

Court File No. 31-2253654
Estate File No. 31-2253654

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF FORTE EPS SOLUTIONS INC., A CORPORATION WITH A HEAD OFFICE
IN THE TOWN OF MIDLAND IN THE PROVINCE OF ONTARIO**

**SECOND SUPPLEMENT TO THE SECOND REPORT
OF THE PROPOSAL TRUSTEE
(Returnable August 24, 2017)**

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B.	Appendix "B" – Supplement to the Second Report of the Proposal Trustee, dated August 16, 2017, without appendices
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TAB 1

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

**In the Matter of the Proposal of
Forte EPS Solutions Inc.
of the town of Midland, in the Province of Ontario**

**SECOND SUPPLEMENT TO THE SECOND REPORT OF ALBERT GELMAN INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

(Dated August 22, 2017)

I. INTRODUCTION

1. This report (the “**Second Supplemental Report**”) supplements both the Second Report of the Trustee dated July 28, 2017 and the Supplemental Report of the Trustee dated August 16, 2017.
2. Unless otherwise defined in the Second Supplemental Report, defined terms have the meanings ascribed to them in the Second Report and the Supplemental Report. The Second Report and Supplemental Report (both without appendices) are attached hereto as **Appendices “A” and “B”**, respectively.
3. This Second Supplemental Report is subject to the restrictions in the Second Report.

II. PURPOSE OF THIS REPORT

4. The purpose of this report is to:
 - a. provide the Court with details regarding the Company’s ongoing operations;
 - b. provide the Court with an update regarding the Company’s use of the DIP Facility;
 - c. comment on the proposed Amended SISP; and

- d. provide the Court with the Trustee's recommendations.

III. SCOPE AND TERMS OF REFERENCE

5. In preparing this Second Supplemental Report, the Trustee has relied upon certain unaudited financial information, Forte's books and records, discussions with Mr. John Cipressi, Mr. Dominic Zita (collectively, the "**Principals**"), the Company's legal counsel, Mr. William Harvey Jones, as well as other employees of the Company.

6. Unless otherwise noted, all monetary amounts referenced are in Canadian dollars.

IV. SALE AND INVESTMENT SOLICITATION PROCESS

7. The Company wishes to carry out a SISP in order to fully assess the restructuring options of the Company, ultimately, for the benefit of its secured and unsecured creditors.

8. The terms of the original SISP were outlined in the Cipressi Affidavit included with the July 31, 2017 motion materials. On July 31, 2017, the Honourable Justice Penny of the Ontario Superior Court of Justice (Commercial List) granted an order (the "**July 31 Order**") adjourning approval of the SISP to a 9:30am chambers appointment on August 17, 2017. At the August 17, 2017 chambers appointment a hearing date was set for August 24, 2017. The Trustee understands that the Company will be serving motion materials in respect of the August 24, 2017 Court hearing wherein it will be requesting approval of an Amended SISP (defined below). The original SISP, which is further described in the Second Report, was never commenced as it did not receive Court approval.

9. The Company wishes to amend the terms of the SISP to, among other things, empower the Trustee with further decision making authority (the "**Amended SISP**"). This decision has been made because the Principals have articulated an interest in participating in the SISP, either directly by way of investment in the Company, or

indirectly, through a related party offer to purchase the Company's assets. The terms of the proposed Amended SISP are attached hereto as **Appendix "C"**.

10. The terms of the proposed Amended SISP are summarized below:

- a. the Trustee, with the assistance of the Company and its legal counsel, will use commercially reasonable efforts to identify prospective purchasers and send a "teaser" letter to each party identified;
- b. each prospective purchaser identified who is interested in obtaining further information about the SISP will be required to execute a non-disclosure agreement ("**NDA**"). For the purposes of performing any necessary due diligence the prospective purchaser, after executing the NDA, will be given access to: (i) a confidential information memorandum prepared by the Company, with the assistance of the Trustee; and, (ii) access to a data room, to be maintained by the Trustee.
- c. the deadline for submitting offers is September 28, 2017 at 5:00 p.m. eastern standard time (the "**Offer Deadline**");
- d. in order for any offer to be considered a Qualified Offer (as defined in the Amended SISP) the offer must include standard insolvency terms and conditions as well as various other conditions outlined in the Amended SISP. In the event that a Related Person (as defined in the Amended SISP) submits an offer the Trustee alone shall determine which offers constitute Qualified Offers. If no offer(s) are received from Related Persons, the Company will participate in determining which offers represent Qualified Offers;
- e. all offers received must include a deposit of fifteen (15%) per cent of the purchase price;
- f. the Trustee may enter into discussions with the offerors in respect of one or more of the Qualified Offers in an effort to clarify the terms of the offer. The

Company shall participate in these discussions providing that a Related Person has not submitted a Qualified Offer;

- g. the Trustee may select an offer and, if an offer is selected by the Trustee, make a recommendation to the Company to accept said offer which offer shall be considered the "best offer";
- h. the Company, at its sole discretion, may either (i) select the "best offer" and proceed to enter into a definitive agreement of purchase and sale in connection therewith; or, (ii) make a proposal to its creditors; and,
- i. any transaction is subject to approval of the Court.

11. The Trustee is recommending that this Honourable Court approve the Company to commence the Amended SISP.

V. DEBTOR IN POSSESSION FINANCING AND RAW MATERIAL PURCHASES

12. As part of the motion material served in support of the July 31 Order the Company advised of an impending cash flow requirement and that said requirement could be met by the Landlord through the DIP Facility. The July 31 Order approved the DIP Facility, however, limited the priority charge for the DIP Facility to no more than \$200,000, (the "DIP Charge"). The DIP Charge is subordinate to the security of the BDC as well as the Administration Charge. The DIP Facility was not executed at the time that the July 31 Order was made. While the Trustee understands that the DIP Facility documents have been executed by the parties, to date it has not received a copy of same.

13. As of the date of this Second Supplementary Report the Trustee has been advised by the Company's counsel that the Company has been advanced \$40,000 under the DIP Facility.

14. In its Supplementary Report the Trustee reported that, at that time, the Company had not needed to draw down on the DIP Facility. This is in part because: (i) Flint Hills Resources, a supplier of the raw materials used by the Company in its manufacturing

process located in the United States (the “**Supplier**”) has provided credit for raw materials to the Landlord (the “**Supplier Credit Facility**”); and (ii) on April 4, 2017 Forte and 845807 Ontario Limited (“**845807**”) entered into an agreement wherein 845807 would provide Forte with raw materials which it was to use to manufacture product for 845807 (the “**Contract Manufacturing Agreement**”). Subsequently, 845807 provided Forte with raw materials.

Supplier Credit Facility

15. The Trustee has investigated the particulars surrounding the Supplier Credit Facility and has determined the following:

- a. the Landlord received the Supplier Credit Facility;
- b. on its credit application the Landlord wrote under the heading “Brief Description of your Business” that it operates as a as “foam manufacturer”;
- c. the Trustee has requested but not received copies of invoices issued by the Landlord to Forte and purchase orders issued to the Landlord from Forte;
- d. the Trustee is unsure of the contractual terms by which the raw materials supplied are transferred from the Landlord to the Company;
- e. the Trustee has been advised that the Landlord provided security to the Supplier in exchange for the Supplier Credit Facility but has not been provided with documentation confirming same; and
- f. the Company has advised that the Supplier was not made aware of Forte’s NOI proceedings.

Attached hereto as **Appendix “D”** is a copy of the credit application prepared by the Landlord.

16. The Trustee was not advised, or included in any negotiations with the Supplier regarding this arrangement. The Trustee has some concerns, namely:

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- a. the Trustee has not been provided with evidence of the contractual terms between the Landlord and Forte in respect of the raw material supplied; and
 - b. the Trustee is unsure as to the Company's obligation to pay for the raw material and whether payment, if any, is to be made to the Landlord or the Supplier directly.

17. The Trustee continues to investigate this arrangement and has requested additional documentation from the Company and the Landlord regarding same.

