

Estate File No. 31-2587191

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF TRADE SECRET WEB PRINTING INC.

SECOND REPORT OF CROWE SOBERMAN INC.
IN ITS CAPACITY AS PROPOSAL TRUSTEE UNDER THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF TRADE SECRET WEB PRINTING INC.

January 31, 2020

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IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF TRADE SECRET WEB PRINTING INC.

SECOND REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL
TRUSTEE OF TRADE SECRET WEB PRINTING INC.

January 31, 2020

1. This report (the “**Second Report**”) is filed by Crowe Soberman Inc. (“**Crowe**”) in its capacity as proposal trustee (the “**Proposal Trustee**”), in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Trade Secret Web Printing Inc. (“**TSWP**” or the “**Company**”).
2. On November 22, 2019 (the “**Filing Date**”), the Company filed an NOI pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B.-3, as amended (the “**BIA**”) and Crowe was appointed as Proposal Trustee under the NOI.
3. On December 16, 2019, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**SISP Order**”) which, among other things:
 - i. approved certain charges sought by the Company as it related to the fees and expenses of the Proposal Trustee and its counsel, as well as counsel to the Debtor;
 - ii. approved certain interim financing for the Company in accordance with the DIP Term Sheet and granted the DIP Lender’s Charge;

- iii. approving the Sales Process and Bidding Procedures with respect to the sale of the assets of the Company, including the Stalking Horse Agreement with the Stalking Horse Bidder; and,
- iv. granted an extension of time within which a Proposal must be filed to February 5, 2020.

A copy of the SISIP Order is attached hereto as **Appendix "A"**.

- 4. The Proposal Trustee filed its First Report dated December 13, 2019 (the "**First Report**") with the Court in support of the Initial Order. A copy of the First Report, without appendices is attached hereto as **Appendix "B"**.
- 5. The purpose of this Second Report is to provide the Court with information pertaining to the following;
 - i. the activities of the Company and the Proposal Trustee since the First Report;
 - ii. the status of the Sale Process;
 - iii. the Company's reported receipts and disbursements for the period from November 27, 2019 to January 24, 2020, including a comparison of reported to forecast results from the First Report;
 - iv. overview of the Company's revised cash flow forecast for the period from January 27 to April 20, 2020 (the "**Extended Cash Flow Forecast**");
 - v. support the Company's request for a further extension of time within which to file a Proposal to March 21, 2020 (the "**Extension**") and
 - vi. the Proposal Trustee's recommendation that this Court make an order as requested by the Company;
 - a. approving the extension of the Proposal Period to March 21, 2020

I. TERMS OF REFERENCE

6. Unless otherwise noted, all monetary amounts contained in this Second Report are expressed in Canadian dollars.
7. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Company's representatives, the Company's books and records and discussions with their management, staff, agents and consultants (collectively, the "**Information**"). The Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook (the "**CPA Handbook**") and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

II. THE NOI PROCEEDING

Overview of the Company's Activities

8. Since the Filing Date, the activities of the Company has included, *inter alia*, the following:
 - i. meeting and communicating with the Company's employees regarding the NOI proceedings;
 - ii. responding to calls and enquiries from creditors and stakeholders regarding the NOI proceedings;
 - iii. making payments to suppliers for goods and services received following the Filing Date;
 - iv. making payments regarding payroll obligations;
 - v. reporting receipts and disbursements;
 - vi. preparing HST filings and responding to CRA inquiries;

- vii. consulting with the Proposal Trustee in preparation of the Extended Cash Flow Forecast; and
- viii. corresponding and communicating with the Proposal Trustee and the Companies' legal counsel on various matters in connection with the NOI Proceedings.

Equipment Lessor's

- ix. The Proposal Trustee understands that the Company is in communications with a number of Lessors with a view to determining which pieces of equipment are critical to the future operations, or may be deemed surplus, and the next steps with the Lessors on arranging for its return or purchase and ongoing payments.
- x. The Proposal Trustee was contacted by counsel for Axiom Leasing Inc ("Axiom"), who were not included on the original Service List, and given the opportunity to comment on their concerns regarding the quantum of debt owed by the Company, the lack of ongoing lease payments, and conduct of the Company prior to the SISP Order. The Proposal Trustee understands that the Company has now been in contact with Axiom.

Overview of the Proposal Trustee's Activities

9. The Proposal Trustee's activities since the Filing Date have included:
 - i. establishing and maintaining a website at <https://www.crowesobermaninc.com/insolvency/insolvency-cases/trade-secret-web-printing/> where all materials filed with the Court and all orders made by the Court, in connection with the NOI Proceedings, are available in electronic form;
 - ii. taking steps to implement the Sale Process, including by
 - a. posting an advertisement in the *Globe & Mail* (National Edition) on December 26, 2020;

- b. circulating a teaser providing information on the opportunity to potentially interested parties;
- c. posting of advertisement in the industry website- *PrintAction* on January 17, 2020; and
- d. establishing a Virtual Data Room (“**VDR**”) containing the Company’s financial and other information, and providing access to the VDR to those parties who have signed a Non-Disclosure Agreement;
- iii. assisting the Company with the Extended Cash Flow Forecast;
- iv. responding to calls and enquiries from creditors and other stakeholders regarding the NOI Proceedings;
- v. reviewing the Company’s current financial position; and
- xi. preparing the First and Second Report.

III. THE SALES PROCESS

10. The Proposal Trustee is still in the process of carrying out the Sale Process as outlined in the Initial Order, with offers due on February 7, 2020. In the anticipated next report to Court, the Proposal Trustee will provide details of the progress and conduct of the Sale Process, however for the purpose of this Second Report, a summary on the marketing efforts carried out to date are below;

- a) An advertisement appeared in the December 26, 2019 national print edition of the *Globe & Mail*;
- b) An online advertisement has been placed in a prominent trade group website *PrintAction* since January 17, 2020;
- c) The Proposal Trustee circulated a teaser outlining the opportunity to various companies in the same industry as the Company, based on information provided to the Proposal Trustee by the Company; and other parties identified by the Proposal Trustee;

d) The Proposal Trustee established the VDR containing the Company's financial and other relevant information and granted access to the VDR to several interested parties who had signed Non-Disclosure Agreements; and as of January 29, 2020, 3 parties had entered the VDR to review documentation.

IV. CASH FLOW FOR THE PERIOD FROM NOVEMBER 27, 2019 TO FEBRUARY 17, 2020

11. In support of the Company' request for the initial Stay Extension of the Proposal Period to February 5, 2020, the Company, with the assistance of the Proposal Trustee, prepared a forecast of the Companies' receipts and disbursements for the period November 27, 2019 to February 17, 2020 (the "**First Cash Flow Forecast**"). A copy of the First Cash Flow Forecasts was included as Appendix "E" to the First Report.

