14. This Agreement nor any provision herein may be changed, waived, discharged or terminated except by instrument in writing, signed by the parties or by the party against whom enforcement of change, waiver, discharge or termination is sought.

**IN WITNESS WHEREOF** the parties have duly executed this Agreement.

**RSM RICHTER INC.**, in its capacity as interim receiver and receiver of the assets, undertakings and property of Linens 'N Things Canada Corp., with no personal or corporate liability

By: \_\_\_\_\_



*I have authority to bind the Receiver*

**RSM RICHTER INC.**, in its capacity as trustee in bankruptcy of the estates of Linens 'N Things Canada Corp., a bankrupt, with no personal or corporate liability

By: \_\_\_\_\_



*I have authority to bind the Trustee*

## Appendix "A"

STORE	SHOPPING CENTER	ADDRESS	CITY	STATE	COUNTRY	ZIP CODE	PHONE
701	BRENTWOOD VILLAGE	3630 BRENTWOOD RD. NW	CALGARY	AB	CA	T2L1K8	403-220-127E
702	LANGLEY	20175 LANGLEY BY-PASS	LANGLEY	BC	CA	V3A5E7	604-539-232E
703	SHAWNESSY TOWNE CENTRE	120, 350R SHAWVILLE BLVD., SE	CALGARY	AB	CA	T2Y3S4	403-254-236E
704	BRIDGEPORT ROAD	12551 BRIDGEPORT RD., UNIT 15E	RICHMOND	BC	CA	V6V1J4	604-278-444E
705	HEARTLAND TOWN CENTRE	5800 MCLAUGHLIN ROAD, UNIT #	MISSISSAUGA	ON	CA	L5R1C2	905-755-989E
705	SOUTHPARK CENTRE	3803 CALGARY TRAIL SOUTH BOUNC	EDMONTON	AB	CA	T6J5M8	780-430-122E
708	EAST WOODBRIDGE CENTRE	200 WINDFLOWER GATE	WOODBIDGE	ON	CA	L4L9L3	905-265-870E
709	PARK ROYAL CENTRE	1120 PARK ROYAL SOUTH	WEST VANCOUVER	BC	CA	V7T1A1	604-925-4474
710	BRIDGECAM SHOPPING CENTRE	70 PINEBUSH ROAD, UNIT G2	CAMBRIDGE	ON	CA	N1R8K5	519-624-808E
711	ST. JAMES REDEVELOPMENT	710 ST JAMES ST	WINNIPEG	MB	CA	R3G3J7	204-783-794E
712	ETOBICOKE	167 NORTH QUEEN STREET, UNIT A	ETOBICOKE	ON	CA	M9C1A7	416-621-690E
713	DURHAM POWER CENTRE	135 HARWOOD AVENUE NORTH	AJAX	ON	CA	L1Z1E8	905-427-669E
714	WEST OAK'S SHOPPING CENTER	32700 SOUTH FRASER WAY, UNIT 6E	ABBOTSFORD	BC	CA	V2T4M5	604-859-909E
715	COQUITLAM	1085 WOOLRIDGE STREET	COQUITLAM	BC	CA	V3K6N5	604-777-977E
716	TERRA LOSA SHOPPING CENTER	9570-170 STREET	EDMONTON	AB	CA	T5T5R5	780-443-617E
717	BURLINGTON HOME DECOR CENTER	1200 BRANT STREET UNIT 2	BURLINGTON	ON	CA	L7P5C6	905-315-1754
718	WESTHILLS TOWN CENTER	UNIT 350, STEWART GREEN SOUTHWEST	CALGARY	AB	CA	T3H3C8	403-685-542E
719	GREEN LANE CENTRE	18126 YONGE STREET, UNIT 1	NEWMARKET	ON	CA	L3Y4VE	905-836-006E
720	LAIRD & EGLINTON	147 LAIRD DRIVE	EAST YORK	ON	CA	M4G4K1	416-429-594E
721	FANSHAWE PARK HYDE PARK	1250 FANSHAWE PARK RD. W. UNIT B1	LONDON	ON	CA	N6G5B1	519-471-230E
722	VIEWMOUNT SHOPPING CENTER	1703 MERIVALE ROAD	OTTAWA	ON	CA	K2G9K2	613-274-7821
724	VICTORIA GATE	3112 EAST QUANCE STREET	REGINA	SK	CA	S4V3B8	306-780-3681
726	NEW MILLENNIUM CENTRE	BUILDING C 1599 MARCUS DR	SUDBURY	ON	CA	P3B4K5	705-566-567E
728	TILLICUM CENTER	UNIT 147-3170 TILLICUM ROAD	VICTORIA	BC	CA	V9A7C5	250-381-313E
731	BEACON HILL CENTER	11420 SARCEE TRAIL	CALGARY	AB	CA	T3R0A1	403-233-0547
732	ROUND HOUSE CENTER	3155 HOWARD AVENUE	WINDSOR	ON	CA	N8X4Y8	519-967-123E
733	DEERFOOT MEADOWS	200 8180 11 STREET SE UNIT G	CALGARY	AB	CA	T2H3B5	403-255-2011
734	CROSSROADS CENTRE	765 EXETER ROAD	SOUTH LONDON	ON	CA	N6E1L3	519-680-303E
735	SUNRISE SHOPPING CENTER	1400 OTTAWA STREET SOUTH #A-17	KITCHENER	ON	CA	N2E4E2	519-593-2317
736	VAUGHAN MILLS MALL	1 BASS PRO MILLS DRIVE, UNIT A	VAUGHAN	ON	CA	L4K5W4	905-761-1014
737	SOUTHPOINT COMMONS	850,5001 19TH STREET	RED DEER	AB	CA	T4R3R1	403-343-312E
740	LETHBRIDGE	3734 MAYOR MAGRATH DRIVE SOUTH BLDG C	LETHBRIDGE	AB	CA	T1K7T6	403-327-540E
741	ORLEANS	4220 INNES ROAD, UNIT 2	ORLEANS	ON	CA	K4A5E6	613-837-435E
742	DOWNSVIEW	30 BILLY BISHOP WAY	TORONTO	ON	CA	M3K2C8	416-638-6407
743	BAYERS LAKE BUSINESS PARK	11 WASHMILL LAKE COURT	HALIFAX	NS	CA	B3S0A2	902-876-117E
744	BIG BEND CROSSING	UNIT 150 - 5771 MARNE WAY	BURNABY	BC	CA	V5J0A6	604-433-507E
745	NIAGARA SQUARE	7555 MONTROSE ROAD	NIAGARA FALLS	ON	CA	L2H2E9	905-354-636E
747	ROYALTY POWER CENTER	193 MAPLEQUE ROAD	CHARLOTTETOWN	PE	CA	C1A2L9	902-569-3264
749	DARTMOUTH CROSSING	45 LEMLAIR ROW	DARTMOUTH	NS	CA	B3B0C6	902-468-6811
751	WOODHILL CENTRE	19125 AIRPORT ROAD	BRAMPTON	ON	CA	L6S0B8	905-791-839E

