

**In the Matter of the Receivership of
J.S.N. Jewellery Inc., J.S.N. Jewellery UK Limited, GMJ Corp., 2373138 Ontario Inc.,
Always & Forever Family Collection Incorporated, and P.M.R. Inc.
of the City of Vaughan
in the Province of Ontario**

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

Introduction

1. This interim report, for the period ending February 16, 2017, is filed by Richter Advisory Group Inc. (“**Richter**”) in its capacity as receiver (the “**Receiver**”) of J.S.N. Jewellery Inc. (“**JSN Jewellery**”), 2373138 Ontario Inc. (“**237**”), Always & Forever Family Collection Inc. (“**A&F**”), and P.M.R. Inc. (“**PMR**”), (collectively, the “**Canadian Debtors**”), GMJ Corp. (“**GMJ**”), and J.S.N. Jewellery UK Limited (“**JSN UK**”, and together with the Canadian Debtors and GMJ, “**JSN**” or the “**Company**”).
2. On August 16, 2016 (the “**Date of Appointment**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), issued an order (the “**Receivership Order**”) appointing Richter as Receiver, pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3, as amended, and section 101 of the *Courts of Justice Act* R.S.O. 1990 c.43, as amended of all the assets, undertakings and properties (the “**Property**”) of the Company.

Receivership Proceedings

3. As a result of the Company’s deteriorating financial position, a series of professionally-run refinancing and/or sale processes were completed prior to the appointment of the Receiver. The primary purpose of the receivership was to (i) facilitate the sale of certain of the Company’s assets (intellectual property, consignment inventory and open-order finished goods inventory), to Unique Designs Inc. (“**Unique**”), pursuant to an offer to purchase (the “**Unique Sale Agreement**”) dated August 15, 2016 (the “**Unique Transaction**”), and (ii) authorize the Receiver to conduct a sales process (the “**Sales Process**”) for the Company’s remaining assets after completion of the Unique Transaction (i.e. Property not included in the Unique Sale Agreement, including finished goods inventory, loose gemstones and furniture, fixtures and equipment (“**FF&E**”).
4. On the Date of Appointment, in addition to granting the Receivership Order, the Court issued an order (the “**Unique Sale Approval Order**”) that, among other things, approved the Unique Transaction and authorized and directed the Receiver to execute the Unique Sale Agreement and take such additional steps necessary to complete the Unique Transaction. As certain of the Property included in the Unique Transaction was subject to the claims (the “**Sharon Stone Claims**”) of a third party affiliated with JSN, Sharon Stone Co. Ltd. (“**Sharon Stone**”), the Unique Sale Approval Order approved the Unique Transaction and vested clear title in and to the purchased assets in favour of Unique subject to the Court’s ultimate determination of the Sharon Stone Claims, which claims were to be dealt with by the Court on a later date. The Receiver was to hold a portion of the purchase price in escrow (the “**Escrow Funds**”) pending the outcome of the Sharon Stone Claims.



5. On December 1, 2016, the Court issued an order that, among other things, approved the terms of settlement (the “**Settlement Terms**”) among the Receiver, the Company, Salus (as hereinafter defined), Sharon Stone, and Utopia Jewellery Ltd. (a company affiliated with JSN and Sharon Stone) regarding the Sharon Stone Claims. Although the Settlement Terms were ordered sealed until further order of the Court, the settlement of the Sharon Stone Claims both provided certainty regarding the Unique Transaction, and allowed for the release of the Escrow Funds.
6. As the Unique Transaction did not include all of the Property, the Receivership Order also authorized the Receiver to commence a sales process for the Company’s remaining Property, which included loose gemstones (primarily diamonds), certain finished goods inventory and certain specialized equipment.
7. On October 6, 2016, the Court issued two (2) orders approving the sale of certain Property to each of Sparkle Gems Inc. and Simplex Diam Inc. (together, the “**Sundry Asset Transactions**”).
8. In addition to approving the Sundry Asset Transactions, the Court issued a further order on October 6, 2016 authorizing, among other things, the Receiver to enter into an agreement with Infinity Asset Solutions Inc. to carry out an auction for the Company’s remaining Property (primarily FF&E) that was not subject to either the Unique Transaction or the Sundry Asset Transactions.

Statement of Receipts and Disbursements

9. Attached to this report as **Schedule “A”** is the Receiver’s Interim Statement of Receipts and Disbursements for the period from August 16, 2016 to February 8, 2017 (the “**Interim R&D**”). During the period from August 16, 2016 to February 8, 2017, the Receiver has realized the following:
 - (a) \$4,666,515.80 from realizations on the Unique Transaction;
 - (b) \$4,450,330.37 from realizations on the Sundry Asset Transactions;
 - (c) \$3,743,505.67 from realizations on the net proceeds received from JSN UK;
 - (d) \$1,218,137.13 from realizations on the Company’s accounts receivable;
 - (e) \$410,850.45 from realizations on the Company’s cash in bank;
 - (f) \$221,230.33 from realizations on the Company’s scrap precious metal;
 - (g) \$155,197.82 from realizations on the Company’s pre-receivership GST/HST refund; and
 - (h) \$76,198.00 from realizations on the Company’s fixed assets.
10. As indicated in **Schedule “A”**, as at February 8, 2017, the Receiver’s receipts have exceeded disbursements by \$213,664.95.



