

Court File Number: 31-2402270
Estate No. 31-2402270

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF PROCESS PRODUCTS LIMITED**

**THIRD REPORT OF A. FARBER & PARTNERS INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
PROCESS PRODUCTS LIMITED**

NOVEMBER 13, 2018

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF PROCESS PRODUCTS LIMITED**

THIRD REPORT OF A. FARBER & PARTNERS INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
PROCESS PRODUCTS LIMITED

NOVEMBER 13, 2018

INTRODUCTION

1. This report (the “**Third Report**”), is filed by A. Farber & Partners Inc. (“**Farber**”) in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Process Products Limited (“**PPL**” or the “**Company**”).
2. On July 20, 2018 (the “**Filing Date**”), PPL filed a 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 Farber was appointed as Proposal Trustee under the NOI. Copies of the Certificates of Filing issued by the Superintendent of Bankruptcy are attached hereto as **Appendix “A”**.
3. On August 13, 2018, the Proposal Trustee filed its first report (the “**First Report**”) in support of an order extending the time to file a proposal under the provisions of the BIA to October 3, 2018. A copy of the First Report (without Appendices) is attached hereto as **Appendix “B”**.

4. On August 15, 2018, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an Order (the “**First Extension Order**”) extending the time to file a proposal under the provisions of the BIA to October 3, 2018, a copy of which is attached hereto as **Appendix “C”**.
5. On October 2, 2018, the Court granted an Order (the “**Interim Extension Order**”) extending the time to file a proposal under the provisions of the BIA to October 11, 2018, a copy of which is attached as **Appendix “D”**. This short eight-day Interim Extension Order was granted in order to provide the Company with additional time to prepare its cash flow forecast, with the assistance of the Proposal Trustee, in support of the Company’s request for an extension to November 17, 2018.
6. On October 9, 2018, the Proposal Trustee filed its second report (the “**Second Report**”) in support of an order extending the time to file a proposal under the provisions of the BIA to November 17, 2018. A copy of the Second Report (without Appendices) is attached hereto as **Appendix “E”**.
7. On October 11, 2018, the Court granted an Order (the “**Second Extension Order**”) extending the time to file a proposal (the “**Proposal Period**”) under the provisions of the BIA to November 17, 2018, a copy of which is attached as **Appendix “F”**.
8. The purpose of this Third Report is to provide the Court with information pertaining to the following:
 - i. Approving the activities of the Proposal Trustee from the Filing Date to the Third Report and approving the First Report, Second Report and Third Report;

- ii. Reporting on PPL's receipts and disbursements for the period from September 24, 2018 to November 4, 2018, including a comparison to forecast;
- iii. Reporting on the sale transaction contemplated by an agreement of purchase and sale (the "**Sale Agreement**") between the Company and Samuel Stupp (the "**Purchaser**") for the sale and assignment of the life insurance policy issued by Manufacturer's Life Insurance Company ("**Manulife**") bearing policy number 30000529 (the "**Policy**"); and
- iv. Recommend that the Court issue an order approving the Sale Agreement and vesting title in and to the Policy to the Purchaser free and clear of any liens, claims and encumbrances.

TERMS OF REFERENCE

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

DISCLAIMER

10. In preparing this Third Report, the Proposal Trustee has relied upon certain unaudited, draft, and / or internal financial information of PPL, the books and records of PPL and discussions with representatives of PPL, including their lawyers (collectively the "**Information**").
11. 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 (the “**CPA Handbook**”) and, as such, the Proposal Trustee expresses no opinion or other form of assurance with respect to the Information presented in this Third Report.

12. Future oriented financial information relied upon in this Third Report is based on PPL’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.

PPL’S ACTIVITIES

13. Since the Third Extension Order, the Company has made key efforts towards making a viable proposal to its creditors as outlined in the affidavit of Sydney Stupp, sworn November 12, 2018 (the “**Third Stupp Affidavit**”), filed in support of the Company’s motion for an order approving the sale transaction (the “**Transaction**”) contemplated by the Sale Agreement between the Company and the Purchaser and vesting in the Purchaser the Company’s right, title and interest in and to the Policy. A copy of the Third Stupp Affidavit, without exhibits, is attached hereto and marked as **Appendix “G”**.
14. Subsequent to the filing of the Second Report, PPL activities have included:
 - i. Reporting receipts and disbursements;
 - ii. Preparing weekly financial reports for the Company’s secured lender, National Bank of Canada (“**NBC**”) and attending frequent calls to review any variances with NBC;

- iii. Communicating with key suppliers to secure goods and services during the Proposal Period and to address payment terms;
- iv. Responding to calls and enquiries from creditors and other stakeholders regarding the Proposal process;
- v. Making payments to suppliers for goods and services received following the issuance of the Third Extension Order;
- vi. Communicating with key customers to in order to facilitate sales during the Proposal Period with improved payment terms;
- vii. Meeting with and providing information to potential interested third parties (once a confidentiality agreement was signed) with respect to the purchase of certain assets of the Company, or potential investment in the Company; and
- viii. Consulting with the Proposal Trustee on various matters in connection with preparing the Company's Proposal.

ACTIVITIES OF THE PROPOSAL TRUSTEE

- 15. Subsequent to the filing of the Second Report, the Proposal Trustee's activities have included:
 - i. Monitoring of PPL's cash flows on a weekly basis as compared to the Third Extension Cash Flow Forecast;
 - ii. Assisting PPL with the preparation of their weekly reporting to NBC in accordance with the First NBC Letter Agreement;

- iii. Corresponding and communicating with NBC and its counsel, Thornton Grout Finnigan LLP (“**TGF**”);
- iv. Attending to meetings and calls with Management to discuss the operations and proposal options;
- v. Corresponding and communicating with PPL’s counsel, Kronis Rotsztain Margles Cappel LLP (“**KRMC**”);
- vi. Corresponding and communicating with Norton Rose Fulbright Canada LLP (“**Norton Rose**”), counsel to Samuel Stupp;
- vii. Corresponding and communicating with PPL’s customers, as required, to discuss continuation of business, sale of inventory and payment terms;
- viii. Assisting the Company in its efforts to engage RSM Canada Consulting LP (“**RSM**”) in order to obtain a fair market value of the Company’s insurance policy on the life of Barbara Stupp;
- ix. Responding to calls and enquiries from creditors and other stakeholders regarding the NOI; and
- x. Preparing this Third Report.

