



**Sixth Report to Court of
KSV Kofman Inc. as
Trustee in Bankruptcy of
Danier Leather Inc.**

February 1, 2018

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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF DANIER LEATHER INC.

SIXTH REPORT OF KSV KOFMAN INC. AS TRUSTEE IN BANKRUPTCY OF
DANIER LEATHER INC.

FEBRUARY 1, 2018

1.0 Introduction

1. On February 4, 2016, Danier Leather Inc. (the "Company" or "Danier") filed a Notice of Intention to Make a Proposal (the "NOI") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), 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) (the "Court") made on February 8, 2016, the Company, with the assistance of its financial advisor, Consensus Advisory Services LLC and Consensus Securities LLC (collectively the "Financial Advisor"), and the Proposal Trustee, carried out a sale and investor solicitation process (the "SISP").
3. On March 2, 2016, the Court granted Danier an extension to March 23, 2016 to file a proposal with the Official Receiver under Section 62(1) of the BIA.
4. On March 17, 2016, the Board of Directors (the "Board") passed a resolution pursuant to which the Company made an assignment in bankruptcy on March 21, 2016 and KSV was appointed as trustee in bankruptcy (the "Trustee"). The appointment of KSV as Trustee was affirmed at the First Meeting of Creditors, which was held on April 11, 2016.
5. Pursuant to an Order of the Court made on March 21, 2016, KSV was appointed receiver (the "Receiver") of the Company's property, assets and undertaking under Section 101 of the *Courts of Justice Act*, R.S.O. 190, c. C.43, as amended (the "Receivership Order").

6. The NOI, bankruptcy and receivership proceedings are collectively referred to in this report (the "Report") as the "Insolvency Proceedings".
7. This Report is filed by KSV in its capacity as Trustee.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information regarding the Company, including the events leading to the commencement of the Insolvency Proceedings;
 - b) summarize key events during the Insolvency Proceedings;
 - c) seek the authorization and direction of this Court to make one or more distributions to the Company's shareholders (the "Shareholders") of the surplus funds remaining in the Company's estate bank accounts after the payment of all proven claims, including statutory interest thereon, and all professional costs (the "Surplus"); and
 - d) recommend that this Court issue an order, *inter alia*:
 - i. authorizing and directing the Trustee to distribute the Surplus to the Shareholders (the "Distribution"); and
 - ii. deeming \$11,218,973 of the Distribution to be a reduction of the Company's stated capital (and therefore a reduction of paid up capital ("PUC") for tax purposes) and the remainder of the Distribution to be a dividend.

1.2 Currency

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

1.3 Restrictions

1. In preparing this Report, the Trustee has relied upon the Company's unaudited financial information, books and records of the Company and discussions with the Company's representatives. The Trustee has not performed an audit or other verification of such information. The Trustee expresses no opinion or other assurance with respect to the financial information presented in this Report. Any party wishing to place reliance on the Company's financial information is encouraged to perform its own diligence and any reliance placed by any party on the information herein shall not be considered sufficient for any purpose whatsoever.
2. In order to determine the stated capital and the PUC, the Trustee has relied on the work performed by PricewaterhouseCoopers LLP ("PwC"), the Company's former auditor and tax advisor. PwC's calculations are subject to its own assumptions, which are detailed in its memorandum, attached hereto as Appendix "A" (the "PwC Memo") and discussed further in Section 5.0 below.

2.0 Background

2.1 Corporate Matters

1. The Company was founded in 1972 under the *Business Corporations Act* (Ontario) ("OBCA").
2. On May 20, 1998, through an initial public offering (the "IPO"), the Company issued 6,040,000 subordinated voting shares ("SV Shares") to the public. The SV Shares were listed and posted for trading on the Toronto Stock Exchange ("TSX"). During the period between 2010 and 2014, the Company purchased some of the SV Shares for cancellation in a series of issuer bids.
3. In addition to the SV Shares, in connection with the IPO, the Company issued multiple voting shares ("MV Shares") to Jeffrey Wortsman, the Company's former President and Chief Executive Officer ("CEO"). Mr. Wortsman was also a director of the Company.
4. Immediately prior to the Company's bankruptcy, Danier had 3,854,168 issued and outstanding shares, comprised of 1,224,329 MV Shares and 2,629,839 SV Shares.
5. Pursuant to a trust agreement, the MV Shares automatically converted to SV Shares, on a one-to-one basis, upon Mr. Wortsman ceasing to be an officer or director of the Company. Mr. Wortsman resigned as an officer and director on March 17, 2016; his resignation became effective on the bankruptcy of the Company. As a result, there are now 3,854,168 SV Shares and no MV Shares.
6. In addition to Mr. Wortsman, the other directors of the Company also resigned on March 17, 2016, which resignations also became effective on the bankruptcy of the Company.
7. On February 4, 2016, the Investment Regulatory Organization of Canada issued a cease trade order in respect of the SV Shares and on March 17, 2016, the SV Shares were suspended from trading and delisted from the TSX.
8. On February 17, 2016, the Company's principal securities regulator, the Ontario Securities Commission (the "OSC"), issued a cease trade order that ceased trading in the Company's securities; additional cease trade orders were issued by the Manitoba Securities Commission, the Autorité des marchés financiers (Québec) and the British Columbia Securities Commission on February 24, 2016, March 3, 2016 and April 6, 2016, respectively.
9. Since the bankruptcy of the Company, to the knowledge of KSV in its capacity as the Trustee, none of the SV Shares have changed registered title and, accordingly, there continue to be 3,854,168 SV Shares issued and outstanding on the share register of the Company, other than a transfer of registered title to the SV Shares held by the CEO to a personal wholly-owned holding company of the CEO, which trade was granted exemptive relief by the OSC pursuant to a partial revocation of the OSC's cease trade order, by order dated March 22, 2017.

2.2 Financial Information

2.2.1 Operating Results

1. During the fiscal years ending 2014 and 2015 and the interim period ending December 26, 2015, the Company incurred operating losses of approximately \$29 million, resulting from, *inter alia*, operational challenges, increased competition from United States retailers and macroeconomic factors impacting Canadian retailers. In addition, the Company was projecting that it would incur significant operating losses for the balance of the 2016 fiscal year. A summary of the Company's results for its fiscal years ending June 28, 2014 and June 27, 2015, and its interim results for the six months ending December 26, 2015 are provided in the table below¹.

(\$000s; consolidated)	6 months ending December 26, 2015 (unaudited)	12 months ending June 27, 2015 (audited)	12 months ending June 28, 2014 (audited)
Revenue	70,870	126,046	141,930
Cost of sales	37,139	70,226	73,697
Gross margin	33,731	55,820	68,233
Gross margin (%)	47.6%	44.3%	48.1%
Selling, general and administrative	34,759	72,898	77,110
Other	359	2,791	(1,214)
Operating loss	(1,387)	(19,869)	(7,663)
Gain on sale of the St. Clair Facility	7,066	-	-
Net income/(loss)	5,679	(19,869)	(7,663)

2.2.2 Liquidity

1. The Company financed its business through a senior secured revolving asset based facility with the Canadian Imperial Bank of Commerce (the "ABL Facility"). In the normal course, the Company drew on the ABL Facility during the spring season in order to purchase inventory for the fall and winter seasons.
2. In March, 2016, the Company projected that it would breach its minimum tangible net worth covenant under its ABL Facility by no later than its fiscal year end, being June 26, 2016. Based on those projections, and its historical losses, the Company was uncertain that it would continue to have access to its ABL Facility for the latter half of 2016, which would impact its ability to continue as a going concern. The Company and its Board were also concerned that the loss of the ABL Facility would mean that the Company would not be able to pay for orders placed in the spring of fiscal 2017 but delivered later in the calendar year. The Trustee understands that the Board was concerned about incurring obligations that it felt the Company may not have been able to pay.

¹ The fiscal year of the Company ends on the last Saturday of June each year.

2.2.3 Previously Filed Financial Information

1. A report filed in these proceedings by the Proposal Trustee dated February 5, 2016 (the "Proposal Trustee's Report") provided background information concerning the Company, including historical financial information. A copy of the Proposal Trustee's Report, without appendices, is provided in Appendix "B". Additionally, background and financial information was also provided in the February 4, 2016 affidavit of Mr. Brent Houlden, the Company's former Chief Financial Officer (the "Houlden Affidavit"). The Houlden Affidavit was part of the Company's Motion Record dated February 4, 2016 and is attached as Appendix "C", without exhibits.

2.3 Employees

1. At the date of the bankruptcy, the Company employed approximately nine hundred and fifty (950) employees ("Employees"), all of whom were terminated automatically as a result of the bankruptcy. Pursuant to the terms of the Receivership Order, the Receiver engaged the majority of the Employees on a day-to-day, term and task basis to assist in the liquidation and wind-down of the Company's business. The Employees were not unionized and the Company did not maintain a pension plan.

2.4 Representative Counsel

1. On May 18, 2016, the Court made an order appointing Koskie Minsky LLP as Representative Counsel for the Employees (the "Representative Counsel Order"). Representative Counsel represents all Employees, other than Mr. Wortsman and a small number of employees with *de minimis* claims who opted out of representation in accordance with the Representative Counsel Order.
2. Pursuant to the Representative Counsel Order, Representative Counsel was authorized to determine, advance or compromise any claim made by Employees against the Company, subject to Court approval.

2.5 Pre-Insolvency Restructuring Efforts

1. In November 2014, the Company formed a special committee of the Board (the "Special Committee") to consider strategic initiatives. One of the initiatives of the Special Committee was to engage the Financial Advisor to conduct a sales and investment solicitation process (the "2015 Solicitation Process"). The 2015 Solicitation Process did not generate any acceptable offers. Further details concerning the 2015 Solicitation Process are provided in the Houlden Affidavit.
2. On December 31, 2015, the Company re-engaged the Financial Advisor to conduct a SISP on the basis that its mandate would continue in the event that a NOI was filed by the Company.
3. In addition to the Financial Advisor, the Company also engaged OCI Inc. to market the Company and its business in China, India, Qatar and the United Arab Emirates.

4. The SISP did not generate any viable going concern bids. The best offer in the SISP was submitted by a contractual joint venture comprised of Merchant Retail Solutions, ULC and Gordon Brothers Canada ULC (jointly, the "Agent"). The Company and the Agent entered into an Agency Agreement dated March 1, 2016 (the "Agency Agreement") pursuant to which the Agent sold the Company's inventory, furniture, fixtures and equipment in 76 of its store locations (the "Transaction"). The Court approved the Agency Agreement on March 7, 2016 and the Transaction was completed on May 9, 2016.
5. In addition to the proceeds from the liquidation, additional realizations were generated from the sale of the Company's intellectual property and the assignment of three (3) of the Company's leasehold interests.

3.0 Proven Creditor Claims

1. A summary of the proven creditor claims is as follows:

	(\$)
Preferred claims (landlords)	2,051,737
Ordinary claims – Employees	10,572,511
Ordinary claims – non-Employees	5,244,093
	<u>17,868,341</u>

2. Employees' wage arrears and accrued vacation pay were paid in full by the Receiver. Substantially all of the employee claims referenced above relate to severance pay, termination pay, bonuses and benefits.
3. All proven creditor claims have also been paid in full, together with statutory interest of 5% per annum, as required under Section 143 of the BIA. Total interest paid to creditors was \$1,065,612.
4. Section 149 Notices were sent to the Canada Revenue Agency ("CRA") in June 2016. No claims have been filed by CRA and the time limits for it to file a claim have long expired. The tax returns of the Company have been filed and assessments for 2016 (both pre-bankruptcy and post-bankruptcy periods) have been issued. No taxes are owing and the Company has millions of dollars of tax losses.

4.0 Surplus Funds

1. Attached as Appendix "D" is the Interim Statement of Receipts and Disbursements for the period from March 21, 2016 to December 31, 2017 ("R&D"), combining the activities of the Receiver and the Trustee. Prior to the finalization of the estate, the Trustee will prepare the Trustee's Final Statement of Receipts and Disbursements for approval of the Inspectors and the Court.
2. As set out in the R&D, the funds on hand as at December 31, 2017 totalled \$15,871,276.

3. Attached as Appendix “E” is a schedule of the estimated Surplus that is anticipated to be available for distribution to the Shareholders, indicating a Surplus of approximately \$14.85 million, or \$3.85 per share. The calculation of the Surplus is net of all projected fees and expenses of the Receiver, the Trustee and its professional advisors incurred or to be incurred in respect of the matters described in this Report.

