



**Second Report to Court of
KSV Kofman Inc. as
Court Appointed Receiver of
Danier Leather Inc.**

June 27, 2016

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COURT FILE NO.: CV16-11322-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF AN APPLICATION UNDER SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C. C.43, AS AMENDED

AND IN THE MATTER OF THE RECEIVERSHIP OF DANIER LEATHER INC.

SECOND REPORT OF KSV KOFMAN INC.
AS COURT APPOINTED RECEIVER OF
DANIER LEATHER INC.

JUNE 27, 2016

1.0 Introduction

1. On February 4, 2016, Danier Leather Inc. (the “Company”) 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, and KSV Kofman Inc. (“KSV”) was appointed proposal trustee in the Company’s NOI proceedings (the “Proposal Trustee”).
2. In accordance with an Order of the Ontario Superior Court of Justice (Commercial List) (“Court”) made on February 8, 2016 (“SISP Order”), the Company, with the assistance of its financial advisor, Consensus Advisory Services LLC and Consensus Securities LLC (the “Financial Advisor”), and the Proposal Trustee, carried out a sale and investor solicitation process (“SISP”).
3. Pursuant to an Order of the Court made on March 21, 2016 (“Receivership Order”), KSV was appointed the receiver (“Receiver”) of the Company’s properties, assets and undertakings pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended. A copy of the Receivership Order is attached as Appendix “A”. Also on March 21, 2016, the Company made an assignment in bankruptcy and KSV was appointed as trustee in bankruptcy of the Company’s bankrupt estate.

4. As a result of the SISP, the Company entered into a Court-approved transaction with a contractual joint venture comprised of Merchant Retail Solutions, ULC and Gordon Brothers Canada ULC (jointly, the “Agent”), resulting in the execution of an agency agreement (“Agency Agreement”) pursuant to which the Agent sold the Company’s inventory, furniture, fixtures and equipment in 76 of its store locations (the “Sale”). The Sale was completed on May 9, 2016.
5. Offers for the Company’s intellectual property were sought during the SISP; however no acceptable offers were received during the SISP for the intellectual property. Efforts to find a buyer for the intellectual property continued following execution of the Agency Agreement, resulting in the transaction discussed in this Report, as more fully detailed below.
6. This report is filed by KSV in its capacity as Receiver.

1.1 Purposes of this Report

1. The purposes of this report (“Report”) are to:
 - a) provide background information about the Company;
 - b) summarize a transaction (“Transaction”) between the Receiver and Rehan Marketing (the “Purchaser”) whereby the Purchaser will acquire the Receiver’s and the Company’s right, title and interest, if any, in and to the Company’s intellectual property and certain related assets (the “Purchased Assets”) pursuant to the terms of the Asset Conveyance and the Supplemental Asset Conveyance, attached as Appendices “B” and “C”, respectively; and
 - c) recommend that the Court issue an Order, *inter alia*:
 - i. approving the Transaction;
 - ii. approving the Receiver’s execution of the Asset Conveyance and the Supplemental Asset Conveyance and authorizing the Receiver to execute all other ancillary documents and agreements required to complete the Transaction;
 - iii. vesting in the Purchaser the Receiver’s and the Company’s right, title and interest in and to the Purchased Assets free and clear of all liens, charges and security interests and other encumbrances; and
 - iv. authorizing the Receiver to provide the Purchaser with personal information for the purpose of engaging certain of the Company’s former employees (“Transferred Information”).

1.2 Currency

1. All currency references in this Report are to Canadian dollars.

1.3 Restrictions

1. In preparing this Report, the Receiver has relied upon the Company's books and records and discussions with its representatives and advisors. The Receiver has not performed an audit or other verification of such information. The Receiver expresses no opinion or other form of assurance with respect to the financial information presented in this Report.

2.0 Background

1. The Company was founded in 1972. The Company was Canada's largest retailer of leather apparel and accessories. The Company's subordinated voting shares were listed on the Toronto Stock Exchange ("TSX") and, until February 4, 2016, traded under the symbol "DL". On February 4, 2016, the Investment Industry Regulatory Organization of Canada issued a cease trade order in respect of the shares. On March 17, 2016, the Company's shares were delisted from the TSX.
2. The Company leased its Toronto based head office ("St. Clair Facility"). The St. Clair Facility also served as the Company's manufacturing, warehouse and distribution center. The Company also leased a separate distribution facility in Toronto.
3. The Company's merchandise was predominantly marketed under the "Danier" brand name and as the date of the receivership was being sold at 76 leased stores across Canada.
4. As at the date of this Report, all of the Company's leased premises have been vacated and all leases have been assigned, terminated or disclaimed. Five of the Company's former employees continue to be retained by the Receiver on an hourly basis to assist with the completion of these proceedings.
5. Additional information about the Company's insolvency proceedings can be found on the Receiver's website at: <http://www.ksvadvisory.com/insolvency-cases-2/danier-leather-inc/>.

3.0 Transaction

1. Since the completion of the SISP, efforts were made by the Company, the Financial Advisor and the Receiver to market the Company's remaining assets for sale, including the Purchased Assets. Representatives of each of these firms had discussions with several parties who expressed an interest in these assets, including many who performed diligence, including meeting with the Receiver and the Company's management team and reviewing information in an electronic data room¹.
2. As detailed in the Proposal Trustee's Third Report to Court (attached as Appendix "D", without appendices), two offers were received for the Purchased Assets during the SISP as part of combined offers for other assets of the Company. Since the completion of the SISP, three additional offers were received for the Purchased Assets by the Receiver. The Receiver also had discussions with another party who never submitted an offer. Details regarding these discussions, as well as a summary of all offers received, are provided in Confidential Appendix "1".

3.1 Asset Conveyance

1. On May 20, 2016, the Receiver and the Purchaser executed the Asset Conveyance. The key terms and conditions of the Asset Conveyance are as follows²:
 - a) Purchase Price: \$600,000, plus HST.
 - b) Deposit: A non-refundable deposit of \$60,000³ to be applied against the Purchase Price.
 - c) IP Assets: all foreign and domestic intellectual property owned by the Company, whether or not registered, including:
 - i. all trademarks, trade names, copyrights, patents, industrial designs, business names, domain names and other registrable intellectual property, all continuations and divisionals thereof, all applications therefor, and all goodwill associated therewith;
 - ii. the Company's e-commerce website; and
 - iii. all inventions, formula, processes, research data, technical expertise, trade secrets, and know how including customer lists, supplier lists customer names and emails, employee lists and information, and store training materials.
 - d) Transferred Information: personal information.

¹ Access to the data room was only provided to interested parties that executed a confidentiality agreement ("CA").

² Capitalized terms not otherwise defined have the meaning provided to them in the Asset Conveyance.

³ Received and deposited by the Receiver on May 20, 2016.

3.2 Supplemental Asset Conveyance

1. The Supplemental Assets (as defined in the Supplemental Asset Conveyance) include Danier designs and branded products, as well as all samples for the fall 2016 line, all paper patterns for the fall 2016 line, supplier fabrics, mannequins and marketing materials. The Supplemental Assets are integral to a timely relaunch of the “Danier” brand by the Purchaser. The consideration for the Supplemental Assets is nominal as these assets were intended to be part of the Asset Conveyance.
2. The Receiver believes that the Supplemental Assets are not saleable to any party other than a purchaser of the Purchased Assets.

3.3 Recommendation

1. The Receiver recommends that the Court issue an Approval and Vesting Order for the following reasons:
 - a) The SISP, including the marketing of the Purchased Assets, was conducted in accordance with the SISP Order; however, that process failed to identify any acceptable offers for the intellectual property;
 - b) The Purchased Assets continued to be marketed by the Receiver and the Financial Advisor following the completion of the SISP and interested parties that executed a CA were provided the opportunity to perform diligence, including meeting with the Company’s former management team and reviewing information in a data room;
 - c) The Purchaser’s offer represents the highest and best offer received for the Purchased Assets;
 - d) Further time marketing the Purchased Assets is unlikely to result in a superior transaction. There are no active discussions with any other party at this time in respect of an intellectual property transaction;
 - e) There are no other assets of the Company available for sale – completion of this transaction will complete the realization process in these proceedings; and
 - f) The Transaction is only conditional on the issuance of the Approval and Vesting Order.

3.4 Transferred Information

1. The Purchaser has advised that it wishes to hire certain former Company employees. Accordingly, the Asset Conveyance includes the Transferred Information.
2. The Receiver recommends that it be authorized to provide the Transferred Information to the Purchaser as it is related to and is necessary for the Purchaser to restart the business.

4.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(1)(c) of this Report.

* * *

All of which is respectfully submitted,

A handwritten signature in black ink that reads "KSV Kofman Inc". The letters are cursive and somewhat stylized.

**KSV KOFMAN INC.
SOLELY IN ITS CAPACITY AS COURT APPOINTED RECEIVER OF
DANIER LEATHER INC.
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY**

Appendix “A”

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

THE HONOURABLE) MONDAY, THE 21st
)
MS. JUSTICE CONWAY) DAY OF MARCH, 2016
)



IN THE MATTER OF an application under section 101 of the Courts of Justice Act, R.S.O. 1990, c. C.43, as amended

AND IN THE MATTER OF THE RECEIVERSHIP OF DANIER LEATHER INC., a corporation incorporated pursuant to the laws of the Province of Ontario, with a head office in the City of Toronto, in the Province of Ontario

**ORDER
(appointing Receiver)**

THIS APPLICATION made by Danier Leather Inc. (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 KSV Kofman Inc. 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 affidavit of Brent Houlden sworn March 17, 2016 and the Exhibits thereto and the Fourth Report of KSV Kofman Inc. in its capacity as proposal trustee of the Debtor (in such capacity, the "Proposal Trustee"), and on hearing the submissions of counsel for the Debtor and the Proposal Trustee, Chaitons LLP, counsel for the directors and officers of the Company, Torys LLP, counsel for The Cadillac Fairview Corporation, McLean & Kerr LLP, counsel for 20 Vic Management, Morguard, Ivanhoe Cambridge and SmartREIT Calloway and on being advised that all persons on the service list were served with the materials filed in connection with this application as

appears from the affidavit of service, filed, and on reading the consent of KSV Kofman Inc. to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of this Application is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 101 of the CJA, immediately following the Debtor becoming bankrupt (as defined in the *Bankruptcy and Insolvency Act* ("BIA")) (the "Effective Time"), KSV Kofman Inc. 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").

3. THIS COURT ORDERS AND DIRECTS the Receiver to file with the Court a copy of a Receiver's certificate in the form attached as Schedule A hereto forthwith after the Effective Time.

