

District of Ontario  
Division No. 09 - Toronto  
Court File No. 31-1543925

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

**IN THE MATTER OF THE PROPOSAL OF ENCORE SALES,  
A PARTNERSHIP FORMED UNDER THE LAWS OF THE PROVINCE OF  
ONTARIO BETWEEN 1326281 ONTARIO LIMITED AND 1326282 ONTARIO  
LIMITED, WITH A HEAD OFFICE IN TORONTO,  
IN THE PROVINCE OF ONTARIO**

**APPLICANT**

**SECOND REPORT OF THE PROPOSAL TRUSTEE**

**OCTOBER 21, 2011**

## INTRODUCTION

1. On September 27 2011, Encore Sales (“**Encore**” or the “**Debtor**”) filed a Notice of Intention to make a Proposal (“**NOI**”) under Section 50.4 of the Bankruptcy and Insolvency Act (the “**BIA**”). A. Farber & Partners Inc. (“**Farber**”) was named as Trustee in the NOI filed by Encore (the “**Proposal Trustee**”).
2. Encore is a privately-owned distributor of general and seasonal merchandise to retailers throughout North America. Encore Sales is a partnership originally formed by Encore Sales Limited, 1326281 Ontario Limited and 1326282 Ontario Limited. Encore Sales Limited ceased being a partner in 2004.
3. Encore’s operations are run out of a head office located at 333 North Rivermede Road, in Concord, Ontario which also houses a 180,000 square foot distribution warehouse which handles general merchandise. In addition, Encore also operates a 140,000 square foot seasonal distribution warehouse located within close proximity. Both facilities are leased.
4. Encore supplies Canadian and US retailers with high volume general (described hereinafter as “**Everyday**”) and seasonal (described hereinafter as “**Seasonal**”) merchandise. These Everyday and Seasonal products are sold to a diverse mix of approximately 1,500 retail customers.
5. As at July 31, 2011 Encore employed approximately 170 employees including approximately 95 hourly employees and 75 salaried employees. The hourly warehouse workers are members of Local 9197 of the United Steelworkers’ Union. Encore also uses 30 commission based sales agents in Canada and the US.
6. Over the course of the last three years, Encore has experienced declining sales and margins, which are attributed in large part to the global economic downturn. In an effort to help increase sales volumes and cover overheads, the Debtor merged its operations with a competitor, UWG Global Inc., in 2009. However the hoped for synergies and increased volumes were not fully achieved.
7. Callidus Capital Corporation (“**Callidus**”) is Encore’s principal secured creditor pursuant to the terms of an Amended Loan Agreement dated December 15, 2009 (the “**Loan Agreement**”). On August 3, 2011, Callidus made demand for payment of the outstanding

- indebtedness in the amount of approximately \$16 million and delivered Notices of Intention to Enforce Security pursuant to section 244(1) of the BIA. Related party secured creditors were owed \$7.895 million effective September 23, 2011 (hereinafter defined as “**Related Party Secured Creditors**”). The Proposal Trustee has received an opinion (subject to the usual qualifications) that both the Callidus and Related Party Secured Creditors security are valid and enforceable.
8. The Debtor, with the assistance of its financial advisor RSM Richter Corporate Finance Inc. (“**Richters**”) reviewed various restructuring alternatives and determined that Richters be engaged to conduct a sale process for Encore’s property, assets and undertakings (the “**Sales Process**”) commencing early August 2011. The Sales Process was commenced as part of a dual track restructuring, wherein Encore would consider both a going concern sale, while continuing to pursue a restructuring of its business and affairs.
  9. The Sales Process culminated in Encore entering into an Asset Purchase Agreement with CTG Brands Inc. (“**CTG**”) on September 19, 2011 (the “**CTG APA**”) for the sale of the Everyday product lines comprising of the “Stationary”, “Signature Kitchen” and “Pet” product lines and related inventory, goodwill and intellectual property (“**IP**”).
  10. By Order of the Court dated October 5, 2011 an approval and vesting order was granted for the CTG APA transaction (the “**CTG Approval Order**”), as well as an order of the Court providing ancillary relief (“**Ancillary Relief Order**”), authorizing and directing the Proposal Trustee to continue the Sales Process, with authority to retain Richters, where required. A copy of the CTG Approval Order and Ancillary Relief Order are attached as **Appendix 1** and **Appendix 2**, respectively.
  11. The CTG APA transaction closed on October 6, 2011, subject to final adjustments for inventory.
  12. As a result of the ongoing Sales Process, a further sales agreement (the “**Deejay Agreement**”) transaction has been entered into by Encore, for sale of the non-core “**Baby**” product line, including inventory, goodwill and IP.
  13. The current deadline to file a proposal is October 27, 2011.

14. Encore has served a motion returnable October 25, 2011 for an order to, among other matters:
- (a) Approve the Deejay Agreement and grant an approval and vesting order in favour of Deejay to the purchased assets described therein, and upon closing of the transaction, vesting Encore's right, title and interest to the purchased assets in Deejay; and
  - (b) Seek an extension of the time to file a proposal by 45 days to December 12, 2011.

### **PURPOSES OF THIS REPORT**

15. The purposes of this second report ("**Second Report**") are to:
- (a) Provide Farber's recommendations with respect to the Deejay Agreement;
  - (b) Report on status of Encore's efforts to restructure its affairs, including the Sales Process to date; and
  - (c) Support Encore's motion for an order for the extension of the time to file a proposal to December 12, 2011.

### **DISCLAIMER**

16. For the purposes of this report, Farber has relied upon the financial records of the Debtor, as well as other information supplied by management. Farber's procedures and enquiries did not constitute any audit or review engagement. Farber assumes no responsibility or liability for loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this report. Any use which any party, other than the Court, makes of this report, or any reliance on or a decision made based upon it, is the responsibility of such party.

