

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL OF
FT ENE CANADA INC.,
OF THE CITY OF BRANTFORD,
IN THE PROVINCE OF ONTARIO

FOURTH REPORT TO THE COURT SUBMITTED BY MNP LTD.,
IN ITS CAPACITY AS TRUSTEE *IN RE* THE PROPOSAL
OF FT ENE CANADA INC.

June 21, 2019

I. INTRODUCTION

1. On February 27, 2019, FT EnE Canada Inc. (the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**” or “**BIA Proceedings**”) pursuant to Section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), wherein MNP Ltd. (“**MNP**”) was named as proposal trustee (the “**Proposal Trustee**”) of the Company. A copy of the NOI is attached hereto and marked as **Appendix “A”**.
2. On March 22, 2019, the Company filed a Notice of Motion and a Motion Record returnable March 28, 2019, seeking, among other things, a Court Order extending the time within which the Company had to file a proposal. The Proposal Trustee served its first report, dated March 26, 2019 (the “**First Report**”). A copy of the First Report, without exhibits, is attached hereto and marked as **Appendix “B”**.
3. On March 28, 2019, the Court issued an Order (the “**First Extension Order**”) and endorsement that, *inter alia*:

- a. Extended the time for filing a proposal to and including May 10, 2019;
- b. Approved the sale and investment solicitation process as more particularly described in the First Report and Exhibit “D” attached thereto (the “SISP”);
- c. Granted a charge on (the “**Administrative Charge**”) all the property, assets and undertakings of the Company as security for the fees and disbursements of the Administrative Parties (as such term is defined in the First Report) and ranking in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, but subordinate to the security interests of Royal Bank of Canada (the “RBC”); and
- d. Approved the activities of the Proposal Trustee as set out in the First Report.

Copies of the First Extension Order and endorsement issued on March 28, 2019 are attached hereto as **Appendix “C”**.

4. On April 30, 2019, the Company filed a Notice of Motion and a Motion Record returnable May 3, 2019, seeking, among other things, a Court Order extending the time within which the Company had to file a proposal. The Proposal Trustee served its second report, dated May 2, 2019 (the “**Second Report**”) on same date. A copy of the Second Report, without exhibits, is attached hereto and marked as **Appendix “D”**.
5. On May 3, 2019, the Court issued an Order (the “**Second Extension Order**”) and endorsement that, *inter alia*:
 - a. Extended the time for filing a proposal to and including June 24, 2019 (the “**Second Extension Deadline**”);
 - b. Approved the activities of the Proposal Trustee as set out in the Second Report;
 - c. Approved the fees and disbursements of the Proposal Trustee and its legal counsel as set out in the Second Report; and
 - d. Sealing the confidential appendices that provided the confidential information memorandum prepared for the SISP and the letters of intent (“LOIs”) received under the SISP.

Copies of the Second Extension Order and endorsement issued on May 3, 2019 are attached hereto as **Appendix “E”**.

6. On May 14, 2019, the Proposal Trustee’s legal counsel, Pallett Valo LLP (“**PV**”) was contacted by Michael Nowina of Baker & McKenzie LLP (“**B&M**”) to advise that his firm was being retained by Finetex EnE Inc., the Company’s parent company in the Republic of Korea (“**FTEI**”).
7. On May 21, 2019 counsel for the Company, RBC, the Proposal Trustee and FTEI attended a 9:30 court appearance to apprise the Honourable Mr. Justice Penny of FTEI’s planned motion seeking, among other things, a Court Order to stay the SISP and remove the Company’s Management (the “**FTEI Motion**”), as well as to change a scheduled hearing date requested by the Company from June 3, 2019 to June 7, 2019 in order to allow FTEI time to file and serve materials in connection with its planned motion.
8. On May 29, 2019, the Company filed a Notice of Motion and a Motion Record returnable June 7, 2019, seeking, among other things, a Court Order approving the Agreement of Purchase and Sale dated May 15, 2019 (the “**APS**”) entered into between the Company and Edwards Protech Ltd. (“**Edwards Protech**”). Edwards Protech subsequently advised that it wanted to take title in the name of its assignee, 1411334 Ontario Inc. (Edwards Protech and 1411334 Ontario Inc. are hereinafter referred to as the “**Purchaser**”).
9. On June 4, 2019, FTEI filed the FTEI Motion including a Notice of Motion and a Motion Record returnable June 7, 2019, seeking, among other things, a Court Order:
 - a. Replacing Jong Chul Park (“**JC Park**”) as a director of the Company;
 - b. Removing Blaney McMurtry LLP (“**Blaney**”) as solicitor of record for the Company;
 - c. Staying the SISP; and
 - d. Appointing an interim receiver of the Company pursuant to section 47.1 of the BIA.