RECEIVER'S POWERS

4. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, 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;
- (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 (including counsel to the Debtor) 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 continue the marketing of any or all of the Property, including advertising and soliciting offers 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;
- (k) to continue the retention of Consensus Advisory Services LLC and Consensus Securities LLC (collectively, "Consensus") on the terms contained in an agreement between Consensus and the Debtor dated December 31, 2015 (the "Consensus Agreement"), in which case Consensus shall be deemed to be the agent of the Receiver and the Consensus Agreement shall be deemed amended *mutatis mutandis*;
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
 - (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 \$750,000; 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* shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (m) 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;
- (n) 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;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property, provided however that that this Order shall not be registered on title to real property premises leased by the Debtor;
- (p) to apply for any permits, licences, 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;
- (q) to enter into agreements with any trustee in bankruptcy (the "Bankruptcy Trustee") 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;

- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have;
- (s) to perform the Debtor's obligations under the agency agreement entered into between the Debtor and the contractual joint venture comprised of Merchant Retail Solutions, ULC and Gordon Brothers Canada ULC made as of February 29, 2016 (the "Agency Agreement") and the transactions contemplated thereby, and to take such additional steps and execute such additional documents as may be necessary or desirable to implement the Agency Agreement and each of the transactions contemplated therein, provided however that if the Receiver elects to perform under the Agency Agreement, then it shall comply with all of the Debtor's obligations under the Approval Order made March 7, 2016 (Court File No. 31-2084381) and the Sale Guidelines appended thereto;
- (t) to pay for goods or services actually supplied to the Debtor on or after February 4, 2016; and
- (u) 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 the Bankruptcy Trustee, and without interference from any other Person. For clarification purposes, if the assignment of a real property lease requires the consent of a landlord, then such lease can only be assigned by the Receiver upon receipt of the required consent of the applicable landlord. Notwithstanding the foregoing, the Receiver shall not disclaim any real property leases and the terms of such real property leases shall remain unaffected by this Order.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. 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.

6. 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 6 or in paragraph 7 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.

7. 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.

NO PROCEEDINGS AGAINST THE RECEIVER

8. 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

9. 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.

NO EXERCISE OF RIGHTS OR REMEDIES

10. 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

11. 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

12. 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 and benefits 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.

CASH MANAGEMENT

13. THIS COURT ORDERS that the Receiver shall be entitled to continue to utilize the cash management system of the Debtor that was in place immediately prior to the bankruptcy of the Debtor as described in the Fourth Report or to replace it with another substantially similar cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use of application by the Receiver of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, and shall be entitled

to provide the Cash Management System without any liability in respect thereof to any Person other than the Receiver, pursuant to the terms of the documentation applicable to the Cash Management System.

EMPLOYEES

14. THIS COURT ORDERS that each individual who was employed by the Debtor immediately prior to the Debtor becoming bankrupt (as defined in the BIA) who provides services to the Receiver after the Effective Time shall be deemed to have been engaged by the Receiver on a temporary and day-to-day basis, and shall be paid the same hourly or daily rate, as applicable, as such employee was most recently paid by the Debtor. The Receiver shall notify each such individual when its engagement by the Receiver is being terminated, and such individuals shall not be entitled to any other notice of termination, or pay in lieu thereof, or any other payments or other entitlements whatsoever in connection with their termination by the Receiver.

15. THE COURT ORDERS 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 specifically provided for in paragraph 14, 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*.

PIPEDA

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver may 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

17. 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

18. 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 *Wage Earner Protection Program Act*. 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

19. 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 rank *pari passu* with the Administration Charge and the Consensus Charge (each as defined in Order dated February 8, 2016 in the within proceeding). For greater certainty, the Receiver's Charge shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise in favour of any Person, other than the Administration Charge (which shall rank *pari passu* with the Receiver's Charge) and the security interests listed on Schedule B hereto.

20. THIS COURT ORDERS that if requested by the Court, the Debtor or any other interested party, the Receiver and its legal counsel shall pass their 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.

21. 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 standard 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.

SERVICE AND NOTICE

22. 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 (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to 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 the Case Website to be utilized in accordance with the Protocol shall be <http://www.ksvadvisory.com/insolvency-cases-2/danier-leather-inc/>, which is the Case Website previously created by the Proposal Trustee.

23. 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, facsimile or electronic 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, facsimile or electronic 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

24. 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.

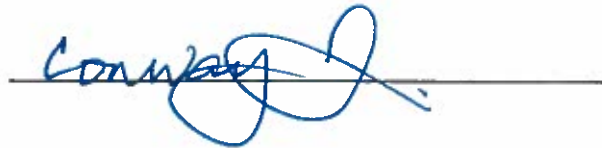
25. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. 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.

27. 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.

28. 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.



ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO.
LE / DANS LE REGISTRE NO.



MAR 21 2016

Schedule A – Form of Receiver’s Certificate

Court File No. CV16-11322-00CL

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

IN THE MATTER OF an application under section 101 of the Courts of Justice Act, R.S.O. 1990, c. C.43, as amended

AND IN THE MATTER OF THE RECEIVERSHIP OF DANIER LEATHER INC., a corporation incorporated pursuant to the laws of the Province of Ontario, with a head office in the City of Toronto, in the Province of Ontario

RECEIVER’S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable [•] of the Ontario Superior Court of Justice (the "Court") dated March 21, 2016 (the "Appointment Order"), KSV Kofman Inc. was appointed as the receiver (the "Receiver") of the undertaking, property and assets of Danier Leather Inc. (the "Debtor"), which appointment was to take effect immediately following the Debtor becoming bankrupt (as defined in the *Bankruptcy and Insolvency Act*).

B. Pursuant to the Appointment Order, the Receiver was directed to file with the Court a copy of a certificate forthwith after the Effective Time (as defined in the Appointment Order).

THE RECEIVER CERTIFIES the following:

1. The Effective Time occurred at _____ [TIME] on _____ [DATE].

**KSV KOFMAN INC., in its capacity as
Receiver of the undertaking, property
and assets of DANIER LEATHER INC.,
and not in its personal capacity**

Per: _____
Name:
Title:

Schedule B

Security

Province	Registration Type	Secured Party	Debtor	Collateral Classification	General Collateral Description	Reference File No. Registration No. Registration Period
ON	Financing Statement	Hewlett-Packard Financial Services Canada Company Compagnie de Services Financiers Hewlett-Packard Canada	Danier Leather Inc.	E, O	Enterprise business lease agreement. Any and all equipment, tangible and intangible, pursuant to Enterprise Business Lease Agreement Number 80218, and amendments thereto, and all amounts owing thereunder.	691248897 20131022 1419 8077 7738 (4 years)
	Financing Statement	Honda Canada Finance Inc.	Danier Leather Inc.	CG, E, MV	2013 Honda Crosstour, VIN 5J6TF2H50DL800321 00000170840948	686530134 20130501 0848 9221 7960 (3 years)
	Financing Statement	Canadian Imperial Bank of Commerce, as Agent	Danier Leather Inc.; Les Cuirs Danier Inc.; Danier Leather Inc. Les Cuirs Danier Inc.; Les Cuirs Danier Inc. Danier Leather Inc.	I, E, A, O, MV		862972605 20000619 1437 9065 9354 (6 years)
	Renewals					20060418 1450 1529 2801 20110331 1945 1531 9117
	Financing Statement	Canadian Imperial Bank of Commerce	Royal Leather Goods Inc.	I, E, A, O, MV		060405687 19941125 1636 0043 6335 (10 years)

Province	Registration Type	Secured Party	Debtor	Collateral Classification	General Collateral Description	Reference File No. Registration No. Registration Period
	Amendment					19980114 1459 0043 4014
	Amendment					19990812 1439 1530 8902
	Renewals					20000518 1502 0043 7239 20071105 1440 1530 0827 20121023 1446 1530 0483
	Bank Act	Canadian Imperial Bank of Commerce	Danier Leather Inc.			01266950
	Bank Act	Canadian Imperial Bank of Commerce	Danier Leather Inc.			01294235
BC	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's present and after acquired personal property as defined in Personal Property Security Act.	7670185 (5 years)
	Amendments					8419503 8933730
	Renewals					8874815 645068D 622561G
AB	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's, present and after acquired personal property as defined in Personal Property Security Act.	98052619974
	Amendments					99081312300 00062025879

Province	Registration Type	Secured Party	Debtor	Collateral Classification	General Collateral Description	Reference File No. Registration No. Registration Period
	Renewals					00051805190 07050129456 12030715414
SK	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's present and after-acquired personal property.	115109763
	Amendment					
	Renewals					
MB	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All debtor's, present and after acquired personal property as defined in Personal Property Security Act. Collateral Classification: Mixed	980527107800
	Amendments					990816106346 000621112015 201505474614
	Renewals					000518110063 200219479718 200904887616 201322404315
NB	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's present and after acquired personal property as defined in Personal Property Security Act.	3554380
	Amendments					5043516 6040651
	Renewals					5916976 14795058 21195961

Province	Registration Type	Secured Party	Debtor	Collateral Classification	General Collateral Description	Reference File No. Registration No. Registration Period
NS	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		All of the debtor's present and after acquired personal property as defined in Personal Property Act.	622159
	Amendments					2095565 2951997 3036663
	Renewals					2952013 12356523 19244631
	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		A security interest is taken in all of the debtor's present and after-acquired personal property.	2930868
	Amendment					3036716
	Renewals					12356531 19244649
NFLD	Financing Statement	Canadian Imperial Bank of Commerce	Danier Leather Inc.		A security interest is taken in all of the debtor's present and after acquired personal property.	287128
	Amendment					363978
	Renewals					5656113 9790826

REGISTER OF PERSONAL AND MOVABLE REAL RIGHTS

	Registration number	Nature Amount	Parties	Description of Property (Summary)	Comments
	Registration Date				
	Expiration Date				
1.	95-0046164-0001 April 27, 1995 April 27, 2005 Renewed until April 7, 2023	Conventional hypothec without delivery \$23,000,000 with interest at the rate of 25% per annum.	Creditor: Canadian Imperial Bank of Commerce Debtor: Royal Leather Goods Limited; Royal Leather Goods Limited, acting under the name: Danier	See SCHEDULE 1	Deed under private writing dated February 28, 1995. Change of name 00-0176618-0002 on June 27, 2000: Former name: Royal Leather Goods Limited New name: Danier Leather Inc. Change of name 00-0176618-0003 on June 27, 2000: Former name: Danier Leather Inc. New name: Danier Leather Inc.; Les Cuir Danier Inc.
2.	98-0101734-0001 August 10, 1998 July 16, 2008 Renewed until June 13, 2018	Conventional hypothec without delivery \$37,375,000 with interest at the rate of 25% per annum.	Creditor: Banque Canadienne Impériale de Commerce Debtor: Danier Leather Inc.	Universality of property in stock, present and future; Universality of claims, present and future; Universality of equipment, present and future; Insurance and expropriation indemnities pertaining to the hypothecated property. ¹	Deed under private writing dated July 16, 1998.

¹ The description of the charged property which appears in the registration statement on which this report is based is in French. The description as contained in this report has been translated into English for your convenience only. The French version of the description as it appears in the registration statement is the only description which governs and which has force of law.