### **BACKGROUND – RESTRUCTURING PROCESS TO DATE**

17. The Proposal Trustee has reviewed the Affidavit of Howard Bloomberg sworn October 19, 2011 (the "**Second Affidavit**"), as well as a supplementary affidavit sworn by

Howard Bloomberg on October 20, 2011 (the “**Supplementary Affidavit**”), which have been filed in support of the motion to approve the DeeJay Transaction and request an extension of the time to file a Proposal.

18. Encore has continued along a dual track of exiting its non-core Everyday business lines, while continuing to explore restructuring options for its core Seasonal Business. Encore, in conjunction with the Proposal Trustee and Richters, has been in negotiations with two parties to finalize the sale of two non-core product lines. Those negotiations have culminated in the DeeJay Agreement for purchase of the “Baby” line, while Encore is also close to finalizing agreement for sale of the “Candy” product line. Further details on the DeeJay Agreement are set out below.
19. Encore continues to invite offers for the remaining non core Everyday product lines, while also continuing to explore restructuring options for its Seasonal Business, including entertaining en-bloc offers. In parallel with that process, Encore has continued to maintain its core Seasonal Business.
20. Callidus, Encore’s senior lender, continues to provide funding support for Encore’s operations.

#### **ACTIVITIES OF THE PROPOSAL TRUSTEE**

21. Following the last Court attendance on October 6, 2011, the Proposal Trustee filed with the Official Receiver the statement of projected cash flow, a report on the reasonableness of the cash flow and a report containing prescribed representations by the Debtor regarding the preparation of the cash flow statement pursuant to Section 50.4 of the BIA. A copy of the prescribed Cash Flow Statement is attached hereto as **Appendix 3**.

#### **SALES PROCESS**

22. As part of the continuation of the Sales Process, which lead to the CTG APA Transaction, as approved by the Court, Richters has continued to assist Encore and the Proposal Trustee with the Sales Process and has provided a report to the Proposal Trustee dated October 21, 2011 (defined as the “**Richters Report**”). The Richters Report sets out the process culminating in the DeeJay Agreement, as well as providing a status update on

the ongoing Sales Process, including two letters of intent (“**LOIs**”) received for the Seasonal Business. A copy of the Richters Report is attached as **Appendix 4**.

23. In addition Encore, in conjunction with the Proposal Trustee and Richters, has been negotiating one other transaction for the sale of the non-core “Candy” product line. Those negotiations for sale of the Candy line have not yet resulted in a definitive agreement.

#### **THE DEEJAY TRANSACTION**

24. Deejay was one of the parties that completed due diligence but did not submit an offer by the Sales Process deadline of August 29, 2011. Negotiations continued with respect to the Baby line through September and October 2011, with the Deejay Agreement negotiated and finalized on October 18, 2011. Encore’s legal counsel will provide a copy of the Deejay Agreement to the Court as a Confidential Exhibit. Key terms of the Deejay Agreement are as follows:

- The Purchased Assets comprise inventory, goodwill and IP of the Baby product line. The inventory comprises both goods in hand and goods in transit;
- The purchase price provides for a \$35,000 goodwill payment together with the purchase of all inventory at 100% of Encore’s cost;
- As part of the agreement, Encore will cease taking new orders relating to the Baby line and will fill existing orders using inventory that does not form part of the purchased assets; and
- The Deejay Agreement is conditional on granting of an approval and vesting order, with the closing to occur immediately after Court approval.

#### **RECOMMENDATION**

25. In its capacity as Proposal Trustee, Farber believes that the transaction under the Deejay Agreement is commercially reasonable in the circumstances and recommends approval of the transaction for the following reasons:

- The process leading to the DeeJay Agreement, as described in the Richters Report, was fair and reasonable and the purchase price realized is the highest and best offer in the circumstances and is commercially reasonable.
- In connection with the CTG APA transaction, the Proposal Trustee filed with the court by way of confidential appendix: a copy of a Gordon Brothers Group inventory appraisal. Based on review of that appraisal, the purchase price consideration in the DeeJay Agreement is substantially in excess of the liquidation value. In the opinion of the Proposal Trustee, the DeeJay Agreement is more beneficial to the creditors and other stakeholders than a bankruptcy liquidation.
- Callidus, as the senior lender, and the Related Party Secured Creditors support the DeeJay Agreement.

#### **CASH FLOW PROJECTIONS**

26. The Proposal Trustee has continued to monitor Encore's daily and weekly operations and cash flow performance compared to forecast.
27. Effective the three weeks ending October 14, 2011, Encore has generated sales which are 6% ahead of forecast. Although cash collections have been lower than forecast, these have been assessed as timing differences, the majority relating to major customers with good credit ratings, who are paying slightly slower than previously contemplated. Post filing obligations are being kept current, with the majority of services and suppliers being paid on a COD basis.
28. The Debtor, with the assistance of the Proposal Trustee, has prepared an updated cash flow forecast for the week ending October 21 to the week ending December 16, 2011 in support of the NOI restructuring process and requested NOI extension to December 12, 2011. A copy of this cash flow report is attached as **Appendix 5**.

