

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**

**SUPPLEMENT TO THE THIRD REPORT OF THE PROPOSAL TRUSTEE
(September 18, 2017)**

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INDEX

Tab	Document
1.	Supplement to the Third Report of the Proposal Trustee, dated September 17, 2017
A.	Appendix "A" – Revised Cash Flow Projection, Management's Report, and Trustee's Report thereon

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

(Dated September 17, 2017)

I. INTRODUCTION

1. This report (the “**Supplemental Report**”) supplements the third report of the Trustee dated September 14, 2017 (the “**Third Report**”).
2. Unless otherwise defined in the Supplemental Report, defined terms have the meanings ascribed to them in the Third Report.

II. PURPOSE OF THIS REPORT

3. The purpose of this report is to:
 - a. advise that the Company has completed and executed a Revised Cash Flow Projection (defined below);
 - b. advise that the Trustee has reviewed and conducted its required due diligence on the Revised Cash Flow Projection; and,
 - c. provide the Court with the Trustee’s recommendations in respect of the Third Stay Extension (defined below).

III. SCOPE AND TERMS OF REFERENCE

4. 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.

5. This Supplemental Report is subject to the restrictions set out in paragraphs 15 and 16 of the Third Report.

IV. REVISED CASH FLOW PROJECTION

6. On September 15, 2017 the Company filed with the Trustee its revised statement of forecasted cash flows prepared on a weekly basis for the period of September 11 to November 5, 2017 (the “**Revised Cash Flow Projection**”), including the related notes and assumptions, and along with management’s report on the reasonableness of the Cash Flow Projection, in accordance with subsection 50.4(2) of the BIA.

7. The Trustee has had an opportunity to review the Revised Cash Flow Projection, including the related notes and assumptions and has completed its required due diligence.

8. The Trustee has signed its report on the reasonableness of the Revised Cash Flow Projection, in accordance with subsection 50.4(2) of the BIA. Attached hereto as **Appendix “A”** is a copy of the Revised Cash Flow Projection along with management’s report and the Trustee’s report thereon.

9. The Trustee brings to the attention of the Court that the Revised Cash Flow Projection contains certain assumptions, as set out in the related notes, which the Trustee considers to be outside of the ordinary course of business. These assumptions are as follows:

- a. Due to cash flow constraints the Company does not intend to make payments to several of its pre-NOI secured creditors, including Travelers Leasing Limited, North Simcoe Community Futures Development Corporation and Western Ontario Community Futures Development Corporation Inc. (the “**Subordinate Secured Creditors**”); and

b. John Cipressi has advised the Trustee that he will personally fund any cash flow shortfalls which occur during the period of this cash flow projection and that any advances made by Mr. Cipressi are on a without interest basis and repayment of the advances will be addressed in the Company's proposal.

10. With respect to item "a" above, the Trustee points out that the Company has not made any payments to the referenced secured creditors since the filing of its NOI, and that none of the affected secured creditors have advised the Trustee that they object to the previous withholding of payments to them to date, nor have the Subordinate Secured Creditors attended any of the court hearings in this process.

11. With respect to item "b" above, the Trustee points out that the Revised Cash Flow Projection projects that Mr. Cipressi will advance \$30,000, if needed, during the week ending September 24, 2017 and that the Company intends to repay the amount of any required advance the following week, if funds are then available. However, subsequent to the date of the filing of the Revised Cash Flow Projection counsel for the Company advised the Trustee that the Company does not intend to repay any advances received from Mr. Cipressi, or from any other shareholder or other related party, including the \$30,000 advance projected in the Revised Cash Flow Projection.

12. Any such short term advance, if required, is not intended to be made pursuant to the existing DIP Lending facility.

V. REQUEST FOR EXTENSION

13. The Company is seeking a third extension of time to file a proposal pursuant to subsection 50.4(9) of the BIA (defined in the Third Report as the Third Stay Extension). The purpose of the Third Stay Extension would be to, among other things, provide the Debtor with sufficient time to complete the SISP. Given the timeline set out in the SISP the Trustee believes that the Company will need the full 45 day extension period being sought to complete the SISP.

14. Based upon the Trustee's review of the Revised Cash Flow Projection, and subject to the matters raised in paragraphs 9 through 12 above, the Trustee:

- a. is of the opinion that the Company is likely to be able to make a viable proposal; and,
- b. is of the opinion that no creditors will be materially prejudiced if a further extension is granted.

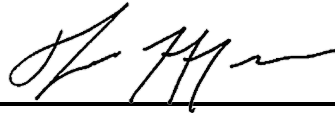
VI. TRUSTEE'S RECOMMENDATION

15. For the reasons explained herein the Trustee respectfully recommends that this Honourable Court approve Third Stay Extension.