	Registration number Registration Date Expiration Date	Nature Amount	Parties	Description of Property (Summary)	Comments
3.	00-0194829-0001 July 13, 2000 July 13, 2010 Renewed until June 7, 2018	Conventional hypothec without delivery \$54,000,000.00 in legal tender of Canada (the "Principal") with interest at the rate of 25% per annum and an amount equal to 15% of the Principal.	Creditor : Canadian Imperial Bank of Commerce Debtor: Danier Leather Inc.; Les Cuirs Danier Inc.; Danier Leather Inc./Les Cuirs Danier Inc., acting under the names: Les Cuirs Danier; Danier Leather; Danier	See SCHEDULE 2	Notarial deed dated July 13, 2000, before Paul Anthony Laberge, notary, under minute number 12419.
4.	15-0105487-0001 February 10, 2015 February 10, 2025	Conventional hypothec without delivery \$46,000,000.00 in legal tender of Canada with interest at a rate of 25% per annum; including an additional amount equal to 15% of the principal amount of the hypothec of \$40,000,000.00.	Creditor : Canadian Imperial Bank of Commerce Debtor: Danier Leather Inc.; Les Cuirs Danier Inc.	See SCHEDULE 3	Notarial deed dated February 10, 2015, before Cristina Napoleoni, notary, under minute number 249. Mention: This hypothec is granted to secure the payment of obligations pursuant to article 2692 of the Civil Code of Québec. The Agent authorizes the Grantor to collect the Claims. This authorization may be withdrawn by the Agent upon the occurrence of an Event of Default (as defined in the deed of hypothec referred to under the heading "Référence à l'acte constitutif") which is continuing.

SCHEDULE 1

THE UNIVERSALITY OF GRANTOR'S PROPERTY, BOTH PRESENT AND FUTURE, CORPOREAL AND INCLUDING WITHOUT LIMITATION; PROPERTY IN STOCK, CLAIMS, EQUIPEMENT AND ALL OF THE GRANTOR'S PRESENT AND AFTER ACQUIRED REAL PROPERTY, TOGETHER WITH ALL BUILDINGS PLACED, INSTALLED OR ERECTED ON ANY SUCH REAL PROPERTY AND ALL FIXTURES AND ALL OF THE GRANTORS PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY AND UNDERTAKING WHERE:

"PROPERTY IN STOCK" MEANS THE UNIVERSALITY OF ALL EXISTING AND FUTURE PROPERTY IN STOCK OWNED BY THE GRANTOR OR HELD ON HIS BEHALF, INCLUDING MOVEABLE PROPERTY HELD FOR THE PURPOSE OF BEING SOLD, RENTED OR ALTERED BY MEANS OF TRANSFORMATION OR MANUFACTURING PROCESS OF A GOOD DESTINED FOR SALE OR FOR RENT OR WITH RESPECT TO SERVICES OFFERED, OR GOODS HELD BY THIRD PARTIES WITH RESPECT TO A RENTAL AGREEMENT, LEASING CONTRACT, FRANCHISE CONTRACT OR LICENCE OR OTHER AGREEMENT EXECUTED WITH THE GRANTOR, REGARDING RAW MATERIALS, MANUFACTURED OR SEMIMANUFACTURED OR TREATED MATERIALS OR PRODUCTS, OR GOODS USED FOR PACKAGING, MINERAL OR PETROLEUM SUBSTANCES, ANIMALS OR FOODSTUFFS. GOODS THAT WERE PART OF ANY GOODS IN STOCK WHICH, PURSUANT TO AN ALIENATION CONTRACT EXECUTED WITH RESPECT THERETO FOR THE BENEFIT OF A THIRD PARTY, SHALL REMAIN THE PROPERTY OF THE GRANTOR PURSUANT TO A RESERVATION OF OWNERSHIP IN ITS FAVOUR, AND SHALL BE DEEMED TO BE PROPERTY IN STOCK AS LONG AS THE OWNERSHIP THEREOF IS NOT TRANSFERRED TO SUCH THIRD PARTIES; ARE ALSO DEEMED TO BE PROPERTY IN STOCK, GOODS WHICH, AFTER HAVING BEEN ALIENATED, HAVE AGAIN BECOME THE PROPERTY OF THE GRANTOR AS A RESULT OF A RESOLUTION, TERMINATION OR REPOSSESSION.

"CLAIMS" MEANS THE UNIVERSALITY OF ALL CLAIMS, ACCOUNT BOOKS, ACCOUNTS RECEIVABLE, DEMANDS AND AMOUNTS OF ANY NATURE WHICH ARE PRESENTLY OWNED TO THE GRANTOR AND WHICH MAY BE OWNED TO HIM IN THE FUTURE, INCLUDING ALL THE DEMANDS AND BENEFITS WHICH ARE OR COULD BE OWNED TO THE GRANTOR IN THE FUTURE PURSUANT TO ANY INSURANCE POLICY WHATSOEVER AND ALL OF THE GRANTOR'S RIGHTS TO THE CREDIT BALANCE OF THE ACCOUNTS HELD ON HIS BEHALF BY THE TITULAIRE (SUBJECT TO THE LATTER'S RIGHTS OF COMPENSATION) OR BY ANY FINANCIAL INSTITUTION OR OTHER PERSON, THE WHOLE ALSO INCLUDING ANY JUDGEMENTS AND OTHER ACCESSORIES, HYPOTHECS, RIGHTS AND SECURITY RELATING THERETO AS WELL AS ANY DEEDS, DOCUMENTS, INSTRUMENTS, CONTRACTS, BILLS OF EXCHANGE, NOTES AND OTHER APPROPRIATE VOUCHERS AS WELL AS THE BOOKS AND FILES RELATING THERETO. A CLAIM, A RIGHT OR A DEMAND SHALL NOT BE EXCLUDED FROM THE CLAIMS SOLELY BECAUSE (O) THE DEBTOR IS DOMICILED OUTSIDE QUÉBEC OR (II) THE DEBTOR IS AN AFFILIATE (AS THIS TERM IS DEFINED IN THE CANADA BUSINESS CORPORATIONS ACT) OF THE GRANTOR OR THE DEBTOR OR (III) THE CLAIM, RIGHT OR DEMAND IS NOT RELATED TO THE BUSINESS OF THE GRANTOR, WHEN SUCH GRANTOR IS NOT A NATURAL PERSON.

"DEBTOR" MEANS ANY PERSON FOR WHOM THE GRANTOR IS A GUARANTOR WITH RESPECT TO HIS DEBTS OR OBLIGATIONS IN FAVOUR OF THE LENDERS.

"LOCATION" MEANS ALL OF THE LAND, CONSTRUCTIONS AND WORKS WHOSE ACQUISITION, DEVELOPMENT OR USE ARE FINANCED IN WHOLE OR IN PARTY BY MEANS OF THE FUNDS OBTAINED FROM THE TITULAIRE BY THE GRANTOR OR THE DEBTOR, AS THE CASE MAY BE, OR ANY PROPERTY CHARGED WITH A HYPOTHEC OR OTHER SECURITY SECURING THE INDEBTEDNESS, IN WHOLE OR IN PART.

"EQUIPMENT" MEANS THE UNIVERSALITY OF THE PRESENT AND FUTURE MACHINERY, TOOLS, PROFESSIONAL EQUIPMENT AND FURNITURE OWNED BY THE GRANTOR OR HELD ON HIS BEHALF AS WELL AS EXISTING AND FUTURE ACCESSORIES, ADDITIONS, REPAIRS AND SPARE PARTS THERETO, INCLUDING LOGGING AND FARM MACHINERY AND TOOLS.

WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE HYPOTHEC HEREBY CONSTITUTED ALSO CHARGES THE FOLLOWING UNIVERSALITIES OF PROPERTY:

(A) ALL THE FRUITS AND PRODUCTS OF THE SOIL, AND THE MATERIALS AND OTHER THINGS FORMING AN INTEGRAL PART OF AN IMMOVABLE, NOW OR IN THE FUTURE, AND WHICH ARE OWNED BY THE GRANTOR WHEN SUCH FRUITS, PRODUCTS, MATERIALS OR OTHER THINGS BECOME MOVABLES WITH A SEPARATE EXISTENCE ATTACHING TO THE HYPOTHECATED PROPERTY OR WITH RESPECT THERETO;

(B) THE PROCEEDS OF ANY SALE, RENTAL OR OTHER DISPOSITION OF THE HYPOTHECATED PROPERTY, ANY CLAIM RESULTING FROM SUCH SALE, RENTAL OR OTHER DISPOSITION AS WELL AS ANY PROPERTY ACQUIRED IN REPLACEMENT THEREOF (IT BEING UNDERSTOOD THAT THIS CLAUSE SHALL NOT BE INTERPRETED AS ALLOWING THE GRANTOR TO ENCUMBER THE HYPOTHECATED PROPERTY IN VIOLATION HEREOF);

(C) ALL THE EXISTING AND FUTURE INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS OF THE GRANTOR AS WELL AS ALL EXISTING AND FUTURE PERMITS, LICENCES, AUTHORIZATIONS OR OTHER RIGHTS ATTACHING TO ITS ENTERPRISE OR TO THE HYPOTHECATED PROPERTY;

(D) ALL INSURANCE OR EXPROPRIATION INDEMNITIES PAYABLE WITH RESPECT TO THE HYPOTHECATED PROPERTY;

(E) ALL RIGHTS ATTACHING TO THE HYPOTHECATED PROPERTY AS WELL AS THE FRUITS AND REVENUES GENERATED THEREBY;

(F) ALL CONDITIONAL RIGHTS OR RIGHTS LIKELY TO BE DECLARED NULL REGARDING A CORPOREAL OR INCORPOREAL MOVABLE PROPERTY OWNED OR HELD BY THE GRANTOR OR ON ITS BEHALF; AND

(G) ALL THE TITLES, DOCUMENTS, REGISTERS, INVOICES AND ACCOUNTS EVIDENCING THE HYPOTHECATED PROPERTY OR WITH RESPECT THERETO.

SCHEDULE 2

The following universalities of property are charged by the hypothec constituted hereby:

Accessions;
Books and Records;
Claims;
Contracts;
Documents of Title;
Equipment;
Goods;
Instruments;
Intangibles;
Intellectual
Property Rights;
Inventory;
Money;
Permits;
Property in Stock;
Real Property; and
Securities.

Without limiting the generality of the foregoing, the hypothec hereby constituted also charges the following universalities of property:

(a) All the fruits and products of the soil, and the materials and other things forming an integral part of an immovable, now or in the future, and which are owned by the Constituant when such fruits, products, materials or other things become movables with a separate existence attaching to the Hypothecated Property or with respect thereto;

(b) The proceeds of any sale, rental or other disposition of the Hypothecated Property, any claim resulting from such sale, rental or other disposition as well as any property acquired in replacement thereof (it being understood that this clause shall not be interpreted as allowing the Constituant to encumber the Hypothecated Property in violation hereof);

(c) All the existing and future intellectual and industrial property rights of the Constituant as well as all existing and future permits, licences, authorizations or other rights attaching to its enterprise or to the Hypothecated Property;

(d) All insurance or expropriation indemnities payable with respect to the Hypothecated Property;

(e) All rights attaching to the Hypothecated Property as well as the fruits and revenues generated thereby;

(f) All conditional rights or rights likely to be declared null regarding a corporeal or incorporeal movable property owned or held by the Constituant or on its behalf; and

(g) All the titles, documents, registers, invoices and accounts evidencing the Hypothecated Property or with respect thereto.