## **REQUESTED EXTENSION**

29. The initial 30-day period granted under the NOI has allowed the Debtor to stabilize its operations, deal with suppliers and customers and continue its restructuring process including the Sales Process.
30. The initial 30-day stay period expires on October 27, 2011.
31. According to the Supplementary Affidavit, the Related Party Secured Creditors are giving consideration to sponsoring a proposal to the creditors of Encore, conditional on full repayment of Callidus's indebtedness. The Proposal Trustee has spoken with Richters and understands that there is a possibility that Callidus's debt can be repaid in full, and also generate proceeds for the Related Party Secured Creditors, who may utilize some of the proceeds to help sponsor a plan. This outcome would be dependent on the successful negotiation and closing of an en-bloc agreement for the Seasonal Business, with one of the two prospective purchasers which have submitted an LOI. It is contemplated the successful purchaser would also assist with the ongoing collection of accounts receivable.
32. Conversely, should the extension to the NOI Stay Period not be granted and Encore becomes bankrupt, then the Sales Process for the remaining assets would likely be adversely impacted and ongoing accounts receivable collections would be impaired. That outcome would likely result in Callidus's indebtedness not being fully repaid and in turn the Related Party Secured Creditors and other creditors would not have the opportunity to make a recovery.
33. Based on the Supplementary Affidavit, Encore appears likely to make a viable proposal, should the Stay Extension be granted.
34. Callidus, the senior lender, has advised the Debtor and the Proposal Trustee, that it supports and consents to the 45-day extension to file a Proposal.
35. The Related Party Secured Creditors also support the request for a 45-day extension to file a Proposal.
36. The Proposal Trustee is satisfied that the Debtor has acted and is acting in good faith and with due diligence.



37. Based on the Proposal Trustee's review of the operations of Encore, continuing monitoring of the businesses and on-going communications with management and Richters, the Proposal Trustee is not aware of any creditor who would be materially prejudiced if the extension of the NOI period being requested is granted.

**RECOMMENDATIONS**

38. For the reasons set out above, the Proposal Trustee respectfully recommends that this Honourable Court:

- (a) Make an Order approving the DeeJay Agreement and grant a vesting order for the transfer of assets upon the closing of the transaction; and
- (b) Grant an order extending the time to file a Proposal to December 12, 2011.

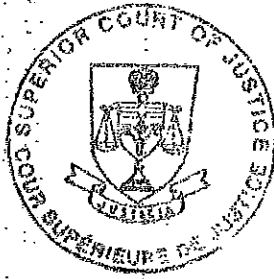
All of which is respectfully submitted this 21<sup>st</sup> day of October, 2011.

**A. FARBER & PARTNERS INC., in its  
capacity as Trustee acting *in re* the proposal of  
Encore Sales**

A. Farber & Partners Inc.

# **Appendix 1**

Court File No. 31-1543925  
Estate No. 31-1543925



**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR. ) WEDNESDAY, THE 5<sup>TH</sup> DAY  
 )  
JUSTICE WILTON-SIEGEL ) OF OCTOBER, 2011

IN THE MATTER OF THE PROPOSAL OF  
ENCORE SALES  
A PARTNERSHIP CONTINUED PURSUANT TO  
THE LAWS OF THE PROVINCE OF ONTARIO  
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN  
IN THE PROVINCE OF ONTARIO

**APPROVAL AND VESTING ORDER**

THIS MOTION, made by Encore Sales ("Encore"), for an order approving the sale transaction (the "Transaction") contemplated by an agreement of purchase and sale (the "Sale Agreement") between Encore and CTG Brands Inc. (the "Purchaser") dated September 19, 2011 and vesting in the Purchaser, Encore's right, title and interest in and to the Purchased Assets as defined in the affidavit of Howard Bloomberg sworn September 28, 2011 (the "Bloomberg Affidavit"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Report of A. Farber & Partners Inc. in its capacity as proposal trustee of Encore (the "Proposal Trustee"), and on reading the Bloomberg Affidavit and on hearing the submissions of counsel for Encore, the Proposal Trustee, the Purchaser, Callidus Capital Corporation ("Callidus") and all others present, no one appearing for any other person on the service list, although properly served as appears from the affidavit of Victoria Gifford sworn September 29, 2011 filed:

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved.
3. **THIS COURT ORDERS AND DECLARES** that execution of the Sale Agreement by Encore is hereby authorized and approved, with such minor amendments as Encore, the Purchaser and/or the Proposal Trustee may deem necessary. Encore is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.
4. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a certificate to the Purchaser substantially in the form attached as Schedule A hereto (the "**Certificate**"), all of Encore's right, title and interest in and to the Purchased Assets described in the Sale Agreement dated September 19, 2011 shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by Order of this Honourable Court; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.
5. **THIS COURT ORDERS** that \$75,000.00 of the net purchase price (the "**Richters Fees**") from the sale of the Purchased Assets be paid to RSM Richter Corporate Finance Inc. as partial payment of its fees and disbursements incurred in administering the Sales Process (as defined in the Bloomberg Affidavit).

6. **THIS COURT ORDERS** that the balance of the net proceeds from the sale of the Purchased Assets (net of the Richters Fees) shall be used to reduce the indebtedness owed to Callidus by Encore.

7. **THIS COURT ORDERS AND DIRECTS** the Proposal Trustee to file with the Court a copy of the Certificate, forthwith after delivery thereof.

8. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a receivership order and/or bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (or other applicable legislation) in respect of Encore and any receivership order and/or bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of Encore;

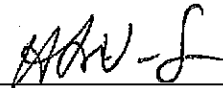
the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy or receiver that may be appointed in respect of Encore and shall not be void or voidable by creditors of Encore, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

9. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

10. **THIS COURT ORDERS** that Exhibit "G" of the Bloomberg Affidavit together with ~~Appendix D and~~ Appendix E of the Reporting Letter (as defined in the Bloomberg Affidavit) be extracted from the motion record, kept confidential, sealed and not form part of the public record in these proceedings until completion of the Transaction therein and filing of the Certificate for same.

AA-9

11. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

A handwritten signature in cursive script, appearing to read 'AW-J', is written above a horizontal line.