12. A comparison of the Cash Flow Forecast to the Companies' reported results to date for the period November 27, 2019, to January 24, 2020 is summarized below:

TRADE SECRET WEB PRINTING INC.
CASH FLOW VARIANCE ANALYSIS
November 27, 2019 to February 17, 2020

Receipts	Actual-Jan 29	Budget	Variance
A/R Collections	\$ 1,532,765.00	\$ 1,777,890.00	-\$ 245,125.00
	\$ 1,532,765.00	\$ 1,777,890.00	-\$ 245,125.00
Disbursements			
Payroll (incl. Deductions)	-\$ 322,783.26	-\$ 326,657.00	\$ 3,873.74
Utilities	-\$ 102,600.00	-\$ 94,000.00	-\$ 8,600.00
Insurance	-\$ 24,350.00	-\$ 23,100.00	-\$ 1,250.00
Material Purchases	-\$ 1,202,587.83	-\$ 1,167,561.00	-\$ 35,026.83
Subcontractors	-\$ 42,750.00	-\$ 45,000.00	\$ 2,250.00
Warehouse, Shipping	-\$ 38,560.08	-\$ 49,436.00	\$ 10,875.92
Misc Expenses	-\$ 25,800.00	-\$ 25,800.00	\$ -
Debtor's Counsel	-\$ 60,000.00	-\$ 90,000.00	\$ 30,000.00
Proposal Trustee	-\$ 72,000.00	-\$ 75,000.00	\$ 3,000.00
Counsel for Proposal Trustee	-\$ 50,000.00	-\$ 80,000.00	\$ 30,000.00
	-\$ 1,941,431.17	-\$ 1,971,055.00	\$ 29,623.83
Net Cash Flow	-\$ 408,666.17	-\$ 193,165.00	-\$ 215,501.17
Opening Cash	\$ 45,000.00	\$ 45,000.00	\$ -
Ending Cash	-\$ 363,666.17	-\$ 148,165.00	-\$ 215,501.17

13. As noted in the table above, the largest variable to date involves the collection of accounts receivable, which is approximately \$245,000 short of the final projected amount for the period. Management of the Company has advised this variance is due to the delay in collecting funds from customers due to their learning of the NOI proceedings, and the overlap of the holiday period.

14. The Company anticipates that it will have sufficient funds to operate during the requested extended period of time for the stay proceedings, after taking into account collections on those accounts.

V. STATUS OF DIP FACILITY

15. The Proposal Trustee understands that as of the date of this Second Report, the DIP Facility has been fully maximized by the Company to fund ongoing operations and major disbursements involving payroll and material purchases. The Proposal Trustee understands that there may be a request by the Company

to increase the DIP facility to continue operations if the need should arise. Based on the timing of collecting accounts, the Company may be faced with periods in a shortfall position.

VI. EXTENSION OF THE STAY PERIOD TO MARCH 21, 2020 AND EXTENDED CASHFLOW FORECAST

16. The Company is seeking the Extension to March 21, 2020.

17. In support of the Company's request for the Extension, the Company, with the assistance of the Proposal Trustee, has prepared the Extended Cash Flow Forecast which is detailed below and attached as **Appendix "C"**.

TRADE SECRET WEB PRINTING INC. CASH FLOW FORECAST FOR THE PERIOD January 27 to April 20, 2020	
Receipts	
A/R Collections	1,559,050
	<hr/>
	1,559,050
Disbursements	
Payroll (incl. Deductions)	-316,657
Utilities	-94,000
Insurance	-23,100
Material Purchases	-1,037,993
Subcontractors	-45,000
Warehouse, Shipping	-48,031
Misc Expenses	-36,000
Debtor's Counsel	-60,000
Proposal Trustee	-60,000
Counsel for Proposal Trustee	-70,000
	<hr/>
	-1,790,781
Net Cash Flow	-231,031
Opening Cash	152,633
Ending Cash	-78,398

18. The Extended Cash Flow Forecast does show a deficit in the amount of \$78,000.00. The SISP contemplates a closing date of March 11, 2020, where the balance of the cash component is to be paid, the quantum of the cash component

is \$700,000.00. This amount, as well as the initial deposit amount of \$75,000 is not reflected in the Extended Cash Flow Forecast.

19. The Proposal Trustee notes that the Cashflows do not contemplate the payment of monthly lease payments in respect of Real Property Lease or Equipment leases.

20. The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:

- a. The previously approved Sales Process contemplated a bid deadline that extended beyond the current stay period, i.e. bid deadline of February 7, 2020;
- b. The Stay Extension is necessary to provide the Company sufficient time to advance the Sale Process and complete the sale of the Stalking Horse Assets;
- c. The Company is acting in good faith and with due diligence in taking steps to monetize their assets for the benefit of their stakeholders; and
- d. It is the Proposal Trustee's view that the Stay Extension will not prejudice or adversely affect any group of creditors.

VII. CONCLUSION AND RECOMMENDATIONS

21. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court issue the Order, as requested by the Company, approving the extension of the Stay Period to March 21, 2020.

All of which is respectfully submitted this 31st day of January, 2020.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal of
Trade Secret Web Printing Inc.

Per: Graeme Hamilton, CIRP, LIT



APPENDIX

‘A’

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

IN BANKRUPTCY AND INSOLVENCY

THE HONOURABLE) MONDAY, THE 16TH DAY
)
JUSTICE *HAINET*) OF DECEMBER, 2019



**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF TRADE SECRET WEB PRINTING INC.,
OF THE CITY OF ETOBICOKE, IN THE PROVINCE OF ONTARIO**

**ORDER
(DIP LOAN, SISP)**

THIS MOTION made by Trade Secret Web Printing Inc. ("Debtor") for an Order in the form set out in the Notice of Motion, and in particular:

- a) granting an Administration Charge (as defined below) in respect of the fees and expenses of legal counsel to the Debtor, Crowe Soberman Inc. in its capacity as Licensed Insolvency Trustee with respect to the Debtor ("Proposal Trustee"), and Proposal Trustee's legal counsel;
- b) approving certain interim financing for the Debtor in accordance with the DIP Term Sheet (defined below) and granting the DIP Lender's Charge (as defined below);

- c) approving bidding procedures with respect to the sale of the assets and business of the Debtor, including the Stalking Horse Agreement with the Stalking Horse Bidder as both of those terms are defined in the bidding procedures; and,
- d) extending the time within which a Proposal must be filed to and including February 5, 2020,

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Bashir Harb, sworn December 11, 2020, and the First Report of the Proposal Trustee, dated December 13, 2019 (“**First Report**”), and on hearing the submissions of counsel for the Debtor and counsel for the Proposal Trustee, and those other parties present, no one appearing for any other person on the service list, although duly served as appears of the affidavit of service of Ariyana Botejue, filed,

SERVICE

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

ADMINISTRATION CHARGE

2. **THIS COURT ORDERS** that legal counsel to the Debtor, the Proposal Trustee and legal counsel to the Proposal Trustee (“**Administrative Parties**”) shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on all property, assets and undertakings of the Debtor (“**Property**”), which charge shall not exceed an aggregate amount of \$250,000, as security for the fees and disbursements of the Administrative Parties, incurred at

their standard rates and charges both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraph 5 hereof.

DIP FINANCING

3. **THIS COURT ORDERS** that the Debtor is hereby authorized and empowered to obtain and borrow under a credit facility pursuant to the Debtor-in-Possession Term Sheet (“**DIP Term Sheet**”) between the Debtor and the lender (“**DIP Lender**”) in the form attached hereto as Schedule “A”, provided that the borrowings by the Debtor under the DIP Term Sheet shall not exceed \$250,000 unless permitted by further Order of this Court.

4. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (“**DIP Lender’s Charge**”) on the Property as security for any and all obligations, including on account of principal, interest, fees, expenses and other liabilities, under the DIP Term Sheet (“**DIP Obligations**”), which DIP Lender’s Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the DIP Term Sheet.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

5. **THIS COURT ORDERS** that the priorities of the Administration Charge and the DIP Lender’s Charge (collectively, the “**Charges**”), as among them, shall be as follows:
 - First - the Administration Charge; and
 - Second - the DIP Lender’s Charge

6. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as

against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

7. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise.

