

**IN THE MATTER OF THE PROPOSAL OF
TRADE SECRET WEB PRINTING INC.
OF THE CITY OF ETOBICOKE
IN THE PROVINCE OF ONTARIO**

TRUSTEE'S REPORT TO CREDITORS ON PROPOSAL

TO THE CREDITORS OF TRADE SECRET WEB PRINTING INC.

Trade Secret Web Printing Inc. (“TSWP”) or (“the Company”) filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to the *Bankruptcy and Insolvency Act* (“BIA”), on November 22, 2019 (“NOI Date”). After receiving various Court approved extensions of time, the Company’s Proposal was filed with the Official Receiver on March 20, 2020 pursuant to Subsection 50(1) of the Act.

On March 30, 2020 all known creditors were sent the following documents;

- Proposal as filed with the Official Receiver;
- Statement of the Company’s assets and liabilities (“Statement of Affairs”);
- Proof of claim form;
- Voting letter; and
- General proxy.

The following Report will outline the background and financial position of the Company including relevant information that should be of assistance to creditors in considering their position with respect to accepting or rejecting the Proposal.

The description of the Proposal in this Report is a summary only and is provided for the assistance of Creditors. In the event there is any inconsistency between this Report and the Proposal, the terms of the Proposal shall govern. Creditors are advised to read the Proposal.

Section A – Introduction and Background

The Company was incorporated in the Province of Ontario on November 22, 2006 and began operating shortly after the date of incorporation. The Proposal Trustee understands that, as of the date of the NOI filing, the sole director and officer of the Company is Mr. Bashir Harb.

The Company carries on the business of custom printing which provides catalogues, magazines, packaging, and commercial printing services

The Company operates out of 100,000 sf. ft. leased premises municipally known as 40 Horner Ave, Etobicoke, Ontario (the “Real Property”). The Real Property is owned by B & Y Property Holdings Inc. (“B&Y”), which is a related party. The Company presently employs 57 persons on a full-time basis. The Company retains contractors on an as needed basis for certain large-scale printing contracts.

Section B- Court Approved Sales Process

The restructuring of the Company under the NOI proceedings involved a sale of the assets of the Company (“Stalking Horse Assets”) which included equipment and the Company’s accounts receivable, subject to Court approval.

On December 16, 2019, the Ontario Superior Court of Justice (Commercial List) (the “Court”) approved a Sale Process with respect to the sale of the assets of the Company, and authorized the Company to enter into a Stalking Horse Agreement pursuant to which B&Y Property Holdings Inc. (“B&Y”) acted as the Stalking Horse Bidder in the Sale Process. The Stalking Horse Agreement set a floor purchase price for the Stalking Horse Assets, and the Proposal Trustee carried out the Sale Process over a two-month period to solicit offers that may be compared against the Stalking Horse Agreement.

The Proposal Trustee has prepared numerous reports on the Sales Process which are available on the Proposal Trustee’s website alongside Court Orders, <https://crowesoberman.com/insolvency/engagements/>

Following the completion of the Sale Process, the only bid received was from the Stalking Horse Bidder and accordingly the Stalking Horse Agreement was declared the Successful Bid.

Pursuant to the Order of Justice Hainey dated February 20, 2020 (the “Approval and Vesting Order”),, the sale of the Stalking Horse Assets was approved and title in the Stalking Horse Assets was to be vested in the Stalking Horse Bidder on the closing of the Stalking Horse Transaction.