5.0 Corporate Tax Matters

1. The Trustee has filed the Company’s corporate tax returns for the following periods:
 - a) June 27, 2015 to March 20, 2016 – being the commencement of the Company’s last fiscal year prior to the bankruptcy to the day immediately prior to the Company’s bankruptcy; and
 - b) March 21, 2016 to October 31, 2016 – being the bankruptcy date to the Company’s new year-end (collectively the “Tax Returns”).
2. The Tax Returns have been assessed by CRA and no taxes are owing. As of October 31, 2016, the Company had non-capital tax loss carry forwards of approximately \$22 million.
3. There are no overdue tax returns. The next tax return will be due by May 31, 2018 for the year ended October 31, 2017. The Trustee has engaged PwC to prepare the tax return for the year ended October 31, 2017.
4. As the Company generated virtually no revenue subsequent to October 31, 2016 and has in excess of \$22 million of non-capital loss carry forwards as at October 31, 2016, the Trustee expects that there will be no corporate income tax liabilities in future periods.
5. The Trustee also engaged PwC to determine the Company’s stated capital and PUC. A distribution of PUC is generally not taxable to the Shareholders under the *Income Tax Act* (Canada) (the “ITA”), but reduces the Shareholders’ tax cost in their Company shares. If the reduction in tax cost results in a Canadian resident Shareholder’s tax cost becoming negative, the Canadian resident Shareholder will generally have a capital gain.
6. Stated capital is a concept under the OBCA. The calculation of PUC for the purposes of the ITA starts with stated capital under the applicable corporate law (in Danier’s case, the OBCA), which is then subject to certain potential downward adjustments under the ITA to arrive at PUC.
7. A distribution of stated capital under the OBCA will be treated as a distribution of PUC (to the extent thereof) for the purposes of the ITA.
8. As detailed in the PwC Memo, PwC has determined that the PUC attributable to the SV Shares is \$11,218,973. The PwC Memo outlines the methodology and calculation of the PUC.

6.0 Distribution to Shareholders

6.1 BIA

1. Pursuant to Section 144 of the BIA, the bankrupt is entitled to the surplus remaining after payment in full of the bankrupt's creditors, with interest, and costs of the bankruptcy proceedings.
2. Danier is a public company, currently without officers or directors. Consequently, there is no legal representative of the Company to whom the Trustee can distribute the Surplus.
3. As the Company has no business operations or business assets, the Trustee is of the view that the Surplus should be distributed to the Company's Shareholders.

6.2 Income Tax Treatment of the Distribution to Shareholders

1. In order to allow for the most favourable tax treatment of the Surplus distribution to the Shareholders, the Trustee proposes to first distribute to the Shareholders a portion of the Surplus equal to the PUC (\$11,218,973) by way of a reduction of stated capital, with the balance distributed to the Shareholders as a taxable dividend.

6.3 Corporate and Securities Law Requirements

1. Pursuant to the OBCA and securities laws, the normal requirements to make a distribution to shareholders include the following:
 - a) a special resolution of the shareholders to reduce the stated capital of the corporation for any purpose, including to distribute to holders of shares an amount not exceeding the stated capital of the class;
 - b) submission of the special resolution of the shareholders either to a special meeting of shareholders duly called to consider the business and passed by at least two-thirds of the votes cast by shareholders at the meeting or passed in writing;
 - c) a resolution of the directors fixing a record date for a distribution and any meeting of shareholders; and
 - d) preparation under the oversight of its management and directors of a notice of meeting and management information circular and other proxy-related materials for any meeting of shareholders (which circular must be certified by the directors of the Company).

2. Calling a meeting of the Shareholders for the purposes of reducing the Company's stated capital, paying a dividend or electing directors to authorize the payment of a dividend and oversee the formalities and disclosure documents required in respect of a meeting of Shareholders would be costly and would serve no practical purpose as there is no other reasonable use of the Surplus other than a distribution to the Shareholders. It is also impractical to seek a special resolution of the Shareholders in writing given the majority of the Company's shares are held by The Canadian Depository for Securities Limited for beneficial shareholders, many of which are "objecting beneficial owners" under applicable securities laws, who are unknown and cannot be determined by the Company. It is in the Company's and the Shareholders' best interests to maximize the Distribution and facilitate the Distribution as swiftly as possible, particularly since the Shareholders are ultimately entitled to the Surplus remaining in the Company's estate.

6.4 Trustee's Proposed Action

1. The Trustee proposes, subject to approval and direction of the Court, to distribute the Surplus to the Shareholders in one or more distributions, as follows:
 - a) a return of stated capital to Shareholders in the amount of \$11,218,973, being the PUC of the SV Shares as a class; and
 - b) the payment of a dividend to Shareholders for the balance of the Surplus and of any amounts, if any, retained by the Trustee to complete these proceedings, including the fees and costs of the professionals involved.
2. In contemplation of obtaining an order authorizing and directing the Trustee to distribute the Surplus to the Shareholders, the Trustee has:
 - a) engaged Computershare Investor Services Inc. ("Computershare") as its paying agent. A copy of the Paying Agent Agreement is attached as Appendix "F". The Court approved the retention of Computershare on December 8, 2017 ("Computershare Order"). A copy of the Computershare Order is attached as Appendix "G"; and
 - b) obtained approval of the Distribution motion from the Company's Inspectors on January 31, 2018.

3. In addition, the Trustee will be serving the relevant regulatory authorities, including the OSC, the Director under the OBCA, the Superintendent under the BIA, the Public Guardian and Trustee, and the CRA of the Trustee's proposed actions, as set out herein.

7.0 Conclusion and Recommendation

1. The Trustee recommends that the Court make an order authorizing the Trustee to distribute the Surplus to Shareholders on the basis described herein for the following reasons:
 - a) all proven creditor claims have been paid in full, together with interest thereon, pursuant to Section 143 of the BIA;
 - b) the Company is entitled to the surplus pursuant to Section 144 of the BIA;
 - c) the Company is no longer operating and there is no other use for the monies to be distributed to Shareholders;
 - d) the calling and holding of a Shareholders' meeting for the purposes of re-establishing a board of directors or passing one or more resolutions to make the Distribution would be costly and provide no practical benefit to the Shareholders; and
 - e) the most expedient and cost-efficient manner to make the Distribution is through the procedures detailed in this Report.

* * *

All of which is respectfully submitted,



**KSV KOFMAN INC.
SOLELY IN ITS CAPACITY AS TRUSTEE IN BANKRUPTCY OF
DANIER LEATHER INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”



Memo

To: / Location: KSV Advisory Inc.

From: / Location: PricewaterhouseCoopers LLP

Date: November 7, 2017

Subject: **Danier Leather Inc. – Paid-up Capital Calculation**

Overview

PwC has prepared paid-up capital ("PUC") calculations using PUC averaging rules to estimate the PUC of the subordinate voting shares (the "Subordinate Voting Shares") of Danier Leather Inc. ("Danier") up to March 21, 2016, the date Danier filed an assignment in bankruptcy and KSV Kofman Inc. was appointed the bankruptcy trustee of Danier. In connection with its assignment in bankruptcy, we understand that Danier's Subordinate Voting Shares were delisted from the Toronto Stock Exchange ("TSX") and cease traded by the applicable securities regulatory authorities. As a result, we understand there were no share issuances or repurchases following Danier's assignment in bankruptcy. Effective as of the date of assignment in bankruptcy, the previously outstanding 1,224,329 Multiple Voting Shares of Danier were converted on a one-for-one basis into Subordinate Voting Shares of Danier, which conversion has been taken into account in preparing the PUC calculations set out herein. All figures contained herein are subject to several assumptions as listed in the "General Assumptions" section of this memorandum.

Refer to Appendix 1 for the detailed calculation and the "Summary of Analysis" section of this memo for an abbreviated calculation.

Summary of Analysis

Subordinate Voting Shares		
Total # of shares	Aggregate PUC	PUC / Share
3,854,168	\$ 11,218,973	\$ 2.91
3,854,168	\$ 11,218,973	

PricewaterhouseCoopers LLP

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General Assumptions

- 1) PwC used financial statements of Danier, supporting work papers, Danier's share registers and share ledgers, legal documents (including officer's certificates and resolutions of the board of directors of Danier passed in connection with, and subsequent to, its Initial Public Offering ("IPO") on May 20, 1998 relating to issuances of securities and reductions of capital), where available, and other relevant documents contained in Danier's minute books, as the basis for preparing the PUC calculations for Danier. The analysis was supplemented with information contained in the records of the TSX relating to grants and exercises of stock options exercisable to acquire Subordinate Voting Shares, repurchases of securities by Danier under Normal Course Issuer Bids and Substantial Issuer Bids, as well as an internal stock option continuity schedule prepared by former management personnel at Danier. We note that Danier board resolutions relating to the issuance of Subordinate Voting Shares pursuant to the exercise of stock options were not prepared or available. As the starting point for calculating the PUC of shares is the legal stated capital amount of the shares as stated for corporate law purposes, where this information was not available, we have made various assumptions as detailed below.
- 2) PwC has assumed that all additions to the share capital per the financial statements reflect what was added to the legal stated capital of the shares issued unless otherwise stated below.
- 3) PwC has assumed that all outstanding shares are reflected in the financial statements and all amounts in the financial statements are accurate unless otherwise stated.
- 4) In the calculation, the column "Increase/(Decrease) to PUC" refers to consideration contributed or redeemed by the shareholder.
 - Per S. 89(1) of the Income Tax Act (the "Act"), the PUC per share is the same for all shareholders in a class of shares.
 - PwC has reflected this in the "Aggregate PUC" column designed to best replicate the PUC averaging rules.
- 5) PwC has assumed the exercise price paid on the exercise of stock options was added to the legal stated capital of the shares.
 - Refer to general assumption #1 for additional details.
- 6) PwC has assumed that all stock options exercised and Subordinate Voting Shares repurchased under Danier's Normal Course Issuer Bids and Substantial Issuer Bids occurred in the time sequence shown on the "Total Capitalization Transactions with Comments" schedule published by the TSX. The amount of PUC removed from the class of shares upon redemption is equal to the amount of shares redeemed multiplied by the PUC/ share during the period immediately before the transaction. The exercise price was used to calculate the amount to be added to PUC for the stock options exercised and we assumed this amount was added to the legal stated capital of the shares. Where the "Total Capitalization Transactions with Comments" schedule did not verify the exercise price, PwC attempted



to trace stock exercises to supporting documentation in the TSX schedule. Where exercise price information and date of stock options exercised was still not available, PwC referred to an option continuity schedule prepared by the former management of Danier.

- 7) Based on historical resolutions of Danier relating to its IPO, PwC has assumed the PUC of the Multiple Voting Shares immediately before the IPO was \$12.00 in aggregate. Therefore, PwC has not performed a detailed calculation of the PUC of the Multiple Voting Shares or any preceding class of shares before the IPO.
- 8) PwC has assumed the shares acquired by Danier via Substantial Issuer Bids and Normal Course Issuer Bids had their legal stated capital reduced by the legal stated capital of the shares redeemed and subsequently cancelled by Danier. Accordingly, PUC for the shares has been reduced to reflect the assumed reduction in the legal stated capital.
- 9) PwC has assumed any subsidiaries of Danier have never had an impact on the PUC of any class of shares of Danier.
- 10) PwC has assumed that the reduction of the legal stated capital account for Danier's Subordinate Voting Shares of \$42,745,605 in connection with its IPO would constitute a reduction of the PUC of that class of shares.

Appendix 1:

Denier Leather Inc.