BIDDING PROCEDURES

8. **THIS COURT ORDERS** that the Bidding Procedures, as set out and described in the First Report, are hereby approved and that the Proposal Trustee be and is hereby authorized and directed to carry out the Bidding Procedures in accordance with their terms. The Proposal Trustee is hereby authorized and directed to perform its obligations under the Bidding Procedures and to do all things reasonably necessary in relation to such obligations, subject to the terms of the Bidding Procedures.

9. **THIS COURT ORDERS** that in each case where the Proposal Trustee takes such actions or steps under paragraph 8 of this Order, it shall be exclusively authorized and empowered to do so, to the exclusion of any other individual, firm, corporation, governmental body or agency or any other entity (each being a “**Person**”) including the Debtor, and without interference from any other Person.

10. **THIS COURT ORDERS** that the Proposal Trustee and its affiliates, partners, directors, employees, counsel, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of engaging any professionals as set out in paragraph 8 of this Order, except to the

extent such losses, claims, damages or liabilities result from gross negligence or willful misconduct on the Proposal Trustee in performing its obligations hereunder, as determined by this Court.

STALKING HORSE AGREEMENT

11. **THIS COURT ORDERS** that the Debtor is hereby authorized to execute the Stalking Horse Agreement, provided that nothing herein approves the sale and vesting of the Debtors' assets in the Stalking Horse Bidder pursuant to the Stalking Horse Agreement, and that the approval of the sale and vesting of such assets shall be considered by this Court on a subsequent motion made to this Court following the completion of the sale process pursuant to the Bidding Procedures.

12. **THIS COURT ORDERS** that, in connection with the Bidding Procedures and pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Debtor, and the Proposal Trustee are authorized and permitted to disclose personal information of identifiable individuals to prospective, purchasers or bidders of the Debtors' assets and to their advisors, including the Stalking Horse Bidder, but only to the extent desirable or required to negotiate and attempt to complete a sale transactions (each, a "**Transaction**"). Each prospective purchaser, or bidder to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall: (i) return all such information to the Debtor or the Proposal Trustee; or (ii) destroy all such information that is not electronically stored and, in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The purchaser in any

Transaction shall be entitled to continue to use the personal information provided to it, and related to the property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Debtor or the Proposal Trustee, or ensure that all other personal information is destroyed.

EXTENSION OF TIME TO FILE PROPOSAL

13. **THIS COURT ORDERS** that the time in which the Debtor is required to file a proposal is hereby extended to and including February 5, 2020.

SERVICE AND NOTICE

14. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <https://www.crowesobermaninc.com/insolvency-cases/trade-secret>.

15. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Debtor and the Proposal Trustee are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other

correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

16. **THIS COURT ORDERS** that the Debtor and the Proposal Trustee and their respective counsel are at liberty to serve or distribute this Order, Bidding Procedures and any other materials and orders in these proceedings, any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Debtor's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

17. **THIS COURT ORDERS** that the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

18. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Debtor, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the

Debtor and the Proposal Trustee as may be necessary or desirable to give effect to this Order, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

A handwritten signature in blue ink, appearing to read "Haidy J.", is positioned in the upper right area of the page.

19. THIS COURT ORDERS that the orders herein are without prejudice to any and all rights of CWB Maximum Financial Inc., Blue Shore Leasing Ltd., Blue Shore Financial Credit Union and any ~~related~~ related corporation (collectively, the "Lessors") in and to any equipment in which these entities have an interest, which does not include the Heidelberg Speedmaster Model SM-102-10-P6 (the "Leased Assets"). For greater particularity:

- (a) The DIP financing approved herein shall not apply to the Leased Assets unless further ordered by the Court; and
- (b) Nothing herein shall preclude the lessors from exercising any rights under leases and/or security agreements held by them in the Leased Assets on notice of three (3) business days to the Proposal Trustee and the debtor, or as may be ordered by the Court.

20. THIS COURT ORDERS that the issue of priority of the \$90,000 previously advanced under the DIP shall be adjourned to a future date, ~~unless~~ agreed to by the parties in attendance here today.

SCHEDULE “A”**DIP Term Sheet – See Attached**

December 9, 2019

Trade Secret Web Printing Inc.

40 Horner Avenue, Etobicoke ON, M8Z 4X3
Attention: Mr. Bashir Harb

Dear Mr. Harb::

RE: Debtor in Possession funding of the Proposal of Trade Secret Web Printing Inc. (the "Borrower" in the amount of up to CAD \$250,000.00

We understand that Trade Secret Web Printing Inc. (the "Borrower") has filed for protection from its creditors by filing a notice of intention to make a proposal in accordance with the Bankruptcy and Insolvency Act (the "NOI Process").

In connection with the NOI Process, effective December 2, 2019 (the "Effective Date"), B&Y Property Holdings Inc., in its capacity as lender (the "Lender") is prepared to advance funds up to the amount of CAD \$250,000.00 to the Borrower, by way of a court-approved Term Credit Facility (as hereinafter defined), provided that the funds advanced are secured by a court-ordered charge as set out in the draft order attached hereto as Appendix "A" (the "Approval Order"), which loan shall in any event be in priority to all other entities and subject to the other terms set out herein (the "DIP Term Sheet").

The terms of the DIP Facility are as follows:

Borrower:	Trade Secret Web Printing Inc.
DIP Lender:	B&Y Property Holdings Inc. as lender (the "Lender") with a mailing address at 40 Horner Avenue, Etobicoke, Ontario, M8Z 4X3.
Facility Type:	Term Credit Facility (the "DIP Facility")
Minimum Amount:	CAD \$90,000.00 (the "First Advance")
Amount:	As approved by the court, up to a maximum principal amount of CAD \$250,000.00
Interest Rate:	<p>Five (5%) percent per annum, calculated monthly, not in advance.</p> <p>Interest calculated as aforesaid shall be payable:</p> <ul style="list-style-type: none"> i. accruing monthly, in arrears, on the first (1st) business day (in Toronto, Ontario) of each month until the full amount outstanding hereunder on account of the DIP Facility has been paid in full; ii. in accordance with the "Repayment" section below; and iii. upon Maturity (as hereinafter defined). The first monthly payment of interest hereunder shall be payable on the first (1st) business day of the month immediately following the month in which the initial advance of the DIP Facility occurs, computed from the date of such advance.
Closing Fee:	The Borrower shall pay to the Lender a closing fee equal to 2.00% of the maximum principal amount of the DIP Facility (the "Closing Fee"), which Closing Fee shall be earned and payable.
Purpose:	The purposes set out in the cash flows filed by the Proposal Trustee on December 2, 2019 (the "Cash Flows"), including, without limitation: (i) for ordinary course working capital and other general corporate purposes of the Borrower in accordance

