

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

**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**

**MOTION RECORD
(Recognition of Sale Approval and Vesting Order)
(Returnable September 24, 2015)**

September 21, 2015

GOWLING LAFLEUR HENDERSON LLP
Barristers & Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Clifton P. Prophet / LSUC No. 34845K
Tel: (416) 862-3509
Fax: (416) 862-7661
E-mail: clifton.prophet@gowlings.com

C. Haddon Murray / LSUC No. 61640P
Tel: (416) 862-3604
Fax: (416) 862-7661
E-mail: haddon.murray@gowlings.com

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

TO: THE ATTACHED SERVICE LIST

SERVICE LIST
(As at September 21, 2015)

TO: DACO MANUFACTURING LTD. 401 Vaughan Valley Boulevard Woodbridge, ON L4R 3B5 Tel: 905.850.9401 Matthew Lunetta Email: matthew.r.lunetta@gmail.com Sheila Vanderkam Email: vsd4219k@gmail.com The Applicant	AND BENNETT JONES LLP TO: 3400 One First Canadian Place Toronto, ON M5X 1A4 Mark S. Laugesen Tel: 416.777.4802 Email: laugesenm@bennettjones.com Counsel to the Applicant, Daco Manufacturing Ltd.
AND MERIDIAN CREDIT UNION LIMITED TO: 797 Milner Avenue, Unit 200 Toronto, ON M1B 3C3 Doug Adams Email: doug.adams@meridiancu.ca Barry Campbell Email: barry.campbell@meridiancu.ca Brian Mocha Email: brian.mocha@meridiancu.ca	AND AIRD & BERLIS LLP TO: Brookfield Place Suite 1800, Box 754 181 Bay Street Toronto, ON M5J 2T9 Tel: 416.863.1500 Steve Graff Email: sgraff@airdberlis.com Ian Aversa Email: iaversa@airdberlis.com Counsel to Meridian Credit Union Limited
AND OFFICE OF THE SUPERINTENDENT OF BANKRUPTCY CANADA Federal Building 55 Bay Street North, 9 th Floor Hamilton, ON L8R 3P7 Tel: 1.877.376.9902	AND CBSC CAPITAL INC. TO: 3450 Superior Court, Unit 1 Oakville, ON L6L 0C4

AND ROYNAT CAPITAL TO: 5160 Yonge Street Suite 1000 Toronto, ON M2N 2L9 Gaurav Chopra Tel: 416.859.7840 Email: choprag@roynat.com	AND SIMPSONWIGLE LAW LLP TO: 1 Hunter Street East, Suite 200 Hamilton, ON L8N 3W1 David J. Jackson Tel: 905.538.8411 Email: jacksond@simpsonwigle.com Counsel to Roynat Capital
AND COUNTER INTELLIGENCE TO: MERCHANDISING INC. 333 North Rivermede Road No. 1 Concord, ON L4K 3N7	AND MARKOFF & SHAIN LLP TO: 8920 Woodbine Avenue, Suite 202 Markham, ON L3R 9W9 Howard Shain Email: Shain@markoffshain.com Counsel to Counter Intelligence Merchandising Inc.
AND DACO CANADA REAL ESTATE TO: HOLDINGS LTD. 401 Vaughan Valley Boulevard Woodbridge, ON L4R 3B5 Matthew Lunetta Email: matthew.r.lunetta@gmail.com Sheila Vanderkam Email: vsd4219k@gmail.com	AND DACO (USA), INC. TO: 401 Vaughan Valley Boulevard Woodbridge, ON L4R 3B5 Matthew Lunetta Email: matthew.r.lunetta@gmail.com Sheila Vanderkam Email: vsd4219k@gmail.com
AND RICHTER ADVISORY GROUP INC. TO: 181 Bay St., Suite 3320 Bay Wellington Tower Toronto, ON M5J 2T3 Adam Sherman Tel: 416.488.2345 x.2318 Email: asherman@richter.ca Pritesh Patel Tel: 416.642.9421 Email: ppatel@richter.ca The Proposal Trustee	AND BELMIRA ALMEIDA TO: 7733 Wild Fern Drive Mississauga, ON L4T 3P8 Former Employee of Daco Manufacturing Ltd.

AND HER MAJESTY THE QUEEN IN TO: RIGHT OF THE PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE (Income Tax, PST) PO Box 620 33 King Street West, 6 th Floor Oshawa, Ontario L1H 8E9 Attention: Kevin J. O'Hara Telephone: (905) 433-6934 Facsimile: (905) 436-4510 Email: kevin.ohara@ontario.ca Lawyers for the Ontario Government	AND DEPARTMENT OF JUSTICE The Exchange Tower 130 King Street West Suite 3400, P.O. Box 36 Toronto, Ontario M5X 1K6 Attention: Diane Winters diane.winters@justice.gc.ca Edward Park edward.park@justice.gc.ca Telephone: (416) 973-3746 Facsimile: (416) 973-0810 Lawyers for Canada Revenue Agency
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TAB 1

Court File No. 31-1995891

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

**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**

**NOTICE OF MOTION
(Recognition of Sale Approval and Vesting Order)
(Returnable September 24, 2015)**

RICHTER ADVISORY GROUP INC. (“**Richter**”), in its capacity as the Court-appointed receiver (the “**Receiver**” or “**Seller**”) of the undertaking, property and assets of Daco Manufacturing Ltd. (“**Daco**” or the “**Company**”), will make a motion to a judge presiding over the Ontario Superior Court of Justice (Commercial List) on September 24, 2015, at 10:00 a.m., or as soon after that time as the motion may be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order substantially in the form attached hereto as **Schedule “A”**:
 - (a) abridging the time for and validating service of this Notice of Motion and the motion materials filed in support of this motion and dispensing with further service thereof;
 - (b) approving the Receiver’s actions and activities with respect to the receivership of Daco, as set out in the First Report of the Receiver dated September 21, 2015 (the “**First Report**”);

- (c) approving the interim statements of receipts and disbursements of the Receiver from the period of July 17, 2015 to September 16, 2015;
- (d) approving the asset purchase agreement dated September 18, 2015 (the "**Purchase Agreement**") between the Receiver and 2380775 Ontario Ltd. ("**238 Ontario**" or the "**Purchaser**") and the sale (the "**Transaction**") of the personal property Daco located on the property municipally known as 401 Vaughan Valley Blvd in Woodbridge, ON and described in the Purchase Agreement (the "**Purchased Assets**") and vesting all of the Seller's right, title and interest in and to the Purchased Assets absolutely in 238 Ontario, free and clear of all liens, claims and other interest;
- (e) an order sealing confidential exhibits "1" and "2" to the First Report (the "**Confidential Exhibits**"); and
- (f) for such further relief as may be required in the circumstances this Honourable Court deems just and equitable.

THE GROUNDS FOR THE MOTION ARE:

- 2. Daco carried on business primarily as a wholesaler (with limited manufacturing activities) of both costume and fashion jewellery. Daco's products were 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.
- 3. Daco operated from owned premises located at 401 Vaughan Valley Blvd. (the "**Premises**"). Although Daco holds bare legal title to the Premises, beneficial ownership of the Premises is held by Daco Canada Real Estate Holdings Ltd. ("**Daco Real Estate**"), a related party.

Creditors

- 4. The secured creditors of Daco, in order of priority with respect to Daco's personal property, are:

- (a) Meridian Credit Union Limited - owed approximately \$1.35 million;
 - (b) Roynat Capital Inc. - owed approximately \$1.5 million; and
 - (c) Daco USA Inc. - owed approximately \$2.7 million;
- (together, the “**Secured Lenders**”).
5. As at the date of appointment, the Company owed its unsecured creditors, including trade creditors, approximately \$1.1 million.

Context

6. On May 19, 2015, Daco filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B.-3, as amended. Richter was appointed as Trustee in Daco’s NOI/Proposal proceedings (the “**Proposal Trustee**”).
7. On June 8, 2015, pursuant to an order of the Court, Daco entered into a sale process for the sale of its business and assets (the “**Bid Process**”).
8. The Bid Process did not result in any offers that would support a distribution to Daco’s unsecured creditors. As there was no prospect that the Company could present a viable proposal to its unsecured creditors, the Proposal Trustee informed the Company that it could not support a further extension of the stay of proceedings under the NOI.
9. On July 17, 2015, the Company sought and obtained an order which, *inter alia*,
- (a) terminated the stay of proceedings, effectively deeming the Company to have made an assignment in bankruptcy naming Richter as trustee in bankruptcy (the “**Trustee**”) of Daco’s bankrupt estate; and
 - (b) appointed Richter as Receiver to pursue one or more of the transactions identified through the Bid Process or otherwise monetize the Company’s assets for the benefit of the Company’s stakeholders.

Sale of Purchased Assets by the Receiver

10. Due to the full Bid Process carried out during the NOI proceedings, the Receiver, once appointed, did not consider it necessary to further market the Company's business and/or its assets. Instead, the Receiver considered it both prudent and cost effective to realize on the Company's assets based on prospective purchasers identified during the Bid Process.
11. Following the Receiver's appointment, the Receiver contacted certain prospective purchasers as well as a few additional potentially interested parties to pursue transactions for the Company's assets.
12. The Purchaser was one of the parties contacted by the Receiver subsequent to its appointment.

