

RICHTER

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DACO MANUFACTURING LTD.

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF
DACO MANUFACTURING LTD.**

JUNE 3, 2015

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**N THE MATTER OF THE NOTICE OF INTENTION OF
DACO MANUFACTURING LTD.**

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE UNDER THE
NOTICE OF INTENTION OF
DACO MANUFACTURING LTD.**

JUNE 3, 2015

Introduction

1. This report (the “**Report**”) is filed by Richter Advisory Group Inc. (“**Richter**”), in its capacity as proposal trustee (the “**Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Daco Manufacturing Ltd. (“**Daco**” or the “**Company**”).
2. On May 19, 2015 (the “**Filing Date**”), Daco filed an NOI under Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B.-3, as amended (the “**BIA**”). A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy is attached hereto as **Appendix “A”**.

Purpose of this Report

3. The purpose of this Report is to provide this Court with information pertaining to:
 - (i) background information about the Company;
 - (ii) the Company's creditors;
 - (iii) the activities of the Company and the Trustee since the Filing Date;
 - (iv) the Company's proposed post-filing strategy, including the outline of a sales process (the “**Bid Process**”) the Company intends to carry out under the supervision of, and with the assistance of, the Trustee;

- (v) the Company's projected cash flows for the period from May 25, 2015 to August 21, 2015 (the "**Cash Flow Forecast**");
 - (vi) the proposed Administration Charge (as defined later in this Report);
 - (vii) the Company's request for an extension of the time required to file its proposal (the "**Extension**") to July 17, 2015; and
 - (viii) the Trustee's conclusions and recommendations.
4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
5. In preparing this Report, the Trustee has relied upon unaudited financial information prepared by the Company's representatives, the Company's books and records, and discussions with the Company's representatives and the Company's legal counsel. The Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Future oriented financial information relied upon in this Report is based on the Company's representative's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Trustee also references its report on the Cash Flow Forecast and underlying assumptions and notes that its review and commentary thereon was performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of Professional Practices No. 99-5 (Trustee's Report on Cash Flow Statement).

General Background Information on the Company

6. Located in Vaughan, Ontario, Daco is primarily a wholesaler (with limited manufacturing activities) of both costume and fashion jewellery. Daco's products are sold through an extensive retail network in Canada, including significant national retail chains, such as Shoppers Drug Mart, Wal-Mart Canada, Rexall, The Bargain Shop, Loblaw Companies Limited and Winners.
7. Daco's primary assets are its inventory and accounts receivable. Although Daco holds bare legal title to the property it operates from located at 401 Vaughan Valley Blvd. (the "**Premises**"), beneficial ownership of the Premises is held by Daco Canada Real Estate Holdings Ltd., a related party.

8. As described in the affidavit of Matthew Lunetta sworn June 3, 2015 in support of the June 8, 2015 motion (the “**Lunetta Affidavit**”), due to a number of factors, including declining sales over the previous several years, the Company’s financial results have suffered, as shown in the table below:

**Daco Manufacturing Ltd.
Historical Financial Results**

(in 000's)	9 Months Ended Mar-15	Year Ended Jun-14	Year Ended Jun-13
Sales	4,106	6,245	8,687
Cost of Sales	(2,870)	(4,175)	(6,087)
Gross Profit	1,236	2,070	2,600
General & Admin Expenses	(1,499)	(2,098)	(2,687)
EBITDA	(263)	(28)	(87)

9. As a result of the Company’s declining financial performance and sustained EBITDA losses over the last several years, Daco exhausted its liquidity and the Company elected to file a NOI and to restructure.
10. The Company’s business, affairs, financial performance and position, as well as the causes of its insolvency, are detailed extensively in the Lunetta Affidavit and are, therefore, not repeated herein. The Trustee has reviewed the Lunetta Affidavit and discussed the business and affairs of the Company and the causes of insolvency with Daco’s remaining management personnel and is of the view that the Lunetta Affidavit provides a fair summary thereof.

Objectives of the NOI

11. The primary objectives of the Company’s NOI filing are to: (i) ensure the ongoing operations of the Company; (ii) ensure that Daco has the necessary working capital funds to maximize the ongoing business of the Company for the benefit of its stakeholders; (iii) restructure the Company’s operations; and (iv) identify one or more parties interested in purchasing Daco’s business or assets.

