

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

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

**(Returnable September 18, 2019)**

SEPTEMBER 10, 2019

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
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**IN THE MATTER OF THE PROPOSAL OF  
FT ENE CANADA INC.,  
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# TAB 1

**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**

**NOTICE OF MOTION  
(Returnable September 18, 2019)**

**MNP LTD.**, the trustee in the proposal (in such capacity, the “**Proposal Trustee**”) of FT ENE CANADA INC., (the “**Company**”), will make a motion to the Ontario Superior Court of Justice (Commercial List), on **Wednesday, September 18, 2019 at 2:15 p.m.**, or as soon thereafter as the motion can be heard, at the Courthouse located at 330 University Avenue, Toronto, Ontario.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

1. **THE MOTION IS FOR** an Order substantially in the form attached hereto as **Schedule “A”**, *inter alia*,
  - (a) Abridging the time for service of the Notice of Motion and Motion Record, if necessary, and declaring that this motion is properly returnable on Wednesday, September 18, 2019, and dispensing with further service thereof;
  - (b) Approving the Amended Proposal of the Company (the “**Amended Proposal**”) and the release of officers and directors contained therein;
  - (c) approving the Report of Trustee on the Amended Proposal dated September 6, 2019 (the “**Report**”) and the activities of the Proposal Trustee as more particularly described

in the Report and the payment of the fees and disbursements of the Proposal Trustee and its counsel in the ordinary course subject to final taxation; and

(d) such further and other relief as this Court deems just and/or equitable.

2. **THE GROUNDS FOR THE MOTION ARE:**

(a) On February 27, 2018, the Company filed a Notice of Intention to Make a Proposal under section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “BIA”);

(b) After receiving extensions of the stay period as described in the Report on August 2, 2019 the Debtors lodged with the Proposal Trustee a proposal (which was subsequently amended to form the Amended Proposal), which was filed with the Official Receiver on August 2, 2019;

(c) On August 13, 2019, the Proposal Trustee gave notice to the Company, the Superintendent of Bankruptcy, and to every known creditor affected by the Amended Proposal of the calling of a meeting of creditors to consider the Amended Proposal to be held on August 23, 2019;

(d) On August 23, 2018, the meeting of the unsecured creditors of the Company was held and presided over the by the Proposal Trustee, and was adjourned to August 29, 2019;

(e) At the reconvened meeting of creditors, the Amended Proposal was accepted by the requisite majorities in number and in value of the unsecured creditors entitled to vote at the meeting of creditors of the Company;

(f) The Amended Proposal provides for the priority of the payments required to be made under s.60 of the BIA;

(g) The terms of the Amended Proposal are reasonable, with the caveat expressed by the Proposal Trustee in the Report regarding the inclusion of the 95-101 Release (as defined in the Report) in the Amended Proposal;

- (h) The terms of the Amended Proposal are calculated to benefit the general body of creditors of the Company;
- (i) It is expected that creditors of the Company will derive a greater benefit under the terms of the Amended Proposal than would be realized from a bankruptcy and a forced liquidation of the assets of the Company;
- (j) The Amended Proposal provides for a distribution to the creditors of the Company that exceeds the dividend that would otherwise be available from the bankruptcy of the Company;
- (k) The Proposal Trustee is of the view that the Amended Proposal is advantageous to the unsecured creditors of the Company, as it will provide for recovery in full for the unrelated creditors of the Company, which would not otherwise be available in a bankruptcy;
- (l) On August 30, 2019, the Proposal Trustee caused to be sent to the Superintendent of Bankruptcy, to the Company, and to every creditor of the Company who has filed a Proof of Claim, a notice of the time and place of the hearing of the application to the Court to approve the Amended Proposal;
- (m) On September 6, 2019, the Proposal Trustee forwarded a copy of the Report to the Superintendent of Bankruptcy;

#### **General**

- (n) The relief sought is appropriate in the circumstances;
- (o) All statutory requirements for the approval of the Amended Proposal have been met;
- (p) The provisions of the BIA and this Court's equitable and statutory jurisdiction thereunder;
- (q) Rules 1.04, 2.03, 3.02, 16, 37 and 40 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and

(r) such further and other grounds as counsel may advise and this Court may permit.

3. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the Motion:

- (a) The Report of Trustee on Proposal dated September 6, 2019; and
- (b) Such further material as counsel may advise and this Court may permit.

DATE: September 10, 2019

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(As of September 10, 2019)

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Court File No. 32-2480036  
Estate File No. 32-2480036

IN THE MATTER OF THE PROPOSAL FT ENE CANADA INC.

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**  
  
**(PROCEEDING COMMENCED AT TORONTO)**

**NOTICE OF MOTION**  
**(Returnable September 18, 2019)**

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# TAB 2

District of Ontario  
Division No. 07 – Hamilton  
Court File No. BK-19-02480036-0032  
Estate File No. 32-2480036

*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**

**REPORT OF TRUSTEE ON PROPOSAL**

We, **MNP Ltd.** (“**MNP**”), the proposal trustee (the “**Proposal Trustee**”) of FT EnE Canada Inc. (the “**Company**”), hereby report to the Court as follows:

1. That on the 27<sup>th</sup> day of February 2019, the Company lodged with the Proposal Trustee a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to S. 50.4 of the *Bankruptcy and Insolvency Act* (the “**Act**”) and that MNP consented to act as Proposal Trustee. The NOI was filed with the Official Receiver on that same date. Copies of the NOI, the Proposal Trustee’s Consent to Act and the Certificate of Filing of NOI are attached as **Exhibits “A”, “B” and “C”**, respectively.
2. The Company is a Canadian corporation carrying on business from now leased premises in Brantford, Ontario. The Company is a wholly owned subsidiary corporation of Finetex EnE Inc. (“**FTEI**”), a company domiciled in the Republic of Korea. The Company produces nanofibers and nanofiber coated filter media for the global industrial filtration market through a proprietary electrospinning process.
3. On March 22, 2019, the Company served a Motion returnable March 28, 2019, seeking a Court Order extending the time within which the Company had to file a proposal, for which motion the Proposal Trustee served its first report, dated March 26, 2019 (the “**First Report**”), attached (without appendices) as **Exhibit “D”**.
4. On March 28, 2019, the Court issued an Order and endorsement (the “**First Extension Order**”), attached as **Exhibit “E”** and endorsement that, inter alia Extended the time for filing a proposal to and including May 10, 2019, approved the sale and investment solicitation process described in the First Report (the “**SISP**”), granted a charge (the “**Administrative Charge**”) on 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 charges but subordinate to the security interests of Royal Bank of Canada (“**RBC**”) and approving the activities of the Proposal Trustee as set out in the First Report.

5. On April 30, 2019, the Company served a Motion 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**”) attached (without appendices) as **Exhibit “F”**.
6. On May 3, 2019, the Court issued an Order (the “**Second Extension Order**”) and endorsement attached hereto as **Exhibit “G”** that, inter alia, extended the time for filing a proposal to and including June 24, 2019 and approved the activities and fees and disbursements of the Proposal Trustee as set out in the Second Report.
7. 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**”).
8. On May 29, 2019, the Company served a Motion returnable June 7, 2019, seeking, among other things, a Court Order approving an Agreement of Purchase and Sale dated May 15, 2019 (the “**APS**”) and obtaining an Approval and Vesting Order to sell the real property, 14 Sharp Rd, Brantford, Ontario (the “**Real Property**”) to the purchaser identified in accordance with the SISP.
9. On June 4, 2019, FTEI filed a motion (the “**FTEI Motion**”) returnable June 7, 2019, seeking, among other things, an 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 Act.
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. On June 6, 2019 the Proposal Trustee served its third report supporting the approval of the APS and the obtaining of the Approval and Vesting Order (the “**Third Report**”) attached (without appendices) hereto as **Exhibit “H”**.
12. On June 7, 2019 the Court issued an approval and vesting order (the “**Approval and Vesting Order**”) attached hereto as **Exhibit “I”** as well as a corollary relief order (the “**Corollary Relief Order**”) attached as **Exhibit “J”**:
  - 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 Act 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**”).
13. Additionally, on June 7, 2019 Justice Penny issued an endorsement regarding the FTEI Motion (the “**Adjournment Endorsement**”) attached at **Exhibit “K”** 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 LLP 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**”).
14. 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**”) and also served materials opposing the relief sought in the FTEI Motion.
15. The Proposal Trustee filed its Fourth Report to the Court (the “**Fourth Report**”) attached (without appendices) hereto as **Exhibit “L”** in response to the Company’s motion and FTEI Motion, and in support of the Company’s request for an extension of the stay period to August 7, 2019.
16. Penny J., in his June 27th endorsement (attached hereto as **Exhibit “M”**) rejected the relief requested in the FTEI Motion, and granted an extension to the stay of proceedings to August 7, 2019. However, Justice Penny also ordered an information provision protocol between the Company and FTEI, with the Proposal Trustee as an information conduit. If the parties could not arrive at an appropriate information provision protocol, they were to obtain a case conference appointment with Penny, J.
17. The Company and FTEI were unable to arrive at an appropriate protocol and terms of a non-disclosure agreement, and consequently at a 9:30 Court appointment on July 22, 2019 Conway, J. scheduled a case conference on September 26, 2019 before Penny, J. to deal with these issues.
18. That a proposal was lodged with the Proposal Trustee on the 2<sup>nd</sup> day of August 2019 (the “**Proposal**”) and electronically filed with the Official Receiver on the same date, a copy of which is attached and marked as **Exhibit “N”**. Attached as **Exhibit “O”** is the Certificate of Filing a Proposal issued by the Office of the Superintendent of Bankruptcy (“**OSB**”).
19. On the 5<sup>th</sup> day of August 2019, and presumably in part as a consequence of the outcome of the FTEI Motion, FTEI advised that it had conducted a special meeting of the sole shareholder of the Company, being FTEI (the “**Special Meeting**”) where it was resolved that, *inter alia*:
  - a. JC Park be removed as a director of the Company;
  - b. Three (3) persons be confirmed as new directors of the Company; and

- c. All previously authorized bank signatories be removed and replaced with a new designated person.

Attached and marked as **Exhibit "P"** to this report, are copies of the minutes and resolutions resulting from the Special Meeting.

20. In response to the Special Meeting, on August 6, 2019, Blaneys, counsel to the Company, wrote to B&M and advised that it was the Company's position that the Special Meeting was improperly held and constituted and the resolutions resulting therefrom "are of no force and effect." A copy of Blaney's letter to B&M dated August 6, 2019 is attached hereto as **Exhibit "Q"** to this report.
21. That on the 13<sup>th</sup> day of August 2019, the Proposal Trustee gave notice to the Company, and to every known creditor of the Company affected by the Proposal, whose names and addresses are shown in the Affidavit of Service attached as **Exhibit "R"** to this report, of the calling of a meeting of creditors to be held on the 23<sup>rd</sup> day of August 2019 (the "**Meeting**") to consider the Proposal (the "**Notice**").
22. That with the Notice was included a statement of the assets and liabilities of the Company ("**SOA**"), a list of the creditors affected by the Proposal showing the amount of their claims, a copy of the Proposal, a form of a proof of claim and proxy in blank and a voting letter. Copies of the Notice and the SOA are attached and marked as **Exhibits "S" and "T"**, respectively, to this report.
23. That prior to the Meeting, the Proposal Trustee made a detailed and careful inquiry into the liabilities of the Company, the Assets and their value, the Company's conduct and the causes of the Company's insolvency.
24. Prior to the Meeting, the Proposal Trustee and its counsel held meetings with FTEI and its counsel, the Company and its counsel, and counsel for JC Park in an attempt to narrow the points of disagreement between the parties regarding the terms of the Proposal as filed, notwithstanding that each side questioned the legitimacy of the other side as the properly constituted management of the Company as a result of the resolutions passed at the Special Meeting.
25. As this was the Proposal of the Company, and not its management, and all party's including JC Park and the new directors purportedly appointed by FTEI had fiduciary obligations to the Company, as well as duties that needed to be fulfilled under the provisions of the Act, it was the view of the Proposal Trustee that, notwithstanding the uniqueness of having two different management groups claiming to control the Company while it is undergoing proposal proceedings under the Act, common ground could be jointly achieved to formulate a viable Proposal that could deal with the claims of unrelated creditors and preserve the enterprise value of the Company and the jobs of its employees.
26. At the outset of these consultations, the Proposal Trustee and its counsel advised all parties that it was the view of the Proposal Trustee that FTEI, being the 100% shareholder of the Company, and having held the Special Meeting where directors were purportedly removed and new ones were appointed, was "related" to the Company within the meaning of S. 4 of the Act.

27. The consequences of this finding were that under the provisions of S. 54(3) of the Act FTEI could not vote in favour of a proposal filed by the Company- only against. Also as “related” parties are deemed not to act at arms-length under the provisions of S. 4(5) of the Act, that on any vote where the Chairperson was of the opinion that the outcome of the vote was determined by FTEI’s votes, under the provisions of S. 109(6) of the Act those FTEI votes could be disregarded as the votes of a non-arm’s length party, unless the inclusion of the vote was sustained at a further Court hearing.
28. As a result of these discussions with the Proposal Trustee and its counsel, both FTEI and the Company circulated proposed amendments to the terms of the Proposal prior to the scheduled date for the Meeting.
29. There was a quorum at the Meeting. The Meeting was chaired by Matthew Lem of MNP. The Proposal Trustee held valid proxies to the Proposal Trustee from the unrelated creditors, Gerri Electric Wholesale Ltd., and Waste Connections of Canada Inc. Given the proposed amendments, the Chairperson of the Meeting sought, and a motion was carried to temporarily adjourn the meeting in order for such amendments to be discussed, with the goal of arriving at some form of negotiated agreement with FTEI on the amendments to the Proposal. After lengthy discussions lasting to the end of the working day on August 23<sup>rd</sup>, no final agreement had been reached, although significant progress had been made, and so the Proposal Trustee recommended that a further adjournment was appropriate in order to:
  - a. Allow the Company to assemble and circulate the proposed amendments to the Proposal (the “**Proposed Amendments**”) that were discussed prior to and at the date of the Meeting; and
  - b. Allow time for FTEI to review the Proposed Amendments and obtain instructions regarding the Proposed Amendments from its directing mind in Korea during the adjournment period.

The Meeting was adjourned to 8:30 AM on August 29, 2019 (the “**Reconvened Meeting**”). A copy of the minutes to the Meeting are attached and marked as **Exhibit “U”** to this Report.

30. There was a quorum at the Reconvened Meeting. The Reconvened Meeting was chaired by Matthew Lem of MNP. Given the proposed amendments that had been circulated the day before, the Chairperson of the Reconvened Meeting sought, and a motion was carried to temporarily adjourn the meeting in order for such amendments to be discussed, again with the goal of finalizing a negotiated agreement on the Proposed Amendments.
31. Following discussions and negotiations with FTEI during the adjournment of the Reconvened Meeting, the Company amended its proposal (the “**Amended Proposal**”) to include, *inter alia*, the following amendments:
  - Modifications and additions to the Definitions in section 1.1;
  - Removal of the Related Party Postponement section (formerly section 3.5);
  - Additional clarification language to the Claims Against Directors or Deemed Director section (formerly section 3.6, now section 3.5);
  - Modifications to Article 6 – Distribution of Proceeds to accelerate the timing for the funding to be paid to the Trustee and then the distribution to the creditors;

- Reduction in the amount of the Proposal Fund (as such term is defined in the Proposal and Amended Proposal) from \$300,000 to \$150,000 in order to reduce the immediate working capital and cash flow drain on the Company (which is discussed in further detail below); and
- Additions to the Conditions Precedent to the Proposal Implementation in section 7.4 to address operational transition issues and effectively deal with a change in the management from JC Park to the FTEI nominated management.

The specific changes are outlined in the legal blackline version of the Amended Proposal, as compared to the original Proposal attached and marked as **Exhibit “V”** to this report.

32. Notwithstanding the amendments made, as noted above, FTEI objected to the inclusion of the release of claims under S. 95 to S. 101 of the Act and the reduction of the Proposal Fund from \$300,000 to \$150,000. These issues are the only two remaining points of disagreement between the competing management parties.
33. Further to the Proposal Trustee’s review of the Company’s conduct and FTEI’s objection associated with the release of claims under S. 95 to S. 101 of the Act, the Proposal Trustee has an obligation to comment on the appropriateness of the terms of the Amend Proposal that relate to the provisions that stipulate that S. 95 to S.101 of the Act will not apply in the Amended Proposal, as is permitted under the provisions of S.101.1 of the Act (the “**95-101 Release**”). To assess the appropriateness of the inclusion of this provision, the Proposal Trustee commenced a limited review of the Company’s banking records over the past five (5) years to identify potential preferences and transactions at undervalue, and in particular with respect to related parties. Based on the Proposal Trustee’s review, the following issues were identified:
  - a. There were a number of transactions (cheques, transfers, cash withdrawals), including some with related parties, which the Proposal Trustee, at the time of writing this report, had not had the opportunity to sufficiently review in detail with the Company, in order to obtain explanations and/or supporting documentation to allow the Proposal Trustee to conclude the propriety of the transactions; and
  - b. There were a few months of missing bank statements that could not be located by the Company, at the time of writing this report, which impaired the Proposal Trustee’s ability to complete its review.

Accordingly, given the current limitations of our review, the Proposal Trustee cannot at the time of writing this report, support the inclusion in the Amended Proposal of the 95-101 Release.

34. Regarding the issue of the reduction of the Proposal Fund, it was the Proposal Trustee’s original impression that the intention of the proposal was for FTEI to postpone and essentially not participate in any dividend distribution if a proposal was successfully completed. However, following discussions with FTEI during the adjournments of the Meeting and Reconvened Meetings it became uncertain whether FTEI would postpone or would look to the \$300,000 Proposal Fund. The reduction to the Proposal Fund amendment came about as a result of the Proposal Trustee’s cash-flow concerns that it expressed to the Company, based on its knowledge of the projected cash flows and the working capital needs of the Company.