INDEPENDENT LEGAL OPINION

- 16. Farber has engaged McMillan LLP (“**McMillan**”) as counsel to conduct a review of the security that was granted to NBC and Samuel Stupp and to provide an opinion with respect to its validity and perfection under the laws of Ontario. McMillan has concluded

that, subject to the typical qualifications and assumptions, the NBC security and the Samuel Stupp security are valid and enforceable as against a Trustee in Bankruptcy.

CASH FLOW FOR THE PERIOD SEPTEMBER 24 TO NOVEMBER 4, 2018

17. PPL’s cash flow projection for the period September 24 to December 23, 2018 (the “**Second Extension Cash Flow Forecast**”), was filed with the Court in support of PPL’s motion for the Third Extension Order and summarized in our Second Report.
18. A comparison of PPL’s forecast to reported results for the period September 24, 2018 to November 4, 2018 is summarized as follows:

	Cumulative week ended - Nov 4, 2018			
	Forecast	Actual	\$ Variance	% Variance
Receipts				
Collection of Existing A/R	219,888	370,405	150,517	68%
Transfer of Funds from Subsidiary	658,766	663,018	4,252	1%
Sale of Inventory	301,040	221,828	(79,212)	-26%
HST Refund	11,900	0	(11,900)	-100%
Tax Refund	62,624	36	(62,588)	-100%
Total Receipts	1,254,218	1,255,287	1,069	0%
Disbursements				
Payroll & Benefits	130,126	130,012	115	0%
Insurance	28,016	25,316	2,701	10%
Rent	40,617	27,078	13,539	33%
Inventory Purchases	244,678	156,334	88,345	36%
Post-NOI accounts payable	72,708	9,515	63,193	87%
Office Expenses	59,261	30,425	28,836	49%
Disbursements Before Restructuring Costs	575,407	378,678	196,728	34%
Debt principal repayments	965,000	965,000	0	0%
Professional Fees	115,000	60,000	55,000	48%
Total Net Cash	(401,189)	(148,391)	252,798	-63%
Opening Cash Position	404,848	404,848	0	0%
Closing Cash Position	3,659	256,456	252,798	6910%

19. As reflected in the above summary table, PPL reported positive cash flow of approximately \$253K and has been able to reduce the amount outstanding to NBC by \$965K from approximately \$1.53MM to \$0.56MM as at November 9, 2018.
20. The favourable cash flow variance of approximately \$253K is primarily the result of the following favourable cash variances:
 - i. The collection of account receivables was higher than forecast resulting in favourable variance of \$151K;
 - ii. The Company made inventory purchases of approximately \$156K which were substantially lower than the projected expense in relation to inventory purchase of approximately \$244K resulting in a positive variance of \$88K. This was the result of longer time than anticipated making arrangements with both its customers and suppliers on terms. Management has advised that these purchases are expected to be made in the upcoming weeks;
 - iii. Lower than forecast payment to post NOI suppliers resulting in a favourable timing difference of approximately \$63K. Management has advised that it plans to make these payments in November;
 - iv. A positive variance on account of timing difference in payment of forecast professional fees of \$55K; and
 - v. A positive variance of approximately \$45K in relation to other overheads due to timing differences.

21. Offsetting the favourable cash variances noted above, PPL has experienced the following unfavourable cash variances:
 - i. An unfavourable timing difference on collection of both its anticipated HST refund of \$12K and tax refund of \$63K; and
 - ii. Lower collection from sales stemming from new inventory purchases of approximately \$79K.

SALE OF THE LIFE INSURANCE POLICY – POLICY NUMBER 30000529

22. As described in the Third Stupp Affidavit, Barbara Stupp is a minority shareholder of the Company and the Purchaser is the majority shareholder of the voting shares of the Company.
23. PPL is the beneficial owner and sole beneficiary of the Policy insuring the life of Barbara Stupp. The Company pays annual premiums in the amount of \$21,724.92. The death benefit payment on the Policy is \$1MM.
24. The Proposal Trustee has reviewed the valuation report (the “**RSM Actuarial Valuation**”) prepared by RSM. RSM has confirmed that the Policy has zero cash surrender value as at August 21, 2018.
25. The RSM Actuarial Valuation has provided a market valuation of the Policy on the present value of expected future death benefits and policy dividends, if any, less anticipated premiums payable. The RSM Actuarial Valuation is based on mortality rates from the Canadian Institute of Actuaries for insured lives reflecting industry experience, the age of the insured and the duration that has elapsed since the policy was issued.

26. The Proposal Trustee has confirmed through discussions with RSM that the *Insurance Act* (Ontario) prohibits the sale of insurance policies by individuals other than insurers or its duly authorized agents. In addition, an arm's length third party is not entitled to purchase an insurance policy on the life of someone that it does not have an insurable interest in.
27. The Proposal Trustee further understands that shareholders or immediate family members that have an insurable interest in the insured are able to take an assignment of the insurance policy.
28. The Proposal Trustee has acknowledged the Sale Agreement as set out in the Third Stupp Affidavit. The Third Stupp Affidavit sets out its reason why the Transaction should be approved notwithstanding the purchase price in the Sale Agreement is less than the RSM Valuation.
29. In support of completion of the Transaction, the Proposal Trustee has considered section 65.13 of the BIA. While a sales process for the Policy is prohibited in accordance with the *Insurance Act* (Ontario), the Proposal Trustee notes the following in regard to the Transaction:
 - i. an asset of the Company that cannot be marketed and sold to third parties unrelated to Barbara Stupp has been effectively monetized for the benefit of all stakeholders;
 - ii. the Company's obligation to maintain annual insurance premiums on the Policy have been eliminated;