October 31, 2008

RSM Richter Inc.  
200 King St. W., Suite 1100, P.O. Box 48  
Toronto, ON M5H 3T4  
Tel: 416.932.8000 Fax: 416.932.6200  
www.rsmrichter.com

**To the Employees of Linens 'N Things Canada Corp. ("LNT"):**

As you know, LNT has undergone a number of changes as a result of a deteriorating economic climate, downturn in consumer spending and difficulties in the housing sector, particularly in the U.S. On October 18, 2008, LNT commenced insolvency proceedings in Canada by filing a Notice of Intention to Make a Proposal ("NOI") under the *Bankruptcy and Insolvency Act*. RSM Richter Inc. ("Richter") was appointed as Trustee under the NOI.

Thereafter, on October 23, 2008, LNT made an application to the *Ontario* Superior Court of Justice to appoint Richter as LNT's interim receiver (the "Receiver") and for approval of an agreement (the "Agency Agreement") governing the liquidation of inventory from LNT's store locations. The order sought by LNT was approved on that date.

The Agency Agreement provides that the liquidation may run for approximately three months, from October 24, 2008 up to January 31, 2009. Liquidations at individual store locations may terminate prior to January 31, 2009.

On October 31, 2008, LNT made an assignment in bankruptcy; Richter was appointed as Trustee in Bankruptcy. The bankruptcy does not impact operations of the stores or the conduct of the Agency Agreement; however, the bankruptcy has the effect of terminating your employment with LNT. Your compensation for the period immediately following the date of this letter will include your wages for the period October ●, 2008 to November ●, 2008 plus your accrued vacation pay to October 31, 2008.