Contract Manufacturing Agreement

18. While the Contract Manufacturing Agreement is unclear, it appears that the parties operated as follows:

- a. 845807 purchased raw material from certain suppliers that previously supplied to the Company;
- b. 845807 delivered the raw material to the Company on the understanding that the raw material belonged to 845807 and that the Company would convert the raw material into finished EPS product;
- c. 845807 would pay the Company for its efforts and take possession of the finished EPS product; and
- d. 845807 would then either use or sell the finished EPS product as they required.

19. For context, previously the Company was paying cash on delivery for raw materials and then subsequently selling the finished EPS product to its customers on terms. This created a significant cash flow burden as the Company was paying cash on delivery for raw material but having to wait several weeks (or months) for payment on finished EPS product. To alleviate the cash flow burden the Company asked 845807 to purchase raw materials and pay the Company to convert those raw materials into

finished EPS product which 845807 could then sell to the end customer and achieve a profit margin.

20. While the Contract Manufacturing Agreement is somewhat unorthodox, it did limit the Company's financial burden while ensuring a continuous supply of raw materials. Attached hereto as **Appendix "E"** is a copy of the Contract Manufacturing Agreement.

VI. PAYMENTS TO DOMINIC ZITA

21. The Trustee has been advised that, historically, the Company's principals, John Cipressi ("**John**") and Dominic Zita ("**Dom**") were to receive monthly employment income from the Company. While the Principals have advised that they did not execute employment agreements with Forte, it was understood that John was to receive \$3,500 per month and Dom was to receive \$10,000 per month.

22. From the Company's inception in 2013 until April 2015, John did not receive any of his employment income (and in fact has not received any employment income to date) while Dom received approximately \$10,000 per month.

23. Between May 2015 and November 2016 Dom's employment income was significantly reduced to amounts which fluctuated based on the Company's ability to pay. During this period, Dom received an average monthly salary of approximately \$810 for a total salary of \$15,390.

24. From December 2016 to the date that the Company filed the NOI, Dom continued to receive employment income based on the Company's ability to pay, however, the amounts increased during this time, as compared to the previous 19 months. During this period, Dom received an average monthly salary of \$5,400 for a total salary of \$32,400.

25. Since the NOI Dom has received his full salary of approximately \$10,000 per month.

26. The Trustee has asked Dom why he is now receiving \$10,000 per month when, during the six month period preceding the NOI filing, he was receiving an average

monthly salary of \$5,400. Dom's response was that he was always entitled to \$10,000 per month and previously deferred the salary to assist the Company. Dom now wishes to receive his full monthly salary and believes the added responsibilities he has undertaken since the NOI warrant this salary.

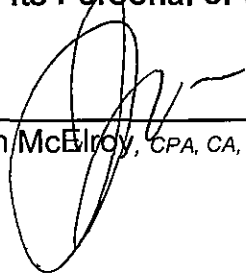
VII. TRUSTEE'S RECOMMENDATION

27. For the reasons explained herein the Trustee respectfully recommends that this Honourable Court approve the Amended SISP.

All of which is respectfully submitted this 22nd day of August 2017.

ALBERT GELMAN INC., solely in its capacity as Trustee of the Proposal of Forte EPS Solutions Inc. and not in its Personal or any other Capacity

Per:



Tom McElroy, CPA, CA, CBV, CIRP, LIT

4665932.2

TAB A

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

**In the Matter of the Proposal of
Forte EPS Solutions Inc.
of the town of Midland, in the Province of Ontario**

**SECOND REPORT OF ALBERT GELMAN INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

(Dated July 28, 2017)

I. INTRODUCTION

1. This second report ("**Second Report**") is filed by Albert Gelman Inc. ("**AGI**") in its capacity as proposal trustee (the "**Trustee**") in connection with a Notice of Intention to Make a Proposal ("**NOI**") filed by Forte EPS Solutions Inc. ("**Forte**" or the "**Company**") on May 19, 2017 under Section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"). Attached hereto at **Appendix "A"** is a copy of the NOI and Certificate of Appointment issued by the Office of the Superintendent of Bankruptcy.
2. On June 15, 2017, on motion of the Company, the Honourable Justice Hainey of the Ontario Superior Court of Justice (Commercial List) granted an order (the "**June 15 Order**") approving, among other things, an administrative charge and an extension of the stay of proceedings afforded under the NOI to August 2, 2017 (the "**Stay Extension**"). Attached hereto as **Appendix "B"** is a copy of the June 15 Order.
3. The Trustee prepared a report in respect of the June 15, 2017 motion dated June 9, 2017 (the "**First Report**"). Attached hereto as **Appendix "C"** is a copy of the First Report, without appendices:
4. The Company has served the affidavit of John Cipressi, sworn July 23, 2017 (the "**Cipressi Affidavit**"), and the supplementary affidavit of John Cipressi, sworn July 28, 2017 (the "**Supplementary Affidavit**"), in support of its motion.

5. For the reasons explained herein the Trustee supports the relief sought by the Company in its motion and further detailed in the Cipressi Affidavit and Supplementary Affidavit.

II. PURPOSE OF THIS REPORT

6. The purpose of this report is to:

- a. provide information to the Court regarding the actions and activities of both the Trustee and the Company subsequent to date of the First Report;
- b. discuss the proposed SISP (defined below) and the subsequent request to adjourn this relief;
- c. provide information to the Court regarding the Company's Revised Cash Flow Projection (defined below);
- d. discuss the Company's request for the Second Stay Extension (defined below);
- e. provide information to the Court regarding the DIP Facility and DIP Charge (both terms defined below);
- f. discuss the Company's request for an amendment and restatement of the June 15 Order, specifically with respect to the priority ranking of the Administrative Charge as granted on June 15, 2017; and,
- g. provide the Court with the Trustee's recommendations.

III. SCOPE AND TERMS OF REFERENCE

7. In preparing this Second Report, the Trustee has relied upon certain unaudited financial information, Forte's books and records, discussions with Mr. John Cipressi, Mr. Dominic Zita (collectively, the "Principals"), the Company's legal counsel, Mr. William Harvey Jones, as well as other employees of the Company.

8. While the Trustee has reviewed various documents provided by the Principals and others, such review does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("GAAP") or International Financial Reporting Standards ("IFRS"). Accordingly, the Trustee expresses no opinion or other form of assurance pursuant to GAAP or IFRS or otherwise with respect to such information except as expressly stated herein.

9. This Second Report has been prepared for the use of this Court and Forte's stakeholders as general information relating to Forte and to assist the Court in making a determination of whether to approve the relief sought by Forte. Accordingly, the reader is cautioned that this Second Report may not be appropriate for any other purpose. The Trustee will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Second Report contrary to the provisions of this paragraph.

10. Any capitalized terms not defined in this Second Report shall have the meaning ascribed to them in the First Report.

11. Unless otherwise noted, all monetary amounts referenced are in Canadian dollars.

IV. BACKGROUND INFORMATION

12. The Company's manufacturing plant is located at 16567 Highway 12, Midland, Ontario (the "**Premises**"). The Premises is owned by 16567 Highway 12 Holdings Limited ("**16567**" or the "**Landlord**") which is related to the Company in that John Cipressi and Andrea Zita (Dominic Zita's wife) are the owners of the Landlord. The Trustee understands that there is a lease agreement between the Landlord and the Company. 16567 is not a debtor in these proceedings.

13. Of note, the Landlord has guaranteed the Company's debts to two of its secured creditors, namely Business Development Bank of Canada ("**BDC**") and Western Ontario Community Futures Development Corporation Association ("**SOFFI**"), with said guarantees being secured by mortgages on the Premises.

14. The Trustee understands that in May 2017, the Landlord entered into an agreement of purchase and sale to sell its premises to 2306732 Ontario Inc. (the "Premises Purchaser") (collectively, the "APS") with a closing date of July 25, 2017 (the "Closing Date"). The APS was conditional on the Premises Purchaser waiving certain conditions thus the transaction did not close on the Closing Date.