- iii. the secured indebtedness owing to NBC will be repaid and the secured indebtedness owing to Samuel Stupp will be reduced as a result of the Transaction creating a path for the Company to file a proposal to its unsecured creditors;
 - iv. NBC, the senior secured lender, has been consulted throughout the negotiation of the Sale Agreement; and
 - v. The consideration being offered is approximately 74% of the RSM Actuarial Valuation, which the Proposal Trustee believes is reasonable in light of the fact that the Policy cannot be marketed for sale in the normal course.
30. The Proposal Trustee is advised that, if the Transaction is approved, the Company expects to make a viable proposal to its unsecured creditors on or before November 17, 2018.

CONCLUSION AND RECOMMENDATION

31. Based on all of the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant an order for the relief requested in paragraph 8 hereof and such other relief as may be requested and the Court deems just.

All of which is respectfully submitted this 13th day of November 2018.

**A. FARBER & PARTNERS INC.,
in its capacity as Proposal Trustee of Process
Products Limited, and not in its personal
capacity**

A. Farber & Partners Inc.

Appendix A



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2402270
Estate No. 31-2402270

In the Matter of the Notice of Intention to make a
proposal of:

Process Products Limited
Insolvent Person

A. FARBER & PARTNERS INC.
Licensed Insolvency Trustee

Date of the Notice of Intention: July 20, 2018

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: July 23, 2018, 14:15

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

Appendix B

Court File Number: 31-2402270
Estate No. 31-2402270

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF PROCESS PRODUCTS LIMITED**

**FIRST REPORT OF A. FARBER & PARTNERS INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
PROCESS PRODUCTS LIMITED**

AUGUST 13, 2018

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF PROCESS PRODUCTS LIMITED**

**FIRST REPORT OF A. FARBER & PARTNERS INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
PROCESS PRODUCTS LIMITED**

AUGUST 13, 2018

INTRODUCTION

1. This report (the “**First Report**”), is filed by A. Farber & Partners Inc. (“**Farber**”) in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Process Products Limited (“**PPL**” or the “**Company**”).
2. On July 20, 2018 (the “**Filing Date**”), PPL filed a 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 Farber was appointed as Proposal Trustee under the NOI. Copies of the Certificates of Filing issued by the Superintendent of Bankruptcy are attached hereto as **Appendix “A”**.
3. 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:
 - i. A limited summary of certain background information about PPL;
 - ii. PPL’s proposed post-filing strategy;

- iii. PPL's request for an extension of the time required to file a proposal (the "**Proposal Period**") to October 3, 2018; and
- iv. The Proposal Trustee's recommendation that this Court make orders as requested by PPL approving the extension of the Proposal Period to October 3, 2018.

TERMS OF REFERENCE

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

DISCLAIMER

5. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited, draft, and / or internal financial information of PPL, the books and records of PPL and discussions with representatives of PPL, including their lawyers (collectively the "**Information**").

6. 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 (the "**CPA Handbook**") and, as such, the Proposal Trustee expresses no opinion or other form of assurance with respect to the Information presented in this First Report.

7. Future oriented financial information relied upon in this First Report is based on PPL'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.

BACKGROUND

8. PPL is private company incorporated under the laws of the Province of Ontario whose registered office is located at Concord (Vaughan), Ontario. PPL is a supplier of specialty fasteners and engineered machine components. The Company operates from a leased location in Concord, Ontario. PPL has investments in two subsidiaries, specifically, Process Products, Inc. (“**PPI**”), a private company incorporated under New York Business Corporation Law, company and Process Products De Mexico S.A. De C.V. (“**PPM**”), a private Mexican company which supply the U.S. and Mexico markets respectively. PPI operates from a leased warehouse in Charlotte, North Carolina and PPM operates using a third-party logistics provider in Monterrey, Mexico.

9. The PPL, PPI and PPM business, affairs, financial performance and position, as well as the causes of their insolvency, are detailed in the affidavit of Sydney Stupp sworn August 10, 2018 (the “**First Stupp Affidavit**”) in support of PPL’s August 15, 2018 motion and are, therefore, not repeated herein. The Proposal Trustee has reviewed the First Stupp Affidavit and discussed the business and affairs of PPL with senior management of PPL and is of the view that the First Stupp Affidavit provides a fair summary thereof. A copy of the First Stupp Affidavit, without exhibits, is attached hereto and marked as **Appendix “B”**.

Operations

10. As of the Filing Date, PPL had approximately 18 employees. The PPL employees are not represented by a union and are not subject to a collective bargaining agreement. PPL does not sponsor any pension plans for their employees.

PPL's Creditors

11. Copies of the creditor lists included in the PPL proposal proceedings are attached hereto as **Appendix "C"**.

12. Prior to the NOI, PPL funded its operating costs through an operating line of credit provided by National Bank of Canada ("**NBC**"). Prior to, and in connection with the filing of the NOI, NBC issued a demand for repayment of its loan and provided the Company with a Notice of Intention to Enforce Security pursuant to Section 244 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended. PPL provided NBC with written notice of consent to immediate enforcement by the NBC of the security held by it from the Company.

13. NBC has since suspended the Company's operating facility but at the time of this First Report, has not moved forward with the enforcement of its security with the appointment of a receiver.

14. As of the Filing Date, the amount owing to NBC was approximately \$1.9 million.

15. In December 2004, PPL granted the Company's major shareholder and former president, Samuel Stupp, a general security agreement, in consideration of funds advanced to PPL. As of the Filing Date, the balance outstanding to Samuel Stupp was approximately \$584,000.