10. On June 6, 2019 counsel for the Company, RBC, the Proposal Trustee and FTEI attended a 9:30 court appearance, during which B&M advised that FTEI would no longer be seeking an order staying the SISP.
11. The Proposal Trustee served its third report, dated June 6, 2019 (the “**Third Report**”) on the same date. A copy of the Third Report, without exhibits, is attached hereto and marked as **Appendix “F”**.
12. On June 7, 2019 the Court issued an approval and vesting order (the “**Approval and Vesting Order**”), *inter alia*:
 - a. Approving the APS;
 - b. Vesting the Company’s right, title and interest in and to the assets sold pursuant to the APS in the Purchaser, subject to the delivery of a Trustee’s certificate (the “**Trustee’s Certificate**”) certifying that:
 - i. The purchaser has paid, and the Company has received the Purchase Price for the Purchased Assets payable on the Closing Date (terms as defined in the APS);
 - ii. The conditions to Closing, as defined in the APS, have been satisfied or waived by the Company and the Purchaser; and
 - iii. The transaction has been completed to the satisfaction of the Proposal Trustee.

A copy of the Approval and Vesting Order is attached hereto as **Appendix “G”**.

13. On June 7, 2019 the Court further issued a corollary relief order (the “**Corollary Relief Order**”), *inter alia*:
 - a. Authorizing and directing the Company to make a distribution to RBC up to the Company’s indebtedness owing to RBC;
 - b. Authorizing and directing the Company to pay to the Proposal Trustee a total sum of \$224,000 (the “**Reserve**”) to cover potential amounts payable to employees under Subsection 65.13(8) of the BIA and the Proposal Trustee’s and its counsel’s fees and disbursements;

- c. Approving the Third Report and the actions and activities of the Proposal Trustee described therein; and
- d. Sealing the confidential appendices described below until the Proposal Trustee has completed the sale transaction with the Purchaser (the “**Transaction**”).

A copy of the Corollary Relief Order is attached hereto as **Appendix “H”**.

14. Additionally, on June 7, 2019 the Honourable Mr. Justice Penny issued an endorsement¹ regarding the FTEI Motion (the “**Adjournment Endorsement**”) that, *inter alia*:
- a. Adjourned the FTEI Motion to June 24, 2019;
 - b. Prohibited the destruction of any evidence, electronic or otherwise by anyone pending the return of the FTEI Motion; and
 - c. Directed the Company to direct BDO Canada to prepare and make available to FTEI, the Proposal Trustee, and on the return of the motion, to the Court, a report regarding the 2017 fiscal year re-audit of the Company (the “**BDO Report**”).

A copy of the Adjournment Endorsement is attached hereto as **Appendix “I”**.

15. On June 18, 2019, the Company served its Motion Record in connection with it seeking an order, *inter alia*, extending of the time for filing a proposal with the Official Receiver to and including August 7, 2019 (the “**Third Extension Deadline**”).
16. On June 19, 2019, the Company served its responding factum in respect of the FTEI Motion.
17. Information regarding the proceedings has been posted to the Proposal Trustee’s website at <https://mnpdebt.ca/en/corporate/Engagements/ft-ene-canada-inc>.

II. RESTRICTIONS

18. In preparing this Report and making the comments herein, the Proposal Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial

¹ FTEI sought to convert the endorsement to an order, but at the time of writing this Report, no order yet had been issued by the Court.

information, the Company's books and records, the affidavit of Yoonjun Park, sworn on March 22, 2019, the affidavit of Yoonjun Park, sworn on April 29, 2019 (the "**April Park Affidavit**"), the affidavit of Yoonjun Park, sworn on May 27, 2019, the affidavit of Yoonjun Park, sworn on June 18, 2019, discussions with employees and management of the Company and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards of the Chartered Professional Accountants of Canada.