	with, and subject to the limitations set forth in, the Cash Flows or any other order of the Court in the NOI Process; (ii) to pay transaction costs, fees and expenses (including the Permitted Fees and Expenses, as defined below, and professional fees and expenses owing to the Lender pursuant to the terms of this DIP Term Sheet or other DIP Facility documentation) incurred in connection with the DIP Facility and the transactions contemplated thereunder; and (iii) professional costs and expenses of the Borrower's counsel and the Proposal Trustee and its counsel incurred in connection with the NOI Process.
Availability of First Advance:	<p>The First Advance shall be available upon the occurrence of the following conditions precedent:</p> <ul style="list-style-type: none"> a) the execution and delivery of this DIP Term Sheet; b) a general security agreement executed by the Borrower in favour of the Lender creating a lien in all present and after-acquired personal property of the Borrower, securing the First Advance and any future advances made pursuant to the DIP Facility (the "GSA"); c) the registration, recording or filing, as applicable, of the GSA, in all jurisdictions and public offices as deemed necessary by the Lender and the Lender's counsel. <p>The Borrower acknowledges that although the First Advance is being made prior to Borrower obtaining the Approval Order, the Borrower must, as soon as commercially reasonable, obtain the Approval Order, on the following terms:</p> <ul style="list-style-type: none"> i. authorizing the Borrower to enter into, and authorizing the Borrower to perform their obligations under, this DIP Term Sheet; and ii. granting the Lender, a first-ranking super priority charge (the "DIP Charge") over all of the present and future real and personal, tangible and intangible property and assets of the Borrower, securing the First Advance and any further advances made under this DIP Facility (the "First Advance Condition Subsequent") <p>A failure to satisfy the First Advance Condition Subsequent shall be deemed an Event of Default (defined below) and the Lender may, in its sole and absolute discretion exercise, exercise any remedies available to it under this DIP Term Sheet.</p>
Conditions Precedent for Further Advances:	<p>No further advances, beyond the First Advance, shall be made under the DIP Facility, until the Borrower obtains the Approval Order containing the following terms:</p> <ul style="list-style-type: none"> iii. authorizing the Borrower to enter into, and authorizing the Borrower to perform its obligations under, this DIP Loan Agreement; and iv. granting the DIP Charge (the "Conditions Precedent")
Availability of Further Advances:	Provided (i) that the Conditions Precedent have been satisfied, (ii) an Event of Default (as defined below) has not occurred and (iii) demand for payment has not been made, further advances under the DIP Facility shall be available by one or, at the option of the Borrower, multiple advances, as required by the Borrower.
Term:	<p>The DIP Facility matures on the earliest of ("Maturity"):</p> <ul style="list-style-type: none"> a) the date that is ninety (90) days from the date of the DIP Term Sheet or such later date as the Lender may agree in writing;

	<p>b) the completion of a sale or sales of all or substantially all of the Borrower's assets, property and undertaking, as approved by the Court;</p> <p>c) the implementation of a proposal within the NOI Process, which has been approved by the requisite majorities of the Borrower's creditors, and the Court;</p> <p>d) the date on which the stay of proceedings in the NOI Process terminates; and</p> <p>e) the occurrence of an Event of Default (as defined below).</p> <p>All amounts outstanding or payable under the DIP Loan Agreement (including the principal and all unpaid accrued interest under the DIP Facility and all fees and other amounts required to be paid by the Borrower) shall be due and payable in full on Maturity.</p>
Repayment:	<p>Any amounts received in repayment of obligations owing under the DIP Loan Agreement shall be paid and applied as follows:</p> <ol style="list-style-type: none"> i. firstly, towards outstanding Permitted Fees and Expenses (as defined below); ii. secondly, towards outstanding interest and costs payable hereunder; and iii. thirdly, towards outstanding principal hereunder.
Prepayment:	The DIP Facility can be permanently repaid in whole or in part at any time, without notice or penalty.
Security:	The DIP Charge shall secure all debts, liabilities, and obligations of the Borrower under the DIP Facility and shall rank in priority to all assignments, security interests, trusts, liens, mortgages, charges and encumbrances whatsoever, statutory or otherwise, other than a charge to secure the fees and expenses of the Borrower, the Proposal Trustee and their respective counsel in the NOI Process (the "Administration Charge").
Permitted Fees and Expenses:	<p>"Permitted Fees and Expenses" means, collectively:</p> <ol style="list-style-type: none"> (a) all reasonable and documented fees and expenses of counsel for the Lender in connection with the DIP Facility; and (b) all reasonable and documented fees and expenses incurred by the Borrower and Crowe Soberman Inc., (including the fees and expenses of its counsel), in its capacity as "Proposal Trustee" under the NOI Process (the "Proposal Trustee").
Default:	<p>The following events shall constitute events of default (each, an "Event of Default"):</p> <ol style="list-style-type: none"> (a) the failure of the Borrower to obtain the Approval Order on or before December 20, 2019: <ol style="list-style-type: none"> i. authorizing the Borrower to enter into, and authorizing the Borrower to perform its obligations under, this DIP Loan Agreement; and ii. granting the DIP Charge, ranking behind the Administration Charge; (b) if the Borrower fails to pay to the Lender when due, any amount of principal, interest or other amounts under the DIP Facility, and this DIP Term Sheet, whether by acceleration or otherwise;

	<ul style="list-style-type: none"> (c) if the Borrower defaults, in the observance or performance of any other non-financial term, covenant or condition in this DIP Term Sheet, and such default is not cured within five (5) business days of receiving notice thereof from the Lender; (d) if the Lender determines, in its sole discretion, acting reasonably, that a material adverse change has occurred after the date hereof in respect of the business, affairs or financial condition of the Borrower; (e) if (i) the Approval Order is varied without the consent of the Lender of any other order is made which is or may be prejudicial to the Lender's interests, acting reasonably; (ii) the Approval Order is appealed or leave to appeal is granted; or (iii) the stay if proceedings contained in the Approval Order is terminated or lifted; (f) if a receiver is appointed over any property of the Borrower or any judgment or order or process of any court becomes enforceable against the Borrower or any property of the Borrower or any creditor takes possession of any property of the Borrower; (g) if the Borrower ceases to carry on business; or (h) if the Borrower becomes a bankrupt under the bankruptcy laws of Canada.
Remedies:	<p>Upon the occurrence of an Event of Default:</p> <ul style="list-style-type: none"> (a) the Lender may immediately terminate the DIP Facility; and (b) all amounts outstanding under the DIP Facility and this DIP Loan Agreement shall, at the option of the Lender, immediately become due and payable; and (c) upon seeking an Order of the Court on five (5) days prior notice, enforce, without further notice, demand or delay, all of its rights and remedies against the Borrower and its property, assets and undertaking including, without limitation, by way of appointment of a receiver. <p>The Borrower hereby consents to the lifting of the stay in its NOI process, if required, in order to allow the DIP Facility and security to be enforced. The DIP Facility and all amounts due hereunder shall not be compromised in any proposal of the Borrower and the Lender shall be treated as an unaffected creditor in these proceedings.</p>
Conditions Precedent:	<p>The advance of the DIP Facility is conditional upon:</p> <ul style="list-style-type: none"> (b) the Borrower obtaining the Approval Order on terms acceptable to the Lender, including the following terms: <ul style="list-style-type: none"> i. authorizing the Borrower to enter into, and authorizing the Borrower and the Proposal Trustee to perform their obligations under, this DIP Loan Agreement; and ii. granting the Lender, the DIP Charge, ranking behind the Administration Charge.
Fees and Expenses:	The Borrower shall be responsible for all reasonable costs, fees and expenses incurred by the Lender and the Lender's solicitor in connection with the negotiation, preparation and administration of this DIP Term Sheet and any enforcement of the

	DIP Charge including, without limitation, all court attendances in connection therewith. All such fees and expenses shall be added to the DIP Facility and be secured by the DIP Charge.
Counterparts:	This DIP Term Sheet may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this Term Sheet delivered by facsimile, email or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Term Sheet.