16. Since the Filing Date, the Company is using cash on hand as well as cash generated from the collection of accounts receivable to fund its on-going operations.

17. The Proposal Trustee has engaged independent legal counsel, McMillan LLP, to provide it with an opinion regarding the validity and enforceability of the above noted secured creditors. The Proposal Trustee anticipates receipt of this opinion later this week.

18. In addition to the above secured creditors, PPL estimates that, as at the Filing Date, they have unsecured obligations totaling \$1,121,493, excluding approximately \$300,000 owed to PPL employees. We note that the First Stupp Affidavit indicates an estimated \$500,000 owed to the Company's former employee's however it was discovered shortly after filing the First Stupp Affidavit that the amount was miscalculated.

Financial Results

19. As described in the First Stupp Affidavit, due to a number of factors, including a decrease in the demand for electricity and resulting decrease in demand for product by PPL's customers, and extended credit provided to PPL customers, PPL's operations have suffered. Summarized below are the internal non-consolidated results for the years ended December 31, 2017 and December 31, 2016 as well as the draft 5-months ended May 31, 2018.

	5 Months Ended May 31, 2018	Year ended Dec 2017	Year ended Dec 2016
Revenue	2,157,040	6,526,408	12,635,453
COS	1,576,158	6,477,941	10,607,090
Gross Profit	580,882	48,467	2,028,363
Expenses	1,351,263	4,504,309	2,023,048
Income (Loss) From Operations	(770,381)	(4,455,842)	5,315
Other Income/(Expenses)	248,664	295,515	195,853
Write-down of loan to subsidiary	-	(2,523,093)	-
Income (Loss) Before Taxes	(521,717)	(6,683,420)	201,168
Taxes	-	(974,772)	44,637
Net Income (Loss)	(521,717)	(5,708,648)	156,531

PPL'S NOI PROCEEDINGS

20. As a result of a number of factors outlined in the First Stupp Affidavit, PPL has suffered significant losses and due to liquidity issues was unable to pay its creditors in the normal course. As a result, the Company determined that, in the circumstances, a stay of proceedings was required in order to determine whether a restructuring of its operations was possible.
21. In order to monetize its existing assets, PPL plans to continue collecting its accounts receivable and selling inventory on hand. Where favourable terms can be negotiated, the Company is also working on arrangements with customers and suppliers for new inventory. PPL has recently completed its tax filing for 2017 and is expecting a refund in that regard.
22. In addition to the above, PPL is also exploring a sale of all or part of the operations to strategic buyers.

EXTENSION OF THE PROPOSAL PERIOD TO OCTOBER 3, 2018

23. PPL is seeking an extension of the Proposal Period to October 3, 2018 (the “**Extension**”).

24. In support of the request for the Extension, PPL, with the assistance of the Proposal Trustee, has prepared a consolidated forecast of their receipts and disbursements for the period August 6, 2018 to November 4, 2018 (the “**Cash Flow Forecast**”). A copy of the Cash Flow Forecast is attached hereto as **Appendix “D”** and is summarized below:

	Aug 6 - Nov 4
RECEIPTS	
Collection of Existing A/R	596,594
Total Receipts	596,594
DISBURSEMENTS	
Payroll and Benefits	284,646
Insurance	51,289
Rent	114,394
Office Expenses	77,846
Disbursements Before Restructuring Costs	528,175
Professional Fees	95,000
Total Net Cash	(26,582)
Opening Cash Position	382,633
Closing Cash Position	356,051

25. The Cash Flow Forecast indicates that PPL will have sufficient liquidity to fund both operating costs and the costs of these NOI proceedings for the period of the Extension, if granted.

26. The Proposal Trustee believes that:

- a. PPL is acting in good faith and with due diligence in taking steps to monetize its assets for the benefit of its stakeholders; and

- b. It is the Proposal Trustee's view that the Extension will not prejudice or adversely affect any group of creditors.

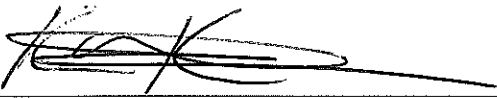
27. While it is too early to determine whether a viable proposal will be presented by PPL to their creditors, in the Proposal Trustee's view, PPL's request for an extension is appropriate.

CONCLUSION AND RECOMMENDATION

28. Based on all of the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court extend the time for issuing a proposal to October 3, 2018.

All of which is respectfully submitted this 13th day of August 2018.

**A. FARBER & PARTNERS INC.,
in its capacity as Proposal Trustee of Process
Products Limited, and not in its personal
capacity**



Appendix C

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

THE HONOURABLE

) WEDNESDAY, THE 15TH DAY

) OF AUGUST, 2018

S. F. Dunphy



IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF PROCESS PRODUCTS LIMITED

ORDER

THIS MOTION made by Process Products Limited (the “Company”) for an order extending the time for filing a proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”), among other things, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Company, including the Affidavit of Sydney Stupp sworn August 10, 2018 and the First Report of A. Farber & Partners Inc. in its capacity as proposal trustee for the Company (the “Proposal Trustee”) dated August 13, 2018, and on hearing submissions of the lawyers for the Company, and the ~~Proposal Trustee~~ *National Bank of Canada*, no one else appearing although properly served as appears from the Affidavit of Service of Adrienne McKillen sworn on August 10, 2018 and the Affidavit of Service of Kelly Barrett sworn August 13, 2018,

ADD

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion and Motion Record is hereby abridged and validated, such that the motion is properly returnable today, and that further service of the Motion Record on any other person is hereby dispensed with.

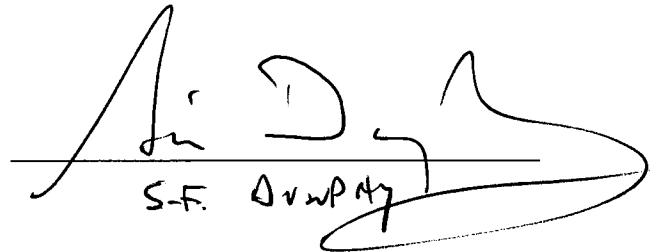
2. **THIS COURT FURTHER ORDERS** that the time for filing a proposal under subsection 50.4(8) of the BIA be and is hereby extended to and including October 3, 2018.