The universality of all other movable or immovable property of whatsoever nature and wherever situated, now owned or hereafter acquired by the Constituant.

For the purposes hereof,
"Accessories" means Goods that are installed in or affixed to other Goods;

"Books and Records" means and refers to the universality of books, records, agreements and/or arrangements relating to Claims, Equipment and/or Inventory, including but not limited to: all records, ledgers, computer software, including, without limitation, programs, disc or tape files, and printouts, runs and other computer prepared information indicating, summarising or evidencing Claims, Intangibles, Equipment and/or Inventory;

"Claims" means the universality of all claims, account books, accounts receivable, demands and amounts of any nature which are presently owed to the Constituant and which may be owed to him in the future, including all the demands and benefits which are or could be owed to the Constituant in the future pursuant to any insurance policy whatsoever and all of the Constituant's rights to the credit balance of the accounts held on his behalf by the Agent (subject to the latter's rights of compensation) or by any financial institution or other person, the whole also including any judgements and other accessories, hypothecs, rights and security relating thereto as well as any deeds, documents, instruments, contracts, bills of exchange, notes and other appropriate vouchers as well as the books and files relating thereto. A claim, a right or a demand shall not be excluded from the Claims solely because (i) the debtor is domiciled outside Quebec or (ii) the debtor is an affiliate (as this term is defined in the Canada Business Corporations Act) of the Constituant or (iii) the claim, right or demand is not related to the business of the Constituant.

"Contracts" means all contracts, licenses and agreements to which the Constituant is now or in the future a party or pursuant to which the Constituant has acquired rights or in the future acquires rights, as such contracts may from time to time be amended, supplemented or otherwise modified, including (a) all present and future rights of the Constituant to receive Money or any other amounts or in connection therewith, (b) all present and future rights of the Constituant to damages arising out of, or for, breach or default in respect thereof, and (c) all present and future rights of the Constituant to perform and to exercise all remedies thereunder;

"Document of Title" means any writing that purports to be issued by or addressed to a person and purports to cover such Goods in such person's possession as are identified or fungible portions of an identified mass, and that in the ordinary course of business is treated as establishing that the person in possession of it is entitled to receive, hold and dispose of the document and the Goods it covers;

"Equipment" means the universality of the present and future machinery, tools, professional equipment and furniture owned by the tor or held on his behalf as well as existing and future accessories, additions, repairs and spare parts thereto, including logging and farm machinery and tools;

"Goods" means corporeal movable property other than Claims, Documents of Title, Instruments, Money and Securities, and includes fixtures, growing crops, the unborn young of animals, timber to be cut, and minerals and hydrocarbons to be extracted;

"Instrument" means, a bill, note or cheque within the meaning of the Bills of Exchange Act (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, or a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder, but does not include a writing that constitutes part of a Claim, a Document of Title or a Security;

"Intangible" means all incorporeal movable property that is not Goods, Documents of Title, Instruments, Money or Securities;

"Intellectual Property Rights" means all past, present and future: trade secrets and other proprietary information; trademarks, service marks, business names, designs, logos, indicia, and/or other source and/or business identifiers of or used by the Constituant and the goodwill of the business relating thereto and all registrations or applications for registrations now or hereafter issued thereon throughout the world; copyrights (including, without limitation, copyrights for computer programs) of the Constituant or in which the Constituant has any right, title or interest and copyright registrations or applications for registrations now or hereafter issued throughout the world and all corporeal property embodying such copyrights; unpatented inventions (whether or not patentable) of the Constituant or in which the Constituant has any right, title or interest; patent applications and patents of the Constituant or in which the Constituant has any right, title or interest; industrial designs, industrial design applications and registered industrial designs of the Constituant or in which the Constituant has any right, title or interest; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets, source codes, object codes and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future

infringements of any of the foregoing; and all common law and other rights throughout the world in and to all of the foregoing;

"Inventory" means Goods that are held for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process or materials used or consumed in a business or profession;

"Location" means all of the land, constructions, works and any other property charged with a hypothec or other security securing the Indebtedness, in whole or in part.

"Money" means a medium of exchange authorised or adopted by the Parliament of Canada as part of the currency of Canada or by a foreign government as part of its currency;

"Permits" means all permits, licenses, authorisations, approvals, franchises, rightsofway, servitudes and entitlements that the Constituant has, requires or is required to have, to own, possess or operate any of its property or to operate and carry on any part of its business;

"Property in Stock" means the universality of all existing and future property in stock owned by the Constituant or held on his behalf, including moveable property held for the purpose of being sold, rented or altered by means of transformation or manufacturing process of a good destined for sale or for rent or with respect to services offered, or goods held by third parties with respect to a rental agreement, leasing contract, franchise contract or licence or other agreement executed with the Constituant, regarding raw materials, manufactured or semimanufactured

or treated materials or products, or goods used for packaging, mineral or petroleum substances, animals or foodstuffs. Goods that were part of any goods in stock which, pursuant to an alienation contract executed with respect thereto for the benefit of a third party, shall remain the property of the Constituant pursuant to a reservation of ownership in its favour, and shall be deemed to be Property in Stock as long as the ownership thereof is not transferred to such third parties; are also deemed to be Property in Stock, goods which, after having been alienated, have again become the property of the Grantor as a result of a resolution, termination or repossession.

"Real Property" means the universality of all of the Constituant's right, title, estate and interest, leases of real or immovable property, present and future, in and to all lands, immovable property and premises now or in the future owned by the Constituant or in which the Constituant now or in the future has any interest of any nature whatsoever or which may at any time in the future be acquired by the Constituant of which the Constituant may at any time in the future become possessed or obtain any interest or to which the Constituant may at any time in the future become entitled, in any such case wherever located, together with all buildings, erections, structures, improvements, fixtures, fixed plant, fixed machinery and fixed equipment now or in the future located, constructed or placed in, under or upon any such lands and premises and all rights, entitlements, rights of way, servitudes, licences and privileges appurtenant or appertaining to such lands and premises;

"Security" means a document that is: (a) issued in bearer, order or registered form, (b) of a type commonly dealt with upon securities exchanges or markets or commonly recognised in any area in which it is issued or dealt in as a medium for investment, (c) one of a class or series or which by its terms is divisible into a class or series of documents, and (d) evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer; and

"Toxic Substance" means both (a) any pollutant or contaminant within the meaning given to these words in the Environment Quality Act (Quebec) and (b) any toxic substance within the meaning given to these words in the Canadian Environmental Protection Act.

SCHEDULE 3

The following universalities of property of the Grantor (collectively, the "Hypothecated Property"):

Accessions;
Books and Records;
Claims;
Contracts;
Documents of Title;
Equipment;
Goods;
Instruments;
Intangibles;
Intellectual Property Rights;
Inventory;
Money;
Permits;
Property in Stock;
Real Property, except for leases and leasehold interests for which the consent of the landlord is required prior to a charge thereof and for which such consent has not been obtained; and Securities.

Without limiting the generality of the foregoing, the hypothec hereby constituted also charges the following universalities of property:

(a) All the fruits and products of the soil, and the materials and other things forming an integral part of an immovable, now or in the future, and which are owned by the Grantor when such fruits, products, materials or other things become movables with a separate existence attaching to the Hypothecated Property or with respect thereto;

(b) The proceeds of any sale, rental or other disposition of the Hypothecated Property, any claim resulting from such sale, rental or other disposition as well as any property acquired in replacement thereof (it being understood that this clause shall not be interpreted as allowing the Grantor to encumber the Hypothecated Property in violation hereof);

(c) All the existing and future intellectual and industrial property rights of the Grantor as well as all existing and future permits, licences, authorizations or other rights attaching to its enterprise or to the Hypothecated Property;

(d) All insurance or expropriation indemnities payable with respect to the Hypothecated Property;

(e) All rights attaching to the Hypothecated Property as well as the fruits and revenues generated thereby;

(f) All conditional rights or rights likely to be declared null regarding a corporeal or incorporeal movable property owned or held by the Grantor or on its behalf;

(g) All the titles, documents, registers, invoices and accounts evidencing the Hypothecated Property or with respect thereto; and

(h) All other movable or immovable properties of whatsoever nature and wherever situated, now owned or hereafter acquired by the Grantor.

DEFINITIONS

"Accessions" means Goods that are installed in or affixed to other Goods;

"Agent" means CANADIAN IMPERIAL BANK OF COMMERCE, together with its successors and permitted assigns.

"Books and Records" means and refers to the universality of books, records, agreements and/or arrangements relating to Claims, Equipment and/or Inventory, including but not limited to: all records, ledgers, computer software, including, without limitation, programs, disc or tape files, and printouts, runs and other computer prepared information indicating, summarising or evidencing Claims, Intangibles, Equipment and/or Inventory;

"Claims" means the universality of all claims, account books, accounts receivable, demands and amounts of any nature which are presently owed to the Grantor and which may be owed to him in the future, including all the demands and benefits which are or could be owed to the Grantor in the future pursuant to any insurance policy whatsoever and all of the Grantor's rights to the credit balance of the accounts held on his behalf by the Agent (subject to the latter's rights of compensation) or by any financial institution or other person, the whole also including any judgements and other accessories, hypothecs, rights and security relating thereto as well as any deeds, documents, instruments, contracts, bills of exchange, notes and other appropriate vouchers as well as the books and files relating thereto. A claim, a right or a demand shall not be excluded from the Claims solely because (i) the debtor is domiciled outside Quebec or (ii) the debtor is an affiliate (as this term is defined in the Canada Business Corporations Act) of the Grantor or (iii) the claim, right or demand is not related to the business of the Grantor;

"Contracts" means all contracts, licenses and agreements to which the Grantor is now or in the future a party or pursuant to which the Grantor has acquired rights or in the future acquires rights, as such contracts may from time to time be amended, supplemented or otherwise modified, including (a) all present and future rights of the Grantor to receive Money or any other amounts or in connection therewith, (b) all present and future rights of the Grantor to damages arising out of, or for, breach or default in respect thereof, and (c) all present and future rights of the Grantor to perform and to exercise all remedies thereunder, but excluding all leases and contracts creating leasehold interests for which the consent of the landlord is required prior to a charge thereof and for which such consent has not been obtained;

"Document of Title" means any writing that purports to be issued by or addressed to a person and purports to cover such Goods in such person's possession as are identified or fungible portions of an identified mass, and that in the ordinary course of business is treated as establishing that the person in possession of it is entitled to receive, hold and dispose of the document and the Goods it covers;

"Equipment" means the universality of the present and future machinery, tools, professional equipment and furniture owned by the Grantor or held on his behalf as well as existing and future accessories, additions, repairs and spare parts thereto, including logging and farm machinery and tools;

"Goods" means corporeal movable property other than Claims, Documents of Title, Instruments, Money and Securities, and includes fixtures, growing crops, the unborn young of animals, timber to be cut, and minerals and hydrocarbons to be extracted;

"Grantor" means Danier Leather Inc./Les Cuir Daniers Inc., together with its successors and permitted assigns.

