

First Interim Report of the Receiver
(Subsection 246(2) of the *Bankruptcy and Insolvency Act*)

**In the Matter of the Receivership of
Forever Jewellery Inc.
of the City of Vaughan
in the Province of Ontario**

The Receiver gives notice and declares that:

1. By order (the **"Interim Receivership Order"**) of the Honourable Mr. Justice Newbould of the Ontario Superior Court of Justice (Commercial List) (the **"Court"**) dated June 27, 2016, Richter Advisory Group Inc. (**"Richter"**), was appointed as interim receiver (the **"IR"** or **"Interim Receiver"**), without security, of all of the assets, properties and undertakings (the **"Property"**) of Forever Jewellery Inc. (**"FJI"** or the **"Company"**), pursuant to sections 47(1) and 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the **"BIA"**) and section 101 of the Courts of Justice Act, R.S.O. 1990, c. C.43 as amended (the **"CJA"**).
2. As set out in the endorsement of the Honourable Mr. Justice Newbould, the Interim Receivership Order was granted on an ex-parte basis and was made effective only until the comeback date for the hearing of a motion for the appointment of a receiver scheduled for June 30, 2016.
3. On June 30, 2016 (the **"Date of Appointment"**), the Honourable Mr. Justice Wilton-Siegel issued an order (the **"Receivership Order"**) appointing Richter as receiver (the **"Receiver"**), without security, of all of the Property of FJI, pursuant to section 243 (1) of the BIA and section 101 of the CJA.
4. On the Date of Appointment, the Receiver took possession of the Property. According to the Company's internal, unaudited financial statements, as at June 30, 2016, the Property consisted of the following:

Assets	Net Book Value (\$000s)
Cash and Cash Equivalents	26
Accounts Receivable	857
Intercompany Receivable	562
Inventory	364
Fixed Assets	9
Total	1,818

Note: The above amounts represent book values of the Company's assets as detailed in the Company's books and records and do not necessarily represent the sale or liquidation value of the Property.

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5. On December 1, 2016, the Honourable Mr. Justice Haaney issued an order (the “**Distribution and Termination of Receivership Order**”), among other things:
 - a. Authorizing the Receiver to remit funds to Richter, in its capacity as Interim Receiver, in payment of the amount by which the IR’s disbursements exceeded the IR’s receipts (the “**Interim Receivership Shortfall**”);
 - b. Authorizing the Receiver to distribute \$200,000 to Salus Capital Partners, LLC (“**Salus**”) in partial satisfaction of the secured indebtedness owed to it by the Company, and such further amounts as the Receiver may determine are available for distribution to Salus, without further order of the Court, provided the aggregate distributions to Salus do not exceed the secured indebtedness owed to it by the Company;
 - c. Approving the Receiver’s first report dated November 25, 2016 (the “**First Report**”) and the activities of the Receiver referred to therein;
 - d. Approving the Receiver’s statement of receipts and disbursements referred to in the First Report;
 - e. Approving the fees and disbursements of the Receiver and its counsel as set out in the First Report, including an estimate of the fees and disbursements of the Receiver and its counsel to complete any remaining matters and finalize the receivership proceedings;
 - f. Authorizing, but not obligating, the Receiver to make an assignment in bankruptcy for and on behalf of the Company, naming Richter as trustee in bankruptcy (the “**Trustee**”) and, upon the appointment of the Trustee, the Receiver would remit certain funds to the Trustee in payment of the anticipated fees and disbursements of the Trustee and its counsel in connection with the administration of the bankruptcy proceedings; and
 - g. Terminating the receivership proceedings, including the Receiver’s Charge and Borrowing Charge (as defined in the Receivership Order), and discharging the Receiver upon the Receiver filing a certificate (the “**Receiver’s Discharge Certificate**”) with the Court certifying that all remaining matters have been completed.

6. Since the Date of Appointment, the Receiver’s activities have included:
 - a. Securing and arranging for continued access to the Company’s leased premises at 132 Jardin Drive, Unit 12, Concord, ON (the “**Premises**”), including payment of rent and the continuation of all essential services for the Premises;
 - b. Freezing the Company’s bank account and opening up new accounts in the name of the Receiver;
 - c. Undertaking a review of the Company’s inventory, equipment and other assets;
 - d. Reviewing FJI’s existing insurance coverage and arranging for the Receiver to be listed as named insured and loss payee on the Company’s insurance policies;