Paid-Up Capital ("PUC") - Calculations (in C\$) to March 21, 2016

Transaction #	Relevant Dates	Notes	Transaction / Step Descriptions	Increase/ (Decrease) to # of Shares	Total # of shares	(In CAD) Increase/ (Decrease) to PUC	(In CAD) Aggregate PUC	(In CAD) PUC / Share
Multiple Voting Shares								
1	FY 1998		3,608,748 common shares were converted into 1,224,329 Multiple Voting Shares	1,224,329	1,224,329	12	12	0.00
				1,224,329	1,224,329	12	12	0.00
2	FY 1999		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
3	FY 2000		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
4	FY 2001		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
5	FY 2002		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
6	FY 2003		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
7	FY 2004		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
8	FY 2005		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
9	FY 2006		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
10	FY 2007		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
11	FY 2008		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
12	FY 2009		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
13	FY 2010		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
14	FY 2011		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
15	FY 2012		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
16	FY 2013		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
17	FY 2014		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
18	FY 2015		-	0	1,224,329	0	12	0.00
				0	1,224,329	0	12	0.00
19	31-Mar-16		1,224,329 Multiple Voting Shares were converted to 1,224,329 Subordinate Voting Shares	(1,224,329)	0	(12)	0	0.00
				(1,224,329)	0	(12)	0	0.00
Subordinate Voting Shares								
1	FY 1998			6,040,000	6,040,000	67,950,000	67,950,000	11.25
	20-May-98	Note 1	Issuance of 6,040,000 Subordinate Voting Shares at \$11.25/share	6,040,000	6,040,000	67,950,000	67,950,000	11.25
2	FY 1998			0	6,040,000	(42,745,605)	25,204,395	4.17
	20-May-98	Note 1	Reduction of stated capital to eliminate deficit	0	6,040,000	(42,745,605)	25,204,395	4.17
3	FY 1999			0	6,040,000	0	25,204,395	4.17
				0	6,040,000	0	25,204,395	4.17
4	FY 2000			(34,100)	6,005,900	(142,296)	25,062,099	4.17
	31-Jan-00		Shares Repurchased	(34,100)	6,005,900	(142,296)	25,062,099	4.17
5	FY 2000			(29,000)	5,976,900	(121,014)	24,941,084	4.17
	29-Feb-00		Shares Repurchased	(29,000)	5,976,900	(121,014)	24,941,084	4.17
6	FY 2000			(3,000)	5,973,900	(12,519)	24,928,565	4.17
	31-Mar-00		Shares Repurchased	(3,000)	5,973,900	(12,519)	24,928,565	4.17
7	FY 2000			(34,500)	5,939,400	(143,968)	24,784,600	4.17
	30-Apr-00		Shares Repurchased	(34,500)	5,939,400	(143,968)	24,784,600	4.17
8	FY 2000			(85,600)	5,853,800	(358,036)	24,426,564	4.17
	31-May-00		Shares Repurchased	(85,600)	5,853,800	(358,036)	24,426,564	4.17
9	FY 2001			(65,000)	5,788,800	(271,239)	24,155,325	4.17
	30-Jun-00		Shares Repurchased	(65,000)	5,788,800	(271,239)	24,155,325	4.17

10	FY 2001 31-Aug-00	Shares Repurchased	(19,600) (19,600)	5,769,000 5,769,000	(61,789) (61,789)	24,073,536 24,073,536	4.17 4.17
11	FY 2001 30-Sep-00	Shares Repurchased	(38,300) (38,300)	5,730,700 5,730,700	(159,623) (159,623)	23,913,713 23,913,713	4.17 4.17
12	FY 2001 31-Oct-00	Shares Repurchased	(11,900) (11,900)	5,718,800 5,718,800	(49,658) (49,658)	23,864,055 23,864,055	4.17 4.17
13	FY 2001 30-Nov-00	Shares Repurchased	(20,500) (20,500)	5,698,300 5,698,300	(85,545) (85,545)	23,778,511 23,778,511	4.17 4.17
14	FY 2001 30-Nov-00	Stock Options Exercised	500 500	5,698,800 5,698,800	3,425 3,425	23,781,936 23,781,936	4.17 4.17
15	FY 2001 31-Dec-00	Shares Repurchased	(87,800) (87,800)	5,611,000 5,611,000	(366,402) (366,402)	23,415,533 23,415,533	4.17 4.17
16	FY 2002 17-Aug-01	Stock Options Exercised	4,000 4,000	5,615,000 5,615,000	24,080 24,080	23,439,613 23,439,613	4.17 4.17
17	FY 2002 30-Nov-01	Stock Options Exercised	1,125 1,125	5,616,125 5,616,125	7,706 7,706	23,447,319 23,447,319	4.17 4.17
18	FY 2002 8-Feb-02	Stock Options Exercised	1,375 1,375	5,617,500 5,617,500	9,419 9,419	23,456,738 23,456,738	4.18 4.18
19	FY 2002 3-May-02	Stock Options Exercised	39,875 39,875	5,657,375 5,657,375	273,144 273,144	23,729,882 23,729,882	4.19 4.19
20	FY 2002	Stock Options Exercised	6,500 6,500	5,663,875 5,663,875	39,130 39,130	23,769,012 23,769,012	4.20 4.20
21	FY 2002	Stock Options Exercised	1,750 1,750	5,665,625 5,665,625	19,688 19,688	23,788,699 23,788,699	4.20 4.20
22	FY 2002	Stock Options Exercised	1,750 1,750	5,667,375 5,667,375	18,200 18,200	23,806,899 23,806,899	4.20 4.20
23	FY 2002 31-May-02	Stock Options Exercised	11,500 11,500	5,678,875 5,678,875	78,775 78,775	23,885,674 23,885,674	4.21 4.21
24	FY 2003 10-Jun-02	Stock Options Exercised	5,000 5,000	5,683,875 5,683,875	34,250 34,250	23,919,924 23,919,924	4.21 4.21
25	FY 2003 30-Aug-02	Stock Options Exercised	250 250	5,684,125 5,684,125	1,713 1,713	23,921,637 23,921,637	4.21 4.21
26	FY 2003 30-Sep-02	Stock Options Exercised	1,200 1,200	5,685,325 5,685,325	8,220 8,220	23,929,857 23,929,857	4.21 4.21
27	FY 2003 30-Nov-02	Stock Options Exercised	1,100 1,100	5,686,425 5,686,425	7,535 7,535	23,937,392 23,937,392	4.21 4.21
28	FY 2003 10-Dec-02	Stock Options Exercised	600 600	5,687,025 5,687,025	4,110 4,110	23,941,502 23,941,502	4.21 4.21
29	FY 2003 31-Jan-03	Stock Options Exercised	5,200 5,200	5,692,225 5,692,225	35,620 35,620	23,977,122 23,977,122	4.21 4.21
30	FY 2003 12-Feb-03	Stock Options Exercised	3,000 3,000	5,695,225 5,695,225	20,550 20,550	23,997,672 23,997,672	4.21 4.21
31	FY 2005 14-Jun-04	Stock Options Exercised	25,000 25,000	5,720,225 5,720,225	171,250 171,250	24,168,922 24,168,922	4.23 4.23
32	FY 2005 31-Aug-04	Stock Options Exercised	2,000 2,000	5,722,225 5,722,225	13,700 13,700	24,182,622 24,182,622	4.23 4.23
33	FY 2005 31-Aug-04	Shares Repurchased	(13,600) (13,600)	5,708,625 5,708,625	(57,475) (57,475)	24,125,147 24,125,147	4.23 4.23
34	FY 2005 30-Sep-04	Shares Repurchased	(65,800) (65,800)	5,642,825 5,642,825	(278,077) (278,077)	23,847,071 23,847,071	4.23 4.23
35	FY 2005 30-Oct-04	Shares Repurchased	(58,900) (58,900)	5,583,925 5,583,925	(248,917) (248,917)	23,598,154 23,598,154	4.23 4.23
36	FY 2005 30-Nov-04	Shares Repurchased	(56,900) (56,900)	5,527,025 5,527,025	(240,464) (240,464)	23,357,690 23,357,690	4.23 4.23
37	FY 2005 30-Dec-04	Shares Repurchased	(48,400) (48,400)	5,478,625 5,478,625	(204,543) (204,543)	23,153,147 23,153,147	4.23 4.23
38	FY 2005 25-Jan-05	Shares Repurchased	(6,300) (6,300)	5,472,325 5,472,325	(26,624) (26,624)	23,126,523 23,126,523	4.23 4.23
39	FY 2005 26-Jan-05	Shares Repurchased	(10,000) (10,000)	5,462,325 5,462,325	(42,261) (42,261)	23,084,262 23,084,262	4.23 4.23
40	FY 2005 27-Jan-05	Shares Repurchased	(57,500) (57,500)	5,404,825 5,404,825	(243,000) (243,000)	22,841,262 22,841,262	4.23 4.23
41	FY 2005 28-Jan-05	Shares Repurchased	(5,000) (5,000)	5,399,825 5,399,825	(21,130) (21,130)	22,820,131 22,820,131	4.23 4.23
42	FY 2005 28-Feb-05	Shares Repurchased	(30,000) (30,000)	5,368,825 5,368,825	(126,783) (126,783)	22,693,349 22,693,349	4.23 4.23
43	FY 2005 4-Mar-05	Shares Repurchased	(1,300) (1,300)	5,368,525 5,368,525	(5,494) (5,494)	22,687,855 22,687,855	4.23 4.23

44	FY 2005 7-Mar-05	Shares Repurchased	(500) (500)	5,368,025 5,368,025	(2,113) (2,113)	22,685,742 22,685,742	4.23 4.23
45	FY 2005 8-Mar-05	Shares Repurchased	(1,600) (1,600)	5,368,425 5,366,425	(6,762) (6,762)	22,678,980 22,678,980	4.23 4.23
46	FY 2005 9-Mar-05	Shares Repurchased	(2,200) (2,200)	5,364,225 5,364,225	(9,297) (9,297)	22,669,683 22,669,683	4.23 4.23
47	FY 2005 10-Mar-05	Shares Repurchased	(5,000) (5,000)	5,359,225 5,359,225	(21,130) (21,130)	22,648,552 22,648,552	4.23 4.23
48	FY 2005 11-Mar-05	Shares Repurchased	(500) (500)	5,358,725 5,358,725	(2,113) (2,113)	22,646,439 22,646,439	4.23 4.23
49	FY 2005 18-Mar-05	Shares Repurchased	(600) (600)	5,358,125 5,358,125	(2,536) (2,536)	22,643,904 22,643,904	4.23 4.23
50	FY 2005 21-Mar-05	Shares Repurchased	(400) (400)	5,357,725 5,357,725	(1,690) (1,690)	22,642,213 22,642,213	4.23 4.23
51	FY 2005 23-Mar-05	Shares Repurchased	(37,900) (37,900)	5,319,825 5,319,825	(160,169) (160,169)	22,482,044 22,482,044	4.23 4.23
52	FY 2005 16-May-05	Stock Options Exercised	2,000 2,000	5,321,825 5,321,825	13,700 13,700	22,495,744 22,495,744	4.23 4.23
53	FY 2006 8-May-06	Stock Options Exercised	7,100 7,100	5,328,925 5,328,925	48,635 48,635	22,544,379 22,544,379	4.23 4.23
54	FY 2007 23-Apr-07	Shares Repurchased	(5,000) (5,000)	5,323,925 5,323,925	(21,153) (21,153)	22,523,227 22,523,227	4.23 4.23
55	FY 2007 24-Apr-07	Shares Repurchased	(99,400) (99,400)	5,224,525 5,224,525	(420,518) (420,518)	22,102,708 22,102,708	4.23 4.23
56	FY 2007 24-May-07	Shares Repurchased	(5,000) (5,000)	5,219,525 5,219,525	(21,153) (21,153)	22,081,555 22,081,555	4.23 4.23
57	FY 2007 28-May-07	Shares Repurchased	(2,000) (2,000)	5,217,525 5,217,525	(8,461) (8,461)	22,073,094 22,073,094	4.23 4.23
58	FY 2007 29-May-07	Shares Repurchased	(2,000) (2,000)	5,215,525 5,215,525	(8,461) (8,461)	22,064,633 22,064,633	4.23 4.23
59	FY 2007 30-May-07	Shares Repurchased	(2,000) (2,000)	5,213,525 5,213,525	(8,461) (8,461)	22,056,172 22,056,172	4.23 4.23
60	FY 2007 31-May-07	Shares Repurchased	(1,500) (1,500)	5,212,025 5,212,025	(6,346) (6,346)	22,049,826 22,049,826	4.23 4.23
61	FY 2007 7-Jun-07	Shares Repurchased	(2,000) (2,000)	5,210,025 5,210,025	(8,461) (8,461)	22,041,365 22,041,365	4.23 4.23
62	FY 2007 8-Jun-07	Shares Repurchased	(2,000) (2,000)	5,208,025 5,208,025	(8,461) (8,461)	22,032,904 22,032,904	4.23 4.23
63	FY 2007 21-Jun-07	Shares Repurchased	(800) (800)	5,207,225 5,207,225	(3,384) (3,384)	22,029,519 22,029,519	4.23 4.23
64	FY 2007 22-Jun-07	Shares Repurchased	(1,800) (1,800)	5,205,425 5,205,425	(7,615) (7,615)	22,021,904 22,021,904	4.23 4.23
65	FY 2007 25-Jun-07	Stock Options Exercised	4,000 4,000	5,209,425 5,209,425	24,080 24,080	22,045,984 22,045,984	4.23 4.23
66	FY 2007 27-Jun-07	Shares Repurchased	(49,100) (49,100)	5,160,325 5,160,325	(207,788) (207,788)	21,838,196 21,838,196	4.23 4.23
67	FY 2007 28-Jun-07	Shares Repurchased	(3,600) (3,600)	5,156,725 5,156,725	(15,235) (15,235)	21,822,961 21,822,961	4.23 4.23
68	FY 2007 29-Jun-07	Shares Repurchased	(500) (500)	5,156,225 5,156,225	(2,116) (2,116)	21,820,845 21,820,845	4.23 4.23
69	FY 2008 27-Aug-07	Shares Repurchased	(1,000) (1,000)	5,155,225 5,155,225	(4,232) (4,232)	21,816,613 21,816,613	4.23 4.23
70	FY 2008 28-Aug-07	Shares Repurchased	(800) (800)	5,154,425 5,154,425	(3,386) (3,386)	21,813,228 21,813,228	4.23 4.23
71	FY 2008 29-Aug-07	Shares Repurchased	(600) (600)	5,153,825 5,153,825	(2,539) (2,539)	21,810,688 21,810,688	4.23 4.23
72	FY 2008 30-Aug-07	Shares Repurchased	(1,000) (1,000)	5,152,825 5,152,825	(4,232) (4,232)	21,806,456 21,806,456	4.23 4.23
73	FY 2008 31-Aug-07	Shares Repurchased	(700) (700)	5,152,125 5,152,125	(2,962) (2,962)	21,803,494 21,803,494	4.23 4.23
74	FY 2008 5-Sep-07	Shares Repurchased	(1,000) (1,000)	5,151,125 5,151,125	(4,232) (4,232)	21,799,262 21,799,262	4.23 4.23
75	FY 2008 6-Sep-07	Shares Repurchased	(800) (800)	5,150,325 5,150,325	(3,386) (3,386)	21,795,877 21,795,877	4.23 4.23
76	FY 2008 10-Sep-07	Shares Repurchased	(500) (500)	5,149,825 5,149,825	(2,116) (2,116)	21,793,761 21,793,761	4.23 4.23
77	FY 2008 11-Sep-07	Shares Repurchased	(500) (500)	5,149,325 5,149,325	(2,116) (2,116)	21,791,645 21,791,645	4.23 4.23

