

September 1, 2017

To the creditors of Forte EPS Solutions Inc. (“Forte”)

Re: Notice of Intention to Make a Proposal – Material Adverse Change Report

Forte filed a Notice of Intention to Make a Proposal (“NOI”) on May 19, 2017 under section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (“BIA”).

Enclosed is the Report of the Trustee on Material Adverse Change in Projected Cash Flow or Financial Circumstances dated September 1, 2017. As stated therein, the Proposal Trustee is of the opinion that certain events have occurred since the filing of the NOI which represents a material adverse change in the financial circumstances of Forte.

Should you have any questions, please contact the undersigned.

Yours very truly,

**ALBERT GELMAN INC., solely
in its capacity as Proposal Trustee
of Forte EPS Solutions Inc.
and not in its personal capacity**

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
FORTE EPS SOLUTIONS INC.**

**REPORT OF THE TRUSTEE ON MATERIAL ADVERSE CHANGE
IN PROJECTED CASH FLOW OR FINANCIAL CIRCUMSTANCES**
Section 50.4(7)(b) of the *Bankruptcy and Insolvency Act* (Canada)

I. INTRODUCTION AND BACKGROUND

1. Forte EPS Solutions Inc. ("**Forte**" or the "**Company**") filed a Notice of Intention to Make a Proposal ("**NOI**") on May 19, 2017 under Section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"). Albert Gelman Inc. (the "**Trustee**") consented to act as Trustee in respect of these restructuring proceedings.
2. On July 31, 2017 the company obtained approval from the Court for an extension of time to file its proposal to September 18, 2017 (the "**Extension**"). Attached hereto at **Appendix "A"** is a copy of the Court Order approving the Extension.
3. In support of the Company's request for the Extension it prepared and filed with the Trustee a statement of forecasted cash flows for the fifteen (15) week period ended November 5, 2017 (the "**Cash Flow Forecast**"). The Cash Flow Forecast indicated that the Company would obtain external financing during the week ended August 6, 2017 in an amount of \$200,000 in order to continue to meet its ongoing financial obligations (the "**DIP Financing**").
4. In its Order dated July 31, 2017 the Court approved a debtor-in-possession loan agreement for an amount not to exceed \$200,000 (the "**DIP Loan**") between Forte and 16567 Highway 12 Holdings Limited (the "**DIP Lender**"). The DIP Lender is a company which is related to Forte.

5. As of the date of this report the Company has drawn \$40,000 in respect of the DIP Loan. This amount is not sufficient to meet the ongoing obligations of the Company, as set out in further detail below.

6. The principals of the Company have advised the Trustee that the DIP Lender has not yet been able to provide further advances, as required by the Company.

7. As a result of its inability to utilize the DIP Loan, the company has not been able to meet several of its post NOI filing obligations and, specifically, the Company:

- a. has not been remitting its post NOI filing payroll source deduction withholdings;
- b. was not able to meet its employee payroll obligations for the payroll period ending in or around August 25, 2017;
- c. does not have sufficient working capital to fund the purchase of raw materials on cash-on-delivery terms; and,
- d. is in arrears in respect of its utility accounts.

8. The DIP Lender has advised the Trustee that the remainder of the DIP Financing will be available to the Company during the week ended September 10, 2017. As of the date of this report, neither the Company, nor the DIP Lender has provided sufficient documentation to the Trustee to satisfy it that further funds under the DIP facility will be made available to the Company.

II. MATERIAL ADVERSE CHANGE

9. This report has been filed pursuant to section 50.4(7)(b) of the BIA as a result of the Trustee ascertaining that a material adverse change in the insolvent person's projected cash-flow and financial circumstances has occurred.

10. As a result of the Company not being able to utilize the full amount of the DIP Financing the Trustee is of the opinion that this represents a material adverse change in the Company's cash flow and financial circumstances which:

- a. significantly impairs the Company's financial circumstances;
- b. significantly impairs the Company's ability to carry on operations;
- c. significantly impairs the likelihood of success of a proposal; and,
- d. may prejudice the rights and interest of one or more classes of creditors.