35. The only known creditor impacted by this amendment is FTEI, as all the other creditors will be paid in full of their indebtedness notwithstanding this change. The Proposal Trustee is uncertain how this amendment financially prejudices FTEI, given that as sole shareholder, FTEI will be the beneficial owner of all the remaining cash in the Company once the Amended Proposal is successfully completed; unless FTEI is intending to repatriate cash to Korea through the means of the payments made under the Amended Proposal.
36. One feature of this proposal is that under the provisions of section 3.4 of the Amended Proposal, Ordinary Creditors with claims under \$15,000 as recorded on the books and records of the Company are deemed to be "Convenience Creditors" and have their claims accepted in full upon the Trustee reviewing their claims with management, whether or not they file proofs of claim. The small number of Ordinary Creditors and the small amount of their claims make this both practical and fair to ensure that they will be paid in full and no small creditor is left out because they have not filed a proof of claim. Also these Convenience Creditors are deemed to have voted FOR the proposal.
37. Another key feature of the Proposal is that under the provisions of section 6.1 of the Amended Proposal, the Company must pay to the Proposal Trustee by September 9, 2019 all payments of Administrative Fees and Expenses, all distributions that must be made to the Preferred Creditors as required under the provisions of s.60(1) of the Act, and the Proposal Fund of \$150,000.
38. As of the date of this report, the Company has adhered to the terms of Amended Proposal in providing the following:
  - a. Funding of the \$50,000 retainer (under section 6.1(a) of the Amended Proposal) within ten (10) days of Creditor Approval;
  - b. Funding of the distributions to Preferred Creditors (under section 6.1(b) of the Amended Proposal) within ten (10) days of Creditor Approval;
  - c. Financial information on current operations to FTEI by September 4, 2019 (under section 7.4(d) of the Amended Proposal) through a data room established by the Proposal Trustee; and
  - d. JC Park's resignation of his position(s) with the Company to the Proposal Trustee by September 4, 2019, to be held in escrow pending Court Approval (under section 7.4(e) of the Amended Proposal).
39. As a result, as of the Court Approval date, the Proposal Trustee will have all of the necessary funds payable to Creditors under the Amended Proposal in its possession, so that the Amended Proposal may be implemented, and the Convenience Creditors paid in full expeditiously after Court Approval.
40. The Reconvened Meeting was reconvened, and the Amended Proposal was then voted on by the creditors as detailed below.

	FOR <sup>1</sup>	%	AGAINST <sup>2</sup>	%
Number of creditors	3	100.00%	0	0.00%
Dollar value	\$2,149.17	100.00%	\$0.00	0.00%

<sup>1</sup> – The number of creditors and dollar value of claims FOR the Amended Proposal shown above represents only those creditors’ who filed proofs of claims and provided voting letters and/or proxies given to MNP. The above figures exclude the eleven (11) creditors with deemed proven claims totaling \$39,687.89 which are deemed under the provisions of section 3.4 of the Amended Proposal to have had their claims under \$15,000 accepted in full and to have voted FOR the Amended Proposal.

<sup>2</sup> – The number of creditors and dollar value of claims AGAINST the Amended Proposal shown above, does not include the claim and vote AGAINST made by FTEI, which was valued at \$3,549,150.00 (US\$2,700,000) for voting purposes only. Consistent with the position presented to the parties by the Proposal Trustee, pursuant to S. 109(6) of the Act and as it was the Chairperson’s opinion that the outcome of the vote would be determined by the vote of FTEI, a party deemed not to have acted at arms-length in the preceding one (1) year (from the date of the initial bankruptcy event), FTEI’s vote would be excluded and the vote redetermined. This opinion was arrived at based on the fact that FTEI is the 100% shareholder of the Company, and therefore “related” under the provisions of S.4(2) and (5) of the Act, which deems the Company and FTEI not to be dealing with each other at arms-length.

Based on the above re-determined vote, the Amend Proposal was accepted by the creditors (“**Creditor Approval**”) with requisite majority in number of creditors and 2/3 in value of the claim of such creditors in person, by proxy or by voting letter. The minutes of the Reconvened Meeting are attached and marked as **Exhibit “W”** to this report.

41. That on August 30, 2019, the Proposal Trustee sent Notice of Hearing of Application for Court Approval (the “**Court Approval Notice**”), together with the Amended Proposal, to those creditors that had filed claims and those with “deemed” proven claims under the provisions of section 3.4 of the Amended Proposal. The Proposal Trustee also served a copy of the Court Approval Notice on CRA. A copy of the Proposal Trustee’s affidavit of service, the Court Approval Notice, and the Amended Proposal are attached as **Exhibit “X”**.
42. The Proposal Trustee is of the opinion that:
  - a. The Assets and their fair realizable value, as listed on the SOA, are as follows:

Asset Category	Estimated Realizable Value as per the SOA
Inventory	\$ 100,000
Account receivables	368,149
Cash	387,522
Machinery, equipment and plant	1,000,000
Real property <sup>1</sup>	NIL
Vehicles	500
Other <sup>2</sup>	336,000
<b>TOTAL</b>	<b>\$ 1,824,022.00</b>

<sup>1</sup> – At the time of the NOI filing, the Company owned the Real Property. Following the completion of the SISP and pursuant to an Approval and Vesting Order, dated June 7, 2019, the Real

Property was sold to an unrelated third party, with net proceeds used primarily to fully repay the Company's secured indebtedness to RBC

<sup>2</sup> – This asset category includes anticipated tax refunds, monies held as cash collateral by RBC (was returned on September 4, 2019) and monies held in trust by MNP and Blaneys.

Based on the SOA and a *Personal Property Security Act (Ontario)* search conducted (file currency date: August 11, 2019), RBC was shown to have a registered security interest in the above assets. As of the date of this report, RBC was in the process of discharging its security registration. One overall benefit of the entirety of the Company's proposal process was the avoidance of a Receivership by RBC that preserved asset value for all parties, including the ordinary unsecured creditors, the employees and FTEI as shareholder.

- b. the liabilities of the Company are as follows, as per the SOA and creditor claims filed as at September 3, 2019:

Creditor Category	As per the SOA	Claims Filed <sup>1</sup> as at September 3, 2019
Secured <sup>2</sup>	\$36,001.00	NIL
Preferred	NIL	NIL
Unsecured <sup>3</sup>	\$46,430.43	\$7,548,566.26
Contingent <sup>4</sup>	\$1.00	NIL

<sup>1</sup> – Represents the amount claimed as filed and neither represents the amount proven or deemed proven under the Amended Proposal, nor accepted for voting purposes, for distribution or otherwise.

<sup>2</sup> – The \$36,000.00 of the figure on the SOA represents to the estimated maximum unpaid wage claim under S. 81.3 of the Act for employees and secured by funds held in trust by the Proposal Trustee in connection with S. 65.13(8) of the Act. The balance of \$1.00 is a notional amount for RBC, as at the time it had not yet discharged its security.

<sup>3</sup> – Included in this figure is the claim of FTEI. FTEI's claim was shown on the SOA at \$1.00, the claim amount as filed is \$7,546,417.09 (US\$5,740,903.07) and the amount accepted for voting purposes only was \$3,549,150.00 (US\$2,700,000). The discrepancy in the amount claimed and the amount accepted for voting purposes is due to there being a dispute and uncertainty as to true quantum on both FTEI's and the Company's part. The \$3,549,150 (US\$2,700,000) figure accepted by the Chairperson for voting purposes only was based on documents/information received by the Proposal Trustee from both parties that evidenced a loan of such amount.

<sup>4</sup> - The \$1.00 of the figure on the SOA represents is a notional amount for CRA in connection with any possible deemed trust claim.

43. The Proposal Trustee also of the opinion that:

- a. the causes of the Company's insolvency are as follows:
- FTEI was the Company's largest creditor and filed for a form of insolvency protection on February 27, 2019 in the Republic of Korea;
  - At the time of the NOI filing, RBC was a secured creditor (owed approximately \$1.863 million) and there was uncertainty surrounding how RBC would react to FTEI's filing;
  - The combined possible claims of RBC and FTEI at the time of the filing of the NOI far exceeded the realizable value of the assets of the Company.; and

- The Company was of the view 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 trade creditors.
- b. The conduct of the debtor is not subject to censure.
  - c. The following facts, mentioned in Section 173 of the Act, may be proved against the debtors:
    - Not applicable and consequently the provisions regarding security for payment under S .59(3) of the Act are inapplicable.
44. The Amended Proposal includes all statutory terms that must be included in a proposal. The Amended Proposal provides for:
- a. The payment of Preferred Claims in priority to the claims of Ordinary Creditors including Crown Claims under the provisions of 224(1.2) of the *Income Tax Act* and similar legislation (S. 60(1) of the Act);
  - b. The payment of Administrative Fees and Expenses (S. 60(1) of the Act);
  - c. Through the Reserve maintained by the Trustee, the payment of possible employee claims in accordance with S. 60(1.3)(a) of the Act; and
  - d. The payment to the Proposal Trustee of all money payable under the Amended Proposal (S. 60(2) of the Act).
45. The Proposal Trustee submits that the Amended Proposal satisfies the test set out under s. 59(2) of the Act and should be approved as:
- a. The Amended Proposal is being made in good faith;
  - b. Is calculated to benefit the general body of creditors of the Company as the Amended Proposal provides for a complete recovery for the known Ordinary Creditors, which are all Convenience Creditors, other than FTEI;
  - c. The terms of the Amended Proposal, subject to the Proposal Trustees comments dealing with the 95-101 Release, are reasonable and are recommended by the Proposal Trustee.
  - d. The Amended Proposal has been approved by the majority of voting creditors of the Company, deemed or by proxy, and capable of voting in favour of the Amended Proposal.
46. The Proposal Trustee recommends that the Amended Proposal be approved, as it is an advantageous for the creditors for the following reasons:
- a. It contemplates a higher and more certain distribution for unsecured creditors than a bankruptcy, based on the total estimated claims;
  - b. It provides for the continued employment of the Company's current fifteen (15) employees;
  - c. It preserves a continuing customer for trade creditors and other suppliers; and



- d. The fulfillment of the conditions to the Amended Proposal allows for the orderly transition and return of control of the Company to FTEI and ends this management uncertainty for the Company, its suppliers and employees.

47. That we forwarded a copy of this Report to the Official Receiver on this day.

Dated at Toronto, Ontario, the 6<sup>th</sup> day of September 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

# Exhibit "A"

District of Ontario  
Division No. 07 – Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

**IN THE MATTER OF THE PROPOSALS OF  
FT ENE CANADA INC.  
of the City of Brantford, in the Province of Ontario**

**NOTICE TO CREDITORS OF NOTICE OF INTENTION TO MAKE A PROPOSAL FILING**

**To the Creditors of FT EnE Canada Inc. (the “Company”)**

Please take notice that on February 27, 2019, the Company filed a Notice of Intention to Make a Proposal (the “NOI”) pursuant to Section 50.4(1) of Part III, Division I of the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”) and MNP Ltd. (“MNP”) was appointed as the proposal trustee (the “Trustee”) in these proposal proceedings.

Please find enclosed the following:

1. The Notice of Intention to Make a Proposal (Form 33), dated February 27, 2019 (Filed February 27, 2019);
2. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims (the “**Creditor Listing**”);
3. The consent of the MNP to act as trustee in these proposal proceedings; and
4. The Certificate of Filing of a Notice of Intention to Make a Proposal, issued by Industry Canada - Office of the Superintendent of Bankruptcy Canada on February 28, 2019.

Suppliers and other service providers should contact their normal representative of the Company with respect to the terms of payment for goods and/or services that are to be provided to the Company going forward (after February 27, 2019).

Pursuant to Section 50.4(8) of the BIA, the Company has thirty (30) days, unless such time period is extended by the Court, to file a proposal with the Trustee. During these proposal proceedings there is a stay of proceedings, and as such:

- no person may terminate or amend any agreement with the Company, or claim an accelerated payment, or a forfeiture of the term, under any agreement with the Company, by reason only that the company is insolvent or by reason of the filing of the NOI, pursuant to Section 65.1(1) of the BIA; and
- no creditor has any remedy against any of the Company or its property or shall commence or continue any action, execution, or other proceedings against the Company without leave of the Court, pursuant to Section 69(1) of the BIA.

We recognize the amounts reflected as being due to you on the Creditor Listing may vary from your records. However, at this time the Trustee is neither looking to receive nor are creditors required to file a proof of claim in connection with their claim and these proposal proceedings. At a later date and once a proposal has been filed by the Company, the Trustee will provide you with further information regarding these proposal proceedings, including the date for the meeting of creditors to consider the proposal and a proof of claim form, so that you may then submit and prove your claim.

If you have any questions concerning the foregoing or require any additional information, please contact Angela Liu at 647-775-1777 or by email at [angela.liu@mnp.ca](mailto:angela.liu@mnp.ca).

Dated at Toronto, Ontario this 5<sup>th</sup> day of March 2019.

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

A handwritten signature in black ink, appearing to read 'M. Lem', is written over a horizontal line.

Matthew Lem, CIRP, LIT  
Senior Vice President

Encl.

District of:  
Division No. -  
Court No.  
Estate No.

- FORM 33 -  
Notice of Intention To Make a Proposal  
(Subsection 50.4(1) of the Act)

In the matter of the proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

Take notice that:

1. We, FT ENE CANADA INC., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. MNP LTD. of 300 - 111 Richmond Street West, Toronto, ON, M5H 2G4, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Toronto in the Province of Ontario, this 27th day of February 2019.



FT ENE CANADA INC.  
Insolvent Person

To be completed by Official Receiver:

\_\_\_\_\_  
Filing Date

\_\_\_\_\_  
Official Receiver

District of:  
 Division No. -  
 Court No.  
 Estate No.

- FORM 33 -  
 Notice of Intention To Make a Proposal  
 (Subsection 50.4(1) of the Act)

In the matter of the proposal of  
 FT ENE CANADA INC.  
 of the City of Brantford  
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
BDO Canada LLP	505 Park Rd N #1 Brantford ON N3R 7K8		5,000.00
Bell	P.O.Box 9000, STN Don Mills North York ON M3C 2X7		320.37
County of Brant	26 Park Ave. P.O. Box 249 Burford ON N0E 1A0		29,393.59
CR Strapping Inc	PO Box 23042, 35 Airport Road Brantford ON N3T 6K4		725.82
Filtration Technologies International.	105 Shenandoah Street Clarksville TN 37043 USA		8,304.28
FT EnE Inc	23-1, Hyoryeong-ro, Seocho-gu Seoul Seoul 137 819 South Korea		6,052,162.47
Gerrie Electric Wholesale Ltd	4104 South Service Road Burlington ON L7L 4X5		735.86
Home Depot Credit Services	P.O. Box 675 STATION D Scarborough ON M1R 5T4		1,160.70
Hub International	2265 Upper Middle Road East, 7th Floor OAKVILLE ON L6H 0G5		4,198.60
IBC Computers	196 King George Road Brantford ON N3R 5L3		3,335.88
Imperial Oil	PO Box 1700 Don Mills ON M3C 4J4		462.33
Kings Wood Products	30 Curtis Ave N Paris ON N3L 3V3		3,135.75
R.K. Custom Fabrication & Welding	192 Mary Street Brantford ON N3S 3C2		3,113.15
Royal Bank of Canada	20 King St. W., 2nd Floor Toronto ON M5H 1C4		1,863,455.07
Stuart Hunt and Associates	15802-145 Avenue N.W. Edmonton AB T6V 0H8		3,373.05

District of:  
Division No. -  
Court No.  
Estate No.

- FORM 33 -  
Notice of Intention To Make a Proposal  
(Subsection 50.4(1) of the Act)

In the matter of the proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
TLS - Truck Load Services Inc	PO Box 100 VAUDREVIL-DORION QC J7V 5W1		8,274.60
Waste Connections Of Canada Inc.	500 Rennie Street Hamilton ON L8H 3P5		1,163.04
Wood Environment & Infrastructure Solutions	10-900 Maple Grove Road Cambridge ON N3H 4R7		4,400.00
Workplace Safety and Insurance Board c/o Collection Services	200 Front St W Toronto ON M5V 3J1	5521919	3,500.00
<b>Total</b>			<b>7,996,214.56</b>

  
\_\_\_\_\_  
FT ENE CANADA INC.  
Insolvent Person

- Proposal Consent -

In the matter of the proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

To whom it may concern,

This is to advise that we hereby consent to act as trustee under the Bankruptcy and Insolvency Act for the proposal of FT ENE CANADA INC..

Dated at the City of Toronto in the Province of Ontario, this 27th day of February 2019.

MNP LTD. - Licensed Insolvency Trustee



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300 - 111 Richmond Street West  
Toronto ON M5H 2G4  
Phone: (416) 596-1711 Fax: (416) 323-5242





Industry Canada

Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant  
des faillites Canada

District of          Ontario  
Division No.      07 - Hamilton  
Court No.          32-2480036  
Estate No.        32-2480036

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

**FT ENE CANADA INC.**  
Insolvent Person  
**MNP LTD / MNP LTÉE**  
Licensed Insolvency Trustee

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Date of the Notice of Intention:                  February 27, 2019

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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.

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Date: February 28, 2019, 10:31

E-File/Dépôt Electronique

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902

**Canada**

## Exhibit "B"

- Proposal Consent -  
In the matter of the proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

To whom it may concern,

This is to advise that we hereby consent to act as trustee under the Bankruptcy and Insolvency Act for the proposal of FT ENE CANADA INC..

Dated at the City of Toronto in the Province of Ontario, this 27th day of February 2019.

MNP LTD. - Licensed Insolvency Trustee



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300 - 111 Richmond Street West  
Toronto ON M5H 2G4  
Phone: (416) 596-1711 Fax: (416) 323-5242

# Exhibit "C"



Industry Canada

Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant  
des faillites Canada

District of Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

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

**FT ENE CANADA INC.**  
Insolvent Person

**MNP LTD / MNP LTÉE**  
Licensed Insolvency Trustee

---

Date of the Notice of Intention: February 27, 2019

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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: February 28, 2019, 10:31

E-File/Dépôt Electronique

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902

**Canada**

# Exhibit "D"

**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**

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

**March 26, 2019**

**I. INTRODUCTION**

1. On February 27, 2019, FT EnE Canada Inc. (“**FTC**” or “**the Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) 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 **Exhibit “A”**.
2. Notice of the NOI as prescribed by the BIA was sent on March 5, 2019 to all of FTC’s known creditors with claims greater than \$250. A copy of such notice is attached hereto and marked **Exhibit “B”**.
3. Information regarding the proceedings has been posted to the Proposal Trustee’s website at <https://mnpdebt.ca/en/corporate/Engagements/ft-ene-canada-inc>.

4. The primary purpose of these proceedings is to provide stability to FTC's business while FTC, under the supervision of the Proposal Trustee and with the assistance of, and in consultation with the Company's legal counsel ("**Counsel**") (collectively the "**SISP Team**") conducts a sale and investment solicitation process ("**SISP**") and works on formulating and presenting a viable proposal to its creditors.