"Instrument" means, a bill, note or cheque within the meaning of the Bills of Exchange Act (Canada) or any other writing that evidences a right to the payment of money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, or a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder, but does not include a writing that constitutes part of a Claim, a Document of Title or a Security;

"Intangibles" means all incorporeal movable property that is not Goods, Documents of Title, Instruments, Money or Securities;

"Intellectual Property Rights" means all past, present and future: trade secrets and other proprietary information; trademarks, service marks, business names, designs, logos, indicia, and/or other source and/or business identifiers of or used by the Grantor and the goodwill of the business relating thereto and all registrations or applications for registrations now or hereafter issued thereon throughout the world; copyrights (including, without limitation, copyrights for computer programs) of the Grantor or in which the Grantor has any right, title or interest and copyright registrations or applications for registrations now or hereafter issued throughout the world and all corporeal property embodying such copyrights; unpatented inventions (whether or not patentable) of the Grantor or in which the Grantor has any right, title or interest; patent applications and patents of the Grantor or in which the Grantor has any right, title or interest; industrial designs, industrial design applications and registered industrial designs of the Grantor or in which the Grantor has any right, title or interest; license agreements related to any of the foregoing and income therefrom; books, records, writings, computer tapes or disks, flow diagrams, specification sheets,

source codes, object codes and other physical manifestations, embodiments or incorporations of any of the foregoing; the right to sue for all past, present and future infringements of any of the foregoing; and all common law and other rights throughout the world in and to all of the foregoing;

"Inventory" means Goods that are held for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process or materials used or consumed in a business or profession;

"Money" means a medium of exchange authorized or adopted by the Parliament of Canada as part of the currency of Canada or by a foreign government as part of its currency;

"Permits" means all permits, licenses, authorizations, approvals, franchises, rightsofway, servitudes and entitlements that the Grantor has, requires or is required to have, to own, possess or operate any of its property or to operate and carry on any part of its business;

"Property in Stock" means the universality of all existing and future property in stock owned by the Grantor or held on his behalf, including moveable property held for the purpose of being sold, rented or altered by means of transformation or manufacturing process of a good destined for sale or for rent or with respect to services offered, or goods held by third parties with respect to a rental agreement, leasing contract, franchise contract or licence or other agreement executed with the Grantor, regarding raw materials, manufactured or semimanufactured or treated materials or products, or goods used for packaging, mineral or petroleum substances, animals or foodstuffs. Goods that were part of any goods in stock which, pursuant to an alienation contract executed with respect thereto for the benefit of a third party, shall remain the property of the Grantor pursuant to a reservation of ownership in its favour, and shall be deemed to be Property in Stock as long as the ownership thereof is not transferred to such third parties; are also deemed to be Property in Stock, goods which, after having been alienated, have again become the property of the Grantor as a result of a resolution, termination or repossession;

"Real Property" means the universality of all of the Grantor's right, title, estate and interest, leases of real or immovable property, present and future, in and to all lands, immovable property and premises now or in the future owned by the Grantor or in which the Grantor now or in the future has any interest of any nature whatsoever or which may at any time in the future be acquired by the Grantor or of which the Grantor may at any time in the future become possessed or obtain any interest or to which the Grantor may at any time in the future become entitled, in any such case wherever located, together with all buildings, erections, structures, improvements, fixtures, fixed plant, fixed machinery and fixed equipment now or in the future located, constructed or placed in, under or upon any such lands and premises and all rights, entitlements, rights of way, servitudes, licences and privileges appurtenant or appertaining to such lands and premises; and

"Security" means a document that is: (a) issued in bearer, order or registered form, (b) of a type commonly dealt with upon securities exchanges or markets or commonly recognised in any area in which it is issued or dealt in as a medium for investment, (c) one of a class or series or which by its terms is divisible into a class or series of documents, and (d) evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer.

**IN THE MATTER OF an application under section 101 of the Courts of Justice Act,
R.S.O. 1990, c. C.43, as amended**

**AND IN THE MATTER OF THE RECEIVERSHIP OF DANIER LEATHER INC., a
corporation incorporated pursuant to the laws of the Province of Ontario, with a head
office in the City of Toronto, in the Province of Ontario**

Court File No. CV16-11322-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at Toronto

ORDER

DAVIES WARD PHILLIPS & VINEBERG LLP
155 Wellington Street West
40th Floor
Toronto, ON Canada M5V 3J7

Jay A. Swartz (LSUC #15417L)
jswartz@dwpv.com
Natalie Renner (LSUC # 55954A)
nrenner@dwpv.com

Tel: 416.863.0900
Fax: 416.863.0871

Lawyers for Danier Leather Inc.

Appendix “B”

ASSET CONVEYANCE

THIS ASSET CONVEYANCE (the "Conveyance") is made and entered into as of the 20th day of May, 2016.

BETWEEN:

KSV Kofman Inc., solely in its capacity as Court-appointed receiver of the assets, properties and undertakings of Danier Leather Inc., and not in its personal or any other capacity (the "Receiver"),

- and -

REHAN MARKETING (the "Transferee").

WHEREAS pursuant to an Order of the Honourable Madam Justice Conway of the Ontario Superior Court of Justice (the "Court") dated March 21, 2016, the Receiver was appointed as the receiver of the assets, undertakings and properties of Danier Leather Inc. ("**Danier**");

WHEREAS the Transferee has offered to acquire the Receiver's right, title and interest, if any, in and to the IP Assets (as defined below), and the Receiver has agreed to transfer and assign the IP Assets to the Transferee, all upon and subject to the terms and conditions set out in this Conveyance.

NOW THEREFORE in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I **INTERPRETATION**

1.1 Definitions

- (a) Except as may be otherwise specifically provided and unless the context or subject matter otherwise requires, in this Conveyance:

"Approval and Vesting Order" means an Order of the Court in form and substance satisfactory to the Receiver and the Transferee approving this Conveyance.

"Effective Time" means the time that the IP Assets are acquired by the Transferee pursuant to the Approval and Vesting Order. For greater certainty, the transfer and assignment of the IP Assets is conditional on the Approval and Vesting Order having been granted.

"**IP Assets**" means all foreign and domestic intellectual property of any nature, owned by Danier, whether or not registered, including:

- (a) all trademarks, trade names, copyrights, patents, industrial designs, business names, domain names and other registrable IP, all continuations and divisionals thereof, all applications therefore, and all goodwill associated therewith;
- (b) the e-commerce website, including photos and videos;
- (c) subject to Section 4.1 below, all inventions, formula, processes, research data, technical expertise, trade secrets, and know-how including:
 - (i) customer lists;
 - (iii) supplier lists;
 - (iv) customer names and emails;
 - (iii) employee lists and information; and
 - (iv) store training materials.

"**ITA**" means the *Income Tax Act*, R.S.C. 1985, c.1, as amended;

"**Purchase Price**" means CDN\$600,000, plus HST; and

"**Transferred Information**" means the personal information (namely, information about an identifiable individual other than the individual's business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an employee or an official of an organization and for no other purpose) to be disclosed or conveyed to the Transferee by or on behalf of the Receiver as a result of or in conjunction with the transactions contemplated in this Conveyance, and includes all such personal information disclosed to the Transferee prior to the execution of this Conveyance, if any.

1.2 Headings

The division of this Conveyance into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Conveyance. The terms "hereof", "hereunder" and similar expressions refer to this Conveyance and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Conveyance.

1.3 Gender and Number

Unless the context requires the contrary, words importing the singular only will include the plural and vice versa and words importing the use of any gender will include all genders.

1.4 Governing Law

This Conveyance shall be governed by and construed in accordance with the laws of the province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation or application of this Conveyance and all proceedings taken in connection with this Conveyance shall be subject to the exclusive jurisdiction of the Court.

1.5 Successors and Assigns

This Conveyance shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any party to this Conveyance.

1.6 Severability

If any provision of this Conveyance is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

ARTICLE II
TRANSFER OF ASSETS

2.1 Transfer of IP Assets

Subject to the terms and conditions hereof, as of and with effect from the Effective Time, the Receiver hereby transfers and assigns to the Transferee, and the Transferee hereby acquires and accepts from the Receiver, all of the IP Assets.

2.2 Deposit

Upon the execution of this Conveyance, the Transferee shall pay to the Receiver a non-refundable deposit of CDN\$60,000 cash (the "**Deposit**"), which Deposit shall be applied against and towards the Purchase Price.

2.3 Purchase Price

The Receiver and the Transferee hereby agree that in consideration of the transfer and assignment of the IP Assets by the Receiver to the Transferee and the performance of all of its other obligations hereunder, the Purchase Price shall be paid and satisfied in full by the Transferee as follows:

- (i) the Deposit shall be applied against the Purchase Price; and
- (ii) the remaining CDN\$540,000 shall be paid in cash on June 30, 2016 by wire transfer by the Transferee to the Receiver.

2.4 Tax Elections

The Receiver and the Transferee will, if the Transferee so determines, in its sole discretion, jointly execute an election in the prescribed form and containing the prescribed information, to have Section 167 of the *Excise Tax Act* (Canada) apply to the transfer and assignment of the IP Assets hereunder so that no tax is payable in respect of such transfer and assignment under Part IX of the *Excise Tax Act* (Canada) and any similar tax under federal legislation, as amended, restated, replaced or re-enacted from time to time (such tax is hereinafter referred to as "HST"). The Transferee will file such election with the applicable taxation authority.

2.5 Transfer Taxes

The Transferee will be liable for and will pay all sales, transfer, assignment or other similar taxes properly payable under any applicable law (collectively, "Transfer Taxes") on or with respect to the transfer and assignment of the IP Assets under this Conveyance to the extent no exemption from such Transfer Taxes is available under applicable laws. For greater certainty, and without limiting the foregoing, all consideration payable by the Transferee to the Receiver hereunder excludes all applicable Transfer Taxes.

ARTICLE III TRANSFER OF IP ASSETS

3.1 Receiver's Representations and Warranties

The Receiver represents and warrants to the Transferee and acknowledges that the Transferee is relying upon the representations and warranties in connection with the transactions contemplated in this Conveyance:

- (a) Authority. Subject to the issuance of the Approval and Vesting Order: the Receiver has all necessary power and authority to enter into this Conveyance and to carry out its obligations hereunder; the execution and delivery of this Conveyance and the consummation of the transfer and assignment of the IP Assets have been duly authorized by all necessary action on the part of the Receiver; this Conveyance is a valid and binding obligation of the Receiver enforceable in accordance with its terms; and the Receiver has been duly appointed as the receiver of the undertaking, property and assets of Danier.
- (b) Residence. The Receiver is not a non-resident of Canada for the purposes of the ITA.

3.2 Transferee's Representations and Warranties

The Transferee represents and warrants to the Receiver and acknowledges that the Receiver is relying upon the representations and warranties in connection with the transactions contemplated in this Conveyance:

- (a) Status. The Transferee is a corporation duly organized and subsisting under the laws of New Delhi, India.
- (b) Authority. The execution, delivery and performance of this Conveyance and the transactions contemplated hereby have been duly authorized by all required corporate action.
- (c) Execution and Binding Obligation. This Conveyance has been duly executed and delivered by the Transferee and constitutes a legal, valid and binding agreement of the Transferee, enforceable against the Transferee in accordance with its terms.