The Transaction

13. Of the offers received, the Transaction provides the best recovery to the Company's stakeholders from the Property. Accordingly, after consulting with the Secured Lenders, on or about September 8, 2015 the Receiver contacted the Purchaser to advise that the Receiver wished to proceed with the Transaction and commenced discussions with the Purchaser (and its counsel) to negotiate a definitive purchase agreement.
14. On September 18, 2015, the Receiver and the Purchaser executed the Purchase Agreement in respect of the Purchased Assets.
15. Key elements of the Purchase Agreement and Transaction are as follows:
 - (a) the Purchaser is acquiring, on an "as is, where is" basis, substantially all of Daco's remaining business and assets, including inventory, furniture and fixtures, computer systems, machinery and equipment, trademarks, and accounts receivable;
 - (b) the Purchaser was required to pay a deposit in the amount of \$50,000 (which amount has been received) to be held, in trust, by the Receiver pending the closing of the Transaction;

- (c) the Transaction is conditional on the Court issuing an order approving the Purchase Agreement and the Transaction and, upon closing, vesting free and clear title in and to the Purchased Assets in favour of the Purchaser;
 - (d) the Transaction is scheduled to close seven (7) business days following the satisfaction and/or waiver of all conditions to the Purchase Agreement or such other date as may be agreed to by each of the Receiver and Purchaser, in writing, provided that the closing date shall not be after October 2, 2015;
16. Upon the waiver or satisfaction of the conditions precedent, the Receiver will file a certificate with the Court attesting that the Transaction has been completed to the satisfaction of the Receiver and confirming the closing of the sale for the Purchased Assets.
17. The Transaction represents the best recovery for the Purchased Assets in the circumstances.
18. In all the circumstances, particularly given the prior marketing and sale efforts during the court-approved Bid Process, the Transaction is the result of a fair and reasonable process that involved consultation with key stakeholders and will yield proceeds for the Purchased Assets that represent fair value.

Sealing Order

19. The Confidential Appendices are:
- (a) A summary of the offers for the Purchased Assets received through the Bid Process and subsequently by the Receiver; and
 - (b) An unredacted copy of the Purchase Agreement including the purchase price and asset allocation schedule.
20. The Confidential Exhibits contain commercially sensitive information that could negatively affect the realization on the Purchased Assets should the sale not be

consummated. It is appropriate that the Confidential Exhibits remain be sealed until the sale is completed or further order of this court.

21. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY ADVISE WILL BE USED AT THE HEARING OF THE APPLICATION:

1. The First Report of the Receiver dated September 21, 2015; and
2. Such further and other material as counsel may advise and this Honourable Court may permit.

Date: September 21, 2015

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

Clifton Prophet (LSUC No.: 34845K)
Tel: (416) 862-3509
Fax: (416) 862-7661

C. Haddon Murray (LSUC No.: 61640P)
Tel: (416) 862-3604
Fax: (416) 862-7661

Lawyers for the Receiver

TAB A

Schedule "A"

Court File No. 31-1995891

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

THE HONOURABLE)	THURSDAY, THE 24th DAY
)	
JUSTICE)	OF SEPTEMBER, 2015

**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**

APPROVAL AND VESTING ORDER

THIS MOTION, made by Richter Advisory Group Inc., in its capacity as the Court-appointed receiver (the "**Receiver**" or "**Seller**") of the undertaking, property and assets of Daco Manufacturing Ltd. ("**Daco**"), for an order approving the sale transaction (the "**Transaction**") contemplated by an agreement of purchase and sale between the Receiver and 2380775 Ontario Ltd. ("**238 Ontario**" or the "**Purchaser**") dated September 18, 2015 (the "**Purchase Agreement**") and appended to the Report of the Receiver dated September 18, 2015 (the "**Report**") of the personal property Daco located on the property municipally known as 401 Vaughan Valley Blvd in Woodbridge, ON, as described in the Purchase Agreement (the "**Purchased Assets**") and vesting all of the Seller's right, title and interest in and to the Purchased Assets absolutely in 238 Ontario, free and clear of all liens, claims and other interest; was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Report and on hearing the submissions of counsel for the Receiver, [NAMES OF OTHER PARTIES APPEARING], no one appearing for any other person on the

service list, although properly served as appears from the affidavit of [NAME] sworn [DATE] filed:

SERVICE

1. THIS COURT ORDERS AND DECLARES that the time for service of the Notice of Motion, Motion Record, and Report is hereby abridged such that this motion is properly returnable today, that the manner of service is hereby approved and validated, and that all parties entitled to notice of this motion have been properly served with notice of this motion, and service on any other parties is hereby dispensed with.

APPROVAL OF ACTIVITIES AND RECIEPTS AND DISBURSMENTS OF RECEIVER

2. THIS COURT ORDERS that the Report and the activities of the Receiver outlined therein be and are hereby approved.

3. THIS COURT ORDERS that the receipts and disbursements of the Receiver from July 17, 2015 until September 16, 2015, as set out in the Report, be and are hereby approved.

APPROVAL OF PURCHASE AGREEMENT AND VESTING

4. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and the execution of the Purchase Agreement by the Receiver is hereby authorized and approved, with such minor amendments as the Receiver may deem necessary. The Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

5. THIS COURT ORDERS AND DECLARES that upon the delivery of a Receiver's certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "**Receiver's Certificate**"), all of the Seller's right, title and interest in and to the Purchased Assets described in the Purchase Agreement and listed on Schedule B hereto shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or

monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice [NAME] dated [DATE]; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system and, for greater certainty, this Court orders that all of the encumbrances affecting or relating to the Purchased Assets ("**Encumbrances**") are hereby expunged and discharged as against the Purchased Assets.

6. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

7. THIS COURT ORDERS AND DIRECTS the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

8. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a fraudulent

preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

9. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

SEALING

10. THIS COURT ORDERS that Confidential Exhibit "A" and Confidential Exhibit "B" to the Report are hereby sealed and shall not form part of the public record until such time as the Receiver's Certificate has been filed with the Court or further order of the Court.

GENERAL

11. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

Schedule A – Form of Receiver's Certificate

Court File No. 31-1995891

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)****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****RECEIVER'S CERTIFICATE****RECITALS**

A. Pursuant to an Order of the Honourable [NAME OF JUDGE] of the Ontario Superior Court of Justice (the "Court") dated [DATE OF ORDER], [NAME OF RECEIVER] was appointed as the receiver (the "Receiver") of the undertaking, property and assets of [DEBTOR] (the "Debtor").

B. Pursuant to an Order of the Court dated [DATE], the Court approved the agreement of purchase and sale made as of [DATE OF AGREEMENT] (the "Purchase Agreement") between the Receiver [Debtor] and [NAME OF PURCHASER] (the "Purchaser") and provided for the vesting in the Purchaser of the Seller's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in section • of the Purchase Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Purchase Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Purchase Agreement;
2. The conditions to Closing as set out in section • of the Purchase Agreement have been satisfied or waived by the Receiver and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Receiver.
4. This Certificate was delivered by the Receiver at _____ [TIME] on _____ [DATE].

**RICHTER ADVISORY GROUP INC., in its capacity
as receiver of the undertaking, property and assets of
Daco Manufacturing Ltd., and not in its personal
capacity**

Per: _____

Name:

Title:

Schedule B – Purchased Assets

All of the Vendor's right, title and interest in, to and under, or relating to, the personal property owned by Daco and located on the Premises as at the Closing Date including all inventory, computer systems, machinery and equipment, and Accounts Receivable, save and except for:

- (a) Phone systems;
- (b) Alarm systems;
- (c) Front reception desk;
- (d) All minute books, stock ledgers and tax records of Daco;
- (e) All personnel records that Vendor or Daco is required by law to retain in its possession;
- (f) Any insurance policies and all rights thereunder;
- (g) All claims for refunds or credits in respect of Taxes; and
- (h) All fixtures or assets otherwise incorporated into or forming part of the building envelope.

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
(BANKRUPTCY AND INSOLVENCY)**

(PROCEEDING COMMENCED AT TORONTO, ONTARIO)

APPROVAL AND VESTING ORDER

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)

Tel: (416) 862-3509

Fax: (416) 862-7661

C. Haddon Murray (LSUC No.: 61640P)

Tel: (416) 862-3604

Fax: (416) 862-7661

Lawyers for the Receiver

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
(BANKRUPTCY AND INSOLVENCY)**

(PROCEEDING COMMENCED AT TORONTO, ONTARIO)

**NOTICE OF MOTION
(Recognition of Sale Approval and Vesting Order)
(Returnable September 24, 2015)**

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

Clifton P. Prophet (LSUC #34845K)

Tel: (416) 862-3509

Fax: (416) 862-7661

C. Haddon Murray (LSUC No.: 61640P)

Tel: (416) 862-3604

Fax: (416) 862-7661

Lawyers for the Receiver

TAB 2

RICHTER

Richter Advisory Group Inc.
181 Bay Street, 33rd Floor
Toronto, ON M5J 2T3
www.richter.ca

DACO MANUFACTURING LTD.

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

SEPTEMBER 21, 2015

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Court File No. 31-1995891

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

**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**

**AND IN THE MATTER OF THE RECEIVERSHIP OF
DACO MANUFACTURING LTD.**

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF THE
PROPERTIES, ASSETS AND UNDERTAKING OF
DACO MANUFACTURING LTD.**

SEPTEMBER 21, 2015

Introduction

1. This report is filed by Richter Advisory Group Inc. ("**Richter**"), in its capacity as receiver (the "**Receiver**") of all of the property, assets and undertakings (the "**Property**") of Daco Manufacturing Ltd. ("**Daco**" or the "**Company**").
2. By order (the "**Appointment Order**") of the Honourable Mr. Justice Wilton-Siegel of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated July 17, 2015 (the "**Date of Appointment**"), Richter Advisory Group Inc. ("**Richter**") was appointed Receiver of Daco, pursuant to Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c.C.43, as amended. A copy of the Appointment Order is attached hereto as **Exhibit "A"**.