19. The Proposal Trustee also bases its report on the Company's cash flow projections and underlying assumptions and notes that its review and commentary thereon were performed in accordance with the requirements set out in the Canadian Association of Insolvency and Restructuring Professionals' Standards of professional Practice No. 99-5 (Trustee's Report on Cash Flow Statement). Certain of the information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by Chartered Professional Accountants Canada, has not been performed. Future oriented financial information referred to in this report was prepared based on estimates and assumptions provided by the Company's management. Readers are cautioned that, since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, and such variations could be material.

III. PURPOSE OF THIS REPORT

20. The purpose of this Report is to, *inter alia*:

- a. Provide information to the Court with respect to the administration of the Company's BIA proceedings, including:
 - i. Report on the Company's cash flows, including providing commentary on the significant variances between the actual results and those projected since the Third Report (for the period from June 1, 2019 to June 14, 2019);

- ii. The Proposal Trustee's observations in respect of the Company's Extended and Updated Cash Flow Projections (as such term is later defined below);
 - iii. An update on the status of the Transaction; and
 - iv. Provide information in respect of the Company's request for an extension of time to file a proposal.
- b. Provide the Court with the Proposal Trustee's recommendations for an Order(s), *inter alia*:
- i. Approving the extension of the time for filing a proposal with the Official Receiver to the Third Extension Deadline;
 - ii. Approving the activities of the Proposal Trustee and legal counsel, PV, as set out in this Report; and
 - iii. Approving the professional fees and disbursements of the Proposal Trustee and PV.

IV. BACKGROUND INFORMATION

21. The Company is a Canadian corporation carrying on business from owned premises in Brantford, Ontario. The Company is a wholly owned subsidiary corporation of FTEI. The Company produces nanofibers and nanofiber coated filter media for the global industrial filtration market through a proprietary electrospinning process. The Company employs 18 people and operates out of its approximately 37,000 square-foot production facility located at 14 Sharp Rd, Brantford, Ontario (the "**Real Property**").
22. Prior to the NOI filing, the Company listed the Real Property for sale through Collier Macaulay Nicolls Inc.
23. FTEI's shares were publicly traded on the Korean Securities Dealers Automated Quotations (KOSDAQ) but were delisted on April 26, 2019. As reported and described in greater detail in the April Park Affidavit, FTEI filed for a form of insolvency protection on February 27, 2019 in the Republic of Korea.

24. The Company felt that there was reasonable concern that without the filing of the NOI, the Company could lose its ability to act independently from FTEI and may otherwise have been drawn into the insolvency filings of FTEI, to the detriment of the Company and therefore its creditors. FTEI is shown to be the largest creditor (unsecured) in the Company's proposal proceeding, representing approximately 76% of the Company's total liabilities as noted on the Company's list of creditors attached to the NOI (Form 33). As no proposal has yet been filed, no proofs of claim have been filed to date with the Trustee by the creditors.

25. RBC is the Company's banker and operating lender, providing credit facilities and an operating line of credit with a credit limit of \$2MM. At the date of filing, as noted on the Company's list of creditors attached to the NOI (Form 33), RBC represented approximately 23% of the Company's total liabilities.

V. CASH FLOW PROJECTIONS

Historical Cash Flows – Up to June 14, 2019

26. To date, the Company has provided the Proposal Trustee with its full co-operation and access to its premises, books and records for the purpose of monitoring the Company's business and financial affairs.

27. In accordance with the provisions of the BIA, on March 8, 2019, the Company's cash flow projections and related assumptions for the period from February 28, 2019 to May 31, 2019, together with reports of management and the Proposal Trustee on the cash flow projections (the "**Cash Flow Projections**") were filed with the Official Receiver (the "**OR**"). A copy of the Cash Flow Projections and related reports was attached as Appendix "D" to the Second Report.