ARTICLE IV GENERAL MATTERS

4.1 Privacy

- (a) The Receiver confirms that any Transferred Information with respect to which it is responsible for disclosing to the Transferee prior to the completion of the transactions contemplated in this Conveyance is necessary for the purposes of determining if the parties shall proceed with such transactions.
- (b) The Transferee confirms that prior to the completion of the transactions contemplated in this Conveyance:
 - (i) it has used and disclosed, and will use and disclose, the Transferred Information solely for the purpose of reviewing and completing the transactions contemplated in this Conveyance, including for the purpose of determining whether to complete such transactions;
 - (ii) it has protected, and will protect, the Transferred Information by security safeguards appropriate to the sensitivity of such information; and
 - (iii) if the transactions contemplated in this Conveyance do not proceed, it will return the Transferred Information to the Receiver or destroy it within a reasonable time.
- (c) The Transferee acknowledges and agrees that after the completion of the transactions contemplated in this Conveyance it shall:
 - (i) collect, use and disclose the Transferred Information only for those purposes for which the Transferred Information was initially collected from or in respect of the individual to which such Transferred Information

relates or for the completion of the Transactions, unless (A) the Receiver or the Transferee have first notified such individual of such additional purpose, and where required by applicable laws, obtained the consent of such individual to such additional purpose, or (B) such use or disclosure is permitted or authorized by applicable laws, without notice to, or consent from, such individual;

- (ii) protect the Transferred Information by security safeguards appropriate to the sensitivity of such information;
- (iii) give effect to any withdrawal of consent made by an individual to whom the Transferred Information relates; and
- (iv) where required by applicable laws, promptly notify the individuals to whom the Transferred Information relates that the transactions contemplated in this Conveyance have taken place and that the Transferred Information has been disclosed to the Transferee.

4.2 Entire Agreement

This Conveyance constitutes the entire agreement between the parties with respect to the subject matter hereof.

4.3 Time of Essence

Time shall be of the essence in this Conveyance.

4.4 Further Assurances

At the cost of the Transferee, including intellectual property office filing costs, where applicable, the Receiver will execute and deliver such further documents and instruments and do such acts and things as may be reasonably required before or after the Effective Time to carry out the intent and meaning of this Conveyance or to assure that transfers contemplated by the this Conveyance are completed. This Section 4.4 shall survive the completion of the transactions contemplated by this Conveyance.

4.5 Counterparts

This Conveyance may be executed by facsimile or other electronic means and in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF the parties hereto have executed and delivered this Conveyance as of the day and year first above written.

KSV Kofman Inc., solely in its capacity as Court-appointed receiver of the assets, properties and undertakings of Danier Leather Inc., and not in its personal or any other capacity

Per: 

Name: Robert Kofman

Title: President

REHAN MARKETING

Per: 

Name: Dhinap Rehan

Title: Partner.

Appendix “C”

SUPPLEMENTAL ASSET CONVEYANCE

THIS SUPPLEMENTAL ASSET CONVEYANCE (the "Supplemental Conveyance") is made and entered into as of the 24 day of June, 2016.

BETWEEN:

KSV Kofman Inc., solely in its capacity as Court-appointed receiver of the assets, properties and undertakings of Danier Leather Inc., and not in its personal or any other capacity (the "Receiver"),

- and -

REHAN MARKETING (the "Transferee").

WHEREAS pursuant to an Order of the Honourable Madam Justice Conway of the Ontario Superior Court of Justice (the "Court") dated March 21, 2016, the Receiver was appointed as the receiver of the assets, undertakings and properties of Danier Leather Inc. ("Danier");

WHEREAS the Receiver and the Transferee entered into an Asset Conveyance made and entered into as of the 20th day of May, 2016 (the "Original Conveyance") with respect to certain intellectual property of Danier;

WHEREAS the Transferee wishes to confirm that it has acquired certain other assets of Danier which are related to the assets being acquired by the Transferee pursuant to the Original Conveyance;

WHEREAS following the closing of the conveyance contemplated by the Original Conveyance, the Transferee will have the legal right to sell or otherwise use the Supplemental Purchased Assets (as defined below) given that they are Danier designs and Danier branded products;

WHEREAS the Receiver and the Transferee wish to supplement the Original Conveyance such that the Transferee will also acquire the Receiver's right, title and interest, if any, in and to the Supplemental Purchased Assets, all upon and subject to the terms and conditions set out in this Supplemental Conveyance.

NOW THEREFORE in consideration of the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Dhany Rehan

06/24/2016

ARTICLE I **INTERPRETATION**

1.1 Definitions

- (a) Except as may be otherwise specifically provided and unless the context or subject matter otherwise requires, in this Supplemental Conveyance:

“Approval and Vesting Order” means an Order of the Court in form and substance satisfactory to the Receiver and the Transferee approving this Supplemental Conveyance.

“Effective Time” means the time that the Supplemental Purchased Assets are acquired by the Transferee pursuant to the Approval and Vesting Order. For greater certainty, the transfer and assignment of the Supplemental Purchased Assets is conditional on the Approval and Vesting Order having been granted.

“ITA” means the *Income Tax Act*, R.S.C. 1985, c. 1, as amended; and

“Supplemental Purchased Assets” means the following assets of Danier:

- (a) all samples for the Fall, 2016 line, including handbags, men's bags, garments, and accessories (including hats, gloves and scarves);
- (b) all paper patterns for the Fall, 2016 line; and
- (c) the following other assets that have been previously segregated for purposes of this transaction:
- (i) all supplier fabric swatches;
 - (ii) all mannequins; and
 - (iii) all marketing materials.

1.2 Headings

The division of this Supplemental Conveyance into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Supplemental Conveyance. The terms "hereof", "hereunder" and similar expressions refer to this Supplemental Conveyance and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Supplemental Conveyance.

1.3 Gender and Number

Unless the context requires the contrary, words importing the singular only will include the plural and vice versa and words importing the use of any gender will include all genders.

1.4 Governing Law

This Supplemental Conveyance shall be governed by and construed in accordance with the laws of the province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation or application of this Supplemental Conveyance and all proceedings taken in connection with this Supplemental Conveyance shall be subject to the exclusive jurisdiction of the Ontario Superior Court of Justice (Commercial List).

1.5 Successors and Assigns

This Supplemental Conveyance shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any party to this Supplemental Conveyance.

1.6 Severability

If any provision of this Supplemental Conveyance is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

ARTICLE II
TRANSFER OF ASSETS

2.1 Transfer of Supplemental Purchased Assets

Subject to the terms and conditions hereof, as of and with effect from the Effective Time, the Receiver hereby transfers and assigns to the Transferee, and the Transferee hereby acquires and accepts from the Receiver, all of the Supplemental Purchased Assets.

2.2 Purchase Price

The Receiver and the Transferee hereby agree that in consideration of the transfer and assignment of the Supplemental Purchased Assets by the Receiver to the Transferee and the performance of all of its other obligations hereunder, \$2 shall be paid by the Transferee to the Receiver.

2.3 Tax Elections

The Receiver and the Transferee will, if the Transferee so determines, in its sole discretion, jointly execute an election in the prescribed form and containing the prescribed information, to have Section 167 of the *Excise Tax Act* (Canada) apply to the transfer and assignment of the Supplemental Purchased Assets hereunder so that no tax is payable in respect of such transfer and assignment under Part IX of the *Excise Tax Act* (Canada) and any similar tax under federal legislation, as amended, restated, replaced or re-enacted from time to time. The Transferee will file such election with the applicable taxation authority.

2.4 Transfer Taxes

The Transferee will be liable for and will pay all sales, transfer, assignment or other similar taxes properly payable under any applicable law (collectively, "Transfer Taxes") on or with respect to the transfer and assignment of the Supplemental Purchased Assets under this Supplemental Conveyance to the extent no exemption from such Transfer Taxes is available under applicable laws. For greater certainty, and without limiting the foregoing, all consideration payable by the Transferee to the Receiver hereunder excludes all applicable Transfer Taxes.

ARTICLE III TRANSFER OF SUPPLEMENTAL PURCHASED ASSETS

3.1 Receiver's Representations and Warranties

The Receiver represents and warrants to the Transferee and acknowledges that the Transferee is relying upon the representations and warranties in connection with the transactions contemplated in this Supplemental Conveyance:

- (a) **Authority.** Subject to the issuance of the Approval and Vesting Order: the Receiver has all necessary power and authority to enter into this Supplemental Conveyance and to carry out its obligations hereunder; the execution and delivery of this Supplemental Conveyance and the consummation of the transfer and assignment of the Supplemental Purchased Assets have been duly authorized by all necessary action on the part of the Receiver; this Supplemental Conveyance is a valid and binding obligation of the Receiver enforceable in accordance with its terms; and the Receiver has been duly appointed as the receiver of the undertaking, property and assets of Danier.
- (b) **Residence.** The Receiver is not a non-resident of Canada for the purposes of the ITA.

3.2 Transferee's Representations and Warranties

The Transferee represents and warrants to the Receiver and acknowledges that the Receiver is relying upon the representations and warranties in connection with the transactions contemplated in this Supplemental Conveyance:

- (a) **Status.** The Transferee is a corporation duly organized and subsisting under the laws of New Delhi, India.
- (b) **Authority.** The execution, delivery and performance of this Supplemental Conveyance and the transactions contemplated hereby have been duly authorized by all required corporate action.
- (c) **Execution and Binding Obligation.** This Supplemental Conveyance has been duly executed and delivered by the Transferee and constitutes a legal, valid and binding

agreement of the Transferee, enforceable against the Transferee in accordance with its terms.

ARTICLE IV
GENERAL MATTERS

4.1 Entire Agreement

This Supplemental Conveyance constitutes the entire agreement between the parties with respect to the subject matter hereof.

4.2 Time of Essence

Time shall be of the essence in this Supplemental Conveyance.

4.3 Further Assurances

At the cost of the Transferee, the Receiver will execute and deliver such further documents and instruments and do such acts and things as may be reasonably required before or after the Effective Time to carry out the intent and meaning of this Supplemental Conveyance or to assure that transfers contemplated by the this Supplemental Conveyance are completed. This Section 4.3 shall survive the completion of the transactions contemplated by this Supplemental Conveyance.

4.4 Counterparts

This Supplemental Conveyance may be executed by facsimile or other electronic means and in one or more counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF the parties hereto have executed and delivered this Supplemental Conveyance as of the day and year first above written.

KSV Kofman Inc., solely in its capacity as Court-appointed receiver of the assets, properties and undertakings of Danier Leather Inc., and not in its personal or any other capacity

REHAN MARKETING

Per: _____
Name: Robert Kofman
Title: President

Per: Dhiraj Rehan
Name: Dhiraj Rehan
Title: Partner

Appendix “D”



**Third Report to Court of
KSV Kofman Inc. as Proposal
Trustee of Danier Leather Inc.**

March 3, 2016

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ESTATE FILE NO.: 31-CL-2084381
COURT FILE NO.: 31-CL-2084381

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DANIER LEATHER INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO, WITH A HEAD OFFICE IN THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO

THIRD REPORT OF KSV KOFMAN INC. AS PROPOSAL TRUSTEE OF
DANIER LEATHER INC.