Due to an administrative oversight, the Approval and Vesting Order omitted the word “*Property*” from the full legal name of the Stalking Horse Bidder. Further, the Stalking Horse Agreement enabled the Purchaser to assign the Stalking Horse Agreement to a related entity. Following the issuance of the Approval and Vesting Order, the Purchaser under the Stalking Horse Agreement, B&Y, notified the Company and the Proposal Trustee that it had designated Leaseco 2020 Inc. as the entity to whom the Stalking Horse Agreement should be assigned. As a result, the Approval and Vesting Order needed to be amended to reflect Leaseco 2020 Inc. as the Purchaser, as well as correcting a reference to B&Y Holdings Inc. rather than B&Y Property Holdings Inc, which was an administrative oversight. In light of the closure of the Court due to the COVID-19 pandemic, the Company wrote to Justice Hainey, who issued the Approval and Vesting Order, requesting that His Honour sign an Amended Approval and Vesting Order containing the aforementioned minor revisions. On April 5, 2020, the Court issued the Amended Approval and Vesting Order.

The transaction contemplated by the Stalking Horse Agreement is expected to close in the coming days.

The Stalking Horse Agreement contemplated that, at the Stalking Horse Bidder’s discretion, and on the Proposal Trustee’s consent, a portion of the Cash Purchase Price may be satisfied by way of set-off of the outstanding DIP financing. The Proposal Trustee reported that it would consent to a set-off after confirming there are sufficient funds to satisfy the Company’s post-filing obligations.

After learning of the outstanding amounts owing had been paid or adequate payment arrangements had been made, the Proposal Trustee was prepared to consent to the setting off of a portion of the of the Cash Purchase price against the outstanding amount of the DIP Financing, in the amount of \$263, 037.13.

The balance of the Cash Purchase Price, representing the proceeds of the Transaction, is expected to be sufficient to pay all professional fees and expenses incurred by the Proposal Trustee and the Company.

The Proposal Trustee is working with the Company to confirm the final quantum of suppliers that have not been paid for services provided since the filing of the NOI.

Section C – Summary of Proposal

The Company is filing the enclosed Proposal to satisfy its debts and obligations to its creditors. This section contains a brief summary of the Proposal, the terms of which would be effective if:

- i) all Unsecured Creditors with valid proven claims vote for the acceptance of the Proposal by a majority in number and two thirds in value of creditors present, personally or by proxy, at the general meeting of creditors; and
- ii) the Proposal is approved by the Court, in accordance with the provisions of the Act.

Defined terms not otherwise defined in this report have the meanings given to them in the Proposal.

The Proposal provides for the restructuring of the Company's liabilities through a monetary distribution to Unsecured Creditors.

The Proposal provides for the following

1. Pursuant to Section 8.1(b) of the Proposal, under the heading "Proposed Distributions", Claims as at the Proposal Date that could be subject to a demand under subsection 224(1.2) of the Income Tax Act (Canada) ("ITA"), any provision of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the ITA, or any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the ITA, shall be paid within six months after Court approval of the Proposal or as otherwise agreed.

Generally, these amounts are for arrears in payment of payroll deductions. The Company has declared that the CRA is owed approximately \$1,250,875.20 in this regard.

As of the date of this report the Proposal Trustee has not received a claim from the CRA for this liability due to the office closures related to the COVID-19 virus. Furthermore, the Debtor has not been able to enter into any discussions on payment arrangements outside of the six-month period laid out in Section 60 (1.1) of the BIA.

The Proposal filed by the Company, sets out that following approval by the creditors and the Court, that the Debtor will then enter into negotiations with the CRA to settle that obligation.

It is unclear to the Proposal Trustee if the Proposal as filed will be approved by the Court, as the CRA will need to provide its consent to amend the payment terms outside of the six-month period prior to the Court approving a Proposal in order to be compliant with the BIA. The Proposal Trustee understands that the Company will be making amendments to the Proposal in order for it to be compliant.

2. Any amounts owing to employees or former employees of the Company (not including independent commissioned sales agents or contractors) that would qualify as claims under paragraph 136(1) (d) of the Act if the Company became bankrupt on the Proposal Date, are to be paid on Court approval of the Proposal. For greater certainty, amounts due or which may become due do not include claims for severance or termination pay or any compensation in lieu of termination. *The Company has not declared any debts in this regard.*
3. Any outstanding Administrative Fees and Expenses of the Proposal Trustee and the Debtor shall be paid in priority.

