

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.

THIRD 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.

February 19, 2020

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

February 19, 2020

I. INTRODUCTION

1. This report (the “**Third 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 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**”) granted an order (the “**SISP Order**”) approving among other things,
  - i. 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. certain interim financing for the Company in accordance with the DIP Term Sheet and granted the DIP Lender’s Charge;

- iii. 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. an extension of time within which a Proposal must be filed to February 5, 2020.

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

- 4. To date, the Proposal Trustee has filed two reports in respect of the Company's NOI. The first report dated December 13, 2019 (the "**First Report**"), among other things, provided background information on the Company, the various charges sought, the Sale Process and Bidding Procedures with respect to the sale of the assets of the Company, as well as the Stalking Horse Agreement with the Stalking Horse Bidder. A copy of the First Report (without appendices) is attached hereto as **Appendix "B"**.
- 5. The second report dated January 31, 2020 (the "**Second Report**"), among other things, provided an update on the steps carried out by the Proposal Trustee in carrying out the Sale Process, the Company's reported receipts and disbursements for the period November 27, 2019 to January 24, 2020, and recommended an extension of the Proposal Period to March 21, 2020 to allow the Proposal Trustee to fulfill its mandate. A copy of the Second Report (without appendices) is attached hereto as **Appendix "C"**.
- 6. On February 3, 2020, the Court granted an Order (the "**Extension Order**"), extending the time to which the Company is required to file a proposal to March 21, 2020. A copy of the Extension Order is attached hereto as **Appendix "D"**.

## **II. PURPOSE OF REPORT**

- 7. The purpose of the Third Report is to provide this Court with information pertaining to:
  - a) the activities of the Trustee since the Second Report;

- b) the results of the Court approved Sale Process, whereby the Stalking Horse Bidder was ultimately determined to be the successful bidder of the Stalking Horse Assets;
- c) the Proposal Trustee facilitating the closing of the Stalking Horse Agreement (the “**Transaction**”) by seeking approval by this Court; and
- d) the recommendation by the Trustee that this Court issue an order:
  - i. declaring that the Stalking Horse Bidder is the Successful Bid; and
  - ii. vesting title to the Stalking Horse Assets in the Purchaser, as the Successful Bidder, free and clear of all liens, charges, security interests and other encumbrances (the “**Approval and Vesting Order**”).

### III. TERMS OF REFERENCE

- 8. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.
- 9. 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.

### IV. ACTIVITIES OF THE PROPOSAL TRUSTEE

- 10. Since the date of the Second Report, the Proposal Trustee has continued to monitor the activities of the Company while fulfilling its mandate under the Sale

Process, and has assisted in responding to stakeholder inquiries, met with management at the Company's premises, responded to calls regarding the stay extension, and assisted with reviewing the Second Extended Cash Flow Forecast, of the Company.

11. At the next attendance before this Court, the Proposal Trustee intends to seek approval of the Proposal Trustee's fees and activities, and those of its counsel.

#### V. RESERVATION OF THE EQUIPMENT LESSORS' RIGHTS

12. Paragraphs 19 and 20 of the SISP Order contain language reserving the rights of the Company's equipment lessors, as follows:

19. "THIS COURT ORDERS that the orders herein are without prejudice to any and all rights of CWB Maxium Financial Inc., Blueshore Leasing Ltd., Blueshore Financial Credit Union and any related corporations (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 the 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".

13. At the attendance before this Court on February 3, 2020, when the issuance of the Extension Order was sought, counsel for Axiom Leasing Inc. ("**Axiom**") sought that Axiom be added to the definition of "Lessors" in paragraphs 19 and 20 of the

SISP Order, and thereby be granted the same protections sought by the Lessors in the SISP Order. This relief was granted, and is reflected in the Extension Order.

14. Axiom also raised concerns regarding certain of its equipment that may have been sold by the Company prior to the commencement of the NOI Proceedings, and wanted to be provided with information regarding the proposed treatment of the remaining equipment on site. As noted in Justice Dietrich's endorsement in connection with the Extension Order, a copy of which is attached hereto as **Exhibit "E"**, Axiom and the Company agreed to engage in discussions forthwith to address Axiom's information requests.
15. The Proposal Trustee has not been provided with any further details on discussions between the Company, Axiom, and the Lessors, following the attendance for the Extension Order. The Proposal Trustee understands that these issues involving the Lessors is a critical issue that will need to be finalized prior to a closing to occur on the Transaction, as a decision will need to be made by the Company as to which equipment leases will be assumed, and which pieces of equipment will be returned to the Lessors.
16. At this time, the Equipment scheduled to the Agreement which is to form Purchased Assets, is as outlined in 'Schedule C' to the Agreement, attached as **Appendix "F"** to this Report. The Proposal Trustee understands that if no additional arrangements are reached between the equipment lessors, Company and Purchaser prior to the return of the motion, then no additional equipment will be added as Purchased Assets vested through the Agreement and Approval and Vesting Order. Any additional equipment to be acquired by the Purchaser would then be dealt with separately and directly between the equipment lessor and purchaser.

## **VI. RESULTS OF THE BID PROCESS**

17. As detailed in the First Report, the Sale Process and Bidding Procedures provided a means for testing the market, gauging interest in the Company and/or its assets and determining whether a transaction that would result in realizations greater than

the Stalking Horse Agreement was available. The Proposal Trustee has been fully involved in all aspects of the Sale Process and Bidding Procedures to date to ensure that the marketing process was fair and reasonable, and that all prospective interested parties were given the ability to participate and make an offer for the Company and/or its assets. The Proposal Trustee has followed the dates and sale process milestones as laid out in the First Report.