15. The Company received an unsolicited non-binding term sheet on July 2017 (the "Term Sheet") from a prospective purchaser (the "Interested Party") which outlined the terms of a potential purchase of the assets of Forte as well as the Premises. As of the date of this Second Report, the Trustee understands that the company has not entered into an agreement of purchase and sale with the Interested Party. However, the Interested Party has provided the Debtor with a summary of key "milestones" (or tasks), one of which includes the execution of an asset purchase agreement, as well as the anticipated date that each milestone will be completed. It appears to the Trustee that the Interested Party proposes to undertake good faith efforts to perform its due diligence with the ultimate goal of entering into a binding agreement to purchase the Debtor's assets.

16. Further background information on the Company, its Directors and the events leading the filing of the NOI can be found in the First Report which is attached as Appendix C.

V. ACTIVITIES OF THE COMPANY

17. Since the date of the First Report the Company has undertaken, among other things, the following activities:

- a. attended a meeting, along with the Trustee and its counsel, with the Interested Party;
- b. received and began negotiations on a term sheet received from the Interested Party;
- c. continued to market its products to existing and new consumers in an effort to increase revenues;

- d. attended meetings with the Trustee and its legal counsel to discuss its objectives and options in respect of these restructuring proceedings;
- e. obtained an Appraisal of its machinery and equipment;
- f. prepared the Revised Cash Flow Projection with the assistance of the Trustee; and,
- g. provided the Trustee, on an ongoing basis, with financial and other information in order to allow the Trustee to monitor its cash receipts and disbursements.

18. Since the date of the First Report the Principals decided to proceed with a SISP (defined below). However, with the receipt of the Term Sheet, Forte wishes to first negotiate with the Interested Party with a view to maximizing recovery and minimizing expense to its creditors

VI. ACTIVITIES OF THE TRUSTEE

19. Since the date of the First Report the Trustee has undertaken, among other things, the following activities:

- a. assisted the Company with the preparation of the Revised Cash Flow Projection;
- b. continued to monitor the receipts and disbursements of the Company and compare same to the Cash Flow Forecast for variances;
- c. met with management and its counsel, Mr. William Harvey Jones, as well as representatives of the Interested Party to discuss the potential sale of the Company's assets to the Interested Party;
- d. communicated extensively with the Principals and the Company's legal counsel; and,

- e. communicated with several creditors and other stakeholders who contacted the Trustee directly regarding the status of the restructuring proceedings.

VII. SALE AND INVESTMENT SOLICITATION PROCESS

20. The Company wishes to carry out a sale and investment solicitation process (the "SISP") in order to fully assess the restructuring options of the Company, ultimately, for the benefit of its secured and unsecured creditors. The administrative functions of the SISP shall be carried out by the Trustee, however, it will not be responsible for making any decisions with respect to which LOIs to pursue and/or, ultimately, which offer to accept, if any. The role of the Trustee shall be limited to that of an administrator of the SISP in so far as it shall contact interested parties, provide those interested parties with information and present any LOIs received to the Company.

21. The Company has requested that the Trustee carry out the administrative function of the SISP because Mr. Dominic Zita and/or Mr. John Cipressi, the shareholders and directors of the Company, are contemplating either directly or indirectly making an offer in accordance with the SISP. Therefore, the Trustee shall undertake the administrative duties of the SISP in order to ensure the integrity of the SISP in maintained throughout the process.

22. The terms of the proposed SISP are set out below:

- a. the Trustee, with the assistance of the Company and its legal counsel, will use commercially reasonable efforts to identify prospective purchasers and send a teaser letter to each party identified;
- b. each prospective purchaser identified will be required to execute a non-disclosure agreement ("NDA"). Upon execution of the NDA the prospective purchaser will be given access to confidential corporate information for the purposes of performing any necessary due diligence;
- c. each prospective purchaser who wishes to make an offer to either purchase the assets or make an investment in the Company must provide the Trustee

with a non-binding letter of intent ("LOI") on or before August 25, 2017. The LOI shall include basic information about the contemplated transaction as well as the Interested Party's ability to fund the transaction;

- d. the Debtor and the Trustee will review each LOI received and the Company will determine which LOIs it would like to pursue;
- e. the deadline for a binding agreement is August 30, 2017 at 5:00 p.m. eastern standard time;
- f. all offers received must include standard insolvency terms and conditions as well as various other conditions outlined in the SISP;
- g. all offers received must include a deposit of fifteen (15%) per cent of the purchase price;
- h. the Company will have the right to reject any and all offers, including the best offer; and,
- i. any transaction is subject to approval of the Court.

23. The SISP provides that the Debtor may accept offers received outside of the SISP. The Trustee wishes to clarify that any attempts by the Company to accept offers outside the SISP will be of concern to the Trustee and will, at a minimum, require both creditor and court approval.

VIII. CASH FLOW

24. On July 28, 2017 the Company filed with the Trustee its revised statement of forecasted cash flows prepared on a weekly basis for the period of July 24 to November 5, 2017 ("**Revised Cash Flow Projection**"), along with management's report on the reasonableness of the Cash Flow Projection, in accordance with subsection 50.4(2) of the BIA. Attached hereto as **Appendix "D"** is a copy of the Revised Cash Flow Projection along with managements report thereon, which are prepared on the assumption that the Company continues as a going concern.

25. The Revised Cash Flow Forecast includes an injection of \$200,000 during the week ended August 6, 2017 from 16567. The Debtor is requesting that this Honourable Court grant an Order approving the DIP Facility and DIP Charge (both terms defined below) and, if the Order is granted, the advance from 16567 will form part of the DIP Charge.

IX. ASSETS

26. As was noted in the First Report, the significant tangible assets of the Company consist of manufacturing equipment which the Company uses to manufacture its products. A portion of the manufacturing equipment is leased from Travelers Leasing Ltd. ("**Travelers**") (the "**Leased Equipment**"). The Leased Equipment is integral to the Company's continuing operations. Prior to the filing of the NOI by the Company Travelers "tagged" the Leased Equipment and expressed its intention to repossess the Leased Equipment.

27. The balance of the manufacturing equipment is owned by the Company.

28. The Company obtained an appraisal of its machinery and equipment prepare on a gross forced liquidation value basis by Asset Services with an effective date of June 19, 2017 (the "**Appraisal**"). The Appraisal has not been included with this Second Report as it contains sensitive commercial information regarding the value of the Company's machinery and equipment which may, if made public, negatively affect the quantum of any offer(s) made pursuant to the SISF.

X. SECURED CREDITORS

29. Pursuant to a Ontario Personal Property Lien search conducted by the Trustee (file currency date July 24, 2017) (the "**PPL Search**") the following registration were identified:

Creditor	Registration Date	Collateral Classification
North Simcoe Community Futures Development Corporation	May 10, 2012	Equipment
Business Development Bank of Canada	January 29, 2013	Inventory, Equipment, Accounts, Other, Motor Vehicle
Western Ontario Community Futures Development Corporation	February 1, 2013	Inventory, Equipment, Accounts, Other, Motor Vehicle
Travelers Leasing Ltd.	July 29, 2014	Equipment

30. Attached hereto as **Appendix "E"** is a copy of the PPL Search.

31. Counsel to the Trustee has provided the Trustee with an opinion (the "**Security Review**") that, subject to certain standard qualifications and assumptions contemplated therein, the security of both BDC and Travelers is valid and enforceable in accordance with its terms. Attached hereto as **Appendix "F"** is a copy of the security opinion.

32. The Security Opinion did not consider the validity and enforceability of the security of SOFFI, North Simcoe (defined below) or First Source Mortgage Corporation. The Trustee will likely obtain an expanded security opinion at the time the Company makes its proposal to its creditors.

North Simcoe Community Futures Development Corporation ("**North Simcoe**")

33. North Simcoe has provided the Trustee with a postponement agreement which purports to subordinate and postpone North Simcoe's security in favour of BDC's security (the "**North Simcoe Postponement**"). Attached hereto at **Appendix "G"** is a copy of the North Simcoe Postponement.