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## Schedule A

Court File No. 31-1543925

Estate No. 31-1543925

IN THE MATTER OF THE PROPOSAL OF  
ENCORE SALES  
A PARTNERSHIP CONTINUED PURSUANT TO  
THE LAWS OF THE PROVINCE OF ONTARIO  
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN  
IN THE PROVINCE OF ONTARIO

### CERTIFICATE

#### RECITALS

A. A. Farber & Partners Inc. was appointed as the proposal trustee of (the “**Proposal Trustee**”) of Encore Sales (“**Encore**”).

B. Pursuant to an Order of the Court dated [DATE], the Court approved the agreement of purchase and sale made as of September 19, 2011 (the “**Sale Agreement**”) between Encore and CTG Brands Inc. (the “**Purchaser**”) and provided for the vesting in the Purchaser of the Encore’s right, title and interest in and to the Purchased Assets as defined in the affidavit of Howard Bloomberg sworn September 28, 2011, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Proposal Trustee to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in the Sale Agreement have been satisfied or waived by Encore and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Proposal Trustee.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

**THE PROPOSAL TRUSTEE CERTIFIES** the following:

1. The Purchaser has paid and Encore has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;

2. The conditions to Closing as set out in the Sale Agreement have been satisfied or waived by Encore and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Proposal Trustee.
4. This Certificate was delivered by the Proposal Trustee at [TIME] on [DATE].

**A. Farber & Partners Inc., in its capacity as  
Proposal Trustee of the undertaking,  
property and assets of Encore Sales, and not  
in its personal capacity**

Per: \_\_\_\_\_

Name:

Title:



IN THE MATTER OF THE PROPOSAL OF  
ENCORE SALES  
A PARTNERSHIP CONTINUED PURSUANT TO THE LAWS OF THE PROVINCE OF ONTARIO  
WITH A HEAD OFFICE IN THE CITY OF VAUGHAN IN THE PROVINCE OF ONTARIO

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

Proceeding Commenced at Toronto

APPROVAL AND VESTING ORDER

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Lawyers for Encore Sales

LSUC# 45725E

# **Appendix 2**



**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR. ) WEDNESDAY, THE 5<sup>TH</sup> DAY  
)  
JUSTICE WILTON-SIEGEL ) OF OCTOBER, 2011

**IN THE MATTER OF THE PROPOSAL OF ENCORE SALES,  
A PARTNERSHIP CONTINUED PURSUANT TO THE LAWS OF  
THE PROVINCE OF ONTARIO WITH A HEAD OFFICE IN THE  
CITY OF VAUGHAN, IN THE PROVINCE OF ONTARIO**

**ORDER**

**THIS MOTION**, made by Encore Sales ("Encore") for an Order, *inter alia*:

1. abridging the time for service of Encore's Notice of Motion so that the motion is properly returnable on October 5, 2011;
2. authorizing Encore to continue to obtain and borrow, repay and re-borrow, additional monies under the Loan Agreements (as defined below) between Encore and Callidus Capital Corporation ("Callidus") and directing Encore to pay and perform all of its indebtedness to Callidus under the Loan Agreements and in accordance with the Blocked Account Agreement (as defined below);
3. approving the Professionals Charge (as defined below);
4. authorizing and directing A. Farber & Partners Inc., in its capacity as proposal trustee of Encore (the "Proposal Trustee"), to continue the process commenced by Encore with the

assistance of RSM Richter Corporate Finance Inc. ("**Richter**") for the sale of Encore's business and assets (the "**Sale Process**");

5. authorizing the Proposal Trustee to retain Richter, where appropriate, to assist the Proposal Trustee with the Sale Process;

6. sealing the Confidential Appendix to the First Report of the Proposal Trustee;

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

**ON READING** the First Report of the Proposal Trustee (the "**Report**"), and on reading the affidavit of Howard Bloomberg sworn September 28, 2011, <sup>(the "Bloomberg Affidavit")</sup> and on hearing the submissions of counsel for Encore, the Proposal Trustee and Callidus, no one appearing for any other person on the service list, although properly served as appears from the affidavit of Victoria Gifford sworn September 29, 2011 filed: WJ-S

#### **SERVICE**

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

#### **LOAN AGREEMENTS**

2. **THIS COURT ORDERS** that Encore is hereby authorized and empowered to continue to obtain and borrow, repay and re-borrow, additional monies under certain credit facilities granted to Encore by Callidus (the "**Loan Agreements**"), subject to and in accordance with a blocked account agreement between Encore, Callidus and Bank of Montreal dated August 11,

2009 (the "**Blocked Account Agreement**") on the terms and subject to the conditions set forth in the Loan Agreements and the Blocked Account Agreement or such other terms and conditions as Callidus and Encore shall agree.

3. **THIS COURT ORDERS** that Encore is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to Callidus under and pursuant to the Loan Agreements and in accordance with the Blocked Account Agreement when the same become due and are to be performed, notwithstanding any other provision of this Order, provided that Callidus shall reimburse Encore any monies received by Callidus which it may not have been entitled to pursuant to any liens, charges, security interests or other claims having priority over Callidus' security.

#### **PROFESSIONALS CHARGE**

4. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and Richter, for the work performed and services rendered at the request of the Proposal Trustee in connection with paragraph 6 of this Order, shall be paid their reasonable fees and disbursements in each case at their standard rates and charges, and that such parties and the Proposal Trustee's counsel shall be and hereby are entitled to a charge (the "**Professionals Charge**") to a maximum of \$500,000 on the assets, undertakings and property of Encore acquired for, or used in relation to, the business carried on by Encore, including all proceeds thereof (the "**Property**") as security for such fees and disbursements both before and after the making of this Order in respect of these proceedings and that the Professionals Charge shall form a charge on the Property with the priority provided for in this Order, but subject to subsections 14.06(7), 81.4(4) and 81.6(2) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended.