78	FY 2008 13-Sep-07	Shares Repurchased	(600) (600)	5,148,725 5,148,725	(2,539) (2,539)	21,789,105 21,789,105	4.23 4.23
79	FY 2008 21-Sep-07	Shares Repurchased	(2,900) (2,900)	5,148,825 5,145,825	(12,273) (12,273)	21,776,833 21,776,833	4.23 4.23
80	FY 2008 24-Sep-07	Shares Repurchased	(400) (400)	5,145,425 5,145,425	(1,693) (1,693)	21,775,140 21,775,140	4.23 4.23
81	FY 2008 25-Sep-07	Shares Repurchased	(1,000) (1,000)	5,144,425 5,144,425	(4,232) (4,232)	21,770,908 21,770,908	4.23 4.23
82	FY 2008 26-Sep-07	Shares Repurchased	(1,000) (1,000)	5,143,425 5,143,425	(4,232) (4,232)	21,766,676 21,766,676	4.23 4.23
83	FY 2008 22-Oct-07	Stock Options Exercised	375 375	5,143,800 5,143,800	2,569 2,569	21,769,245 21,769,245	4.23 4.23
84	FY 2008 22-Oct-07	Shares Repurchased	(1,000) (1,000)	5,142,800 5,142,800	(4,232) (4,232)	21,765,013 21,765,013	4.23 4.23
85	FY 2008 23-Oct-07	Shares Repurchased	(1,000) (1,000)	5,141,800 5,141,800	(4,232) (4,232)	21,760,781 21,760,781	4.23 4.23
86	FY 2008 24-Oct-07	Shares Repurchased	(1,000) (1,000)	5,140,800 5,140,800	(4,232) (4,232)	21,756,548 21,756,548	4.23 4.23
87	FY 2008 25-Oct-07	Shares Repurchased	(1,000) (1,000)	5,139,800 5,139,800	(4,232) (4,232)	21,752,316 21,752,316	4.23 4.23
88	FY 2008 1-Nov-07	Shares Repurchased	(800) (800)	5,139,000 5,139,000	(3,386) (3,386)	21,748,931 21,748,931	4.23 4.23
89	FY 2008 2-Nov-07	Shares Repurchased	(1,000) (1,000)	5,138,000 5,138,000	(4,232) (4,232)	21,744,699 21,744,699	4.23 4.23
90	FY 2008 5-Nov-07	Stock Options Exercised	9,800 9,800	5,147,800 5,147,800	67,130 67,130	21,811,829 21,811,829	4.24 4.24
91	FY 2008 7-Nov-07	Shares Repurchased	(11,200) (11,200)	5,136,600 5,136,600	(47,456) (47,456)	21,764,373 21,764,373	4.24 4.24
92	FY 2008 8-Nov-07	Shares Repurchased	(3,000) (3,000)	5,133,600 5,133,600	(12,711) (12,711)	21,751,661 21,751,661	4.24 4.24
93	FY 2008 9-Nov-07	Shares Repurchased	(100) (100)	5,133,500 5,133,500	(424) (424)	21,751,238 21,751,238	4.24 4.24
94	FY 2008 12-Nov-07	Shares Repurchased	(1,800) (1,800)	5,131,700 5,131,700	(7,627) (7,627)	21,743,611 21,743,611	4.24 4.24
95	FY 2008 13-Nov-07	Shares Repurchased	(80,000) (80,000)	5,051,700 5,051,700	(338,969) (338,969)	21,404,642 21,404,642	4.24 4.24
96	FY 2008 18-Dec-07	Shares Repurchased	(600) (600)	5,051,100 5,051,100	(2,542) (2,542)	21,402,099 21,402,099	4.24 4.24
97	FY 2008 20-Dec-07	Shares Repurchased	(500) (500)	5,050,600 5,050,600	(2,119) (2,119)	21,399,981 21,399,981	4.24 4.24
98	FY 2008 26-Jan-08	Stock Options Exercised	1,500 1,500	5,052,100 5,052,100	10,275 10,275	21,410,256 21,410,256	4.24 4.24
99	FY 2009 26-Sep-08	Shares Repurchased	(100,000) (100,000)	4,952,100 4,952,100	(423,789) (423,789)	20,986,467 20,986,467	4.24 4.24
100	FY 2009 25-May-09	Shares Repurchased	(1,765) (1,765)	4,950,335 4,950,335	(7,480) (7,480)	20,978,987 20,978,987	4.24 4.24
101	FY 2009 26-May-09	Shares Repurchased	(1,765) (1,765)	4,948,570 4,948,570	(7,480) (7,480)	20,971,507 20,971,507	4.24 4.24
102	FY 2009 27-May-09	Shares Repurchased	(1,000) (1,000)	4,947,570 4,947,570	(4,238) (4,238)	20,967,269 20,967,269	4.24 4.24
103	FY 2009 28-May-09	Shares Repurchased	(1,765) (1,765)	4,945,805 4,945,805	(7,480) (7,480)	20,959,789 20,959,789	4.24 4.24
104	FY 2009 1-Jun-09	Shares Repurchased	(260,865) (260,865)	4,684,940 4,684,940	(1,105,518) (1,105,518)	19,854,271 19,854,271	4.24 4.24
105	FY 2010 29-Oct-09	Stock Options Exercised	5,000 5,000	4,689,940 4,689,940	15,750 15,750	19,870,021 19,870,021	4.24 4.24
106	FY 2010 9-Mar-10	Shares Repurchased	(1,120,000) (1,120,000)	3,569,940 3,569,940	(4,745,140) (4,745,140)	15,124,881 15,124,881	4.24 4.24
107	FY 2010 7-May-10	Shares Repurchased	(184,100) (184,100)	3,385,840 3,385,840	(779,982) (779,982)	14,344,898 14,344,898	4.24 4.24
108	FY 2010 12-May-10	Shares Repurchased	(48,600) (48,600)	3,337,240 3,337,240	(205,905) (205,905)	14,138,993 14,138,993	4.24 4.24
109	FY 2010 13-May-10	Stock Options Exercised	3,300 3,300	3,340,540 3,340,540	10,395 10,395	14,149,388 14,149,388	4.24 4.24
110	FY 2010 14-May-10	Stock Options Exercised	3,300 3,300	3,343,840 3,343,840	10,395 10,395	14,159,783 14,159,783	4.23 4.23
111	FY 2011		6,666	3,350,508	20,998	14,180,781	4.23

	16-Aug-10	Stock Options Exercised	6,666	3,350,506	20,998	14,180,781	4.23
112	FY 2011		5,000	3,355,506	15,750	14,196,531	4.23
	1-Sep-10	Stock Options Exercised	5,000	3,355,506	15,750	14,196,531	4.23
113	FY 2011		6,400	3,363,906	26,460	14,222,991	4.23
	26-Oct-10	Stock Options Exercised	6,400	3,363,906	26,460	14,222,991	4.23
114	FY 2011		26,100	3,390,006	82,215	14,305,206	4.22
	27-Oct-10	Stock Options Exercised	26,100	3,390,006	82,215	14,305,206	4.22
115	FY 2011		8,000	3,398,006	89,600	14,394,806	4.24
	27-Oct-10	Stock Options Exercised	8,000	3,398,006	89,600	14,394,806	4.24
116	FY 2011		4,000	3,402,006	43,840	14,438,646	4.24
	27-Oct-10	Stock Options Exercised	4,000	3,402,006	43,840	14,438,646	4.24
117	FY 2011		1,600	3,403,606	5,040	14,443,686	4.24
	28-Oct-10	Stock Options Exercised	1,600	3,403,606	5,040	14,443,686	4.24
118	FY 2011		2,800	3,406,406	8,820	14,452,506	4.24
	29-Oct-10	Stock Options Exercised	2,800	3,406,406	8,820	14,452,506	4.24
119	FY 2011		53,033	3,459,439	167,054	14,619,560	4.23
	1-Nov-10	Stock Options Exercised	53,033	3,459,439	167,054	14,619,560	4.23
120	FY 2011		2,300	3,461,739	7,245	14,626,805	4.23
	2-Nov-10	Stock Options Exercised	2,300	3,461,739	7,245	14,626,805	4.23
121	FY 2011		6,000	3,466,739	87,680	14,714,485	4.24
	2-Nov-10	Stock Options Exercised	6,000	3,466,739	87,680	14,714,485	4.24
122	FY 2011		8,000	3,477,739	89,600	14,804,085	4.26
	2-Nov-10	Stock Options Exercised	8,000	3,477,739	89,600	14,804,085	4.26
123	FY 2011		10,000	3,487,739	78,000	14,882,085	4.27
	24-Jan-11	Stock Options Exercised	10,000	3,487,739	78,000	14,882,085	4.27
124	FY 2011		9,600	3,497,339	30,240	14,912,325	4.26
	24-Jan-11	Stock Options Exercised	9,600	3,497,339	30,240	14,912,325	4.26
125	FY 2011		15,000	3,512,339	47,250	14,959,575	4.26
	26-Jan-11	Stock Options Exercised	15,000	3,512,339	47,250	14,959,575	4.26
126	FY 2011		5,000	3,517,339	54,800	15,014,375	4.27
	26-Jan-11	Stock Options Exercised	5,000	3,517,339	54,800	15,014,375	4.27
127	FY 2011		4,800	3,522,139	15,120	15,029,495	4.27
	27-Apr-11	Stock Options Exercised	4,800	3,522,139	15,120	15,029,495	4.27
128	FY 2011		6,667	3,528,806	26,468	15,055,963	4.27
	29-Apr-11	Stock Options Exercised	6,667	3,528,806	26,468	15,055,963	4.27
129	FY 2011		(75,000)	3,453,806	(319,994)	14,735,969	4.27
	6-Jun-11	Shares Repurchased	(75,000)	3,453,806	(319,994)	14,735,969	4.27
130	FY 2012		(50,000)	3,403,806	(213,329)	14,522,639	4.27
	16-Aug-11	Shares Repurchased	(50,000)	3,403,806	(213,329)	14,522,639	4.27
131	FY 2012		1,200	3,405,006	3,760	14,526,419	4.27
	9-Nov-11	Stock Options Exercised	1,200	3,405,006	3,760	14,526,419	4.27
132	FY 2012		1,100	3,406,106	3,465	14,529,884	4.27
	11-Nov-11	Stock Options Exercised	1,100	3,406,106	3,465	14,529,884	4.27
133	FY 2012		400	3,406,506	1,260	14,531,144	4.27
	15-Nov-11	Stock Options Exercised	400	3,406,506	1,260	14,531,144	4.27
134	FY 2012		600	3,407,106	1,890	14,533,034	4.27
	16-Nov-11	Stock Options Exercised	600	3,407,106	1,890	14,533,034	4.27
135	FY 2012		400	3,407,506	1,260	14,534,294	4.27
	17-Nov-11	Stock Options Exercised	400	3,407,506	1,260	14,534,294	4.27
136	FY 2012		6,667	3,414,173	26,468	14,560,762	4.26
	3-May-12	Stock Options Exercised	6,667	3,414,173	26,468	14,560,762	4.26
137	FY 2012		6,700	3,420,873	21,105	14,581,867	4.26
	11-Jun-12	Stock Options Exercised	6,700	3,420,873	21,105	14,581,867	4.26
138	FY 2012		1,700	3,422,573	5,355	14,587,222	4.26
	12-Jun-12	Stock Options Exercised	1,700	3,422,573	5,355	14,587,222	4.26
139	FY 2013		(787,401)	2,635,172	(3,355,953)	11,231,270	4.26
	26-Nov-12	Shares Repurchased	(787,401)	2,635,172	(3,355,953)	11,231,270	4.26
140	FY 2013		6,667	2,641,839	26,468	11,257,738	4.26
	1-Feb-13	Stock Options Exercised	6,667	2,641,839	26,468	11,257,738	4.26
141	FY 2013		11,700	2,653,539	36,855	11,294,593	4.26
	14-Feb-13	Stock Options Exercised	11,700	2,653,539	36,855	11,294,593	4.26
142	FY 2013		(25,000)	2,628,539	(106,411)	11,188,182	4.26
	15-Mar-13	Shares Repurchased	(25,000)	2,628,539	(106,411)	11,188,182	4.26
143	FY 2013		5,600	2,634,139	17,640	11,205,822	4.25
	29-Apr-13	Stock Options Exercised	5,600	2,634,139	17,640	11,205,822	4.25
144	FY 2013		(800)	2,633,339	(3,403)	11,202,419	4.25
	3-May-13	Shares Repurchased	(800)	2,633,339	(3,403)	11,202,419	4.25