## **II. RESTRICTIONS**

5. 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 information, the Company's books and records, the Park Affidavit (defined below), 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.
6. 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

7. The purpose of this Report is to:

a. Provide information to the Court with respect to the administration of the Company's proposal proceedings, including

- i. background information regarding the Company's operations, management structure, and the circumstances leading to the filing of the NOI;
- ii. the SISP to be conducted by FTC, as described in detail later in this Report;
- iii. in respect of the Company's request for an extension of time to file a Proposal; and

b. Provide the Court with the Proposal Trustee's recommendation for an Order(s), *inter alia*:

- i. approving the SISP, *nunc pro tunc*;
- ii. granting a charge in respect of the professional fees and disbursements of the Company's legal counsel, the Proposal Trustee, and legal counsel to the Proposal Trustee ("**Administration Charge**") over all property, assets and undertakings of the Company, which charge shall be and rank subordinate to the valid and enforceable security interests of Royal Bank of Canada ("**RBC**"), but shall be and rank in priority to all other interests and creditors;
- iii. extending the time for filing a proposal to and including May 10, 2019; and
- iv. approving the activities of the Proposal Trustee as set out in this Report.

### IV. BACKGROUND INFORMATION

8. FTC is a Canadian corporation carrying on business from owned premises in Brantford, Ontario. FTC is a subsidiary corporation of FT EnE Inc., its parent company in South Korea ("**FTEI**"). FTC produces nanofibers and nanofiber coated filter media for the global industrial filtration market through a proprietary electrospinning process. FTC 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**”).

9. FTEI is currently subject to review of its accounting practices and its shares traded on the Korean Securities Dealers Automated Quotations (KOSDAQ) are in the process of being delisted. The Company has advised that FTEI filed for some form of insolvency protection on February 27, 2019 in South Korea.
10. FTC felt that there was reasonable concern that without the filing of the NOI, FTC may lose their ability to act independently from FTEI and may otherwise have become involved in the insolvency filings of FTEI, to the detriment of FTC and therefore its creditors.
11. FTC advises due to the losses being incurred by FTEI, FTC was not provided the sales and research development support that was anticipated by FTC. The lack of sales and research led to stagnancy and lost sales opportunities.
12. Additional information in respect of FTC, including its assets and liabilities, is set out in the affidavit of Yoonjun Park, sworn on March 22, 2019 (the “**Park Affidavit**”), filed separately in these proceedings.

## V. ASSETS

### Real Property

13. FTC is the registered owner of the Real Property, which house the offices, manufacturing and warehouse out of which FTC operates.
14. Prior to the NOI filing, FTC entered into a listing agreement with Colliers Macaulay Nicolls Inc. (“**Colliers**”) to list the Real Property for sale (the “**Listing Agreement**”). A condition of any sale was that a leaseback provision would be included such that FTC would maintain their use of the Real Property. Colliers has had continued discussions with potential purchasers for the Real Property.

15. FTC, in consultation with the Proposal Trustee, intends to negotiate amendments to the Listing Agreement or a new arrangement, on consent of FTC, the Proposal Trustee and Colliers, such that the marketing of the Real Property will be conducted in conjunction with, and subject to, the SISP and provide greater clarity relating to the commercial terms of Colliers' engagement.

Other Assets

16. FTC's other realizable assets consist of production/warehouse equipment, inventory and accounts receivables, which as of March 26, 2019 are shown on the Company's books and records to have a net book value of approximately \$2.6MM, \$1.5MM and \$700M, respectively.

17. The Company's operations make use of certain proprietary electrospinning technology, processes and associated other intellectual property and trade secrets to produce nanofibers pursuant to certain licenses/arrangements between the Company and FTEI and/or Jongchul Park. Further investigations into the ownership of the intellectual property used by the Company and the nature and extent of these licences/arrangements is in process.

18. The Company leases a 2018 Volkswagen vehicle that is subject to a secured charge in favour of VW Credit Canada Inc.

**VI. CREDITORS**

19. FTC's NOI lists creditors with claims (claims greater than \$250) totaling approximately \$8.0 million. Included in this figure is the indebtedness to FTC's parent company, FTEI, which is reported to be in excess of \$6MM on an unsecured basis.

20. RBC is the Company's banker and operating lender, providing credit facilities and an operating line with a credit limit of \$2MM. RBC has been identified as the senior most secured lender and the indebtedness is secured by a general security agreement and a collateral mortgage in favour of RBC in the amount of \$1.267MM, which was registered on title to the Real Property on January 21, 2015 as Instrument No. BC269209.

21. A search of the Ontario *Personal Property Security Act* registry (the “**Registry**”), as of March 14, 2019, and FTC’s records, includes the following parties as secured creditors of FTC:

<b>Creditor</b>	<b>Estimated Amount Owed at the Filing Date</b>
Royal Bank of Canada	\$ 1,863,455
VW Credit Canada Inc.	Unknown

22. The Proposal Trustee has retained Pallet Valo LLP as its independent legal counsel and has sought an independent legal opinion on the validity and enforceability of the RBC’s security as against the Company (the “**Security Opinion**”). As of the date of this report, the Proposal Trustee has not yet received the Security Opinion.

## **VII. CASH FLOW PROJECTIONS**

23. In accordance with the provisions of the BIA, the Company filed with the Official Receiver a projected cash flow statement dated March 8, 2019, for the period from February 28, 2019 to May 31, 2019, which was reviewed by the Proposal Trustee for reasonableness and signed by the Proposal Trustee and the Company (the “**Cash Flow Projections**”). A copy of the Cash Flow Projections and related reports are attached hereto as **Exhibit “C”**.

24. To date, the Company has provided the Proposal Trustee with its full co-operation and unrestricted access to its premises, books and records.

25. The principal assumptions of the Cash Flow Projections are that:

- a. Sales projections and collection of receivables are based on management’s best estimates and historical sales and collections trends;
- b. A refund for duties paid related to the *Special Import and Measures Act* (SIMA) is dependent on the timely application and filing of an appeal of the duties paid;
- c. The number of employees and associated payroll costs are assumed to remain consistent with historical amounts;

- d. Disbursements are based on management's best estimates and are assumed to be generally paid on receipt of the goods and/or service, unless payment terms have currently been extended;
- e. RBC continues to allow the Company's operating line to revolve based on the credit facilities available prior to the NOI filing; and
- f. Source deductions are current and are calculated based on the Company's bookkeeping system.
26. The Proposal Trustee has implemented procedures for monitoring the Company's receipts and disbursements and monitoring the business in order to ensure that operations are continuing in the normal course of business and in accordance with the Cash Flow Projections.
27. A summary of FTC's actual receipts and disbursements for the period of March 1, 2019 to March 22, 2019 is set out below, with a comparison to forecast:

	<b>TOTALS FOR MARCH 1, 2019 to MARCH 22, 2019</b>		
	(forecast)	(actual)	(variance)
<b>Receipts</b>			
Collection of A/R	411,903	460,077	48,174
SIMA Refund	-	-	-
HST Refunds	15,000	-	( 15,000)
<b>Total Receipts</b>	<b>426,903</b>	<b>460,077</b>	<b>33,174</b>
<b>Disbursements</b>			
Payroll (Net)	44,846	38,452	6,394
Source Deductions (EI/CPP)	13,953	-	13,953
Material Purchases	147,135	125,765	21,370
Property Insurance	721	1,095 (	374)
Utilities	7,489	4,894	2,595
Administration Expenses	3,035	1,645	1,390
Travel	10,329	12,954 (	2,625)
Banking Charges and Interest	-	1,013 (	1,013)
Property Tax	14,697	14,697	-
Vehicles	3,109	309	2,800
Repairs, Maintenance and Supplies	7,892	1,735	6,158
Logistics	18,750	21,545 (	2,795)
Contingency	18,750	8,902	9,848
<b>Total Disbursements</b>	<b>290,706</b>	<b>233,006</b>	<b>57,700</b>
<b>Net Operating Cash Flows</b>	<b>136,197</b>	<b>227,072</b>	<b>90,874</b>

28. As exhibited above, FTC's cash position at March 22, 2019 is approximately \$91M higher than forecast, which variance is largely timing in nature.

29. Based on the Company's results to date and the Cash Flow Projections, the Company appears to have sufficient funding through to the end of the requested extension of the NOI.

### VIII. SISP

30. FTC, under the supervision of the Proposal Trustee, has begun the SISP. The purpose of the SISP is to fully assess the Company's restructuring options, including sale or investment proposals that may be made by qualified bidders as set out in **Exhibit "D"**, attached hereto. The Proposal Trustee developed the SISP, with input from the Company and Company's counsel and modified through discussions with RBC's legal counsel. FTC seeks an Order approving the activities of the Company regarding the SISP conducted to date, *nunc pro tunc*, and to approve the planned SISP going forward.

31. In summary, the SISP contemplates a two-step sale of the business assets, or investment in the business of FTC on an "as is, where is" basis, subject to Court approval, and will proceed on the following timetable:

- a. Subject to approval of the SISP by the Court, *nunc pro tunc*, FTC has, or intends on (i) in conjunction with the SISP Team, identified prospective purchasers (the "**Prospective Purchasers**") (ii) on March 21, 2019, through the Trustee, distributed via email, a brief interest solicitation letter (the "**Teaser**") to the Prospective Purchasers; (iii) distributing to those interested a form of confidentiality agreement ("**CA**") and (iv) distributing to those that have signed the CA, the confidential information memorandum, describing the opportunity to acquire all or a portion of the Company's assets or to invest in the Company, as prepared by the Company with the assistance of the SISP Team, and (v) established and provided access to an electronic data room to those parties having signed a CA;
- b. The Proposal Trustee has arranged for an advertisement of the acquisition opportunity to be published in the March 27, 2019 national edition of the National

Post newspaper. If appropriate, additional advertisements will be placed in such other trade and industry publications identified by the SISP Team;

- c. Letters of Interest (“**LOIs**”) shall be due by no later than 5:00 P.M. (Toronto Time) on April 18, 2019;
  - d. Qualified Bidders (as such term is defined in Exhibit “D”), will be provided time to conduct site visits and further due diligence beginning April 18, 2019 and ending May 17, 2019;
  - e. The deadline for Final Bids (as such term is defined in Exhibit “D”) will be 5:00 P.M. (Toronto Time) on May 17, 2019 (the “**Final Bid Deadline**”);
  - f. Selection of the Successful Bid (as such term is defined in Exhibit “D”) will be made on or before May 21, 2019;
  - g. The Company or the Proposal Trustee will seek Court approval of the APS, if the Final Bid is an Asset Bid, or term sheet, if the Final Bid is an Investment Bid (as such terms are defined in Exhibit “D”) and a vesting order, if such is required, on or prior to May 28, 2019; and
  - h. The parties will then seek to close the transaction.
32. The SISP contemplated by the Company provides a means for testing the market and determining whether a transaction that would result in realizations greater than liquidation value is available or alternatively provide the necessary investment/working capital to address the Company’s operational needs. The SISP permits FTC to carry on its business in the ordinary course while seeking to identify a strategic purchaser or investor, with the view of enhancing recoveries for stakeholders.
33. The SISP envisions submissions of offers within the period of the extension contemplated in paragraph 38, below.
34. The Proposal Trustee recommends the SISP be approved for the following reasons:

- a. It provides the basis for a commercially reasonable realization of the Company's assets by promoting the likelihood of an investment or a going concern sale that will maximize recoveries for all creditors;
- b. The contemplated timelines in each phase of the SISP are sufficiently long to canvass the market; and
- c. It is consistent with insolvency industry practices in such proceedings and in like circumstances.

## **IX. ADMINISTRATION CHARGE**

35. In order to protect the fees and expenses of the Company's legal counsel for these proceedings, the Proposal Trustee and the Proposal Trustee's legal counsel (the "**Administrative Professionals**"), the Company is seeking a charge (the "**Administration Charge**") on the property and assets of the Company to secure payment of the reasonable fees and expenses of the Administrative Professionals.

36. The Company is requesting that the Administration Charge will be subordinate in priority and ranking to the valid and enforceable security interests of RBC in the Real Property, assets, property and undertakings of the Company, but rank in priority to all other interests and encumbrances.

37. The Proposal Trustee recommends the Administrative Charge be approved for the following reasons:

- a. each of the professionals whose fees are to be secured by the Administration Charge has played and will continue to play a critical role in the Company's restructuring or refinancing;
- b. RBC has been provided with notice of the Company's motion requesting the Administration Charge; and
- c. The Administration Charge is sought to protect the Administrative Professionals in the event that the restructuring is not successful.



**X. EFFORTS TO RESTRUCTURE**

38. During the extension period, the Company, with the assistance of the Proposal Trustee, will continue to operate while working to obtain interest from prospective purchasers or investors.

**XI. REQUEST FOR AN EXTENSION OF TIME FOR FILING A PROPOSAL**

39. In order to allow the Company sufficient time to carry out a sale or refinancing of its business, and work towards filing a proposal to its creditors, the Company seeks an extension of the time for filing of a proposal to and including May 10, 2019.

40. In view of the foregoing, the Trustee supports the Company's request for an extension and has also considered:

- a. that the Company is acting in good faith and with due diligence;
- b. that the extension should not adversely affect or prejudice creditors as the Company is projected to have sufficient funds to pay post-filing services and supplies in the amounts contemplated in the Cash Flow Projections;
- c. that the SISP could generate Qualified LOIs before the end of the requested extension period; and
- d. if Qualified LOIs are received, it is expected that the Company will then be in a position to consider formulating and presenting a viable proposal.

**XII. CONCLUSION AND RECOMMENDATION**

41. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief detailed in paragraph 7.

All of which is respectfully submitted on this 26<sup>th</sup> day of March, 2019.

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

A handwritten signature in black ink, appearing to read "M. Lem", written in a cursive style.

Matthew E. Lem, CIRP  
Licensed Insolvency Trustee

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

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

PROCEEDING COMMENCED AT  
TORONTO

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

**PALLET VALO LLP**

Lawyers & Trade-Mark Agents  
77 City Centre Drive, West Tower  
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L5B 1M5

**ALEX ILCHENKO, C.S. (LSUC NO. 33944Q)**

Tel: (905) 273-3300

Fax: (905) 273-6920

Lawyers for MNP Ltd.

# Exhibit "E"



Court File No. 32-2480036  
Estate File No. 32-2480036

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

**IN BANKRUPTCY AND INSOLVENCY**

THE HONOURABLE ) THURSDAY, THE 28<sup>th</sup> DAY  
The Honourable )  
Mr. Justice )  
Penny ) OF MARCH, 2019

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

**ORDER**

**THIS MOTION** made by FT EnE Canada Inc. (“**Debtor**”) for an Order *inter alia*: (a) approving a sale and investment solicitation process, *nunc pro tunc*, with respect of all or part of the Debtor’s business and assets (“**SISP**”); (b) extending the deadline for the Debtor to file a proposal to and including May 10, 2019; and (c) granting a charge in respect of the fees and disbursements in favour of the Debtor’s counsel, MNP Ltd. in its capacity as proposal trustee for the Debtor (in such capacity, the “**Trustee**”), and Trustee’s counsel, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Affidavit of Yoonjun Park, sworn March 22, 2019, the First Report of the Trustee, dated March 26, 2019 (“**First Report**”), and on hearing the submissions of counsel for the Debtor and counsel for the Trustee, and those other parties present, no one appearing for any other person on the service list, although duly served as appears in the affidavit of service of Alexandra Teodorescu, filed.

## SERVICE

1. **THIS COURT ORDERS** that the time for service 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.

## APPROVAL OF THE SISP

2. **THIS COURT ORDERS** that the SISP, as described in the First Report, be and is hereby approved *nunc pro tunc*.

3. **THIS COURT ORDERS** that the Trustee and the Debtor be and are hereby authorized and directed to perform their obligations under and in accordance with the SISP, and to take such further steps as it considers necessary or desirable in carrying out the SISP.

4. **THIS COURT ORDERS** that in connection with the SISP and pursuant to clause 7(3)(c) of the *Personal Information and Electronic Documents Act* (Canada), the Trustee is authorized and permitted to disclose personal information of identifiable individuals to prospective purchasers or offerors and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more transactions (each, a “**Transaction**”). Each prospective purchaser or offeror to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall: (i) return all such information to the Trustee, as applicable; (ii) destroy all such information, or (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The transacting party with respect to any of the Property shall be entitled to continue to use the personal information provided to it, and related to the Property

purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Trustee, as applicable, or ensure that all other personal information is destroyed.

5. **THIS COURT ORDERS** that, pursuant to clause 3(c)(i) of the *Electronic Commerce Protection Regulations*, made under *An Act to Promote the Efficiency and Adaptability of the Canadian Economy by Regulating Certain Activities that Discourage Reliance on Electronic Means of Carrying out Commercial Activities, and to Amend the Canadian Radio-Television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act*, S.C. 2010, c. 23, the Debtor and the Trustee are authorized and permitted to send, or cause to permit to be sent, commercial electronic messages to an electronic address of prospective purchasers or bidders and to their advisors but only to the extent desirable or required to provide information with respect to the SISP.

#### **EXTENSION OF TIME TO FILE PROPOSAL**

6. **THIS COURT ORDERS** that the time in which the Debtor is required to file a proposal be and is hereby extended to and including May 10, 2019.

#### **ADMINISTRATION CHARGE**

7. **THIS COURT ORDERS** that counsel to the Debtor, the Trustee and counsel to the Trustee (“**Administrative Parties**”) shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on all property, assets and undertakings of the Debtor (“**Property**”), as security for the fees and disbursements of the Administrative Parties, incurred

at their standard rates and charges and on the terms set forth in their respective engagement letters, both before and after the making of this Order.

8. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

9. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise, except that the Administration Charge shall be subordinate to the valid and enforceable security interests of the Royal Bank of Canada.

#### **APPROVAL OF TRUSTEE REPORT**

10. **THIS COURT ORDERS** that the First Report and the activities of the Trustee described therein be and are hereby approved, provided that only the Trustee, in its personal capacity and only with respect to its personal capacity, shall be entitled to rely upon or utilize in any way such approval.