**SALE OF ENCORE'S PROPERTY**

5. **THIS COURT ORDERS** the Proposal Trustee is authorized and directed to continue the Sale Process.

6. **THIS COURT ORDERS** that the Proposal Trustee is authorized to retain Richter, where appropriate, to assist it in carrying out the Sale Process;

*and Appendix D to Exhibit F  
to the Bloomberg Affidavit*

7. **THIS COURT ORDERS** that the Confidential Appendix to the Report shall be sealed until the sale of Encore's property is completed or until further order of this Court.

*NAS*

*NAS*

IN THE MATTER OF THE PROPOSAL OF ENCORE SALES, A PARTNERSHIP CONTINUED PURSUANT TO THE LAWS OF  
THE PROVINCE OF ONTARIO WITH A HEAD OFFICE IN THE CITY OF VAUGHAN, IN THE PROVINCE OF ONTARIO

Court File No. 31-1643925

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceedings commenced at Toronto

**ORDER**

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**Lawyers for the Proposal Trustee**


# Appendix 3




Encore Sales Partnership  
 Weekly Cash Flow Projections - Week-Ending October 7 to November 25, 2011  
 October 6, 2011  
 (CAD)

	07-Oct-11	14-Oct-11	21-Oct-11	28-Oct-11	04-Nov-11	11-Nov-11	18-Nov-11	25-Nov-11
<b>Receipts</b>								
Collection of A/R and Future Sales	1,531,024	1,508,798	1,332,469	1,643,402	1,696,916	1,071,775	1,568,979	944,732
Other	140,252	138,216	122,063	168,868	455,449	98,182	143,729	86,544
<b>Total Receipts</b>	1,671,276	1,647,014	1,454,532	2,012,270	2,152,365	1,169,956	1,712,708	1,031,275
<b>Disbursements</b>								
Inventory Purchases	198,265	59,819	3,000	6,000	-	29,402	-	-
Occupancy and Warehouse costs	315,213	8,750	154,023	22,250	328,713	22,250	88,136	22,250
Delivery and Selling costs	231,304	273,956	254,664	117,246	223,270	229,956	96,195	44,232
Other Costs	148,408	78,567	123,509	30,164	124,854	61,617	32,941	19,372
Professional Fees	256,000	113,000	49,000	45,000	45,000	35,000	55,000	35,000
<b>Total Disbursements</b>	1,149,190	534,092	584,196	220,660	721,837	378,225	322,272	120,854
<b>Cash Flow before Interest</b>	522,085	1,112,922	870,337	1,791,610	1,430,528	791,731	1,390,436	910,421
<b>Opening Calixtus Facility A, C, Overadvance</b>	(11,058,850)	(10,536,765)	(9,423,843)	(8,553,506)	(6,761,896)	(5,441,323)	(4,649,591)	(3,259,155)
Cash Flow before Interest	522,085	1,112,922	870,337	1,791,610	1,430,528	791,731	1,390,436	910,421
Accrued Interest	-	-	-	-	(109,955)	-	-	-
<b>Closing Calixtus Facility A, C, Overadvance</b>	(10,536,765)	(9,423,843)	(8,553,506)	(6,761,896)	(5,441,323)	(4,649,591)	(3,259,155)	(2,348,734)

This Statement of Projected Cash Flow, prepared in accordance with s.50(6) and/or s.50.4(2) of the Bankruptcy and Insolvency Act, should be read in conjunction with the Trustee's report on the reasonableness of the cash flow statement.

AA Partner & Partners Inc.  
  
 Per: Paul Denton, CA CIP

Encore Sales Partnership  
  
 Per: Howard Bloomberg

ENCORE SALES

NOTES TO AND ASSUMPTIONS UNDERLYING THE STATEMENT OF PROJECTED  
CASH FLOW FOR THE WEEK-ENDING OCTOBER 7, 2011 TO THE WEEK-ENDING  
NOVEMBER 25, 2011

NOTES

Note 1: The purpose of the statement of projected cash flow for the week-ending October 7, 2011 to the week-ending November 25, 2011 is to comply with the provisions of the *Bankruptcy and Insolvency Act*.

HYPOTHETICAL ASSUMPTIONS

*An assumption that assumes a set of economic conditions or courses of action that are not necessarily the most probable in the insolvent person's judgment, but are consistent with the purpose of the cash-flow projection.*

None.

PROBABLE ASSUMPTIONS

*An assumption that the insolvent person believes reflects the most probable set of economic conditions and planned courses of action; they are suitably supported, consistent with the plans of the insolvent person and provide a reasonable basis for the cash-flow statement.*

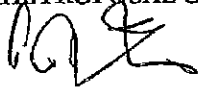
1. Sales projections are based on recent sales performance, customer orders in hand and management estimates.
2. Accounts receivable collections are based on recent historical performance and management's best estimates
3. Assumed that a transaction for the sale of certain Everyday business lines, as approved by the Court on October 5, 2011 closes on November 4, 2011. No other en bloc asset sales are assumed in these projections.
4. It is assumed that the majority of the ongoing provision of goods and services will be paid on a COD basis.
5. Payroll costs are included in each department. Payroll is forecast as paid bi-weekly, one week in arrears
6. HST payments are the net HST/GST/QST payable post NOI filing
7. Interest on the secured creditor facilities (Callidus Capital Corporation) assumed at a blended rate of: (i) Facility A of 14% and (ii) Facility C at 18%. The projected Callidus Loan position in the first week is based on projected receipts and disbursements for that week, however there are timing differences between funding from Callidus to actual payment of expenses by Encore Sales.
8. Estimated professional fees include those of the Proposal Trustee, its legal counsel, RSM Richters LLP, legal counsel to Encore Sales Blaney, McMurtry LLP and legal counsel for Callidus Capital Corporation, Aird & Berlis LLP.