3. **THIS COURT FURTHER ORDERS THAT** the E-Service Guide of the Commercial List (the “**Guide**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at: www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/) 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 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL ‘<https://farbergroup.com/engagements/process-products-limited/>’.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO:

AUG 15 2018

PER / PAR:

S.F. Drupay

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

PROCEEDING COMMENCED AT
TORONTO

ORDER
(extending time to file proposal)

KRONIS, ROTSZTAIN, MARGLES, CAPPEL LLP
25 Sheppard Avenue West, Suite 1100
Toronto ON M2N 6S6

Philip Cho (45615U)
pcho@krmc-law.com
Tel: (416) 218-5494
Fax: (416) 225-6751

Lawyers for the Debtor, Process Products Limited

Appendix D

COUNSEL SLIP (COMMERCIAL MOTIONS)

No On List: 10
Court File No: BK-18-02402270-0031
Title of Proceeding: Process Products Limited
DATE: Oct 2/18

COUNSEL FOR

Plaintiff(s):

Applicant(s):

Petitioner(s):

P. CHO

416-218-5494

416-225-6751

PHONE NO. & FAX

pcho@krmc-law.com

A. Iqbal

Counsel for #

National Bank of Canada

T: 416-304-1659K

F: 416-304-1616

COUNSEL FOR

Defendant(s):

Respondent(s):

PHONE NO. & FAX

RELIEF SOUGHT:

Oct 2, 2018.

A short extension for filing the proposal is granted until October 11, 2018. The company is acting in good faith and with due diligence, no creditor will be prejudiced by this and the proposal trustee supports the short extension (Sections 50.4(7)(b)(ii) and 50.4(9) of the BIA). The matter is adjourned to me at 9:30 am on October 11, 2018.

J. J. J. J.

Court File Number: 31-2402270
Estate No. 31-2402270

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF PROCESS PRODUCTS LIMITED**

**SECOND REPORT OF A. FARBER & PARTNERS INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
PROCESS PRODUCTS LIMITED**

OCTOBER 9, 2018

Appendix E

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF PROCESS PRODUCTS LIMITED**

**SECOND REPORT OF A. FARBER & PARTNERS INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
PROCESS PRODUCTS LIMITED**

OCTOBER 9, 2018

INTRODUCTION

1. This report (the “**Second Report**”), is filed by A. Farber & Partners Inc. (“**Farber**”) in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Process Products Limited (“**PPL**” or the “**Company**”).
2. On July 20, 2018 (the “**Filing Date**”), PPL filed a 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 Farber was appointed as Proposal Trustee under the NOI. Copies of the Certificates of Filing issued by the Superintendent of Bankruptcy are attached hereto as **Appendix “A”**.
3. On August 15, 2018, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granted an Order (the “**First Extension Order**”) extending the time to file a proposal under the provisions of the BIA to October 3, 2018, a copy of which is attached hereto and as **Appendix “B”**.

4. On October 2, 2018, the Court granted an Order (the “**Second Extension Order**”) extending the time to file a proposal under the provisions of the BIA to October 11, 2018, a copy of which is attached as **Appendix “C”**. This short eight-day Second Extension Order was granted in order to provide the Company with additional time to prepare its cash flow forecast, with the assistance of the Proposal Trustee, in support of the Company’s request for an extension to November 17, 2018.

5. The purpose of this Second Report is to provide the Court with information pertaining to the following:
 - i. The activities of PPL and the Proposal Trustee from August 13, 2018 (the date of the First Report) to the date of this Second Report;
 - ii. PPL’s reported receipts and disbursements for the period from August 6, 2018 to September 23, 2018, including a comparison to forecast;
 - iii. PPL’s revised cash flow forecast for the period September 24, 2018 to December 23, 2018;
 - iv. PPL’s proposed post-filing strategy;
 - v. PPL’s request for an extension of the time required to file a proposal (the “**Proposal Period**”) to November 17, 2018; and
 - vi. The Proposal Trustee’s recommendation that this Court make orders as requested by PPL approving the extension of the Proposal Period to November 17, 2018.

TERMS OF REFERENCE

6. Unless otherwise noted, all monetary amounts contained in this Second Report are expressed in Canadian dollars.

DISCLAIMER

7. In preparing this Second Report, the Proposal Trustee has relied upon certain unaudited, draft, and / or internal financial information of PPL, the books and records of PPL and discussions with representatives of PPL, including their lawyers (collectively the “**Information**”).
8. 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 (the “**CPA Handbook**”) and, as such, the Proposal Trustee expresses no opinion or other form of assurance with respect to the Information presented in this Second Report.
9. Future oriented financial information relied upon in this First Report is based on PPL’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.

PPL'S ACTIVITIES

10. Since the First Extension Order, the Company has made key efforts towards making a viable proposal to its creditors as outlined in the affidavit of Sydney Stupp, sworn September 28, 2018 (the “**Second Stupp Affidavit**”), filed in support of the Company’s motion for an order extending the time to file a proposal. A copy of the Second Stupp Affidavit, without exhibits, is attached hereto and marked as **Appendix “D”**.

