

CANADA
Province of Quebec
District of Québec
Division No.: 01-Montréal
Court No.: 500-11-055853-192
Estate No.: 41-2462925

SUPERIOR COURT
(Commercial Division)
Bankruptcy and Insolvency Act

IN THE MATTER OF THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF:

**8738971 CANADA INC. (DBA PAZAZZ
PRINTING INC. / IMPRIMERIE PAZAZZ INC.)**

legal person duly incorporated under the laws of
Canada, having its registered office at 5584
Chemin de la Côte-de-Liesse, Montreal, QC H4P
1A9

Petitioner / Debtor

-and-

RICHTER ADVISORY GROUP INC.

Proposal Trustee

**SECOND REPORT OF THE TRUSTEE
ON THE STATE OF PETITIONER'S BUSINESS AND FINANCIAL AFFAIRS**

Richter Advisory Group Inc. ("**Richter**" or the "**Proposal Trustee**"), in its capacity as trustee with respect to the Notice of Intention to Make a Proposal ("**NOI**") filed by 8738971 Canada Inc., doing business as Pazazz Printing Inc. / Imprimerie Pazazz Inc. (the "**Debtor**" or the "**Company**"), an insolvent person, does hereby report to the Court the following:

INTRODUCTION

1. On January 14, 2019, the Debtor filed the NOI in accordance with Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S. C. 1985, c. B.-3, as amended (the "**BIA**"), and Richter was appointed as Proposal Trustee under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy was annexed as Exhibit "A" to the First Report.
2. On January 18, 2019, documents were sent by regular mail to all creditors of the Debtor, as identified by it, which included a copy of the Debtor's NOI, was annexed as Exhibit "B" to the First Report.

3. On January 23, 2019, the Debtor filed with the Official Receiver a Statement of Projected Cash Flow ("**Projections**") together with his report pursuant to Section 50.4(2)(c) of the Act, covering the period from January 14, 2019 to February 15, 2019, which included the major assumptions used in the preparation of the Projections. Concurrently therewith, the Proposal Trustee filed its Report on the reasonableness of the Projections in accordance with Section 50.4(2)(b) of the Act, all of which was annexed as Exhibit "C" to the First Report.
4. On January 24, 2019, the Debtor filed a motion entitled *Motion for the Authorization and Approval of Interim Financing, Certain Charges, A Sale and Solicitation Process and Other Relief* (the "**DIP, SSP and Extension Motion**"). The DIP, SSP and Extension Motion was granted on January 29, 2019.
5. On January 25, 2019, the Proposal Trustee filed its first report to court ("**First Report**").
6. On March 1, 2019, the Debtor filed a motion entitled *Motion for Sale Approval, Vesting and Extension Order* (the "**Sale and Extension Motion**"). The Sale and Extension Motion will be heard on March 6, 2019.
7. In order to monitor the affairs and finances of the Debtor, the Proposal Trustee has been provided with access to the books, records and other important documents of the Debtor.

PURPOSE OF THIS REPORT

8. The purpose of this Second Report is to provide this Court with information pertaining to:
 - a) The Sale and Solicitation Process including the opening of tenders and the selection of the Purchaser (as hereinafter defined);
 - b) The Debtor's statement of projected cash flow for the period from January 14, 2019 to February 22, 2019;
 - c) The Debtor's request for an extension of the statutory delay to file a proposal (the "**Proposal Period**") to April 15, 2019; and
 - d) The Proposal Trustee's recommendations that this Court makes orders, as requested by the Debtor:
 - Approving the sale of assets to the Purchaser including the assignment of certain equipment leases; and
 - Approving the extension of the Proposal Period to April 15, 2019.

TERMS OF REFERENCE

9. Unless otherwise noted, all monetary amounts contained in this Second Report herein are expressed in Canadian dollars.
10. In preparing this Second Report, the Proposal Trustee has relied upon certain unaudited financial information prepared by the Debtor's representatives, the Debtor's books and records, and discussions with the Debtor's representatives and legal counsel (the "**Information**").
11. Except as otherwise described in this Second Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
12. Future oriented financial information relied upon in this Second Report is based on the Debtor's representatives' assumptions regarding future events; actual results achieved may vary from the Information presented even if the hypothetical assumptions occur and these variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether projections will be achieved.

GENERAL BACKGROUND INFORMATION OF THE DEBTOR

13. As noted in the First Report:
 - a) the Company provides printing solutions and distribution of all visual and printed communications for commercial, industrial, and retail applications including packaging, signage and large format printing as well as graphic design, direct marketing, fulfillment and logistics services. The Company's customers are located primarily in Quebec, Ontario and the USA.
 - b) The Company operates in Montreal in leased premises from a third party.
 - c) As of the date of this Second Report:
 - the Debtor has approximately 40 full-time employees; and
 - employee wages and remittance of deductions at source are current.