9. Foreign exchange rate assumed for projection purposes to be at the rate of 1 CAD\$ = 1USD.

*This Statement of Projected Cash Flow of Encore Sales prepared in accordance with s.s. 50.4(2) and/or s.s. 50 (6) of the Bankruptcy and Insolvency Act should be read in conjunction with the Trustee's report on the reasonableness of the cash flow statement.*

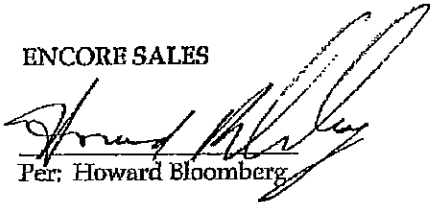
DATED AT TORONTO this 1<sup>st</sup> day of October, 2011.

A. FARBER & PARTNERS INC.  
IN ITS CAPACITY AS TRUSTEE IN RE  
THE PROPOSAL OF ENCORE SALES



Per: Paul Denton, CA, CIRP

ENCORE SALES



Per: Howard Bloomberg

IN THE MATTER OF THE PROPOSAL OF  
ENCORE SALES  
A PARTNERSHIP FORMED UNDER THE LAWS OF THE PROVINCE  
OF ONTARIO WITH A HEAD OFFICE  
IN THE CITY OF VAUGHAN IN THE PROVINCE OF ONTARIO

REPORT ON CASH-FLOW STATEMENT BY THE PERSON  
MAKING THE PROPOSAL

*(Paragraphs 50(6)(c) of the Bankruptcy and Insolvency Act)*

Encore Sales has developed the assumptions and prepared the attached Statement of Projected Cash Flow of the insolvent person, as of October 6, 2011, consisting of the Statement of Projected Cash Flow for the week-ending October 7, 2011 to November 25, 2011 and the Notes to and Assumptions Underlying the Statement of Projected Cash Flow.

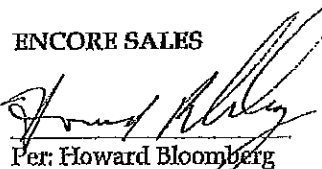
The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the Notes to and Assumptions Underlying the Statement of Projected Cash Flow.

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 Note 1, using a set of probable and hypothetical assumptions set out in the Notes to and Assumptions Underlying the Statement of Projected Cash Flow. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT VAUGHAN this 6<sup>th</sup> day of October, 2011.

ENCORE SALES

  
Per: Howard Bloomberg

IN THE MATTER OF THE PROPOSAL OF  
ENCORE SALES  
A PARTNERSHIP FORMED UNDER THE LAWS OF THE PROVINCE  
OF ONTARIO WITH A HEAD OFFICE  
IN THE CITY OF VAUGHAN IN THE PROVINCE OF ONTARIO

TRUSTEE'S REPORT ON CASH-FLOW STATEMENT  
*(Paragraph 50(6)(b) of the Bankruptcy and Insolvency Act)*

The attached Statement of Projected Cash Flow of Encore Sales as of October 6, 2011, consisting of the Statement of Projected Cash Flow for the week-ending October 7, 2011 to the week-ending November 25, 2011 and the Notes and Assumptions underlying the Statement of Projected Cash Flow, has been prepared by the insolvent person for the purpose described in Note 1, using the probable and hypothetical assumptions as set out in the Notes to and Assumptions Underlying the Statement of Projected Cash Flow.

The Trustee's review consisted of enquiries, analytical procedures and discussion related to information supplied to us by 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 for the probable assumptions and the 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.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

DATED AT TORONTO this 6<sup>th</sup> day of October, 2011.

A. FARBER & PARTNERS INC.  
IN ITS CAPACITY AS TRUSTEE IN RE  
THE PROPOSAL OF ENCORE SALES



Per: Paul Denton, CA, CIRP

# Appendix 4

# RSM Richter

October 21, 2011

Farber Financial Group  
150 York Street, Suite 1600  
Toronto, ON M5H 3S5

**Attention: Paul J. Denton**

RSM Richter Corporate Finance Inc.  
200 King St. W., Suite 1100, P.O. Box 48  
Toronto, ON M5H 3T4  
Tel: 416.932.8000 Fax: 416.932.6200  
www.rsmrichter.com

Direct dial: 416.932.6002  
E-mail: chutchinson@rsmrichter.com

Dear Sirs:

**Re: Encore Sales (the "Company" or "Encore")**

## 1. INTRODUCTION

RSM Richter Corporate Finance Inc. ("Richter" or "we") is writing this reporting letter ("Report") in its capacity as sales agent for the business and assets of the Company ("Assets") and pursuant to the court order dated October 5, 2011 approving the continuation of the Company's sales process. We previously reported on our efforts to sell the Assets in our letter to the Company dated September 27, 2011 ("First Reporting Letter").

In the First Reporting Letter we advised that seven prospective purchasers had submitted offers in varying degrees of formality and for various product lines of the Company by August 29, 2011. Discussions with prospective purchasers have continued since that date. The assets and goodwill associated with the "Stationary", "Kitchen" and "Pet" product lines have now been sold (subject to closing adjustments with respect to inventory).

### 1.1 Purposes of this Report

The purpose of this Report is to:

- a) Outline a proposed transaction ("Babies Line Transaction") for the sale of the Company's right, title and interest in certain assets to DeeJay Jewellery Inc. ("DeeJay") as described in Section 2; and
- b) Provide an update on progress related to other potential transactions.