18. A summary of the Sale Process and its results are as follows:

- a) The Proposal Trustee placed an advertisement of the opportunity to purchase the Stalking Horse Assets in the national print edition of the Globe and Mail on December 26, 2019;
- b) The Proposal Trustee placed an advertisement of the opportunity to purchase the Stalking Horse Assets on the well-trafficked trade website *printaction.com*. The advertisement was placed on January 17, 2020 for a period of two weeks. The Proposal Trustee was provided the viewership data by the publisher which confirmed that the advertisement was viewed 1,996 times, with 13 parties accessing the advertisement to review the further steps in the Bidding Procedures;
- c) On January 6, 2020 the Trustee began to contact prospective interested parties (the “**Interested Parties**”) to advise of the opportunity to acquire the Stalking Horse Assets. The list of Interested Parties was developed with the assistance of the Company and included many close competitors, the Proposal Trustee also conducted its own independent research and provided its own recommended Interested Parties;
- d) Each Interested Party was provided with a copy of the initial offering summary (the “**Teaser Letter**”) and a form of non-disclosure agreement (the “**NDA**”). In total 55 parties were contacted by the Proposal Trustee. A copy of the Teaser Letter is attached hereto as **Appendix “G”**;



- e) Of the 55 parties contacted, 10 executed the NDA and were provided with access to the Virtual Data Room (“VDR”) established by the Proposal Trustee, where relevant information relating to the Company and the Stalking Horse Assets was made available;
- f) Interested Parties were required to 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 12 pm EST on February 7, 2020 (the “**Bid Deadline**”);
- g) No Qualified Bids were received by the Bid Deadline. On the date of the Bid Deadline, the Proposal Trustee did receive an offer in writing to purchase part of the Stalking Horse Assets. However, this was not in the proper form or accompanied by a deposit, and the purchase price contemplated was lower than that set out in the Stalking Horse Agreement.

## **VII. THE TRANSACTION**

19. As noted above and described in detail in the First Report, the Stalking Horse Agreement contemplates the sale of the Stalking Horse Assets, which comprise the critical equipment that allows the Company to operate. The transaction represents the only viable alternative to a liquidation of the Company’s assets through a bankruptcy proceeding.

20. A redacted copy of the Stalking Horse Agreement was appended to the First Report and is attached again hereto as **Appendix “H”**. In the event that the Court grants the Approval and Vesting Order but the Transaction does not close, the Proposal Trustee is of the view that efforts to remarket the Company’s assets may be impaired if the unredacted Stalking Horse Agreement is made public at this time. In the circumstances, the Proposal Trustee believes that it is appropriate for the unredacted Stalking Horse Agreement to continue to be sealed until the closing of the Transaction.

21. The key elements of the Stalking Horse Agreement when initially signed were as follows:

- a) The Stalking Horse Bidder is acquiring the Stalking Horse Assets on an “as-is, where is” basis, and is subject to the issuance of the Approval and Vesting Order;
- b) The entire purchase price will be paid by applying, on closing, the \$75,000 Deposit, and the balance of the Cash Purchase Price (as defined in the Stalking Horse Agreement);
- c) As discussed further below, the amount advanced by the DIP Lender pursuant to the DIP Facility will further reduce the total amount of the Cash Purchase Price to be paid by the Stalking Horse Bidder;
- d) The Total Consideration also includes the assumption of liabilities in respect of rent arrears. The Proposal Trustee previously reported the estimated Total Consideration is in the amount of \$1,800,000;
- e) The employment of the employees of the Company will be assumed by the Stalking Horse Bidder (the “Transferred Employees”) on substantially the same terms and conditions as they are currently employed by the Company;
- f) Certain equipment leases and contracts are being assumed by the Stalking Horse Bidder;
- g) The Transaction is scheduled to close forthwith after the Court issues the Approval and Vesting Order and, upon closing, free and clear title in and to the Stalking Horse Assets will be vested in favour of the Stalking Horse Bidder; and
- h) Once the transaction closes, the Proposal Trustee will file a certificate with the Court confirming the Transaction has been completed.

22. The Proposal Trustee has been advised and notes for the Court the following update with respect to the status of the Stalking Horse Agreement since the Agreement was signed and Purchaser selected as Successful Bidder:

- a. The Transaction called for a deposit to be made in the amount of \$75,000 to be paid upon Court Approval of the Stalking Horse Purchase Agreement. The Proposal Trustee understands that this has not yet been paid, but is being prepared to be paid prior to the Court issuing the Approval and Vesting Order;
- b. certain equipment leases and contracts are not being assumed by the Stalking Horse Bidder; and
- c. the Proposal Trustee understands that the status of the employees of the Company and any being retained by the Stalking Horse Purchaser is still being considered by the Company and the employees may remain as employees of the Vendor pending the final determination of the terms of any Proposal to be filed with the creditors.

#### **Proceeds of Sale**

23. 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 Stalking Horse Bidder has confirmed that it wants to set-off the entire amount advanced by the DIP Lender pursuant to the DIP Facility, in the total amount of \$250,000 against the Cash Purchase Price in the Stalking Horse Agreement. As the Stalking Horse Bidder and the DIP Lender are related parties, the Proposal Trustee is of the view that it is appropriate to proceed this way, so long as there are sufficient funds to satisfy the Company's post-filing obligations following the set-off.

24. At the return of the stay extension motion returnable on February 2, 2020, the Company filed a cashflow in respect of the proposed stay period through to March

21, 2020, which contemplated a closing date of March 11, 2020. The Company is in the process of updating the cashflow to reflect the accelerated closing date (pre March 11) after which time many of the operational costs are to be transferred to the Purchaser as owner of the Purchased Assets; as well as the updated terms of the Stalking Horse Agreement referred to below.