The Company’s Creditors

12. A copy of the creditor list included in the NOI filing is attached hereto as **Appendix “B”**.
13. The Trustee has been advised by the Company that Meridian Credit Union Limited (“**Meridian**”), Roynat Inc. (“**Roynat**”) and Daco (USA) Inc. (“**Daco USA**” and together with Meridian and Roynat, the “**Secured Lenders**”) are secured creditors of the Company that are owed approximately \$1.35 million, \$1.5 million and \$2.7 million respectively.

14. The Company has advised the Trustee that, pursuant to various inter-creditor agreements between Daco, Meridian, and Roynat, Meridian has first ranking security and Roynat has second ranking security over all of the assets of the Company (the “**Assets**”). Based on the order of registrations under the *Personal Property Security Act* (Ontario) (the “**PPSA**”), Daco USA has third ranking security over the Assets.
15. The Trustee also understands that Daco has granted charges against title to the Premises in favour of both Roynat (first ranking) and Meridain (second ranking) as additional security for the Company’s obligations to each of Roynat and Meridian.
16. In addition to Meridian, Roynat and Daco USA, the Trustee is aware that CBSC Capital Inc. (“**CBSC**”) and Counter Intelligence Merchandising Inc. (“**CIMI**”) have also registered security interests against Daco under the PPSA. CBSC has two (2) registrations under the PPSA both related to leased equipment and CIMI recently (May 13, 2015) filed a registration against the “other” property of Daco purportedly in respect of a Conditional Sales Agreement. The Trustee understands that counsel to the Company, Bennett Jones LLP, has been in contact with the solicitor for CIMI to obtain further details regarding the legal basis for its PPSA registration.
17. As reflected in Appendix “B”, the Company estimates that it has unsecured obligations totalling approximately \$1.0 million (excluding any amounts owing to the Company’s former/current employees).

The Company’s Activities since the Filing Date

18. Shortly before the NOI Filing Date, in an effort to minimize costs and address liquidity constraints, the Company terminated the majority of its staff. Since the Filing Date, the Company has been operating with a skeleton staff and recalling former employees, as needed, based on operating requirements.
19. The Company’s activities since the Filing Date have included:
 - (i) advising its stakeholders, including employees, customers and key suppliers of the NOI filing;
 - (ii) working with the Trustee to prepare the Cash Flow Forecast;
 - (iii) completing a physical count of its precious metals (i.e. gold and silver) jewellery inventory;
 - (iv) changing the locks to the Premises and increasing on-site security to a 24/7 basis;

- (v) working with the Company's customers to address current order requirements and negotiate supply terms;
- (vi) reporting receipts and disbursements to Meridian, the Company's first ranking secured lender;
- (vii) communicating with the Secured Lenders regarding the Company's restructuring activities and other matters in connection with Daco's NOI proceedings;
- (viii) responding to calls and enquiries from creditors and other stakeholders regarding the Company's NOI; and
- (ix) consulting with the Trustee to develop the Bid Process;

The Trustee's Activities since the Filing Date

20. Since the Filing Date, the Trustee's activities have included, *inter alia*, the following:

- (i) assisting the Company with the preparation of the Cash Flow Forecast, including the review of the underlying assumptions;
- (ii) reviewing the Company's financial position;
- (iii) attending at the Company's premises periodically to meet with its management and employees with respect to the NOI proceedings;
- (iv) implementing procedures for the monitoring the Company's receipts and disbursements and for the ongoing reporting of variances to the Cash Flow Forecast;
- (v) issuing the prescribed notice to Daco's creditors advising of the filing of the Company's NOI, as required under the BIA;
- (vi) establishing a website at www.richter.ca/en/insolvency-cases/d/daco-manufacturing-ltd, where all materials filed with the Official Receiver and the Court in connection with the Company's NOI proceedings are available in electronic format;
- (vii) considering processes to market the Company's business and/or assets for sale and assisting the Company in developing the Bid Process;

- (viii) responding to calls and enquiries from the Company's creditors, including former/current employees, suppliers, and other stakeholders regarding the Company's NOI;
- (ix) assisting with and providing oversight of the Company's physical inventory count;
- (x) corresponding and communicating extensively with the Company and its legal counsel;
- (xi) corresponding and participating in discussions between Daco and each of Meridian, Roynat and Daco USA (and their respective counsel) regarding the Company's NOI proceedings; and
- (xii) preparing this Report.