145	FY 2013 6-May-13	Shares Repurchased	(1,000) (1,000)	2,632,339 2,632,339	(4,254) (4,254)	11,198,165 11,198,165	4.25 4.25
146	FY 2013 7-May-13	Shares Repurchased	(400) (400)	2,631,939 2,631,939	(1,702) (1,702)	11,196,463 11,196,463	4.25 4.25
147	FY 2013 8-May-13	Shares Repurchased	(1,000) (1,000)	2,630,939 2,630,939	(4,254) (4,254)	11,192,209 11,192,209	4.25 4.25
148	FY 2013 9-May-13	Shares Repurchased	(1,000) (1,000)	2,629,939 2,629,939	(4,254) (4,254)	11,187,955 11,187,955	4.25 4.25
149	FY 2013 14-May-13	Shares Repurchased	(1,000) (1,000)	2,628,939 2,628,939	(4,254) (4,254)	11,183,701 11,183,701	4.25 4.25
150	FY 2013 15-May-13	Stock Options Exercised	300 300	2,629,239 2,629,239	945 945	11,184,646 11,184,646	4.25 4.25
151	FY 2013 15-May-13	Shares Repurchased	(1,000) (1,000)	2,628,239 2,628,239	(4,254) (4,254)	11,180,392 11,180,392	4.25 4.25
152	FY 2013 17-May-13	Shares Repurchased	(1,000) (1,000)	2,627,239 2,627,239	(4,254) (4,254)	11,176,138 11,176,138	4.25 4.25
153	FY 2013 21-May-13	Stock Options Exercised	1,200 1,200	2,628,439 2,628,439	3,780 3,780	11,179,918 11,179,918	4.25 4.25
154	FY 2013 21-May-13	Shares Repurchased	(1,000) (1,000)	2,627,439 2,627,439	(4,253) (4,253)	11,175,684 11,175,684	4.25 4.25
155	FY 2013 22-May-13	Stock Options Exercised	8,100 8,100	2,635,539 2,635,539	25,515 25,515	11,201,179 11,201,179	4.25 4.25
156	FY 2013 23-May-13	Shares Repurchased	(24,900) (24,900)	2,610,639 2,610,639	(105,826) (105,826)	11,085,353 11,085,353	4.25 4.25
157	FY 2013 23-May-13	Stock Options Exercised	300 300	2,610,939 2,610,939	945 945	11,096,298 11,096,298	4.25 4.25
158	FY 2013 23-May-13	Shares Repurchased	(900) (900)	2,610,039 2,610,039	(3,825) (3,825)	11,092,473 11,092,473	4.25 4.25
159	FY 2013 24-May-13	Stock Options Exercised	100 100	2,610,139 2,610,139	315 315	11,092,788 11,092,788	4.25 4.25
160	FY 2013 24-May-13	Shares Repurchased	(1,000) (1,000)	2,609,139 2,609,139	(4,250) (4,250)	11,088,538 11,088,538	4.25 4.25
161	FY 2013 27-May-13	Shares Repurchased	(1,000) (1,000)	2,608,139 2,608,139	(4,250) (4,250)	11,084,288 11,084,288	4.25 4.25
162	FY 2013 28-May-13	Stock Options Exercised	1,000 1,000	2,609,139 2,609,139	3,150 3,150	11,087,438 11,087,438	4.25 4.25
163	FY 2013 28-May-13	Shares Repurchased	(1,000) (1,000)	2,608,139 2,608,139	(4,249) (4,249)	11,083,189 11,083,189	4.25 4.25
164	FY 2013 29-May-13	Shares Repurchased	(1,000) (1,000)	2,607,139 2,607,139	(4,249) (4,249)	11,078,940 11,078,940	4.25 4.25
165	FY 2013 30-May-13	Shares Repurchased	(1,000) (1,000)	2,606,139 2,606,139	(4,249) (4,249)	11,074,690 11,074,690	4.25 4.25
166	FY 2013 31-May-13	Stock Options Exercised	300 300	2,606,439 2,606,439	945 945	11,075,635 11,075,635	4.25 4.25
167	FY 2013 31-May-13	Shares Repurchased	(1,000) (1,000)	2,605,439 2,605,439	(4,249) (4,249)	11,071,386 11,071,386	4.25 4.25
168	FY 2013 3-Jun-13	Stock Options Exercised	600 600	2,606,039 2,606,039	1,890 1,890	11,073,276 11,073,276	4.25 4.25
169	FY 2013 3-Jun-13	Shares Repurchased	(1,000) (1,000)	2,605,039 2,605,039	(4,249) (4,249)	11,069,027 11,069,027	4.25 4.25
170	FY 2013 4-Jun-13	Stock Options Exercised	800 800	2,605,839 2,605,839	2,520 2,520	11,071,547 11,071,547	4.25 4.25
171	FY 2013 4-Jun-13	Shares Repurchased	(700) (700)	2,605,139 2,605,139	(2,974) (2,974)	11,068,573 11,068,573	4.25 4.25
172	FY 2013 5-Jun-13	Shares Repurchased	(1,000) (1,000)	2,604,139 2,604,139	(4,249) (4,249)	11,064,324 11,064,324	4.25 4.25
173	FY 2013 6-Jun-13	Stock Options Exercised	5,700 5,700	2,609,839 2,609,839	17,955 17,955	11,082,279 11,082,279	4.25 4.25
174	FY 2013 6-Jun-13	Shares Repurchased	(1,000) (1,000)	2,608,839 2,608,839	(4,248) (4,248)	11,078,032 11,078,032	4.25 4.25
175	FY 2013 7-Jun-13	Shares Repurchased	(100) (100)	2,608,739 2,608,739	(425) (425)	11,077,608 11,077,608	4.25 4.25
176	FY 2013 10-Jun-13	Shares Repurchased	(1,000) (1,000)	2,607,739 2,607,739	(4,246) (4,246)	11,073,361 11,073,361	4.25 4.25
177	FY 2013 11-Jun-13	Shares Repurchased	(600) (600)	2,607,139 2,607,139	(2,548) (2,548)	11,070,814 11,070,814	4.25 4.25
178	FY 2013 13-Jun-13	Stock Options Exercised	4,000 4,000	2,611,139 2,611,139	43,840 43,840	11,114,654 11,114,654	4.25 4.25

179	FY 2013 17-Jun-13	Shares Repurchased	(1,000) (1,000)	2,610,139 2,610,139	(4,257) (4,257)	11,110,397 11,110,397	4.26 4.26	
180	FY 2013 18-Jun-13	Shares Repurchased	(1,000) (1,000)	2,609,139 2,609,139	(4,257) (4,257)	11,106,140 11,106,140	4.26 4.26	
181	FY 2013 19-Jun-13	Shares Repurchased	(1,000) (1,000)	2,608,139 2,608,139	(4,257) (4,257)	11,101,884 11,101,884	4.26 4.26	
182	FY 2013 20-Jun-13	Shares Repurchased	(1,000) (1,000)	2,607,139 2,607,139	(4,257) (4,257)	11,097,627 11,097,627	4.26 4.26	
183	FY 2013 21-Jun-13	Shares Repurchased	(1,000) (1,000)	2,606,139 2,606,139	(4,257) (4,257)	11,093,370 11,093,370	4.26 4.26	
184	FY 2013 24-Jun-13	Stock Options Exercised	1,700 1,700	2,607,839 2,607,839	5,355 5,355	11,098,725 11,098,725	4.26 4.26	
185	FY 2014 25-Oct-13	Stock Options Exercised	1,100 1,100	2,608,939 2,608,939	3,465 3,465	11,102,190 11,102,190	4.26 4.26	
186	FY 2014 26-Oct-13	Stock Options Exercised	400 400	2,609,339 2,609,339	1,260 1,260	11,103,450 11,103,450	4.26 4.26	
187	FY 2014 29-Oct-13	Stock Options Exercised	2,200 2,200	2,611,539 2,611,539	6,930 6,930	11,110,380 11,110,380	4.25 4.25	
188	FY 2014 31-Oct-13	Stock Options Exercised	6,300 6,300	2,617,839 2,617,839	19,845 19,845	11,130,225 11,130,225	4.25 4.25	
189	FY 2014 8-Nov-13	Stock Options Exercised	1,800 1,800	2,619,639 2,619,639	14,040 14,040	11,144,265 11,144,265	4.25 4.25	
190	FY 2014 11-Nov-13	Stock Options Exercised	3,000 3,000	2,622,639 2,622,639	23,400 23,400	11,167,665 11,167,665	4.26 4.26	
191	FY 2014 12-Nov-13	Stock Options Exercised	600 600	2,623,239 2,623,239	4,680 4,680	11,172,345 11,172,345	4.26 4.26	
192	FY 2014 4-Feb-14	Stock Options Exercised	11,600 11,600	2,634,839 2,634,839	90,480 90,480	11,262,825 11,262,825	4.27 4.27	
193	FY 2014 4-Feb-14	Shares Repurchased	(25,000) (25,000)	2,609,839 2,609,839	(106,864) (106,864)	11,155,961 11,155,961	4.27 4.27	
194	FY 2014 26-Apr-14	Stock Options Exercised	20,000 20,000	2,629,839 2,629,839	63,000 63,000	11,218,961 11,218,961	4.27 4.27	
195	21-Mar-16	1,224,329 Multiple Voting Shares were converted to 1,224,329 Subordinate Voting Shares		1,224,329 1,224,329	3,854,168 3,854,168	12 12	11,218,973 11,218,973	2.91 2.91

Note 1

PwC has assumed the amount of PUC removed from the class of shares upon redemption is equal to the amount of shares redeemed multiplied by the PUC / share immediately before the redemption.

Note 2

For years 2000-2004, 2007 and 2008 the Total Capitalization Schedule published by the TSX did not record the exercise price for stock option exercises.

For these years PwC has first attempted to locate original source documents provided to TSX and in the situations where the source documents were not available, PwC has referred to the Option Continuity Schedule prepared by former management of Danier to determine the exercise price of options exercised.