34. As a result of the North Simcoe Postponement it appears that the BDC has first ranking secured charge over the Company's assets, including the Leased Equipment as explained in further detail below.

BDC

35. The Company entered into a forbearance agreement with BDC which extends to August 30, 2017 (the "**Forbearance Agreement**"). The Forbearance Agreement was

conditional on the APS closing on July 25, 2017. The Trustee understands that there are continuing negotiations with BDC about extending the forbearance.

SOFFI

36. On June 19, 2017 counsel for SOFFI, Advocates LLP, contacted counsel for the Trustee, Lerners LLP, and provided copies of their clients Notice of Intention to Enforce Security dated August 26, 2015 (the "SOFFI NITES") which were issued pursuant to section 244 of the BIA. Attached hereto as **Appendix "H"** is a copy of the SOFFI NITES.

37. The Trustee notes that the SOFFI NITES were issued almost two years ago. The Trustee expresses no opinion at this time as to whether SOFFI would be subject to the stay of proceedings in this matter. The Trustee has been advised that the Company did not enter into a forbearance agreement or any other tolling agreement subsequent to the issuance of the SOFFI NITES and that the Principals are not aware of any enforcement actions taken by SOFFI subsequent to the issuance of the SOFFI NITES.

38. Subsequent to June 19, 2017, neither the Trustee nor its counsel has been contacted by SOFFI's counsel.

Travelers Leasing Ltd. ("Travelers")

39. The Security Review noted above questions whether Travelers interest in the Leased Equipment is, in fact, a valid Purchase Money Security Interest (a "PMSI"). Specifically, the Security Review notes that Travelers' lease in the Leased Equipment appears to be the result of a sale/leaseback transaction. Of note, section 2 of the *Personal Property Security Act* defines a "purchase money security interest" as:

- a. a security interest taken or reserved in collateral, other than investment property, to secure payment of all or part of its price,
- b. a security interest taken in collateral, other than investment property, by a person who gives value for the purpose of enabling the debtor to acquire rights in or to the collateral, to the extent that the value is applied to acquire the rights, or

c. the interest of a lessor of goods under a lease for a term of more than one year,

but does not include a transaction of sale by and lease back to the seller. [emphasis added]

40. Attached hereto as **Appendix "I"** is a copy of the security documents received from Travelers.

41. If Travellers does not have a PMSI, it would still have a valid and enforceable security interest in the Leased Equipment, however, priority would then be determined by date of perfection. The Trustee notes that according to the PPL Search, Travelers registration was completed after the registrations completed by each of BDC, North Simcoe and SOFFI. The PPL Search is attached as Appendix E.

42. The BDC and Travelers entered into a priority agreement dated July 28, 2017 in respect of the Leased Equipment (the "**BDC Priority Agreement**"). The Trustee is not aware of any priorities agreement between Travelers and either North Simcoe or SOFFI.

43. As a result of the BDC Priority Agreement the relative priority positions with respect to the Leased Equipment are uncertain and will likely require further legal interpretation. This legal matter is not relevant with respect to the relief being sought at this time and, therefore, has not been further investigated by either the Company or the Trustee as of the date of this Second Report.

44. Pursuant to the June 15 Order the Administration Charge was granted without prejudice to Travelers' ability to bring a motion within 30 days for an Order declaring that they have a valid PMSI and an Order further subordinating the Administration Charge to their PMSI in the Leased Equipment (if Travelers in fact has a valid PMSI over the Leased Equipment). As of the date of this report the Trustee is not aware of any motion having been brought by Travelers in respect of these restructuring proceedings.

Canada Revenue Agency (the "CRA")

45. The Trustee has been advised by the Company's internal bookkeeper that there is an outstanding balance owing the CRA in respect of unpaid employee source deductions (the "**Deemed Trust Claim**"), however, this balance could not be quantified. It is the Trustee's understanding that the Deemed Trust Claim will rank in priority to the claims of each of the secured creditors noted above.

46. The Trustee has been advised by the Principals that the Company is in the process of engaging an external accountant for the purposes of preparing financial statements, preparing unfiled corporate income tax returns and reconciling the Company's tax account balances.

XI. DEBTOR IN POSSESSION FINANCING

47. In order to fund the immediate working capital requirements of the Company during its restructuring efforts the company requires additional funding. Pursuant to the Cipressi Affidavit 16567 has proposed to provide the Company with a debtor-in-possession facility (the "**DIP Facility**"). The proposed DIP Facility is conditional on this Honourable Court granting a charge in favour of 16567 over the Company's assets (the "**DIP Charge**").

48. The terms of the proposed DIP Facility are set out in a Debtor in Possession Loan Agreement which is included with Forte's motion material and is attached hereto as **Appendix "J"**. The Trustee notes that this agreement is not signed. The Trustee has been advised by the Debtor's counsel that the agreement will be executed if the Court grants the DIP Charge. The material terms of the proposed DIP Facility are outlined below:

- a. permits the Debtor to borrow the aggregate sum of up to a maximum of \$450,000;
- b. shall be repayable upon the sale of the assets of the Debtor; and,
- c. shall bear interest at a rate of fifteen (15%) percent per annum compounded semi-annually.

49. The Company is requesting that this Court make an Order that the DIP Charge shall be in priority to the secured claims of all secured creditors of Forte but subordinated only to the Administration Charge and the security of the BDC.

50. As previously noted, the Landlord is providing the DIP Facility. The Trustee notes that the Landlord appears to be a single purpose entity who owns the Premises. The Premises has mortgages registered on title and, to date, the Trustee has not been provided with evidence that the Landlord can fund the DIP facility.

XII. ADMINISTRATIVE CHARGE

51. The Company is seeking an Order to amend and restate paragraphs 3 and 4 of the June 15 Order. The June 15 Order granted an Administrative Charge over the property of the Debtor. The property of the debtor includes certain Leased Equipment. The Administration Charge granted on June 15, 2017, was subordinated to the BDC in respect of the Leased Equipment.

52. Subsequent to the issuance of the June 15 Order the BDC agreed to allow an administration charge pursuant to section 64.2(1) of the BIA in an amount not to exceed \$100,000 to be obtained by the Company in priority to its secured interest in and to the Leased Equipment and that said administration charge would not represent a default and/or violation of the Forbearance Agreement.

53. Therefore, given the BDC's consent as well as the expiry of the 30 day period granted to Travelers, the Company is seeking an Order of the Court charging the Leased Equipment in priority to *all* [emphasis added] other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, pursuant to section 64.2(1) of the BIA in an amount not to exceed \$100,000 to secure the fees and disbursements of the Trustee, the Trustee's legal counsel and legal counsel for the Company.

54. For clarification, if Ordered by this Honourable Court, the Administration Charge will continue to be subordinated to the BDC in respect to all of the assets owned by the company not otherwise considered to be part of the Leased Equipment.

55. The Company is further requesting that the Administration Charge, if granted, be in priority to any debtor-in-possession facility or loan secured by the DIP Charge, if also granted.

XIII. REQUEST FOR EXTENSION

56. The Company is seeking a second extension pursuant to subsection 50.4(9) of the BIA (the "**Second Stay Extension**"). The purpose of the Second Stay Extension would be to, among other things, provide the Debtor with sufficient time to negotiate with the Interested Party a binding agreement of purchase and sale in respect of the Company's assets and, if unsuccessful in this regard, allow the Company to undertake the SISP.

57. The Trustee supports the Second Stay Extension as it is of the opinion that:

- a. the Company has acted, and is acting, in good faith and with due diligence;
- b. the Company would likely be able to make a viable Proposal if the extension being applied for were granted; and,
- c. no creditor would be materially prejudiced if the extension being applied for were granted.

58. The Trustee is also of the opinion that a Proposal developed by the Company would likely result in a higher distribution to creditors than if the extension is denied thereby resulting in a deemed bankruptcy and forced liquidation of the Company's assets.

59. The Trustee's recommendation is subject to confirmation from the Landlord of its ability to fund the DIP Facility. The Trustee will advise the creditors if the Landlord fails to fund the DIP Facility.