SALE AND SOLICITATION PROCESS

14. Following the approval of the Sale and Solicitation Process (the “**SSP**”) by the Court on January 29, 2019, the Proposal Trustee with the assistance of the Company initiated the SSP and summarizes certain key information as follows:
- a) Issuance of a teaser document to 97 potential interested parties including strategic buyers, financial investors and liquidators on February 1, 2019;
 - b) Opening of a digital data room with the relevant necessary information to enable interested parties to evaluate all aspects of the Company’s business on February 1, 2019. The information included in the data room is summarized in **Exhibit “A”** to this Second Report;
 - c) The due diligence period for interested parties took place from February 2, 2019 to February 24, 2019. A total of 14 interested parties signed a non-disclosure agreement to obtain access to the data room, have discussions with Management and the Proposal Trustee and, if interested, tour the Company’s premises;
 - d) The Proposal Trustee received four offers by the deadline of Monday, February 25, 2019 at noon Montreal time. A fifth offer was received by the Proposal Trustee after the noon deadline. The four offers received by the noon deadline were opened by the Proposal Trustee in the presence of Me. Neil Stein, the independent attorney of the Proposal Trustee. A summary of the five offers received is annexed as **Exhibit “B”** to this Second Report;
 - e) Following an analysis of the offers received, the Proposal Trustee recommended the acceptance of the offer from Mr. James Garfinkle on behalf of a corporation to be formed (the “**Purchaser**”). A summary of the Purchaser’s offer is summarized below and is annexed as **Exhibit “C”** to this Second Report; and
 - f) The Proposal Trustee notified the other bidders on February 26, 2019, that their offers were not accepted.

PURCHASER’S OFFER

15. Subject to the execution of a definitive asset purchase agreement, the key elements of the offer are as follows:
- a) This is a going-concern offer whereby the Purchaser is acquiring essentially all of the assets of the Company (as more fully detailed in the Sale and Extension Motion) free and clear of all liens and will retain virtually all current employees as well as assuming virtually all employee obligations from the date of the purchase. The Purchaser’s offer includes that certain equipment leases are to be assigned and assumed by the Purchaser, however the Purchaser has excluded the Debtor’s right, title and interest in respect of the leased premises occupied by

the Debtor (although it does require a 90 day right of occupation to transition the business) and other leases.

b) The purchase price consists of:

- The assumption of the existing debt of the Toronto Dominion Bank – approximately \$468,000 as of February 22, 2019;
- The assumption of the existing DIP financing – approximately \$450,000 as of February 22, 2019 (and projected to be \$600,000 at closing);
- The funding of up to \$250,000 for professional fees of the Company's counsel, the Proposal Trustee and counsel to the Proposal Trustee; and
- The funding of up to \$100,000 in the event the Company decides to make a Proposal to its creditors.

16. In addition, the Purchaser is assuming all indebtedness as of the closing date to the Debtor's employees which it agrees to hire as well as obligations relating to leases that are assumed and assigned.
17. The Proposal Trustee notes that the Purchaser is, through his holding company JGALA Holdings Inc., both a current shareholder of the Company as well as the DIP lender.

THE DEBTOR'S CASH FLOW FORECAST

18. Annexed as **Exhibit "D"** are the results of operations versus the budget for the period January 14, 2019 to February 22, 2019.
19. In support of the extension sought, the Debtor has prepared a statement of projected cash flow (**Exhibit "E"**) covering the period February 25, 2019 through April 19, 2019 which we summarize as follows:

8738971 Canada Inc.	
Statement of Projected Cash Flow	
For the period of February 25 to April 19, 2019	
(\$000's)	Total
<u>Cash Receipts</u>	
Trade & other receipts	\$ 283
Advance from Purchaser	298
Total projected cash receipts	<u>581</u>
<u>Cash Disbursements</u>	
Material & subcontractor costs	142
Payroll (including benefits) and expenses	131
Rent & utilities	172
General expenses and other	108
Supplier deposits	-
Interest	5
Sales taxes	15
Professional fees	160
Total projected cash disbursements	<u>731</u>
DIP lender - advance	<u>150</u>
Net cash flow	-
Opening bank indebtedness	(468)
Ending bank indebtedness	-
Projected DIP Loan	(600)
Repayment of Bank indebtedness and DIP loan	1,068
Total projected loan position	<u>\$ -</u>

20. The statement of projected cash flow was prepared on the basis that a closing will occur effective March 8, 2019 and thereafter, the Purchaser will continue to advance funds for the payment of remaining post-filing obligations (including sales tax), occupation costs and professional fees.

REQUEST TO EXTEND THE PROPOSAL PERIOD TO APRIL 15, 2019

21. The Debtor is requesting the extension of the Proposal Period to April 15, 2019 (the "**Extension**").
22. The Proposal Trustee supports the Debtor's request for the Extension for the following reasons:
- The Debtor requires this time to proceed with the conclusion of a transaction with the Purchaser which will result in the continued operations of the Company, the continued employment of approximately forty (40) employees and ongoing relationships with the suppliers and service providers of the Company;
 - the Debtor is acting in good faith and with due diligence in taking steps to maximize the value of its assets for the benefit of its creditors;
 - it is the Proposal Trustee's view that the Extension will not prejudice or adversely affect any group of creditors; and

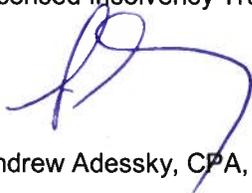
- d) the TD Bank and the DIP lender have been advised of the Extension and do not oppose the Extension sought herein.
23. While it is too early to determine whether a viable proposal will be presented by the Debtor to its creditors, in the Proposal Trustee's view, the Debtor's request for the Extension is appropriate in the circumstances.