Appendix “B”



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

February 5, 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**

FEBRUARY 5, 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") under 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 pursue a restructuring of its business by completing a transaction to be identified through a "stalking horse" sale and investor solicitation process ("SISP"). The SISP will be conducted by the Company, 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 February 4, 2016 (the "Houlden Affidavit") and the Affidavit of Michael A. O'Hara, a representative of the Financial Advisor, sworn February 4, 2016 (the "O'Hara Affidavit"), each filed in support of this application.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company;

- b) discuss the terms of the SISP (the “SISP Procedures”);
- c) discuss the terms of the Financial Advisor’s engagement letter (the “Consensus Engagement Letter”);
- d) discuss the terms of OCI Inc.’s (“OCI”) engagement letter (the “OCI Engagement Letter”);
- e) summarize an offer for substantially all of the Company’s inventory (the “Merchandise”) submitted by GA Retail Canada, ULC or an affiliate thereof (the “Agent”) in the form of an agency agreement (the “Stalking Horse Agreement”), which would serve as the “stalking horse” in the SISP, subject to the approval of the Court;
- f) discuss the rationale for:
 - a charge in the amount of \$600,000 on all of the Company’s current and future assets, properties and undertakings (the “Property”) to secure the fees and disbursements of the Proposal Trustee, the Proposal Trustee’s counsel, Bennett Jones LLP, the Company’s counsel, Davies Ward Phillips and Vineberg LLP and the directors of the Company and their counsel, Chaitons LLP (the “Administration Charge”);
 - a charge in the amount of US\$500,000 on the Property to secure the fees and disbursements of the Financial Advisor (the “Consensus Charge”);
 - a charge in the amount of \$4.9 million on the Property in favour of the directors and officers of the Company (“D&O Charge”);
 - a charge (“KERP Charge”) in the amount of \$524,000 on the Property in respect of a Key Employee Retention Plan (“KERP”);
 - sealing (a) a summary of bids received to-date and provided in confidential appendix “1” attached hereto (“Confidential Appendix”), and (b) Exhibit “H” to the Houlden Affidavit which contains certain detailed information about the KERP; and
- g) recommend that the Court make an order, *inter alia*:
 - authorizing the Company to perform its obligations under the Consensus Engagement Letter and the OCI Engagement Letter, including making the payments contemplated thereunder;
 - approving the SISP Procedures and authorizing the Company, the Financial Advisor and the Proposal Trustee to conduct the SISP;

- approving and accepting the Stalking Horse Agreement for the purposes of conducting the SISP only ¹, and authorizing and directing the Company to pay the Break Fee, the Expense Reimbursement and the Signage Costs Obligations (each as defined below);
- sealing the Confidential Appendix and Exhibit "H" to the Houlden Affidavit;
- approving the KERP; and
- approving the Administration Charge, the Consensus Charge, the D&O Charge and the KERP Charge.

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 shares of the Company are listed on the Toronto Stock Exchange and trade under the symbol "DL".
2. The Company's head office, manufacturing, warehouse and distribution center is located in Toronto (the "St. Clair Facility"). In addition to this 130,000 square foot facility, the Company also leases a 20,000 square foot distribution facility in Toronto, as well as two offices in China. The Company manufactures at the St. Clair Facility and contracts production from vendors located in China, India and Pakistan.

¹ The proposed Order specifically provides that nothing therein approves the sale of any property or assets of the Company on the terms of the Stalking Horse Agreement and that the approval and vesting of any sale of the Assets (as defined in the SISP Procedures) shall be determined on a subsequent motion made to the Court.

3. The Company's merchandise is predominantly marketed under the "Danier" brand name and is currently sold in 84 stores across Canada, as well as online through the Company's website: www.danier.com. As at the date of this Report, the Company is in the process of closing eight of its stores.
4. The Company leases all of its facilities, including its head office, as discussed further herein.
5. The Company employs approximately 1,293 individuals, comprised of 1,065 store-level employees, 106 employees in manufacturing and distribution, 102 employees in its head office and administration and 20 employees in China. The Company's workforce is not unionized and it does not maintain a pension plan.
6. The Company owns two subsidiaries, Danier International Corporation ("DIC") and Danier Leather (USA) Inc. ("Danier USA"). DIC is a Barbados corporation which owns international trademarks associated with the "Danier" brand. Danier USA is a dormant Delaware corporation with no material assets or liabilities.

2.1 Financial Difficulties and Insolvency

1. Over the past three years, the Company has incurred significant operating losses, resulting from, *inter alia*, operational challenges, increased competition from US retailers and macroeconomic factors impacting Canadian retailers, including the depreciation of the Canadian dollar relative to the US dollar. The Company's income statement for the six months ending December 26, 2015 and the years ending June 27, 2015 ("Fiscal 2015") and June 28, 2014 ("Fiscal 2014") is presented in the following table.²

(\$000s; consolidated)	6 months ending December 26, 2015 (unaudited)	12 months ending June 27, 2015 (audited)	12 months ending June 28, 2014 (audited)
Revenue	70,870	126,046	141,930
Cost of sales	37,139	70,226	73,697
Gross margin	33,731	55,820	68,233
Gross margin (%)	47.6%	44.3%	48.1%
Selling, general and administrative	34,759	72,898	77,110
Other	359	2,791	(1,214)
Operating loss	(1,387)	(19,869)	(7,663)
Gain on sale of the St. Clair Facility	7,066	-	-
Net income/(loss)	5,679	(19,869)	(7,663)

² The fiscal year of the Company ends on the last Saturday of June each year.

2. The income statement reflects that the Company incurred:
 - a) net losses of approximately \$19.9 million and \$7.7 million during Fiscal 2015 and Fiscal 2014, respectively; and
 - b) an operating loss of approximately \$1.4 million for the six months ending December 26, 2015. The Company projects that it will incur significant losses in the second half of fiscal 2016 due to, *inter alia*, the seasonality of its business.
3. A summary of the Company's financial position as at December 26, 2015 is presented in the table below.

(unaudited; consolidated)	(\$000s)
Assets	
Cash	13,124
Inventory	28,680
Net fixed assets	8,473
Tax asset	2,075
Other assets	2,135
Total assets	54,487
Liabilities	
Vendors	10,243
Sales tax	3,610
Payroll	2,755
Other	3,606
	20,214
Contingent liabilities:	
Estimated amounts due under all leases ^{3, 4}	90,700
Employee – severance and termination ⁵	7,500
	98,200
Total liabilities, including contingent liabilities	118,414
Net surplus/(deficit)	(63,927)

³ Represents an estimate of the sum of the remaining rents owing under all leases, including an estimate for common area costs.

⁴ Estimated based on Company information.

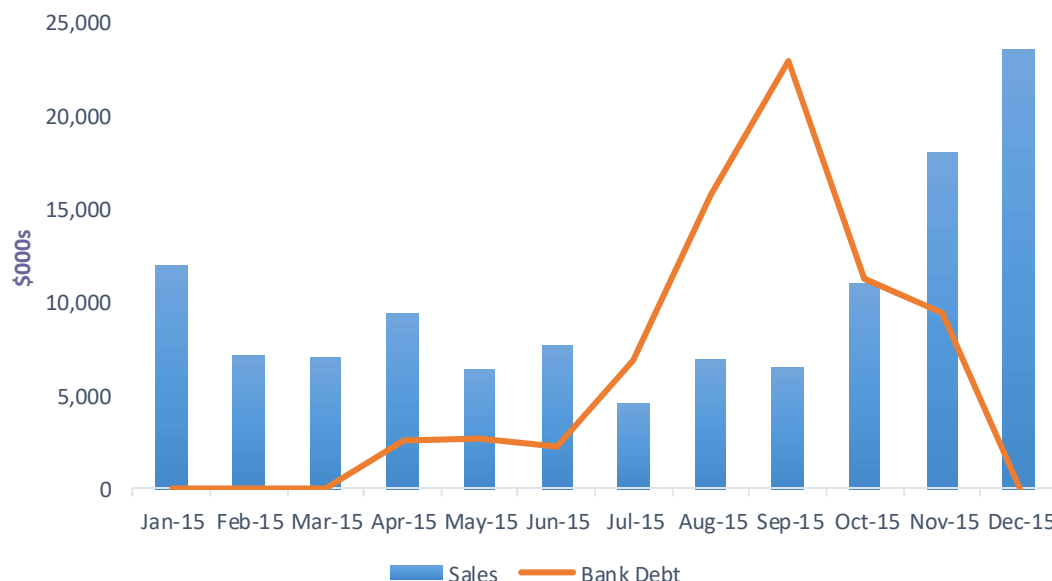
⁵ Estimated by the Company.

2.2 Strategic Process

1. In November, 2014, as a result of the challenges then facing the Company, the Company formed a special committee comprised of independent members of the Board of Directors (the “Special Committee”) to consider strategic initiatives, including a potential sale of its business.
2. As a result of the strategic process announced in February, 2015, the Company:
 - a) converted its senior secured operating loan facility with the Canadian Imperial Bank of Commerce (“CIBC”) into a senior secured revolving asset-based facility (“ABL Facility”);
 - b) sold and leased back the St. Clair Facility, resulting in a gain on the sale of approximately \$7.1 million, with the proceeds used to reduce its then outstanding CIBC indebtedness; and
 - c) directed the Financial Advisor to conduct a sale and investment solicitation process (the “2015 Solicitation Process”).
3. On September 18, 2015, the Board of Directors disbanded the Special Committee so that the Company could turn its attention to the Fall and Winter seasons, which included refocusing its product line on more current trends and fashions. The Fall and Winter seasons started strongly; however, the business underperformed commencing in November, which continued into December due to, among other factors, unseasonably warm weather. Because of the magnitude of its prior losses, the Company could not afford to underperform as it lacked the capital to continue to source product and to operate indefinitely on a going-concern basis.

2.3 Secured Creditors

1. There are no amounts currently owing under the ABL Facility.
2. The Company’s business is seasonal. In the normal course, the Company is required to draw on its financing facility during the Spring as the Company begins purchasing for the Fall and Winter seasons. Borrowing typically peaks around September. The chart below illustrates this trend for 2015.



3. The Company projected that it would breach its minimum tangible net worth covenant under its ABL Facility by no later than its fiscal year end on June 26, 2016. As a result, the Company did not know whether it would be able to continue to have access to its ABL Facility, which would impact its ability to source fresh product for its busy season later in the calendar year and thus its ability to continue as a going concern. The Company was concerned that it not procure goods and services for which it may not be able to pay.
4. The CIBC has issued a notice of default as a result of the Company filing the NOI, which, *inter alia*, canceled all undrawn amounts under the ABL Facility. As at the date hereof, the Company currently has more than \$9 million on hand. The Company's cash flow forecast that will be filed in accordance with the provisions of the BIA will reflect that the Company has sufficient cash to fund its projected operating costs during its restructuring process, as well as the costs of these proceedings.
5. The following additional parties have a registered security interest against the Company.

Party	Description
Hewlett-Packard Financial Services Canada Company	Equipment financing
Honda Canada Finance Inc.	Vehicle lease
Toyota Credit Canada Inc.	Vehicle lease

3.0 Financial Advisors

3.1 2015 Solicitation Process

1. The Financial Advisor was retained with a mandate to, *inter alia*, provide strategic advice to the Company and to conduct the 2015 Solicitation Process. The Financial Advisor's engagement included:
 - a) identifying potential investors and/or purchasers for the Company's business and/or assets;
 - b) preparing marketing materials, including a teaser and a confidential information memorandum;
 - c) coordinating management presentations and due diligence; and
 - d) analyzing and negotiating offers.
2. As part of the 2015 Solicitation Process:
 - a) 169 parties were contacted by the Financial Advisor, including strategic and financial parties;
 - b) 33 parties executed confidentiality agreements and were provided with access to a confidential information memorandum and a data room; and
 - c) seven parties expressed interest in purchasing the Company.
3. No acceptable offers were received as part of the 2015 Solicitation Process.
4. Additional details regarding the 2015 Solicitation Process are contained in the Houlden Affidavit and the O'Hara Affidavit.

3.2 Consensus Engagement Letter

1. The Company re-engaged the Financial Advisor and entered into the Consensus Engagement Letter on December 31, 2015. A copy of the Consensus Engagement Letter is attached as Appendix "A". The Consensus Engagement Letter provides that its mandate will continue if the Company elects to file an NOI. To protect the Financial Advisor for its potential fees, the Company is seeking an Order authorizing the Company to perform its obligations under the Consensus Engagement Letter and the Consensus Charge.
2. A summary of the Financial Advisor's fees is as follows:
 - a) Retainer: US\$50,000, which was paid upon the execution of the Consensus Engagement Letter.