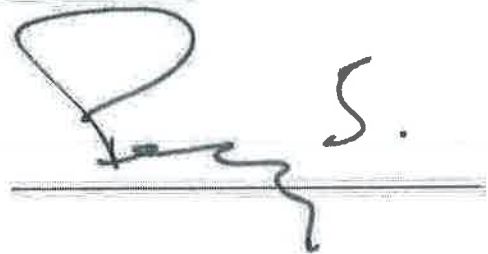
#### **GENERAL**

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 Debtor, the Proposal Trustee and their respective 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 Debtor and the Proposal Trustee as may be necessary or desirable to give effect to this Order, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

12. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05, the 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 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <https://mnpdebt.ca/en/corporate/engagements/ftencanada>



ENTERED AT THE OFFICE OF THE REGISTRAR  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

MAR 28 2019

DEPT/MAR: 

Alexandra Medelros Cardoso  
Registrar, Superior Court of Justice

**IN THE BANKRUPTCY AND INSOLVENCY  
IN THE MATTER OF THE PROPOSAL OF FT ENE CANADA INC., OF THE CITY OF BRANTFORD, IN THE PROVINCE OF  
ONTARIO**

**MNP Ltd. In its capacity as Licensed Insolvency Trustee of FT ENE Canada Inc.**

**Commercial List Court File No. 32-2480036**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER**

**Blaney McMurtry LLP**  
2 Queen Street East, Suite 1500  
Toronto, ON, M5C 3G5

**Mr. Mervyn Abramowitz (LSO #28325R)**  
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Counsel for FT ENE Canada Inc.



# COUNSEL SLIP

Court File No. BK-32-2480036

Date: 28-MAR-2019

Title Of Proceeding

No. On List: 9

FT NE CANADA v.

STATUS PLEASE CHECK ONE

Opposed  Unopposed  On Consent  Opposed Adjournment  Consent Adjournment  Withdrawn

**COUNSEL FOR:**

PLAINTIFF(S)  A. Teodorescu for  
APPLICANT(S)  FT NE Canada Inc.  
PETITIONER(S)

TELEPHONE: 416-596-4279  
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**COUNSEL FOR:**

DEFENDANT(S)  ~~MNP~~ MNP Limited  
RESPONDENT(S)  Proposal Trustee  
Alex Tichenko

TELEPHONE:  
FAX:  
EMAIL:

TELEPHONE:  
FAX:  
EMAIL:

**JUDICIAL NOTES:**

I am satisfied that the proposed SVP is ~~in~~ in the interest of the stakeholders.

The structure is appropriate, seems calculated to enhance value and is supported by the Trustee.

The charge re: professional  
fees is appropriate in  
the circumstances and  
RBC is maintaining its priority.

In order to carry out the  
SISP the stay extension  
is necessary.

The first report of the  
Trustee is approved (Re Trust).

# Exhibit "F"

**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**

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

**May 2, 2019**

**I. INTRODUCTION**

1. On February 27, 2019, FT EnE Canada Inc. (“**FTC**” or 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 (the “**First Extension Deadline**”);
- 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 priority to all other security interest, trust, 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. Information regarding the proceedings has been posted to the Proposal Trustee’s website at <https://mnpdebt.ca/en/corporate/Engagements/ft-ene-canada-inc>.
5. The primary purpose of these proceedings is to provide stability to FTC’s business while FTC conducts the SISP and works on formulating and presenting a viable proposal to its creditors, under the supervision of the Proposal Trustee, and with the assistance of, and in consultation with, the Company’s legal counsel and RBC.

## **II. RESTRICTIONS**

6. 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 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**”), 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.

7. 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**

8. 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 for the period from March 2, 2019 to April 26, 2019 and to compare such actual results to the Company's projections for the same time frame;
    - ii. The Proposal Trustee's observations in respect of the Company's Updated Cash Flow Projections (as such term is later defined below);
    - iii. An update on the status of the SISP; 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 and including June 24, 2019 (the "**Second Extension Deadline**");
  - ii. Approving the activities of the Proposal Trustee and legal counsel, Pallett Valo LLP ("**PV**"), as set out in this Report;
  - iii. Approving the professional fees and disbursements of the Proposal Trustee and PV; and
  - iv. Sealing the confidential appendices described below until the Proposal Trustee has completed the SISP.

#### IV. BACKGROUND INFORMATION

- 9. FTC is a Canadian corporation carrying on business from owned premises in Brantford, Ontario. FTC is a subsidiary corporation of Finetex EnE Inc., its parent company in South Korea ("**FTEI**"). FTC produces nanofibers and nanofiber coated filter media for the global industrial filtration market through a proprietary electrospinning process. FTC 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**").
- 10. FTEI is currently subject to review of its accounting practices and its shares traded on the Korean Securities Dealers Automated Quotations (KOSDAQ) and was delisted on April 26, 2019. As reported and described in greater detail in the April Park Affidavit, FTEI filed for some form of insolvency protection on February 27, 2019 in South Korea.
- 11. FTC felt that there was reasonable concern that without the filing of the NOI, FTC may lose their ability to act independently from FTEI and may otherwise have become involved in the insolvency filings of FTEI, to the detriment of FTC and therefore its creditors. FTEI

is the largest creditor in FTC'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).

12. 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

13. 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 FTC's business and financial affairs.
14. 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 the 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 are attached hereto as **Appendix "D"**.
15. Subsequent to the filing of the Cash Flow Projections with the OR, it was discovered that certain actual figures for the opening week ending March 1, 2019 were incorrect, relating to charges placed on a Company credit card that had been accounted for as a cash-based transaction in the Company's records. The total net impact of the misstatement was not material or an adverse change. In fact, Net Operating Cash Flows increased by approximately \$900 and the closing cash position for the week ended March 1, 2019 increased by approximately \$4,900.
16. The Proposal Trustee implemented procedures for monitoring the Company's actual receipts and disbursements and has kept in close contact with management to ensure that operations are continuing in the normal course of business and in accordance with the Cash Flow Projections.

17. A summary of the Company's actual receipts and disbursements as compared to the those presented in the Cash Flow Projections up to the week ended April 26, 2019 are as follows:

	MARCH 2, 2019 to April 26, 2019				
	(Projected)	(Actual)	(Variance \$)	(Variance %)	
<b>Receipts</b>					
Collection of A/R	760,092.27	1,207,730.15	447,637.88	58.89%	▲
SIMA Refund	-	-	-	0.00%	▬
HST Refunds	30,000.00	-	( 30,000.00)	(100.00%)	▼
<b>Total Receipts</b>	<b>790,092.27</b>	<b>1,207,730.15</b>	<b>417,637.88</b>	<b>52.86%</b>	<b>▲</b>
<b>Disbursements</b>					
Payroll (Net)	171,186.72	132,618.43	38,568.29	22.53%	▲
Source Deductions (EI/ CPP/Taxes)	55,812.00	41,589.88	14,222.12	25.48%	▲
Material Purchases	305,735.00	281,659.16	24,075.84	7.87%	▲
Property Insurance	1,441.80	1,440.60	1.20	0.08%	▲
Utilities	14,978.00	13,223.12	1,754.88	11.72%	▲
Administration Expenses	8,000.00	8,310.94	( 310.94)	(3.89%)	▼
Travel	25,000.00	35,320.97	( 10,320.97)	(41.28%)	▼
Banking Charges and Interest	10,336.00	17,873.56	( 7,537.56)	(72.93%)	▼
Property Tax	14,697.00	-	14,697.00	100.00%	▲
Vehicles	5,600.00	1,917.53	3,682.47	65.76%	▲
Repairs, Maintenance and Supplies	17,000.00	15,465.46	1,534.54	9.03%	▲
Logistics	27,000.00	62,993.25	( 35,993.25)	(133.31%)	▼
Contingency	50,000.00	36,503.68	13,496.32	26.99%	▲
<b>Total Disbursements</b>	<b>706,786.52</b>	<b>648,916.58</b>	<b>57,869.94</b>	<b>8.19%</b>	<b>▲</b>
<b>Net Operating Cash Flows</b>	<b>83,305.75</b>	<b>558,813.57</b>	<b>475,507.82</b>	<b>570.80%</b>	<b>▲</b>

18. As noted above, the Company had positive Net Operating Cash Flows of \$558,813.57 (positive variance of \$475,507.82) for the Monitored Period. The following is commentary with respect to material variances in the Cash Flow Projections noted above:

- a. Receivable Collections – Although total actual new sales during the Monitored Period are basically inline (\$15,675 lower than projected or 1.42%) with the total projected new sales, actual new sales occurred earlier in the Monitored Period than had been projected. As a result, actual receivable collections during the Monitored Period were higher than projected due in large part to the collection of such earlier new sales sooner than had otherwise been projected (i.e. new sales that had been projected in the later

- part of the Monitored Period had been project to be collected outside of the Monitored Period).
- b. HST Refund – Projected HST refund collections have not materialized as CRA has withheld releasing the HST refunds due to the Company’s non-filing of its corporate income tax returns for the taxation year 2017 (*also see OTHER MATTERS – Corporate Income Tax Filings section*)
  - c. Payroll – The positive variance is primarily attributable to certain management reducing the amount drawn in respect of wages than had originally been projected.
  - d. Source Deductions –The Cash Flow Projections inaccurately projected the timing of the source deduction remittances to CRA to be on a bi-weekly basis, corresponding to the bi-weekly payroll payments. However, CRA presently only requires that the Company make its source deduction remittances monthly (on the 15<sup>th</sup> of the month following), thus resulting in this timing difference (positive variance). Additionally, this positive variance has been offset to the extent of approximately \$9,400 in connection with an under estimation of source deduction remittance associated with extra payroll period in March (no impact on payroll figures as funding of the payroll was in February, prior to start of the projections).
  - e. Material Purchases – Material purchases’ positive variance (\$24,075 or 7.87%) is attributable primarily to lower than projected purchases of ancillary raw material items (projected at \$4,000 per week). However, such variance is a timing difference, as it now expected to be a large purchase of such raw material items in May 2019.
  - f. Travel –The Company has advised that higher than projected travel expenditures have been expended by management in connection with meetings and its efforts to demonstrate stability to its suppliers and customers during the Company’s restructuring process.
  - g. Property Taxes –The Cash Flow Projections inaccurately projected the payment timing of the property tax instalment (projected to be paid during the week ending April 12,

2019); it was however not due until May 1, 2019 and was actually paid on April 29, 2019.

- h. Logistics Costs – Actual logistics costs paid were higher than projected and included certain duties and costs on pre-NOI filing material purchases that were not reflected in the Cash Flow Projections. Although a pre-filing liability, the Company’s position is that the payments to Canada Border Services and the logistics companies was critical to avoiding disruption to on-going operations (shipping and receiving goods in and out of Canada).
  - i. Contingency Expense – The Cash Flow Projections included a provision for contingencies totalling \$25,000 per month allocated evenly over the month. During the period up to April 26, 2019, not all of the projected contingency expense was used.
19. The Company with the assistance of the Proposal Trustee has prepared an amended<sup>1</sup> updated statement of weekly projected cash flow dated May 1, 2019 to update and extend the cash flow projections through to June 28, 2019 (the “**Amended Updated Cash Flow Projections**”), a copy of which is attached as **Appendix “E”** to this Report.
20. Based on the Amended Updated Cash Flow Projections, the Company appears to have sufficient resources to continue operations through the Second Extension Deadline.
21. It should be noted that the Amended Updated Cash Flow Projections does not take into account the financial impact of any sale/investment transactions(s) contemplated to be completed/closed by May 31, 2019 under the SISP. The financial impact of any sale/investment transactions(s) has been excluded from the Amended Updated Cash Flow Projections, as such figures are still too speculative given that the SISP is still in process, no binding offers exists, and there are concerns that if such numbers and information were disclosed it could influence the outcome of SISP.

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<sup>1</sup> On April 30, 2019, the Company and the Proposal Trustee filed with the Office of the Superintendent of Bankruptcy (OSB) an updated statement of weekly projected cash flow to update and extend the cash flow projections through to June 28, 2019; it was also filed with the Court as part of the Company’s Motion Materials. 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 OSB and now being included.

22. Based on the Proposal Trustee's review of the Amended Updated Cash Flow Projections, there are no material assumptions which seem unreasonable in the Company's circumstances. The Amended Updated Cash Flow Projections are based on assumptions that are consistent with the assumptions used in the Cash Flow Projections, other than those that have been revised to better reflect the timing of disbursements/payments and taking into consideration the actual results to date. The Proposal Trustee's report on the Amended Updated Cash Flow Projections, as required by Section 50.4(2)(b) of the BIA is attached hereto and marked as **Appendix "F"**.

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

## VI. THE SISP

24. The following steps were taken by the Proposal Trustee, with the assistance of the Company, to conduct the SISP:

- a. On March 21, 2019, a brief interest solicitation letter (the "**Teaser**") and a confidentiality and non-disclosure agreement (the "**NDA**") was distributed via e-mail to forty-nine (49) prospective purchasers identified with the Company;
- b. On March 27, 2019, an advertisement of the acquisition opportunity was published in the national edition of the *National Post* newspaper;
- c. The opportunity was advertised in the April 1, 2019 and April 8, 2019 editions of the *Insolvency Insider* e-mail publications;
- d. The Proposal Trustee circulated the Teaser to all of MNP's approximately 790 partners in an effort to solicit potential interested parties from MNP's client base;
- e. A secure online data room was set up containing additional information and documents in respect of the Company and its business and assets, including a Confidential Information Memorandum ("**CIM**"), which data room was updated from time to time as additional information became available. Access to the online data room was

provided to all interested parties that signed an NDA. A copy of the CIM is attached hereto as **Confidential Appendix “1”**.

25. As a result of the marketing efforts, twenty-three (23) parties executed NDAs and were granted access to the online data room.
26. Pursuant to the SISP approved by the Court, Letters of Interest (“**LOIs**”) were due by 5:00 PM (Toronto Time) on April 18, 2019 (the “**LOI Deadline**”). In consultation with the Proposal Trustee and RBC, the Company extended the LOI Deadline to 5:00 PM (Toronto Time) on April 24, 2019 (the “**LOI Deadline Extension**”). Accordingly, the Proposal Trustee notified all parties that had signed NDAs, that the LOI Deadline was extended to the LOI Deadline Extension. The balance of the milestone dates as set-out in the SISP remain unchanged. A complete description of the SISP and the milestone dates was included as Exhibit “D” to the First Report.
27. A summary of the LOIs that were submitted to the Proposal Trustee by the LOI Deadline Extension, together associated comments is attached hereto as **Confidential Appendix “2”**.
28. Under the SISP, parties that have submitted LOIs will conduct further due diligence, including conducting site visits, such that final bids may be prepared and submitted by the deadline set forth in the SISP of 5:00PM (Toronto Time) on May 17, 2019 (the “**Final Bid Deadline**”).
29. The Proposal Trustee has been advised by the Company that, notwithstanding that interested parties have executed a NDA, it will not permit access for potential purchasers to view/inspect the “Blackbox” area of the production facility due to the highly sensitive nature of the proprietary process used to produce the nanofibers. The Proposal Trustee understands that this “Blackbox” area encompasses the equipment described as “Production Line 2”.

## VII. OTHER ACTIVITIES AND MATTERS

### *RBC Security and Reporting*

30. As reported in paragraph 22 of the First Report, the Proposal Trustee had retained PV as its independent legal counsel and has sought an independent legal opinion on the validity and enforceability of the RBC's security as against the Company (the "**Security Opinion**").
31. The Proposal Trustee has now received the Security Opinion, which confirms, subject to the normal assumptions, qualifications and limitations, that RBC's security over both the Real Property and the personal property of the Company is valid and enforceable. A copy of the Security Opinion dated April 8, 2019 prepared by PV is attached hereto as **Appendix "G"**.
32. As RBC is a key stakeholder in these BIA Proceedings and has continued to allow the operating line facility to revolve up to the \$2MM credit limit, the Proposal Trustee has assisted the Company by liaising with RBC and its legal counsel, Borden Ladner Gervais LLP, and by providing RBC with its variance analysis produced as part of the monitoring of actuals to projections associated with the Cash Flow Projections.

### *Colliers Listing Agreement*

33. As discussed in greater detail in the April Park Affidavit, the Company has in consultation with the Proposal Trustee sought to amend the listing agreement with Colliers Macaulay Nicolls Inc. ("**Colliers**") in connection with the Real Property, thereby ensuring that Colliers is fairly compensated for its efforts prior to and during the SISP. It should be noted that a number of the parties that have submitted LOIs were introduced to the Real Property by Colliers prior to the NOI filing.

### *Intellectual Property Update*

34. As reported in paragraph 17 of the First Report, there continues to be some uncertainty with respect to the ownership of the intellectual property associated with the proprietary electrospinning technology, processes and associated other intellectual property and trade



secrets to produce nanofibers (collectively the “**Nanofiber IP**”) used by the Company. Although there is uncertainty as to the ownership of the Nanofiber IP between FTEI and Jongchul Park, the Proposal Trustee has been advised by the Company that the Company has no ownership interest in the Nanofiber IP.

### ***Potential CCAA Conversion***

35. The Company at paragraph 25 to 26 of the April Park Affidavit, described factors relating to the proceedings relating to FTEI, its parent, and its rehabilitation proceedings in South Korea. The Company advises it is exploring whether there may be a way to coordinate and resolve these issues collectively between the South Korean parent and the Canadian subsidiary that may require consideration as to whether a different restructuring route is possible and appropriate and whether this could take longer than the six months permitted under the BIA before a proposal must be filed to avoid a deemed assignment in bankruptcy. As a result, the Company is exploring whether there might be greater value for Canadian stakeholders if the proposal proceeding is converted into a proceeding under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”).

36. RBC, by its counsel, has expressed concerns to the Company and to the Proposal Trustee about a conversion to a CCAA. Counsel for RBC has advised counsel to the Company and to the Proposal Trustee they will speak to this matter at the hearing on May 3rd. RBC has reserved all of its rights, including the right to oppose a conversion to a CCAA proceeding.

37. Given that this issue is currently hypothetical, as the Company is requesting no relief of this nature at this time, the Proposal Trustee is making no recommendation on this issue, and the Proposal Trustee is continuing to supervise the BIA Proceedings of the Company under the provisions of the BIA and continuing to implement the SISP (as amended) as ordered by the Court.

### ***Corporate Income Tax Filings***

38. As noted in earlier in this Report (*see CASH FLOW PROJECTIONS section*), tax refunds associated with HST and *Special Import Measures Act*, that were originally projected to be collected/received under the Cash Flow Projections have been removed from the Amended

Updated Cash Flow Projections. We are advised by the Company's management that these tax refunds are being withheld by CRA due to the Company's non-filing of its corporate income tax returns for the taxation year 2017 (2018 is yet not due).

39. The Company has advised that its 2017 corporate tax returns have not been filed as the Company was in the process of having the 2017 fiscal year re-audited and potentially restated at the request of its South Korean parent. Such re-audit process was suspended with the restructuring filings in Canada and South Korea.
40. The Company does not believe there are any corporate income taxes owing as it had shown a Net Loss in its 2017 audited financial statements prior to when the re-audit process was commenced. Further, the Company is currently in discussions with an outside accounting firm in connection with getting its 2017 corporate tax returns filed. It however is not expected to be resolved and result in the tax refunds released prior to the Second Extension Deadline.