CONCLUSION AND RECOMMENDATION

24. The Proposal Trustee hereby supports the relief sought in paragraph 8(d) of this Second Report for the following reasons:
- a) the assets of the Debtor have been offered for sale pursuant to a court approved sale process which the Proposal Trustee has conducted in coordination with the Debtor;
 - b) the Proposal Trustee is of the opinion that the going-concern offer for the assets of the Debtor will maximize the realization for the Debtor and will produce a better outcome than a piecemeal liquidation including in a bankruptcy scenario;
 - c) the acceptance of the Purchaser's offer will result in the repayment of the indebtedness owing to the TD Bank and the DIP lender, the continued employment for most of the existing employees, the assumption and assignment of certain leases, the completion of work in process, the continued occupation of the leased premises for a transition period and ongoing relationships with the Debtor's suppliers;
 - d) Both the TD Bank and the DIP lender have indicated that they are not prepared to continue financing the operations of the Debtor in the event the Purchaser's offer is not completed within a short time period – we refer to our First Report which set out a targeted completion date of March 8, 2019; and
 - e) the Debtor requires additional time to determine if it can make a viable proposal to its creditors.
25. Based on all of the forgoing, the Proposal Trustee respectfully recommends that this Honourable Court grants the relief sought in the Sale and Extension Motion, as summarized in paragraph 8(d) of this Second Report.

Respectfully submitted at Montreal, this 1st day of March 2019.

Richter Advisory Group Inc.
Licensed Insolvency Trustee



Andrew Adessky, CPA, CA, MBA, CIRP, LIT

Exhibit A



Pazazz

Due Diligence

Due Diligence

Company information

- Org Chart.pdf
- Corporate Brochure.pdf
- CIDREQ.pdf

Financial Statements

- Income Statement & Balance Sheet - November 2018 .pdf
- Financial Statements 2018.pdf
- Financial Statements 2017.pdf

Sales and Accounts Receivable

- Accounts Receivable - January 30 2019.xls
- Sales Summary - 2016 to Nov 2018.xlsx
- Sales by Categories.xlsx
- Accounts Receivable - 21 February 2019.pdf

Fixed Assets

- Pazazz Production Equipment - January 18 2019.pdf
- Computer, office, telephone equipment - summary.pdf
- Pazazz Other Fixed Assets.pdf

Pictures

- Pazazz Jan 18th 2019 (54).jpg
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-  Pazazz Jan 18th 2019 (51).jpg
-  Pazazz Jan 18th 2019 (52).jpg
-  Pazazz Jan 18th 2019 (53).jpg

 Intangible Assets

-  Intangible Assets.pdf

 Inventory

-  Customer Orders - January 31 2019.pdf
-  Inventory - November 30 2018.pdf
-  Inventory - December 31 2018.pdf

 Lease

-  Second Addendum.pdf
-  Third Addendum.pdf
-  First Amendment.pdf
-  Fourth Amendment.pdf
-  Lease Agreement.pdf

 Employees

-  Employees by Department.pdf

 Sale Process

-  NDA.pdf
-  Teaser.pdf
-  SSP Procedure Document (Request for Offers).pdf
-  Pazazz_Offer Form.pdf

 Cash Flow (Court Filing)

-  Statement of Projected Cash Flow to March 15.pdf

 Secured Debt

-  Secured Debt.pdf

Exhibit B

8738971 Canada Inc.						
Summary of Offers	Corporate Assets	James Garfinkle ⁽¹⁾	Thomas Industries Option 1	Thomas Industries Option 2	Crescent Commercial Corporation	Impression Paragraph Inc. (Late bid)
Structure	Cash payment	Assumption of Indebtedness	Cash payment	Fee structure	Cash payment	Commission structure
Lot 1 : Account Receivable	\$ -	Included in the offer	\$ -	\$ -	TBD	\$ -
Lot 2 : Inventory	-	Included in the offer	-	-	Included in the offer	-
Lot 3 : Production Equipment	350,000	Included in the offer	330,000	300,000 Net minimum guarantee 300,000 < X < 335,000 - 100% to TI >335,000 - 90% to the company / 10% to TI	Included in the offer	-
Other fixed assets	-	Included in the offer	-	-	Included in the offer	-
Lot 4 : Intangibles	-	Included in the offer	-	-	Included in the offer	4% of the total amount of sales generated by Paragraph with the clients bought from Pazazz. 4% calculated on the amount paid to Paragraph by these clients.
Lot 5 : Equipment with lien and/or property of third parties	-	Included in the offer	-	-	-	-
Total	\$ 350,000	\$ 918,000	\$ 330,000	TBD	\$ 268,118	TBD
Expected period required (assume start date of March 11, 2019)	60 days occupancy	Expected to close on or before March 13, 2019	45 to 60 days	45 to 60 days	60 days plus exclusive use of the premises)	N/A
Deposits	52,500	50,000	None provided	None provided	None provided	None provided
Conditions / Comments	<ul style="list-style-type: none"> - Going concern offer - either an asset purchase or a proposal Will pay up to \$250,000 for professionals covered by the Administration Charge to the closing of the transaction - If deemed necessary by the purchaser, \$100,000 to fund a proposal to creditor. Will assume all indebtedness relating to the currently existing employees (excluding Warren Werbitt) 				<ul style="list-style-type: none"> -Must have access to more detailed information to perform a due diligence and bid on the AR. - Use of the name. 	<ul style="list-style-type: none"> - Late Bid - If a client is already a client of Paragraph, 4% will be calculated on the additional sales. - Clients have to have been active in the last year at Pazazz. - Payment will be made at the end of each year.
Additional information required						

(1) On behalf of a corporation to be incorporated.