- e. Meeting with the Company's former employees (the "**Former Employees**") to advise them of, among other things, the Receiver's appointment and the termination of their employment, as provided for in the Receivership Order. The Receiver also informed the Former Employees of their rights and entitlements under the provisions of the *Wage Earner Protection Program Act* ("**WEPPA**") and the limited priority granted to employee claims for compensation in accordance with section 81.4 of the BIA;
 - f. Determining, according to the Company's books and records, the amounts owed to Former Employees under the WEPPA, submitting the prescribed information to Service Canada, and sending notice of the WEPPA to the Former Employees;
 - g. Retaining three (3) of the Former Employees as independent contractors, on a temporary basis, to assist in completing various receivership activities, including assisting the Receiver realize on the Property;
 - h. Filing, subject to the Receiver's best efforts, the Company's delinquent income tax returns based on the Company's books and records;
 - i. Mailing a copy of the notice and statement of the Receiver pursuant to sections 245(1) and 246(1) of the BIA to the Office of the Superintendent of Bankruptcy and the Company's known creditors;
 - j. Responding to calls and enquiries from the Company's creditors, including Former Employees, suppliers, customers, and other stakeholders regarding the receivership proceedings;
 - k. Planning and implementing an informal inventory realization process, including organizing inventory by lots, compiling inventory listings, supervising inventory viewings by interested parties, selecting winning bids, and completing inventory sales;
 - l. Completing a sale of certain of the Company's intellectual property;
 - m. Collecting the Company's accounts receivable and engaging a third party collection agency to assist with same;
 - n. Remitting funds to Richter, in its capacity as Interim Receiver, in partial payment of the Interim Receivership Shortfall; and
 - o. Making an interim distribution to Salus in the amount of \$200,000 as per the Distribution and Termination of Receivership Order.
7. During the period from June 30, 2016 to January 4, 2017, the Receiver has realized the following:
- a. \$295,785 from realizations on the Company's accounts receivable;
 - b. \$160,601 from realizations on the Company's inventory; and
 - c. \$12,500 from realizations on the Company's intellectual property.



8. As at the date of this report, the following Property remains to be realized by the Receiver:
 - a. \$448,618 (book value) of accounts receivable existing as at the Date of Appointment; and
 - b. Any HST refunds eligible to be claimed for the receivership period.

9. The intended plan of action of the Receiver to complete the receivership is to:
 - a. Realize on the remaining Property as noted above;
 - b. Complete and file the Company's 2016 income tax return;
 - c. Pay any remaining administrative costs and professional fees, as provided for in the Distribution and Termination of Receivership Order;
 - d. Distribute, as per the Distribution and Termination of Receivership Order, any further available amounts to Salus on account of its outstanding secured indebtedness;
 - e. Should the Receiver elect to do so, file an assignment in bankruptcy for and on behalf of the Company, including the execution of any and all necessary documents to effect such assignment in bankruptcy; and
 - f. File the Receiver's Discharge Certificate with the Court.

10. Attached as **Appendix "A"** is the Receiver's Statement of Receipts and Disbursements for the period from June 30, 2016 to January 4, 2017. As indicated in **Appendix "A"**, as at January 4, 2017, the Receiver's receipts have exceeded disbursements by approximately \$78,041.

11. The realizations from the sale of the Property will be insufficient to pay, in full, the secured claim of Salus. Accordingly, there are no funds available to support a distribution to the Company's unsecured creditors.

12. Creditors who wish to receive a copy of this interim report may request a copy by writing to the Receiver at the following address:

Richter Advisory Group Inc.
Court Appointed Receiver of
Forever Jewellery Inc.
181 Bay Street, Suite 3320
Toronto, ON M5J 2T3

Attention: Katherine Forbes
Telephone: +1 416 785 1151
Facsimile: +1 416 488 3765

13. Further information and materials related to the receivership proceedings may be obtained from the Receiver's website at <https://www.richter.ca/en/folder/insolvency-cases/f/forever-jewellery-inc>.

Dated at Toronto, Province of Ontario, on January 13, 2017.

Richter Advisory Group Inc.
in its capacity as Receiver of
Forever Jewellery Inc.

Per:



Adam Sherman, MBA, CIRP, LIT
Senior Vice President

APPENDIX A

Forever Jewellery Inc.	
Statement of Receipts and Disbursements	
For the period June 30, 2016 to January 4, 2017	
Receipts	
Accounts receivable collections	\$ 295,784.98
Asset realizations - inventory	160,601.00
Cash in bank	29,271.53
Asset realizations - intellectual property	12,500.00
GST/HST collected	1,625.00
Interest earned	500.98
Total Receipts	\$ 500,283.49
Disbursements	
Interim distribution to Salus	\$ 200,000.00
Professional fees - Receiver	150,827.77
GST/HST paid on disbursements	22,643.63
Contract services	15,559.28
Professional fees - Fasken	13,412.25
Interim receivership costs	8,824.63
Pre-receivership company payroll	6,582.46
Operating expenses	4,172.98
Bank charges and other fees	219.00
Total Disbursements	\$ 422,242.00
Excess Receipts over Disbursements / Cash on Hand	\$ 78,041.49