Dated this 1st day of September 2017.

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

Per:



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

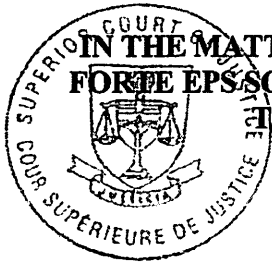
Court file No. 31-2253654
Estate File No. 31-2253554

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

THE HONOURABLE
JUSTICE

Mr. Remy

MONDAY, THE 31ST
DAY OF JULY, 2017



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

ORDER

THIS MOTION, made by Forte EPS Solutions Inc. (the “**Debtor**”) was heard on this 31st, day of July 2017 at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of John Cipressi sworn July 23, 2017 and filed, (the “**Cipressi Affidavit**”) the supplementary affidavit of John Cipressi sworn July 28, 2017 and filed (the “**Supplementary Cipressi Affidavit**”), the second report of Albert Gelman Inc., in its capacity as a proposal trustee (the “**Proposal Trustee**”) dated July 28, 2017, (the “**Second Report**”) and on hearing submissions by counsel for the Debtor and counsel for the Proposal Trustee, and all others present, no others appearing although duly served as evidenced by the affidavits of William Harvey Jones, sworn July 24, 2017 and July 28, 2017, and filed.

1. **THIS COURT ORDERS** that, if necessary, the time for service of the Notice of Motion, the Motion Record and the Second Report are hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that the Second Report and the activities of the Proposal Trustee and its counsel be and are hereby approved.

3. **THIS COURT ORDERS** that the motion of the Debtor for an order authorizing the Debtor to undertake sales and investment solicitation process as further described in the Cipressi Affidavit and the Second Report (the “SISP”) is hereby adjourned to a 9:30am chambers appointment on August 17, 2017.

DIP FINANCING

4. **THIS COURT ORDERS** that the execution and delivery by the Debtor of the DIP Loan Agreement as defined in the Cipressi Affidavit and substantially in the form attached as Exhibit “G” to the Cipressi Affidavit is hereby approved and the Debtor is hereby authorized and empowered to perform its obligations under the DIP Loan Agreement (subject to obtaining such Court and other approvals as may be required in connection with any step contemplated therein) and to obtain and borrow under the DIP Loan Agreement to finance the Debtor’s working capital requirements (including occupation rent payable), provided that borrowings under the DIP Loan Agreement shall not exceed \$200,000.
5. **THIS COURT ORDERS** that the Debtor and the DIP Lender are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges general security agreements (collectively the “**Definitive Documents**”) as contemplated by the DIP Loan Agreement together with such modification thereto as may be reasonably required and as may be agreed to by the Debtor and the DIP Lender after consultation with the Proposal Trustee. The Debtor is hereby authorized and directed to pay all its indebtedness, interest, fees, liabilities and obligations due and owing to the DIP Lender under and pursuant to the Definitive Documents and the DIP Loan Agreement as and when the same become due, notwithstanding the provisions of any other order.
6. **THIS COURT ORDERS** the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) upon all the property, assets and undertaking of the Debtor (hereinafter the “**Property**”). The DIP Lenders Charge and any contractual interests granted by the Debtor pursuant to the Definitive Documents shall attach to the Property and

secure the obligations under the Definitive Documents. The DIP Lender's Charge shall have the priority set out in paragraph 7 and 8 below.