Background and Events Leading to the Appointment of the Receiver

3. Daco operated primarily as a wholesaler (with limited manufacturing activities) of both costume and fashion jewellery. Daco's products were 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. Daco operated from owned premises located at 401 Vaughan Valley Blvd. (the "**Premises**"). Although Daco holds bare legal title to the Premises, beneficial ownership of the Premises is held by Daco Canada Real Estate Holdings Ltd. ("**Daco Real Estate**"), a related party.
4. As a result of a number of factors, including declining sales and sustained operating losses, on May 19, 2015, Daco filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B.-3, as amended (the "**BIA**"). Richter was appointed as Trustee in Daco's NOI/Proposal proceedings (the "**Proposal Trustee**"). The primary objectives of the Company's NOI were to (i) ensure that Daco had the necessary working capital funds to maximize the Company's ongoing business for the benefit of its stakeholders, (ii) restructure the Company's operations; and (iii) identify one or more parties interested in purchasing Daco's business or assets.
5. On June 8, 2015, the Court made an order, *inter alia*, approving a sale process (the "**Bid Process**") the Company intended to carry out under the supervision of, and with the assistance of, the Proposal Trustee as well as extending the stay of proceedings and the time for Daco to file a Proposal to July 17, 2015 (the "**Stay Period**").
6. Unfortunately, the Bid Process did not result in any offers that would support a distribution to Daco's unsecured creditors. As there was no prospect that the Company could present a viable proposal to its unsecured creditors (because the anticipated realizations from the Property would not satisfy the amounts owed to Daco's secured creditors or support a distribution to Daco's unsecured creditors), the Proposal Trustee informed the Company that it could not support a further extension of the Stay Period.
7. As there remained a need for a process to both wind down Daco's operations and realize on the Company's assets, on July 17, 2015, the Company sought and obtained the Appointment Order which, *inter alia*, terminated the Stay Period effectively deeming the Company to have made an assignment in bankruptcy and appointed Richter as Receiver to pursue one or more of the transactions identified through the Bid Process or otherwise monetize the Company's assets for the benefit of the Company's stakeholders. As a result of Daco's deemed bankruptcy, Richter was also appointed as Trustee (the "**Trustee**") of Daco's bankrupt estate.

Creditors

8. According to the Company's books and records, Meridian Credit Union Limited ("**Meridian**"), Roynat Capital 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 presently owed approximately \$0.78 million (net of accrued interest, costs and other expenses), \$1.5 million (net of accrued interest, costs and other expenses) and \$2.7 million respectively. It should be noted that, pursuant to the Appointment Order, Richter has already distributed approximately \$700,000 that it was holding, in trust, in its capacity as Proposal Trustee, to Meridian, which distribution reduced the indebtedness owing to Meridian to the present \$0.78 million (net of accrued interest, costs and other expenses). The Receiver intends to pay the balance owing to Meridian from the realization of the Property, as authorized by the Appointment Order.
9. Pursuant to various inter-creditor agreements between Daco, Meridian and Roynat, Meridian has first-ranking security and Roynat has second-ranking security over the Property. Based on the order of registrations under the *Personal Property Security Act* (Ontario) (the "**PPSA**"), Daco USA has third ranking security over the Property.
10. The Receiver also understands that Daco has granted charges against title to the Premises in favour of both Roynat (first ranking) and Meridian (second ranking) as additional security for the Company's obligations to each of Roynat and Meridian. As noted in paragraph 3 above, although Daco holds bare legal title to the Premises, beneficial ownership of the Premises is held by Daco Real Estate. Consequently, any surplus from the sale of the Premises (after satisfaction of any residual amounts owed to Meridian and Roynat from the sale of the Property) would be for the benefit of Daco Real Estate and not available to the Company or its other creditors. In connection with the foregoing, the Receiver understands that the Premises, which were listed for sale with CBRE Limited, have been sold (subject to the satisfaction and/or waiver of certain conditions for the benefit of the purchaser) with an anticipated closing on or about October 26, 2015.
11. In addition to Meridian, Roynat and Daco USA, the Trustee is aware that CBSC Capital Inc. ("**CBSC**") has also registered security interests against Daco under the PPSA. CBSC has two (2) registrations under the PPSA in respect of certain leased equipment.
12. The Proposal Trustee previously obtained an independent, written legal opinion (the "**Security Opinion**") from Gowling Lafleur Henderson LLP ("**Gowlings**") with respect to the validity and enforceability of the security granted in favour of each of Meridian and Roynat. Subject to the customary qualifications and limitations included therein, it is Gowlings' opinion that the security granted by Daco in favour of each of Meridian and Roynat is valid and enforceable against all of the Property.

13. Given the estimated recoveries (as discussed below), the Receiver has not requested that Gowlings provide an opinion as to the validity and enforceability of the security granted in favour of Daco USA (Daco USA has also not provided the Receiver with a copy of its security documents).
14. As at the Date of Appointment, the Company owed its unsecured creditors, including trade creditors, approximately \$1.1 million.

Purpose of Report

15. This is the first report of the Receiver (the **"First Report"**), the purpose of which is to provide this Court with information pertaining to:
 - (i) the activities of the Receiver since the Date of Appointment;
 - (ii) the Receivers' statement of receipts and disbursements from the Date of Appointment to September 16, 2015 (the **"Interim R&D"**);
 - (iii) the claims asserted by various parties for the repossession of property in the Company's possession;
 - (iv) the results of the sales process undertaken by the Company and the Receiver and, ultimately, the sale by the Receiver of certain of the Property (the **"Purchased Assets"**) to 2380775 Ontario Ltd. (**"238"** or the **"Purchaser"**), subject to this Honourable Court's approval;
 - (v) the terms of a Purchase and Sale Agreement (the **"Purchase Agreement"**) dated September 18, 2015 between the Receiver and 238 for the sale of the Purchased Assets (the **"Transaction"**);
 - (vi) the reasons why the Receiver believes that the Purchase Agreement and Transaction should be approved by this Court; and
 - (vii) the Receiver's recommendation that this Court make an order(s);
 - (a) approving the Purchase Agreement and the Transaction and authorizing and directing the Receiver to complete the Transaction;
 - (b) approving the Interim R&D;

- (c) vesting, upon the closing of the Transaction, the Company's right, title and interest in and to the Purchased Assets to 238 free and clear of all liens, charges, security interests and other encumbrances (the "**Approval and Vesting Order**");
 - (d) sealing the Offer Summary (as hereinafter defined) and the unredacted version of the Purchase Agreement until the closing of the Transaction or upon further order of the Court; and
 - (e) approving this First Report, and the actions, activities and conduct of the Receiver set out therein.
16. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined herein are as defined in the Appointment Order.
17. In preparing this First Report, the Receiver has relied upon unaudited financial information prepared by the Company, the Company's books and records, and discussions with the Company's representatives. The Receiver has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information.

The Receiver's Activities

18. Since the Date of Appointment, the Receiver's activities have included:
- (i) taking possession of and securing the Premises;
 - (ii) negotiating the terms of and entering into an Occupation Agreement with the Trustee granting the Receiver access to the Premises to realize on the Property;
 - (iii) freezing the Company's bank account with Meridian and opening up new bank accounts in the name of the Receiver;
 - (iv) arranging for borrowings from Meridian in the amount of \$50,000 to fund the Receiver's activities, as provided for pursuant to paragraph 27 of the Appointment Order;

- (v) contacting the Company's alarm service provider to both delete existing alarm codes and set up new alarm codes for the Receiver;
- (vi) contacting Canada Revenue Agency ("**CRA**") to set up new accounts (source deductions and HST) in the name of the Receiver;
- (vii) contacting CRA and requesting that it conduct an audit on the Company's payroll remittance accounts;
- (viii) reviewing Daco's existing insurance coverage and contacting the Company's insurance broker to request that the Receiver be listed as named insured and loss payee on the Company's insurance policies;
- (ix) taking possession of and reviewing the Company's books and records to obtain a better understanding of the Company's financial position and the Property;
- (x) undertaking a review of the Company's inventory, equipment and other assets, including the identification of property that may be subject to property claims pursuant to section 81(1) of the BIA (the "**Section 81(1) Claims**");
- (xi) arranging for the continuation of all essential services, including utilities for the Premises;
- (xii) meeting with the Company's former employees to advise of, among other things, the Company's bankruptcy, the Receiver's appointment and the termination of their employment, as provided for in the Appointment Order. The Receiver also informed Daco's 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 wage arrears in accordance with sections 81.3 or 81.4 of the BIA. It should be noted that following its appointment the Receiver paid all outstanding wages and vacation pay to which the Company's former employees were entitled as at the Date of Appointment. Accordingly, there are no amounts owing to the Company's employees that would have priority over the Secured Lenders, in respect of the statutory charges pursuant to sections 81.3 or 81.4 of the BIA;

- (xiii) retaining certain of Daco's former employees, on a temporary basis, to help complete various receivership activities, including assisting the Receiver realize on the Property;
- (xiv) contacting prospective purchasers regarding their interest in the Company's assets and assisting in their due diligence efforts;
- (xv) mailing, on July 27, 2015, notice of the Receiver's appointment as well as a copy of the Receiver's report pursuant to section 246(1) of the BIA to the Office of the Superintendent of Bankruptcy and the Trustee;
- (xvi) responding to calls and enquiries from the Company's creditors, including former employees, suppliers and other stakeholders regarding the receivership proceedings;
- (xvii) communicating with each of Meridian, Roynat and Daco USA (as well as their respective counsel) in connection with various aspects of the receivership; and
- (xviii) 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 receivership proceedings are available in electronic format.

Section 81(1) Claims

19. The Receiver has received and reviewed the following Section 81(1) Claims:
 - (i) a claim by Sheila Vanderkam ("**Vanderkam**") for the return of certain personal property located at the Premises, including a desk, painting and other office furnishings; and
 - (ii) a claim by CBSC for the return of four (4) photocopiers used by Daco and located at the Premises.
20. The Receiver has completed its review of the Section 81(1) Claims filed by both Vanderkam and CBSC and has accepted those claims, as filed. The Receiver has released the property subject to the Vanderkam and CBSC Section 81(1) Claims to the respective claimants.