11. Subsequent to the filing of the First Report, PPL activities have included:
 - i. Reporting receipts and disbursements;

 - ii. Preparing weekly financial reports for the Company’s secured lender, National Bank of Canada (“**NBC**”);

 - iii. Negotiating a letter agreement with NBC, dated August 17, 2018, (the “**First NBC Letter Agreement**”) whereby NBC agreed to continue to permit the Company to continue through these NOI proceedings, subject to certain terms and conditions agreed;

 - iv. Communicating with key suppliers to secure goods and services during the Proposal Period and to address payment terms;

 - v. Responding to calls and enquiries from creditors and other stakeholders regarding the Proposal process;

 - vi. Making payments to suppliers for goods and services received following the issuance of the First Extension Order;

- vii. Communicating with key customers to in order to facilitate sales during the NOI with improved payment terms;
- viii. Meeting with and providing information to potential interested third parties (once a confidentiality agreement was signed) with respect to the purchase of certain assets of the Company, or potential investment in the Company; and
- ix. Consulting with the Proposal Trustee on various matters in connection with the Proposal.

ACTIVITIES OF THE PROPOSAL TRUSTEE

- 12. Subsequent to the filing of the First Report, the Proposal Trustee's activities have included:
 - i. Assisting PPL in the preparation of an updated cash flow forecast in connection with its First NBC Letter Agreement;
 - ii. Implementing procedures for the monitoring of PPL's cash flows and for ongoing reporting of variances to the PPL cash flow forecast;
 - iii. Assisting PPL with the preparation of their weekly reporting to NBC in accordance with the First NBC Letter Agreement;
 - iv. Corresponding and communicating with NBC and its counsel, Thornton Grout Finnigan LLP ("TGF");
 - v. Attending to meetings and calls with Management to discuss the operations and proposal options;

- vi. Corresponding and communicating with PPL’s counsel, Kronis Rotsztain Margles Cappel LLP (“**KRMC**”);
 - vii. Responding to calls and enquiries from creditors and other stakeholders regarding the NOI;
 - viii. Preparation of various analyses including inventory purchase plans and estimated realization of the PPL assets;
 - ix. Communicating with interested parties, where requested by the Company, regarding the potential purchase of the Company’s assets;
 - x. Corresponding with liquidators re obtaining proposals for the sale of the Company’s inventory and fixed assets; and
 - xi. Preparing this Second Report.
13. The Proposal Trustee advised the Court in its First Report that it had engaged McMillan LLP to provide an opinion on the validity and enforceability of the secured creditors. After filing the First Report, the Proposal Trustee determined that a legal opinion was not immediately required. Accordingly, the independent legal opinion has been suspended until such time as it is required in the future.

CASH FLOW FOR THE PERIOD AUGUST 6 TO SEPTEMBER 21, 2018

14. PPL’s cash flow projection for the period August 6, 2018 to November 4, 2018 (the “**First Extension Cash Flow Forecast**”), was filed with the Court in support of PPL’s motion for the First Extension Order and summarized in our First Report.

15. A comparison of PPL's forecast to reported results for the period August 6, 2018 to September 21, 2018 is summarized as follows:

	Cumulative week ended - Sep 23, 2018			
	Forecast	Actual	\$ Variance	% Variance
CASH FLOW FORECAST				
RECEIPTS				
Collection of Existing A/R	448,895	806,468	357,573	80%
Collection of New Sales	-	224,257	224,257	0%
GST/HST Refunds	-	6,722	6,722	0%
Total Receipts	448,895	1,037,446	588,552	131%
DISBURSEMENTS				
Payroll and Benefits	149,360	184,729	(35,369)	-24%
Insurance	26,484	18,708	7,776	29%
Rent	73,779	54,155	19,624	27%
Inventory Purchases	-	161,727	(161,727)	0%
Office Expenses	59,196	37,502	21,694	37%
Disbursements Before Restructuring Costs	308,819	493,247	(184,428)	-60%
Debt principal repayments	-	485,000	(485,000)	0%
Professional Fees	45,000	32,000	13,000	29%
Total Net Cash	95,076	27,199	(67,876)	-71%
Opening Cash Position	382,633	394,135	11,503	3%
Closing Cash Position	477,709	421,335	(56,374)	-12%

16. As reflected in the above summary table, PPL reported positive cash flow of approximately \$27K and has been able to reduce the amount outstanding to NBC by \$485K from approximately \$1.9MM to \$1.4MM as at September 21, 2018.
17. The unfavourable cash flow variance of approximately \$68K is primarily the result of the following unfavourable cash variances:

- i. The First Extension Cash Flow Forecast did not provide for repayment to NBC. Following the First Extension Order, PPL entered into the First NBC Letter Agreement which provided for certain paydown of the outstanding loans to NBC.
 - ii. The Company made inventory purchases of approximately \$162K. These purchases were not included in the First Extension Cash Flow Forecast as it was unknown at the time the quantum of purchases and related sales the Company would be able to negotiate with its suppliers and customers. Purchases of inventory were assumed to be, at a minimum, offset by related cash receipts and related accounts receivable; and
 - iii. Higher than forecast payroll costs resulting in an unfavourable variance of \$35K.
18. Offsetting the unfavourable cash variances noted above, PPL has achieved the following significant favourable cash variances:
- i. Earlier collection of the Company's accounts receivable resulting in a favourable timing variance of \$358K;
 - ii. Collection from sale of inventory of \$224K; and
 - iii. A favourable timing difference in its payment of rent of \$20K.

EXTENSION OF THE PROPOSAL PERIOD TO NOVEMBER 17, 2018

19. PPL is seeking an extension of the Proposal Period to November 17, 2018 (the "**Third Extension**").

20. In support of the request for the Third Extension, PPL, with the assistance of the Proposal Trustee, has prepared a consolidated forecast of their receipts and disbursements for the period September 24, 2018 to December 23, 2018 (the “**Third Extension Cash Flow Forecast**”). A copy of the Third Extension Cash Flow Forecast is attached hereto as **Appendix “E”** and is summarized below:

Sep 24 - Dec 23	
Receipts	
Collection of Existing A/R	452,908
Transfer of Funds from Subsidiary	658,766
Sale of Inventory	906,794
HST Refund	11,900
Insurance Policy	350,000
Tax Refund	62,624
Total Receipts	<u>2,442,992</u>
Disbursements	
Payroll & Benefits	285,769
Insurance	42,434
Rent	87,695
Inventory Purchases	252,631
Post-NOI accounts payable	72,708
Office Expenses	96,711
Moving expense	50,000
Disbursements Before Restructuring Costs	<u>887,948</u>
Debt principal repayments	1,535,000
Professional Fees	145,000
Total Net Cash	<u>(124,956)</u>
Opening Cash Position	404,848
Closing Cash Position	<u>279,892</u>

21. The Cash Flow Forecast indicates that PPL will have sufficient liquidity to fund both operating costs and the costs of these NOI proceedings for the period of the Extension, if granted.
22. The Proposal Trustee believes that:
 - a. PPL is acting in good faith and with due diligence in taking steps to monetize its assets for the benefit of its stakeholders; and
 - b. It is the Proposal Trustee's view that the Extension will not prejudice or adversely affect any group of creditors.
23. While it is too early to determine whether a viable proposal will be presented by PPL to their creditors, in the Proposal Trustee's view, PPL's request for an extension is appropriate and if granted, will increase the likelihood of PPL making a viable proposal.

CONCLUSION AND RECOMMENDATION

24. Based on all of the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court extend the time for issuing a proposal to November 17, 2018.

All of which is respectfully submitted this 9th day of October 2018.

**A. FARBER & PARTNERS INC.,
in its capacity as Proposal Trustee of Process
Products Limited, and not in its personal
capacity**

A. Farber & Partners Inc.

Appendix F

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



THE HONOURABLE

JUSTICE

Crinappetta

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)

TUESDAY, THE 11th DAY

OF OCTOBER 2018

IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF PROCESS PRODUCTS LIMITED

ORDER

THIS MOTION made by Process Products Limited (the “**Company**”) for an order extending the time for filing a proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), among other things, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record and the Second Report of the Proposal Trustee (the “**Second Report**”), both filed, and on hearing submissions of counsel for the Company,

1. **THIS COURT ORDERS** that the time for service and filing of the Motion Record, including the Second Report, is hereby abridged, such that the motion is properly returnable today, and that further service of the Motion Record and the Second Report on any other person is hereby dispensed with.

2. **THIS COURT FURTHER ORDERS** that the time within which the Company may file any proposal under the provisions of the BIA be and is hereby extended to November 17, 2018.

Crinappetta

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF PROCESS PRODUCTS LIMITED

Court File No. 31-2402270

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

**PROCEEDING COMMENCED AT
TORONTO**

ORDER

KRONIS, ROTSZTAIN, MARGLES, CAPPEL LLP
25 Sheppard Avenue West, Suite 1100
Toronto ON M2N 6S6

Philip Cho (45615U)
pcho@krmc-law.com
Tel: (416) 218-5494
Fax: (416) 225-6751

Lawyers for the Debtor, Process Products Limited

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF PROCESS PRODUCTS LIMITED**

**AFFIDAVIT OF SYDNEY STUPP
(sworn November 12, 2018)**

I, SYDNEY STUPP, of the City of Vaughan in the Province of Ontario MAKE OATH
AND SAY:

1. I am the current president of the debtor, Process Products Limited (the “**Company**”), and as such, have knowledge of the matters to which I hereinafter depose. Where I do not have personal knowledge of the matters set out below, I state the source of my information and verily believe such information to be true.

2. This affidavit is sworn in support of the Company’s motion for an order, among other things, approving the sale transaction (the “**Transaction**”) contemplated by an agreement of purchase and sale (the “**Sale Agreement**”) between the Company and Samuel Stupp (the “**Purchaser**”) and vesting in the Purchaser the Company’s right, title and interest in and to the life insurance policy issued by the Manufacturer's Life Insurance Company bearing policy number 30000529 (the “**Policy**”).

Appendix G

BACKGROUND

3. On July 20, 2018 (the “**Filing Date**”), the Company 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**”) and A. Farber & Partners Inc. (“**Farber**”) was appointed as proposal trustee (the “**Trustee**”). A copy of the certificate of filing the NOI is attached hereto and marked as Exhibit “A”.

4. On August 15, 2018, the Court granted an Order (the “**First Extension Order**”) extending the time to file a proposal under the provisions of the BIA to October 3, 2018.

5. In support of the motion for the First Extension Order, I swore an Affidavit on August 10, 2018 (the “**First Stupp Affidavit**”), a copy of which is attached hereto, without exhibits, and marked as Exhibit “B”.

6. On September 28, 2018, the Company brought a motion for a second extension order returnable on October 2, 2018, which motion was adjourned to October 11, 2018, and at which time the Court granted a short extension of the time to file a proposal to October 11, 2018.

7. On October 11, 2018, the Court granted an Order (the “**Second Extension Order**”) extending the time to file a proposal under the provisions of the BIA to November 17, 2018, a copy of which is attached hereto and marked as Exhibit “C”.

8. In support of the motion for the Second Extension Order, I swore an Affidavit on September 28, 2018 (the “**Second Stupp Affidavit**”), a copy of which is attached hereto, without exhibits, and marked as Exhibit “D”.

9. As set out in the First Stupp Affidavit, the company is based in Concord (Vaughan), Ontario and carries on business as a supplier of specialty fasteners and engineered machine components with approximately 18 employees. The Company started to suffer falling revenues in 2017 as a result of the gradual decrease in the demand for electricity which led to the Company's major customers having significantly less need for utility scale large gas and steam turbines and generators.

10. Since the First Extension Order, the Company has made the following key efforts towards making a viable proposal to its creditors:

- a) entered into certain agreements that allow the Company to receive immediate, or near immediate, payment for invoices from key customers that historically had 90 to 120 day payment terms;
- b) arranged for additional purchases and early payment from certain customers of sitting inventory;
- c) reduced the purchase of additional inventory during the NOI process; and,
- d) met with several potential interested third parties with respect to the purchase of certain assets of the Company, or potential investment in the Company, some of whom signed confidentiality agreements in order to have access to important financial information.