XIV. TRUSTEE'S RECOMMENDATION

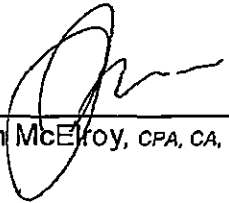
60. For the reasons explained herein the Trustee respectfully recommends that this Honourable Court make an Order approving:

- a. an adjournment of the SISP to a 9:30 a.m. chambers appointment on the week of August 14, 2017;
- b. the DIP Charge;
- c. the amendments to the June 15 Order; and
- d. the Second Stay Extension.

All of which is respectfully submitted this 28th day of July, 2017.

**ALBERT GELMAN INC., solely in its
capacity as Trustee of the Proposal of Forte EPS Solutions Inc.
and not in its Personal or any other Capacity**

Per:



Tom McElroy, CPA, CA, CBV, CIRP, LIT

TAB B

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

**In the Matter of the Proposal of
Forte EPS Solutions Inc.
of the town of Midland, in the Province of Ontario**

**SUPPLEMENT TO THE SECOND REPORT OF ALBERT GELMAN INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

(Dated August 16, 2017)

I. INTRODUCTION

1. This supplemental report ("**Supplemental Report**") is filed by Albert Gelman Inc. ("**AGI**") in its capacity as proposal trustee (the "**Trustee**") under a Notice of Intention to Make a Proposal ("**NOI**") filed by Forte EPS Solutions Inc. ("**Forte**" or the "**Company**") on May 19, 2017 pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act (Canada)* (the "**BIA**"). Attached hereto at **Appendix "A"** is a copy of the NOI and Certificate of Appointment issued by the Office of the Superintendent of Bankruptcy.

2. On June 15, 2017, on motion of the Company, the Honourable Justice Hailey of the Ontario Superior Court of Justice (Commercial List) granted an order (the "**June 15 Order**") approving, among other things, an administrative charge and an extension of the stay of proceedings afforded under the NOI to August 2, 2017 (the "**Stay Extension**"). Attached hereto as **Appendix "B"** is a copy of the June 15 Order.

3. The Trustee prepared a report in respect of the June 15, 2017 motion dated June 9, 2017 (the "**First Report**"). Attached hereto as **Appendix "C"** is a copy of the First Report, without appendices.

4. On July 31, 2017, the Honourable Justice Penny of the Ontario Superior Court of Justice (Commercial List) granted an order (the "**July 31 Order**") approving, among other things, a debtor-in-possession lender's charge, an amendment to the administrative charge granted pursuant to the June 15 Order and an extension of the stay of proceedings

afforded under the NOI to September 18, 2017. Attached hereto as **Appendix "D"** is a copy of the **July 31 Order**.

5. The Trustee prepared a report in respect of the July 31, 2017 motion dated July 28, 2017 (the **"Second Report"**). Attached hereto as **Appendix "E"** is a copy of the Second Report, without appendices.

6. In addition to the relief obtained, the July 31 Order originally contemplated approval of its sale and investment solicitation process (the **"SISP"**), however, the Company received an unsolicited term sheet from a third party (the **"Interested Party"**) which contemplated purchase of both the Company's assets and the Premises (as defined below). The Company (with the Trustee's approval) adjourned approval of the SISP to a 9:30am chambers appointment on August 17, 2017 so that it may further advance negotiations with the Interested Party in order to determine if there was a viable transaction available to the Company.

7. The Company has advised the Trustee that while there have been further discussions with the Interested Party, talks have not resulted in a draft purchase (or investment) agreement, much less an agreement capable of being presented to the Court and/or the Company's creditors for approval.

8. Accordingly, the Company (with the Trustee's consent) is seeking approval of a SISP that is modified from what was presented to the Court as part of the material served in support of the July 31 Order.

II. PURPOSE OF THIS REPORT

9. The purpose of this report is to:
- a. provide the Court with an update regarding the status of the Company's negotiations to sell its assets to the Interested Party;
 - b. provide the Court with details regarding the Company's ongoing operations;

- c. provide the Court with an update regarding the Company's use of the DIP Facility;
- d. comment on the proposed SISP; and
- e. provide the Court with the Trustee's recommendations.

III. SCOPE AND TERMS OF REFERENCE

10. In preparing this Supplemental Report, the Trustee has relied upon certain unaudited financial information, Forte's books and records, discussions with Mr. John Cipressi, Mr. Dominic Zita (collectively, the "Principals"), the Company's legal counsel, Mr. William Harvey Jones, as well as other employees of the Company.

11. While the Trustee has reviewed various documents provided by the Principals and others, such review does not constitute an audit or verification of such information for accuracy, completeness or compliance with Generally Accepted Accounting Principles ("GAAP") or International Financial Reporting Standards ("IFRS"). Accordingly, the Trustee expresses no opinion or other form of assurance pursuant to GAAP or IFRS or otherwise with respect to such information except as expressly stated herein.

12. This Supplemental Report has been prepared for the use of this Court and Forte's stakeholders as general information relating to Forte and to assist the Court in making a determination of whether to approve the relief sought by Forte. Accordingly, the reader is cautioned that this Supplemental Report may not be appropriate for any other purpose. The Trustee will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Supplemental Report contrary to the provisions of this paragraph.

13. Any capitalized terms not defined in this Supplemental Report shall have the meaning ascribed to them in the First Report and the Second Report.

14. Unless otherwise noted, all monetary amounts referenced are in Canadian dollars.

IV. BACKGROUND INFORMATION

15. The Company's manufacturing plant is located at 16567 Highway 12, Midland, Ontario (the "Premises"). The Premises is owned by 16567 Highway 12 Holdings Limited ("16567" or the "Landlord") which is related to the Company in that John Cipressi and Andrea Zita (Dominic Zita's wife) are the owners of the Landlord. The Trustee understands that there is a lease agreement between the Landlord and the Company. 16567 is not a debtor in these proceedings.

16. Further background information on the Company, its Directors and the events leading to the filing of the NOI can be found in the First Report and the Second Report which are attached hereto as Appendices C and E, respectively.

V. STATUS OF NEGOTIATIONS WITH INTERESTED PARTY

17. As discussed in the Second Report, the Company received an unsolicited non-binding term sheet in July 2017 (the "Term Sheet") from the Interested Party which outlined the terms of a potential purchase of the assets of Forte as well as the Premises. The Trustee is advised that the Interested Party provided the Company with a summary of key "milestones" (or tasks), one of which includes the execution of an asset purchase agreement, as well as the anticipated date that each milestone will be completed.

18. The Trustee has been advised by the Company's management that in or around the first week of August 2017 management of the Interested Party attended at the Premises to conduct further due diligence.

19. Following this initial due diligence counsel for the Debtor asked counsel for the Interested Party when they could advance negotiations. The Interested Party's counsel advised that it did not have any further instructions to continue to complete the tasks outlined in the summary of key "milestones".

20. Given the response received from counsel to the Interested Party, the Company has elected to proceed with the SISP and communicated same to the Interested Party.

VI. SALE AND INVESTMENT SOLICITATION PROCESS

21. The Company wishes to carry out a SISP in order to fully assess the restructuring options of the Company, ultimately, for the benefit of its secured and unsecured creditors.

22. The Terms of the original SISP were outlined in the Cipressi Affidavit included with the July 31, 2017 motion materials. The Trustee understands that the Company wishes to amended the terms of the SISP to, among other things, empower the Trustee with further decision making authority. This decision has been made because the Principals have articulated an interest in participating in the SISP, either directly by way of investment in the Company, or indirectly, through a related party offer to purchase the Company's assets.

23. The amended SISP terms are being discussed by the Company and the Trustee and in the coming days the Company hopes to provide a supplementary motion record proposing certain amendments to the SISP (the "Amended SISP").

24. The Company has been involved in this NOI process for three months and has already received two stay extensions. Even if the Company proceeds immediately with the Amended SISP it will likely require a third stay extension from the Court. It is imperative that the Company be fully immersed in the Amended SISP process before the current stay expires on September 18, 2017 or risk insufficient time to complete the process within the legislative confines of an NOI process. Accordingly, the Trustee recommends that the Company's motion to approve the Amended SISP be scheduled at the Court's earliest convenience.