The foregoing constitutes a formal offer to provide financing. Nothing in this DIP Term Sheet shall prevent the Lender from bidding on or funding an entity bidding of the assets of the Borrower in the proposed sale process or otherwise.

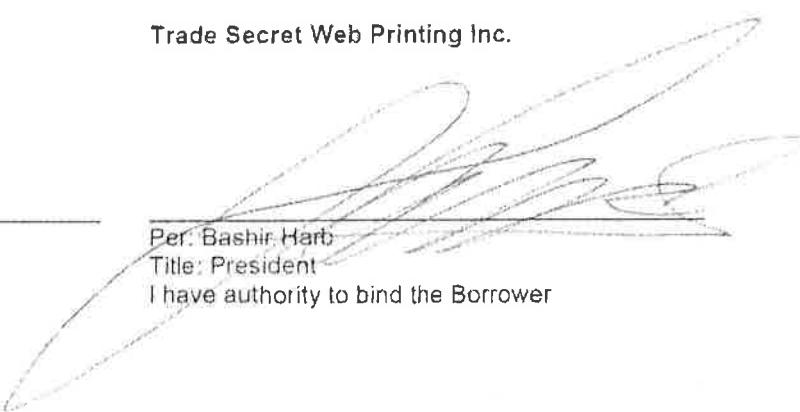
IN WITNESS WHEREOF, the parties have executed this DIP Term Sheet as of the date first above written.

B&Y Property Holdings Inc.



Per: Zeinab Harb
Title: President
I have authority to bind the Lender

Trade Secret Web Printing Inc.



Per: Bashir Harb
Title: President
I have authority to bind the Borrower

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF TRADE SECRET WEB PRINTING INC., OF THE
CITY OF ETOBICOKE, IN THE PROVINCE OF ONTARIO

CROWE SOBERMAN INC., in its capacity as
Licensed Insolvency Trustee of Trade Secret Web Printing Inc.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
In Bankruptcy and Insolvency

Proceeding commenced at TORONTO

ORDER

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APPENDIX

‘B’

Estate File No. 31-2587191

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF TRADE SECRET WEB PRINTING INC.

FIRST REPORT OF CROWE SOBERMAN INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF TRADE SECRET WEB PRINTING INC.

December 13, 2019

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APPENDICES

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APPENDIX "B"- CREDITOR LIST

APPENDIX "C"- REDACTED STALKING HORSE AGREEMENT

APPENDIX "D"- FORM OF GLOBE & MAIL ADVERTISEMENT

APPENDIX "E"- CASH FLOW FORECAST

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF TRADE SECRET WEB PRINTING INC.

FIRST REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS TRUSTEE
UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF TRADE SECRET
WEB PRINTING INC.

December 13, 2019

1. This report (the “**First Report**”) is filed by Crowe Soberman Inc. (“**Crowe**”) in its capacity as proposal trustee (the “**Proposal Trustee**”), in connection with the Notice of Intention to Make a Proposal (“**NOIs**”) filed by Trade Secret Web Printing Inc. (“**TSWP**” or the “**Company**”).
2. On November 22, 2019 (the “**Filing Date**”), the Company filed an NOI pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B.-3, as amended (the “**BIA**”) and Crowe was appointed as Proposal Trustee under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy for the Company is attached hereto as **Appendix “A”**.
3. The primary purpose of the NOI proceeding is to create a stabilized environment to allow the Company to enter into a transaction in respect of the Company’s assets and in conjunction with the Proposal Trustee, run a “stalking horse” sale process (the “**Sale Process**” or “**SISP**”) to solicit bids for the Company’s assets.
4. The purpose of this First Report is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) with information pertaining to the following:
 - a. a limited summary of certain background information about the Company;

- b. summarizing the Stalking Horse Agreement (defined below), between the Company and B&Y Property Holdings Inc. (“**B & Y**” or the “**Stalking Horse Bidder**”)
- c. summarizing the proposed Sales Process and Bidding Procedures;
- d. the Company’s application seeking an order pursuant to section 50.6 of the BIA authorizing the borrowing of interim financing and providing a charge in priority for such financing (“**DIP Lender’s Charge**”);
- e. the proposed charges (the “**Charges**”) sought by the Companies;
- f. report on the Company’s cash flow for the period commencing the week of November 25, 2019 and ending the week of February 17, 2020 (the “**Cash Flow**”);
- g. the Companies’ request for an extension of the stay initiated on the Filing Date (the “**Stay Period**”) to February 5, 2020; and
- h. recommend the Court make an order, *inter alia*
 - i. approving a priority administration charge in favour of the Professional Group (defined below) (“the **Administration Charge**”);
 - ii. approving the interim financing (the “**DIP Term Sheet**”) from B&Y Property Holdings Inc. (“**B & Y**” or the “**DIP Lender**”) for the purpose of funding the Company’s activities;
 - iii. approving the DIP Lender’s Charge;
 - iv. approving the Sale Process and Bidding Procedures;
 - v. approving the terms of the purchase agreement between the Stalking Horse Bidder and the Company (the “**Stalking Horse Agreement**”); and
 - vi. extending the date to file a proposal from December 19, 2019 to February 5, 2020.

I. TERMS OF REFERENCE

5. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.
6. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Company's representatives, the Company's books and records and discussions with their management, staff, agents and consultants (collectively, the "**Information**"). The Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook (the "**CPA Handbook**") and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

II. GENERAL BACKGROUND INFORMATION ON THE COMPANY

7. The Company's business, affairs, financial performance and position, as well as the causes of its insolvency are detailed in the affidavit of Mr. Bashir Harb sworn December 11, 2019 (the "**Harb Affidavit**") in support of the Company's December 16, 2019 motion and are, therefore, not repeated herein. The Proposal Trustee has reviewed the Harb Affidavit and discussed the business and affairs of the Company with senior management personnel of the Company and advisors and is of the view that the Harb Affidavit provides a fair summary thereof.
8. The Proposal Trustee understands the Company is an Ontario corporation that carries on the business of custom printing which provides catalogues, magazines, packaging, and commercial printing services. Based on an Ontario Corporate Profile Report dated November 21, 2019, attached as an exhibit to the Harb Affidavit, the sole director and officer of the Company is Mr. Bashir Harb.
9. The Company operates out of a 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 which is a related party. The Company has been in operations since November 2006 and presently employs 57 persons on a full-time basis. The Company retains contractors on an as needed basis for certain large-scale printing contracts.

III. THE COMPANY'S CREDITORS

10. Copies of the creditor list included in the Company's proposal proceedings are attached hereto as **Appendix "B"**. The creditor list details both unsecured and certain creditors who appear on a Personal Property Security Act ("PPSA") search dated December 10, 2019. The creditor lists includes estimated creditor liabilities of approximately \$11.9 million.
11. Below is a chart summarizing the estimated secured indebtedness owing by the Company based on the PPSA search, and information provided by the Company.

1	Ministry of Finance- EHT	\$68,329
2	B & Y Property Holdings Inc.	\$2,792,558
3	Heidelberg Canada Graphic Equipment	\$359,777
4	Zeinarb Inc.	Unknown
5	Zeinab Harb	Unknown
6	Bashir Harb	\$2,998,771
7	Faisal Chehab	Unknown
8	Axiom Leasing Inc.	\$96,159
9	CWB Maxium Financial Inc.	\$167,203
10	CLE Leasing Enterprises Ltd.	\$11,773
11	Bank of Montreal	\$0
12	Blueshore Leasing Ltd.	\$268,197
13	Honda Canada	Unknown
14	2227560 Ontario Inc	Unknown
15	Royal Bank of Canada	Unknown
	Total	\$6,762,767

12. The Proposal Trustee understands that B & Y provided funding to the Company to facilitate the repayment of a debt owing to the Bank of Montreal. The Proposal Trustee is advised that B & Y secured the advance by filing a financial statement under the PPSA reflecting a General Security Agreement.