The Bid Solicitation Process

21. The Trustee notes that, to date, no active marketing of the Company's assets or operations has been undertaken. The Trustee also notes that, to date, it has not received any serious expressions of interest to invest in or acquire the Company and, to the knowledge of the Trustee, neither has the Company.
22. Given the Company's limited liquidity, the Company, in consultation with the Trustee, developed the Bid Process as a means of testing the market, gauging interest in the Company and/or its assets, and determining whether a transaction that would result in greater than liquidation value is available.
23. The purpose of the Bid Process is to identify one or more purchasers for the Company's business and/or assets. In order to provide third parties with an opportunity to bid on the Company's assets, the Trustee proposes to aggressively market the Company's assets to third parties for a period of approximately 30 days.
24. The key aspects of the Bid Process are as follows:
 - (i) as soon as practical, a teaser document will be sent to a list of potential interested parties (the "**Interested Parties**") by the Trustee, which list has been developed by the Trustee and the Company;
 - (ii) Interested Parties will be required to sign a Confidentiality Agreement prior to obtaining information to assist with their evaluation of the Company and its assets;
 - (iii) Interested Parties that wish to view and inspect the Company's jewellery inventory and other assets will be required to schedule an appointment with the Trustee and/or Company;

- (iv) Interested Parties will be required to submit binding offers (the “**Offers**”) to the Trustee by 12pm EST on July 9, 2015 (the “**Bid Deadline**”). The Trustee will provide Interested Parties with a template asset purchase agreement (the “**APA**”), which will form the basis of all offers to be submitted to the Trustee;
 - (v) the acceptability of any Offers received is to be determined by the Trustee, in consultation with the Company and, subject to any confidentiality restrictions considered appropriate by the Trustee, the Secured Lenders;
 - (vi) if no Offers have been received by the Bid Deadline, the Trustee, in consultation with the Company and the Secured Lenders, will reconsider the sales process and determine whether it should be terminated, and the Court will be advised accordingly;
 - (vii) if an Offer is acceptable to both the Trustee and Company (the “**Recommended Offer**”), the Recommended Offer will then be submitted for approval by the Secured Lenders and, ultimately, this Court for final approval, with the closing of the sale to occur as soon as possible after all approvals are received; and
 - (viii) the Bid Process contemplates that the Trustee is not required to accept the highest, best or any Offer.
25. The Trustee notes that the proposed Bid Process time-frame is condensed. However, with full cooperation of the Company during the proposed process period, particularly in respect of the provision of information to prospective purchasers, the Trustee believes that the deadlines proposed in the Bid Process are reasonable in the circumstances. The Trustee will report back to this Court if facts or circumstances require the Company or the Trustee to re-evaluate the time periods or the Bid Process based on facts or circumstances at that time.

The Company's Cash Flows for the Period from May 25, 2015 to August 21, 2015

26. Daco, with the assistance of the Trustee, prepared a cash flow forecast of its receipts and disbursements for the period May 25, 2015 to August 21, 2015. The Cash Flow Forecast was filed with the Office of the Superintendent of Bankruptcy on May 18, 2015. A copy of the Cash Flow Forecast and related assumptions is attached hereto as **Appendix “C”**. The Trustee has reviewed the assumptions supporting the Cash Flow Forecast and believes the assumptions to be reasonable.

27. As shown in the Cash Flow Forecast, it is estimated that for the period ending August 21, 2015, the Company will require additional financial support in the amount of approximately \$470,000.
28. The Trustee understands that, as at the date of this Report, Daco is in discussions with the Secured Lenders regarding the Company's intention to utilize the proposed melt down value of certain of its "non-program" precious metals inventory (i.e. gold and silver jewellery not currently part of an ongoing supply program with key customers) to provide the stability and cash flow necessary to continue the Company's operations during these proceedings.
29. The Trustee is of the view that the Company is operating in a manner consistent with the Cash Flow Forecast and there have been no material adverse changes to the Company's operations since the Filing Date.

The Administration Charge

30. The proposed Order provides for a charge in the maximum amount of \$150,000 charging the assets of the Company to secure the fees and disbursements incurred in connection with services rendered to Daco both before and after the NOI Filing Date by the following entities: the Trustee, the Trustee's legal counsel and legal counsel to the Company (the "**Administration Charge**").
31. The quantum of the Administration Charge sought by the Company was determined in consultation with the Trustee. The creation of the Administration Charge is typical in similar proceedings as is the proposed priority of the Administration Charge as set out in the form of Order filed with the Court.