VII. DEBTOR IN POSSESSION FINANCING AND RAW MATERIAL PURCHASES

25. As part of the motion material served in support of the July 31 Order the Company advised of an impending cash flow requirement and that said requirement could be met by the Landlord through the DIP Facility. The July 31 Order approved the DIP Facility, however, limited the priority charge for the DIP Facility to no more than \$200,000, (the "DIP Charge"). The DIP Charge is subordinate to the security of the BDC as well as the Administration Charge. The DIP Facility was not executed at the time that the July 31 Order was made.

26. The material terms of the DIP Facility are outlined in the Second Report.

27. Yesterday, the Company advised the Trustee that it has not needed to draw down on the DIP Facility. This is in part because Flint Hills Resources, one of the Company's suppliers (the "**Supplier**"), has provided credit for raw materials and the Landlord has provided security to the Supplier in exchange for extending said credit (the "**Supplier Credit Facility**").

28. The Trustee is still investigating the particulars surrounding the Supplier Credit Facility, including: (i) was it the Landlord or the Company that received the Supplier Credit Facility; (ii) if the Supplier Credit Facility was provided to the Landlord, on what contractual basis are the raw materials supplied being transferred from the Landlord to the Company; and (iii) if the Supplier Credit Facility was provided to the Landlord, was the Supplier advised of the NOI and did the Landlord guarantee the obligations under the Supplier Credit Facility.

29. The Trustee was not advised of any negotiations with the Supplier, much less invited to attend any such negotiations. At first instance, the Trustee has concerns about the Supplier Credit Facility and whether the Supplier was fully informed of the NOI. The Trustee expects the Company to provide full disclosure of both the negotiations and terms of the Supplier Credit Facility in its motion material describing the Amended SISF.

VIII. TRUSTEE'S RECOMMENDATION

30. For the reasons explained herein the Trustee respectfully recommends that this Honourable Court schedule a hearing on the Company's request to commence a SISF on an expedited basis.

All of which is respectfully submitted this 16th day of August 2017.

**ALBERT GELMAN INC., solely in its
capacity as Trustee of the Proposal of Forte EPS Solutions Inc.
and not in its Personal or any other Capacity**

Per:


Tom McElroy, CPA, CA, CBV, CIRP, LIT

TAB C

SALE AND INVESTMENT SOLCITATION PROCESS

Forte EPS Solutions Inc.

Defined Terms

1. All capitalized terms contained herein but not otherwise defined herein shall have the meanings given to them in the order granted by the Ontario Superior Court of Justice [Commercial List] (the “**Court**”) on August 24, 2017 (the “**Approving Order**”) in respect of the Forte EPS Solutions Inc.’s (“**Forte**” or the “**Company**”) proceedings commenced under the *Bankruptcy and Insolvency Act* (the “**BIA**”).
2. The terms of the SISP described herein shall, collectively, be referred to as the SISP Procedures throughout this document.

Role of the Proposal Trustee

3. The SISP will be administered by the Proposal Trustee on behalf of the Company. The roles and responsibilities of the Proposal Trustee are described in further detail throughout the SISP Procedures, however, the Proposal Trustee’s role in the SISP does not include managing, operating, or taking possession or control of any of the Company’s property, assets and undertaking.
4. The Company and its principals, employees and professional advisors shall cooperate with the Proposal Trustee throughout the SISP and provide documents and information requested as part of the SISP to the Proposal Trustee in a prompt fashion.

Commencement of SISP

5. Within three (3) business days of the date of the Approving Order (the “**Commencement Date**”), the Proposal Trustee shall contact parties previously identified by the Company who may either be interested in purchasing the assets of the Company or making and investment in the Company together with any other parties who have advised the Proposal Trustee of their interest (the “**Prospective SISP Participants**”) and provide those parties with a copy of the “teaser” document. The teaser document shall contain general details about the opportunity to either purchase the assets of Forte or make an investment in Forte (the “**Opportunity**”) as well as some general background information about the Company.

Due Diligence

6. Any Prospective SISP Participants who advise the Proposal Trustee of their interest in participating in the SISP shall execute a non-disclosure agreement (the “**NDA**”) in a form satisfactory to the Proposal Trustee.

7. Commencing on the Commencement Date (and after each respective Prospective SISP Participant has executed the NDA), the Proposal Trustee shall make available to the Prospective SISP Participant the following:
 - a) Confidential information memorandum (“CIM”) prepared by the Company with the assistance of the Proposal Trustee describing the SISP Procedures and the Opportunity as well as providing additional background information about the Company; and,
 - b) Access to an electronic data room, to be maintained by the Proposal Trustee, which shall contain information pertaining to the Opportunity along with other corporate financial and other documents as provided by the Company.

Offer Deadline

8. All offers must be submitted in writing to and received by the Proposal Trustee at 100 Simcoe Street, Suite 125, Toronto, Ontario, M5H 1L2, attention: Tom McElroy, by no later than 5:00 p.m. (Toronto time) on September 28, 2017 (the “**Offer Deadline**”) each offer must remain open for acceptance until 5:00 pm on October 13, 2017 (the “**Acceptance Date**”).

Qualifying Offers

9. An offer will only be considered a “Qualified Offer” if it is submitted before the Offer Deadline and if it meets the following minimum criteria:
 - a) It is irrevocable until after the Acceptance Date;
 - b) It must be accompanied by a deposit in the form of a certified cheque or bank draft payable to the Proposal Trustee “in trust” which is equal to at least fifteen (15%) percent of the total purchase price payable under the offer;
 - c) It includes evidence that the offeror has the financial means to complete the proposed acquisition or investment;
 - d) Includes an acknowledgement that the purchaser or investor has relied solely on an independent review and investigation and that its has not relied on any representation by the Company, the Proposal Trustee or their respective agents, employees or advisers;
 - e) The offer must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the offeror’s obligation to complete the transaction;
 - f) It does not entitle any proposed purchaser to claim any break up, termination or similar fees or expense claim; and,
 - g) It must be on such terms and conditions as are typical in the context of sales conducted through a restructuring and insolvency proceeding, which terms shall include, without limitation: (i) acknowledgement that any purchase or investment is on an “as is where is basis” without any representation, warranties or conditions made or granted in connection therewith; (ii) that the completion of the transaction is conditional on the granting of an approval and vesting Order by the Court (the “**Approval and Vesting Order**”); and, (iii) a closing of the transaction to occur within three (3) business days of the Approval and Vesting Order being issued by the Court.

10. The Proposal Trustee shall review all offers submitted under the SISP and first determine whether any of the bidders are Related Persons (as that term is defined under section 4(2) of the BIA) and:
- a. If none of the offers are made by parties that are Related Persons, then the determination of whether an offer is a Qualified Offer shall be made jointly by the Company and the Proposal Trustee;
 - b. If offers are made by one or more Related Persons, then the Proposal Trustee shall, in its sole discretion, determine what offers, if any, represent a Qualified Offer.
11. Each Qualified Offer shall be considered and, if necessary, there may be further discussions with some or all of the parties who have submitted a Qualified Offer with a view to clarifying terms. The Company shall participate in these discussions providing that a Related Person has not submitted a Qualified Offer.

Winning Offer

12. Providing that there are one or more Qualified Offers, the Proposal Trustee shall determine the highest and best offer within five (5) business days of the Offer Deadline and shall convey its decision to the Company at that time (the “**Best Offer**”).
13. The Company will have seven (7) business days from the date that they are advised of the Best Offer to either: (a) accept the Best Offer and enter into a definitive agreement of purchase and sale in connection therewith (the “**Sale Agreement**”); or (b) make a proposal to its creditors.

Court Approval

14. Within three (3) business days following the execution of the Sale Agreement, the Company will apply for the approval of the Court of the Winning Offer and the Sale Agreement (the “**Approval Motion**”) and an approval and vesting order in respect of same
15. The Proposal Trustee shall serve and file a report with respect to the SISP and Sale Agreement in advance of the Approval Motion.