#### **VIII. REQUEST FOR AN EXTENSION OF TIME FOR FILING A PROPOSAL**

41. The Company remains of the view that carrying out the SISP will maximize value for its stakeholders.
42. The current First Extension Deadline is set to expire at midnight on May 10, 2019 and the Second 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 June 24, 2019.
43. As originally contemplated when the SISP was approved by the Court, the Company would require a further extension of time after the First Extension Deadline to complete the SISP. Based on the LOIs received it is reasonably expected that binding offers will be received by the Final Bid Deadline to allow the Company to be in position to consider formulating and presenting a viable proposal.
44. In view of the foregoing, the Proposal Trustee supports the Company's request for an extension to provide it with additional time to complete the SISP and be in position to

consider formulating and presenting a viable proposal. 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 and dealings with its stakeholders;
- b. The extension should not materially adversely affect or prejudice creditors;
- c. FTC is projected to have sufficient funds to pay post-filing services and supplies in the amounts contemplated in the Amended Updated Cash Flow Projections; and
- d. The extension of the time to file a proposal to the Second Extension Deadline allows the Company time to complete the SISP, which could result in greater recoveries than in a liquidation within a bankruptcy scenario.

#### **IX. PROFESSIONAL FEES**

45. The MNP's statements of account as Proposal Trustee for the period from February 19, 2019 to March 31, 2019 total \$76,892.32 (inclusive of HST). The affidavit of Matthew Lem sworn May 2, 2019 as to the fees of the Proposal Trustee is attached hereto as **Appendix "H"**.
46. PV's statements of accounts for the period from March 22, 2019 to April 30, 2019 total \$13,554.58 (inclusive of HST). The affidavit of Giovanni Russo sworn May 1, 2019 as to the fees and disbursements of PV in its capacity as legal counsel to the Proposal Trustee is attached hereto as **Appendix "I"**.
47. 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 a retainer of \$40,000 provided to the Proposal Trustee, on-going cash flows as set-out in the Amended Updated Cash Flow Projections and the future proceeds of sale generated from the SISP, pursuant to the Administrative Charge.

**X. RECOMMENDATION**

48. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief detailed in paragraph 8(b) of this Report.

All of which is respectfully submitted on this 2<sup>nd</sup> day of May 2019.

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

A handwritten signature in black ink, appearing to read 'M. E. Lem', written in a cursive style.

Matthew E. Lem, CIRP  
Licensed Insolvency Trustee

Court File No. 32-2480036  
Estate File No. 32-2480036

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

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT  
TORONTO

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

PALLET VALO LLP  
Lawyers & Trade-Mark Agents  
77 City Centre Drive, West Tower  
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ALEX ILCHENKO, C.S. (LSUC NO. 33944Q)

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Lawyers for MNP Ltd.

# Exhibit "G"

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

**IN BANKRUPTCY AND INSOLVENCY**



THE HONOURABLE )  
**The Honourable** )  
**Mr. Justice** )  
**Penny** )

FRIDAY, THE 3<sup>rd</sup>  
DAY OF MAY, 2019

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

**ORDER**

**THIS MOTION** made by FT EnE Canada Inc. ("**Debtor**") for an Order, among other things, extending the stay of proceedings in this matter to and including June 24, 2019, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record of the Debtor, the Second Report to the Court ("**Second Report**") submitted by MNP Ltd., in its capacity as trustee in the proposal of the Debtor ("**Trustee**"), and on hearing the submissions of counsel for the Debtor, counsel for the Trustee, counsel for the Royal Bank of Canada, and all other counsel listed on the counsel slip, no one appearing for any other person on the service list, although duly served as appears in the affidavit of service of Ariyana Botejue, sworn May 1, 2019, filed.

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service 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.

## **EXTENSION OF STAY PERIOD**

2. **THIS COURT ORDERS** that the stay of proceedings herein be and is hereby extended to and including June 24, 2019.

## **APPROVAL OF TRUSTEE REPORT AND ACTIVITIES**

3. **THIS COURT ORDERS** that the Second Report and the activities of the Trustee described therein be and are hereby approved, provided that only the Trustee, in its personal capacity and only with respect to its personal capacity, shall be entitled to rely upon or utilize in any way such approval.

4. **THIS COURT ORDERS** that the fees and disbursements of the Trustee and its legal counsel as set out in the Second Report, the Affidavit of Matthew Lem, sworn May 2, 2019, and the Affidavit of Giovanni Russo, sworn April 30, 2019, are hereby authorized and approved.

## **SEALING ORDER**

5. **THIS COURT ORDERS** that Confidential Appendix "1" and Confidential Appendix "2" described in and attached to the Second Report are hereby sealed until further Order of this Court.



**GENERAL**

6. **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 Debtor, the Proposal Trustee and their respective 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 Debtor and the Proposal Trustee as may be necessary or desirable to give effect to this Order, or to assist the Debtor and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

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

**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**

**MNP Ltd. In its capacity as Licensed Insolvency Trustee of FT ENE Canada Inc.**

**Commercial List Court File No. 32-2480036**

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER**

(Returnable May 3, 2019)

**Blaney McMurtry LLP**

2 Queen Street East, Suite 1500  
Toronto, ON, M5C 3G5

**Mr. Mervyn Abramowitz (LSO #28325R)**

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Counsel for FT ENE Canada Inc.

COUNSEL SLIP

COURT FILE NO BK-19-02480036-0032

DATE May 3rd 2019

NO ON LIST 4

TITLE OF  
PROCEEDING

FT EN E Canada Inc. v. MNP Limited

COUNSEL FOR: M. Abramowitz, A. Teodorescu  
PLAINTIFF(S) for FT EN E Canada Inc.

APPLICANT(S)

PETITIONER(S)

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ROGER TRIPARTITE

(for RAC)

(T) 416 367-6266

(F) 416 367-6749

May 3, 2019

I am satisfied that the  
extension is warranted to enable

the SISP to proceed.

RBC is not opposed but has  
made it clear it is not necessarily  
accepting any other process, such as

a CCA conversion.

Order to issue in the  
force signed by me this  
day.

R. J.

I am further satisfied  
that Appendix 1 and 2  
are confidential and  
the safety of these documents  
is necessary to avoid a  
violation of the ~~laws~~ process,  
meeting the highest test.

R. J.

# Exhibit "H"

**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**

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

**June 6, 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 priority to all other security interest, trust, 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 (“**BM**”) 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. As of the date of this Report, Motion materials with some, but not all exhibits that were provided in Korean have been translated and have been served on the parties.
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. (the “**Purchaser**”).
9. Information regarding the proceedings has been posted to the Proposal Trustee’s website at <https://mnpdebt.ca/en/corporate/Engagements/ft-ene-canada-inc>.
10. The primary purpose of these proceedings is to provide stability to the Company’s business while the Company conducts the SISP and works on formulating and presenting a viable proposal to its creditors, under the supervision of the Proposal Trustee, and with the assistance of, and in consultation with, the Company’s legal counsel and RBC.

## **II. RESTRICTIONS**

11. 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 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**”), and the affidavit of Yoonjun Park, sworn on May 27, 2019 (the “**May Park Affidavit**”), 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.

12. 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**

13. The purpose of this Report is to, *inter alia*:
  - a. Provide information to the Court regarding to the administration of the Company’s BIA Proceedings, including:
    - i. Report on the Company’s cash flows; and
    - ii. An update on the status of the SISP and the Proposal Trustee’s activities associated therewith.

- b. Provide the Court with the Proposal Trustee's recommendations for an Order(s), *inter alia*:
- i. Approving the APS entered into between the Company and the Purchaser, and authorizing the Company and Proposal Trustee to take all steps necessary to complete the transaction contemplated under the APS;
  - ii. Vesting title in and to the Purchased Assets (as such term is defined in the APS) in the Purchaser or as it may direct, free and clear of any encumbrances, save and except as otherwise contemplated by the APS;
  - iii. Sealing the confidential appendices described below, pending the closing of the contemplated APS;
  - iv. Authorizing the Receiver to make a distribution to the RBC, as well as to establish the Reserve (as such term is later defined); and
  - v. Approving the activities of the Proposal Trustee and legal counsel, as set out this Report.

#### IV. BACKGROUND INFORMATION

14. 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**").
15. Prior to the NOI filing, the Company listed the Real Property for sale through Collier Macaulay Nicolls Inc. ("**Colliers**").
16. 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.

17. 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.
18. 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. THE COMPANYS ACTIVITIES

19. The Company has provided the Proposal Trustee with its full co-operation and access to its premises, books and records and management for the purpose of monitoring the Company's business and financial affairs. The Proposal Trustee implemented procedures for monitoring the Company's actual receipts and disbursements as compared to the cash flow projections.
20. As noted in the Second Report on March 8, 2019, the Company filed its cash flow projections and related assumptions for the period of February 28, 2019 to May 31, 2019 together with the statutory reports (the "**Cash Flow Projections**") with the Official Receiver (the "**OR**"). A copy of the Cash Flow Projections was attached as Appendix "D" to the Second Report.
21. As also 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.

22. 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.
23. A summary of the Company’s actual receipts and disbursements as compared to the those presented in the Amended Updated Cash Flow Projections for the monitored period from April 27, 2019 to May 31, 2019 (the “**Monitored Period**”) are as follows:

	April 27, 2019 to May 31, 2019				
	(Projected)	(Actual)	(Variance \$)	(Variance %)	
<b>Receipts</b>					
Collection of A/R	688,267.00	504,706.70	( 183,560.30)	-27%	▲
SIMA Refund	-	-	-	0%	▬
HST Refunds	-	-	-	0%	▬
Other	-	508.51	508.51	0%	▲
<b>Total Receipts</b>	<b>688,267.00</b>	<b>505,215.21</b>	<b>( 183,051.79)</b>	<b>-27%</b>	▼
<b>Disbursements</b>					
Payroll (Net)	75,128.05	87,476.61	( 12,348.56)	-16%	▼
Source Deductions (EI/CPP/Taxes)	23,331.68	25,072.11	( 1,740.43)	-7%	▼
Material Purchases	693,291.20	607,975.26	85,315.94	12%	▲
Property Insurance	721.00	720.30	0.70	0%	▲
Utilities	9,989.00	6,392.61	3,596.39	36%	▲
Administration Expenses	12,300.00	12,757.09	( 457.09)	-4%	▼
Travel	15,625.00	26,419.00	( 10,794.00)	-69%	▼
Banking Charges and Interest	18,872.00	8,656.36	10,215.64	54%	▲
Property Tax	14,696.00	14,696.59	( 0.59)	0%	▼
Vehicles	2,500.00	1,321.99	1,178.01	47%	▲
Repairs, Maintenance and Supplies	27,033.10	32,625.31	( 5,592.21)	-21%	▼
Logistics	76,168.70	71,700.38	4,468.32	6%	▲
Professional Fees	25,000.00	-	25,000.00	100%	▲
Contingency	31,250.00	49,136.05	( 17,886.05)	-57%	▼
<b>Total Disbursements</b>	<b>1,025,905.73</b>	<b>944,949.65</b>	<b>80,956.08</b>	<b>8%</b>	▲
<b>Net Operating Cash Flows</b>	<b>( 337,638.73)</b>	<b>( 439,734.44)</b>	<b>( 102,095.71)</b>	<b>30%</b>	▼

24. As noted above, the Company had negative Net Operating Cash Flows of \$439,734.44, and although a negative variance was projected, it was higher than had been expected, resulting in a negative actual variance of \$102,095.71 for the Monitored Period. The

following is commentary with respect to material variances in the Amended Updated Cash Flow Projections noted above:

- a. Receivable Collections – The negative variance of \$183,560.03 can be attributed to a combination of a cut-off error (approximately \$78,000) in the projections associated with a receivable collection during the week ended April 26, 2019 that was not removed from the Amended Updated Cash Flow Projections, a timing difference associated with the non-collection of two (2) accounts (approximately \$91,000) when projected, and a large customer's change in the priority of its orders to be produced, which resulted in approximately \$22,000 in lower sales in the period than had been projected.
- b. Payroll – The negative variance can be attributed largely to vacation accruals that were paid out as lump sums to three (3) employees totalling approximately \$12,000, rather than being paid in the ordinary course as had been projected. The Company has advised that the lump sum payment of vacation was following the request from the employees.
- c. Material Purchases – Material Purchases' positive variance (\$85,315.94) is attributable primarily to a combination of a timing difference associated with a projected filter media purchase (valued at approximately \$132,000) that was ordered but has not been shipped/arrived and therefore not paid for and an offsetting permanent difference associated with a non-projected repurchase of materials (valued at approximately \$44,500) that had been sent to FT Philippines for processing in December 2018, but was not returned to the Company.
- d. Travel –The Company's Travel expenditures continue to be significantly higher than what has been projected. The Company has advised that this increased level of travel expenditures has been expended by management in connection with meetings and its efforts to demonstrate stability to its suppliers and customers during the Company's restructuring process.
- e. Bank Charges and Interest – The variance is primarily attributable to the projections erroneously including an interest payment that had previously been projected to be

paid in the week ended May 3, 2019 but was in fact paid during the week ended April 26, 2019.

- f. Repairs, Maintenance and Supplies – The higher than projected Repairs, Maintenance and Supplies expenditures is primarily attributed increased purchases of shipping pallets and paper cores (totalling approximately \$9,060 above projections) to fulfil the increase in orders. Additional expenditures were made for materials related to the ongoing retrofit of their production line.
- g. Professional Fees – The projected Professional Fees figure is based on an estimate of \$5,000 per week in connection with the restructuring. No payments have been made during the projection period towards the Proposal Trustee, its counsel or the Company’s counsel during this period.
- h. Contingency Expense – The projected Contingency Expense figure is based on estimate of \$25,000 per month allocated evenly over the month. The actual amount paid relates to an invoice of \$13,605.20 from Gowling WLG (“**Gowlings**”), counsel to Jongchul Park (“**JC Park**”). The Company has advised that the invoice is for services related to the intellectual property rights, as they relate to the NOI proceedings and JC Park as a director of the Company, and accordingly it is the Company's position that the cost is appropriately borne/indemnified by the Company. In addition, \$35,000 was advanced for a retainer of same amount to Gowlings, in connection with Yoonjun Park’s retention of counsel in response to accusations by FTEI against him in the materials it served.

25. Overall, the Company’s actual net operating cash flows (receipts and disbursements) for the total monitored period from March 2, 2019 to May 31, 2019 are as follows:

<b>Receipts</b>	
Collection of A/R	\$ 1,712,436.85
SIMA Refund	-
HST Refunds	-
Other	508.51
<b>Total Receipts</b>	<b>1,712,945.36</b>
<b>Disbursements</b>	
Payroll (Net)	220,095.04
Source Deductions (EI/ CPP/Taxes)	66,661.99
Material Purchases	889,634.42
Property Insurance	2,160.90
Utilities	19,615.73
Administration Expenses	21,068.03
Travel	61,739.97
Banking Charges and Interest	26,529.92
Property Tax	14,696.59
Vehicles	3,239.52
Repairs, Maintenance and Supplies	48,090.77
Logistics	134,693.63
Professional Fees	-
Contingency	85,639.73
<b>Total Disbursements</b>	<b>1,593,866.24</b>
<b>Net Operating Cash Flows</b>	<b>\$ 119,079.12</b>

26. As shown above, the Company has positive Net Operating Cash Flows of \$119,079.12 for the total monitored period from March 2, 2019 to May 31, 2019.
27. As of May 31, 2019, the Company's operating line facility at RBC reduced from approximately \$1.889MM (as at March 1, 2019) to approximately \$1.764MM or by approximately \$124,800, excluding accrued interest and expenses.
28. The Company has remained current with all of 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 *Special Import Measures Act* being withheld by CRA.

## VI. THE SISP

29. Details of the steps taken by the Proposal Trustee, with the assistance of the Company, to conduct the SISP up to April 24, 2019, the LOI Deadline Extension (as such term was defined in the Second Report), were outlined in paragraphs 24 to 26 of the Second Report.
30. Based on the LOIs submitted, the potential bidders were looking to either acquire the Real Property only, or some combine of the inventory, equipment and other personal property (collectively, the “**Personal Property**”), but not both.
31. Under the SISP, parties that have submitted LOIs were allowed to conduct further due diligence, including conducting site visits, such that final bids may be prepared and submitted by the deadline set forth in the SISP of 5:00PM (Toronto Time) on May 17, 2019 (the “**Final Bid Deadline**”).
32. Since the LOI Deadline Extension the following steps were taken by the Proposal Trustee, with the assistance of the Company, in connection with the SISP up to the Final Bid Deadline:
  - a. Coordination of site visits/inspections of the Personal Property and the Real Property, as applicable. The site visits/inspections occurred May 2, 7 and 10, 2019, and under the supervision of the Proposal Trustee and/or a representative of the Company. It should be noted and as reflected at paragraph 29 of the Second Report, notwithstanding that interested parties had executed a non-disclosure and confidentiality agreement, the Company did not permit access for potential bidders to view/inspect the “Blackbox” area of the production facility due to the highly sensitive nature of the proprietary process used to produce the nanofibers;
  - b. Provided the template forms of agreement of purchase and sale for the Real Property and the Personal Property;
  - c. Attended to information requests and queries in connection with the information in the data room and the Personal Property and the Real Property; and



- d. Followed-up with bidders on the submission of a final offer, and in respect of parties looking to submit an offer on the Real Property only, their interest in leasing back the Real Property to the Company on a short term or longer basis.
33. During the second due diligence period and based on the Proposal Trustee's discussions with Colliers and the bidders interested in the Real Property only, it was conveyed to the Proposal Trustee that these bidders interested in the Real Property only were reluctant to incur "out-of-pocket" due diligence costs (e.g. appraisal fees, environmental assessment, etc.) prior to knowing if they were the successful bidder. This delay in due diligence activities by the bidders had the impact of potentially necessitating the extension of the timetable of the SISP beyond the three (3) week extension provision already incorporated into the SISP. As such, and following discussions with the Company and the SISP Team, the bidders interested in the Real Property only were encouraged to submit their final bids by May 15, 2019 in order to expedite the decision on which bidder for the Real Property would be the successful bidder.
34. On or before the Final Bid Deadline a number of the offers were received for either certain of the Personal Property or the Real Property, but not both. A summary of the offers received by the Final Bid Deadline as compared to the LOIs and commentary associated therewith is attached hereto as **Confidential Appendix "1"**.
35. Upon review of the offers received, the Company, in consultation with its counsel, the Proposal Trustee and RBC (collectively, the "**SISP Team**"), decided to proceed with the sale of the Real Property only, wherein further discussions and negotiations ensued with one (1) party and ultimately resulted in the APS.
36. The offers received for the Personal Property were all rejected, and as reported in paragraph 25 of the May Park Affidavit, "because the amounts offered for those assets were not in keeping with the Company's expectations, and the Company believes that greater value will be realized from those assets at a future date."