Receiver's Interim Statement of Receipts and Disbursements

21. The Receiver's interim statement of receipts and disbursements for the period from the Date of Appointment to September 16, 2015 is summarized as follows:

Daco Manufacturing Ltd.		
Statement of receipts and disbursements		
For the period July 17 to September 16, 2015		
Receipts		Notes
Receiver's borrowings	\$ 50,000	
Deposit re Transaction	50,000	1
Asset realizations	367,797	2
Refunds re prepaids	481	
Accounts receivable collection	278	
HST collected	26,406	
Pre-filing HST refunds	28,529	
Other receipts	260	
Total Receipts	\$ 523,751	
Disbursements		
Repayment of Receiver's borrowings	50,411	
Professional fees (NOI proceedings)	70,149	3
Contract services	27,742	4
Operating expenses	12,754	
Property taxes	13,193	
HST remittances	25,253	
GST/QST/HST paid on disbursements	10,066	
Bank charges / other fees	189	
Total disbursements	\$ 209,757	
Excess Receipts over Disbursements	\$ 313,994	
Notes:		
1. Deposit provided by the Purchaser to the Receiver pursuant to the Purchase Agreement.		
2. Proceeds collected by the Receiver in connection with the sale of certain inventory and equipment.		
3. Outstanding fees of the Proposal Trustee (\$54k), its counsel (\$6k) and counsel to the Company (\$10k) paid by the Receiver pursuant to paragraph 26 of the Appointment Order.		
4. The Receiver engaged certain former Daco employees as independent contractors to assist with the Receivership.		

22. The Receiver notes the following in connection with the Interim R&D:

- (i) the Receiver has realized approximately \$370,000 in asset sales since the Date of Appointment. The Receiver completed these sales (discussed further below) pursuant to the authority granted by paragraph 8(k) of the Appointment Order; and
- (ii) after consideration of all of the Receiver's receipts and disbursements, as at September 16, 2015, the Receiver was holding approximately \$315,000 in its trust account.

Sales Process

23. Prior to the appointment of the Receiver, and as a part of the Company's NOI proceedings, Daco, in consultation with the Proposal Trustee, developed a sales process (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 was available.
24. The purpose of the Bid Process was to identify one or more purchasers for the Company's business and/or assets. The key aspects of the Bid Process and its results are summarized as follows:
 - (i) the Company, in consultation with the Proposal Trustee, assembled a list of potential interested parties, which included strategic purchasers (competitors, companies operating in complementary businesses, etc.), financial buyers and liquidators (collectively, the "**Prospective Purchasers**"). The Prospective Purchasers included parties who regularly liquidate merchandise in insolvency proceedings;
 - (ii) on or about June 9, 2015, the Proposal Trustee distributed a teaser document, which had been prepared by the Proposal Trustee in consultation with the Company, to the Prospective Purchasers detailing the opportunity to purchase the Company's business and/or assets. In total, the Proposal Trustee contacted 30 parties to advise of the opportunity to acquire the assets and/or the operations of the Company;
 - (iii) Prospective Purchasers interested in obtaining additional information regarding the Company's business were required to execute a confidentiality agreement ("**CA**") in order to obtain access to a data room where information/documentation in connection with the Company's assets was made available. A total of fourteen (14) parties executed the CA and were provided with data room access;
 - (iv) the Proposal Trustee, with the assistance of the Company, facilitated due diligence efforts by, among other things, coordinating meetings between Prospective Purchasers and the Company and/or scheduling site visits to view and inspect the Company's assets/inventory. The Proposal Trustee also regularly updated the data room with current financial and other information, as it became available;

- (v) Prospective Purchasers were required to submit offers for the Company's business and/or assets on or before 12:00 p.m. (Eastern Standard Time) on July 9, 2015 (the "**Bid Deadline**");
 - (vi) seven (7) offers (the "**Offers**") to purchase and/or auction all or a portion of the Company's assets were received prior to the Bid Deadline; and
 - (vii) based on the Offers, the anticipated net realizations from the Company's assets, including any surplus cash flows, (after payment of professional fees and other transaction costs), would be substantially less than the amounts owed to the Secured Lenders. Furthermore, it appeared unlikely that there would be sufficient realizations from the Company's assets to support a distribution to any of the Company's creditors other than Meridian in respect of its first-ranking security.
25. As noted previously in this First Report, based on the estimated realizations from the Offers, there was no prospect that the Company could present a viable proposal to its creditors. Consequently, the Company informed the Proposal Trustee that it would not be seeking a further extension of the Stay Period. Rather, the Company sought and obtained the appointment of a Receiver to pursue one or more of the transactions identified through the Bid Process or otherwise monetize the Property for the benefit of the Company's stakeholders.

Receiver Sales

26. Taking into consideration the Receiver's view that there is a limited market for the Company's assets, which had just been fully canvassed, the Receiver did not consider it necessary to further market the Company's business and/or its assets. Instead, the Receiver considered it both prudent and cost effective to realize on the Company's assets based on the Bid Process undertaken by the Company, with the assistance of the Proposal Trustee, outlined above.
27. Following the Receiver's appointment, the Receiver contacted certain of the Offerors and other Prospective Purchasers as well as a few additional potentially interested parties to both advise of the Receiver's appointment and pursue transactions for the Company's assets.

28. As a result of the Receiver's efforts, and pursuant to the authority provided by paragraph 8(k) of the Appointment Order, the following transactions for certain of the Company's assets have been completed:

Purchaser	Assets Purchased	Amount (pre-tax)	Date Completed
Mercury Jewellery Inc.	Gold jewellery	\$ 194,000	29-Jul-15
Mike Terzis	Equipment (rolling mill)	250	29-Jul-15
Umicore Precious Metals Canada Inc.	Proceeds from silver inventory smelting	111,305	05-Aug-15
Directions East	Certain fashion jewellery	8,870	20-Aug-15
Umicore Precious Metals Canada Inc.	Proceeds from gold inventory smelting	53,372	14-Aug-15
Total		\$ 367,797	

29. Given the value of the transactions with Mercury Jewellery Inc. and Umicore Precious Metals Canada Inc., the Receiver consulted with and obtained the approval of the Secured Lenders prior to concluding these transactions.

The Transaction

30. The Purchaser was one of the parties contacted by the Receiver subsequent to its appointment.
31. The Receiver is of the view that the Transaction provides the best recovery to the Company's stakeholders from the Property. Consequently, after consulting with the Secured Lenders, the Receiver contacted the Purchaser on or about September 8, 2015 to advise that the Receiver wished to proceed with the Transaction and commenced discussions with the Purchaser (and its counsel) to negotiate a definitive Purchase Agreement.
32. On September 18, 2015, the Receiver and the Purchaser executed the Purchase Agreement in respect of the Purchased Assets. A redacted copy of the Purchase Agreement is attached hereto as **Exhibit "B"**.
33. Key elements of the Transaction are as follows:
- (i) the Purchaser is acquiring, on an "as is, where is" basis, substantially all of Daco's remaining business and assets, including inventory, furniture and fixtures, computer systems, machinery and equipment, trademarks, and accounts receivable. It should be noted that the fixtures included in the Transaction are limited to those items not considered part of the Premises or otherwise included in the sale of the Premises;

- (ii) the Purchaser was required to pay a deposit in the amount of \$50,000 (which amount has been received) to be held, in trust, by the Receiver pending the closing of the Transaction;
 - (iii) the Transaction is conditional on the Court issuing an order approving the Purchase Agreement and the Transaction and, upon closing, vesting free and clear title in and to the Purchased Assets in favour of the Purchaser;
 - (iv) the Transaction is scheduled to close seven (7) business days following the satisfaction and/or waiver of all conditions to the Purchase Agreement or such other date as may be agreed to by each of the Receiver and Purchaser, in writing, provided that the closing date shall not be after October 2, 2015;
34. Upon the waiver or satisfaction of the conditions precedent, the Receiver will file a certificate with the Court attesting that the Transaction has been completed to the satisfaction of the Receiver and confirming the closing of the sale for the Purchased Assets.
35. The Receiver has prepared a schedule summarizing/comparing the Offers obtained through both the Bid Process or subsequently by the Receiver (the **"Offer Summary"**). In the event that the Court approves the Transaction and the Purchase Agreement, but the Transaction does not close, the Receiver is of the view that efforts to remarket the Company's assets may be impaired if the Offer Summary or the unredacted Purchase Agreement, which have been filed separately with the Court as Confidential **Exhibits "1" and "2"**, respectively, are made public at this time. In the circumstances, the Receiver believes that it is appropriate for the Offer Summary and the unredacted Purchase Agreement to be filed with the Court on a confidential basis and sealed until the closing of the Transaction or upon further order of this Court.

Conclusion and Recommendation

36. The Receiver is of the view that the Transaction represents the best recovery for the Purchased Assets in the circumstances and recommends that this Court issue an order approving the Purchase Agreement and the Transaction for the following reasons:
- (i) the Company was not operating as a going concern as at the Date of Appointment. Accordingly, liquidation was the only viable option available to the Receiver to realize on the Company's assets;
 - (ii) the Bid Process undertaken by the Company (with the assistance of the Proposal Trustee) and the activities undertaken by the Receiver leading to the Transaction were designed to solicit interest from *bona fide* parties that would be familiar with the nature of the Company's assets;

- (iii) there is a limited market for the Purchased Assets. This market has been extensively canvassed in the process leading up to the Transaction and all likely bidders have already been provided with an opportunity to bid on the Company's assets;
- (iv) the further marketing of the Purchased Assets would, in the Receiver's view, not likely result in greater realizations and may put the Transaction at risk impairing recoveries;
- (v) the Transaction represents the best and highest offer received for the Purchased Assets, and provides greater value than what would be realized by liquidating the Purchased Assets ; and
- (vi) based on the estimated realizations from the Property, the Secured Lenders (and more particularly Meridian and Roynat) are the only creditors with an economic interest in the Property, and both Meridian and Roynat support the Transaction.

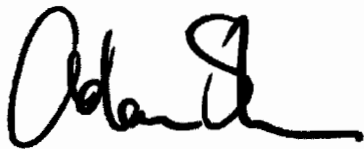
37. The Receiver respectfully recommends that the Court issue an order(s):

- (i) approving the Transaction and, upon closing, vesting the Company's right, title and interest in and to the Purchased Assets in the Purchaser free and clear of all liens and encumbrances;
- (ii) approving the Interim R&D;
- (iii) sealing the Offer Summary and the unredacted version of the Purchase Agreement pending the closing of the Transaction or upon further order of the Court; and
- (iv) approving the First Report and the actions, activities and conduct of the Receiver as set out therein.