### 1.2 Currency

All references to currency are in Canadian dollars unless otherwise noted.

## **2. BABIES LINE TRANSACTION**

Deejay is a synergistic buyer and is a competitor of Encore's.

The "Babies Choice" line ("Babies Line") represented approximately 1.5% of Encore's sales for the fiscal year ended November 30, 2010.

### **2.1 Deejay Offer**

Deejay submitted a non-binding offer for the Babies Line on August 29, 2011.

Richter, Encore and Deejay have been negotiating the terms of a firm offer since that time in order to maximize value and, among other things, ensure that:

- a) The deposit made by Encore with a supplier would be recovered; and
- b) Certain storage costs to be incurred by Encore relating to Babies Line inventory not yet received would be partially reimbursed by Deejay.

Deejay and the Company executed an offer ("Deejay Offer"), which is only subject to court approval, on October 18, 2011. The purchase price is approximately \$130,000. The Deejay Offer contemplates that Encore will continue selling its open orders that had been received prior to October 18, 2011, thus allowing Encore to continue earning gross margin on sales that had been made.

Salient terms of the Deejay Offer are provided in confidential Appendix "A" attached hereto.

## **3. SEASONAL BUSINESS**

No formal offers were received as of the August 29, 2011 bid deadline for the Company's entire seasonal business, which represents approximately \$20 million in annual sales; however, several parties subsequently expressed an interest in this business.

Two letters of intent ("LOI") have been submitted. The LOIs are subject to diligence and other conditions. The prospective purchasers are in the process of performing their diligence in order to submit binding offers with limited to no conditions. An offer deadline will be set forthwith after consultation with the Company and its principal stakeholders. The prospective purchasers have been advised that any offer resulting from the process will be subject to court approval.

## **4. OTHER BUSINESS LINES**

Discussions are ongoing amongst Encore, Richter and certain prospective purchasers for the sale of other "everyday goods" product lines. Richter will report further should one or more offers materialize from those discussions.



**5. RECOMMENDATION**

Richter recommends that Encore accept the DeeJay Offer as:

- a) The DeeJay Offer is the highest and best offer for the Babies Line assets as a whole and is commercially reasonable;
- b) The market was canvassed and prospective purchasers had a reasonable period of time to participate;
- c) The proposal trustee was kept apprised of the sale process;
- d) Callidus Capital Corporation, Encore's senior secured creditor, and Encore's related-party secured creditors ("Related Creditors") were consulted and advised throughout the sale process. Callidus and the Related Creditors approve of the sale to DeeJay;
- e) The proceeds from DeeJay will pay down a portion of the Company's indebtedness to Callidus; and
- f) The consideration of the DeeJay Offer is greater than the book value of the assets subject to the DeeJay Offer.

Yours very truly,

**RSM RICHTER CORPORATE FINANCE INC.**



Chris Hutchinson

CH:cb

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# Appendix 5

Encore Sales  
 Weekly Cash Flow Projections - Week-Ending October 21 to December 16, 2011  
 October 19, 2011  
 (CAD)

	21-Oct-11	28-Oct-11	04-Nov-11	11-Nov-11	18-Nov-11	25-Nov-11	02-Dec-11	09-Dec-11	16-Dec-11
<b>Receipts</b>									
Collection of A/R and Future Sales	832,469	1,343,402	1,596,916	971,775	1,668,979	1,044,732	884,179	609,637	890,586
Collection of HST and other receipts	76,260	123,065	446,288	89,021	152,890	95,704	80,997	55,847	81,840
<b>Total Receipts</b>	<b>908,729</b>	<b>1,466,467</b>	<b>2,043,204</b>	<b>1,060,796</b>	<b>1,821,869</b>	<b>1,140,436</b>	<b>965,176</b>	<b>665,484</b>	<b>975,226</b>
<b>Disbursements</b>									
Inventory Purchases	3,000	6,000	-	29,402	-	-	-	-	-
Occupancy and Warehouse costs	154,023	22,250	328,713	22,250	88,136	22,250	240,576	-	-
Delivery and Selling costs	254,664	117,246	223,270	229,956	96,195	44,232	104,314	109,828	40,625
HST and Other costs	123,509	30,164	124,854	61,617	82,941	19,372	461,100	23,512	14,516
Professional Fees	49,000	45,000	45,000	35,000	55,000	35,000	20,000	20,000	20,000
<b>Total Disbursements</b>	<b>584,196</b>	<b>220,660</b>	<b>721,837</b>	<b>379,225</b>	<b>322,772</b>	<b>120,854</b>	<b>825,991</b>	<b>153,341</b>	<b>75,141</b>
<b>Cash Flow before Interest</b>	<b>324,533</b>	<b>1,245,807</b>	<b>1,321,367</b>	<b>682,571</b>	<b>1,499,597</b>	<b>1,019,582</b>	<b>139,185</b>	<b>512,143</b>	<b>900,085</b>

This Statement of Projected Cash Flow, prepared in accordance with s.s.50(6) and/or s.s.50.4(2) of the Bankruptcy and Insolvency Act, should be read in conjunction with the Trustee's report on the reasonableness of the cash flow statement.

Farber & Partners Inc.

Encore Sales  
  
 Per: Howard Bloomberg

Per: Paul Denton, CA, CFP

Estate No. 31-1543925

**ENCORE SALES****NOTES TO AND ASSUMPTIONS UNDERLYING THE STATEMENT OF PROJECTED  
CASH FLOW FOR THE WEEK-ENDING OCTOBER 21, 2011 TO THE WEEK-ENDING  
DECEMBER 16, 2011****NOTES**

Note 1: The purpose of the statement of projected cash flow for the week-ending October 21, 2011 to the week-ending December 16, 2011 is to comply with the provisions of the *Bankruptcy and Insolvency Act*.