25. The Proposal Trustee notes that it has recently been advised that the updated cashflows should be amended to reflect that the Company has two outstanding payments to make towards post NOI-filing source deductions in the amount of approximately \$70,000. The Company has advised that they have budgeted amounts from upcoming AR collections to remedy the payment prior to the closing of the Transaction, which is reflected in the Second Extended Cash Flow Forecast during the weeks of March 2<sup>nd</sup> & 16<sup>th</sup>.
26. As noted in the Second Report while the Company's cashflows reflected, and are likely to reflect, a deficit prior to Closing, the quantum of the cash component of the purchase price was not reflected in the cashflows and if the transaction closes will be available to assist with the cashflow deficit.
27. The Proposal Trustee will work with the Company to confirm that all post filing obligations are or will be met by the Company, using available funds on hand and/or cash purchase price at Closing.
28. The Proposal Trustee will confirm that there are sufficient funds to satisfy post filing obligations with the balance of the cash proceeds from the Stalking Horse Agreement before it permits the set off of the DIP Facility. Assuming that is the case, then should this Court issue the Approval and Vesting Order and should the transaction contemplated by the Stalking Horse Agreement close, the proceeds of sale are expected to be sufficient to:
  - a. pay all professional fees and expenses incurred by the Proposal Trustee and the Company, as secured by the Administration Charge; and

- b. pay the amount advanced by the DIP Lender under the DIP Facility, by way of set-off of the Cash Purchase Price. If the Company's updated cashflows do not support that all post filing payments are scheduled to be paid, the Proposal Trustee recommends that the DIP Facility not be permitted to be set off at the closing and repayment of the DIP Facility to the related party should await confirmation that third parties have been paid.

### **Proposal Trustee Recommends Approval of Sale**

29. The Proposal Trustee believes that the Sales Process undertaken by the Proposal Trustee was appropriate for the Stalking Horse Assets, provided sufficient market exposure to the Stalking Horse Assets, and resulted in the Proposal Trustee obtaining a commercially reasonable offer for the Stalking Horse Assets for the following reasons:

- The Stalking Horse Assets was advertised for sale in the Globe and Mail;
- The Stalking Horse Assets was advertised for sale on a prominent trade website;
- The advertisements resulted in large number of viewings regarding the opportunity to purchase the Stalking Horse Assets;
- The VDR was accessed by multiple Interested Parties;
- The Stalking Horse Assets were exposed to the market for a period of eight weeks;
- A single expression of interest was received for certain of the Stalking Horse Assets, which was not superior to the Stalking Horse Agreement.

30. The Proposal Trustee is of the opinion that the Approval and Vesting Order should be granted as the transaction contemplated by the Stalking Horse Agreement satisfies the factors to be considered, pursuant to section 65.13(4) of the BIA. In particular, the Proposal Trustee is of the view that:

- a) the Sale Process and Bidding Procedures were fair and reasonable in the circumstances and were approved by the Court;

- b) the Transaction appears to be more beneficial to the Company's stakeholders and creditors as compared to the alternatives (i.e sale or liquidation under a bankruptcy). As such, absent the sale of the Stalking Horse Assets to the Stalking Horse Bidder, there is considerable risk that there would be minimal recovery to the Company's creditors from the Stalking Horse Assets;
- c) the Total Consideration received for the Stalking Horse Assets in light of the Bid Process, and the results thereof is reasonable and fair;
- d) the Company's limited liquidity substantially eliminates an opportunity to further market the Stalking Horse Assets for sale without putting the Transaction at risk. The opportunity was marketed prior to the Bid Deadline, with likely potential purchasers provided with an opportunity to participate;
- e) the Company and its management are acting in good faith and with due diligence; and
- f) the Total Consideration is greater than the liquidation value or what the Companies creditors and stakeholders would receive in a bankruptcy scenario.

## **STATUS OF PROPOSAL & NEXT STEPS**

31. The Extension Order allows the Company until March 21, 2020 to file a Proposal. Considering that there will not be a further extension of the Sale Process, involving an auction and multiple Qualified Bids, the Company can now focus on closing the Transaction on the Closing Date. On or before March 21, 2020, the Company and the Proposal Trustee will attend before this Court to seek a further extension of the Stay Period, as well as approval of the Proposal Trustee's fees and activities, and those of its counsel.
32. In the interim, the Proposal Trustee will work with the Company to ensure cash purchase price and DIP are used to satisfy post filing obligations and will report

back on the updated cashflows and future proposed distributions at the return of the March hearing.

### **VIII. CONCLUSION AND RECOMMENDATIONS**

33. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court issue the Order granting the relief detailed in paragraph 7 (d) of this Third Report.

All of which is respectfully submitted this 19<sup>th</sup> day of February 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 16<sup>TH</sup> DAY  
)  
JUSTICE *HAINES* ) 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 "Haisey J", written over a horizontal line.



19. THIS COURT ORDERS that the order herein are without prejudice to any and all rights of CWB Maxium 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 Lessor 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, ~~as~~ <sup>unless</sup> 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:	Five (5%) percent per annum, calculated monthly, not in advance.  Interest calculated as aforesaid shall be payable: <ul style="list-style-type: none"> <li>i. accruing monthly, in arrears, on the first (1<sup>st</sup>) 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;</li> <li>ii. in accordance with the "Repayment" section below; and</li> <li>iii. upon Maturity (as hereinafter defined). The first monthly payment of interest hereunder shall be payable on the first (1<sup>st</sup>) 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.</li> </ul>
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

	<p>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.</p>
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"> <li>a) the execution and delivery of this DIP Term Sheet;</li> <li>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");</li> <li>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.</li> </ul> <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"> <li>i. authorizing the Borrower to enter into, and authorizing the Borrower to perform their obligations under, this DIP Term Sheet; and</li> <li>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")</li> </ul> <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"> <li>iii. authorizing the Borrower to enter into, and authorizing the Borrower to perform its obligations under, this DIP Loan Agreement; and</li> <li>iv. granting the DIP Charge (the "Conditions Precedent")</li> </ul>
Availability of Further Advances:	<p>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.</p>
Term:	<p>The DIP Facility matures on the earliest of ("<b>Maturity</b>"):</p> <ul style="list-style-type: none"> <li>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;</li> </ul>