The Company's Request for an Extension

32. The Company is seeking an Extension to July 17, 2015.
33. The Trustee supports the Company's request for an Extension for the following reasons:
 - (i) the Company and its management are acting in good faith and with due diligence in taking steps to facilitate a sale or refinancing of its operations;
 - (ii) the Company has advised that it intends to melt down certain of its "non program" precious metals inventory to generate sufficient cash flow to fund its restructuring activities, including these NOI proceedings;

- (iii) taking into consideration the expected proceeds from the melt down of certain of the Company's non-program precious metals inventory, the Cash Flow Forecast indicates that Daco will have sufficient liquidity to continue to funds operations during the period to July 17, 2015;
 - (iv) it is the Trustee's view that the Extension will not prejudice or adversely affect any group of creditors;
 - (v) it will afford the Company further time to assess its options going forward as part of presenting a potentially viable proposal to creditors;
 - (vi) the Company requires additional time to restructure its affairs or establish whether there is any interest in acquiring the Company and/or its assets;
 - (vii) the Extension will preserve the going concern value of Daco, whereas a wind-down of the operations and an immediate liquidation of the assets would likely result in (a) substantial diminution in realizable value for all creditors, and (b) an interruption of supply for the Company's customers; and
 - (viii) a wind-down and liquidation of the Company would eliminate a number of high-quality, skilled jobs which may be preserved if a successful sale or restructuring is completed.
34. While it is too early to say whether a viable proposal will be presented by the Company to its creditors, in the Trustee's view, the Company's request for the Extension is appropriate in the circumstances, as the current extension request more properly reflects the timeframe by which the Trustee will be able to provide this Court with a meaningful update on the Company's restructuring efforts.
35. The Trustee will continue to monitor the developments of any potential sale transaction(s) in respect of the assets of the Company and will advise the Court accordingly in accordance with its mandate.

Conclusion and Recommendation

36. The Trustee is of the view that the relief requested by the Company, including the Extension, is necessary, commercially reasonable and justified. The Trustee is also of the view that granting the relief requested will provide the Company with the best opportunity to undertake a going concern sale or other restructuring thereby preserving value for the benefit of the Daco's stakeholders.

All of which is respectfully submitted this 3rd day of June, 2015.

**Richter Advisory Group Inc.
in its capacity as Proposal Trustee of
Daco Manufacturing Ltd.**

Per:

A handwritten signature in black ink, appearing to read 'Adam Sherman', written in a cursive style.

Adam Sherman, MBA, CIRP

This is **Appendix “A”** to the
First Report of Richter Advisory Group Inc.,
in its capacity as Proposal Trustee of Daco Manufacturing Ltd.
dated June 3, 2015



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-1995891
Estate No. 31-1995891

In the Matter of the Notice of Intention to make a
proposal of:

Daco Manufacturing Ltd
Insolvent Person

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE
CONSEI**
Trustee

Date of the Notice of Intention: May 19, 2015

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: May 20, 2015, 08:35

E-File/Dépôt Electronique

Official Receiver

25 St. Clair Avenue East, 6th floor, Toronto, Ontario, Canada, M4T1M2, (877)376-9902

Canada

This is **Appendix “B”** to the
First Report of Richter Advisory Group Inc.,
in its capacity as Proposal Trustee of Daco Manufacturing Ltd.
dated June 3, 2015

List of Creditors with claims of \$250 or more.