**HYPOTHETICAL ASSUMPTIONS**

*An assumption that assumes a set of economic conditions or courses of action that are not necessarily the most probable in the insolvent person's judgment, but are consistent with the purpose of the cash-flow projection.*

None.

**PROBABLE ASSUMPTIONS**

*An assumption that the insolvent person believes reflects the most probable set of economic conditions and planned courses of action; they are suitably supported, consistent with the plans of the insolvent person and provide a reasonable basis for the cash-flow statement.*

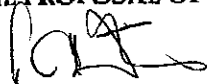
1. Sales projections are based on recent sales performance, customer orders in hand and management estimates.
2. Accounts receivable collections are based on recent historical performance and management's best estimates
3. Other than the sale to CTG Brands Inc., no other en bloc asset sales are assumed in these projections. Note that an asset purchase agreement dated October 18, 2011 has been entered into with DeeJay Jewellery Inc., but it has not yet closed and the effect of this transaction on projected cash flows is not expected to be material.
4. It is assumed that the majority of the ongoing provision of goods and services will be paid on a COD basis.
5. Payroll costs are included in each department. Payroll is forecast as paid bi-weekly, one week in arrears.
6. HST payments are the net HST/GST/QST payable post NOI filing.
7. Interest on the secured creditor facilities (Callidus Capital Corporation) assumed at a blended rate of: (i) Facility A of 14% and (ii) Facility C at 18%. The projected Callidus Loan position in the first week is based on projected receipts and disbursements for that week, however there are timing differences between funding from Callidus to actual payment of expenses by Encore Sales.
8. Estimated professional fees include those of the Proposal Trustee, its legal counsel, RSM Richters LLP, legal counsel to Encore Sales at Blaney, McMurtry LLP and legal counsel for

- 9. Callidus Capital Corporation at Aird & Berlis LLP.  
Foreign exchange rate assumed for projection purposes to be at the rate of 1 CAD = 1 USD.

*This Statement of Projected Cash Flow of Encore Sales prepared in accordance with s.s. 50.4(2) and/or s.s. 50 (6) of the Bankruptcy and Insolvency Act should be read in conjunction with the Trustee's report on the reasonableness of the cash flow statement.*

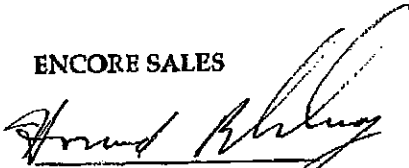
DATED AT TORONTO this 21<sup>st</sup> day of October, 2011.

**A. FARBER & PARTNERS INC.  
IN ITS CAPACITY AS TRUSTEE IN RE  
THE PROPOSAL OF ENCORE SALES**



Per: Paul Denton, CA, CIRP

**ENCORE SALES**



Per: Howard Bloomberg

Estate No. 31-1543925

IN THE MATTER OF THE PROPOSAL OF  
ENCORE SALES  
A PARTNERSHIP FORMED UNDER THE LAWS OF THE PROVINCE  
OF ONTARIO WITH A HEAD OFFICE  
IN THE CITY OF VAUGHAN IN THE PROVINCE OF ONTARIO

TRUSTEE'S REPORT ON CASH-FLOW STATEMENT  
(Paragraph 50(6)(b) of the Bankruptcy and Insolvency Act)

The attached Statement of Projected Cash Flow of Encore Sales as of October 19, 2011, consisting of the Statement of Projected Cash Flow for the week-ending October 21, 2011 to the week-ending December 16, 2011 and the Notes and Assumptions underlying the Statement of Projected Cash Flow, has been prepared by the insolvent person for the purpose described in Note 1, using the probable and hypothetical assumptions as set out in the Notes to and Assumptions Underlying the Statement of Projected Cash Flow.

The Trustee's review consisted of enquiries, analytical procedures and discussion related to information supplied to us by 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 for the probable assumptions and the 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.

The projection has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

DATED AT TORONTO this 21<sup>st</sup> day of October, 2011.

A. FARBER & PARTNERS INC.  
IN ITS CAPACITY AS TRUSTEE IN RE  
THE PROPOSAL OF ENCORE SALES

  
Per: Paul Denton, CA, CIRP

Estate No. 31-1543925

IN THE MATTER OF THE PROPOSAL OF  
ENCORE SALES  
A PARTNERSHIP FORMED UNDER THE LAWS OF THE PROVINCE  
OF ONTARIO WITH A HEAD OFFICE  
IN THE CITY OF VAUGHAN IN THE PROVINCE OF ONTARIO  
REPORT ON CASH-FLOW STATEMENT BY THE PERSON  
MAKING THE PROPOSAL

*(Paragraphs 50(6)(c) of the Bankruptcy and Insolvency Act)*

Encore Sales has developed the assumptions and prepared the attached Statement of Projected Cash Flow of the insolvent person, as of October 19, 2011, consisting of the Statement of Projected Cash Flow for the week-ending October 21, 2011 to December 16, 2011 and the Notes to and Assumptions Underlying the Statement of Projected Cash Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, 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 to and Assumptions Underlying the Statement of Projected Cash Flow.

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 Note 1, using a set of probable and hypothetical assumptions set out in the Notes to and Assumptions Underlying the Statement of Projected Cash Flow. Consequently, readers are cautioned that it may not be appropriate for other purposes.

DATED AT VAUGHAN this 21<sup>st</sup> day of October, 2011.

ENCORE SALES



Per: Howard Bloomberg