	<ul style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>d) the date on which the stay of proceedings in the NOI Process terminates; and</li> <li>e) the occurrence of an Event of Default (as defined below).</li> </ul> <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> <ul style="list-style-type: none"> <li>i. firstly, towards outstanding Permitted Fees and Expenses (as defined below);</li> <li>ii. secondly, towards outstanding interest and costs payable hereunder; and</li> <li>iii. thirdly, towards outstanding principal hereunder.</li> </ul>
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> <ul style="list-style-type: none"> <li>(a) all reasonable and documented fees and expenses of counsel for the Lender in connection with the DIP Facility; and</li> <li>(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").</li> </ul>
Default:	<p>The following events shall constitute events of default (each, an "Event of Default"):</p> <ul style="list-style-type: none"> <li>(a) the failure of the Borrower to obtain the Approval Order on or before December 20, 2019: <ul style="list-style-type: none"> <li>i. authorizing the Borrower to enter into, and authorizing the Borrower to perform its obligations under, this DIP Loan Agreement; and</li> <li>ii. granting the DIP Charge, ranking behind the Administration Charge;</li> </ul> </li> <li>(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;</li> </ul>

	<p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(g) if the Borrower ceases to carry on business; or</p> <p>(h) if the Borrower becomes a bankrupt under the bankruptcy laws of Canada.</p>
Remedies:	<p>Upon the occurrence of an Event of Default:</p> <p>(a) the Lender may immediately terminate the DIP Facility; and</p> <p>(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</p> <p>(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> <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> <p>(b) the Borrower obtaining the Approval Order on terms acceptable to the Lender, including the following terms:</p> <ol style="list-style-type: none"> <li>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</li> <li>ii. granting the Lender, the DIP Charge, ranking behind the Administration Charge.</li> </ol>
Fees and Expenses:	<p>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</p>

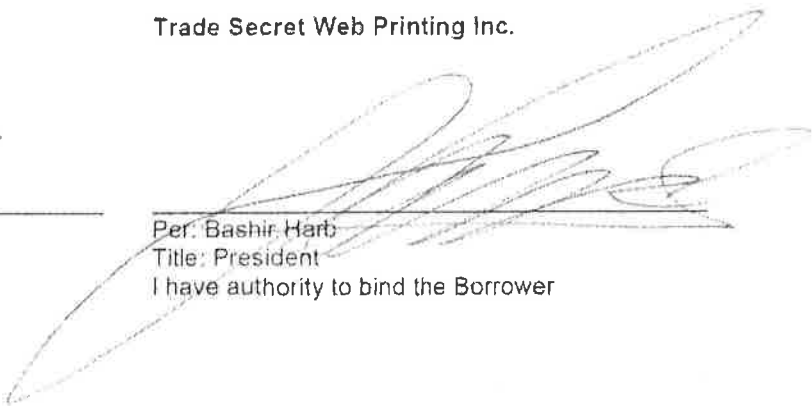
	DIP Charge including, without limitation, all court attendances in connection therewith. All such fees and expenses shall be added to the DIP Facility and be secured by the DIP Charge.
Counterparts:	This DIP Term Sheet may be executed in counterparts, each of which is deemed an original, but all of which 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.**

**Trade Secret Web Printing Inc.**

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

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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Counsel for Trade Secret Web Printing Inc.



# 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

APPENDIX "A"- CERTIFICATE OF FILING THE NOTICE TO MAKE A PROPOSAL  
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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
	<b>Total</b>	<b>\$6,762,767</b>

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:

<b>Date</b>	<b>Sales Process Milestone</b>
<i>December 16, 2019- 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 9<sup>th</sup>, 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	
<b>Receipts</b>	
A/R Collections	1,777,890
	<b>1,777,890</b>
<b>Disbursements</b>	
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
	<b>-1,971,055</b>
Net Cash Flow	-193,165
Opening Cash	45,000
<b>Ending Cash</b>	<b>-148,165</b>

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 13<sup>th</sup> 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

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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## APPENDICES

- APPENDIX "A"- Order of the Honourable Justice Hainey- December 16, 2019
- APPENDIX "B"- First Report of Proposal Trustee- December 13, 2019
- APPENDIX "C"- Extended Cash Flow Forecast- January 27- April 20, 2020

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 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
	<b>\$ 1,532,765.00</b>	<b>\$ 1,777,890.00</b>	<b>-\$ 245,125.00</b>
<b>Disbursements</b>			
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
	<b>-\$ 1,941,431.17</b>	<b>-\$ 1,971,055.00</b>	<b>\$ 29,623.83</b>
Net Cash Flow	<b>-\$ 408,666.17</b>	<b>-\$ 193,165.00</b>	<b>-\$ 215,501.17</b>
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	
<b>Receipts</b>	
A/R Collections	1,559,050
	<b>1,559,050</b>
<b>Disbursements</b>	
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
	<b>-1,790,781</b>
Net Cash Flow	-231,031
Opening Cash	152,633
<b>Ending Cash</b>	<b>-78,398</b>

18. The Extended Cash Flow Forecast does show a deficit in the amount of \$78,000.00. The SISP contemplates a closing date of Mach 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 31<sup>st</sup> 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 D



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

THE HONOURABLE

)

MONDAY, THE 3<sup>rd</sup> DAY

)

JUSTICE

*DIETRICH*

)

OF FEBRUARY, 2020



**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  
(Stay Extension)**

**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, extending the time within which a Proposal must be filed to and including March 20<sup>th</sup>, 2020, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Affidavit of Bashir Harb, sworn January 30, 2020, the Second Report of the Proposal Trustee, to be filed ("**Second 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 from 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.

## EXTENSION OF TIME TO FILE PROPOSAL

2. **THIS COURT ORDERS** that the time in which the Debtor is required to file a proposal is hereby extended to and including March 20, 2020 and that the terms of paragraphs 19 and 20 of the order dated December 16, 2019, shall remain in effect, *and that for the purposes of paragraph 19, Axiom Leasing Inc. be added as a "Lessor".*

## GENERAL

3. **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.

