

**SUPERIOR COURT OF JUSTICE**  
**Commercial List**  
***Bankruptcy and Insolvency Act***

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

**In the Matter of the Receivership of**  
**Daco Manufacturing Ltd.**  
**of the City of Vaughan**  
**in the Province of Ontario**

The Receiver gives notice and declares that:

1. On July 17, 2015, pursuant to an Order (the "Appointment Order") of the Ontario Superior Court of Justice (Commercial List) (the "Court"), Richter Advisory Group Inc. ("Richter"), was appointed receiver (the "Receiver") in respect of all of the assets, undertakings and properties (the "Property") of Daco Manufacturing Ltd. ("Daco" or the "Company").
2. Prior to the Receiver's appointment, on May 19, 2015, Daco filed a Notice of Intention to Make a Proposal ("NOI"), pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Ontario), and Richter was named as trustee under the NOI. The primary objective of the NOI was to identify one or more parties interested in investing in and/or purchasing the Company's business or assets.
3. Unfortunately, the sales process undertaken by the Company as part of its NOI proceedings did not result in any offers that would support a distribution to the Company's unsecured creditors. As there was no prospect that the Company could present a viable proposal to its unsecured creditors, Daco informed the proposal trustee that it would not seek an extension of the stay of proceedings triggered upon the filing of the NOI. As a result, and as there still remained a need for a process to both wind down the Company's operations and realize on the Property, on July 17, 2015, the Company sought an Order of the Court that both deemed the Company bankrupt and appointed Richter as Receiver to realize on the Property for the benefit of the Company's stakeholders. Richter was also appointed as trustee (the "Trustee") of Daco's bankrupt estate.
4. On September 24, 2015, the Court issued an order (the "Approval and Vesting Order") approving the sale transaction (the "Sale Transaction") contemplated by the asset purchase agreement dated September 18, 2015 (the "APA") between the Receiver and 2380775 Ontario Ltd. (the "Purchaser"), and vesting in the Purchaser the Purchased Assets as defined in the APA. The Sale Transaction closed on October 2, 2015.



5. On July 17, 2015, the Receiver took possession of the Company's Property, which primarily consisted of:

<b>Assets</b>	<b>Net Book Value (\$000s)</b>
Accounts Receivable	\$ 90
Inventory	4,625
Prepaid Expenses	36
Fixed Assets	32
<b>Total</b>	<b>\$ 4,783</b>

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

6. The Receiver's actions to date include:
- Liquidating certain of the Company's "non-program" precious metal jewellery inventory by smelting through a refinery;
  - Realizing on the Company's gold jewellery inventory through an en bloc sale to a third party;
  - Contacting prospective purchasers regarding the Company's assets and assisting in their due diligence efforts;
  - Selling all of the Company's remaining silver and fashion jewellery inventory, accounts receivable, equipment, furniture, intellectual property, etc. pursuant to the Sale Transaction;
  - Recovering on certain of the Company's prepaid deposits;
  - Vacating the Company's leased head office at 401 Vaughan Valley Blvd. in Woodbridge, Ontario (the "Premises"); and
  - Communicating with Daco Canada Real Estate Holdings Ltd. ("Daco Real Estate"), the beneficial owner of the Premises, and its advisors, in connection with the sale of the Premises.
7. During the period, from July 17, 2015 to December 31, 2015, the Receiver has realized the following:
- \$825,003 from the Sale Transaction;
  - \$370,068 from realizations on certain of the Company's inventory and equipment;
  - \$28,529 from pre-filing HST refunds; and
  - \$36,768 from recoveries of prepaid expenses.
8. As at the date of this report, the Receiver has realized on all of the Company's Property and does not anticipate any substantial realizations going forward. In the Receiver's view, it has completed its statutory duties as well as those duties set out in the Appointment Order. As such, Richter will be proceeding to finalize Daco's receivership proceedings and seek its discharge as Receiver.

9. Attached as Appendix "A" is the Receiver's Statements of Receipts and Disbursements for the period July 17, 2015 to December 31, 2015. As indicated in Appendix "A", the Receiver's cash receipts have exceeded disbursements by \$925,333, of which approximately \$698,623 was distributed to Meridian Credit Union Limited ("Meridian") and \$150,000 was distributed to Roynat Capital Inc. ("Roynat") on account of the outstanding secured indebtedness owed by the Company to each of Meridian and Roynat. As at December 31, 2015, a balance of \$76,710 was held by the Receiver.
10. The realizations from the Property was sufficient to pay, in full, the secured claims Meridian. Additionally, the Receiver understands a portion of the proceeds from the sale of the Premises were used by Daco Real Estate to repay the outstanding secured indebtedness owed to Roynat by the Company. As such, the Receiver understands that no further amounts are or will be owed by Daco to Roynat. The Receiver shall distribute to the Trustee any residual amounts remaining in its possession, or subsequently collected by the Receiver, prior to its discharge.
11. Further interim reports regarding the status of its appointment will be prepared approximately once every 6 months pursuant to subsection 246(2) of the BIA. Creditors who wish to receive a copy of this interim report may request a copy by writing to the Receiver at the following address:

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

Attention: Pritesh Patel  
 Telephone: +1 416 642 9421  
 Facsimile: +1 416 488 3765

12. Further information regarding the receivership proceedings and materials relating to the proceedings may be obtained from the Receiver's website at [www.richter.ca/en/insolvency-cases/d/daco-manufacturing-ltd](http://www.richter.ca/en/insolvency-cases/d/daco-manufacturing-ltd).

Dated at Toronto, Province of Ontario, on January 18, 2016.

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

Per:



Adam Sherman, MBA, CIRP  
 Vice President

**APPENDIX A**

<b>Daco Manufacturing Ltd.</b>		
<b>Statement of receipts and disbursements</b>		
<b>For the period July 17, 2015 to December 31, 2015</b>		
<b>Receipts</b>		<b>Notes</b>
Receiver's borrowings	\$ 50,000	
Proceeds from the Sale Transaction	825,003	
Asset realizations	370,068	1
Refunds re prepaids	36,768	
Accounts receivable collection	278	
HST collected	133,656	
Pre-filing HST refunds	28,529	
Other receipts	1,031	
<b>Total Receipts</b>	<b>\$ 1,445,333</b>	
<b>Disbursements</b>		
Repayment of Receiver's borrowings	50,411	
Professional fees (NOI proceedings)	70,149	2
Professional fees (Receivership proceedings)	148,659	3
Pre-filing wages and vacation pay	4,020	4
Contract services	37,492	5
Operating expenses	25,124	
Property taxes	39,580	
HST remittances	111,830	
GST/QST/HST paid on disbursements	32,135	
Bank charges / other fees	601	
<b>Total disbursements</b>	<b>\$ 520,000</b>	
<b>Excess Receipts over Disbursements</b>	<b>\$ 925,333</b>	
Repayments to Meridian	698,623	
Repayments to Roynat	150,000	
<b>Cash on hand</b>	<b>\$ 76,710</b>	
<b>Notes:</b>		
1	Proceeds collected by the Receiver in connection with the sale of certain inventory and equipment.	
2.	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.	
3.	Fees of the Receiver (\$128k) and its counsel (\$20k) incurred during these proceedings.	
4.	Payment of outstanding wages and vacation pay owed to former Daco employees for pay period ending July 17, 2015.	
5.	The Receiver engaged certain former Daco employees as independent contractors to assist with the Receivership.	