Creditor	Address	Account#	Claim Amount
A&H MANUFACTURING *	P.O. BOX 19720 1 CARDING LANE JOHNSTON RI 02919-0720 USA	A&HUSA0001	23,365.26
ABELL PEST CONTROL INC	107-200 TIFFIELD ROAD SCARBOROUGH ON M1V 5J1		335.13
ACPL EXPORTS PVT. LTD *	PHASE - II X-33 OKHLA INDUSTRIAL AREA NEW DELHI 110020 INDIA	ACPL00001	82,132.11
BELFRY CO. LTD *	THAWEEWATTANA-KANCHANAPISEK RD., 9/28 MOO2, BANGKOK 10170 THAILAND	BELF00001	970.10
BEST JEWELRY HOLDING LTD.COMPANY(QINGDAO) *	CHENGYANG DISTRICT XIWANGTUAN, CHENGYANG DIST. QINGDAO - 266109 CHINA	BESTJEWELRY0001	1,755.00
C.S FASHION (QINGDAO) *	CHENGYUAND DIST. JINGKOU INDUSTRIAL PARK CHENGYANG DIST. QINGDAO - CHINA	CSFASHION00001	1,245.00
CASEWARE IDEA INC.	2ND FLOOR 469 KING STREET W. TORONTO ON M5V 1K4		1,130.00
CHECKPOINT SYSTEMS CANADA ULC	C/O LOCKBOX 916060 PO BOX 4090 STN A TORONTO ON M5W 0E9		5,514.00
COUNTER INTELLIGENCE MERCHANDISING	1-333 NORTH RIVERMEDE ROAD CONCORD ON L4K 3N7		185,887.26
CREATIVE GOLD II INC *	5TH FLOOR 1425 37TH STREET BROOKLYN NY 11218 USA	CREAGOLD001	4,623.79
D.Y.JEWELRY CO., LTD (QINGDAO) *	NO 778 XINGYANG ROAD ROOM 670, CENTURY HOUSE CHENGYAND DIST. QINGDAO - 266108 CHINA	DYJEWELRY00001	3,855.50
DACO (CHINA) *	DONG LIU TIN-INDUSTRIAL GARDEN LIUTING-JIEDAO, CHENGYANG-QINGDAO - CHINA	DACOCINA001	6,448.14
DAMA INC. *	25 OAKDALE AVENUE JOHNSTON RI 02919 USA	DAMA01404	7,505.90
DHL EXPRESS (DUTY)	18 PARKSHORE DRIVE BRAMPTON ON L6T 5M1		9,937.73
DHL EXPRESS(CANADA), LTD.	18 PARKSHORE DRIVE BRAMPTON ON L6T 5M1		4,742.97
EASYPACK CORP.	60 MCPHERSON ST MARKHAM ON L3R 3V6		1,577.11



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Creditor	Address	Account#	Claim Amount
EH ASHLEY & COMPANY INC *	1 WHITE SQUADRON RD PO BOX 15067 RIVERSIDE RI 02915-0067 USA	EHASHLEY_US	17,889.29
ENGINEERED PLASTIC DESIGNS INC.	154 MILVAN DRIVE TORONTO ON M9L 1Z9		30,694.47
EUROPEAN DESIGN	510-21 DUNDAS SQUARE TORONTO ON M5B 1B7		272.39
EVERSHINY JEWELRY CREATION CO LTD *	AMPHUR SAMPRAN 13/20 MOO 12 THAMBOL LAIKING NAKORNPATTHOM 73210 THAILAND	EVERSHINY00001	4,115.00
F & F TRADING STONE	68 COLVILLE RD. TORONTO ON M6M 2Y4		585.90
FEDERAL EXPRESS (DUTY)	5985 EXPLORER DRIVE MISSISSAUGA ON L4W 5K6		16,169.21
FEDERAL EXPRESS *	5985 EXPLORER DRIVE MISSISSAUGA ON L4W 5K6		919.47
G AND S **	VIA P. CALAMANDREI 101/11 AREZZO 52100 ITALY		57,233.33
GRAND&TOY LIMITED	BOX 5500 DON MILLS ON M3C 3L5		683.00
GROUNDPROS LANDSCAPE MANAGEMENT	6600-A KING VAUGHAN RD. KLEINGBURG ON L0J 1C0		4,239.76
HANWOOL JEWELRY CO., LIMITED(QINGDAO) *	LIGEZHANG TOWN DAGUHE INDUSTRIAL PARK JIAOZHOU CITY, QINGDAO - 266316 CHINA	HANWOOL0001	13,639.84
HONG DE ER CRAFTS CO. LTD (QINGDAO) *	CHENGYAND SHIJIPOZI VILLAGE, XIAZHANG ST., CHENGYANG DIST. QUINGDAO - 266107 CHINA	HONGDE00001	496.00
JEWELRY PRINCESS CO., LTD. *	THUNG MAHAMEK SATHORN 653/11 NARATHIWAT RATCHANAKARIN RD. BANGKOK - 10120 THAILANDE	SEVE01676	1,898.08
JON FASHION ACCESSORIES CO.,LIMITED *	LIGEZHANG TOWN NO 65 DAGUHE STREET JIAOZHAO - - CHINA	JONFASHION00001	17,051.16
JTS INC *	131 WEST 35TH STREET, 11TH FLOOR NEW YORK NY 10001 USA	JTSINC0001	4,811.87
JUST I.T. SUPPLY INC.	860 AUDLEY ROAD SOUTH AJAX ON L1Z 1M4		458.16

List of Creditors with claims of \$250 or more.