Other Terms

16. All deposits received (except such deposit forming part of the Winning Offer, if there is a Winning Offer) shall be held by the Proposal Trustee “in trust” until the execution of the Sale Agreement. All deposits submitted by Prospective SISP Participants who did not submit the Winning Offer shall have same returned following execution of the Sale Agreement. The deposit forming part of the Winning Offer shall be dealt with in accordance with the Sale Agreement.

17. In the event that the Company chooses to make a proposal to its creditors pursuant to Part III, Division I of the BIA, all deposits received from Prospective SISP Participants shall be returned after the Company lodges its proposal with the Office of the Superintendent in Bankruptcy.
18. In the event that the deposit is forfeited for any reason it shall be forfeited as liquidated damages and not as a penalty.
19. All Qualified Offers (other than the Winning Offer) shall be deemed rejected on the date of the approval of the Sale Agreement by the Court or on the day that the Company lodges its proposal with the Office of the Superintendent in Bankruptcy, whichever is applicable.
20. Subject to the Approving Order or other order of the Court, the Company, in consultation with the Proposal Trustee, shall have the right to adopt such other rules for the SISP that, at its sole discretion, will better promote the goals of the SISP.

TAB D



CUSTOMER INFORMATION SHEET

1. COMPANY NAME (Applicant)

16567 Highway 12 Holding Ltd
 FULL LEGAL NAME
 Ontario Canada
 State of Incorporation Country of Incorporation

2. COMPANY ADDRESS

16567 Hwy 12 Box 245
 Corporate Street Address Line 1
 Parent Company Name, if applicable: Hurs
 Number of Years in Business: Foam manufacturer
 Brief Description of your Business: Foam manufacturer
 Corporate Street Address Line 2: Midland
 State: ON
 Country: Canada
 Zip / Postal Code: L4R4K8

3. BUSINESS IDENTIFICATION

Tax Identification Number (Federal Tax ID / VAT / GST)
 Corporate Website Address, if applicable
 Environmental Protection Agency (EPA) number [US Customers Only]
 Business Type: Public Corporation, Private Corporation, S Corporation, Partnership, Not for Profit, Other (specify)
 Sales Tax Exempt?: Yes*, No
 mark with "X"
 (If yes, please attach sales tax exemption)

4. OWNERSHIP

LIST MAJORITY SHAREHOLDERS [PARTNERS & OWNERS] NAMES OF ULTIMATE OWNERS IF HOLDING COMPANY

Name: John Cipressi	Title: Owner C.E.O.	% of Ownership: 50%
Name: Andrea Zita	Title: Owner Secretary	% of Ownership: 30%

Does company or its parent (if applicable) have any form of government (incl. but not limited to local government) or state ownership.
 Also specify if any owners or key personnel are or have family who is involved in government (including local government) activities.
 Please specify however minor and indirect this involvement may be: No

5. CREDIT INFORMATION

Please attach the following:
 • Copy of Certificate of Organization/Certificate of Incorporation
 • Three of the most recent FYE financial statements of the applicant (if non-public)
 This information will facilitate an initial credit review for customers new to FHR and help insure uninterrupted sales.

6. OTHER STATEMENTS

Please answer the following questions: Has the Applicant:
 * Had any outstanding or unsatisfied judgments or during the past 7 years been declared bankrupt?
 * Had a property foreclosed on or given title or deed in lieu thereof?
 * Been a party to a loan or credit obligation that was either delinquent or in default?
 mark with "X"
 If any of the above questions are answered "YES", a detailed written description and explanation must be attached.

7. TERMS & CONDITIONS

1) The Applicant agrees to pay for all purchases according to terms provided in the related invoice(s) to applicant. No terms or conditions different from Flint Hills Resources (hereinafter "FHR") invoice(s) will become part of any transactions unless specifically approved in writing by FHR.
 2) This Information Sheet is not intended to be and is not an offer or promise to provide credit to Applicant.
 3) FHR reserves the right in its sole discretion to grant, deny, or revoke credit, or decrease or increase credit limits.
 4) Accounts not paid when due for any reason, shall bear interest (basis 360 days per year) for each day on which any sum is past due at the rate of 18% per annum, or the maximum rate allowed by law, if less than 18% per annum. The customer is responsible for all incurred collection costs or fees.
 5) All sales are subject to the applicable Flint Hills Resources General Terms & Conditions, unless otherwise agreed to in writing.
 By signing this Information Sheet, Applicant certifies that the statements made in the application including statements contained in the financial statements attached are true, accurate and complete.

Applicant (Company Name): 16567 Highway 12 Holding Ltd Date: July 11/17
 Signature: [Signature]
 Print Name: John Cipressi (Laura Wood per)
 Title: Owner C.E.O.

8. AGREEMENT REGARDING FINANCIAL INFORMATION (if non-public)

The Applicant has provided or will provide certain financial and other information to FHR. These are furnished for the purpose of inducing FHR to provide credit to the Applicant. This Agreement shall be regarded as continuous until another shall be substituted by mutual agreement of all parties for it. Upon request by FHR, Applicant shall provide FHR updated balance sheets and income statements ("Statements") annually and upon reasonable request. Applicant warrants that the Statements are a true, accurate, and complete statement of Applicant's financial condition, and will immediately notify FHR in writing of any material adverse change in the financial condition of Applicant. Applicant authorizes FHR to obtain any information, including credit information from other sources, that FHR may require concerning the Statements from time to time. FHR is authorized to share information related to Applicant's credit standing in regards to trade references. Applicant will indemnify and hold FHR harmless from any and all claims or damages incurred by FHR arising out of FHR's use or possession of information obtained from Applicant and shared by FHR. Applicant hereby gives its consent to have FHR obtain any and all information from its banks or others concerning applicants' checking and/or savings accounts, obligations, and all other credit matters which FHR may require in connection with the application. This form may be reproduced or photocopied and a copy shall be as effective as the original.

9. BANK/TRADE/SUPPLIER REFERENCES:

CIBC Toronto, ON 10-26402
 Primary Bank City, St Acct# Contact Name
905-270-2713
 Phone# Fax# E-mail

King Radiator Toronto
 Supplier/Trade Reference Name City, St Acct# Contact Name
416-569-0381
 Phone# Fax# E-mail
John Konig Konig Repair Company

Ford Credit Toronto 53362275
 Supplier/Trade Reference Name City, St Acct# Contact Name
1-877-636-7346
 Phone# Fax# E-mail
Auto Loan

Ray Leishies
 Supplier/Trade Reference Name City, St Acct# Contact Name
705-775-3200 705-933-8100
 Phone# Fax# E-mail
Brian Freight Company

10. CREDIT CONTACT INFORMATION

Laura Wood 705-209-2116 - 705-527-4200
 Credit Contact Person Phone Number
laura.wood.22@hotmail.com
 Credit Contact e-mail Address Fax Number

11. BILLING INFORMATION

Address same as Corporate Address Contact same as above
 Billing / Invoicing Address Line 1 Billing / Invoicing Contact Person
 Billing / Invoicing Address Line 2 Billing / Invoicing Phone Number Fax Number
 City, State Zip / Postal Code Country Billing / Invoicing Contact e-mail Address

12. SHIPPING INFORMATION

Address same as Corporate Address Contact same as above
 Shipping Address Line 1 Shipping Contact Person
 Shipping Address Line 2 Shipping Contact Phone Number Fax Number
 City, State Zip / Postal Code Country Shipping Contact e-mail Address

13. CONTRACTS CONTACT INFORMATION

Contact same as above
Dominic Luta 416-459-4984
 Contract Contact Person Phone Number
dominic.z@fideeps.com
 Contract Contact e-mail Address Fax Number

14. SAFETY DATA SHEET (SDS) CONTACT INFORMATION

Preferred Contact Method: E-mail Mail Both E-mail and Mail
 Address same as Corporate Address Contact same as above
 SDS Address Line 1 SDS Contact Person
 SDS Address Line 2 SDS Contact E-mail Address
 City, State Zip / Postal Code Country Additional SDS Contact E-mail Address

TAB E

Consignment / INDEPENDENT CONTRACTOR AGREEMENT

THIS INDEPENDENT CONTRACTOR AGREEMENT (the "Agreement") dated this 4th day of April, 2017

BETWEEN:

845807 Ontario Ltd. of 1471 Sherway Dr., Mississauga, Ontario, L4X 1C3
(the "Client")

- AND -

Forte EPS.Inc of 16567 Hwy 12, Midland, Ontario, L4R 4K8
(the "Contractor").