4. **THIS COURT ORDERS** that the Debtor and the Proposal Trustee and their respective counsel are at liberty to serve or distribute this Order, and any other materials and orders in these proceedings, any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company'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).

A handwritten signature in blue ink, appearing to read "Dietrich J.", is written above a solid horizontal line.

**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)  
*Proceeding commenced at TORONTO***

**ORDER  
(Stay Extension)**

**BLANEY MCMURTRY LLP**  
Barristers & Solicitors  
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Counsel for Trade Secret Web Printing Inc.

# APPENDIX E

COUNSEL SLIP

COURT FILE NO.: BK - 19 - 25871a1 - 0031

DATE: Feb - 03 - 2020

NO. ON LIST 4

09:58am

TITLE OF PROCEEDING

Trade Secret web Printing Inc.

COUNSEL FOR:

- PLAINTIFF(S)
- APPLICANT(S)
- PETITIONER(S)

MORVYN D. ABRAMOWITZ  
ALEX FERNET Brochu

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COUNSEL FOR:

- DEFENDANT(S)
- RESPONDENT(S)

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STEPHEN WALTERS.

BIZ

JUDICIAL NOTES:

S. Sopic for Proposal Trustee t. 416 869 6825  
f. 416 988 4436

SSOPIC@stevan.com

February 3, 2020

Counsel for Trade Secret Web Printing Inc. brings this motion to extend the stay for an additional 45 days. It was anticipated that this stay would be extended as the bid <sup>deadline</sup> date is not until February 7<sup>th</sup> 2020 and the stay expires before then. I am satisfied that the <sup>extension</sup> stay is appropriate under these circumstances and that the sales process is proceeding in the normal course. The company is continuing to work with the Trustee and it is not expected that it will require additional financing during the extended period. The stay is hereby extended to March 20, 2020.



Mr. Statten, on behalf of Axiom Leasing Inc., seeks to have Axiom Leasing Inc. added to the service list, which has been agreed to and will be done forthwith. It has, on consent of the Company and the Trustee, been added to the "lessors" referred to in paragraph 19 of Justice Harvey's order of December 16, 2019.

Mr. Statten also raises a concern about the possibility of some equipment leased to the Company having been sold without notice to Axiom and it is seeking further information about this possible sale and the whereabouts of the proceeds. The parties will discuss this matter with a view to providing the information to Axiom Leasing Inc. without the need for it to bring a motion.

All ~~parties~~ persons on the service list have been served and none has responded to the motion.

Order (re Stay Extension) to issue in the form of the draft signed by me today.

Justin J.

# APPENDIX F



Schedule "A" – Stalking Horse Assets

**1. Heidelberg Speedmaster Model SM102-10-P6**

Serial Number: 547216, Age: 2006

Impressions: 283, 497, 191

Ten printing units, in 28" by 40" format, with perfecting 4/4 or 10/10. Complete with CP2000 off-press console with MasterLevel and Tandem wash-up concept (for impression cylinder washing via wet blanket), UTOPLATE with Vario, PRESET PLUS feeder. In addition CutStar (Bielomatik) roll-to-sheet feeder attached to the Preset-Plus feeder (includes pneumatic shaft and unwind stand). Machine number: CutStar 105/190. Age of sheeter: 2007. PRESET PLUS delivery (X1), Technotrans beta c 500 RC for ink temperature control and dampening (inclusive of external roof-top condenser). DryStar infra-red dryer, CleanStar, PowderStar (Grafix), ScrollStar, INKLINE (all ten units).

**2. MBO Signature Folder**

Main Unit B30-L

Serial Number: R12/20

8 page B30-2-30/4

Serial Number: S11/115

**3. MBO Signature Folder**

Main Unit B26-L

Serial Number: T06/11

8 page B26-2-26/4

Serial Number: S05/18

**4. Pump Trucks**

**5. All office furniture**

**6. Accounts Receivables outstanding as at the Closing Date.**

# APPENDIX G



Crowe Soberman | Canada



# Invitation for Offers to Purchase: Trade Secret Web Printing Inc.

**TRADE  
SECRET**  
WEB PRINTING INC.

**WEB AND  
SHEETED  
PRINTING**



Crowe Soberman Inc.  
Licensed Insolvency Trustee  
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[www.crowesobermaninc.com](http://www.crowesobermaninc.com)

# ASSETS FOR SALE

## DEADLINE FOR OFFERS February 7, 2020

### Property & Description

Certain assets of Trade Secret Web Printing Inc. ("TSWP") are being offered for sale by the Licensed Insolvency Trustee through a stalking horse sales process:

- Heidelberg Speedmaster Model SM102-10-P6
- MOB Signature Folder Main Unit B30-L
- MOB Signature Folder Main Unit B26-L
- Pump Trucks
- All office furniture
- Accounts receivable outstanding at the closing date

### Overview

A unique opportunity exists to acquire certain assets of the TSWP, a full service printing company from pre-press to press to bindery services

The Licensed Insolvency Trustee is conducting a sales process in accordance with the powers conferred on it and certain provisions of the *Bankruptcy and Insolvency Act*. The sale is on an "as-is", "where-is basis".

### Sale Process

The Licensed Insolvency Trustee will be accepting Letters of Interest alongside a deposit of 10% up to the deadline of 5:00pm EST Friday February 7, 2020. Those offers that are not chosen will have their deposits returned. Offers that are considered Qualified Bidders by the Trustee, will then be eligible to enter a stalking horse auction on February 13, 2020, or as soon as possible thereafter.

### Contact Information:

Proposal Trustee	Crowe Soberman Inc.
Attention	Graeme Hamilton
Phone number:	416.963.7140
Email:	<a href="mailto:graeme.hamilton@crowesoberman.com">graeme.hamilton@crowesoberman.com</a>

# APPENDIX H

## STALKING HORSE AGREEMENT

This Stalking Horse Agreement (this "**Agreement**"), dated as of December 13, 2019 is entered into between Trade Secret Web Printing Inc., an Ontario corporation ("**Vendor**") and B&Y Property Holdings Inc., an Ontario corporation, in trust for a company to be incorporated ("**Purchaser**").