Exhibit C

OFFER TO PURCHASE

TO: 8738971 CANADA INC.
(formerly "Pazazz Printing Inc.")
5584 Côte-de-Liesse
Town of Mount Royal, Quebec
H4P 1A9

ATTENTION: Marc Giroux

Gentlemen:

In accordance with both the "SSP" and the "SSP Procedure" (the "**SSP Procedure**") as defined in and ordered by the "Order for Interim Financing, Charges and a Sale Process" (the "**Initial Order**") issued by the Commercial Division of the Quebec Superior Court for the District of Montreal (the "**Court**") under Case No. 500-11-055853-192 of such Court's records, James Garfinkle acting without personal liability on behalf of a corporation to be incorporated ("**Purchaser**"), by this Offer to Purchase (the "**Offer**"), hereby offers to purchase from Vendor all of the Purchased Property, subject to and upon the following conditions and terms, namely:

1. Purchased Property

- 1.1** The property to be purchased by Purchaser from Vendor (the "**Purchased Property**") is all movable corporeal and incorporeal property, of any nature, form or location, owned by 8738971 Canada Inc. (the "**Company**") or in which the Company has any interest (to the extent of such interest) with the sole exception of the Excluded Property. Such Purchased Property includes, without limitation, all of the following property owned by the Company or which the Company has any interest (to the extent of such interest), namely:
- 1.1.1** all inventory (including raw materials, finished goods and work in progress) existing on the Closing Date;
 - 1.1.2** all claims of any nature whatsoever, including all trade or other accounts receivable existing on the Closing Date;
 - 1.1.3** all orders on hand and bookings for sales and/or purchases of products presently existing and existing on the Closing Date;
 - 1.1.4** all presently existing machinery and equipment (as well as all parts, attachments, tools and accessories thereto), all tools, all computers (and accessories thereto), all furniture and fixtures and all other corporeal movable property of any nature whatsoever and wherever located;



- 1.1.5 all right, title and interest in and to all contracts (other than the Premises Lease and the Excluded Equipment Leases) presently existing and existing on the Closing Date;
- 1.1.6 all intellectual property in the broadest possible sense including, without limitation, the trade name / corporate name "PAZAZZ" (and all derivatives thereof), all other trade names, all registered or unregistered trademarks, all registered and unregistered copyrights, all actual and pending patents, all designs, all artwork, all websites, all domain names, all customer lists and information, all supplier lists and information and all other intangible property pertaining to and/or supporting all businesses previously and presently carried on by the Company and all property previously and presently owned by the Company;
- 1.1.7 all of the Company's right, title and interest in and to each of the finance leases or leases for the Company's leasing (and/or eventual purchase) of equipment and other corporeal movable property as exhaustively enumerated in the **ANNEX** hereto forming part hereof and all of the Company's right, title and interest in and to all equipment and other corporeal movable property forming the object thereof (the "**Assumed Equipment Leases**");
- 1.1.8 all accounting systems, design and printing systems, computer systems and software, programs and data; and
- 1.1.9 the full benefit of all deposits, prepayments, prepaid expenses and similar benefits or items,

all with the intention by Purchaser to carry on and continue the Company's business.

- 1.2 The following property will not form part of the Purchased Property and is excluded from the sale and purchase envisaged hereby and will not be purchased by Purchaser (the "**Excluded Property**"), namely:

- 1.2.1 all of the Company's right, title and interest in and to all leases or similar agreements between the Company and Olymbec Development Inc. for the Company's occupancy of premises situated at or about 5584 Côte-de-Liesse Road, Town of Mount Royal, Quebec (the "**Premises**") including, without limitation, the lease or similar agreement dated June 3, 2008 between Olymbec Development Inc., as lessor, and the Company, as lessee, and all subsequent amendments or supplements thereto (the "**Premises Lease**"); and



1.2.2 with the sole exception of the Assumed Equipment Leases, all of the Company's right, title and interest in and to any and all finance leases or leases for the Company's leasing (and/or eventual purchase) of equipment and other corporeal movable property and all of the Company's right, title and interest in and to all equipment and other corporeal movable property forming the object thereof (the "**Excluded Equipment Leases**").

1.3 The seller of the Purchased Property will be either the Company, or any receiver, interim receiver or bankruptcy trustee appointed in respect of the Company ("**Vendor**").

2. Purchase Price

2.1 The Purchase Price for all of the Purchased Property (the "**Purchase Price**") will be the sum of:

2.1.1 the aggregate amount of all indebtedness owing by the Company to The Toronto-Dominion Bank (the "**Bank**") as at the Closing Date under the currently existing revolving credit line extended by the Bank to the Company (the "**Bank Indebtedness**");

2.1.2 the aggregate amount of all "Interim Financing Indebtedness" (as defined in the "Initial Order") owing by the Company to JGALA Holdings Inc. (the "**Interim Lender**") as at the Closing Date (the "**Interim Financing Indebtedness**"); and

2.1.3 the aggregate amount of all indebtedness owing and to become owing by the Company to the Company's legal counsel, the trustee named in the Initial Order and such trustee's legal counsel as secured by the "Administrative Charge" (as defined in the Initial Order) as at the Closing Date up to a maximum aggregate amount of \$250,000 (the "**Administrative Charge Indebtedness**");