All of which is respectfully submitted this 21st day of September, 2015.

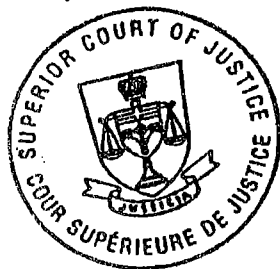
**Richter Advisory Group Inc.
in its capacity as Receiver of
Daco Manufacturing Ltd.**

Per:



Adam Sherman, MBA, CIRP

TAB A



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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.)	FRIDAY, THE 17 TH
)	
JUSTICE WILTON-SIEGEL)	DAY OF JULY, 2015

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

ORDER

(appointing Receiver)

THIS MOTION made by the Applicant, Daco Manufacturing Ltd. (the "**Company**" or the "**Debtor**"), for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing Richter Advisory Group Inc. ("**Richter**") as Receiver (in such capacity, the "**Receiver**") without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the affidavit of Matthew Lunetta sworn on July 14, 2015 and the Exhibits thereto and the Second Report of Richter in its capacity as Proposal Trustee dated July 14, 2015 (the "**Second Report**") and on hearing the submissions of counsel for the Company, Meridian Credit Union Limited ("**Meridian**") and Roynat Inc. ("**Roynat**") and those other parties as appearing on the Counsel Slip, and on reading the consent of Richter to act as the Receiver.

LIFTING OF STAY OF PROCEEDINGS

1. THIS COURT ORDERS that, to the extent necessary, the stay of proceedings pursuant to section 69(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985. c.B-3, as amended (the "BIA") shall be and are hereby lifted to allow this Motion to be brought.

SERVICE

2. THIS COURT ORDERS that the time for service of the Notice of Motion, the Second Report and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

TERMINATION OF PROPOSAL PROCEEDINGS

3. THIS COURT ORDERS that the time within which a proposal must be filed pursuant to the terms of the BIA is hereby terminated, and that the Debtor is hereby deemed to have made an assignment into bankruptcy.

AMENDING TITLE OF PROCEEDINGS

4. THIS COURT ORDERS that the title of the within proceedings be amended, effective as of the date of this Order, to read as follows:

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**

**AND IN THE MATTER OF THE RECEIVERSHIP OF
DACO MANUFACTURING LTD.**

APPOINTMENT

5. THIS COURT ORDERS that pursuant to section 101 of the CJA, Richter is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the

Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "**Property**").

DISTRIBUTION

6. THIS COURT ORDERS that Richter is hereby authorized and directed to distribute to Meridian the amount of approximately \$700,000.00, without further Order of this Court, which funds are currently held by Richter for distribution to Meridian pursuant to the letter agreement dated June 5, 2015 amongst the Debtor, Daco Canada Real Estate Holdings Ltd. ("**Daco Real Estate**"), Daco (USA) Inc., Meridian, Roynat and Richter (the "**June Agreement**").

7. THIS COURT ORDERS that the Receiver be and is hereby authorized and directed to make further distributions to Meridian, without further Order of this Court, on account of the balance of the Debtor's secured indebtedness owing to Meridian for principal, interest and costs, after accounting for the distribution provided by paragraph 6 of this Order, up to the amount of the Debtor's secured indebtedness owing to Meridian.

RECEIVER'S POWERS

8. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, subject to paragraphs 6 and 7 of this Order, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- 4 -

- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers and accepting or negotiating any offers or proposals made by any person or persons pursuant to the Bid Process approved by this Court on June 8, 2015 (the "**Bid Process**"), in respect of the Property or any part or parts thereof and negotiating

such terms and conditions of sale as the Receiver in its discretion may deem appropriate, with a view to completing the sale of the Property as efficiently and expediently as possible;

- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business, including completing the sale or other monetization of any such Property to any person or persons pursuant to the Bid Process
 - (i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the *Ontario Personal Property Security Act*, or section 31 of the *Ontario Mortgages Act*, as the case may be, shall not be required, and in each case the *Ontario Bulk Sales Act* shall not apply;

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

- (o) to apply for any permits, licenses, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have;
- (r) to execute any documents or instruments or take such other steps as may be required to convey the Debtor's bare legal title to the Premises (as defined below) to any purchaser thereof; and
- (s) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

9. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

10. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting

records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 10 or in paragraph 11 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

11. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

12. THIS COURT ORDERS that the Receiver shall provide Daco Real Estate, Meridian and Roynat with notice of the Receiver's intention to remove any fixtures from the premises at 401 Vaughan Valley Road in Woodbridge, Ontario (the "**Premises**") at least seven (7) days prior to the date of the intended removal. Daco Real Estate, Meridian and Roynat shall be entitled to have a representative present in the Premises to observe such removal and, if Daco Real Estate, Meridian or Roynat dispute the Receiver's entitlement to remove any such fixture, such fixture shall remain on the Premises and shall be dealt with as agreed between any applicable secured

creditors, Daco Real Estate and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) business days' notice to Daco Real Estate and any such secured creditors. For greater certainty, the Property does not include the Premises, which are beneficially owned by Daco Real Estate. In addition to the foregoing, the Receiver shall provide Daco Real Estate, Meridian, Roynat or their representatives with such information as they may reasonably request from time to time in respect of the Property, any sales thereof and/or the Receivership, within two business days of receiving any such request.

NO PROCEEDINGS AGAINST THE RECEIVER

13. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

14. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court, provided, that Roynat is at liberty to make demand upon the Debtor for payment of the outstanding indebtedness and obligations owed by it to Roynat and is also at liberty to issue Notice pursuant to section 244 of the BIA with respect to the security held by Roynat that which secures payment of such indebtedness and obligations, provided that Roynat shall take no further step or action against the Debtor or the Property without the prior written consent of the Receiver or leave of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from

compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

16. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

17. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

18. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided

for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

19. THIS COURT ORDERS that all employees of the Debtor are deemed to have been terminated as at the date of this Order prior to the appointment of the Receiver and that the Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act* ("WEPPA").

PIPEDA

20. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

21. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release

or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

22. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the WEPPA. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS AND COSTS OF PROPOSAL PROCEEDING

23. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, unless otherwise ordered by the Court on the passing of accounts and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, provided that:

- (a) Only \$150,000 of the Receiver's Charge shall be in priority to the security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of Meridian, and
- (b) The entire amount of the Receiver's Charge shall be subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

24. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

25. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

26. THIS COURT ORDERS that the Receiver is authorized and directed to pay any outstanding and accrued fees and costs of the Proposal Trustee and its counsel and counsel to the Company, as at the date of this Order in respect of the Company's proceeding to file a proposal (the "**Proposal Proceeding**"). For greater certainty, the Administration Charge, as defined and provided by the Order of the Honourable Justice Conway made June 8, 2015, in the Proposal Proceeding shall continue to apply to and encumber the Property and any proceeds thereof until such amounts are paid but shall not apply in respect of any amounts incurred after the date of this Order.

FUNDING OF THE RECEIVERSHIP

27. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow from Meridian by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$75,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the

Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

28. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

29. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

30. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

31. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/#Commercial_List) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.richter.ca/en/folder/insolvency-cases/d/daco-manufacturing-ltd>.

32. THIS COURT ORDERS that the E-Service List Keeper (as defined in the Protocol) for the purpose of this proceeding shall be the Receiver.

33. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

34. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

35. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

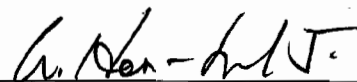
36. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

37. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within

proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

38. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor' estate with such priority and at such time as this Court may determine.

39. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that Richter Advisory Group Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties Daco Manufacturing Ltd. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 17th day of July, 2015 (the "**Order**") made in an action having Court file number 31-1995891, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the last day of each month after the date hereof at a notional rate per annum equal to the rate of 10 per cent.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

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6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____ day of _____, 20__.

RICHTER ADVISORY GROUP INC., solely
in its capacity as Receiver of the Property, and
not in its personal capacity

Per: _____

Name:

Title:

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

ORDER

BENNETT JONES LLP
3400 One First Canadian Place
Toronto, ON M5X 1A4
Fax: 416.863.1716

Mark S. Laugesen (LSUC#32937W)
Tel: 416. 777.6254

Raj Sahni (LSUC#42942U)
Tel: 416.777.4804

Lawyers for the Applicant,
Daco Manufacturing Ltd.

TAB B

ASSET PURCHASE AGREEMENT

BETWEEN

2380775 ONTARIO LTD.

– and –

**RICHTER ADVISORY GROUP INC. in its capacity as receiver of
DACO MANUFACTURING LTD.**

MADE AS OF SEPTEMBER 18, 2015

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THIS ASSET PURCHASE AGREEMENT is made as of September 18, 2015

BETWEEN:

2380775 ONTARIO LTD., a corporation governed by the laws of Ontario,
(the "**Purchaser**")

- and -

RICHTER ADVISORY GROUP INC. acting in its capacity as receiver of
the assets of **DACO MANUFACTURING LTD.**, a corporation governed by
the laws of Ontario
(the "**Vendor**")

RECITALS:

- A. On July 17, 2015 the Richter Advisory Group was appointed as receiver (acting in such capacity the "**Receiver**") of all assets, undertakings and properties of Daco Manufacturing Ltd. ("**Daco**" or the "**Company**") pursuant to an order (the "**Order**") made by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") pursuant to the *Bankruptcy and Insolvency Act* (the "**BIA**") (the proceedings thereunder hereinafter referred to as the "**Receivership Proceedings**").
- B. The Vendor has agreed to transfer to the Purchaser, and the Purchaser has agreed to purchase the Purchased Assets from the Vendor, upon the terms and conditions set forth herein.