Creditor	Address	Account#	Claim Amount
LEACHGARNER *	PO BOX 358 49 PEARL STREET ATTLEBORO MA 02703 USA	HALL01303	4,730.61
LEE'S MFG *	160 NIAN TIC AVENUE PROVIDENCE RI 02907 USA	LEE'01377	7,279.97
MARILENA JEWELLERY IMPORTLTD.	10-3683 EAST HASTINGS ST. VANCOUVER BC V5K 4Z7		78,072.16
MAYCARD PACKAGING CO., LTD *	BALIYI-INDUSTRIAL GARDEN, JIMO, QINGDAO - - CHINA	MAYCARD0001	3,330.32
MEGA PRODUCTS INC. *	38 WEST 32ND STREET, ROOM 1506 NEW YORK NY 10001 USA	MEGA01012	12,563.00
MERIDIAN CREDIT UNION LIMITED	ATTN: DOUG ADAMS, COMM.BUS.CENTRE 200-797 MILNER AVENUE TORONTO ON M1B 3C3		1,500,000.00
NOVELTY DESIGN INT'L LIMITED *	XIACANG, BEIYUAN INDUSTRIAL DISTRICT BUILDING 23, SECTION C, YIWU ZHEJIANG PROVINCE - 322000 CHINA	NOVELTY00001	12,777.59
NOW COMPUTER SOLUTIONS INC.	1830 FOLKWAY DRIVE MISSISSAUGA ON L4H 3B5		2,576.40
OMEGA NETWORK SOLUTIONS	105-85 SCARSDALE RD TORONTO ON M3B 2R2		386.48
ORO18-DIV OF ORO AFRICA (PTY) LTD *	170 BUITENGRACHT ST CAPE TOWN, 8001 80010 SOUTH AFRICA	ORO180001	16,298.23
PACKPRO SYSTEMS INC.	10 PAISLEY LANE STOUFFVILLE ON L4A 7X4		4,915.57
PANYU DIANA JEWELRY COMPANY LIMITED *	XIAOPING INDUSTRIAL ZONE, 2ND FL.,THE SOUTHERN COMPREHENSIVE BLDG GUANGZHOU CITY - 511400 CHINA	DIANA00001	32,543.40
PATROLMAN SECURITY SERVICES INC	205-680 REXDALE BLVD. ETOBICOKE ON M9W 0B5		7,876.10
PRIORITY LABEL PROD. LTD.	UNIT 41 & 42 151 NASHDENE ROAD SCARBOROUGH ON M1V 4C2		5,336.19
PUROLATOR COURIER LIMITED	31 ADELAIDE STREET EAST TORONTO ON M5C 3E2		24,529.37
RG FLAIR CO. *	199 S. FEHR WAY BAY SHORE NY 11706 USA	RG F0985	14,726.62
RONDO CO. LTD *	2ND FLOOR, BEIYUAN NO.28, BACK SIDE OF JINGSHAN ROAD YIWU, 322000 ZHEJIANG	RONDO0001	44,302.91

List of Creditors with claims of \$250 or more.

Creditor	Address	Account#	Claim Amount
ROY TURK IND.	106 VULCAN STREET ETOBICOKE ON M9W 1L2		841.86
ROYNAT INC.	ATTN: GAURAV CHOPRA 1000-5160 YONGE STREET TORONTO ON M2N 6L9		1,500,000.00
SCATRAGLI, S.R.L.**	VIA LEOPOLDO DI TOSCANA, 15,ALBERORO AREZZO 52048 ITALY		3,386.39
SJ ART&CRAFTS CO., LTD(QINGDAO) *	CHENGYANG TOWN XIGUOZHUANG VILLAGE, QINGDAO - 266109 CHINA	BOBJEWEL0001	71,524.26
STERLING ORNAMENTS PVT LTD *	NOIDA 201 305 PLOT NO 36 & JC-19, N.S.E.Z NOIDA, UTTAR PRADESH 201305 INDIA	STERLING00001	16,524.00
T.A. MODE	UNIT 1D 20 STEELCASE RD W MARKHAM ON L3R 1B2		311.20
TAKHOI TRADING *	AUSTIN PLAZA ROOM 1605-1606, 83 AUSTIN ROAD KOWLOON - HONG KONG	TAKHO1528	7,112.50
TIANJING RONGSHIJI IMPORT & EXPORT CO. LTD., *	WUQING DEVELOPMENT AREA BUILDING B, NO.28, QUANXING ROAD TIANJIN 301700 CHINA	TIANJING00001	1,543.00
TUCHENG JEWELRY CO. LTD (QINGDAO) *	QIUJIA INDUSTRIAL ZONE, JIMO, #17, YOUHE 2ND ROAD JIMO, QINGDAO - 266200 CHINA	TUCHENGJLRY0001	382.00
TYCO INTEGRATED FIRE&SECURITY CANADA, INC.	40 SHEPPARD AVE WEST TORONTO ON M2N 6K9		1,412.30
UPS (TORONTO)	P.O. BOX 4900, STATION A TORONTO ON M5W 0A7		255.58
VC JEWELLERY-1867284 ONTARIO INC.	38 BELVIA ROAD ETOBICOKE ON M8W 3R3		572.91
W & M WIRE & METAL PRODUCTS LTD	2703 SLOUGH STREET MISSISSAUGA ON L4T 1G2		5,129.07
WOORIM JEWELRY CO.,LTD *	CHENGYANGZHEN, DABEIQU XICUN, QINGDAO, SHANDONG - CHINA	WOOR0001	2,332.00
XIANGYUAN (QINGDAO) JEWELRY *	ZHUJIANG 2RD, CHENGNAN INDUSTRIAL COMPLEX, QINGDAO CITY, QINGDAO - CHINA	FRECRAFT0001	12,303.96