4. Unsecured Creditors acknowledge that, in addition to such other amounts as may be required to be paid in priority to the claims of Unsecured Creditors pursuant to this Proposal or the provisions of the Act, the remaining unpaid amounts owing by the Debtor to CRA (net of the proceeds from the sale of the Debtor business previously approved by the Court) in respect of outstanding source deductions are in priority to the rights of all unsecured creditors. As such, the unsecured creditors recognize that they will only be provided with funds hereunder upon the Proposal Trustee confirming that CRA has either been paid in full in respect of these source deductions or has agreed to a reduction of that amount and accepted reduced payment of same.
5. Upon the Proposal Trustee and the Debtor receiving written confirmation that a resolution with CRA has been reached and CRA has received all payments due thereunder, the Debtor shall, within 60 days thereafter, provide an amount equal to 5% of the Proven Claims (the "Proposal Fund").
6. The Proposal Trustee understands that the Company is putting together an Amended Proposal that provides for negotiations with the CRA to commence after approval of the Amended Proposal but before Court approval.

Section D – Assets

According to the Company's sworn Statement of Affairs ("SOA") as at March 24, 2020 its assets consist of the following:

| Asset | Amount as per SOA |
|--------------------------------------|--------------------------|
| Various Equipment, AR, and Machinery | \$500,000 |
| Total | \$500,000 |

The value of the assets listed on the SOA is related to the transaction that is expected to close in the coming days, , the payment of professional fees approved via the SISP Order, and the amounts owing for any unpaid post NOI filing obligations will need to be finalized prior to the Proposal Trustee being in a position to advise as to what amounts from the Sale Proceeds will be available to the Proposal. Payment of the professional fees of the Proposal Trustee and estate counsel will be subject to approval via a Court Order.

Section E – Creditors' Claims

Based on the Company's Sworn Statement of Affairs, dated April 13, 2018 ("SOA"),* the Company's estimated creditors are comprised of:

| Creditor classification | Amount |
|--------------------------------|------------------------|
| Unsecured* | \$11,975,165.48 |
| Total | \$11,975,165.48 |

**The Deemed Trust Claim of the CRA in the amount of \$1,250,875.20 is included in the total above.*

Section F – Estimated Realization

In the Proposal filed by the Company, if successful, proven Unsecured Creditors will receive an amount equal to 5% of their proven claims.

Distributions to all creditors in respect of their proven claims will be subject to the Superintendent of Bankruptcy levy equal to 5% of the dividend paid.

If Proposal Not Accepted

If the Proposal is not accepted, the Company would be deemed a bankrupt and its assets would vest with the Trustee. In a bankruptcy scenario the Proposal Trustee estimates that unsecured creditors would not receive a distribution as the amounts owing to the CRA for unpaid source deductions would form a deemed trust claim.

Section G – Previous Business Dealings with the Debtor

The undersigned Trustee, and Crowe Soberman Inc., confirm that they have no previous business dealings with the Company.

Section H – Remuneration of Trustee

Payment of the outstanding fees and expenses of the Proposal Trustee, if any, are being paid out of the Proposal. The Proposal Trustee was provided a retainer by the Company and will also be seeking approval by the Court towards some of its fees which form part of the administrative charge granted via an Order of the Court.

Section I – Procedures for Dealing with Proposal and Completing a Proof of Claim

In completing the proof of claim form submitted herewith, creditors should include amounts outstanding as at November 22, 2019.

Creditors may attend in person or by proxy, the meeting to consider the Proposal that will be held on April 9, 2020.

Please note that in order for your vote to count in connection with the Proposal, it is necessary that you complete and submit the proof of claim and voting documents circulated by the Proposal Trustee prior to the meeting, copies of which are enclosed.

Dated at the City of Toronto, Province of Ontario, this 9th day of April, 2020.

Crowe Soberman Inc.
Trustee acting in re: the Proposal of
Trade Secret Web Printing Inc.

Per: Graeme Hamilton