THEREFORE, in consideration of the covenants and agreements herein contained, the Parties agree as follows:

ARTICLE 1

DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

Whenever used in this Agreement the following words and terms shall have the meanings set out below:

"Accounts Receivable" means accounts receivable, bills receivable, trade accounts and book debts relating to the Vendor's business, recorded as receivable in the Books and Records as of the Closing Date;

"Affiliate" has the meaning given in the *Business Corporations Act* (Ontario);

"Agreement" means this Asset Purchase Agreement, including all schedules, and all amendments or restatements, as permitted, and references to **"Article"** or **"Section"** mean the specified Article or Section of this Agreement;

"Approval and Vesting Order" means the order of the Court authorizing the Vendor to enter into this Agreement and providing for the vesting in the Purchaser absolute title free and clear of all Encumbrances to the Purchased Assets;

"Asset Allocation Schedule" has the meaning given in Section 3.2;

"Bankruptcy Laws" means the *Companies Creditors Arrangement Act*, the *BIA* and any other applicable bankruptcy, insolvency, administration or similar laws to which the Vendor is or becomes subject;

"BIA" has the meaning given in the recitals;

"Books and Records" means the books and records of the Vendor, including financial, corporate, operations and sales books, records, books of account, sales and purchase records, lists of suppliers and customers, formulae, business reports, plans and projections and all other documents, surveys, plans, files, records, assessments, correspondence, and other data and information, financial or otherwise including all data, information and databases stored on computer-related or other electronic media;

"Business Day" means any day, other than a Saturday or Sunday, on which the Canadian Imperial Bank of Commerce in Toronto is open for commercial banking business during normal banking hours;

"Claims" means claims, demands, complaints, grievances, actions, applications, suits, causes of action, Orders, charges, indictments, prosecutions, information or other similar processes, assessments or reassessments, judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, including loss of value, reasonable professional fees, including fees and disbursements of legal counsel on a partial indemnity basis, and all actual and documented costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing;

"Closing" means the completion of the sale to and purchase by the Purchaser of the Purchased Assets under this Agreement;

"Closing Date" means the date that is seven (7) Business Days from the date on which all conditions to the purchase and sale of the Assets set out in **Article 8**, **Article 9**, and **Article 10**, respectively, (other than those conditions that by their nature can only be satisfied on the Closing Date) have been satisfied or waived or such other date as may be agreed to in writing by each of the Vendor and the Purchaser, provided that the Closing Date shall not be after October 2, 2015;

"Closing Time" means 11 o'clock a.m. Toronto time, on the Closing Date or such other time on such date as the Parties may agree in writing as the time at which the Closing shall take place;

"Court" has the meaning given in the recitals;

"Deposit" means \$50,000

"Encumbrances" means pledges, liens, charges, security interests, leases, title retention agreements, mortgages, options, adverse claims or encumbrances of any kind or character whatsoever, including any and all Court ordered charges granted in the Receivership Proceedings;

"Excluded Assets" means:

- (a) Phone systems;
- (b) Alarm systems;
- (c) Front reception desk;
- (d) All minute books, stock ledgers and tax records of Daco;
- (e) All personnel records that Vendor or Daco is required by law to retain in its possession;
- (f) Any insurance policies and all rights thereunder;
- (g) All claims for refunds or credits in respect of Taxes; and
- (h) All fixtures or assets otherwise incorporated into or forming part of the building envelope.

"Goodwill" means the goodwill of the Company relating to its business, including all rights in respect of any registered trademark of the company;

"Governmental Authorities" means governments, regulatory authorities, governmental departments, agencies, agents, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law or regulation-making organizations or entities:

- (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or
- (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

"Governmental Authorizations" means authorizations, approvals, licences or permits issued to the Vendor relating to the business of the Company or any of the Purchased Assets by or from any Governmental Authority;

"Information Technology" means computer hardware, software in source code and object code form (including documentation, interfaces and development tools),

websites for the Business, databases, telecommunications equipment and facilities and other information technology systems owned, used or held by the Vendor for use in or relating to the Business, but not including the Transferred Information;

"Order" has the meaning given in the recitals;

"Laws" means currently existing applicable statutes, by-laws, rules, regulations, Orders, ordinances or judgments, in each case of any Governmental Authority having the force of law;

"Material Adverse Effect" means any change, effect or circumstance arising after the date of this Agreement that is materially adverse to the financial condition of the Purchased Assets;

"Receiver's Certificate" means a certificate signed by the Receiver and confirming that (i) the Purchaser has paid, and the Receiver has received payment of, the Purchase Price in relation to the purchase by the Purchaser of the Purchased Assets; and (ii) the conditions to be complied with at or prior to the Closing Time as set out in Article 8, Article 9, and Article 10, respectively, have been satisfied or waived by the Vendor or the Purchaser, as applicable;

"Notice" has the meaning given in Section 13.5;

"Orders" means orders, injunctions, judgments, administrative complaints, decrees, rulings, awards, assessments, directions, instructions, penalties or sanctions issued, filed or imposed by any Governmental Authority or arbitrator and includes any orders in the CCAA Proceedings;

"Parties" means the Vendor and the Purchaser collectively, and **"Party"** means any one of them;

"Person" means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, Governmental Authority, and where the context requires any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

"Premises" means the building with municipal address 401 Vaughan Valley Blvd in Woodbridge, ON

"Purchase Price" has the meaning given in Section 3.1;

"Purchased Assets" means all of the Vendor's right, title and interest in, to and under, or relating to, the personal property owned by Daco and located on the Premises as at the Closing Date including all inventory, computer systems, machinery and equipment, and Accounts Receivable, save and except the Excluded Assets;

"Receivership Proceedings" has the meaning given in the recitals;

"Tax Returns" means returns, reports, declarations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed by Law in respect of Taxes;

"Taxes" means taxes, duties, fees, premiums, assessments, imposts, levies and other similar charges imposed by any Governmental Authority under applicable Law, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all licence, franchise and registration fees and all employment insurance, health insurance and Canada and other government pension plan premiums or contributions;

1.2 Certain Rules of Interpretation

In this Agreement:

- (a) **Currency** – Unless otherwise specified, all references to money amounts are to lawful currency of Canada.
- (b) **Governing Law** – This Agreement is a contract made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.
- (c) **Headings** – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Agreement.
- (d) **Including** – Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".
- (e) **No Strict Construction** – The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (f) **Number and Gender** – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (g) **Severability** – If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without

invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other Parties or circumstances.

- (h) **Statutory references** – A reference to a statute includes all regulations and rules made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.
- (i) **Time** – Time is of the essence in the performance of the Parties' respective obligations.
- (j) **Time Periods** – Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.3 Knowledge

Any reference to the knowledge of any Party means to the actual knowledge of such Party.

1.4 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral, whether statutory or otherwise, between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement and the Purchaser shall acquire the Business and the Purchased Assets as is and where is subject to the benefit of the representations and warranties in this Agreement. This Agreement constitutes the complete and exclusive statement of its terms and no extrinsic evidence whatsoever may be introduced in any proceedings involving this Agreement. Any cost estimates, projections or other predictions contained or referred to in any other material that has been provided to the Purchaser or any of its Affiliates, agents or representatives (including any due diligence presentations or documents, and in particular any descriptive memorandum transmitted to the Purchaser relating to the sale of the Purchased Assets, and any supplements or addenda thereto) are not and shall not be deemed to be representations or warranties of any of the Vendor, Daco or any of their Affiliates or any partner, employee, officer, director, accountant, agent, financial, legal or other representative of any of the Vendor, Daco or any of their Affiliates.

1.5 Schedules

The schedules to this Agreement are an integral part of this Agreement:

ARTICLE 2 PURCHASE AND SALE

2.1 Action by Vendor and Purchaser

Subject to the provisions of this Agreement, at the Closing Time:

- (a) **Purchase and Sale of Purchased Assets** – the Vendor shall sell and the Purchaser shall purchase the Purchased Assets free and clear of all Encumbrances;
- (b) **Payment of Purchase Price** – the Purchaser shall pay the Purchase Price less the amount of the Deposit;
- (c) **Transfer and Delivery of Purchased Assets** – the Vendor shall execute and deliver to the Purchaser all such bills of sale, assignments, instruments of transfer, deeds, assurances, consents and other documents as shall be necessary to effectively transfer to the Purchaser the Purchased Assets; the Vendor shall deliver up to the Purchaser possession of the Purchased Assets, free and clear of all Encumbrances; and
- (d) **Other Documents** – the Vendor and Purchaser shall deliver such other documents as may be necessary to complete the transactions provided for in this Agreement, including without limitation the Approval and Vesting Order.

2.2 Delivery of the Receiver's Certificate

When the conditions set out in Article 8, Article 9, and Article 10, as applicable, have been satisfied or waived, the Purchaser and Vendor will each deliver to the Receiver written confirmation of same, following which the Receiver will deliver an executed copy of the Receiver's Certificate to the Purchaser's counsel upon condition of receipt by the Receiver of the amount referred to in Section 3.4 that is required to be paid at the Closing Time. Upon such delivery, the Closing Time will be deemed to have occurred. The Receiver will file a copy of the Receiver's Certificate with the Court and provide evidence of such filing to the Purchaser.

2.3 Place of Closing

The Closing shall take place at the Closing Time at the offices of Gowling Lafleur Henderson located at Suite 1600, First Canadian Place, Toronto, Ontario, or at such other place as may be agreed upon by the Vendor and the Purchaser.

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price

The amount payable by the Purchaser for the Purchased Assets (the "**Purchase Price**"), exclusive of all applicable sales and transfer taxes, shall be the amount of [REDACTED], plus applicable Taxes (as determined by the Vendor), in cash.

3.2 Allocation of Purchase Price

The allocation of the Purchase Price among the Purchased Assets is set out in the Asset Allocation Schedule attached as **Schedule "A"**.