2.2 The Purchase Price will be paid in full by Purchaser at Closing in the following manners, namely:

2.2.1 if agreed by the Bank, by Purchaser's assuming, to the Company's exoneration, the full payment of and liability for the entire Bank Indebtedness and tolerance of all hypothecs, security interests and rights existing in the Bank's favour over the Purchased Property (the "**Bank Security**") and, failing such agreement by the Bank, by Purchaser's repayment (via immediately available funds) to the Bank on the Company's behalf of the entire Bank Indebtedness;

- 2.2.2** in the event of the Interim Lender's agreement, Purchaser's assuming, to the Company's exoneration, the full payment of and liability for the entire Interim Financing Indebtedness and Purchaser's tolerance of the "Interim Financing Charge" (as defined in the Initial Order) over the Purchased Property (the "**Interim Financing Charge**") and, failing such agreement by the Interim Lender, by Purchaser's repayment (via immediately available funds) to the Interim Lender on the Company's behalf of the entire Interim Financing Indebtedness; and
- 2.2.3** If agreed by the creditors of the Administrative Charge Indebtedness, by Purchaser's assuming, to the Company's exoneration, the full payment of and liability for the entire Administrative Charge Indebtedness and Purchaser's tolerance of the "Administrative Charge" (as defined in the Initial Order) over the Purchased Property (the "**Administrative Charge**") and, failing such agreement by such creditors, by Purchaser's payment (via immediately available funds) to such creditors on the Company's behalf of the entire Administrative Charge Indebtedness.
- 2.3** Purchaser and Vendor will, at Closing, jointly execute the prescribed election forms to jointly make the elections provided for under Section 167 of the *Excise Tax Act*, Canada and Section 75 of the *Act Respecting Quebec Sales Tax*, Quebec, with respect to the sale and purchase of the Purchased Property hereunder in order that no Canadian Goods and Services Taxes and no Quebec Sales Taxes (collectively the "**Sales Taxes**") will be payable in respect of the sale and purchase contemplated hereby (the "**Sales Tax Election**"). Vendor and Purchaser will each file such election forms with the *Ministère du Revenu du Québec* within the prescribed time under the relevant legislation. If such election is not accepted by the relevant taxation authorities, Purchaser will pay to Vendor all Sales Taxes otherwise applicable to the sale and purchase contemplated hereby.
- 2.4** In addition to the Purchase Price and any debt assumptions contemplated in **Clause 2.2** hereof, Purchaser will assume:
- 2.4.1** all indebtedness owing by the Company accruing from and after the Closing Date to and in respect of all of the Company's currently existing employees (other than Warren Werbitt), all of which employees (other than Warren Werbitt) Purchaser will hire from and after the Closing Date; and
- 2.4.2** all indebtedness owing by the Company accruing both before and after the Closing Date in respect of the Assumed Equipment Leases,



all such assumed liabilities and any liabilities contemplated by **Clause 2.2** hereof collectively the “**Assumed Liabilities**”.

- 2.5** In addition to the Purchase Price, any debt assumptions contemplated in **Clause 2.2** hereof and the Assumed Liabilities, and subject to a proposal by the Company (including an equity restructuring) being accepted by the required statutory majority of the Company’s creditors and being approved by the Court in accordance with the relevant provisions of the *Bankruptcy and Insolvency Act*, Canada and the *Canada Business Corporations Act* (the “**Successful Proposal**”), Purchaser (or its designee) will pay up to an additional \$100,000 in order to fund (or partially fund) such Successful Proposal (the “**Proposal Payment**”).
- 2.6** With the sole exception of any debt assumptions contemplated in **Clause 2.2** hereof, the Assumed Liabilities and the Proposal Payment, Purchaser will not assume, bear or be responsible for any debts, liabilities or obligations of the Company of any nature or source whatsoever.
- 2.7** The Purchase Price will be allocated among the Purchased Property solely by Purchaser at or after Closing.

3. SSP Procedure and Deposit

- 3.1** Save and except where inconsistent with the terms, conditions and provisions of this Offer (in which case the terms, conditions and provisions of this Offer will prevail), all of the terms, conditions and provisions of the SSP Procedure will be applicable to this Offer and the sale and purchase of the Purchased Property contemplated thereby, all as if recited at length herein.
- 3.2** Contemporaneously with its submission of this Offer, Purchaser will remit to Richter Advisory Group Inc. (“**Richter**”) in trust the sum of CAD\$50,000 (the “**Deposit**”) in the form of a certified cheque, irrevocable electronic transfer of funds or bank draft, to be applied against the Purchase Price in the event of occurrence of Closing and to otherwise be dealt with and governed by the terms, conditions and provisions of the SSP Procedure and the terms, conditions and provisions of this Offer.

4. Representations and Warranties

- 4.1** The sale and purchase contemplated hereby will be made strictly on an “as is / where is” basis, without any representations or warranties on the part of the Company, any other Vendor or Richter, of any nature whatsoever, implicit or explicit, legal or conventional, statutory or otherwise with respect to the



Purchased Property and/or the Company, all such representations or warranties being expressly excluded from the sale and purchase contemplated hereby.