13. The Proposal Trustee has not yet obtained a legal opinion from its independent legal counsel on the validity of the B & Y security or security held by 2227560 Ontario Inc., but security opinions will be completed in advance of the Bid Deadline discussed later in this First Report.

14. In addition, the Proposal Trustee understands that the Company owes more than \$1.2 million on a priority basis to the Canada Revenue Agency ("CRA") as it relates to unpaid source deductions.

Equipment Lessors

15. The Company is a party to several equipment leases, which are in default. The Proposal Trustee understands that various equipment lessors and creditors have commenced enforcement proceedings, including CWB Maxium Financial Inc. ("CWB") and CLE Leasing Enterprises ("CLE").

IV. THE NOI PROCEEDINGS

Overview of the Trustee's Activities

16. Since the Filing Date, the Proposal Trustee's activities have included, *inter alia*, the following;

- a) Reviewing the Company's current financial position;
- b) Together with counsel, advising the Company with regards to the restructuring options available to the Company;

- c) Preparation of the NOI filing documents and assisting in the preparation of the Cash Flow and associated reports on the Cash Flow as required by Section 50.4(2) of the BIA;
- d) File NOI documents with the OSB and various correspondence and discussion thereto;
- e) Issuing a notice to the Company's creditors with respect to the NOI proceeding and establishing a section on the Proposal Trustee's website as it relates to the NOI proceeding; and
- f) Working with the Company and its advisors in reviewing the proposed DIP Term Sheet and DIP facility, Stalking Horse Agreement and Bidding Procedures.

V. STALKING HORSE SALE PROCESS

17. The restructuring of the Company under the NOI proceedings involves a sale of the assets of the Company ("Stalking Horse Assets") which includes equipment and the Company's accounts receivable, subject to Court approval. The proposed Sale Process aims to obtain the best possible price for the Stalking Horse Assets. It is anticipated that the Sale Process, which is to run over an eight (8) week period will provide sufficient time to expose the Stalking Horse Assets to the market and maximize value.

Stalking Horse Agreement

18. The Company is seeking authorization and approval from the Court to enter into the Stalking Horse Agreement pursuant to which the Stalking Horse Bidder will act as the stalking horse bidder in the Sale Process. The Stalking Horse Agreement sets a floor purchase price for the Stalking Horse Assets and encourages interested parties to submit qualified bids. A copy of the redacted Stalking Horse Agreement is attached hereto as **Appendix "C"**.

19. The Stalking Horse Agreement contemplates the purchase of the Stalking Horse Assets is on an “as is, where is” basis. It contains standard and limited conditions to closing and is subject to the issuance of an approval and vesting order (“**AVO**”), and the Proposal Trustee declaring the Stalking Horse Bidder the Successful Bidder in the Bidding Procedures referred to herein.
20. As consideration for the Stalking Horse Assets, the purchase price contained in the Stalking Horse Asset Purchase Agreement includes a cash component (“**Cash Purchase Price**”) as well as assumption of various liabilities in respect of rent arrears, assumption of current Real Property lease and liabilities owing to B&Y Property Holdings Inc. (“**Total Consideration**”). The Cash Purchase Price is not being disclosed in this Report, however will be disclosed should Court approval of the Bidding Procedures be granted. The Total Consideration is estimated to be in the amount of \$1,800,000.
21. The Stalking Horse Agreement provides that, at the Stalking Horse Bidder’s discretion, and Proposal Trustee’s consent, some of the Purchase Price may be satisfied by way of set-off of the outstanding DIP financing.
22. The Stalking Horse Agreement also contemplates the assumption of all employees and the assumption of certain equipment leases and contracts to be identified by the Bid Deadline.
23. The Stalking Horse Agreement provides for an initial deposit to be made.
24. The Stalking Horse Asset Purchase Agreement provides that, in the event that a Successful Bid other than the bid from the Stalking Horse Bidder is accepted by the Proposal Trustee, approved by the Court and completed, the Company shall pay to the Stalking Horse Bidder an expense reimbursement of up to \$50,000. There is no break fee as is traditionally common place for these type of transactions.

VI. SALE PROCESS AND BIDDING PROCEDURES

25. The proposed Sales Process and Bidding Procedures is contemplated in the Stalking Horse Agreement and attached at **Appendix “C”** hereto. A summary of the milestones of the Sales Process are:

Date	Sales Process Milestone
<i>December 16, 2019-</i> <i>February 6, 2020.</i>	The Proposal Trustee to prepare Notice and teaser information in advance of commencement of SISP, and identify potential bidders. The Proposal Trustee shall prepare a data room for the sales process. An advertisement will run in the national Globe & Mail print edition. The Proposal Trustee shall contact potentially interested parties regarding the sale process and opportunity. Subject to a signed NDA, due diligence information to be provided to interested parties
<i>February 7, 2020</i>	Bid Deadline
<i>February 11, 2020</i>	Review of Bids and determination of Qualified Bids; announcement of Qualified Bidders and circulation of Opening Bid.
<i>February 13, 2020</i>	Auction (if necessary)
<i>February 20, 2020</i>	Company and Proposal Trustee to seek Court Approval of Successful Bid
<i>March 11, 2020</i>	Outside Date for Closing of Successful Bid.

26. A summary of the key terms of the Sales Process are:

- a) the Proposal Trustee with the assistance of its advisors shall conduct the Sales Process in accordance with the Bidding Procedures;
- b) following Court Approval of the Sale Process, the Proposal Trustee will prepare a teaser and list of potentially interested parties, and prepare a virtual data room for parties to complete their due diligence;
- c) the Proposal Trustee shall have a notice published in the *Globe & Mail*, in the form attached as **Appendix “D”**;
- d) the Proposal Trustee shall canvas potential interest in respect of some or all of the Stalking Horse Assets;
- e) interested parties that wish to commence due diligence will be required to sign a form of non-disclosure agreement;
- f) the Proposal Trustee will provide potential bidders with a copy of the Stalking Horse Agreement;
- g) potential purchasers must submit bids, via an executed mark-up of the Stalking Horse Agreement, with a binding commitment to close on the terms and conditions of the bid, by no later than February 7, 2020 (“**Bid Deadline**”);
- h) for a potential bidder to qualify to participate in an auction the bid submitted must identify the actual Bidder and parent company and contain written evidence that the Bidder has necessary financial ability to close the transaction and assumed liabilities; be unconditional and irrevocable, and accompanied by a 10% deposit;
- i) the minimum bid must exceed the Cash Purchase Price in the Stalking Horse Bid, plus a Minimum Overbid Increment in the amount of \$25,000.

27. The Proposal Trustee will review all offers received by the Bid Deadline and determine whether the bids are Qualified Bids, and whether an auction is necessary. If an auction is necessary, the Proposal Trustee will follow the auction guidelines as are described in the Bidding Procedures, which shall include the disclosure of Qualified Bids to all other bidders in advance of the commencement of the Auction, the identification of the Opening Bid and Overbid at each round of the Auction; with each Overbid being a minimum cash increment of at least \$25,000 or such lower amount as the Proposal Trustee may determine.