3.3 Payment of the Deposit

The Purchaser paid the Deposit to the Vendor prior to the execution of this Agreement. The Deposit is to be held and applied by the Vendor in accordance with the terms of this Agreement.

3.4 Satisfaction of Purchase Price

At the Closing Time the Purchaser shall pay the Purchase Price, less the amount of the Deposit, to the Receiver by wire transfer of immediately available funds to an account specified in writing by the Vendor.

ARTICLE 4 "AS-IS, WHERE-IS"

The Vendor is selling the Purchased Assets on an "as-is, where-is" basis. The Vendor makes no representation or warranty, and there is no condition, in each case, express or implied, at law, by statute or in equity, in respect of the Purchased Assets, including with respect to merchantability or fitness for any particular purpose, and any such other representations, warranties or conditions are expressly disclaimed. The Purchaser acknowledges that it has entered into this Agreement on the basis that it has conducted any inspections of the condition of and title to the Purchased Assets that it has deemed appropriate and has satisfied itself with regard to these matters. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation do not apply and have been waived by the Purchaser.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF THE VENDOR

The Vendor *qua* Vendor represents and warrants to the Purchaser the matters set out below.

5.1 Status and Authority of the Vendor

- (a) The Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

- (b) Subject to the entry of the Approval and Vesting Order, the Vendor has the right to enter into this Agreement and complete this transaction; and
- (c) To the best of the Vendor's knowledge there are no actions pending or threatened to restrain or prohibit the completion of this transaction.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendor the matters set out below.

6.1 Status of the Purchaser

The Purchaser is a corporation existing under the laws of Ontario.

6.2 Due Authorization and Enforceability of Obligations

- (a) The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and to carry out its obligations under this Agreement.
- (b) The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by all necessary corporate action of the Purchaser.
- (c) This Agreement constitutes a valid and binding obligation of the Purchaser enforceable against it in accordance with its terms subject to the entry of the Approval and Vesting Order.

6.3 Litigation

There are no Claims, investigations or other proceedings, including appeals and applications for review, in progress or, to the knowledge of the Purchaser, pending or threatened against or relating to the Purchaser which, if determined adversely to the Purchaser, would,

- (a) prevent the Purchaser from paying the Purchase Price to the Vendor;
- (b) enjoin, restrict or prohibit the transfer of all or any part of the Purchased Assets as contemplated by this Agreement; or
- (c) prevent the Purchaser from fulfilling any of its obligations set out in this Agreement or arising from this Agreement.

6.4 Goods and Services Tax and Harmonized Sales Tax Registration

The Purchaser is duly registered under Subdivision (d) of Division V of Part IX of the *Excise Tax Act* (Canada) with respect to the goods and services tax and harmonized sales tax and its registration number is 805993136RT0001.

6.5 Brokers

Except for fees and commissions that will be paid by the Purchaser, no broker, finder or investment banker is entitled to any brokerage, finder's or similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser or any of its Affiliates.

6.6 Acknowledgements of the Purchaser

- (a) THE PURCHASER ACKNOWLEDGES AND AGREES THAT ALL ASSETS PURCHASED BY THE PURCHASER PURSUANT TO THIS AGREEMENT WILL BE ACQUIRED BY THE PURCHASER ON AN "AS IS, WHERE IS" BASIS, WITHOUT WARRANTY, REPRESENTATION, COVENANT, EXPRESS OR IMPLIED, ORAL OR WRITTEN, LEGAL, EQUITABLE, STATUTORY AND "WITH ALL KNOWN AND UNKNOWN FAULTS".
- (b) The Purchaser acknowledges and agrees that none of the Vendor, Daco or any of their Affiliates or any partner, employee, officer, director, accountant, agent, financial, legal or other representative of any of the Vendor, Daco or any of their Affiliates has made any representation or warranty, express or implied, as to the Purchased Assets (including any implied representation or warranty as to the condition, merchantability, suitability or fitness for a particular purpose of any of the Purchased Assets), title to the Purchased Assets, or as to the accuracy or completeness of any information regarding any of the foregoing that any Vendor, or any other person, furnished or made available to the Purchaser or its representatives (including any projections, estimates, budgets, offering memoranda, management presentations or due diligence materials).
- (c) The Purchaser acknowledges and agrees that the enforceability of this Agreement against the Vendor is subject to entry of the Approval and Vesting Order.

ARTICLE 7 SURVIVAL

7.1 Nature and Survival

All representations and warranties contained in this Agreement on the part of each of the Parties shall survive:

- (a) the Closing;
- (b) the execution and delivery under this Agreement of any bills of sale, instruments of conveyance, assignments or other instruments of transfer of title to any of the Purchased Assets; and
- (c) the payment of the consideration for the Purchased Assets.

ARTICLE 8 PURCHASER'S CONDITIONS PRECEDENT

The obligation of the Purchaser to complete the purchase of the Purchased Assets under this Agreement is subject to the satisfaction of, or compliance with, at or before the Closing Time, each of the following conditions precedent (each of which is acknowledged to be inserted for the exclusive benefit of the Purchaser and may be waived by it in whole or in part):

8.1 No Proceedings

There shall be no Order issued preventing, and no pending or threatened Claim or judicial or administrative proceeding, or investigation against any Party by any Governmental Authority known to the Parties, for the purpose of enjoining or preventing the consummation of the transactions contemplated in this Agreement.

ARTICLE 9 VENDOR'S CONDITIONS PRECEDENT

The obligation of the Vendor to complete the sale of the Purchased Assets under this Agreement shall be subject to the satisfaction of or compliance with, at or before the Closing Time, each of the following conditions precedent (each of which is acknowledged to be inserted for the exclusive benefit of the Vendor and may be waived by it in whole or in part):

9.1 Truth and Accuracy of Representations of the Purchaser at Closing Time

All of the representations and warranties of the Purchaser made in or pursuant to this Agreement shall be true and correct in all material respects at the Closing Time and with the same effect as if made at and as of the Closing Time.

9.2 Performance of Obligations

The Purchaser shall have performed or complied with, in all material respects, all its obligations and covenants under this Agreement.

ARTICLE 10 MUTUAL CONDITION PRECEDENT

The obligations of the Vendor and the Purchaser to complete the sale and purchase of the Purchased Assets under this Agreement are subject to the following conditions precedent which the Vendor and Purchaser acknowledge is for their mutual benefit:

10.1 Consents and Authorizations

The Approval and Vesting Order shall have been entered, and shall not have been stayed, vacated or amended in any material respect.

**ARTICLE 11
OTHER COVENANTS OF THE PARTIES**

11.1 Approval and Vesting Order

- (a) The Vendor will serve on the service list in the Receivership Proceedings, as supplemented with such additional parties as the Purchaser may reasonably request, and file with the Court one or more motion records seeking the Approval and Vesting Order, and use commercially reasonable efforts to obtain such an Order of the Court.
- (b) The Purchaser and the Vendor will cooperate in obtaining entry of the Approval and Vesting Order, and the Vendor will deliver to the Purchaser prior to service and filing, and as early in advance as is practicable to permit adequate and reasonable time for the Purchaser and its counsel to review and comment upon, copies of all proposed pleadings, motions, notices, statements, schedules, applications and other material papers to be filed by the Vendor in connection with such motions and relief requested therein and any objections thereto.
- (c) The Purchaser, at its own expense, will promptly provide to the Vendor all such information within its possession or under its control as the Vendor may reasonably require to obtain the Approval and Vesting Order.

11.2 Confidentiality

- (a) Prior to the Closing, the Purchaser shall keep confidential all information disclosed to it by the Vendor or its agents relating to the Vendor or Daco. Such information is confidential and proprietary to the Vendor, Daco and the Purchaser shall only disclose such information to those of its employees and representatives of its advisors who need to know such information for the purposes of evaluating and implementing the transaction contemplated in this Agreement and only in accordance with the terms of the Confidentiality Agreement. If this Agreement is terminated without completion of the transactions contemplated by this Agreement, the Purchaser shall promptly return all documents, work papers and other written material (including all copies) obtained from the Vendor in connection with this Agreement, and not previously made public and shall continue to maintain the confidence of all such information.

11.3 Actions to Satisfy Closing Conditions

- (a) Each of the Parties shall use commercially reasonable efforts to take all such actions as are within its power to control, and to cause other actions to be taken which are not within its power to control, so as to ensure compliance with each of the conditions and covenants set forth in Article 8, Article 9, and Article 10 which are for the benefit of any other Party.
- (b) The Purchaser will promptly notify the Vendor and the Vendor will promptly notify the Purchaser upon:
 - (i) becoming aware of any Order or any complaint requesting an Order restraining or enjoining the execution of this Agreement or the

consummation of the transactions contemplated under this Agreement;
or

- (ii) receiving any notice from any Governmental Authority of its intention:
 - (A) to institute a suit or proceeding to restrain or enjoin the execution of this Agreement or the consummation of the transactions contemplated by this Agreement; or
 - (B) to nullify or render ineffective this Agreement or such transactions if consummated.

11.4 GST, HST, Sales Taxes and Transfer Taxes

The Purchaser shall pay directly to the appropriate Governmental Authority all sales and transfer taxes, registration charges and transfer fees payable in respect of the purchase and sale of the Purchased Assets under this Agreement and shall furnish proof of such payment to the Vendor, provided however that the Purchaser shall be liable for and shall pay to the Vendor an amount equal to any tax payable by the Purchaser and collectible by the Vendor under the *Excise Tax Act* (Canada) and under any similar provincial or territorial legislation imposing a similar value-added or multi-staged tax. The Purchaser agrees to indemnify and save harmless the Vendor from and against any and all claims and demands for payment of the above mentioned transfer taxes, including penalties and interest thereon and any liability or costs incurred as a result of any failure to pay such transfer taxes when due.