- 4.2** Without limiting the generality of the foregoing, in connection with the sale and purchase contemplated hereby, Purchaser acknowledges (and will acknowledge in the Agreement of Sale) having examined the Purchased Property in all respects and being completely satisfied with their existence, state, condition, saleability, quality and quantity in all respects. Additionally, in connection with the sale and purchase of the Purchased Property contemplated hereby, Purchaser recognizes and acknowledges (and will recognize and acknowledge in the Agreement of Sale) that the Company and any other Vendor is not a professional seller of the Purchased Property.
- 4.3** Purchaser acknowledges that:
- 4.3.1** Purchaser has had the opportunity to conduct all due diligence regarding the Purchased Property and/or the Company before submitting this Offer;
- 4.3.2** Purchaser acknowledges and recognizes that the sale and purchase of the Purchased Assets contemplated hereby will be made on an “*as is / where is*”) basis, at Purchaser’s own risk and peril, without any representations or warranties of any nature whatsoever, implicit, explicit, legal or conventional, statutory or otherwise, with respect to the Purchased Property and/or the Company;
- 4.3.3** Purchaser, in submitting this Offer, has relied solely upon its own independent review, investigation and/or inspection of the Purchased Property and the “Information” (as defined in the SSP Procedure) concerning the Purchased Property and/or the Company;
- 4.3.4** Purchaser, in submitting this Offer, has not relied upon any written or oral representations, warranties, guaranties or statements whatsoever, whether express or implied, statutory or otherwise, regarding the Purchased Property and/or the Property or regarding any “Information” (as defined in the SSP Procedure) or the completeness thereof; and
- 4.3.5** this Offer will be supplemented by such other information as may be reasonably requested by the Company and/or Richter.

5. Closing Conditions

- 5.1** This Offer and the sale and purchase of the Purchased Property envisaged hereby are subject to the occurrence and fulfillment of each of the following



conditions (collectively the “**Closing Conditions**”) by no later than the “Closing Date” as defined in the SSP Procedure (the “**Closing Date**”), namely:

5.1.1 the issuance by the Court of a judgment or order (the “**Approval Order**”) which has been made executory notwithstanding appeal or which has become final as a result of the delay for appeal having been expired without an appeal having been lodged or, an appeal having been lodged, the order having been confirmed or appeal having been withdrawn which:

(a) authorizes Vendor to:

(i) sell all of the Purchased Assets to Purchaser, free and clear of all hypothecs, prior claims, security interests, liens, charges and encumbrances whatsoever other than those created by the Assumed Equipment Leases as well as those created by the TD Security (to the extent that Purchaser assumes the TD Debt), the Interim Financing Charge (to the extent that Purchaser assumes the Interim Financing Indebtedness) and/or the Administrative Charge (to the extent that Purchaser assumes the Administrative Charge Indebtedness); and

(ii) enter into and complete the sale and purchase of the Purchased Property contemplated hereby in accordance with the terms and conditions of this Offer; and

(b) in the case of any Purchased Property comprising contractual rights, orders the assignment by Vendor to Purchaser of all of the Company’s rights and obligations under all agreements creating such contractual rights; and

5.1.2 Vendor’s agreement to sign, execute and deliver all documents and do and perform all things and acts as may be necessary in order for Purchaser to occupy the Premises for a period of up to 90 days (to be terminated at any time during such 90-day period by 7 days’ prior written notice by Purchaser to Vendor) immediately following the Closing Date (the “**Occupancy Period**”), subject to Purchaser’s payment of all rentals and other occupancy costs owing to the landlord of the Premises under the provisions of the Premises Lease during such Occupancy Period.

5.2 Each of the Closing Conditions will enure to the sole benefit of Purchaser and may be waived solely by Purchaser in its discretion.



6. Closing

- 6.1 Subject to the occurrence and/or the fulfillment of all of the Closing Conditions (unless waived by Purchaser in its discretion) by the Closing Date, closing of the sale and purchase of the Purchased Property contemplated hereby will occur on or before the Closing Date at Richter's offices (or such other location as may be agreed to by Vendor and Purchaser) which will consist of the following (collectively "**Closing**"), namely:
- 6.1.1 the signature by Vendor and Purchaser of all of the "Definitive Agreements" (as defined in the SSP Procedure) including without limitation, an agreement of sale effecting the sale and purchase of the Purchased Property envisaged hereby in accordance with the provisions of this Offer (the "**Agreement of Sale**");
 - 6.1.2 the payment in full by Purchaser of the Purchased Price in the manners set forth in **Clause 2.2** hereof including the signature by Purchaser of all documents required in order for Purchaser to assume and tolerate the Bank Debt and the Bank Security (if agreed to by the Bank), to assume and tolerate the Interim Financing Indebtedness and the Interim Financing Charge (if agreed to by the Interim Lender) and/or to assume and tolerate the Administrative Charge Indebtedness and the Administrative Charge (if agreed to by the creditors thereof);
 - 6.1.3 Purchaser's assumption of the Assumed Liabilities and undertaking to make the Proposal Payment in the event of a Successful Proposal;
 - 6.1.4 the signature by Vendor and Purchaser of the Sales Tax Election; and
 - 6.1.5 the signature by Vendor and Purchaser of all other documents and the doing by Vendor and Purchaser of all other things which may be necessary or useful in order to give full and proper effect to the sale and purchase of the Purchased Property envisaged hereby.