7. **THIS COURT ORDERS** that paragraph 3 and 4 of the Order of the Honourable Justice Hainey dated June 14, 2017 (the "**June 14 Order**"), be and are hereby amended and restated, as follows:

3. **THIS COURT ORDERS AND APPROVES** a charge over the property, assets and undertaking of the Debtor (the "**Property**"), in the maximum amount of \$100,000 which shall be held as security for the fees and disbursements of the Proposal Trustee and its counsel and counsel for the Debtor, regardless of whether said fees and disbursements were incurred before or after making of this Order in respect of these proceedings (the "**Proposal Trustee's Charge**")

4. **THIS COURT ORDERS** that the Proposal Trustee's Charge shall enjoy the following priority over the Property:

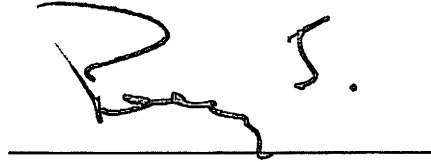
a. With respect to the Property listed at Schedule "A" to this Order the Proposal Trustee's Charge shall form a first charge in priority to all security interests, trusts, liens, charges, and encumbrances, statutory or otherwise, in favour of any person; and

b. With respect to the balance of the Property, the Proposal Trustee's Charge shall form a second charge in priority to all security interest, trusts, liens, charges, and encumbrances of any person, save and except for the security interest granted by the Debtor in favour of Business Development Bank of Canada ("**BDC**") in and over the Property as security for the loan and facilities made available by BDC to the Debtor

WAF
(the "BDC Security")

8. **THIS COURT ORDERS** that for greater certainty, the DIP Lender's Charge shall be subordinate in all respects to the BDC Security and the Proposal Trustee's Charge.

9. **THIS COURT ORDERS** that the Confidential Exhibits "A" and "B" to the Supplementary Cipressi Affidavit be and are hereby sealed until further Order of the Court.
10. **THIS COURT ORDERS** that the time for the Debtor to file its proposal to its creditors be and the same is hereby extended to September 18, 2017.

A handwritten signature, appearing to be "R. J.", is written above a solid horizontal line. The signature is in black ink and is somewhat stylized.


SCHEDULE A

This schedule is in addition to Lease Agreement number E0195 between TRAVELERS LEASING LTD. (as Lessor) and Forte EPS Solutions Inc. (as Lessee) and forms part of the contract.


Equipment Description:

- (1) Used Infra Model 3000-A Universal Automatic Moulding & Laminating Machine S/N 288
 - (1) Technodinamica Contour TD400/1 Cutter S/N 20133500
 - (1) Micro Recycling "In-A-Box" S/N 14012467
 - (1) EPS Machine Greenmax A-C100 S/N 131108
 - (1) United "Smart 1" Table Model Electromechanical Testing Machine S/N 0714548
 - (1) Hirsch Movicon X Monolith E4 Platform S/N 1W1360022634
- and all parts, attachments and accessories

TRAVELERS LEASING LTD.



Forte EPS Solutions Inc.



Dominic Zita, Director

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF FORTE EPS INC.

(Short title of proceeding)

Court file no. 31-2253654
Estate File no. 31-2253654

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL DIVISION**

ORDER

William Harvey Jones
Barrister and Solicitor
Suite 2702 – 401 Bay Street
Toronto, Ontario
M5H 2Y4
LSUC # 38733J

(416) 596-8876
Fax: (416) 596-0907

Solicitor for the Debtor

July 28 2017

(Short title of proceeding)

Court file no. 31-2253654
Estate File no. 31-2253654

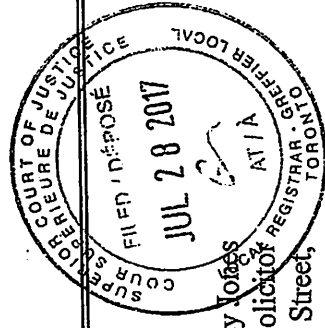
July 31, 2017

an affidavit with Re
PT's report and that in connection
require an extension of Re stay.
The current filtration is ongoing,
such that a return on Appeal
is warranted (closed). At that
time, more information on Re
status of a possible sale of
USP will be available.

The order sought today and
not opposed. Subject to being in
form signed by me this day.

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

Motion Record



William Harvey Lopes
Barrister and Solicitor
2702- 401 Bay Street,
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M4V 3A1
LSUC # 38733J

(416) 596-8876
Fax: (416) 596-0907

Lawyer for the DEBTOR/APPLICANT

William J. [Signature]