28. As noted in the Second Report, the Company showed positive Net Operating Cash Flows of \$558,813.57 and a positive actual variance of \$475,507.82 as compared to the projected figure for the monitored period from March 2, 2019 to April 26, 2019. Details and commentary on the projected to actual results for the monitored period from March

2, 2019 to April 26, 2019 was reported by the Proposal Trustee in paragraphs 17 and 18 of the Second Report.

29. On April 30, 2019, the Company and the Proposal Trustee filed with the OR an updated statement of weekly projected cash flows to update and extend the cash flow projections through to June 28, 2019. It was subsequently determined that material revisions to certain assumptions to the projections was required, and as such an amended updated statement of weekly projected cash flow was prepared and filed with the OR on May 1, 2019 (the “**Amended Updated Cash Flow Projections**”). A copy of the Amended Updated Cash Flow Projections was attached as Appendix “E” to the Second Report.
30. As noted in the Third Report, the Company showed negative Net Operating Cash Flows of \$439,734.44, and a negative actual variance of \$102,095.71 as compared to the projected figures for the period from April 27, 2019 to May 31, 2019. This negative variance was attributable primarily to a \$183,560.79 negative variance associated with the lower Collection of A/R. Further details and commentary on the projected to actual results for the period from April 27, 2019 to May 31, 2019 was reported by the Proposal Trustee in paragraph 24 of the Third Report.
31. A summary of the Company’s actual receipts and disbursements as compared to those presented in the Amended Updated Cash Flow Projections for the monitored period from June 1, 2019 to June 14, 2019 (the “**Reporting Period**”) are as follows:

	June 1, 2019 to June 14, 2019				
	(Projected)	(Actual)	(Variance \$)	(Variance %)	
Receipts					
Collection of A/R	992,307.00	536,911.62	(455,395.38)	-46%	▲
SIMA Refund	-	-	-	0%	▬
HST Refunds	-	-	-	0%	▬
Other	-	-	-	0%	▬
Total Receipts	992,307.00	536,911.62	(455,395.38)	-46%	▼
Disbursements					
Payroll (Net)	32,500.00	34,867.59	(2,367.59)	-7%	▼
Source Deductions (EI/ CPP/Taxes)	23,113.94	26,210.39	(3,096.45)	-13%	▼
Material Purchases	106,000.00	130,604.10	(24,604.10)	-23%	▲
Property Insurance	720.80	720.30	0.50	0%	▲
Utilities	-	4,807.52	(4,807.52)	0%	▼
Administration Expenses	2,000.00	4,558.69	(2,558.69)	-128%	▼
Travel	6,250.00	1,320.00	4,930.00	79%	▲
Banking Charges and Interest	-	1,163.83	(1,163.83)	0%	▼
Property Tax	-	-	-	0%	▬
Vehicles	1,500.00	1,786.24	(286.24)	-19%	▼
Repairs, Maintenance and Supplies	6,750.00	8,194.28	(1,444.28)	-21%	▼
Logistics	44,833.50	14,752.29	30,081.21	67%	▲
Professional Fees	10,000.00	92,991.68	(82,991.68)	-830%	▼
Contingency	12,500.00	-	12,500.00	100%	▲
Total Disbursements	246,168.24	321,976.90	(75,808.66)	-30.80%	▼
Net Operating Cash Flows	746,138.76	214,934.71	(531,204.05)	71%	▼

32. As noted above, the Company had positive Net Operating Cash Flows of \$214,934.71 as compared to the projected positive Net Operating Cash Flows of \$746,138.76 (a negative variance of \$531,204.05) for the Reporting Period. The following is commentary with respect to material variances in the Amended Updated Cash Flow Projections for the Reporting Period as noted above:

- a. Receivable Collections – The negative variance of \$455,395.38 can be attributed primarily to a delay (per customer request) in production and shipment of product for parts of a very large order (approximately \$367,000 – was originally scheduled for collection by June 14, 2019 but is now expected not to be shipped until June 24 with collection by August 6, 2019). Additionally, approximately \$89,000 in accounts receivables that were projected to be collected in the Reporting Period but were not collected during the Reporting Period; management is not aware of any issues associated with these accounts that would impair the collectability of these accounts.