We are pleased to advise that your services will be required by the Trustee during the liquidation period. The Trustee hereby requests your services on a temporary basis for the specific and limited purpose of assisting the Trustee to carry out certain of its duties. The purpose of this letter is to set out the terms under which the Trustee will, subject to your acceptance, engage your services to perform the work for the specific task of assisting the Trustee in completing its mandate.

The Trustee will engage you on a temporary basis for a period beginning on the date of this letter and ending no later than January 31, 2009. Your compensation for this period of engagement with the Trustee will be at a per diem rate consistent with the most recent salary paid to you by LNT. The Trustee shall be under no obligation to offer you work for any other period of time, or any other employment. This letter constitutes notice of your termination effective January 31, 2009, or such earlier date that the store where you work is closed.

If you accept this offer, you:

- Agree that you shall not be entitled to any other notice of termination or pay in lieu of notice, or severance pay, in respect of the services provided by you to the Trustee pursuant to this letter, apart from whatever additional entitlements, if any, you may have pursuant to applicable employment standards legislation.
- Agree that, without prejudice to any claim that you may have against LNT or its bankruptcy estate, all obligations and responsibilities of the Trustee to you in respect of services provided by you pursuant to this letter shall cease upon the final payment being made to you in accordance with the terms of this letter, and that payment to you of the compensation payable to you pursuant to the terms of this letter shall constitute full satisfaction of any and all claims that you may have against the Trustee personally.
- Waive any and all claims, suits, actions or causes of action (collectively, "Claims") against, and hereby release and forever discharge, RSM Richter Inc. (whether in its capacity as trustee in bankruptcy or in any other capacity whatsoever) of and from any and all Claims for arrears of wages, loss of benefits, accrued vacation pay, severance pay or termination pay, whether arising by statute or at common law, owing to you by virtue of your employment with LNT for any period prior to your engagement by the Trustee pursuant to the terms of this letter.

You also acknowledge that the Trustee, in engaging you pursuant to the terms of this letter, is acting solely in its capacity as trustee in bankruptcy of LNT, and without personal or corporate liability, and that the Trustee is not a successor employer within the meaning or contemplation of the *Employment Standards Act, 2000* (Ontario), the *Labour Relations Act* (Ontario), or any other similar or analogous legislation in Ontario or any other province of Canada.

As noted above, your current salary and vacation pay will continue to be paid on a per diem basis in the normal course during this period. The Trustee will also endeavour to continue the health benefits previously maintained by LNT, provided the benefit provider is willing to extend coverage on acceptable terms.

**Please continue to report for work at your scheduled time unless you are notified otherwise.** For clarity, we would ask you to sign the acknowledgement at the end of this letter. In any event, you will be deemed to have accepted the terms of this offer if you report for work after October 31. If you choose not to report for work, we will assume that you have abandoned your employment. In the event your services are no longer required prior to January 31, 2009, the Trustee will try to give you at least seven days notice of your revised termination date. We will also attempt to keep you informed of developments in the restructuring proceedings as they occur.

Over the next few weeks, it is the Receiver's intention to market LNT's leased locations. There is a possibility that a buyer for some or all of the locations will be located, which could see continued employment for some employees.

We are hopeful that strong sales during the liquidation period, coupled with potential recoveries from other LNT assets, will result in a high level of recovery on creditor claims, including employee claims for termination and/or severance, where applicable. A claims process will commence shortly. More information will be provided in this regard.

In the event you have questions about the process, please contact your store manager.

We thank you for your continued co-operation and assistance. Your commitment to LNT during this difficult time is sincerely appreciated.

Yours very truly,

**RSM RICHTER INC.  
IN ITS CAPACITY AS TRUSTEE IN BANKRUPTCY  
FOR THE ESTATE OF  
LINENS 'N THINGS CANADA CORP.  
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

ACCEPTANCE

**TO: RSM RICHTER INC.**  
in its capacity as Trustee in Bankruptcy of  
Linens 'N Things Canada Corp.

I hereby acknowledge that I have read and understood the terms of this letter and the terms and conditions of the offer of engagement contained therein. I hereby accept the said terms and conditions, and agree that they constitute and set forth all the terms of my engagement by the Trustee and all the obligations of the Trustee to me.

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<b>Signature</b>	)	<b>Print Name</b>
	)	