- b) Success Fee: US\$350,000, plus 1.5% of the purchase price or imputed value of any transaction, with a credit of US\$25,000 of the retainer to be applied against the success fee (the “Success Fee”).
 - c) First Bonus: an initial bonus of up to US\$100,000 if 36 store leases are assigned. The bonus is calculated on a pro-rata sliding scale requiring a minimum of 20 store leases to be assigned.
 - d) Second Bonus: a second bonus of US\$50,000 if 60 or more store leases are assigned. The second bonus is only payable if at least 60 leases are assigned.
3. The Success Fee is capped at US\$525,000, less a US\$25,000 credit in respect of the retainer; however, the first bonus and second bonus are not subject to the cap.

3.3 Consensus Engagement Letter Recommendation

1. The Proposal Trustee has considered numerous factors relevant to the successful completion of the SISP, including:
 - a) the time, effort and expediency required to carry out the SISP; and
 - b) the complexity and time commitment required to complete a transaction for the Company on an accelerated basis.
2. The Proposal Trustee recommends that the Court authorize the Company to perform its obligations under the Consensus Engagement Letter for the following reasons:
 - a) the Financial Advisor has industry experience – its business focus is consumer products and the retail sector;
 - b) the Financial Advisor is familiar with the Company and parties interested in purchasing and/or investing in the Company’s business and/or assets as a result of, *inter alia*, the 2015 Solicitation Process; and
 - c) the Proposal Trustee is of the view that it is appropriate to incentivize the Financial Advisor to carry out the SISP and the contemplated success fees are reasonable in the circumstance, including in light of the factors discussed in paragraph 3 of this Section below.
3. In addition to the above considerations, the Financial Advisor’s initial engagement letter with the Company provided a “tail” which required the Company to pay the Financial Advisor its fees in the event of a sale or other transaction with a party identified by the Financial Advisor during the 2015 Solicitation Process. As a result, the Financial Advisor could have a significant claim in these proceedings for the amounts owing under the tail provisions and therefore would have been compensated to some extent by way of its claim notwithstanding the termination of its previous mandate.

3.4 OCI Engagement Letter

1. The Financial Advisor's engagement is focused on targeting purchasers and/or investors in North America. The Company engaged OCI to market the Company and its business in China, India, Qatar and the United Arab Emirates. A copy of the OCI Engagement Letter is attached as Appendix "B".
2. The OCI Engagement Letter has only a success fee component. If a transaction is originated by OCI or OCI introduces the purchaser and/or investor to the Company, OCI will earn a fee of 4% of the purchase price or imputed value of a transaction in addition to the fees earned by the Financial Advisor.

3.5 OCI Engagement Letter Recommendation

1. The Proposal Trustee recommends that the Court authorize the Company to perform its obligations under the OCI Engagement Letter for the following reasons:
 - a) canvassing overseas markets reaches additional parties;
 - b) OCI's engagement letter does not have a guaranteed fee. OCI will only be compensated if a transaction is originated by OCI or OCI introduces the ultimate purchaser and/or investor to the Company. The Proposal Trustee believes that OCI's fee is reasonable in the circumstances; and
 - c) the Company is of the view that OCI has expertise that warranted this engagement.

4.0 Sale and Investor Solicitation Process

4.1 Stalking Horse Process

1. The SISP is effectively comprised of two phases: the pre-filing phase which solicited offers from parties to be a stalking horse ("Stalking Horse Process"), and the next phase, which is intended to seek offers for the business and assets superior to the stalking horse.
2. Shortly before the re-engagement of the Financial Advisor, the Company contacted the parties that appeared most interested in this opportunity during the 2015 Solicitation Process. In the days leading up to the re-engagement of the Financial Advisor, and immediately thereafter, 22 parties were contacted by either the Company or the Financial Advisor, 19 of which had been contacted during the 2015 Solicitation Process. As a result of these efforts, the Financial Advisor sent an email to each⁶ of the most interested parties (12 parties) advising of the deadline to submit offers to act as the stalking horse, being January 22, 2016 (the "Stalking Horse Deadline").

⁶ The only party that did not receive an email advising of the bid deadline was Tiger Capital Group, LLC ("Tiger"). Tiger was retained in late 2015 by the Company to liquidate inventory in the stores that the Company is presently closing. Tiger was advised verbally by the Financial Advisor, the Proposal Trustee and Company representatives of the Stalking Horse Deadline. Tiger submitted an offer on the Stalking Horse Deadline.

3. All of the most interested parties conducted due diligence, and a data room was populated with information concerning the Company, including detailed inventory, operations and financial reports. The Company has routinely added information to the data room so that the most current information is available to interested parties.
4. The Company received three offers prior to the Stalking Horse Deadline. The Company and the Financial Advisor identified the two most attractive offers and requested that those two bidders address certain issues and fine tune their bids. Each party was asked to resubmit its bid on January 27, 2016, and each did so. Neither party objected to the January 27 deadline. The Company and the Financial Advisor ultimately determined that the offer from the Agent should be selected as the stalking horse.

4.2 Confidential Appendix

1. A summary of the offers received is provided in Confidential Appendix “1” (“Offer Summary”)⁷.
2. The Proposal Trustee respectfully requests that the Offer Summary be filed with the Court on a confidential basis and be sealed as the documents contain confidential information. If the terms of the Offer Summary are not sealed, the Proposal Trustee is of the view the information contained therein may negatively impact realizations through the balance of the SISP process, as well as the integrity of the process.
3. The Proposal Trustee is not aware of any party that will be prejudiced if the Offer Summary is sealed. Accordingly, the Proposal Trustee believes that the request for sealing is appropriate in the circumstances.

4.3 The Stalking Horse Agreement⁸

1. Subject to Court approval, the Company intends to enter into the Stalking Horse Agreement with the Agent. A copy of the Stalking Horse Agreement is attached as Appendix “C”. The key terms and conditions of the Stalking Horse Agreement include the following:
 - a) Agent: GA Retail Canada, ULC or its affiliate. GA Retail Canada, ULC is an affiliate of Great American Group LLC;
 - b) Guaranteed Amount: the Agent has guaranteed that the Company will receive a net minimum payment of 94.6% of the aggregate Cost Value of the Merchandise, subject to adjustment if:
 - i) The aggregate Cost Value of the Merchandise is less than \$22 million or greater than \$25 million;

⁷ Subsequent to the date that the Offer Summary was prepared, negotiations with the Agent continued which resulted in certain changes to the Stalking Horse Agreement. The final terms of the Stalking Horse Agreement are described in this Report.

⁸ Capitalized terms in this section have the meaning provided to them in the Stalking Horse Agreement unless otherwise defined herein.

- ii) The Cost Value of the Merchandise as a percentage of the retail price of the Merchandise exceeds 48.8%;
 - iii) The transaction does not close by March 3, 2016; and/or
 - iv) 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%;
- 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 eight of the Company's stores by Tiger Capital Group, LLC and consignment inventory. Merchandise received 21 days after the Sale Commencement Date will be valued at the prevailing discount being offered at that time;
 - d) Expenses: the Agent will be responsible for Expenses in conducting the sale, including store-level operating expenses. The Expenses for which the Agent is responsible are set out in Section 4.1 of the Stalking Horse Agreement;
 - e) Commission: after payment of the Guaranteed Amount and the Expenses, the Agent is to be paid the next 5% 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 or before the business day after that the Court enters the Approval Order. The Agent is to provide the Company with the Letter of Credit to cover the Agent's obligation to fund the balance of the Guaranteed Amount. Upon the payment of the balance of the Guaranteed Amount by the Agent, the Letter of Credit will be reduced to an estimate of one week's Expenses;
 - h) Timing: the sale will commence no later than March 10, 2016 and will end no later than June 30, 2016;
 - i) Deposit: \$2.2 million;
 - j) Furniture, Fixtures and Equipment (collectively, the "FF&E"): the Agent will have the right to sell the FF&E and to receive a commission of 18% on the proceeds from the sale of FF&E and will be reimbursed for out-of-pocket expenses related thereto; provided, that if the Company sells the FF&E in any store location, it will pay the Agent \$1,300 per location, i.e. if for example, a party acquires a store lease and wishes to acquire the FF&E at that location;
 - k) Break Fee: \$250,000 payable to the Agent on the closing of the transaction if the Agent's bid is not the Successful Bid;

- l) Expense Reimbursement: maximum of \$100,000 of costs and expenses incurred by the Agent in connection with the Stalking Horse Agreement if the Agent's bid is not the Successful Bid;
- m) Signage Costs Obligations: payable to the Agent to a maximum of \$175,000 of costs and expenses incurred by the Agent for the signage and advertising in connection with the sale if the Agent's bid is not the Successful Bid. If the Agent is not the Successful Bid, the Agent will make the signage and other promotional materials available to a Successful Bidder that is a liquidator;
- n) Termination: The Stalking Horse Agreement may be terminated if: (i) the Approval and Vesting Order is not obtained by March 9, 2016, or such later date as the Company and the Agent agree; (ii) the agreement is not the Successful Bid; (iii) the agreement is the Back-Up Bid and the Successful Bid closes; or (iv) there is an Event of Default;
- o) Conditions: the only material conditions precedent to the transaction are:
 - i) court approval of the SISP, including the Stalking Horse Agreement; and
 - ii) entry of the Approval Order;
- p) Other:
 - i) The Stalking Horse Agreement is consistent with standard insolvency transactions, i.e. to be completed on an "as is, where is" basis. All sales of Merchandise are also to be on an "as is, where is" basis;
 - ii) To the extent that there is Merchandise remaining at the end of the sale, the Company will transfer such inventory to the Agent free and clear of all encumbrances;
 - iii) If mutually agreed to by the Agent and the Company, the Company shall purchase additional Merchandise to include in the sale;
 - iv) The Agent is required to give the Company seven days' notice of its intention to discontinue its use of a store location; and
 - v) The Stalking Horse Agreement contemplates the creation of a Court-ordered charge in favour of the Agent on the Merchandise and proceeds from the sale in order to secure all amounts due and owing to the Agent under the Stalking Horse Agreement (the "Agent's Charge")⁹.

⁹ The Agent's Charge is not being sought at this time. If the Stalking Horse Agreement is the Successful Bid, the Company intends to seek an order seeking the Agent's Charge at that time.

4.3.1 Break Fee, Expense Reimbursement and Signage Costs Obligations

1. The Stalking Horse Agreement includes a Break Fee of \$250,000, an Expense Reimbursement of up to \$100,000 and Signage Costs Obligations of up to \$175,000 (collectively, the “Termination Fees”).
2. The purpose of the Termination Fees is to, *inter alia*, provide the Stalking Horse with:
 - a) an incentive to be the stalking horse bidder; and
 - b) a means to recover its costs and expenses incurred in connection with the Stalking Horse Agreement in the event it is not the successful bidder.
3. The Proposal Trustee is of the view that the Termination Fees are reasonable as:
 - a) it is the Proposal Trustee’s experience that the Termination Fees on transactions of this nature typically range from 2% and 4%. The Proposal Trustee estimates that the value of the Stalking Horse Agreement is, at a minimum, approximately \$20.8 million¹⁰. Based on the estimated value of the transaction, the maximum amount of the Termination Fees represents approximately 2.5% of the imputed value of the Stalking Horse Agreement transaction; and
 - b) each bidder requested a Break Fee and Expense Reimbursement as part of its proposal. Without these protections, a party has little incentive to act as the stalking horse.
4. The Proposal Trustee is of the view that the Termination Fees are reasonable as, in its view, the aggregate amount of the Termination Fees is unlikely to discourage a third party from submitting an offer that is superior to the Stalking Horse Agreement.
5. In addition, the Proposal Trustee notes that if a Liquidation Proposal is the Successful Bid, the Successful Bidder would be required, pursuant to the SISF and the Stalking Horse Agreement, to buy the signage and advertising material prepared by the Agent, instead of the requirement that the Company pay the Signage Costs Obligations.

¹⁰ Represents 94.6% (guaranteed percentage) of \$22 million (the minimum inventory threshold).