MARCH 3, 2016

1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") in its capacity as proposal trustee ("Proposal Trustee") in connection with a Notice of Intention to Make a Proposal ("NOI") filed by Danier Leather Inc. (the "Company") on February 4, 2016 ("Filing Date") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("BIA").
2. The principal purpose of these restructuring proceedings is to create a stabilized environment to enable the Company to complete a sale and investor solicitation process ("SISP") in order to effect one or more transactions resulting therefrom. The Company is conducting the SISP with the assistance of its financial advisor, Consensus Advisory Services LLC and Consensus Securities LLC (collectively, the "Financial Advisor"), and the Proposal Trustee.
3. This Report should be read in conjunction with the affidavit of Brent Houlden, the Chief Financial Officer of the Company, sworn March 2, 2016 in support of this motion (the "Affidavit").

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company;
 - b) summarize the results of the Court-approved SISP;
 - c) summarize a transaction (“Transaction”) between the Company and a contractual joint venture comprised of Merchant Retail Solutions, ULC and Gordon Brothers Canada ULC (jointly, the “Agent”), whereby the Agent will sell substantially all of the Company’s inventory (the “Merchandise”) and the Company’s furniture, fixtures and equipment located at the Company’s store locations (the “FF&E”), pursuant to an agency agreement dated March 1, 2016 (the “Agency Agreement”);
 - d) discuss the rationale for a charge on certain of the Company’s assets in order to secure all amounts owing to the Agent under the Agency Agreement (the “Agent’s Charge”);
 - e) discuss the rationale for sealing the Offer Summary, as defined in Section 3.4 below; and
 - f) recommend that the Court make an order, *inter alia*:
 - approving the Agency Agreement and the Transaction;
 - authorizing and directing the Company to execute such documents and to take such additional steps as are necessary to implement the Agency Agreement and the Transaction;
 - approving the Agent’s Charge; and
 - sealing the confidential appendix.

1.2 Currency

1. Unless otherwise noted, all currency references in this Report are to Canadian dollars.

1.3 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company's representatives, the Company's books and records and discussions with its representatives. The Proposal Trustee has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future oriented financial information relied upon in this Report is based on the Company's representatives' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

2.0 Background

1. The Company was founded in 1972. It is Canada's largest retailer of leather apparel and accessories. The subordinated voting shares of the Company are listed on the Toronto Stock Exchange (the "TSX") and, until the Filing Date, traded under the symbol "DL". On the Filing Date, the Investment Industry Regulatory Organization of Canada issued a cease trade order in respect of the shares. The TSX has advised the Company that its shares will be delisted effective March 17, 2016.
2. The Company leases its Toronto based head office (the "St. Clair Facility"). The St. Clair Facility also serves as the Company's manufacturing, warehouse and distribution center. The Company also leases a distribution facility in Toronto, as well as two offices in China. The Company contracts production from vendors located in China, India and Pakistan.
3. The Company's merchandise is predominantly marketed under the "Danier" brand name and is currently sold in 81 leased stores across Canada, as well as online through the Company's website: www.danier.com.
4. As at the date of this Report, the Company employs 1,009 individuals, including 811 store-level employees, 105 employees in manufacturing and distribution, 74 employees in its head office and administration and 19 employees in China. The Company's workforce is not unionized and the Company does not maintain a pension plan.
5. Prior to the commencement of the NOI proceedings, the Company entered into an agency agreement ("Stalking Horse Agreement") with GA Retail Canada, ULC, or an affiliate thereof (the "Stalking Horse"). Pursuant to an Order made on February 8, 2016 (the "SISP Order") the Court, *inter alia*: (i) approved the SISP; and (ii) approved and accepted the form of the Stalking Horse Agreement for purposes of being the stalking horse under the SISP.
6. Pursuant to the SISP Order, any transaction for the Company's business and assets was subject to further Order of the Court. A copy of the SISP Order and the Endorsement of the Honourable Justice Penny is attached as Appendix "A".

7. On March 2, 2016, the Court made an Order extending the time for the Company to file a proposal with the Official Receiver from March 6, 2016 to March 23, 2016.
8. Additional information about the Company and its background is available in the materials filed in these proceedings, which can be found on the Proposal Trustee's website at: <http://www.ksvadvisory.com/insolvency-cases-2/danier-leather-inc/>.

3.0 SISP

3.1 2015 Solicitation Process

1. In February, 2015, the Financial Advisor commenced a seven month marketing process to solicit offers from parties to acquire, or invest in, the Company (the "2015 Solicitation Process"). The Company did not receive any acceptable offers during the 2015 Solicitation Process. Additional details regarding the 2015 Solicitation Process are provided in the Proposal Trustee's First Report to Court dated February 5, 2016 (the "First Report"), a copy of which is attached as Appendix "B", without appendices.

3.2 Stalking Horse Process

1. The SISP is comprised of two phases: the pre-filing phase which solicited offers from parties to be a stalking horse (the "Stalking Horse Process"), and the second phase, which sought offers for the business and assets superior to the Stalking Horse Agreement and/or for other assets of the Company ("Second Phase").
2. The following is a summary of the Stalking Horse Process:
 - a) the Company re-engaged the Financial Advisor on December, 31, 2015 with a mandate to conduct the SISP. The Company also engaged OCI Inc. ("OCI") on January 11, 2016, an overseas-based investment banker, to market the Company and its business in China, India, Qatar and the United Arab Emirates;
 - b) in the days leading up to the re-engagement of the Financial Advisor, and immediately thereafter, the Company and/or the Financial Advisor contacted 22 parties, including 19 parties that were contacted as part of the 2015 Solicitation Process, to determine whether those parties had an interest in being a stalking horse. The Financial Advisor advised the 13 most interested parties that the deadline to submit offers to act as the stalking horse was January 22, 2016 ("Stalking Horse Deadline");
 - c) all of the interested parties conducted due diligence and were provided access to a data room and a confidential teaser summarizing the opportunity;
 - d) three parties submitted offers prior to the Stalking Horse Deadline;

- e) the Company selected the Stalking Horse Agreement as the best bid submitted in the Stalking Horse Process; and
 - f) on February 8, 2016, the Court approved and accepted the Stalking Horse Agreement for purposes of acting as the stalking horse bidder in the SISP.
3. Additional details regarding the Stalking Horse Process are provided in the First Report.

3.3 Second Phase

1. Pursuant to the terms of the SISP, the Second Phase of the marketing process commenced immediately following the making of the SISP Order. A summary of the Second Phase is as follows:
- a) the Financial Advisor prepared a new teaser detailing the opportunity;
 - b) the Financial Advisor distributed the teaser to approximately 405 parties, including parties identified in the 2015 Solicitation Process, the Stalking Horse Process and by the Company;
 - c) OCI contacted 26 overseas parties;
 - d) interested parties had the opportunity to make offers to: (i) acquire all or a portion of the Company's business and/or assets; (ii) make an investment in the Company; or (iii) liquidate some or all of the Company's assets, provided however, that no liquidation bids would be considered for a portion of the Company's inventory;
 - e) 35 parties signed a confidentiality agreement ("CA"), including 18 that had signed a CA during the Stalking Horse Process. Parties who signed a CA were provided access to an online data room;
 - f) the data room was populated with information concerning the Company, including detailed inventory, operations and financial reports. The Company updated the data throughout the SISP;
 - g) the Financial Advisor and the Company facilitated diligence requests from interested parties throughout the Second Phase; and
 - h) pursuant to the terms of the SISP ("SISP Procedures"), interested parties were required to submit offers to the Financial Advisor by 5:00 p.m. EST on February 22, 2016 (the "Offer Deadline").

3.4 Second Phase SISP Results¹

1. Nine offers were submitted prior to the Offer Deadline. An offer summary is provided in Confidential Appendix “1” (“Offer Summary”). The rationale for seeking the sealing order is provided in Section 3.7 below.
2. Pursuant to the terms of the SISP, the Company received:
 - a) two Qualified Liquidation Bids for the Merchandise and FF&E (in addition to the Stalking Horse Agreement, which pursuant to the SISP Procedures is a Qualified Bid); and
 - b) seven offers for certain of the Company’s assets, which are primarily for certain of the Company’s real property leases (collectively, the “Sale Bids”).
3. Pursuant to the terms of the SISP, if the Company received more than one Qualified Liquidation Bid, the Company could:
 - a) accept one or more Qualified Liquidation Bids, subject to Court approval (the “Successful Bid”);
 - b) conditionally accept one or more Qualified Liquidation Bids (each, a “Back-Up Bid”); and
 - c) conduct an auction in accordance with the SISP Procedures (“Auction”).
4. Based on the offers received, the Company, in consultation with the Proposal Trustee and the Financial Advisor, determined that it would be in the best interests of the Company and its stakeholders to conduct an Auction for the Merchandise and FF&E. Accordingly, an Auction was conducted on February 29, 2016 at 9:30 a.m. EST at the offices of Davies Ward Phillips & Vineberg LLP (“Davies”), the Company’s counsel.

3.5 Auction

1. Pursuant to the SISP Procedures, the Proposal Trustee chaired the Auction.
2. Each of the three Qualified Liquidation Bidders participated in the Auction, being the Agent, the Stalking Horse and Tiger Capital Group, LLC (“Tiger”)/Yellen Partners, LLC (jointly, “Tiger/Yellen”).
3. The Qualified Liquidation Bid submitted by Tiger/Yellen was determined to be the best offer received by the Offer Deadline, and was therefore the Opening Bid at the Auction. A copy of the Opening Bid was distributed on February 25, 2016 to each of the Qualified Liquidation Bidders.

¹ Capitalized terms in this section and section 3.5 have the meaning provided to them in the SISP unless otherwise defined herein.

4. At the outset of the Auction, the Proposal Trustee summarized the rules of the Auction and provided copies of the rules to all of the Qualified Liquidation Bidders.
5. Bidding at the Auction was conducted in rounds. In each round, the Minimum Overbid Increment was 0.2% of the Guaranty Percentage.² Any bidder that failed to submit an Overbid in a round was not permitted to continue in the Auction.
6. The Auction concluded in the 28th round of bidding. Each of the Qualified Liquidation Bidders submitted bids for the first 22 rounds of the Auction. In round 23, the Stalking Horse declined to bid and therefore was prohibited from continuing in the Auction. In round 28, Tiger/Yellen declined to bid. Accordingly the Agent's final offer was declared the Successful Bidder and Tiger/Yellen's offer in the 27th round was selected as the Back-Up Bid.
7. On March 1, 2016, the Company's Board of Directors approved the Successful Bid and the Back-Up Bid.