11. In the Second Stupp Affidavit, I stated that the Company had been in discussions with potential purchasers of certain assets of the Company, or potential investors. Unfortunately, these discussions did not materialize into any reasonable prospects and the Company has discontinued these efforts.

12. However, the Company continued its negotiations with the third party referred to in the Second Stupp Affidavit willing to provide financial support, which negotiations resulted in the Sale Agreement, the particulars of which I will describe. Provided that the Court approves the Transaction, the Company intends to file a proposal to its creditors before expiry of the extension granted by the Second Extension Order.

13. The Company is the owner of the Policy, which is a life insurance policy insuring the life of shareholder, Barbara Stupp ("**Barbara**"). The Company is the sole beneficiary of the Policy and the benefit amount is \$1 million. Attached hereto and marked as Exhibit "E" is a true copy of the Policy.

14. The Company is a closely held family business and the Purchaser, my father, is the majority shareholder holding all Class C voting shares, and a majority of Class M non-voting shares, while Barbara, my mother, is a minority shareholder of Class M non-voting shares, and The Stupp Family Trust 2016 is a minority shareholder of Class A non-voting shares.

15. The Policy has an effective date of July 23, 1998 and premiums are payable to July 22, 2034. The premiums are presently payable annually in the amount of \$21,724.92. There is no cash value.

16. Given the Company's current financial circumstances, it is unlikely that the Company can continue to pay the premiums on the Policy. Moreover, although Barbara is 84 years old, and suffers from Parkinson's disease, there is no reason to believe that the insured event will occur imminently.

17. I am advised by my counsel that in Ontario, provisions of the *Insurance Act* (Ontario) prohibit the sale of life insurance policies to third parties with no insurable interest in the life insured. As such, the only persons that may take an assignment of the Policy are the shareholders/family members that have an insurable interest in the life of Barbara. The Purchaser is Barbara's spouse.

18. The Company and the Proposal Trustee have had discussions with the Purchaser and his counsel. As a result of these discussions, the Company has agreed, subject to court approval and certain other conditions, to transfer and assign the Policy to the Purchaser upon payment of the purchase price set out in the Sale Agreement. Attached hereto and marked as Exhibit "F" is a copy of the Sale Agreement.

19. The Sale Agreement also provides that the Transaction is conditional on the proceeds of the Transaction being used to pay out in full the amounts outstanding (the "**NBC Indebtedness**") to National Bank of Canada ("**NBC**"), the Company's senior secured creditor. In order to accomplish this, a certain amount of the purchase price will be paid to the Company's lawyers, in trust, pending the necessary payments reducing the NBC Indebtedness sufficiently so that the purchase proceeds can retire the NBC Indebtedness in full.

20. In addition, a part of the purchase price will be paid by way of a corresponding equal reduction to the secured indebtedness owing by the Company to the Purchaser (the "**Stupp Indebtedness**").

21. The Company retained RSM Canada Consulting LP ("**RSM**") to provide a valuation of the Policy. RSM provided its report dated October 10, 2018 (the "**RSM Report**"), a copy of which is attached hereto and marked as Exhibit "G".

22. Although the value provided by the RSM Report for the Policy is higher than the purchase price in the Sale Agreement, the Company believes the Transaction should be approved for the following reasons:

- a. the other shareholders have confirmed that they have no interest in purchasing and continuing the premium payments on the Policy;
 - b. the Policy is not something that is marketable or saleable to third parties unrelated to Barbara;
 - c. if the Company is unable to maintain the premium payments, there will be no value gained from the Policy;
 - d. if the Transaction is not approved and the Company is unable to make a proposal, then it is very unlikely that any value can be realized for the Policy; and
 - e. the RSM Report is an actuarial assessment of the net present value of the policy, representing the value at which a holder, with no particular incentive to sell and with sufficient liquidity to continue to pay premiums, would be indifferent as between continuing to hold the policy or taking a lump sum payment. It does not account for the fact that the Company is insolvent, needs cash immediately to pay the NBC Indebtedness and, as indicated, is not currently able to continue to pay premiums going forward.
23. However, if the Transaction is approved, the Company expects that it will be able to retire the NBC Indebtedness, enter into terms with respect to continuing the Stupp Indebtedness,


and thereby make a viable proposal to its unsecured creditors on or before November 17, 2018, the date set out in the Second Extension Order.

24. Throughout the negotiations with the Purchaser, the Company has continued to share its progress and information with the Proposal Trustee and NBC. The Proposal Trustee has consented to and supports the transaction as indicated by signing the Acknowledgement in the Sale Agreement. Further, the completion of the Transaction is conditional on NBC providing its written consent to the Transaction.

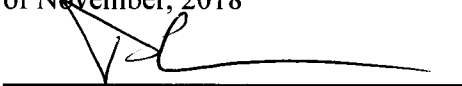
25. I am not aware of any other creditor that would object to the relief sought and I do not believe that the relief sought will prejudice any of the creditors.

26. I make this affidavit in support of an order approving the Transaction and other ancillary relief.

SWORN BEFORE ME at the City)
of Toronto, in the Province)
of Ontario this 12th day)
of November, 2018)



SYDNEY STUPP



A Commissioner, etc.
PHILIP CHO (45615U)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF PROCESS PRODUCTS LIMITED, OF THE CITY OF VAUGHAN, IN THE PROVINCE OF ONTARIO

Estate No. 31-2402270

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

THIRD REPORT OF TRUSTEE

**A. FARBER & PARTNERS INC.
TRUSTEE IN BANKRUPTCY
150 York Street, Suite 1600
Toronto, ON M5H 3S5**

**Karen Kimel, MAcc, CPA, CA, CPA (IL),
CIRP, LIT
Telephone: (647) 796-6022
Facsimile: (416) 496-3839**

In its capacity as proposal trustee
for Process Products Limited and
not in its personal capacity