### Recitals

WHEREAS on November 22, 2019 the Vendor filed a Notice of Intention to Make a Proposal ("NOI") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**" or the "**Act**"), and Crower Soberman Inc. was named as trustee under the NOI (in such capacity, the "**Proposal Trustee**");

AND WHEREAS, subject to the Court's approval, the Vendor wishes to sell and assign to the Purchaser, and the Purchaser wishes to purchase and assume from Vendor the rights and obligations of Vendor to the Stalking Horse Assets and the Assumed Liabilities (as defined herein), subject to the terms and conditions set forth herein and the Bidding Procedures (defined below);

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I Purchase and Sale

**Section 1.01 Purchase and Sale of Assets.** Subject to the terms and conditions set forth herein, the Vendor shall sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser shall purchase from the Vendor, all of the assets of the business known as Trade Secret Web Printing Inc., more specifically outlined at outlined at Schedule "A" to this Agreement (the "**Stalking Horse Assets**").

**Section 1.02 Assumption of Liabilities.** Subject to the terms and conditions set forth herein, Purchaser shall assume and agree to pay, perform and discharge the liabilities and obligations set forth at Schedule "B" (collectively, the "**Assumed Liabilities**"). Other than the Assumed Liabilities, the Purchaser shall not assume any liabilities or obligations of Vendor of any kind, whether known or unknown, contingent, matured or otherwise, whether currently existing or hereinafter created.

**Section 1.03 Assigned Contracts.** Schedule "C" to this Agreement includes each of the contracts and leases included in the Stalking Horse Assets that are being assigned to, and assumed by, the Purchaser (the "**Assigned Contracts**").

**Section 1.04 Deposit.** The sum of [REDACTED] Dollars (the "**Deposit**") shall be paid by the Purchaser to the Vendor within three (3) days of the Court's approval of this Agreement. The Deposit shall be held by the Vendor's Solicitors, in trust, as a refundable deposit. In the event this transaction does not close for any reason whatsoever, then the Deposit shall be returned to the Purchaser forthwith, without any deduction.

**Section 1.05 Purchase Price.** The aggregate purchase price for the Stalking Horse Assets shall be [REDACTED] (the "**Closing Amount**"), plus the assumption of the Assumed Liabilities (the "**Purchase Price**"). Purchaser shall pay the Closing Amount to Vendor at the Closing (as defined herein) by certified cheque or bank draft or by wire transfer of immediately available funds in accordance with the wire transfer instructions set forth at Schedule "D".

**Section 1.06 Allocation of Purchase Price.** The Vendor and Purchaser agree that the Purchase Price and the Assumed Liabilities shall be allocated among the Stalking Horse Assets for all purposes (including tax and financial account) as determined by the Purchaser, acting reasonably, prior to the Bid Deadline (as defined in the Bidding Procedures).

**Section 1.07 Set-off of DIP Financing.** At the Purchaser's discretion, and with the consent of the Proposal Trustee, the Closing Amount shall be reduced by the outstanding amount of the court-approved Term Credit Facility ("**DIP Facility**") advanced by B&Y Property Holdings Inc., including but not limited to, outstanding principal, interest, fees and other administrative charges.

**Section 1.08 Bidding Procedures.** The Parties acknowledge and agree that this Agreement shall act as Stalking Horse and be subject to Bidding Procedures attached as Exhibit E. The parties acknowledge their respective participation in the Auction and the Bidding Procedures, and their agreement to comply therewith.

**Section 1.09 Conditions to Closing.** This Agreement shall be conditional upon:

- (a) The Court's approval of the Stalking Horse Process and this Agreement;
- (b) This Agreement being accepted as the Successful Bid as contemplated in the Bidding Procedures;
- (c) The Court granting a vesting order transferring title to the Stalking Horse Assets to the Purchaser, as the Successful Bidder;
- (d) The successful assignment and transfer of the Assigned Contracts to the Purchaser; and
- (e) There being no appeals of the Court's approval of this Agreement as the Successful Bid as contemplated in the Bidding Procedures and the vesting order granted by the Court during the 10-day appeal period provided for under section 30(2) of the BIA.

**Section 1.10 Expense Reimbursement.** In consideration for the Purchaser's expenditure of time and money in acting as the initial bidder in the Stalking Horse Bid and the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, the Bidding Procedures will provide for expense reimbursement, up to an aggregate amount of Fifty Thousand Dollars (\$50,000.00), payable by the Vendors to the Purchaser in the event that a Successful Bid, other than the Stalking Horse Bid, is accepted and the transaction contemplated thereby completed, and will be payable upon consummation of the Successful Bid, provided that the Purchaser shall provide satisfactory records or receipts of such incurred expenses. The Purchaser agrees that the Expense Reimbursement will be the sole and exclusive remedy of the Purchaser pursuant to this Agreement in the event that a Successful Bid, other than the Stalking Horse Bid, is accepted and the transaction contemplated thereby is completed.

**Section 1.11 HST**

- (a) If applicable, the Purchaser and the Vendor shall jointly make the elections provided for under section 167(1.1) of the *Excise Tax Act* (Canada) (the "**HST Act**") so that no harmonized sales tax ("**HST**") will be payable in respect of the transactions contemplated by this Agreement.
- (b) Purchaser and Vendor complete the election forms in respect of such elections.
- (c) Purchaser shall file such elections no later than the due date for Purchaser's HST return for the first reporting period in which the HST would, in the absence of filing such elections, become payable in connection with the transactions contemplated by this Agreement.

**Section 1.12 Employees Provisions.** The Purchaser intends on extending employment offers to all, or substantially all, of the Vendors' employees on terms that are comparable to those with the Vendor.