All of which is respectfully submitted this 17th day of September 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

**FORTE EPS SOLUTIONS INC.
STATEMENT OF FORECASTED CASH FLOWS
FOR THE 8 WEEKS ENDED NOVEMBER 5, 2017**

	Forecast							
	17-Sep-17	24-Sep-17	1-Oct-17	8-Oct-17	15-Oct-17	22-Oct-17	29-Oct-17	5-Nov-17
Cash balance - beginning of period	\$ 20,592	19,385	164	61,436	24,306	87,141	65,243	305,720
<i>Cash receipts (includes HST)</i>								
Collection of AR	10,000	17,475	23,809	26,611				
Receipts from new projects	2,850	33,212	101,012	2,850	80,142	18,031	291,940	18,031
	12,850	50,687	124,821	29,461	80,142	18,031	291,940	18,031
<i>Less: Costs of sales</i>								
Product costs	-	45,300	-	45,300	-	-	45,300	-
Labour costs	1,075	6,575	2,500	3,000	6,038	3,500	538	-
Transport	800	3,200	3,525	3,525	5,050	4,650	400	-
	1,875	55,075	6,025	51,825	11,088	8,150	46,238	-
Net receipts after cost of goods sold	10,975	(4,388)	118,796	(22,364)	69,055	9,881	245,703	18,031
<i>Disbursements (all applicable expenses include HST)</i>								
Rent and occupancy costs	520	10,950	30,789	150	4,000	700	31,189	250
Equipment repairs and maintenance	1,010	740	550	900	550	900	550	900
Insurance	-	3,940	-	329	-	3,659	281	-
Office & General	1,450	3,646	771	380	1,450	1,115	102	80
Interest and bank charges	100	100	400	100	100	100	100	-
Management salaries	-	5,000	-	5,000	-	5,000	-	5,000
Professional fees	9,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Chemicals	-	400	-	400	-	-	400	-
Office salaries	-	4,610	-	4,610	6,000	4,610	-	4,610
Marketing	75	75	488	75	75	225	75	263
Vehicle expense	150	779	150	629	300	629	150	150
Provision for HST payable to CRA	1,076	(1,682)	(7,623)	194	(8,256)	(1,434)	(29,621)	(1,655)
	13,381	30,558	27,524	14,767	6,219	17,504	5,226	11,597
Net Cash-flow from operations	(2,406)	(34,946)	91,272	(37,131)	62,836	(7,623)	240,477	6,434
Payments to secured creditors								
Business Development Bank of Canada		(14,275)				(14,275)		
Advances from shareholders		30,000	(30,000)					
Debtor-in-possession financing	1,200							
Cash balance - end of period	\$ 19,385	164	61,436	24,306	87,141	65,243	305,720	312,154

NOTICE TO READER:

This statement of projected cash-flow of the Company is prepared in accordance with the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report On Cash-Flow Statement and the Report On Cash-Flow Statement By The Person Making The Proposal.

Albert Gelman Inc.,
solely in its capacity as
Trustee in re the
Proposal of Forte EPS
Solutions Inc. and not
in its personal or any
other capacity

Forte EPS Solutions Inc.

John Cipressi
Per: John Cipressi

September 15, 2017

Tom McElroy
Per: Tom McElroy

September 15, 2017

District of: Ontario
Division No. 03 - Barrie
Court No. 31-2253654
Estate No. 31-2253654

_ FORM 29 _
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of
Forte EPS Solutions Inc.
of the city of Midland, in the Province of Ontario

The attached statement of projected cash flow of Forte EPS Solutions Inc., as of the 15th day of September 2017, consisting of Revised Statement of Projected Cash-Flow for the eight week period ended November 5, 2017, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

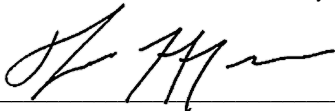
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Toronto in the Province of Ontario, this 15th day of September 2017.

Albert Gelman Inc. - Licensed Insolvency Trustee

Per:



Tom McElroy - Licensed Insolvency Trustee
100 Simcoe Street, Suite 125
Toronto ON M5H 3G2
Phone: (416) 504-1650 Fax: (416) 504-1655

District of: Ontario
Division No. 03 - Barrie
Court No. 31-2253654
Estate No. 31-2253654

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of
Forte EPS Solutions Inc.
of the city of Midland, in the Province of Ontario

Purpose:

The purpose of the projection is to present the Revised Statement of Projected Cash-Flow of Forte EPS Solutions Inc. (the "Company") in accordance with the requirements of subsection 50.4(2) of the Bankruptcy and Insolvency Act (Canada).

Projection Notes:

This Revised Statement of Projected Cash-Flow reflects the forecasted cash-flows of the Company for the 8 weeks ended November 5, 2017.

Assumptions:

1. This statement has been prepared for an eight week period of time, on the basis that: (a) the Company obtains a third extension to time to file its proposal to November 2, 2017 (the "Third Stay Extension"); (b) the Company completes the Court approved sale and investment solicitation process (the "SISP") prior to November 2, 2017; and, (c) the Company files a proposal to its creditors on or before November 2, 2017. This cash flow forecast does not contemplate that the company will require Court approval for a fourth extension of time to file its Proposal (The "Forth Stay Extension"). In the event that the company does require a Forth Stay Extension a revised cash flow forecast will be prepared at that time.