3.6 The Successful Bid³

1. The key terms and conditions of the Transaction include the following:
 - a) Agent: A contractual joint venture comprised of Merchant Retail Solutions, ULC and Gordon Brothers Canada, ULC;
 - b) Guaranteed Amount: 119.7% of the aggregate Cost Value of the Merchandise, subject to adjustment if:
 - the aggregate Cost Value of the Merchandise is less than \$21 million or greater than \$23.5 million;
 - the Cost Value of the Merchandise as a percentage of the retail price of the Merchandise exceeds 48.8%;
 - the transaction does not close by March 3, 2016 - in such case, the Guaranty Percentage will decrease 0.1% for each day until the Sale Commencement Date, which must commence by March 10, 2016; and
 - the mix of the Cost Value of Merchandise for season codes '2016 Key Items', '2016 Spring' and '2016 Repeat Season' as a percentage of total cost value of Merchandise is less than 40%;

² In round 15, the Stalking Horse did not submit a bid that increased the Guaranty Percentage by 0.2%, but instead, offered \$250,000 for the FF&E. The Proposal Trustee, in consultation with the Company and the Financial Advisor, determined that the Stalking Horse's bid was an Overbid as it provided the Company with more certainty on FF&E realizations versus the structure under the Stalking Horse Agreement (based on a percentage of recoveries). None of the participants at the Auction objected and all bidders incorporated this requirement in their future bids.

³ Capitalized terms in this section have the meaning provided to them in the Agency Agreement unless otherwise defined herein.

- c) Merchandise: includes all inventory at the Company's stores and inventory to be received during the course of the sale, other than, *inter alia*, Merchandise currently being liquidated at five of the Company's stores by Tiger and consignment inventory. Merchandise received 21 days after the Sale Commencement Date will be valued at the prevailing discount being offered at that time. The Company is restricted from placing new purchase orders for Merchandise after February 29, 2016;
- d) Expenses: the Agent will be responsible for Expenses in conducting the sale, including store-level operating expenses, as well as certain head office costs to a maximum of \$10,000 per week. The Expenses for which the Agent is responsible are set out in Section Four of the Agency Agreement;
- e) Commission: after payment to the Agent of the Guaranteed Amount and the Expenses, the Agent is to be paid the next 10% of the aggregate Cost Value of Merchandise;
- f) Sharing: any additional proceeds from the sale after the payment of the commission are to be split on a 50/50 basis between the Company and the Agent;
- g) Letter of Credit: the Agent is required to pay 85% of the Guaranteed Amount on the business day following the issuance of the Approval Order by the Court. The Letter of Credit is to cover the Agent's obligation to fund the balance of the Guaranteed Amount. Upon payment of the balance of the Guaranteed Amount, the Letter of Credit is to be reduced to an estimate of one week's Expenses;
- h) Timing: the sale is to commence no later than March 10, 2016 and to end no later than June 30, 2016;
- i) FF&E: the Agent will have the right to sell the FF&E located in the Closing Stores and to retain the proceeds from the sale of such Owned FF&E upon payment to the Company of \$250,000. The Company has the right to remove FF&E at any store location provided there is a pro rata reduction to the \$250,000 to be paid by the Agent for the FF&E (\$3,290 per location);
- j) Termination: the Agency Agreement may be terminated if: (i) the Approval Order is not obtained by March 9, 2016, or such later date as the Company and the Agent agree; or (ii) there is an Event of Default;
- k) Sign Costs Obligations: pursuant to the terms of the Stalking Horse Agreement, and as approved by the Court in the SISF Order, the Agent must reimburse the Stalking Horse for the costs and expenses incurred by the Stalking Horse for the signage and advertising in connection with the sale to a maximum of \$175,000. In exchange, the Stalking Horse agreed to provide the signage and other promotional materials to the Agent.
- l) Conditions: the only material condition precedent to the transaction is entry of the Approval Order, which must include the Agent's Charge;

- m) Sales Guidelines: the Sale Guidelines are attached as Exhibit 8.1 to the Agency Agreement. The Sale Guidelines provide:
- the Sale will be conducted in accordance with the terms of the applicable leases or other occupancy agreements, except as provided for in any Court Order or any written agreement between the Company and a landlord;
 - the Sale shall be conducted so that each of the stores remain open during their normal hours of operation provided in their respective leases;
 - the Sale shall end by no later than June 30, 2016;
 - all display and hanging signs used by the Agent in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. No signs shall advertise the Sale as a "bankruptcy", or a "liquidation" sale;
 - at the conclusion of the Sale in each store, the Agent and the Company shall leave the premises in a "broom-swept" and clean condition, and shall arrange that the stores are in the same condition on exit as on the commencement of the Sale, ordinary wear and tear excepted;
 - the Agent shall be entitled to include in the Sale the Additional Merchandise, subject to certain limitations; and
 - the Company and the Agent shall not conduct any auctions of Merchandise or FF&E at any of the stores.
- n) Agent's Charge: The Agent's Charge is to be a first ranking Court-ordered charge in favour of the Agent on all Merchandise, the Additional Merchandise, the Proceeds, the FF&E Proceeds and the Agent's share of the proceeds from the sale of Merchant Consignment Goods in order to secure all amounts owing to the Agent under the Agency Agreement. The Agent's Charge is to rank in priority to all of the Company's existing registered security interests and any charges approved or to be approved by the Court in this proceeding, provided that the Agent's Charge shall be subordinated to all encumbrances to the extent of any unpaid entitlements due to the Company under the Agency Agreement.
- o) Other:
- The Agency Agreement is consistent with standard insolvency transactions, i.e. to be completed on an "as is, where is" basis, without any material representations or warranties. All sales of Merchandise are to be on the same terms;

- To the extent that Merchandise remains at the end of the sale, the Company will transfer such inventory to the Agent free and clear of all encumbrances; and
 - The Agent is required to give the Company seven days' notice of its intention to discontinue its use of a store location.
2. Pursuant to the SISP Order, if the Stalking Horse is not the Successful Bidder, the Court authorized and directed the Company to pay the Stalking Horse a break fee of \$250,000 and to reimburse the costs and expenses of the Stalking Horse to a maximum of \$100,000.
 3. A copy of the Agency Agreement is attached as Appendix "C".

3.7 Confidential Appendix

1. The Proposal Trustee supports the sealing of the Offer Summary since, as discussed in Section 3.10 below, the Company continues to negotiate with interested parties that submitted Sale Bids. In certain cases, the assets sought by prospective purchasers overlap. The release of the Offer Summary could negatively impact realizations.
2. The Proposal Trustee is not aware of any party that will be prejudiced if the Offer Summary is sealed. Accordingly, the Proposal Trustee believes the proposed Sealing Order is appropriate in the circumstances.

3.8 The Back-Up Bid

1. The terms of the Back-Up Bid are to be the same as those of the Successful Bid, except that Tiger/Yellen has guaranteed that the Company will receive a guaranteed payment of 119.5% of the aggregate cost value of the Merchandise as compared to 119.7% in the Successful Bid. The Company is not seeking Court-approval of the Back-Up Bid at this time, nor has a Back-up agreement been executed as of the date of this Report. Pursuant to the SISP Procedures, the Back-Up Bid is to remain open for acceptance by the Company until 5:00 pm EST on March 14, 2016.

3.9 Proposal Trustee's Recommendation

1. Section 65.13(4) of the BIA sets out factors that the Court is to consider in determining whether to authorize the sale of a company's assets outside of the normal course where an NOI has been filed. The applicable factors, and the Proposal Trustee's comments thereon, are as follows:
 - a) *Whether the process leading to the proposed sale or disposition was reasonable in the circumstances*
 - In the Proposal Trustee's view, the SISP was commercially reasonable and was carried out in accordance with the SISP Order;

- in the Proposal Trustee's view, the duration of the SISP was sufficient to allow interested parties to perform diligence, submit offers and maximize recoveries. The Proposal Trustee does not believe that continuing the SISP would yield a superior result. Many of the parties that were contacted by the Financial Advisor were familiar with this opportunity given their participation in the 2015 Solicitation Process and in the Stalking Horse Process. In addition, given the seasonality of the Company's business – the Fall and Winter seasons are the Company's strongest – the realizable value of the Company's inventory will depreciate significantly in the near term. The Company's projected losses are forecasted to be \$5.3 million during March, April and May, 2016. These losses would erode recoveries and are expected to continue after May, 2016;
 - there was significant interest in the SISP, which culminated in a competitive auction among three of the largest and most well-known professional liquidators; and
 - the auction resulted in a transaction with a value that far exceeded the Stalking Horse Agreement.
- b) *Whether the trustee approved the process leading to the proposed sale or disposition*
- The Proposal Trustee assisted the Company to develop the SISP. The First Report includes a recommendation from the Trustee that the Court issue an Order approving the SISP.
- c) *Whether the Trustee filed with the Court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy*
- The Proposal Trustee is of the view that the Transaction would be more beneficial to the Company's creditors than a sale under a bankruptcy.
- d) *The extent to which the creditors were consulted*
- The Company has provided notice to all parties on the service list, including landlords and secured creditors;
 - all known creditors received notice of these proceedings through the statutory mailing to creditors;
 - creditors also had knowledge of these proceedings based on media attention due to the Company's high profile and its press releases as a public company; and

- the Company has had a dialogue with legal counsel for certain of the Company's major landlords, including feedback from them on the Sale Guidelines.
- e) *The effects of the proposed sale or disposition on the creditors and other interested parties*
- In the Trustee's view, the Agency Agreement represents the best possible transaction for the Company in the circumstances and maximizes recoveries. If the Transaction is not approved and the SISP were to continue, the projected losses over the next three months (and thereafter) would reduce the amounts available for distribution;
 - the Transaction provides certainty for the Company's stakeholders, including the landlords, as to, *inter alia*, the duration of the liquidation process; and
 - the Transaction is limited to the Merchandise and FF&E. The Company has received expressions of interest for intellectual property and other assets. The Company is continuing to explore transactions for these assets.
- f) *Whether the consideration to be received for the assets is reasonable and fair, taking into account their market value*
- The Company, through the Financial Advisor and OCI, extensively canvassed the market and the Agency Agreement represents the highest and best bid submitted. The Guaranty Percentage (as defined in the Agency Agreement) represents an increase of approximately 27% over the Guaranty Percentage in the Stalking Horse Agreement; and
 - the Proposal Trustee, in consultation with the Company and the Financial Advisor, determined that the Transaction maximizes value for the Merchandise and the FF&E, while providing the flexibility to explore transactions for other assets.
2. Based on the foregoing, the Proposal Trustee recommends the Court make an Order approving the Agency Agreement and the Transaction and granting the Agent's Charge.

3.10 Sale Bids

1. Sale Bids were received for certain of the Company's real property leases, certain raw material inventory and the Company's intellectual property, subject to some overlap among the bids. All of the Sale Bids for the Company's real property leases are conditional and require negotiation with the applicable landlords and consultation with the Agent. The Company and the Financial Advisor, with the assistance of the Proposal Trustee, are negotiating certain of the Sale Bids. They are also working to identify other transactions that will preserve some or all of the Company's business, including a number of locations and the "Danier" brand.

4.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1(f) of this Report.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DANIER LEATHER INC.
AND NOT IN ITS PERSONAL CAPACITY**