28. The determination of which Qualified Bid constitutes the Opening Bid shall take into account any factors that the Proposal Trustee with the assistance of their advisors reasonably deem relevant to the value of the Qualified Bid to Trade Secret, including, among other things, the following:

- (i) the amount and nature of the consideration;
- (ii) the proposed assumption of any liabilities, if any;
- (iii) the conditions to the Bid;
- (iv) the ability of the Qualified Bidder to close the proposed transaction;
- (v) the proposed closing date and the likelihood, extent and impact of any potential delays in closing; (vi) any purchase-price adjustments;
- (vi) the impact of the contemplated transaction on any actual or potential litigation;
- (vii) potential increased liabilities arising as a result of the transaction; and
- (viii) such other considerations as the Proposal Trustee deems relevant in its reasonable business judgment (collectively, the "**Bid Assessment Criteria**").

29. The Proposal Trustee with the assistance of its advisors shall determine who is the Successful Bid upon the completion of the Auction. If no qualified bids are received by the Bid Deadline (other than the Stalking Horse Agreement), the Auction will not be held and the Stalking Horse Agreement will be the Successful Bid.

30. The Proposal Trustee is of the view that the Sale Process timeline is adequate for the Proposal Trustee to provide interested parties with sufficient time to complete due diligence to consider purchasing some or all of the Stalking Horse Assets. The Proposal Trustee will report back to the Court if facts or circumstances require the Proposal Trustee to re-evaluate the time periods or the Bidding Procedures.

Proposal Trustee Recommends Approval of Stalking Horse Agreement

31. In light of the Company's financial difficulties, in the Proposal Trustee's opinion, the Stalking Horse Agreement is the best option for the Company to preserve the value of the Stalking Horse Assets.

32. The terms of the Stalking Horse Agreement are fair and reasonable given the circumstances, and promotes the prospect of a competitive Sale Process.

VII. DIP FACILITY

33. On December 12, 2019 the Company executed a financing agreement with the DIP Lender ("DIP Term Facility"), subject to Court approval. The DIP Term Facility provides for the following:

- Advances of up to \$250,000 in the aggregate, including a retroactive first advance of \$90,000 for urgent funding towards the ongoing operations of the Company;
- Interest calculated at the rate of 5% annually, calculated monthly; and
- It is conditional on the Company obtaining a charge ("DIP Charge") over all of the Stalking Horse Assets, ranking subordinate only to the Administration Charge, in respect of the full DIP Facility including the First Advance of \$90,000.

A copy of the DIP Term Facility is attached as Exhibit G to the Harb Affidavit.

Recommendation for the DIP Term Facility

34. The Proposal Trustee has considered the factors described in section 50.6(5) of the BIA with respect to the granting of a Court order for interim financing and a charge related thereto. The Proposal Trustee respectfully recommends that the Court make the order sought by the Company for the DIP Term Facility for the following reasons:

- The Company is continuing to operate with a view to canvassing a sales transaction;
- The Company is facing an imminent liquidity crisis. Cash on hand was projected to be depleted by the week of December 9th, 2019. The first advance of \$90,000 has been used towards the ongoing operations of the Company, including payroll;
- The Company has a significant annual contract scheduled for production during the first quarter of 2020. This contract will generate a considerable receivable for the Company but requires that the raw materials be purchased for by the Company, which is repaid in due course once the contract is completed;
- The Company will not be able to fund the raw materials required to complete the contract based on the anticipated funds on hand;
- The Company's net realizable value is essentially only achievable through its sale or parts thereof if it remains a going-concern business;
- The Company's ability to locate financing other than that contemplated by the DIP Term Facility, particularly given the timing constraints, the need for a cash injection, and the nature of the Company's assets, are remote;
- The terms of the DIP Term Facility appear to be reasonable and consistent with the terms of the debtor-in-possession financing facilities in similar proceedings; and
- In the Proposal Trustee's view, no creditor would appear to be materially prejudiced as a result of the granting the DIP Charge. The risks of material prejudice to creditors are outweighed by the potential benefits that would

be derived for the Company's stakeholders generally from a successful restructuring.

VIII. COURT ORDERED CHARGES

35. The Companies are seeking an order providing for the following Administration Charge (as hereinafter defined).

Administration Charge

36. The Company is seeking an order granting, among other things, a charge against all of the assets of the Company, to secure the fees and disbursements incurred in connection with professional services rendered to the Company in connection with the NOI Proceeding. The professional group consists of Blaney McMurtry LLP ("Blaney's", counsel to the Debtor), the Proposal Trustee and Stikeman Elliot LLP ("Stikeman", counsel to the Proposal Trustee) (collectively the "Professional Group"). The amount of the charge sought is the maximum aggregate amount of \$250,000 against all the assets of the Company ("Administration Charge").

37. The Administration Charge is proposed to rank ahead of all secured and unsecured creditors.

38. The quantum of the Administration Charge sought by the Company was determined in consultation with the Proposal Trustee. The creation of the Administration Charge is typical in similar proceedings as is the proposed priority of the Administration Charge.

IX. EXTENSION OF THE STAY PERIOD TO FEBRUARY 5, 2020 AND CASHFLOWS

39. The initial 30-day stay period granted upon the filing of the NOI expires on December 19, 2019. The Company is seeking an extension of the Stay Period to February 5, 2020 (the "Stay Extension").

40. In support of the request for the Stay Extension, the Company, with the assistance of the Proposal Trustee, had prepared a forecast of the receipts and disbursements for the period of the week commencing November 27, 2019 to the week of February 17, 2020 (the “**Cash Flow Forecast**”). A copy of the Cash Flow Forecast is attached hereto as **Appendix “E”** and is summarized below.

TRADE SECRET WEB PRINTING INC. CASH FLOW FORECAST FOR THE PERIOD November 27, 2019 to February 17, 2020	
Receipts	
A/R Collections	1,777,890
	<hr/>
	1,777,890
Disbursements	
Payroll (incl. Deductions)	-326,657
Utilities	-94,000
Insurance	-23,100
Material Purchases	-1,167,561
Subcontractors	-45,000
Warehouse, Shipping	-49,436
Misc Expenses	-25,800
Debtor's Counsel	-90,000
Proposal Trustee	-75,000
Counsel for Proposal Trustee	-80,000
	<hr/>
	-1,971,055
 Net Cash Flow	-193,165
Opening Cash	45,000
Ending Cash	-148,165

41. The Cash Flow Forecasts indicate that the Companies will have not have sufficient liquidity to fund both operating costs and the costs of these NOI proceedings for the period of the Stay Extension, without the approval of the DIP Term Facility.

42. The Proposal Trustee has been advised that the Company will not be remitting monthly rent to B & Y during the restructuring proceeding.

43. The Proposal Trustee notes that the Cashflows do not contemplate the payment of monthly lease payments in respect of Real Property Lease or Equipment leases.

44. The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:

- a. More than thirty (30) days will be required to complete the Sales Process;
- b. The Stay Extension is necessary to provide the Company sufficient time to advance the Sale Process and complete the sale of the Stalking Horse Assets;
- c. The Company is acting in good faith and with due diligence in taking steps to monetize their assets for the benefit of their stakeholders; and
- d. It is the Proposal Trustee's view that the Stay Extension will not prejudice or adversely affect any group of creditors.