BACKGROUND:

- A. The Client is of the opinion that the Contractor has the necessary qualifications, experience and abilities to provide services to the Client.
- B. The Contractor is agreeable to providing such services to the Client on the terms and conditions set out in this Agreement.

IN CONSIDERATION OF the matters described above and of the mutual benefits and obligations set forth in this Agreement, the receipt and sufficiency of which consideration is hereby acknowledged, the Client and the Contractor (individually the "Party" and collectively the "Parties" to this Agreement) agree as follows:

Services Provided

- 1. The Client hereby agrees to engage the Contractor to provide the Client with the following services (the "Services"):
 - Expand and process clients EPS bead raw material and cut to clients specifications
Also Install channeling also supplied by client .

[Handwritten signature]

- 2. The Services will also include any other tasks which the Parties may agree on. The Contractor hereby agrees to provide such Services to the Client.

Term of Agreement.

- 3. The term of this Agreement (the "Term") will begin on the date of this Agreement and will remain in full force and effect until the completion of the Services, subject to earlier termination as provided in this Agreement. The Term of this Agreement may be extended with the written consent of the Parties.
- 4. In the event that either Party breaches a material provision under this Agreement, the non-defaulting Party may terminate this Agreement immediately and require the defaulting Party to indemnify the non-defaulting Party against all reasonable damages.

Performance

- 5. The Parties agree to do everything necessary to ensure that the terms of this Agreement take effect.

Currency

- 6. Except as otherwise provided in this Agreement, all monetary amounts referred to in this Agreement are in CAD (Canadian Dollars).

Compensation

- 7. The Contractor will charge the Client for the Services as follows (the "Compensation"):
 - On a job for Job calculation agreeable to both parties.
To be negotiated prior to job.
- 8. Invoices submitted by the Contractor to the Client are due within 30 days of receipt.
- 9. In the event that this Agreement is terminated by the Client prior to completion of the Services but where the Services have been partially performed, the Contractor will be entitled to pro rata payment of the Compensation to the date of termination provided that there has been no breach of contract on the part of the Contractor.



Reimbursement of Expenses

10. The Contractor will be reimbursed from time to time for reasonable and necessary expenses incurred by the Contractor in connection with providing the Services.
11. All expenses must be pre-approved by the Client.

Penalties for Late Payment

12. Any late payments will trigger a fee of 1.00% per month on the amount still owing.

Confidentiality

13. Confidential information (the "Confidential Information") refers to any data or information relating to the business of the Client which would reasonably be considered to be proprietary to the Client including, but not limited to, accounting records, business processes, and client records and that is not generally known in the industry of the Client and where the release of that Confidential Information could reasonably be expected to cause harm to the Client.
14. The Contractor agrees that they will not disclose, divulge, reveal, report or use, for any purpose, any confidential information which the Contractor has obtained, except as authorized by the Client or as required by law. The obligations of confidentiality will apply during the term of this Agreement and will survive indefinitely upon termination of this Agreement.

Ownership of Intellectual Property

15. All intellectual property and related material, including any trade secrets, moral rights, goodwill, relevant registrations or applications for registration, and rights in any patent, copyright, trademark, trade dress, industrial design and trade name (the "Intellectual Property") that is developed or produced under this Agreement, will be the sole property of the Client. The use of the Intellectual Property by the Client will not be restricted in any manner.
16. The Contractor may not use the Intellectual Property for any purpose other than that contracted for in this Agreement except with the written consent of the Client. The Contractor will be responsible for any and all damages resulting from the unauthorized use of the Intellectual Property.

Return of Property

- 17. Upon the expiry or termination of this Agreement, the Contractor will return to the Client any property, documentation, records, or Confidential Information which is the property of the Client.

Capacity/Independent Contractor

- 18. In providing the Services under this Agreement it is expressly agreed that the Contractor is acting as an independent contractor and not as an employee. The Contractor and the Client acknowledge that this Agreement does not create a partnership or joint venture between them, and is exclusively a contract for service.

Notice

- 19. All notices, requests, demands or other communications required or permitted by the terms of this Agreement will be given in writing and delivered to the Parties at the following addresses:

- a. 845807 Ontario Ltd.
1471 Sherway Dr., Mississauga, Ontario, L4X 1C3
- b. Forte EPS.Inc
16567 Hwy 12, Midland, Ontario, L4R 4K8

or to such other address as either Party may from time to time notify the other.

Indemnification

- 20. Except to the extent paid in settlement from any applicable insurance policies, and to the extent permitted by applicable law, each Party agrees to indemnify and hold harmless the other Party, and its respective directors, shareholders, affiliates, officers, agents, employees, and permitted successors and assigns against any and all claims, losses, damages, liabilities, penalties, punitive damages, expenses, reasonable legal fees and costs of any kind or amount whatsoever, which result from or arise out of any act or omission of the indemnifying party, its respective directors, shareholders, affiliates, officers, agents, employees, and permitted successors and assigns that occurs in connection with this Agreement. This indemnification will survive the termination of this Agreement.



A handwritten signature in black ink, appearing to be 'J. K.', is located in the bottom right corner of the page. Below the signature is a horizontal line.

Modification of Agreement

- 21. Any amendment or modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement will only be binding if evidenced in writing signed by each Party or an authorized representative of each Party.

Time of the Essence

- 22. Time is of the essence in this Agreement. No extension or variation of this Agreement will operate as a waiver of this provision.

Assignment

- 23. The Contractor will not voluntarily, or by operation of law, assign or otherwise transfer its obligations under this Agreement without the prior written consent of the Client.

Entire Agreement

- 24. It is agreed that there is no representation, warranty, collateral agreement or condition affecting this Agreement except as expressly provided in this Agreement.

Enurement

- 25. This Agreement will enure to the benefit of and be binding on the Parties and their respective heirs, executors, administrators and permitted successors and assigns.

Titles/Headings

- 26. Headings are inserted for the convenience of the Parties only and are not to be considered when interpreting this Agreement.

Gender

- 27. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa.

Governing Law

- 28. This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario.

Severability

29. In the event that any of the provisions of this Agreement are held to be invalid or unenforceable in whole or in part, all other provisions will nevertheless continue to be valid and enforceable with the invalid or unenforceable parts severed from the remainder of this Agreement.

Waiver

30. The waiver by either Party of a breach, default, delay or omission of any of the provisions of this Agreement by the other Party will not be construed as a waiver of any subsequent breach of the same or other provisions.

IN WITNESS WHEREOF the Parties have duly affixed their signatures under hand and seal on this

LTC day of April, 2017.

845807 Ontario Ltd.

Per: [Signature] (Seal)

Forte EPS Inc

Per: [Signature] (Seal)

[Signature]

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF FORTE EPS SOLUTIONS INC., A CORPORATION WITH A HEAD OFFICE
IN THE TOWN OF MIDLAND IN THE PROVINCE OF ONTARIO**

Court File No. 31-2253654
Estate File No. 31-2253654

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

Proceeding commenced at TORONTO

**SECOND SUPPLEMENT TO THE SECOND
REPORT OF THE PROPOSAL TRUSTEE
(RETURNABLE AUGUST 24, 2017)**

LERNERS LLP
130 Adelaide Street West, Suite 2400
Toronto, ON M5H 3P5

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E-mail: dmagisano@lerner.ca

Lawyers for the Proposal Trustee