7. General

- 7.1 The interpretation, validity and enforcement of this Offer and the sale and purchase of the Purchased Property envisaged hereby will be subject to and governed by the laws of the Province of Quebec and the laws of Canada applicable therein.



7.2 This Offer may be executed in one or more counterparts in photocopy, facsimile or pdf format each of which shall be deemed an original and all of which together shall constitute one and the same document.

7.3 The clause headings herein contained are for ease of reference only, do not form part hereof and shall not, in any manner be used in the interpretation of the contents hereof.

8. **Acceptance**

8.1 This Offer is open for acceptance by the Company's signing where indicated below and returning a signed copy of this Offer to Purchaser (in person, by messenger or by e-mail) at Purchaser's coordinates set forth below by no later than 5 o'clock P.M. (Montreal time) on **February 27, 2019**, failing which this Offer will lapse, become null, void and inoperative for all purposes and the Deposit will be immediately returned by Richter to Purchaser.

9. **Language**

9.1 The parties hereto acknowledge and agree that this Offer and all related documents be prepared in English. / *Les parties reconnaissent avoir exigé que la présente offre et tous les documents connexes soient rédigés en anglais.*

(signature page to follow)

A handwritten signature in black ink, consisting of a stylized, cursive letter 'J' or 'I' with a long, sweeping tail that loops back up towards the top of the letter.

MONTREAL, February 22, 2019

PURCHASER:



JAMES GARFINKLE, acting without
personal liability on behalf of a corporation
to be incorporated

Coordinates of Purchaser:

James Garfinkle
c/o JGALA Holdings Inc.
3737 Thimens Boulevard
Montreal, Quebec
H4R 1V1

E-Mail: Jimmy.Garfinkle@mitchellincoln.ca

with copy to:

M^e Eric Steinberg
4150 Ste-Catherine St., West
Suite 525
Westmount, Quebec
H3Z 2Y5

E-Mail: ericsteinberg@bellnet.ca

ACCEPTANCE:

The Company hereby accepts this Offer at _____ o'clock _____, on _____,
2019.

8738971 CANADA INC.
(formerly "Pazazz Printing Inc.")
Per:

Marc Giroux

ANNEX

ASSUMED EQUIPMENT LEASES

- (1) Equipment Leasing Agreement between De Lage Landen Financial Services Canada Inc. and Pazazz Printing Inc. under lease no. 653888 for the lease of equipment listed as Mimaki UCJV300-160 Print & Cut, including any and all amendments thereto; and
- (2) Lease now subsisting between NL LP (originally in favour of National Leasing Group Inc., thereafter known as CWB National Leasing Inc.) and Pazazz Printing Inc. under lease no. 2705360 for the lease of industrial printing equipment, including any and all amendments thereto, published by notice thereof at the Register of Personal and Movable Real Rights on November 9, 2017 under no. 17-1193071-0002.



Exhibit D

8738971 Canada Inc.

Statement of Projected Cash Flow - projected to actual

For the period of January 14 to February 22, 2019

(\$000's)

	Reported ⁽¹⁾	Projected	Variance
<u>Cash Receipts</u>			
Total projected cash receipts	<u>\$ 1,182</u>	<u>\$ 934</u>	<u>\$ 248</u>
<u>Cash Disbursements</u>			
Material & subcontractor costs	532	372	160
Payroll (including benefits) and expenses	384	410	(26)
Rent & utilities	73	140	(68)
General expenses and other	128	128	0
Supplier deposits	0	20	(20)
Interest	4	4	0
Sales taxes	42	30	13
Professional fees	87	111	(24)
Total projected cash disbursements	<u>1,250</u>	<u>1,213</u>	<u>37</u>
DIP lender - advance	<u>450</u>	<u>306</u>	<u>144</u>
Net cash flow	<u>382</u>	<u>27</u>	<u>355</u>
Opening bank indebtedness	<u>(850)</u>	<u>(850)</u>	<u>(0)</u>
Ending bank indebtedness	<u>(468)</u>	<u>(823)</u>	<u>355</u>
Projected DIP Loan	<u>(450)</u>	<u>(306)</u>	<u>(144)</u>
Total projected loan position	<u>\$ (918)</u>	<u>\$ (1,129)</u>	<u>\$ 211</u>

⁽¹⁾ Includes issued and outstanding cheques

Exhibit E

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055853-192
Estate No. 41-2462925

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

In the matter of the Notice of Intention to Make a Proposal
8738971 Canada Inc.
of the City of Montreal
in the Province of Quebec

The attached statement of projected cash flow of 8738971 Canada Inc., as of the 28th day of February 2019, consisting of February 25 to April 19, 2019, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

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

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

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

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

(c) the projection does not reflect the probable and hypothetical assumptions.

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

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

Dated at the City of Montréal in the Province of Quebec, this 28th day of February 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee
Per:



Andrew Adessky, CPA, CA, CIRP, LIT
1981 avenue McGill College, 11th floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055853-192
Estate No. 41-2462925

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

In the matter of the Notice of Intention to Make a Proposal
8738971 Canada Inc.
of the City of Montreal
in the Province of Quebec

Purpose:

8738971 Canada Inc. filed a Notice of Intention to Make a Proposal on January 14, 2019. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of 8738971 Canada Inc. (the "Company"), for the period February 25 to April 19, 2019, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on February 28, 2019 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period February 25 to April 19, 2019, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

Payroll is based on current headcount levels adjusted to reflect management's restructuring plan;

Rent is based on the rent agreement with the lessor;

The professional fees are related to the current restructuring and are based on management's best estimate;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions;

The interest is based on current loan balances and interest rates;

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

(c) General

The Statement of Projected Cash Flow assumes continued support of the operating lender based on the existing credit facility as well as cash collateral and / or DIP financing to be provided by a third party to and through a closing scheduled for March 8, 2019 with a Purchaser who will assume the Bank indebtedness and DIP loan advances as of the closing and thereafter, the Purchaser will advance the necessary funds to pay the ongoing occupancy cost, final post-filing obligations to the closing date as well as the professional fees.