## **ARTICLE II Closing**

**Section 2.01 Closing.** The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place (the "**Closing Date**") at the offices of Goldberg, Lamba & Ghannoum LLP, 65 Queen Street West, Suite 1210, Toronto, Ontario. The consummation of the transactions contemplated by this Agreement shall be deemed to occur at 12:01 a.m., Eastern Time on the Closing Date.

**Section 2.02 Closing Deliverables**

- (a) At the Closing, Vendor shall deliver to Purchaser the following:
  - (i) a vesting order from the Court transferring title to the Stalking Horse Assets to the Purchaser;
  - (ii) a bill of sale and general conveyance in in form and substance satisfactory to Purchaser (the "**Bill of Sale and General Conveyance**") duly executed by Vendor, transferring the Stalking Horse Assets to Purchaser;
  - (iii) an assignment and assumption agreement in the form and substance satisfactory to Purchaser (the "**Assignment and Assumption Agreement**") duly executed by Vendor, effecting the assignment to and assumption by Purchaser of the Stalking Horse Assets and the Assumed Liabilities;
  - (iv) an Assignment and Assumption of Lease in form and substance satisfactory to Purchaser (the "**Assignment and Assumption of Lease**") duly executed by Vendor; and
  - (v) a certificate of the Secretary or Assistant Secretary (or equivalent officer) of Vendor certifying as to (A) the resolutions of the board of directors of Vendor, duly passed or consented to and in effect, which authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby; and (B) the names and signatures of the officers of Vendor authorized to sign this Agreement and the documents to be delivered hereunder.
  
- (b) At the Closing, Purchaser shall deliver to Vendor the following:
  - (i) the Closing Amount;
  - (ii) the Assignment and Assumption Agreement duly executed by Purchaser;
  - (iii) the Assignment and Assumption of Lease duly executed by Purchaser;
  - (iv) a certificate of the Secretary or Assistant Secretary (or equivalent officer) of Purchaser certifying as to (A) the resolutions of the board of directors of Purchaser, duly passed or consented to and in effect, which authorize the execution, delivery and performance of this Agreement and the transactions contemplated hereby; and (B) the names and signatures of the officers of Purchaser authorized to sign this Agreement and the documents to be delivered hereunder.

**ARTICLE III**  
**"As Is, Where Is"**

Except as specifically set forth in this Agreement, the sale of the Stalking Horse Assets shall be on an "as is, where is" basis and without representations or warranties of any kind, nature, or description by the Vendor. The Purchaser shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Stalking Horse Assets prior to entering into this Agreement, that it has relied solely on its own independent review, investigation, and/or inspection of any documents



and/or the Assets in making its Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Stalking Horse Assets, or the completeness of any information provided in connection therewith, except as expressly stated in this Agreement or the Bidding Procedures.

#### **ARTICLE IV Representations and Warranties of Vendor**

Vendor represents and warrants to Purchaser that the statements contained in this ARTICLE IV are true and correct as of the date hereof. For the purposes of this ARTICLE IV, "Vendor's Knowledge", "Knowledge of the Vendor" and any similar phrases shall mean the actual or constructive knowledge of any director or officer of the Vendor, after due inquiry.

**Section 4.01 Incorporation and Authorization of Vendor; Enforceability.** Vendor is a corporation incorporated and validly existing under the laws of the province of Ontario and has not been discontinued or dissolved under such law. Vendor has the corporate power and capacity to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Vendor. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by the Vendor, and (assuming due authorization, execution and delivery by Purchaser), this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of Vendor, enforceable against Vendor in accordance with their respective terms.

#### **Section 4.02 Taxes**

- (a) Vendor is not a non-resident of Canada within the meaning of the Tax Act and is duly registered for purposes of the HST Act.

#### **ARTICLE V Representations and Warranties of Purchaser**

Purchaser represents and warrants to Vendor that the statements contained in this ARTICLE V are true and correct as of the date hereof. For the purposes of this ARTICLE V, "Purchaser's Knowledge" and any similar phrases shall mean the actual or constructive knowledge of any director or officer of the Purchaser, after due inquiry.

**Section 5.01 Incorporation and Authority of Purchaser; Enforceability.** Purchaser is a corporation incorporated and validly existing under the law of the province of Ontario. The Purchaser has the corporate power and capacity to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by Purchaser of this Agreement and the documents to be delivered hereunder and the consummation of the transactions hereby have been duly authorized by all requisite corporate action on the part of Purchaser. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by Purchaser, and (assuming due authorization, execution and delivery by Vendor) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of Purchaser enforceable against Purchaser in accordance with their respective terms.

**Section 5.02 No Conflicts; Consents.** The execution, delivery and performance by Purchaser of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not:

- (a) violate or conflict with the articles of incorporation, by-laws or any unanimous shareholder agreement of Purchaser; or
- (b) violate or conflict with or result any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Purchaser.

No consent, approval, waiver or authorization is required to be obtained by Purchaser from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Purchaser of this Agreement and the consummation of the transactions contemplated hereby.

**Section 5.03 Legal Proceedings.** There is no action of any nature pending or, to Purchaser's Knowledge, threatened against or by Purchaser that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred, or circumstances exist that may give rise to, or serve as a basis for, any such action.

**Section 5.04 HST Registration**

- (a) Purchaser is duly registered for purposes of the HST Act.
- (b) Purchaser is acquiring under this Agreement all or substantially all of the property that can reasonably be regarded as being necessary for it to carry on the Business as a business.

**Section 5.05 Investment Canada Act.** Purchaser is not a "non-Canadian" within the meaning of the *Investment Canada Act*.

**ARTICLE VI  
Covenants**

**Section 6.01 Transfer Taxes**

- (a) If applicable, the Purchaser and the Vendor shall jointly make the election provided for under section 167(1) of the HST Act so that no HST will be payable in respect of the transactions contemplated by this Agreement. Purchaser and Vendor shall jointly complete the election form (more particularly described as GST 44 GST/HST Election Concerning Acquisition of a Business or Part of a Business) in respect of such election, and the Purchaser shall file the completed election form no later than the due date for the Purchaser's HST return for the first reporting period in which HST would, in the absence of this election, become payable in connection with the transactions contemplated by this Agreement.
- (b) On the Closing Date, Vendor shall deliver to Purchaser a duplicate copy of a clearance certificate issued under section 6 of the *Retail Sales Tax Act* (Ontario) that all Taxes exigible under the *Retail Sales Tax Act* (Ontario) have been paid.