2. Receipts from existing and anticipated projects have been estimated by management. Costs of sales have been estimated by management based on existing and anticipated projects.

3. The receipts and applicable disbursements include HST.

4. As of the date of this report, 16567 Highway 12 Holdings Limited ("16567"), a company related to the Company, owned the Company's premises. Projected rent expense is consistent with the terms of the existing lease agreement between the Company and 16567.

5. All expenses have been recorded in the week they are forecast to be incurred. It is expected that all vendors currently supplying goods and services will require cash-on-delivery terms.

6. The cash flow projection includes an estimate of the Trustee's fees and disbursement, including legal fees. These amounts are subject to change.

7. Wages and benefits expense includes a provision for management salaries payable to the Dominic Zita of \$5,000 paid bi-weekly (gross).

8. On May 23, 2017 the Debtor and the Business Development Bank of Canada (the "BDC") entered into a forbearance agreement (the "Forbearance Agreement"). The Forbearance Agreement requires that the Debtor make monthly payments to the BDC in the amount of \$14,275 which are due and payable on the 22nd day of each month.

9. Due to cash flow constraints the Company does not intend to make payments to several of its pre-NOI secured creditors including Travelers Leasing Limited, North Simcoe Community Futures Development Corporation and Western Ontario Community Futures Development Corporation Inc.

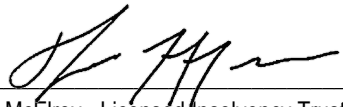
10. John Cipressi has advised the Trustee that he will personally fund any cash flow shortfalls which occur during the period of this cash flow projection.

11. Debtor-in-possession financing ("DIP Financing") represents funds to be advanced to the Company from 16567 Highway 7 Holdings Limited. The Court approved the DIP Facility on July 31.

Dated at the City of Toronto in the Province of Ontario, this 15th day of September 2017.

Albert Gelman Inc. - Licensed Insolvency Trustee

Per:



Tom McElroy - Licensed Insolvency Trustee

100 Simcoe Street, Suite 125

Toronto ON M5H 3G2

Phone: (416) 504-1650 Fax: (416) 504-1655

District of: Ontario
Division No. 03 - Barrie
Court No. 31-2253654
Estate No. 31-2253654

FORM 30

Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of
Forte EPS Solutions Inc.
of the city of Midland, in the Province of Ontario

The Management of Forte EPS Solutions Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 15th day of September 2017, consisting of Revised Statement of Projected Cash-Flow for the eight week period ended November 5, 2017.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Toronto in the Province of Ontario, this 15th day of September 2017.



Forte EPS Solutions Inc.
Debtor

Dominic Zita President
Name and title of signing officer

Name and title of signing officer

District of: Ontario
Division No. 03 - Barrie
Court No. 31-2253654
Estate No. 31-2253654

FORM 30 - Attachment
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the matter of the proposal of
Forte EPS Solutions Inc.
of the city of Midland, in the Province of Ontario

Purpose:

The purpose of the projection is to present the Revised Statement of Projected Cash-Flow of Forte EPS Solutions Inc. (the "Company") in accordance with the requirements of subsection 50.4(2) of the Bankruptcy and Insolvency Act (Canada).

Projection Notes:

This Revised Statement of Projected Cash-Flow reflects the forecasted cash-flows of the Company for the 8 weeks ended November 5, 2017.

Assumptions:

1. This statement has been prepared for an eight week period of time, on the basis that: (a) the Company obtains a third extension to time to file its proposal to November 2, 2017 (the "Third Stay Extension"); (b) the Company completes the Court approved sale and investment solicitation process (the "SISP") prior to November 2, 2017; and, (c) the Company files a proposal to its creditors on or before November 2, 2017. This cash flow forecast does not contemplate that the company will require Court approval for a fourth extension of time to file its Proposal (The "Forth Stay Extension"). In the event that the company does require a Forth Stay Extension a revised cash flow forecast will be prepared at that time.

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7. Wages and benefits expense includes a provision for management salaries payable to the Dominic Zita of \$5,000 paid bi-weekly (gross).

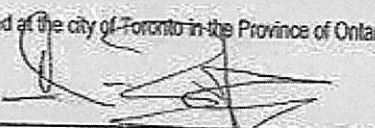
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Dated at the city of Toronto in the Province of Ontario, this 15th day of September 2017.


Forte EPS Solutions Inc.

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

Proceeding commenced at **TORONTO**

**SUPPLEMENT TO THE THIRD REPORT OF THE
PROPOSAL TRUSTEE
(RETURNABLE SEPTEMBER 18, 2017)**

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Lawyers for the Proposal Trustee, Albert Gelman
Inc.