- b. Material Purchases – The negative variance (\$24,604.10) is the partial reversal of the timing difference/positive variance (\$85,315.94) noted in the Third Report (paragraph 24(c)).
 - c. Utilities – The negative variance (\$4,807.52) is the reversal of the timing difference/positive variance (\$3,596.39).
 - d. Travel – The positive variance (\$4,930.00) offsets in part of the negative variance (\$10,794.00) noted in the Third Report, however, there additional travel costs associated with May 2019 that were incurred on the Company’s credit card which will not be paid and not reflected in the cash flows until the week ending June 21, 2019.
 - e. Logistics – The positive variance (\$30,081.21) is primarily attributable to a timing difference associated with *Special Import Measures Act* (“SIMA”) charges (approximately \$25,000) paid by a carrier but have not been invoiced to the Company; therefore it has not been paid or reflected in the actual cash flow figures.
 - f. Professional Fees – The projected for Professional Fees figure is based on \$5,000 per week in connection with the restructuring. The actual figure relates to a payment of \$92,991.68 made for the professional fees and disbursements of the Company’s legal counsel. Additionally, this offsets the timing difference/positive variance (\$25,000) noted in the Third Report (paragraph 24(g)).
 - g. Contingency Expense – The projected Contingency Expense figure is based on estimate of \$25,000 per month allocated evenly over the month. No amounts were spent under this category in the Reporting Period.
33. Overall, the Company’s actual net operating cash flows (receipts and disbursements) for the total monitored period from March 2, 2019 to June 14, 2019 are as follows:

Receipts	
Collection of A/R	\$ 2,249,348.46
SIMA Refund	-
HST Refunds	-
Other	508.51
Total Receipts	2,249,856.97
Disbursements	
Payroll (Net)	254,962.63
Source Deductions (EI/CPP/Taxes)	92,872.38
Material Purchases	1,020,238.52
Property Insurance	2,881.20
Utilities	24,423.25
Administration Expenses	25,626.72
Travel	63,059.97
Banking Charges and Interest	27,693.75
Property Tax	14,696.59
Vehicles	5,025.76
Repairs, Maintenance and Supplies	56,285.05
Logistics	149,445.91
Professional Fees	92,991.68
Contingency	85,639.73
Total Disbursements	1,915,843.14
Net Operating Cash Flows	\$ 334,013.84

34. As shown above, the Company has overall achieved positive Net Operating Cash Flows of \$334,013.84 for the total monitored period of March 2, 2019 to June 14, 2019 (an increase of \$214,934.71 since last reported in the Third Report).
35. As of June 14, 2019, the Company's operating line facility at RBC reduced from approximately \$1.889MM (as at March 1, 2019) to approximately \$1.686MM or by approximately \$202,600 excluding accrued interest and expenses.
36. The Company has continued to remain current with all its remittances to Canada Revenue Agency ("CRA") in connection with source deductions and Harmonized Sales Tax ("HST"). However, as reported in the Second Report (paragraphs 38 to 40), the Company has not yet filed its 2017 corporate tax returns, which has resulted in refunds associated with HST and the SIMA being withheld by CRA.

Future Cash Flows – From June 15, 2019 to August 9, 2019

37. The Company, with the assistance of the Proposal Trustee, has prepared a revised statement of weekly projected cash flows, dated June 21, 2019 to update and extend the cash flow projections through to August 9, 2019 (the “**Extended/Updated Cash Flow Projections**”), a copy of which is attached as **Appendix “J”** to this Report.
38. Based on the Extended/Updated Cash Flow Projections, the Company appears to have sufficient resources to continue operations through the Third Extension Deadline.
39. It is noted that the Extended/Updated Cash Flow Projections considers the financial impact of the APS approved by the Approval and Vesting Order, which has not yet closed as at the time of writing this Report², as well as the repayment of the Company’s indebtedness to RBC.
40. Based on the Proposal Trustee’s review of the Extended/Updated Cash Flow Projections, there are no material assumptions which seem unreasonable in the Company’s circumstances or are inconsistent. The Extended/Updated Cash Flow Projections are based on assumptions that are consistent with the assumptions used in the Cash Flow Projections and the Amended Updated Cash Flow Projections, other than:
- a. Assumptions that have been revised to better reflect the timing of disbursements;
 - b. Taking into consideration the actual results to date; and
 - c. Assumptions related to the sale of the Real Property and the costs associated with renting of the premises;
 - d. Assumptions related to the repayment of indebtedness owing to RBC, including its expenses, as well as the associated disbursements to establish new banking arrangements and credit cards (i.e. provision of cash collateral to support credit card facility); and
 - e. Taking into consideration the payment of the cumulative professional fees incurred in connection with this restructuring proceeding.