**Section 6.02 Further Assurances.** Following the Closing, each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the documents to be delivered hereunder.

**ARTICLE VII  
Miscellaneous**

**Section 7.01 Expenses.** All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

**Section 7.02 Risk of Loss Provisions.** Risk of loss to the Stalking Horse Assets passes to the Purchaser upon delivery of all of the deliverables set out at Section 2.02(a).

**Section 7.03 Termination.** This Agreement may be terminated at any time before the Closing:

- (a) By the Purchaser, in its sole discretion, by written notice to the Vendor if after thirty (30) days of execution of this Agreement, the Court has not yet approved the Stalking Horse Process and this Agreement; or
- (b) By the Purchaser, in its sole discretion, if any of the conditions set forth at Section 1.09 (b) – (e) shall have not been fulfilled by February [x], 2020, unless such failure shall be due to the failure of the Purchaser to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it before the Closing.

**Section 7.04 Notices.** All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given:

- (a) when delivered by hand (with written confirmation of receipt);
- (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested);
- (c) on the date sent by facsimile or email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or
- (d) on the third (3<sup>rd</sup>) day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid.

Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 7.04):

If to Vendor: **Trade Secret Web Printing Inc.**  
Facsimile: 416-231-5214  
Email: bashir@tsprinting.ca  
Attention: Mr. Bashir Harb, President

with a copy to: **Blaney McMurtry LLP**  
Facsimile: 416-594-2437  
Email: dullmann@blaney.com  
Attention: Mr. David T. Ullmann

If to Purchaser: **B&Y Property Holdings Inc.**

Facsimile: 416-231-5214  
Email: harb\_zeinab71@hotmail.com  
Attention: Mrs. Zeinab Harb, President

with a copy to:

**Goldberg, Lamba & Ghannoum LLP**

Facsimile: 416-901-9454  
Email: elie.ghannoum@glgllp.ca  
Attention: Mr. Elie Ghannoum

**Section 7.05 Headings.** The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

**Section 7.06 Severability.** If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

**Section 7.07 Entire Agreement.** This Agreement and the documents to be delivered hereunder constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and documents to be delivered hereunder, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

**Section 7.08 Assignment.** The Purchaser shall be entitled to assign its rights and obligations under this Agreement to any related person and the assignee shall thereafter be deemed for all purposes to have been the Purchaser named herein and shall have the full right to enforce this Agreement as it were the Purchaser named. No assignment of this Agreement shall relieve the Purchaser of any obligations to be performed by the Purchaser under this Agreement.

**Section 7.09 Amendment and Modification.** This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto, with consent of Proposed Trustee.

**Section 7.10 Waiver.** No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

**Section 7.11 Governing Law.** This Agreement shall be governed and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Any reference in this Agreement to any statute or any section thereof, shall, unless otherwise expressly stated, be deemed to be a reference to such statute or section, as amended, restated or re-enacted from time to time.

**Section 7.12 Choice of Language.** The parties confirm that it is their express wish that this Agreement, as well as any other documents relating to this Agreement, including notices, schedules and authorizations, have been and shall be drawn in the English language only.

**Section 7.13 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement. IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**Trade Secret Web Printing Inc.**

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Per: Mr. Bashir Harb  
Title: President  
I have authority to bind the Corporation

**B&Y Property Holdings Inc.**

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Per: Mrs. Zeinab Harb  
Title: President  
I have authority to bind the Corporation

## Schedule "A" – Stalking Horse Assets

### **1. Heidelberg Speedmaster Model SM102-10-P6**

Serial Number: 547216, Age: 2006

Impressions: 283, 497, 191

Ten printing units, in 28" by 40" format, with perfecting 4/4 or 10/10. Complete with CP2000 off-press console with MasterLevel and Tandem wash-up concept (for impression cylinder washing via wet blanket), UTOPLATE with Vario, PRESET PLUS feeder. In addition CutStar (Bielomatik) roll-to-sheet feeder attached to the Preset-Plus feeder (includes pneumatic shaft and unwind stand). Machine number: CutStar 105/190. Age of sheeter: 2007. PRESET PLUS delivery (X1), Technotrans beta c 500 RC for ink temperature control and dampening (inclusive of external roof-top condenser). DryStar infra-red dryer, CleanStar, PowderStar (Grafix), ScrollStar, INKLINE (all ten units).

### **2. MBO Signature Folder**

Main Unit B30-L

Serial Number: R12/20

8 page B30-2-30/4

Serial Number: S11/115

### **3. MBO Signature Folder**

Main Unit B26-L

Serial Number: T06/11

8 page B26-2-26/4

Serial Number: S05/18

### **4. Pump Trucks**

### **5. All office furniture**

### **6. Accounts Receivables outstanding as at the Closing Date.**

### Schedule "B" – Assumption of Liabilities

- Assumption of all rent arrears owed by Trade Secret Web Printing Inc., to B&Y Property Holdings Inc., with respect to the lease concerning 40 Horner Avenue, Etobicoke ON, M8Z 4X3 (the "**Leased Property**") and additional debts in the aggregate amount of CAD \$2,797,258.00 (inclusive of rent arrears); and
- Assumption of the current lease between Trade Secret Web Printing Inc. and B&Y Property Holdings Inc., concerning the Leased Property; and
- Assumption of debt owed by Trade Secret Web Printing Inc. to 2227560 Ontario Limited in the aggregate amount of CAD \$496,966.14.

**Schedule "C" – Assigned Contracts**



**Schedule "D" – Wire Transfer Instructions**

**Schedule "E" – Bidding Procedures**