X. CONCLUSION AND RECOMMENDATIONS

45. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court issue the Order, as requested by the Company:

- a. approving the Stalking Horse Agreement;
- b. approving the SISP and Bidding Procedures;
- c. approving the DIP Term Sheet;
- d. approving the DIP Lenders Charge;
- e. approving the Administration Charge; and

f. approving the extension of the Stay Period to February 5, 2020.

All of which is respectfully submitted this 13th day of December 2019.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal of
Trade Secret Web Printing Inc.

Per:



Graeme Hamilton, CIRP, LIT

APPENDIX

‘C’

Trade Secret Web Printing Inc.

Projected Statement of Cash Flows

From January , 2020- (unaudited - CDNS)

For the Week Commencing	Prior to Jan 27	27-Jan	03-Feb	10-Feb	17-Feb	24-Feb	02-Mar	09-Mar	16-Mar	23-Mar	30-Mar	06-Apr	13-Apr	20-Apr	Total
<u>Opening Cash</u>		\$ 72,839.81	\$ 102,945.51	\$ (22,703.99)	\$ 48,490.21	\$ 21,585.21	\$ 84,457.11	\$ 28,058.31	\$ 41,024.31	\$ (9,675.69)	\$ 19,674.31	\$ (63,694.69)	\$ (75,974.69)	\$ (94,391.99)	\$ 152,633.74
<u>DIP Financing Income</u>															\$ -
A/R Collections		\$ 68,310.00	\$ 113,850.00	\$ 106,260.00	\$ 101,200.00	\$ 133,770.00	\$ 114,660.00	\$ 79,800.00	\$ 98,700.00	\$ 105,000.00	\$ 156,000.00	\$ 156,000.00	\$ 157,500.00	\$ 168,000.00	\$ 1,559,050.00
Total Available Cash		\$ 141,149.81	\$ 216,795.51	\$ 83,556.01	\$ 149,690.21	\$ 155,355.21	\$ 199,117.11	\$ 107,858.31	\$ 139,724.31	\$ 95,324.31	\$ 175,674.31	\$ 92,305.31	\$ 81,525.31	\$ 73,608.01	\$ 1,711,683.74
Projected Disbursements															
Payroll- Including Deductions		\$ 54,589.00		\$ 39,589.00		\$ 19,589.00		\$ 44,589.00		\$ 74,589.00		\$ 83,712.30			\$ 316,657.30
Rent		\$ (8,500.00)				\$ (13,000.00)									\$ -
HST		\$ 21,600.00				\$ 16,600.00				\$ 34,600.00					\$ (5,500.00)
Utilities - Hydro		\$ 3,000.00				\$ 3,000.00				\$ 5,000.00					\$ 72,800.00
Utilities - Gas		\$ 3,400.00				\$ 3,400.00				\$ 3,400.00					\$ 11,000.00
Utilities - Telephone & Cellular		\$ 7,700.00				\$ 7,700.00				\$ 7,700.00					\$ 10,200.00
Insurance		\$ 45,000.00	\$ -	\$ 45,000.00	\$ -	\$ 56,000.00	\$ -	\$ 52,500.00	\$ -	\$ 45,000.00	\$ -	\$ 27,000.00	\$ -		\$ 270,500.00
Material Purchases other supplies	\$ 34,155.00	\$ 79,695.00	\$ 31,878.00	\$ 40,480.00	\$ 66,885.00	\$ 52,330.00	\$ 63,840.00	\$ 49,350.00	\$ 52,500.00	\$ 62,400.00	\$ 78,000.00	\$ 60,480.00	\$ 95,500.00	\$ 767,493.00	
Subcontractor Expenses		\$ 18,000.00				\$ 9,000.00					\$ 18,000.00				\$ 45,000.00
Warehousing, Shipping, & Transportation Costs	\$ 2,049.30	\$ 3,415.50	\$ 3,187.80	\$ 3,036.00	\$ 4,013.10	\$ 3,439.80	\$ 2,394.00	\$ 2,961.00	\$ 3,150.00	\$ 4,680.00	\$ 4,680.00	\$ 4,725.00	\$ 6,300.00	\$ 48,031.50	
Vehicle Expenses		\$ 1,600.00				\$ 1,600.00					\$ 1,600.00				\$ 4,800.00
Office Supplies	\$ 2,000.00					\$ 2,000.00				\$ 2,000.00					\$ 6,000.00
Credit Cards		\$ 5,000.00				\$ 5,000.00				\$ 5,000.00					\$ 15,000.00
Misc		\$ 5,000.00				\$ 5,000.00				\$ 5,000.00					\$ 75,000.00
Proposal Trustee Fees						\$ -					\$ 20,000.00				\$ 70,000.00
Legal Fees (Trustee)											\$ 20,000.00				\$ 60,000.00
Legal Fees (Debtor)															\$ -
Lease Payments															\$ -
Total Operating Disbursements		\$ 38,204.30	\$ 239,499.50	\$ 35,065.80	\$ 128,105.00	\$ 70,898.10	\$ 171,058.80	\$ 66,834.00	\$ 149,400.00	\$ 75,650.00	\$ 239,369.00	\$ 168,280.00	\$ 175,917.30	\$ 231,800.00	\$ 1,790,081.80
Net cash for week		\$ 30,105.70	\$ (125,649.50)	\$ 71,194.20	\$ (26,905.00)	\$ 62,871.90	\$ (56,398.80)	\$ 12,966.00	\$ (50,700.00)	\$ 29,350.00	\$ (83,369.00)	\$ (12,280.00)	\$ (18,417.30)	\$ (63,800.00)	\$ (231,031.80)
Opening Balance		\$ 72,839.81	\$ 102,945.51	\$ (22,703.99)	\$ 48,490.21	\$ 21,585.21	\$ 84,457.11	\$ 28,058.31	\$ 41,024.31	\$ (9,675.69)	\$ 19,674.31	\$ (63,694.69)	\$ (75,974.69)	\$ (94,391.99)	\$ 152,633.74
Net Cash for week		\$ 30,105.70	\$ (125,649.50)	\$ 71,194.20	\$ (26,905.00)	\$ 62,871.90	\$ (56,398.80)	\$ 12,966.00	\$ (50,700.00)	\$ 29,350.00	\$ (83,369.00)	\$ (12,280.00)	\$ (18,417.30)	\$ (63,800.00)	\$ (231,031.80)
Closing Cash Balance		\$ 102,945.51	\$ (22,703.99)	\$ 48,490.21	\$ 21,585.21	\$ 84,457.11	\$ 28,058.31	\$ 41,024.31	\$ (9,675.69)	\$ 19,674.31	\$ (63,694.69)	\$ (75,974.69)	\$ (94,391.99)	\$ (158,191.99)	\$ (78,398.06)

Note 1* Payments to Suppliers does take into account certain vendors that will request c.o.d going forward.

CERTIFICATION

THE PURPOSE of this Statement of Projected Cash flow is to provide creditors with sufficient information to make an informed decision regarding the Proposal, and to fully disclose to the Trustee and the Official Receiver, the state of Trade Secret Web Printing Inc.'s financial affairs. This Statement of Projected Cash flow is prepared pursuant to the requirements of sections 504(2)(a) and 506(6)(a) of the Bankruptcy and Insolvency Act and solely for that purpose.

Dated this 30th day of January , 2020

Per: Badir Harb

Dated this 2nd day of December 2019

CROWE SOBERMAN INC.

Trustee Acting in re: Proposal of Trade Secret Web Printing Inc.