## VII. THE APS AND SALE APPROVAL

37. The Purchaser is a local business in Brantford, Ontario and appears unrelated to the Company or JC Park. The Purchaser had in fact submitted through the Purchaser's own real estate broker, Ed Doucet of Re/Max Twin City Realty ("**Re/Max**"), an offer to purchase the Real Property in mid March 2019, prior to the start of SISP.
38. A redacted copy of the signed APS is attached hereto **Appendix "F"**, with a full unredacted copy of the signed APS attached as **Confidential Appendix "2"**.
39. The keys terms of the APS are as follows:
- a. It is conditional on the Purchaser securing financing or waiving such condition by 2:59 PM on May 31, 2019. The Purchaser delivered on May 31, 2019 at 2:49 PM a Notice of Fulfillment of Conditions, waiving the financing condition;
  - b. The Purchaser has provided an initial deposit of \$50,000, and a further deposit of \$50,000 that was paid following the Purchaser waiving its conditions under the APS. The conditions were waived on May 31, 2019 and the second deposit was received by the Proposal Trustee on June 4, 2019;
  - c. A total commission of five (5%) percent is to be paid and split between Colliers and Re/Max;
  - d. Includes a six (6) month lease back provision. The lease agreement is the process of being finalized at the time of writing this Report; and
  - e. Is conditional on the Company obtaining an Order approving the sale and vesting title to the Real Property in and to the Purchaser, free and clear of any and all encumbrances ("**Approval and Vesting Order**") by June 10, 2019, with closing by no later than June 21, 2019.
40. Since the execution of the APS as amended, the Proposal Trustee has endeavoured to assist in expediting the waiver of the financing waiver, including securing a reliance letter for the Purchaser's lender from Pinchin Ltd. ("**Pinchin**") in connection with the phase I environmental site assessment and supplementary report prepared by Pinchin for the

Company in late 2018/early 2019, and the coordination with the Purchaser's broker, Re/Max, and its appraiser.

41. The Proposal Trustee is of the view that the transaction negotiated with the Purchaser, as detailed in the APS, should be approved for the following reasons:

- a. A broad marketing of the Real Property was conducted by the Company, with the assistance of the Proposal Trustee, in accordance with the SISP approved by the Court. Furthermore, the Real Property had been fully exposed to the market having been listed by the Company for sale through Colliers since November 15, 2018. Accordingly, the market has dictated that the APS negotiated with the Purchaser represents a commercially reasonable result in the circumstances;
- b. The leaseback provision and non-sale of the Personal Property allows the Company to continue to operate in the short term, with the possibility of its business to be potentially sold as a going concern under the larger sales process being contemplated by its parent, FTEI;
- c. An appraisal of the Real Property obtained by the Company prior to the date of appointment supports the commercial reasonableness of the selling price. A copy of the Summary Appraisal Report dated June 29, 2018 prepared by Jacob Ellens & Associates Inc. (the "**Real Property Appraisal**") is attached hereto as **Confidential Appendix "3"**;
- d. RBC, as first secured creditor, is supportive of the contemplated transaction; and
- e. The contemplated transaction out of the ordinary course of business complies with the criteria set out in Section 65.13 of the BIA for the Court to approve, including the ability of the Company to pay of the employee amount<sup>1</sup> (see COMPLIANCE WITH S. 65.13 OF THE BIA section below).

Overall, the contemplated sale appears to be in the best interest of all the stakeholders, as it would repay RBC, avoids a bankruptcy or receivership liquidation sale, and allows the Company to continue as a going concern, thereby

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<sup>1</sup> Subsection 65.13(8) of the BIA

accommodating FTEI's desire for the Canadian business to continue and to potentially be part of its larger sales process.

42. As note above and as a condition of the APS, the Purchaser requires an Approval and Vesting Order.
43. In addition, and pursuant to the SISP approved by the Court, the Company requires Court's approval to sell the Purchased Assets and it therefore requests the authorization of the Court to enter into and complete the APS and vest title in the Purchased Assets in favour of the Purchaser, or as it may direct, free and clear of any encumbrances, save and except as otherwise contemplated by the APS.
44. Given the commercially sensitive nature of certain documents and the potential impact on the closing of the contemplated transaction, the Proposal Trustee is requesting that certain documents identified as a "Confidential Appendix" be sealed pending the closing of a transaction contemplated under the SISP.

#### **VIII. COMPLIANCE WITH S. 65.13 OF THE BIA**

45. As set out under Subsection 65.13(4) of the BIA, the Court is to consider the following factors in granting authorization for the sale:
  - a. Whether the process leading to the proposed sale or disposition was reasonable in the circumstances;
  - b. Whether the trustee approved the process leading to the proposed sale or disposition;
  - c. Whether the trustee filed with the court a report stating that in their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;
  - d. The extent to which the creditors were consulted;
  - e. The effects of the proposed sale or disposition on the creditors and other interested parties; and

- f. Whether the consideration to be received for the assets is reasonable and fair, taking into account their market value.

46. In connection with the above factors, the Proposal Trustee advises as follows:

- a. The Company and the Proposal Trustee have carried out the court approved SISP and made reasonable and good faith efforts to sell the Purchased Assets to persons not believed to be related to the Company or its director;
- b. The Proposal Trustee worked closely with the Company, playing a major role in the development and implementation of the SISP, as well as the negotiation of the sale contemplated by the APS;
- c. The APS is more beneficial to the creditors as compared with a liquidation through a bankruptcy or a receivership proceeding commenced by RBC should this sale not be approved;
- d. RBC, the Company's senior secured creditor, has been consulted throughout the SISP, has been provided with notice of the request for the issuance of an approval and vesting order and supports the sale to the Purchaser;
- e. The sale to the Purchaser contemplated under the APS will allow RBC to be paid out in full. The Proposal Trustee understands that the non-sale of the Personal Property and the ability for the Company to continue as a going concern were issues raised by FTEI, the largest stakeholder, after RBC's secured claim, in its motion to stay the continuation of the SISP; and
- f. The sale contemplated by the APS is reasonable in circumstances, given the marketing process undertaken before and after the NOI filing and the Real Property Appraisal.

47. In connection with the Company's compliance with Subsection 65.13(8) of the BIA, the net proceeds generated from the sale contemplated by APS and produced from general operations should be sufficient for the Company to pay such amounts. Notwithstanding, in order to ensure compliance, it is contemplated that the Reserve (as such term is later defined) to be held by the Proposal Trustee shall include a component to cover such amount, in this case for any potential remaining accrued vacation pay to a maximum of

\$2,000 per employee, to be paid under Subsection 65.13(8) of the BIA, should such amounts not be paid in the ordinary course of business by the Company.

## **IX. FTEI'S OPPOSITION TO SISP AND SALE APPROVAL MOTION**

48. Since having been advised that BM had been retained by FTEI as its legal counsel in Canada, the Proposal Trustee, its counsel and counsel for the Company and RBC have exchanged numerous correspondence and attended several conference calls in connection the FTEI Motion, FTEI's opposition to the Company's Sale Approval Motion and the disclosure of information from both FTEI and the Company.

49. As at the time of writing this Report, completely translated Motion Materials in connection with the FTEI Motion and FTEI's opposition to the Company's Sale Approval Motion had not yet been filed with this Court. Accordingly, it is difficult for the Proposal Trustee to comment thereupon at this time.

50. Notwithstanding the above, the Proposal Trustee has the following comments in connection with the impact of the approval/non-approval of the APS on all of the stakeholders:

- a. There is a binding contract in place between the Company and the unrelated Purchaser in connection with the sale of the Purchased Assets, being the Real Property only;
- b. Significant time and money has been expended by the Company, the Proposal Trustee and their respective counsel in connection with the SISP and APS;
- c. The Purchaser, together with Re/Max, its real estate broker, have in good faith expended significant time and have incurred legal, appraisal and other costs in connection with submitting an offer and the negotiation of the APS, as well as leaseback agreement. The Purchaser has met all of the requirements of the APS;
- d. The sale of the Real Property alone still allows the Company's business to continue and does not preclude future coordination with FTEI's Korean rehabilitation proceeding and the inclusion in its larger sale process;

- e. The Company's decision to pursue a leaseback arrangement, rather than pursue a sale of the Real Property on a vacant possession basis may have slightly reduced potential realizations, however, this decision preserved the opportunity for the Company's potential future coordination with FTEI's Korean rehabilitation proceeding and the inclusion in its larger sale process;
- f. RBC, who has the first priority and financial interest in the Real Property, has advised the Company and the Proposal Trustee since the NOI filing that it wishes to be repaid as soon as possible;
- g. The Proposal Trustee has been advised by RBC that the information before or to be before the Court from FTEI in connection with JC Park, compounded by the foreign insolvency proceeding in Republic of Korea, would have raised concerns for RBC and could have precipitated enforcement steps;
- h. RBC continues to retain the right to appoint a receiver to recover its indebtedness, and should that occur, significant additional costs (legal and receiver's costs) and priority claims will arise, including employee priority claims under Section 81.4 of the BIA and the Wage Earners Protection Program; and
- i. If RBC is repaid, FTEI would become the largest stakeholder and would have greatest economic interest in the Company's outcome going forward;
- j. At an update hearing on June 6, 2019 counsel for FTEI advised the Court that it is not opposing the Sale Approval Motion.

51. In the materials served by FTEI, it mentions the termination by JC Park of the intellectual property licence between JC Park and FTEI (the "**License Termination**") and that it is also being contested by FTEI. Notwithstanding, the Proposal Trustee was aware of an arrangement entered into by the Company and JC Park in March 2019 to ensure that the Company's continued use of the intellectual property, patented inventions and technology thereby allowing the Company to continue to operate the business, and not be negatively impacted by the License Termination. That said the Company has appeared to continue operate as normal, and the Proposal Trustee is not aware of any negative impact to the operations of the Canadian business as a result of the License Termination. Based on the

information that has been reviewed by the Proposal Trustee, the Company does not have any ownership interests or right in the intellectual property associated with the technology and manufacturing process used to produce the nanofibers by the Company that is being disputed.

## X. RESERVE AND DISTRIBUTION TO RBC

52. As reported in paragraphs 30 and 31 of the Second Report, the Proposal Trustee had retained PV as its independent legal counsel and sought an independent legal opinion on the validity and enforceability of the RBC's security as against the Company (the "**Security Opinion**"). The Security Opinion prepared by PV confirmed, subject to the normal assumptions, qualifications and limitations, that RBC's security over both the Real Property and the personal property of the Company is valid and enforceable. A copy of the Security Opinion dated April 8, 2019 was attached as Appendix "G" to the Second Report.
53. An Ontario *Land Titles Act* parcel registry search on the Real Property dated March 20, 2019 (the "Title Search") indicates that RBC has a first charge on the Real Property in the amount of \$1.267MM. A copy of the Title Search is attached hereto as **Appendix "G"**.
54. As per an Ontario *Personal Property Search Act* registry search – file currency date: March 13, 2019 (the "**PPSA Search**"), RBC is shown to be the first secured creditor over the Company's personal property, save and except for a specific charge held by VW Credit Canada Inc. over one (1) leased vehicle. A copy of the PPSA Search is attached hereto as **Appendix "H"**.
55. Based on searches in the above paragraphs, RBC would appear to have priority to the net proceeds to be realized (after real estate brokerage commissions) from the Real Property, subject to only trust claims and any applicable statutory priority claims; the Proposal Trustee is not aware of any trust claims and any applicable statutory priority claims.
56. As at June 4, 2019, the Company's indebtedness to RBC was in the amount of \$1,711,233.87, plus accrued interest and expenses, including the legal fees and disbursements of its counsel (the "**RBC Indebtedness**").



57. Following the closing of the transaction contemplated by the APS, the Company seeks the Court's approval of a distribution of any available funds to RBC, to the full extent of the RBC Indebtedness, as well as providing monies to the Proposal Trustee for:

- a. The potential amounts payable to employees under Section 65.13(8) in the amount of \$36,000; and
- b. The Proposal Trustee and its counsel's fees and disbursements of \$224,000.

(collectively, the "**Reserve**")

58. At the time of writing this Report, the Receiver proposes the Reserve to be set at \$260,000.

59. Based on the net proceeds contemplated to be realized from the sale of the Real Property to the Purchaser, there should be more than sufficient funds to repay the RBC Indebtedness in full and to fully withhold the Reserve.

## **XI. RECOMMENDATION**

60. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief detailed in paragraph 13(b) of this Report.

All of which is respectfully submitted on this 6<sup>th</sup> 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

Court File No. 32-2480036  
Estate File No. 32-2480036

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

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

PROCEEDING COMMENCED AT  
TORONTO

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

**PALLET VALO LLP**  
Lawyers & Trade-Mark Agents  
77 City Centre Drive, West Tower  
Suite 300  
Mississauga, Ontario  
L5B 1M5

**ALEX ILCHENKO, C.S. (LSUC NO. 33944Q)**

Tel: (905) 273-3300  
Fax: (905) 273-6920

Lawyers for MNP Ltd.

# Exhibit "I"

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

THE HONOURABLE ) FRIDAY, THE 7th  
MR. JUSTICE PENNY ) DAY OF JUNE, 2019



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

**APPROVAL AND VESTING ORDER**

**THIS MOTION**, made by FT EnE Canada Inc. (the “**Company**”) 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 Edwards Protech Ltd. (the “**Purchaser**”) dated May 15, 2019, and vesting in the Purchaser the Company’s right, title and interest in and to the assets described in the Sale Agreement (the “**Purchased Assets**”), was heard this day at 330 University Avenue, Toronto, Ontario.

*MNP*  
*or its assignee 1411334 Ontario Inc.*

**ON READING** the Motion Record of the Company, and the Third Report of MNP Ltd. (“**Report**”), in its capacity as proposal trustee in the proposal of the Company (“**Trustee**”), and on hearing the submissions of counsel for the Company, the Trustee, Finetex EnE, Inc., the Royal Bank of Canada (“**Bank**”), and all other persons present as set out on the Counsel Slip, no

one appearing for any other person on the Service List, although properly served as appears from the affidavit of service of Ariyana Botejue, sworn May 29, 2019, filed,

### **Approval of the Transaction**

1. **THIS COURT ORDERS AND DECLARES** that the entering into the Transaction by the Company is hereby approved, and the execution of the Sale Agreement by the Company is hereby authorized and approved, with such minor amendments as the Company (with the consent of the Trustee) and the Purchaser may agree to in writing. The Company 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.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Trustee's certificate to the Purchaser substantially in the form attached as Schedule "A" hereto (the "Trustee's Certificate"), all of the Company's right, title and interest in and to the Purchased Assets described in the Sale Agreement 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:

- (a) any encumbrances or charges created by the Order of the Honourable Justice Penny dated March 28, 2019;

- (b) 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
- (c) those Claims listed on Schedule "C" hereto

(all of which are collectively referred to as the "Encumbrances", which term shall not include the Permitted Encumbrances listed on Schedule "D") and, for greater certainty, this Court orders that all of the Claims and Encumbrances affecting or relating to the Company's right, title and interest in and to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. **THIS COURT ORDERS** that upon the registration in the applicable land registry office of a certified copy of this Order in the manner prescribed by the applicable land registry office, the applicable land registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in Schedule "B" hereto (the "**Real Property**") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule "C" hereto.

4. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Trustee's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

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

#### **GENERAL PROVISIONS**

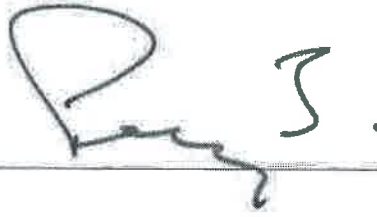
6. **THIS COURT ORDERS** that, notwithstanding:

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

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Company and shall not be void or voidable by creditors of the Company, nor shall it constitute nor be deemed to be a 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.

7. **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 Trustee and their 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 Trustee, as an officer of this

Court, as may be necessary or desirable to give effect to this Order or to assist the Trustee and its agents in carrying out the terms of this Order.

  
\_\_\_\_\_



**Schedule A – Form of Trustee’s Certificate**

Court File No. 32-2480036  
Estate File No. 32-2480036

**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**

**TRUSTEE’S CERTIFICATE**

**RECITALS**

- A. Pursuant to the Notice of Intention to Make a Proposal under the *Bankruptcy and Insolvency Act* filed by FT EnE Canada Inc. (the “**Company**”) on February 27, 2019, MNP Ltd. was named as the Company’s proposal trustee (in such capacity, the “**Trustee**”).
- B. Pursuant to an Order of the Honourable Mr. Justice Penny of the Ontario Superior Court of Justice (the “**Court**”) dated March 28, 2019, the Court approved a sale and investment solicitation process with respect to the assets and business of the Company.
- B. Pursuant to an Order of the Honourable Mr. Justice Penny dated June 7, 2019, the Court approved the agreement of purchase and sale made as of May 15, 2019 (the “**Sale Agreement**”) between the Company and Edwards Protech Ltd. (the “**Purchaser**”) and provided for the vesting in the Purchaser of the Company’s right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the 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 the Company and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Trustee.

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

**THE TRUSTEE CERTIFIES** the following:

1. The Purchaser has paid and the Company 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 the Debtor and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Trustee.
4. This Certificate was delivered by the Trustee at \_\_\_\_\_ [TIME] on \_\_\_\_\_ [DATE].

**MNP Ltd., in its capacity as proposal trustee  
for the Debtor, and not in its personal  
capacity**

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

Name:

Title:

**Schedule B – Purchased Assets**

PIN 32221-0243(LT):

PART OF LOT 18 CON 1 (GEOGRAPHIC TOWNSHIP OF BRANTFORD) AS IN A177918;  
N OF PART 3, 2R-3243; S OF PART 1, 2R-3554; E OF PART 1, 2R-3383 & PART 1, 2R-  
5309; W OF SHARP RD. EXCEPT PART 1 ON 2R-6087; COUNTY OF BRANT.

**Schedule C – Claims to be deleted and expunged from title to the Real Property**

1. Instrument No. BC269209 registered January 1, 2015, being a Charge/Mortgage granted by FT ENE Canada Inc. to and in favour of Royal Bank of Canada.