4.4 Next Phase of the SISP¹¹

1. The next phase of the SISP is to identify one or more purchasers of and/or investors in the Company, its business and/or its assets with a view to generating a result superior to the Stalking Horse Agreement and to complete the transaction(s) contemplated by any such offer(s).
2. The SISP is attached as Appendix “A” to the Stalking Horse Agreement and the second phase is summarized as follows:
 - a) the Company will conduct the SISP with the assistance of the Financial Advisor and the Proposal Trustee;
 - b) the Financial Advisor has prepared a new teaser to describe the assets available for sale, which will be disseminated to all interested parties if the Court approves the SISP;
 - c) the Financial Advisor will continue to engage all interested parties and provide them with access to due diligence information, including to the data room and to management, provided that interested parties have executed a confidentiality agreement;
 - d) interested parties may make a bid to: (i) acquire all or a portion of the Company’s business and/or assets (a “Sale Proposal”); (ii) make an investment in the Company (an “Investment Proposal”); or (iii) liquidate some or all of the Company’s assets (“Liquidation Proposal”), provided however, that no liquidation bids will be considered for a portion of the Company’s inventory;
 - e) the Financial Advisor will contact a large number of interested parties and ask that they provide offers on a sealed basis on the non-inventory assets (such as leases and intellectual property);
 - f) the aggregation of partial bids shall be permitted, including those for the non-inventory assets, with a view to generating a global bid greater than the Minimum Bid Amount (as defined below);
 - g) bids for all assets (inventory and non-inventory) will be required to be submitted to the Financial Advisor by 5:00 p.m. (Eastern time) on February 22, 2016 (the “Bid Deadline”);
 - h) the successful transaction will be completed on an “as is, where is” basis with representations and warranties consistent with transactions of this nature;

¹¹ Capitalized terms in this section have the meaning provided to them in the SISP unless otherwise defined herein.

- i) subject to Court approval, the following table sets out the SISP timeline:

Milestone	Timeline
Motion for approval of SISP and Stalking Horse Agreement	February 8, 2016
Bid Deadline	February 22, 2016
Determining Successful Bid and Back-Up Bid (if no auction)	No later than 5 business days after Bid Deadline
Auction (if required)	No later than 7 business days after the Bid Deadline
Sale approval motion	Within 5 business days after determining the
	Successful Bid

- j) the Company or the Proposal Trustee will have the right to extend or amend the SISP as considered appropriate to better promote the sale of the business, the assets or an investment in the Company. The Company or the Proposal Trustee will need to apply to Court if the SISP is to be terminated or materially modified.

4.5 SISP Procedures

1. The SISP Procedures are summarized below.
2. To be a “Qualified Bid”, a bid must meet the following requirements, among others:
 - a) in the case of a Sale Proposal, it includes an executed definitive purchase agreement substantially in the form attached as Schedule “B” to the SISP (the “Form Purchase Agreement”), together with a blackline to the Form Purchase Agreement;
 - b) in the case of an Investment Proposal, it includes an executed term sheet describing, among other things, the terms and conditions of the proposed transaction;
 - c) in the case of a Liquidation Proposal, it includes (a) an executed agency agreement substantially in the form of the Stalking Horse Agreement, together with a blackline comparing the agency agreement to the Stalking Horse Agreement, and (b) an agreement to purchase the signage purchased by the Stalking Horse Bidder at its cost;
 - d) it must be for an amount at least equal to 102% of the value of the Guaranteed Amount (the “Minimum Bid Amount”);
 - e) it includes a cash deposit equal to 10% of the purchase price in a Sale Proposal or the imputed value of the Investment Proposal or Liquidation Proposal;
 - f) it includes evidence satisfactory to the Company, in consultation with the Financial Advisor and the Proposal Trustee, that the bidder has the financial ability to close the contemplated transaction;

- g) it contemplates a closing within 15 days following the Bid Deadline or such other date as the Company and the Successful Bidder or the Back-Up Bidder, as applicable, may agree;
- h) it does not entitle the bidder to any transaction fee or break fee, expense reimbursement or similar type fee or payment;
- i) it identifies any liabilities proposed to be assumed;
- j) it does not contain any due diligence or financing contingencies; and
- k) if applicable, it contains full details of the proposed number of employees to be retained and the proposed terms and conditions of employment to be offered.

4.6 Evaluation of Qualified Bids

1. If no other Qualified Bids are submitted by the Bid Deadline, the Stalking Horse Agreement will be accepted, subject to Court approval.
2. If one or more Qualified Asset Bids or Qualified Investment Bids are received by the Bid Deadline, the Company may;
 - a) accept one or more of the Qualified Asset Bids and/or Qualified Investment Bids, subject to Court approval (the "Successful Sale Bid"); or
 - b) conditionally accept one or more of the Qualified Asset Bids and Qualified Investment Bids, which acceptance will be conditional upon the failure of the transaction(s) contemplated by the Successful Sale Bid to close (the "Back-up Sale Bid");
3. If one or more Qualified Liquidation Bids are received by the Bid Deadline, the Company may:
 - a) accept one or more of the Qualified Liquidation Bids, subject to Court approval (the "Successful Liquidation Bid");
 - b) conditionally accept one of the Qualified Liquidation Bids, which acceptance will be conditional upon the failure of the transaction(s) contemplated by the Successful Liquidation Bid to close (the "Back-up Liquidation Bid"); or
 - c) conduct an auction ("Auction").
4. If a Qualified Bidder submits a Qualified Asset Bid or a Qualified Investment Bid, which the Proposal Trustee considers would result in greater value than Stalking Horse Agreement, the Proposal Trustee may permit the bidder to participate in the Auction.

4.7 Auction Procedures

1. The proposed procedures for the Auction include:
 - a) the Proposal Trustee will conduct the Auction;
 - b) bidding at the Auction shall be restricted to parties that submitted a Qualified Liquidation Bid, which includes the Agent (each individually a “Qualified Bidder”); however, if a Qualified Bidder submits a Qualified Asset Bid or a Qualified Investment Bid, which the Proposal Trustee considers would result in a greater value than the Stalking Horse Agreement, the Proposal Trustee may permit the bidder to participate in the Auction;
 - c) bidding at the Auction shall be conducted in rounds. The Proposal Trustee, with the assistance of its advisors, will determine the opening bid for each round. The minimum overbid increment in each round will be determined by the Proposal Trustee; and
 - d) upon conclusion of the bidding, the Proposal Trustee, with the assistance of the Company, the Financial Advisor and legal advisors will identify the Successful Bid and the Back-Up Bid. One or more bids for portions of assets can form part of the Successful Bid and the Back Up Bid as long as the portion bids do not overlap.

4.8 Unsold Assets

1. If any of the Company’s assets remain unsold after the Auction: (i) the Company may sell the assets thereafter; and (ii) engage a consultant to assist the Company in assigning its real property leases, without further Court approval, provided that the proceeds from any transaction do not exceed \$250,000.

4.9 SISP Recommendation

1. The Proposal Trustee recommends that this Court issue an Order approving the SISP and the Stalking Horse Agreement for the following reasons:
 - a) in the Proposal Trustee’s view, the SISP is commercially reasonable and provides an opportunity to generate a result superior to the transaction contemplated by the Stalking Horse Agreement;
 - b) in the Proposal Trustee’s view, the duration of the SISP is (and has been) sufficient to allow interested parties to perform diligence and submit offers. Many of the parties that will be contacted by the Financial Advisor are familiar with this opportunity given their participation in the 2015 Solicitation Process and in the pre-filing phase of the SISP, and the Company has a comprehensive data room already compiled;

- c) the Financial Advisor, who has extensive experience in marketing retail companies and assets, believes that the SISP (including the timelines) is appropriate in the circumstances;
- d) in the normal course, cumulative losses of approximately \$5.3 million are projected in March, April and May, 2016, thus necessitating that the SISP be concluded in the near term, as the projected losses would reduce the amounts available for distribution;
- e) 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;
- f) it is the Proposal Trustee's view that the Termination Fees are reasonable in the circumstances and should not discourage potential purchasers or investors from participating in the SISP; and
- g) the Company and the Proposal Trustee have the right to extend or amend the SISP to better promote the sale of the business or all or any part of the assets or investment in the Company.

5.0 Court Ordered Charges

5.1 Professional Charges

1. The Company is seeking an Administration Charge in the amount of \$600,000 in respect of the fees and expenses of the Proposal Trustee, its counsel, the Company's counsel, the directors of the Company¹², and counsel to the directors of the Company.
2. The Company is seeking the Consensus Charge in the amount of US\$500,000 in respect of the fees and expenses of the Financial Advisor. The Consensus Charge secures the Success Fee payable to the Financial Advisor under the Stalking Horse Agreement.¹³ The Consensus Charge would rank *pari passu* with the Administration Charge.
3. Professional fee charges are common in restructuring proceedings. The beneficiaries of the Administration Charge and the Consensus Charge require the benefit of these charges to secure payment of their fees and expenses in order to have certainty of payment. The Proposal Trustee assisted the Company in the calculation of the Administration Charge and the Consensus Charge and is of the view that these charges are reasonable and appropriate in the circumstances.

¹² \$120,000.

¹³ The Success Fee under the Stalking Horse Agreement would be US\$525,000, with \$25,000 of the Financial Advisor's retainer to be credited against the Success Fee.

5.2 D&O Charge

1. The Company is seeking a D&O Charge in the amount of \$4.9 million for any liabilities the directors and officers of the Company may incur from and after the Filing Date, except to the extent that the obligation was incurred as a result of an officers' or directors' gross negligence or willful misconduct.
2. The Proposal Trustee understands that the Company is current on all pre-filing obligations for which directors may be personally liable. The cash flow contemplates that all such amounts will continue to be paid in the ordinary course and the Company is projected to have sufficient liquidity to do so. The proposed charge provides protection for the directors and officers in the event that the Company fails to pay certain obligations which may give rise to liability for directors and officers. The D&O Charge is only to be available to the directors and officers of the Company in the event that their existing insurance policy does not provide adequate coverage or to the extent that the Company cannot satisfy any indemnities that it has provided to its directors and officers.
3. The amount of the D&O Charge was estimated by the Company and its advisors in consultation with the Proposal Trustee, taking into consideration payroll obligations, employee source deduction obligations, vacation pay obligations, including those owing as of the Filing Date, and sales tax obligations that may arise during the NOI and/or proposal proceedings.¹⁴ The following chart provides a summary of the calculation:

(\$000s; unaudited)	
Payroll, including source deductions	1,600
Vacation pay	1,100
Sales tax	2,200
Total	4,900

4. The Proposal Trustee has been advised that the directors and officers of the Company have indicated that they are not prepared to continue in such capacity unless the Court grants the D&O Charge.
5. The Proposal Trustee is of the view the D&O Charge is reasonable in these circumstances and that the continued involvement of the directors and officers is beneficial to these proceedings.

¹⁴ The calculation includes pre-filing vacation pay, which is a potential liability and is commonly included in the calculation of such a charge.

5.3 KERP and the KERP Charge

1. In order to have the continued participation of critical employees and contractors during the NOI proceedings, the Company is seeking approval of a KERP and the creation of a related charge in the amount of \$524,000 to secure the payments due under the KERP. If approved, the KERP will cover 13 employees and contractors, each of whom is considered by the Company to be key to the successful completion of these restructuring proceedings.
2. A summary of the KERP is attached as a confidential appendix to the Houlden Affidavit.
3. The KERP was developed by the Company and its advisors, in consultation with the Proposal Trustee. The Company has advised the Proposal Trustee that the beneficiaries of the KERP are critical either to the completion of the SISP or to continuing operations of the business, or to both. The Company further believes that incentives are required to encourage employees to continue their employment during the restructuring proceedings.
4. The Proposal Trustee is of the view that the KERP amounts are reasonable and that the KERP Charge will provide security for the individuals entitled to the KERP. This will add stability to the business during these proceedings and will assist to maximize realizations.
5. The Company is seeking to seal on the Court file Exhibit "H" to the Houlden Affidavit, which contains detailed information with respect to the KERP. The Company believes that if the information were to be publicly available, it could have a negative effect on the Company's operations. The Proposal Trustee supports the sealing of Exhibit "H" to the Houlden Affidavit, and notes that such type of information is typically sealed in order to avoid disruption for the debtor company and to protect the privacy of the individual employees who are the beneficiaries of the KERP.

5.4 Priority of Charges

1. The Company proposes that the charges rank subordinate to the Existing Security and have the following priority:
 - First, the Administration Charge and the Consensus Charge;
 - Second, the D&O Charge; and
 - Third, the KERP Charge.

6.0 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(g) of this Report.

* * *

All of which is respectfully submitted,

KSV Kofman Inc.

**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**

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL 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. 31-CL-208438

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

Proceeding commenced at Toronto

**FIRST REPORT OF THE PROPOSAL TRUSTEE
FEBRUARY 5, 2016**

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