Statement of Unrealized Property

11. As at the date of this report, the following Property remains to be realized by the Receiver:
 - (a) \$32,715.07 (book value) of accounts receivable existing as at the Date of Appointment; and
 - (b) any potential HST refunds eligible to be claimed for both the receivership and/or pre-receivership periods.

Distribution of Proceeds Realized from the Property

12. The realizations from the sale of the Property will be insufficient to repay, in full, the secured claims of Salus Capital Partners, LLC (“**Salus**”). Accordingly, there will be no funds available to support a distribution to the Company’s unsecured creditors.
13. As detailed in the Interim R&D, interim distributions in the aggregate amount of approximately \$13.3 million have been made to Salus in respect of its secured claims against the Company.

Status of Receivership Proceedings

14. As at the date of this report, with the exception of the Property noted in paragraph 11 above, the Receiver has realized on all of the Property. As such, the Receiver does not anticipate any substantial realizations going forward.
15. The Receiver is in the process of completing any remaining administrative and other matters associated with the receivership proceedings and will be seeking an order of the Court that, among other things, discharges the Receiver subject to the Receiver filing a certificate with the Court certifying that all remaining matters have been completed, including the distribution, to Salus, of any funds remaining in the Receiver’s possession.
16. 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
J.S.N. Jewellery Inc., J.S.N. Jewellery UK Limited, GMJ Corp., 2373138 Ontario Inc.,
Always & Forever Family Collection Incorporated, and P.M.R. Inc
181 Bay Street, Suite 3320
Toronto, ON M5J 2T3

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

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

Dated at Toronto, Ontario, this 21st day of February, 2017.

Richter Advisory Group Inc.
in its capacity as Receiver of
J.S.N. Jewellery Inc., J.S.N. Jewellery UK Limited, GMJ Corp.,
2373138 Ontario Inc., Always & Forever Family Collection Incorporated,
and P.M.R. Inc.

Per:



Adam Sherman, MBA, CIRP, LIT
Senior Vice President

SCHEDULE "A"

**In the Matter of the Receivership of
J.S.N. Jewellery Inc., J.S.N. Jewellery UK Limited, GMJ Corp., 2373138 Ontario Inc.,
Always & Forever Family Collection Incorporated, and P.M.R. Inc.**

**Interim Statement of Receipts and Disbursements
For the period August 16, 2016 to February 8, 2017**

Receipts	
Unique Transaction	\$ 4,666,515.80
Sundry Asset Transactions	4,450,330.37
Net Proceeds received from JSN UK	3,743,505.67
Accounts receivable collections (net of collections agency fee)	1,218,137.13
Cash in bank	410,850.45
Asset realizations - scrap precious metal	221,230.33
Release of Holdback Amount	191,636.05
Pre-receivership GST/HST refund	155,197.82
Asset realizations - Fixed Assets	76,198.00
GST/HST refund in receivership	61,082.48
Refund of insurance premium	18,832.98
Refund of pre-receivership overpayment	3,772.45
Interest earned (net of bank charges)	1,498.66
GST/HST collected on sales	258.05
Total Receipts	<u>\$ 15,219,046.24</u>
Disbursements	
Professional fees - Receiver (Aug. 16/16 - Nov. 18/16)	499,664.28
Other legal and tax preparation costs	259,084.54
Consultant fees	214,967.79
Professional fees - Receiver's counsel (Aug. 16/16 - Dec. 31/16)	185,700.96
Holdback Amount	191,636.05
GST/HST paid on disbursements	125,674.93
Independent contractor services	75,983.49
Pre-receivership company payroll	28,954.65
IT Consulting Services	24,457.61
Occupation rent	21,240.16
Other occupation costs	16,878.55
Insurance	16,013.05
Freight & Utilities	8,132.74
Security & Storage	6,820.84
Receivership filing fees	70.00
Total Disbursements	<u>\$ 1,675,279.64</u>
Excess of Receipts over Disbursements	13,543,766.60
Interim Distributions to Secured Lender	(13,330,101.65)
Cash on Hand ⁽¹⁾	<u>\$ 213,664.95</u>

Note:

¹ Cash on hand denominated in USD has been converted to CAD at the Bank of Canada February 8, 2017 daily noon rate (1.3157).