**Schedule D – Permitted Encumbrances, Easements and Restrictive Covenants  
relating to the Real Property**

**(unaffected by Approval and Vesting Order)**

**General Encumbrances:**

1. Any and all reservations, limitations, provisions and conditions expressed in the original grant from the Crown, as amended by statute, including, without limitation, the reservation of any mines and minerals in favour of the Crown and all unregistered rights, interests and privileges in favour of the Crown or pursuant to applicable statute or regulation.
2. Any and all subdivision agreements, site plan control agreements, development agreements, heritage easements and agreements relating thereto, servicing agreements, utility agreements, airport zoning regulations and other similar agreements relating to or affecting the development or use of the Real Property.
3. Any and all restrictive covenants, development restrictions and other similar land use control agreements affecting the Real Property.
4. Any and all registered and unregistered licenses, easements, rights-of-way, watercourses and rights and any and all cost sharing agreements and other agreements relating thereto including, without limitation, any and all registered and unregistered licenses, easements and rights-of-way for access and for the installation, use, operation, maintenance, repair and replacement of storm water sewers, sanitary sewers, water mains, drains, water courses, gas lines and hydro-electric lines, poles, wires and cables and all equipment and appurtenances thereto and any and all cost sharing agreements and other agreements relating thereto or any right of re-entry reserved by a predecessor in title.
5. Any and all liens for realty taxes, local improvement charges, assessments or governmental charges or levies that have accrued but are not yet due and owing
6. Any and all liens for charges for electricity, power, gas, water and other services and utilities in connection with the Real Property that have accrued but are not yet due and owing.
7. Any and all undetermined, inchoate or statutory liens or charges including, without limitation, the liens of workers, suppliers of materials, contractors, subcontractors, architects and vendors of moveable property incidental to any current operations on the Real Property which have not been filed or registered pursuant to any legal requirement or which relate to obligations not yet due or owing.
8. Any and all statutory liens, charges, adverse claims, prior claims, security interests, deemed trusts or other encumbrances of any nature whatsoever which are not registered on the title to the Real Property that are claimed or held by Her Majesty the Queen in

Right of Canada, Her Majesty the Queen in Right of the Province of Ontario or by any other governmental authority under or pursuant to any applicable laws.

9. Any and all title defects, irregularities, servitudes, rights, claims or other discrepancies in title or possession relating to the Real Property.
10. Any and all encroachments of buildings or structures situate on the Real Property onto adjoining lands and any and all encroachments of buildings and structures situate on adjoining lands onto the Real Property.
11. Any and all reference plans or plans registered pursuant to the *Boundaries Act* (Ontario).
12. The exceptions and qualifications contained in Section 44(1) of the *Land Titles Act* (Ontario).

Specific Encumbrances:

1. Instrument No. BC100197 registered December 12, 2006, being Notice of a Development Agreement dated October 17, 2006 between The Corporation of the County of Brant and Sharp Road Development Ltd.

**IN THE BANKRUPTCY AND INSOLVENCY**

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

**MNP Ltd. In its capacity as Licensed Insolvency Trustee of FT ENE Canada Inc.**

Commercial List Court File No. 32-2480036

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**APPROVAL AND VESTING ORDER**

**Blaney McMurtry LLP**  
2 Queen Street East, Suite 1500  
Toronto, ON, M5C 3G5

**Mr. Mervyn Abramowitz (LSO #28325R)**  
Certified Specialist, Civil Litigation, Bankruptcy and  
Insolvency Law

Tel: (416) 597-4887

Fax: (416) 594-4289

Email: [mabramowitz@blaney.com](mailto:mabramowitz@blaney.com)

**Ms. Alexandra Teodorescu (LSO #63889D)**

Tel: (416) 596-4289

Fax: (416) 594-2506

Email: [ateodorescu@blaney.com](mailto:ateodorescu@blaney.com)

Counsel for FT ENE Canada Inc.

# Exhibit "J"



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

THE HONOURABLE ) FRIDAY, THE 7th  
 )  
MR. JUSTICE PENNY ) DAY OF JUNE, 2019  
 )



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

**ORDER  
(Corollary Relief)**

**THIS MOTION**, made by FT EnE Canada Inc. (the “**Company**”), for an order for certain corollary relief, in conjunction with an Approval and Vesting Order sought by the Company and granted by the Court this day, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Motion Record of the Company, and the Third Report (“**Third Report**”) of MNP Ltd., in its capacity as proposal trustee in the proposal of the Company (“**Trustee**”), and on hearing submissions of counsel for the Company, the Trustee, Finetex EnE, Inc., Royal Bank of Canada (“**Bank**”), and all other persons present as set out on the Counsel Slip, no one appearing for any other person on the Service List, although properly served as appears from the affidavit of service of Ariyana Botejue, sworn May 29, 2019, filed,

1. **THIS COURT ORDERS** that the Company be and is hereby authorized and directed to make distributions to the Bank from the net proceeds of sale of the transaction of purchase and sale (“**Transaction**”) up to the amount of the secured obligations owing to the Bank.
  
2. **THIS COURT FURTHER ORDERS** that the Company be and is hereby authorized and directed to pay to the Trustee the amount of the Reserve, as referenced in paragraphs 57 and 58 of the Report.
  
3. **THIS COURT FURTHER ORDERS** that the Third Report and the actions and activities of the Trustee, as described in the Third Report, be and are hereby approved, provided that only the Trustee, in its personal capacity and only with respect to its personal capacity, shall be entitled to rely upon or utilize in any way such approval.
  
4. **THIS COURT FURTHER ORDERS** that Confidential Appendices 1, 2 and 3 to the Third Report shall be sealed, kept confidential and shall not form part of the public record pending further Order of this Court or the completion of the Transaction.



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

IN THE BANKRUPTCY AND INSOLVENCY

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

MNP Ltd. In its capacity as Licensed Insolvency Trustee of FT ENE Canada Inc.

Commercial List Court File No. 32-2480036

ONTARIO  
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER

Blaney McMurtry LLP  
2 Queen Street East, Suite 1500  
Toronto, ON, M5C 3G5

Mr. Mervyn Abramowitz (LSO #28325R)  
Certified Specialist, Civil Litigation, Bankruptcy and  
Insolvency Law

Tel: (416) 597-4887

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Email: [mabramowitz@blaney.com](mailto:mabramowitz@blaney.com)

Ms. Alexandra Teodorescu (LSO #63889D)

Tel: (416) 596-4289

Fax: (416) 594-2506

Email: [ateodorescu@blaney.com](mailto:ateodorescu@blaney.com)

Counsel for FT ENE Canada Inc.

# Exhibit "K"

# COUNSEL SLIP

Court File No. BK-19-02480036-0032

Date: June 07, 2019

No. On List (4)

Title of Proceeding

FT ENF CANADA INC v. FINETEXENE, INC.

Counsel for:

Plaintiff(s)   
Applicant(s)   
Petitioner(s)

MERVYN D. ABRAMOWITZ  
ALEXANDRA TEODORESCU  
FOR FT ENF  
CANADA.

Phone No.

416.597.4887

Fax No.

mabramowitz@blaney.com  
ateodorescu@blaney.com

Counsel for:

Defendant(s)   
Respondent(s)

Alex Ilchenko  
for MNP Ltd  
Proposed Trustee

Phone No.

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ext. 2

Fax No.

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ROGER SAIPANGAS  
CPA ROTAL BANK OF CANADA

T 416 967-6266

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RSAIPANGAS@BLG.COM

Glen Gibson and  
Michael Nowina for  
Finetex Enr Inc.

T. 416-865-2312

michael.nowina@bakermckenzie  
glen.gibson@bakermckenzie.com

June 7, 2019

The AVO and approval of  
MNP third Report have been approved  
and corollary relief

I am satisfied that the require  
ments of s. 66.13(4) of the BIA

have been met. The process  
was reasonable. The proposal trustee  
opposed. The process and has filed  
a report and opinion in support.  
Creditors ~~are not~~<sup>MAP</sup> are not  
opposed. The consideration ~~is~~ is  
fair and reasonable, having regard  
to the evidence, both market and  
otherwise, of value.

Orders to issue in the form  
signed by me this day.  
The RBC ~~support~~ FTEI is  
present and is not opposing.

The sealing order of the  
confidential exhibits is  
essential and meets the  
Sierra Club test. It is necessary  
to preserve the ability to maximize  
value if the transaction does not  
close.

Court File Number: 32 - 2480036

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

FT ENE Canada Inc.

Plaintiff(s)

AND

Defendant(s)

Case Management  Yes  No by Judge: \_\_\_\_\_

Counsel	Telephone No:	Facsimile No:

- Order  Direction for Registrar (No formal order need be taken out)
- Above action transferred to the Commercial List at Toronto (No formal order need be taken out)

- Adjourned to: \_\_\_\_\_
- Time Table approved (as follows):

In this matter, FT Canada has made a proposal.

FT Canada is a wholly owned subsidiary of Finetex, a Korean co.

Finetex ~~has~~ has applied to take control of these proceedings.

June 7, 2019  
Date

[Signature]  
Judge's Signature

Additional Pages 7

Court File Number: \_\_\_\_\_

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

as the 100% owner of FT Canada  
and to remove Mr. Park as  
a director, among other things.  
Finetex says that Mr. Park and  
FTB Canada have acted without  
proper authority in trying the  
proposed proceedings.

FTB Canada and the Parks  
against whom serious allegations  
have been made, seek an  
adjournment.

The Finetex material was  
filed only days ago and is  
still incomplete, due to  
the need for more translation  
from Korean.

FTB Canada needs the  
opportunity to be heard. The  
Parks are seeking independent



Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

caused given the relief sought  
and allegations made against  
them.

I agree that an adjournment  
is necessary. Finally however,  
sinks tongue of that adjournment.  
There are two pressing issues.  
First, part of the whole problem  
that has arisen is the  
result of FTE Canada's  
financial statements. BDO  
was retained to redo FTE  
Canada's <sup>2017</sup> financial  
statements.

That work has not been completed.  
There is a disagreement about  
why that work has not been  
completed.

An order for the necessary process

Superior Court of Justice  
Commercial List

## FILE/DIRECTION/ORDER

## Judges Endorsment Continued

to be complete, FTE Canada will need to complete 4/7 2017 audit.

Finetex wants information about what BDO has not completed its 2017 re-audit of FTE Canada.

This is a reasonable request.

It will be a material issue in the Finetex matter when ultimately heard.

MNP itself will likely need this information. It will be necessary evidence for the Court.

For this reason, I direct FTE Canada to direct BDO to prepare a report summarizing the work to date on the re-audit and the reasons why that work has not been completed and why, if the work

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

was suspended, it was  
suspended.

This report shall be made  
available to Finetax ~~and~~  
MNP and, on the return of  
the motion, to the Court.

It shall, if necessary, be  
filed under seal.

The second ~~part~~<sup>MNP</sup> term sought  
is some kind of preservation  
order regarding evidence, specifically,  
that the corporate computer,  
at the ~~park~~ Park, be imaged.

The evidence does not warrant  
a Norwich or ~~the~~ Anton Piller-type  
order.

However I believe it is  
appropriate to make an order  
prohibiting the destruction of

Court File Number: \_\_\_\_\_

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

any evidence, electronic or  
otherwise pending the return  
of the motion.

That order is therefore made.

by anyone

This matter is adjourned  
to June 24 2019 for 2.5 hours, before  
me (cleared).

I will be ~~and~~ unavailable until  
the week of the 24th, so any  
assistance required from the  
Court ~~is~~ must be obtained from  
and the judge.

I, on relying on counsel, however  
to ensure the steps necessary  
to enable the motion to proceed  
are resolved ~~to~~ and completed.

Court File Number: \_\_\_\_\_

Superior Court of Justice  
Commercial List

**FILE/DIRECTION/ORDER**

Judges Endorsment Continued

Electronic filings in addition  
to hard copy, of all material  
would be of assistance.

# Exhibit "L"

**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 endorsement<sup>1</sup> 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-enc-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

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<sup>1</sup> 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 %)	
<b>Receipts</b>					
Collection of A/R	992,307.00	536,911.62	( 455,395.38)	-46%	▲
SIMA Refund	-	-	-	0%	▬
HST Refunds	-	-	-	0%	▬
Other	-	-	-	0%	▬
<b>Total Receipts</b>	<b>992,307.00</b>	<b>536,911.62</b>	<b>( 455,395.38)</b>	<b>-46%</b>	<b>▼</b>
<b>Disbursements</b>					
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%	▲
<b>Total Disbursements</b>	<b>246,168.24</b>	<b>321,976.90</b>	<b>( 75,808.66)</b>	<b>-30.80%</b>	<b>▼</b>
<b>Net Operating Cash Flows</b>	<b>746,138.76</b>	<b>214,934.71</b>	<b>( 531,204.05)</b>	<b>71%</b>	<b>▼</b>

Legend	
▲	- Positive Variance
▬	- No Variance
▼	- Negative Variance

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 reinvoiced 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:

<b>Receipts</b>	
Collection of A/R	\$ 2,249,348.46
SIMA Refund	-
HST Refunds	-
Other	508.51
<b>Total Receipts</b>	<b>2,249,856.97</b>
<b>Disbursements</b>	
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
<b>Total Disbursements</b>	<b>1,915,843.14</b>
<b>Net Operating Cash Flows</b>	<b>\$ 334,013.84</b>

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 Report<sup>2</sup>, 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.

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<sup>2</sup> 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 21<sup>st</sup> 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



## Exhibit "M"

**SUPERIOR COURT OF JUSTICE – ONTARIO**

**(COMMERCIAL LIST) – Bankruptcy and Insolvency**

**IN THE MATTER OF THE PROPOSAL OF FT ENE CANADA INC.;**

**of the City of Brantford, in the Province of Ontario**

**BEFORE:** Penny J.

**COUNSEL:** *Mervyn Abramowitz* for FT ENE Canada Inc.

*Alexander Ilchenko* for Proposal Trustee

*Michael Nowina* and *Ben Sakamoto* for Finetex ENE Inc., creditor

*Patrick Shea* for Yoonjun Park

**HEARD:** June 24, 2019

**ENDORSEMENT**

[1] There are two motions, both opposed.

[2] In the first motion, Finetex ENE Inc. (“Finetex”), a Korean public company (and the 100% owner of the Applicant and an unsecured creditor representing 99% of the Applicant’s unsecured obligations) seeks an order removing J.C. Park, the Applicant’s sole director, and discharging Blaney McMurtry, the Applicant’s counsel or, in the alternative, for the appointment of an interim receiver during the currency of the Notice of Intention to Make a Proposal (“NOI”) proceedings.

[3] In the second motion, the Applicant seeks an extension of its stay for 45 days, to August 7, 2019.

**Background**

[4] Finetex and FT ENE Canada Inc. (“FTE Canada”) are in the nanofibre business. FTE Canada operates a manufacturing facility in Brantford which employs 18 people.

[5] J.C. Park is the founder of this business. He has had a falling out with Finetex. Park has been removed from office as a “representative director” of the parent Finetex, but not as a director per se. He is the sole director of FTE Canada.

[6] J.C. Park is the owner of the principal technology/IP necessary to this business.

[7] He granted a license to Finetex to use that technology. Finetex is itself embroiled in insolvency proceedings in Korea under the *Debtor Rehabilitation and Bankruptcy Act*.

[8] As a result of his falling out with Finetex and Finetex's insolvency proceedings, J.C. Park has purported to terminate the licence agreement with Finetex. He has an agreement with FTE Canada, however, which enables FTE Canada to continue to use the technology. Finetex has taken the position that the termination is ineffective.

[9] FTE Canada made an NOI to avoid being drawn into and controlled by Finetex's Korean insolvency proceedings. The Proposal Trustee is MNP. The NOI was filed in February 2019.

#### **Motion to Remove J.C. Park as Director**

[10] The test for removing a director during proposal proceedings is set out in s. 64 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 ("*BIA*"). The Court may remove a director if satisfied that:

- a) the director is unreasonably impairing or is likely to unreasonably impair the possibility of a viable proposal; or
- b) is acting or is likely to act inappropriately as a director in the circumstances.

[11] There has been no judicial consideration of s. 64, but s. 11.5 of the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 ("*CCAA*") contains virtually the same language. The *Unique Broadband Systems* case, 2011 ONSC 224, considered s. 11.5. The standard of proof is on a balance of probabilities. This is unlike, for example, a motion for an interlocutory injunction. The standard is a high one. The fact that a shareholder may disagree with a decision or does not trust the director is "far from being sufficient."

[12] Finetex relies on essentially four grounds for Park's removal:

- 1) an alleged conflict of interest;
- 2) allegations of embezzlement and fraud at Finetex involving Park and members of his family from 2011 to 2018;
- 3) alleged false or misleading representations to the Court in the context of the proposal proceedings; and
- 4) concerns over continued misappropriation.

[13] Although it is true that Park and Finetex are in direct conflict, I am not satisfied Park has been proved to have any conflict of interest involving the Applicant, the company of which he is the sole director. While Park has purported to terminate Finetex's license to use his technology, he has agreed to allow FTE Canada to continue to do so.

[14] Finetex's deponent, Mr. Kim, is a "representative director" of Finetex. He also deposes that he is the "rehabilitation custodian" of Finetex.

[15] There is no evidence about the Korean law of debtor rehabilitation and bankruptcy and no evidence about the nature, scope or effect of Finetex's insolvency proceedings in Korea and how it does, or might, affect insolvency proceedings in Canada of a wholly owned subsidiary.

[16] Mr. Kim has attached to his affidavit a report about an examination of Finetex prepared by Haeng Bok MaRu. It is not clear who this firm is, but it appears to be some kind of forensic examination enterprise.

[17] That report examines the conduct of J.C. Park and others at Finetex from 2011 to 2018. It suggests that J.C. Park and Y. Park, his son in law (who is the General Manager of FTE Canada), as well as others engaged in forgery, overstatement of sales and the use of nominee companies to siphon off profits from Finetex. It also suggests that J.C. Park and Y. Park interfered with legitimate auditors' enquiries in an effort to suppress or cover up their fraudulent activity. This report was only filed on June 19, 2019.

[18] I certainly agree with Finetex that this report raises concerns about J.C. Park's past conduct while employed at Finetex. However, the threshold test for removal of a director is not a "triable issue" but proof on a balance of probabilities. This report has not been properly put before the Court as expert evidence. There is for example, no information about the authors, who they are, their qualifications, etc...

[19] Importantly, these allegations have nothing to do with FTE Canada's NOI proceedings. There is no suggestion in the evidence, particularly in the Proposal Trustee's reports, of any misconduct or impropriety in the conduct of FTE Canada's business during the proposal proceedings.

[20] There is no stay operating in favour of J.C. Park. Finetex is at liberty to sue Park, if so advised, including seeking interlocutory relief against him. It has not done so.