Dated at the City of Montréal in the Province of Quebec, this 28th day of February 2019.

Richter Advisory Group Inc/Richter Groupe Conseil inc - Licensed Insolvency Trustee
Per:



Andrew Adessky, CPA, CA, CIRP, LIT
1981 avenue McGill College, 11th floor
Montréal QC H3A 0G6
Phone: (514) 934-3400 Fax: (514) 934-8603

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055853-192
Estate No. 41-2462925

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

In the matter of the Notice of Intention to Make a Proposal
8738971 Canada Inc.
of the City of Montreal
in the Province of Quebec

The Management of 8738971 Canada Inc., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 28th day of February 2019, consisting of February 25 to April 19, 2019.

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

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

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

Dated at the City of Montréal in the Province of Quebec, this 28th day of February 2019.



8738971 Canada Inc.
Debtor

Name and title of signing officer

Name and title of signing officer

District of: Quebec
Division No. 01 - Montréal
Court No. 500-11-055853-192
Estate No. 41-2462925

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

In the matter of the Notice of Intention to Make a Proposal
8738971 Canada Inc.
of the City of Montreal
in the Province of Quebec

Purpose:

8738971 Canada Inc. filed a Notice of Intention to Make a Proposal on January 14, 2019. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of 8738971 Canada Inc. (the "Company"), for the period February 25 to April 19, 2019, relating to the filing of a Motion to extend the delay to make a proposal.

This Statement of Projected Cash Flow has been prepared by management on February 28, 2019 based on available financial information at that date in accordance with Section 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period February 25 to April 19, 2019, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon the collection experience of the Company.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company;

Payroll is based on current headcount levels adjusted to reflect management's restructuring plan;

Rent is based on the rent agreement with the lessor;

The professional fees are related to the current restructuring and are based on management's best estimate;

The current government remittances for source deductions and sales taxes are included in the disbursement assumptions;

The interest is based on current loan balances and interest rates;

The cash disbursements do not provide for the payment of arrears to unsecured creditors.

(c) General

The Statement of Projected Cash Flow assumes continued support of the operating lender based on the existing credit facility as well as cash collateral and / or DIP financing to be provided by a third party to and through a closing scheduled for March 8, 2019 with a Purchaser who will assume the Bank indebtedness and DIP loan advances as of the closing and thereafter, the Purchaser will advance the necessary funds to pay the ongoing occupancy cost, final post-filing obligations to the closing date as well as the professional fees.

Dated at the City of Montréal in the Province of Quebec, this 28th day of February 2019.



8738971 Canada Inc.

8738971 Canada Inc.
Statement of Projected Cash Flow
For the period of February 25 to April 19, 2019
Week ending

	01-Mar-19	08-Mar-19	15-Mar-19	22-Mar-19	29-Mar-19	05-Apr-19	12-Apr-19	19-Apr-19	Total
Cash Receipts									
Trade & other receipts	\$ 157,948	\$ 125,000	\$ -	\$ -	\$ -	\$ 89,926	\$ 20,000	\$ 36,000	\$ 287,948
Advance from Purchaser	-	-	65,637	51,400	35,400	-	-	-	252,363
Total Cash receipts	157,948	125,000	65,637	51,400	35,400	89,926	20,000	36,000	581,311
Cash Disbursements									
Material & subcontractor costs	84,100	57,600	-	-	-	-	-	-	141,700
Payroll (including benefits) and expenses	75,381	55,158	-	-	-	-	-	-	130,537
Rent & utilities	69,926	-	-	16,000	-	69,926	-	16,000	171,882
General expenses and other	35,601	10,684	30,637	15,400	15,400	-	-	-	107,721
Supplier deposits	-	-	-	-	-	-	-	-	-
Interest	4,500	-	-	-	-	-	-	-	4,500
Sales taxes	-	-	15,000	-	-	-	-	-	15,000
Professional fees	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	160,000
Total projected cash disbursements	289,508	143,440	65,637	51,400	35,400	89,926	20,000	36,000	731,311
DIP lender - advance	131,560	18,440	-	-	-	-	-	-	150,000
Net cash flow	(467,614)	(467,614)	-	-	-	-	-	-	(467,614)
Opening bank indebtedness	(467,614)	(467,614)	-	-	-	-	-	-	-
Ending bank indebtedness	(467,614)	(467,614)	-	-	-	-	-	-	(900,000)
Projected DIP Loan	(581,560)	(600,000)	-	-	-	-	-	-	1,067,614
Repayment of Bank Indebtedness and DIP loan	-	1,067,614	-	-	-	-	-	-	-
Total projected loan position	\$ (1,049,174)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



Marc Giroux, President



Andrew Adessky, CPA, CA, CFP, LIT