List of Creditors with claims of \$250 or more.

Creditor	Address	Account#	Claim Amount
ZED JEWELERS INC.	190 ROCKLAND STREET MONTREAL ON H3P 2W5		838.93
ZZEUROEXCH 1,3725			22,580.85
ZZUSEXCH 1,2010			91,185.97
Total			4,022,663.63



This is **Appendix “C”** to the
First Report of Richter Advisory Group Inc.,
in its capacity as Proposal Trustee of Daco Manufacturing Ltd.
dated June 3, 2015

**Deco Manufacturing Ltd.
Statement of Projected Cash Flow**

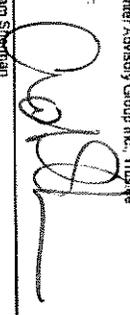
Week Ending (in SCA\$)	29-May	5-Jun	12-Jun	19-Jun	26-Jun	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	7-Aug	14-Aug	21-Aug	Total
Receipts	104,834	-	41,743	-	-	33,130	-	20,104	-	-	-	-	-	(89,813)
Collections from pre-filing AVR	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts	104,834	-	41,743	-	-	33,130	-	20,104	-	-	-	-	-	199,811
Disbursements	16,026	26,837	5,040	5,040	5,040	7,040	5,040	5,040	5,040	5,040	7,040	5,040	17,147	114,414
Payroll & Benefits	-	4,600	-	-	-	4,600	-	-	-	-	4,600	-	-	13,800
Utilities	13,308	-	-	-	-	-	-	-	-	-	-	-	-	55,000
Property Taxes	55,000	-	-	-	-	8,861	-	-	-	-	-	-	-	40,833
Insurance	-	9,881	750	3,000	-	8,861	750	3,000	-	3,000	7,811	-	-	3,000
SCSA	-	85,000	42,500	25,000	22,500	35,000	32,500	37,500	12,500	25,000	12,500	-	-	12,500
Professional Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HST	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	65,000
Contingency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	89,334	131,298	53,290	38,040	32,540	61,501	43,290	50,540	22,540	38,040	36,251	38,040	34,647	689,855
Net Cash Flow	(15,500)	(131,298)	(11,547)	(38,040)	(32,540)	(28,372)	(43,290)	(30,437)	(22,540)	(38,040)	(38,251)	(38,040)	(34,647)	(470,044)

This statement of projected cash flow has been prepared pursuant to the requirements of paragraph 50.4(2) and 50(5)(e) of the Bankruptcy and Insolvency Act and solely for that purpose.
Dated at Woodbridge, Ontario, this 28th day of May, 2015.


Darcy MacIsaac
Deputy Manufacturing Partner


Matthew Lomette
Name of Signing Officer

This statement of projected cash flow of Deco Manufacturing Ltd. is prepared in accordance with Section 50.4(2) and 50(5)(e) of the Bankruptcy and Insolvency Act and should be read in conjunction with the attached Trustee's Report of the Cash Flow Statement dated the 28th day of May, 2015.

Richter Advisory Group Inc., Trustee
Per: 
Adam Sherman

District of: Ontario
Division No.: 09-Toronto
Court No.: 31-1995891
Estate No.: 31-1995891

FORM 29
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Daco Manufacturing Ltd.
of the City of Vaughan
in the Province of Ontario

The attached statement of projected cash flow of Daco Manufacturing Ltd., as of the 19th day of May 2015, consisting of the period from May 25, 2015 to August 21, 2015, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 28th day May, 2015.