² The APS is scheduled to close on June 21, 2019.

41. Management's and the Proposal Trustee's reports on the Extended/Updated Cash Flow Projections, as required by Subsection 50.4(2) of the BIA are attached hereto and marked as **Appendix "K"**.

42. A copy of the Extended/Updated Cash Flow Projections, together with the reports of management and the Proposal Trustee on the Extended/Updated Cash Flow Projections were filed with the Office of the Superintendent of Bankruptcy.

VI. CLOSING OF THE APS

43. As noted earlier in this Report, on June 7, 2019 the Court issued the Approval and Vesting Order that approved the APS between the Company and the Purchaser. The Approval and Vesting Order vested the Company's right, title and interest in and to the assets sold pursuant to the APS in the Purchaser, subject to the delivery of the Trustee's Certificate.

44. The scheduled closing date deadline, as per the APS, is June 21, 2019. As per discussions with the Purchaser, the closing date has been set as June 21, 2019 (the **"Closing Date"**).

45. As at the time of writing this Report, the Transaction had not yet closed. Accordingly, the Court will be updated on the status of the Transaction when the Stay Extension Motion is heard on June 24, 2019.

VII. OTHER ACTIVITIES

46. In connection with the contemplated closing of the Transaction and the expected paydown of the indebtedness to RBC (the **"Paydown"**), the Proposal Trustee has been working with the Company and its counsel on the following:

- a. The finalization of the closing documents and coordination of deliverables to be provided on closing of the Transaction;
- b. Coordination with the Company's counsel and the Purchaser's real estate broker on finalizing a leaseback arrangement with the Purchaser, as contemplated under the APS (the **"Leaseback"**);

- c. With the contemplated Paydown to RBC by the Company, RBC has advised that it is its normal practice to close all accounts, including the Company's bank accounts following the payout. The Proposal Trustee has had discussions with RBC and its counsel, at the Company's request, in order to seek RBC's agreement to allow the Company's bank accounts (both a Canadian Dollar chequing account and a US Dollar chequing accounts) to remain open until the July 31, 2019, to facilitate the orderly redirection of electronic payments (i.e. direct deposit/wire transfer) from the Company's customers; and
 - d. The opening of new bank accounts (a Canadian Dollar chequing account and a US Dollar chequing account) at another financial institution, as well as securing a new credit card facility following cancellation of credit facilities by RBC.
47. The Proposal Trustee understands that on June 20, 2019, counsel to RBC provided a form of paydown letter to counsel to the Company. As at the time of writing of this Report, the form of paydown letter was still under consideration by the Company and its counsel.
48. On June 18, 2019, the leased 2018 Volkswagen Tiguan (*Personal Property Security Act* (Ontario) registration by VW Credit Canada Inc. – See paragraph 18 of the First Report) was returned to the Brantford Volkswagen dealership. The Proposal Trustee has reviewed the return with the view of determining if there was any potential equity in the vehicle and has determined that there would be minimal equity, once you take into consideration selling costs.

VIII. FTEI MOTION

49. As per the Adjournment Endorsement, the FTEI Motion was adjourned to June 24, 2019.
50. Since June 7, 2019, counsel for the Company and FTEI have been in discussions, on a without prejudice basis, regarding a possible resolution of the FTEI Motion. To that end, the Proposal Trustee and its counsel have been involved in the discussions with counsel to the Company and FTEI.
51. As at the time of writing this Report, the Proposal Trustee has been advised that the parties have not reached a resolution.