11.5 Goods and Services Tax and Harmonized Sales Tax Election

To the extent permitted under subsection 167(1) of Part IX of the *Excise Tax Act* (Canada), and any equivalent or corresponding provision under any applicable provincial or territorial legislation imposing a similar value added or multi-staged tax, the Vendor and the Purchaser shall jointly elect that no tax be payable with respect to the purchase and sale of the Purchased Assets under this Agreement. The Vendor and the Purchaser shall make such election(s) in the prescribed form containing the prescribed information and the Purchaser shall, on a timely basis, file such election(s) in compliance with the requirements of the applicable legislation. The Purchaser shall indemnify and save harmless the Vendor from and against any such Tax imposed on the Vendor as a result of any failure or refusal by any Governmental Authority to accept any such election.

11.6 Access to and Removal of Assets

- (a) The Purchaser may have reasonable access to the Purchased Assets at the Premises during normal business hours prior to the Time of Closing for the purpose of enabling the Purchaser to conduct any inspections of the Purchased Assets as it deems appropriate. Those inspections will only be conducted in the presence of a representative of the Vendor if so required at the discretion of the Vendor. The Purchaser will remove the Purchased Assets from the Premises promptly after Closing.

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- (b) The Purchaser agrees to Indemnify and hold the Vendor harmless from and against all claims, demands, losses, damages, actions and costs incurred or arising from or in any way directly related to the inspection of the Purchased Assets or the attendance of the Purchaser, its employees, contractors or agents, or the removal of the Purchased Assets from the Premises.

11.7 Risk of Loss

If the Purchased Assets are damaged or destroyed or appropriated, expropriated or seized by any Person, on or prior to the Closing Date, and if such acts or events:

- (a) in the aggregate have a Material Adverse Effect, then the Purchaser may, within 5 days of becoming aware of such acts or events, terminate this Agreement; or
- (b) in the aggregate do not have a Material Adverse Effect or, in the aggregate have a Material Adverse Effect but the Purchaser fails to give notice within the applicable time period, then the representations and warranties of the Vendor that are not true and correct in all material respects as of the Closing Date solely as a result of such damage, destruction, expropriation or seizure shall be deemed to be true and correct in all material respects as of the Closing Date, and any breach of any covenant of the Vendor that occurs solely as a result of such damage, destruction, expropriation or seizure shall be deemed cured, for all purposes under this Agreement and the Purchaser will complete the transactions contemplated by this Agreement without reduction of the Purchase Price. In such event proceeds of insurance or compensation for expropriation or seizure in respect thereof will be payable to the Purchaser up to an amount equal to the Purchase Price and all right and claim of the Vendor to any such amounts not paid by the Closing Date will be assigned to the Purchaser.

11.8 Submission to Jurisdiction

- (a) Each Party submits to the exclusive jurisdiction of the Court in any action, application, reference or other proceeding arising out of or relating to this Agreement and consents to all claims in respect of any such action, application, reference or other proceeding being heard and determined in the Court.
- (b) The Parties shall not raise any objection to the venue of any action, application, reference or other proceeding arising out of or relating to this Agreement in the Court, including the objection that the proceedings have been brought in an inconvenient forum.
- (c) The Vendor irrevocably appoints Gowling Lafleur Henderson LLP (the "Process Agent"), with an office as of the date of this Agreement at Suite 6300, First Canadian Place, Toronto, Ontario, for the attention of Marc Wasserman as its agent to receive on behalf of it and its property, service of any documents by which any action, application, reference or other proceeding arising out of or relating to this Agreement is commenced. Such service may be made by delivering a copy of such documents to

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the Vendor in care of the Process Agent at the Process Agent's above address or as notified pursuant to the notice provisions of this Agreement, and the Vendor irrevocably authorizes and directs the Process Agent to accept such service on its behalf.

- (d) A final judgment in any such action, application or proceeding is conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner specified by law.

ARTICLE 12 TERMINATION

12.1 Termination Rights

This Agreement may be terminated at any time prior to Closing as follows:

- (a) by mutual written consent of the Vendor and the Purchaser, in which case each of them shall be released from all of its obligations under this Agreement, except for its obligations pursuant to Sections 13.1, 13.2, 13.2 and 13.4;
- (b) by the Purchaser, by written notice to the Vendor and the Receiver, if any of the conditions precedent contained in **Article 8, or Article 10** (if in favour of the Purchaser) have not been satisfied or waived by no later than October 2, 2015; provided that the Purchaser is not in breach of its obligations hereunder, in which case the Purchaser shall be released from all of its obligations under this Agreement (except for its obligations pursuant to Sections 13.1, 13.2, 13.2 and 13.4) and the Vendor shall also be released from all of its obligations under this Agreement (except for its obligations pursuant to Sections 13.1, 13.2, 13.2 and 13.4); and
- (c) by the Vendor, by written notice to the Purchaser and the Receiver, if any of the conditions precedent contained in **Article 9, or Article 10** (if in favour of the Vendor) have not been satisfied or waived by no later than October 2, 2015; provided that the Vendor is not in breach of its obligations hereunder, in which case the Vendor shall be released from all of its obligations under this Agreement (except for its obligations pursuant to Sections 13.1, 13.2, 13.2 and 13.4) and, subject to Section 12.2 the Purchaser shall also be released from all of its obligations under this Agreement (except for its obligations pursuant to Sections 13.1, 13.2, 13.2 and 13.4).

12.2 Deposit Forfeiture

Termination of the Agreement pursuant to 12.1(c) shall result in the Deposit being forfeit to the Vendor.

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ARTICLE 13 GENERAL

13.1 Receiver's Capacity

The Purchaser acknowledges and agrees that the Receiver, acting in its capacity as the Receiver in the Receivership Proceedings, will have no liability in connection with this Agreement whatsoever in its capacity as Receiver, in its personal capacity or otherwise.

13.2 Releases

At the Closing Time or upon termination of this Agreement, the Purchaser releases the Vendor, Daco, any of their Affiliates and any partner, employee, officer, director, accountant, agent, financial, legal or other representative of any of the Vendor, Daco or any of their Affiliates, from any and all Claims, known or unknown, that the Purchaser may have against such Person relating to, arising out of, or in connection with the negotiation and execution of this Agreement, the transactions contemplated hereunder and any proceedings commenced with respect to or in connection therewith.

13.3 Public Notices

The Parties shall jointly plan and co-ordinate any public notices, press releases, and any other publicity concerning the transactions contemplated by this Agreement and no Party shall act in this regard without the prior approval of the other, such approval not to be unreasonably withheld, except:

- (a) where required to meet timely disclosure obligations of any Party under Laws (including the BIA) or stock exchange rules in circumstances where prior consultation with the other Party is not practicable and a copy of such disclosure is provided to the other Party; and
- (b) in the case of the Vendor's communication made to the Vendor's Employees affected by such transaction.

13.4 Expenses

Except as otherwise provided in this Agreement, each of the Parties shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred in connection with the purchase and sale of the Business and the Purchased Assets and the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement and any other costs and expenses incurred. The Purchaser shall be responsible for all application fees related to any Governmental Authorization, including any license or other authorizations from payday lending regulators in any jurisdiction necessary for the operation of the Business.

13.5 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement (in this Section referred to as a "Notice") shall be in writing and shall be

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sufficiently given if **delivered** (whether in person, by courier service or other personal method of delivery), or **if** transmitted by facsimile or e-mail:

- (a) in the case of a Notice to the Vendor at:

Gowling Lafleur Henderson LLP
100 King St. West, Suite 1600
Toronto Ontario, M5X 1G5

Attention: Clifton Prophet
Telephone: 416.862.3509
Facsimile: 416.862.7661

- (b) in the case of a Notice to the Purchaser at:

Chappell Partners LLP
3310 - 20 Queen Street West
Toronto, Ontario M5H 3R3

Attention: Mr. Steven Bellissimo
Telephone: 416.362.6437
Facsimile: 416.362.6438

Any Notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day.

Any Party may, from time to time, change its address by giving Notice to the other Parties in accordance with the provisions of this Section.

13.6 Assignment

No party may assign this Agreement or any rights or obligations under this Agreement without the prior written consent of the other Party.

13.7 Enurement

This Agreement enures to the benefit of and is binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.

13.8 Amendment

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any Party, is binding unless executed in writing by the Party to be bound thereby.

13.9 Further Assurances

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether before or after the Closing provided that the costs and expenses of any actions taken after Closing at the request of a Party shall be the responsibility of the requesting Party.

13.10 Execution and Delivery

This Agreement may be executed by the Parties in counterparts and may be executed and delivered by facsimile and all such counterparts and facsimiles together constitute one and the same agreement.

IN WITNESS OF WHICH the Parties have executed this Agreement.

Richter Advisory Group Inc. in its capacity as
receiver of the assets of Daco Manufacturing
Ltd.

By: 

Name: Paul van Eyk

Title: Senior Vice President

2380775 Ontario Ltd.

By: Jul
Name: Mr. John Pereira
Title: President

SCHEDULE "A"
Asset Allocation Schedule

Daco's Accounts Receivable: [REDACTED]

Daco's Inventory [REDACTED]

Daco's Furniture and Fixtures: [REDACTED]

Daco's Business Enterprise, Goodwill and Trademarks: [REDACTED]

Daco's Machinery, Equipment, Vehicles, Trailers, Computer Systems, Molds, and Stamps: [REDACTED]

TAB 1

CONFIDENTIAL EXHIBIT "1"
to the First Report of Richter Advisory Group, Inc. dated September 21, 2015

TAB 2

CONFIDENTIAL EXHIBIT "2"
to the First Report of Richter Advisory Group, Inc. dated September 21, 2015

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

(BANKRUPTCY AND INSOLVENCY)

(PROCEEDING COMMENCED AT TORONTO, ONTARIO)

MOTION RECORD

(Recognition of Sale Approval and Vesting Order)
(Returnable September 24, 2015)

GOWLING LAFLEUR HENDERSON LLP

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

Clifton P. Prophet (LSUC No. 34845K)

Tel: (416) 862-3509

Fax: (416) 862-7661

C. Haddon Murray (LSUC No. 61640P)

Tel: (416) 862-3604

Fax: (416) 862-7661

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