Richter Advisory Group Inc.
Trustee *in re* the proposal of
Daco Manufacturing Ltd.



Adam Sherman, MBA, CIRP
181 Bay Street, 33rd Floor
Toronto, ON M5J 2T3
Phone: (416) 488-2305 Fax: (416) 488-3765

District of: Ontario
Division No.: 09-Toronto
Court No.: 31-1995891
Estate No.: 31-1995891

FORM 29 – ATTACHMENT
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Daco Manufacturing Ltd.
of the City of Vaughan
in the Province of Ontario

Purpose:

Daco Manufacturing Ltd. filed a Notice of Intention to Make a Proposal on May 19, 2015. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Daco Manufacturing Ltd. (the "Company"), for the period May 25, 2015 to August 21, 2015, relating to the filing of a Notice of Intention to Make a Proposal on May 19, 2015.

This Statement of Projected Cash Flow has been prepared by management on May 19, 2015, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period May 25, 2015 to August 21, 2015, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

- the projected cash receipts have been conservatively estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

- the projected cash disbursements have been estimated based upon historical data adjusted to reflect the current level of activity and best estimates of the Company; and
- the Company is currently having discussions with certain of its secured lenders regarding the funding of the Company's projected cash shortfall.

Dated at the City of Toronto in the Province of Ontario, this 28th day May, 2015.

Richter Advisory Group Inc.
Trustee *in re* the proposal of
Daco Manufacturing Ltd.



Adam Sherman, MBA, CIRP
181 Bay Street, 33rd Floor
Toronto, ON M5J 2T3
Phone: (416) 488-2305 Fax: (416) 488-3765

District of: Ontario
Division No.: 09-Toronto
Court No.: 31-1995891
Estate No.: 31-1995891

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Daco Manufacturing Ltd.
of the City of Vaughan
in the Province of Ontario

The management of Daco Manufacturing Ltd. has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 19th day of May 2015 consisting of the period May 25, 2015 to August 21, 2015.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vaughan in the Province of Ontario, this 28th day of May 2015.



Daco Manufacturing Ltd.
Debtor

Matthew Lunetta

Print name of signing officer

District of: Ontario
Division No.: 09-Toronto
Court No.: 31-1995891
Estate No.: 31-1995891

- FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Notice of Intention to Make a Proposal of
Daco Manufacturing Ltd.
of the City of Vaughan
in the Province of Ontario

Purpose:

Daco Manufacturing Ltd. filed a Notice of Intention to Make a Proposal on May 19, 2015. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of Daco Manufacturing Ltd. (the "Company"), for the period May 25, 2015 to August 21, 2015, relating to the filing of a Notice of Intention to Make a Proposal on May 19, 2015.

This Statement of Projected Cash Flow has been prepared by management on May 19, 2015, based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period May 25, 2015 to August 21, 2015, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

- the projected cash receipts have been conservatively estimated by management, based upon the collection experience of the Company.

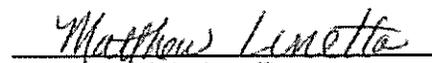
(b) Projected Cash Disbursements

- the projected cash disbursements have been estimated based upon historical data adjusted to reflect the current level of activity and best estimates of the Company; and
- the Company is currently having discussions with certain of its secured lenders regarding the funding of the Company's projected cash shortfall.

Dated at the City of Vaughan in the Province of Ontario, this 28th day of May, 2015.



Daco Manufacturing Ltd.
Debtor



Print name of signing officer

Court File No.: 31-1995891
Estate No.: 31-1995891

IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED

**AND IN THE MATTER OF THE NOTICE OF INTENTION OF DACO MANUFACTURING LTD. OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

(PROCEEDING COMMENCED AT TORONTO)

**FIRST REPORT OF RICHTER ADVISORY GROUP
INC., IN ITS CAPACITY AS PROPOSAL TRUSTEE
OF DACO MANUFACTURING LTD.**

DATED JUNE 3, 2015

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, Ontario, M5X 1G5

Clifton P. Prophet

LSUC No.: 34845K

Telephone: (416) 862-3509

Facsimile: (416) 862-7661

**Solicitors for Richter Advisory Group Inc., in its capacity
as Proposal Trustee of Daco Manufacturing Ltd.**