52. If the Court is inclined to grant FTEI's Motion and remove management and JC Park as a director, and appoint an alternate director, then the Proposal Trustee believes, based on its experience with the Company and business generally, some reasonable transition period is required for the following reasons:

- a. To transition relationships with customers, suppliers and employees to the new management;
- b. To facilitate and manage the orderly redirection of electronic payments (i.e. direct deposit/wire transfer) from the Company's customers from the RBC bank accounts to the new bank accounts opened at another financial institution following the Paydown to RBC;
- c. To change the banking authorities and signatories to the new management, as currently such are under JC Park's and/or Yoonjun Park's name;
- d. To introduce and commence steps to familiarize the current employees with the new management and possible changes to the Company's culture and operating practices;
- e. To allow FTEI to acquire any necessary work permits or other requirements for the new management; and
- f. To give the new management sufficient time to better understand the Company's business, its operations and any outstanding matters; thereby mitigating possible disruptions to the Company's business due to a lack a familiarity with the processes, practices and procedures that are currently in place.

IX. REQUEST FOR AN EXTENSION OF TIME FOR FILING A PROPOSAL

53. The current Second Extension Deadline (as such term was defined in the Second Report) is set to expire at midnight on June 24, 2019 and the Third Extension Deadline contemplates an extension of the stay of proceedings and the date for the filing of a proposal for a further forty-five (45) days, to and including August 7, 2019.

54. Notwithstanding that the Transaction is scheduled to close prior to this stay extension motion being heard, the Proposal Trustee supports the Company's request for an

extension to provide it with additional time, if necessary, to ensure that the Transaction is completed successfully, that RBC receives the Paydown and cancels the Company's credit facilities at RBC, and so that it may fully comply with the Corollary Relief Order. Additionally, should the Court grant FTEI's Motion and the relief sought to change the Company's management, the extension will provide the necessary additional time to facilitate the orderly transition of the management; once the transition is complete, the Company will then be in a better position to formulate and file a viable proposal for the benefit of its creditors.

55. The Proposal Trustee has also considered that:

- a. The Company has acted, and continues to act, in good faith and with due diligence in its operations, the SISP and dealings with its stakeholders;
- b. The extension should not materially adversely affect or prejudice the creditors;
- c. The Company is projected to have sufficient funds to pay post-filing services and suppliers in the amounts contemplated in the Second Updated Cash Flow Projections; and
- d. The extension of the time to file a proposal to the Third Extension Deadline allows the Company time to engage FTEI in the proposal process, which could result in greater recoveries than in a liquidation within a bankruptcy scenario. Failure to obtain an extension of the stay period beyond June 24, 2019 will result in the Company's deemed bankruptcy, triggering:
 - i. The immediate termination of the existing employees and higher claims (S. 81.3 of the BIA and Wage Earner Protection Program);
 - ii. The cessation of operations, thereby limiting the prospect of realizing upon the remaining property and business of the Company as a going-concern; and
 - iii. The potential early disclaimer of the contemplated Leaseback signed in good faith with the Purchaser.

X. PROFESSIONAL FEES

56. MNP's statements of account as Proposal Trustee for the period from April 1, 2019 to May 31, 2019 total \$94,037.13 (inclusive of HST). The affidavit of Matthew Lem sworn June 21, 2019 as to the fees of the Proposal Trustee is attached hereto as **Appendix "L"**.

57. PV's statements of account for the period from April 30, 2019 to June 18, 2019 total \$38,124.51 (inclusive of HST). The affidavit of Giovanni Russo sworn June 18, 2019 as to the fees and disbursements of PV in its capacity as legal counsel to the Proposal Trustee is attached hereto as **Appendix "M"**.

58. The Proposal Trustee is of the view that PV's accounts are reasonable in the circumstances and respectfully requests this Court approve its fees and disbursements and those of its legal counsel as described above. Subject to Court approval, these fees and disbursements will be drawn in part from the portion of the Reserve for the Proposal Trustee's fee and the fees of the Proposal Trustee's counsel following the closing of the sale to the Purchaser.

XI. RECOMMENDATION

59. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief detailed in paragraph 20(b) of this Report.

All of which is respectfully submitted on this 21st day of June 2019.

MNP LTD.,
in its capacity as Trustee *in re*
the Proposal of FT EnE Canada Inc.
Per:



Matthew E. Lem, CIRP
Licensed Insolvency Trustee