[21] The NOI proceedings, it seems to me, are not the forum for an "investigation" into Park's past alleged wrongdoing in respect of Finetex.

[22] While more detail could have been disclosed, I am not satisfied that the non-disclosure of certain facts rises to the level of advertent misleading evidence. The deponent for FTE Canada is Y. Park, not J.C. Park. And, while it is true that more could have been explained, nothing said by Y. Park has been proven false.

[23] Mr. Kim's affidavit is also short on detail and explanation. There is no explanation for why J.C. Park remains a director of Finetex. There is, even more importantly, no explanation why Finetex has not invoked its rights as FTE Canada's 100% shareholder to hold a meeting to remove J.C. Park as the director of FTE Canada and replace him with a director of its choosing. The NOI, it would seem, creates no stay of ordinary corporate governance measures such as this. Even if it did, Finetex could seek to lift the stay for the purpose of holding a shareholders' meeting but has not done so.

[24] All in all, I am left with the strong impression that both sides are being strategic in their disclosure of information, particularly as it relates to the broader picture of the commercial disputes between them at the shareholder level.

[25] It is clear that there is a very active and acrimonious battle going on between J.C. Park and Finetex but, again, I fail to see how the NOI proceedings is the place to wage that fight. There is, in any event, conflicting evidence that cannot be resolved on this motion.

[26] Finetex's concerns over possible ongoing misappropriation of funds out of FTE Canada are met by the fact that MNP, as Proposal Trustee, is monitoring FTE Canada's financial affairs. MNP has been fully supportive of the Applicant's efforts to date and has reported no lack of cooperation or concerns over the use and disposition of funds. There is simply no evidence that J.C. Park has engaged in anything untoward involving FTE Canada during the proposal proceedings.

[27] This is a rare case which actually turns on the burden of proof. While there is some evidence giving rise to concerns, it does not relate specifically to the proposal proceedings. There are many unanswered questions. On this record, I am simply unable to conclude, on a balance of probabilities, that J.C. Park is unreasonably impairing the proposal proceedings or is acting inappropriately in the circumstances of this proposal proceeding.

[28] For these reasons, I conclude that the s. 64 test under the *BIA* has not been met. Accordingly, the motion is dismissed.

[29] That does not end the matter, however. There is a continuing concern over information access and transparency. I find that as the 99% creditor and 100% owner of FTE Canada, Finetex is not simply just another creditor. Finetex is entitled to know what is going on.

[30] MNP has offered to be the conduit for information flowing about FTE Canada's affairs. I direct therefore that Finetex may put informational questions to MNP. MNP will reasonably endeavor to obtain answers to Finetex's questions. If the parties are unable to arrive at an appropriate protocol, they may book an appointment to see me at a case conference.

[31] Likewise, Finetex has indicated it has follow up questions to the BDO report of June 21, 2019. These questions may be directed to the Applicant, via MNP, and the Applicant shall reasonably endeavor to obtain answers from BDO, which shall be made available to Finetex.

### **Removal of Blaney McMurtry**

[32] There is a subsidiary issue involving the removal of Blaney McMurtry on account of an alleged conflict. Having found J.C. Park is not in a conflict with the Applicant, there is no conflict arising out of Blaney McMurtry acting for J.C. Park and FTE Canada at this time.

[33] These findings, relating to whether J.C. Park or Blaney McMurtry have a conflict with the Applicant, may be revisited however, as the proposal proceedings unfold if circumstances change.

### **Interim Receiver**

[34] The problem with the alternate remedy of the appointment of an interim receiver is that no evidence or context has been provided as to the mandate or purpose for the interim receiver. Also, beyond some preliminary discussions, there has been no entity identified as willing to undertake this role. Also, Finetex has not sought an examination of the Applicant under s. 163 of the BIA.

[35] In these circumstances, I am unable to conclude it is just and convenient to appoint an interim receiver. To the extent increased transparency was an objective for seeking this relief, I have provided for access to more information in these Reasons. Ultimately, of course, as the 99% creditor, Finetex will decide whether any proposal, which must be advanced fairly soon, is or is not acceptable.

**Motion to Extend Stay**

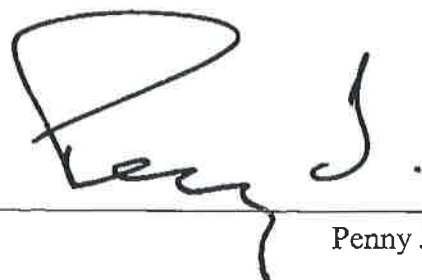
[36] My prior order gave the Applicant an extension to June 24, 2019. Because I reserved my decision on these motions, I granted an extension for two weeks, to July 8, 2019.

[37] The Applicant seeks an extension until August 7, 2019, supported by MNP. Finetex has indicated that if J.C. Park remains as the director of FTE Canada, it oppose any further stay extension.

[38] In all of the circumstances, I have concluded that a stay to August 7, 2019 is appropriate.

[39] I am satisfied that there may be alternatives to a bankruptcy, if the parties can work together to maximize value. In any event, more time is needed to renew efforts to find a buyer for the Canadian operation or for the entire enterprise.

[40] The stay extension is granted until August 7, 2019.



A handwritten signature in black ink, appearing to read 'Penny J.', is written above a horizontal line. The signature is stylized and cursive.

Penny J.

**Date:** June 27, 2019

# Exhibit "N"

**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**

**PROPOSAL OF FT ENE CANADA INC.**

FT ENE Canada Inc. (“FTE” or the “Company”) hereby submits the following Proposal to all of its Unsecured Creditors pursuant to Part III of the *Bankruptcy and Insolvency Act* (Canada).

**ARTICLE 1**

**DEFINITIONS**

**1.1 Definitions**

In this Proposal:

- (a) “**Administrative Fees and Expenses**” means the proper fees, expenses and legal fees and disbursements of the Proposal Trustee, and the Company on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal including, without limitation, those fees and expenses secured by the Order of Justice Penny dated March 28, 2019, (which order is not vacated or altered by the filing or approval of this Proposal);
- (b) “**Approval Date**” means the date upon which the Approval Order is issued by the Court;
- (c) “**Approval Order**” means an order of the Court approving the Proposal;



- (d) “**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended and in force as at the Date of Filing;
- (e) “**Business Day**” means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (f) “**Canada Pension Plan**” means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as amended;
- (g) “**Claim**” means any right of any Person against the Company in connection with any indebtedness, liability, action or obligation of any kind of or by the Company which indebtedness, action, liability or obligation is in existence or had occurred at the Date of the Proposal, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or at the time of the Date of the Proposal including, without limitation any, claims that would have been claims provable in bankruptcy had the Company become bankrupt on the Date of the Proposal, any claims which might be made by a trustee in bankruptcy or a creditor or any other party pursuant to sections 95 to 101.1 of the *BIA* or under a statute or common law rule similar to these sections, or, any claim related to the manner in which the Company conducted these Proposal proceedings and all operational decisions made during that period, but expressly excluding any equity claims or claims which are found to be equity claims upon review by the Proposal Trustee or the Court;
- (h) “**Collateral**”, in respect of a Secured Creditor, means the assets and property of the Company in which the Secured Creditor holds a valid and enforceable security interest;
- (i) “**Company**” means FT EnE Canada Inc.;
- (j) “**Court**” means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (k) “**Creditor**” means any Person, having a Claim (whether or not a Proof of Claim is filed by such Person) and may, if the context requires, mean a Proposal Trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (l) “**Creditors’ Meeting**” means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;

- (m) **“Creditors’ Meeting Date”** means such date and time as may be called by the Proposal Trustee, but in any event shall be no later than twenty-one (21) days following the Date of the Proposal;
- (n) **“Date of Filing”** means February 27, 2019, the date of the filing of the Notice of Intention to Make a Proposal with the Official Receiver;
- (o) **“Date of the Proposal”** means August 2, 2019, the date that the Proposal was lodged with the Proposal Trustee;
- (p) **“Disputed Claim”** means a Claim which is filed in this Proposal by a Creditor which is: i) disallowed in whole or in part by the Proposal Trustee, ii) disputed in whole or in part by the Company, or iii) is the subject of a disallowance proceeding or appeal before the Court.
- (q) **“Employment Insurance Act”** means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (r) **“Filed Claim”** means a claim filed in the proposal by a Creditor which has not yet been reviewed or approved by the Proposal Trustee and the Company
- (s) **“Implementation Date”** means the date upon which the conditions set forth in Article 7.4 have been satisfied;
- (t) **“Income Tax Act”** means *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (u) **“Official Receiver”** shall have the meaning ascribed thereto in the *BIA*;
- (v) **“Ordinary Creditors”** means Creditors with Proven Claims, except for those Claims:
  - (i) that the Proposal Trustee determines not to be a provable claim in accordance with Section 135 (1.1) of the *BIA*;
  - (ii) that have been finally and conclusively disallowed in accordance with the *BIA*;
  - (iii) that are Claims by Preferred Creditors;
  - (iv) that are Claims by a Related Party;
  - (v) that are Claims by a Secured Creditor;
  - (vi) that are Claims in respect of an Equity Interest; or
  - (vii) that are Claims in respect of Administrative Fees and Expenses.
- (w) **“Performance”** means full performance of this Proposal as set out in Article 6 paragraph 6.1 hereof;

- (x) **“Person”** means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (y) **“Preferred Creditors”** means Creditors with Proven Claims that are proven and which are required by the *BIA* to be paid in priority to all other Claims under a proposal made by a debtor and including, without limitation:
  - (i) employees and former employees of the Company, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the *BIA* if the Company became bankrupt on the Date of Filing, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Company's business during the same period; and
  - (ii) Her Majesty in Right of Canada or a Province for all amounts that were outstanding at the time of the filing of the notice of intention or of the Date of Filing and are of a kind that could be subject to a demand under,
    - (a) subsection 224(1.2) of the Income Tax Act;
    - (b) any provision of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act and provides for the collection of a contribution, as defined in the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts; or
    - (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Income Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum
      - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act, or
      - (ii) is of the same nature as a contribution under the Canada Pension Plan if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the Canada Pension Plan and the provincial legislation

establishes a "provincial pension plan" as defined in that subsection.

- (z) **"Proof of Claim"** shall mean the proof of claim required by the *BIA* to be mailed to each known Creditor prior to the Creditors' Meeting;
- (aa) **"Proposal"** means the Proposal lodged with the Proposal Trustee on August 2<sup>nd</sup>, 2019 together with any amendments or additions thereto;
- (bb) **"Proposal Trustee"** means MNP Ltd., or its duly appointed successor or successors
- (cc) **"Proposal Fund"** shall mean the payments made by the Company to the Proposal Trustee pursuant to paragraph 6 hereof;
- (dd) **"Proven Claim"** of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the *BIA* and approved by the Company and the Proposal Trustee;
- (ee) **"Related Party"** means Finetex, EnE Inc. ("**FT Korea**") and any Creditor related to the Company within the meaning of Section 4 of the *BIA*, but shall not include Jong Chul Park;
- (ff) **"Secured Creditor"** means any creditor holding a valid and perfected security interest against the Company;
- (gg) **"Unsecured Creditors"** means, collectively, the Preferred Creditors and the Ordinary Creditors; and
- (hh) **"Voting Letter"** shall mean the voting letter required by subsection 51(1) of the *BIA* to be mailed to each known Creditor prior to the Unsecured Creditors' Meeting.

## 1.2 Articles of Reference

The terms "hereof", "hereunder", "herein" and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In this Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

## 1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

#### **1.4 Date for Any Action**

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.

#### **1.5 Time**

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

#### **1.6 Numbers**

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

#### **1.7 Currency**

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

#### **1.8 Statutory References**

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

#### **1.9 Successors and Assigns**

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

### **ARTICLE 2**

#### **CLASSIFICATION OF CREDITORS**

##### **2.1 Classes of Creditors**

For the purposes of voting on the Proposal, only Ordinary Creditors will be entitled to vote on the Proposal. There shall be one class of Unsecured Creditors.

### **ARTICLE 3**

#### **TREATMENT OF CREDITORS**

### **3.1 Secured Creditors**

All Secured Creditors shall be paid in accordance with the respective agreement(s) between each Secured Creditor and the Company or as otherwise agreed between said Secured Creditor and the Company. To the extent that there is insufficient Collateral to repay the secured indebtedness, the Secured Creditor will file the balance of its claim as an Unsecured Creditor and participate in this Proposal as same.

### **3.2 Preferred Creditors**

The Proven Claims of the Preferred Creditors are to be paid by the Proposal Trustee in full in priority to all the Proven Claims of Ordinary Creditors in accordance with the *BIA* and the Proposal.

### **3.3 Ordinary Creditors**

The Proven Claims of all Ordinary Creditors, subject to paragraph 3.4 below, are to be paid, on a *pro rata* basis, their proportionate share of the Proposal Funds once the claims of Preferred Creditors are satisfied as provided for in this Proposal. For distribution purposes, to the extent that the Collateral is not sufficient to satisfy the Proven Claim of a Secured Creditor, that Secured Creditor shall be an Unsecured Creditor for any portion of that Secured Creditor's Proven Claim that remains outstanding.

### **3.4 Creditors May Elect**

Any Claim owed to any Unsecured Creditor, regardless of whether or not the Creditor has filed a proof of claim, which the books and records of the Company (as reviewed by the Proposal Trustee) indicate is owed less than \$15,000.00, shall be deemed to have a Proven Claim in that amount. Any Creditor with a Proven Claim of \$15,000.00 or less, shall receive the full amount of their Proven Claim following the approval of the Proposal, as further set out in section 6.4 (a) hereof. All such Creditors shall be deemed to have voted in favour of the Proposal unless they attend the Creditors Meeting and vote against the Proposal. Any other Creditor, other than a Related Party, with a Proven Claim which is greater than \$15,000.00, may elect in writing, prior to the Proposal being voted upon (including at the Creditor's Meeting), to, instead of participating in a pro rata distribution as set out above, receive \$15,000.00. As further described in section 6.4 (a) below. Any such Unsecured Creditor with a claim below \$15,000.00 or any Unsecured Creditor who makes such an election (an "**Electing Creditor**") shall be deemed to have voted in favour of the Proposal and shall be deemed to have provided the Proposal Trustee with their proxy.

### **3.5 Related Party Postponement**

The Related Party shall be bound by this Proposal. The Related Party shall either i) deliver an agreement and consent, in a form satisfactory to the Company and the Proposal Trustee, to subordinate its Claim(s) in full to the Claims of the Ordinary Creditors payable under this Proposal or ii) file a Proof of Claim. The Related Party shall be entitled to vote only against, and not in favour of, this Proposal, and then only to the extent of its Proven Claim.

### **3.6 Claims Against Directors or Deemed Director**

Any Claims (other than those set out in section 50(14) of the *BIA*) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company or where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred prior to the filing date (a “**Director Claim**”) shall, following acceptance of this Proposal by the Creditors, and upon the Approval Date, be and are hereby, compromised and released and forever discharged as against the directors of the Company.

Any Claim (other than those set out in section 50(14) of the *BIA*) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred after the filing date up until the date this Proposal is approved by the Court (a “**Restructuring Director Claim**”) shall, following acceptance of this Proposal by the Creditors, and upon the Approval Date, be and are hereby, compromised and released and forever discharged as against the directors of the Company.

## **ARTICLE 4**

### **PROCEDURE FOR VALIDATION OF CLAIMS**

#### **4.1 Filing of Proofs of Claim**

Each Creditor must file a Proof of Claim as required by the *BIA* to vote on, or receive a distribution under, the Proposal.

#### **4.2 Allowance or Disallowance of Claims by the Proposal Trustee**

Upon receipt of a completed Proof of Claim, the Proposal Trustee and the Company shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the *BIA*. The procedure for valuing Claims of the Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the *BIA*, subject to the following. In the event any claim is disallowed by the Proposal Trustee and appealed by such Creditor within the time period provided in the *BIA*, the Proposal Trustee shall permit the Company to proceed with the appeal of any such Claims, with input from the Proposal Trustee. Without limiting the forgoing, the Proposal Trustee shall permit the Company to contest any claim made by the Related Party in these proceedings, with input from the Proposal Trustee. The Company and/or the Proposal Trustee reserve the right to seek the assistance of the Court in valuing any Claim, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Creditor under the Proposal, as the case may be.

#### **4.3 Claims Bar Process**

Forthwith after obtaining the Approval Order, the Proposal Trustee shall give notice pursuant to s.149 of the *BIA* by registered mail to every person with a claim the Proposal Trustee has notice

or knowledge but whose claim has been filed or proved that if such person does not prove his claim within a period of thirty (30) days after the mailing of the notice (“**Claims Bar Date**”), the Proposal Trustee will proceed to declare a final dividend without regard to such person’s claim; the dividend referred to in said notice shall be deemed a final dividend and any person so notified who does not provide his claim within the said thirty (30) days shall be barred from making a claim in this Proposal or sharing in any dividend hereunder, subject to any exceptions set out in Sections 149(2)(3) and (4) of the *BIA*.

## ARTICLE 5

### MEETING OF CREDITORS

#### 5.1 Unsecured Creditors’ Meeting

On the Creditors’ Meeting Date, the Proposal Trustee shall hold the Creditors’ Meeting in order for the Creditors to consider and vote upon the Proposal.

#### 5.2 Time and Place of Meeting

Unless otherwise ordered by the Court, the Creditors’ Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in its notice of meeting to be mailed pursuant to the *BIA*. All Proofs of Claim shall be delivered in accordance with the provisions of the Proposal, the *BIA* and any Order which may be issued by the Court in respect of the procedure governing the Creditors’ Meeting.

#### 5.3 Conduct of Meetings

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors’ Meeting and will decide all matters relating to the conduct of the Creditors’ Meeting. The only persons entitled to attend the Creditors’ Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors’ Meeting, the Secured Creditors and their respective legal counsel, if any, and the officers, directors, auditors, and legal counsel of the Company, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors’ Meeting or with the consent of the Unsecured Creditors.

#### 5.4 Adjournment of Meetings

The Creditors’ Meeting may be adjourned in accordance with Section 52 of the *BIA* or by ordinary resolution of the Creditors in attendance at the Creditors’ Meeting, including any creditors who are in attendance by proxy, or by the Proposal Trustee. Without limiting the foregoing, in the event the value of a Proof of Claim filed at or prior to the Creditor’s Meeting is disputed by the Company or the Proposal Trustee, and the value of such Proof of Claim is sufficiently material such that the outcome of the Proposal vote could be altered by the value ultimately assigned to that Proof of Claim, the Proposal Trustee shall, upon the request of the Company, adjourn the meeting in order to conduct further investigation of that Proof of Claim.



### 5.5 Voting by Creditors

To the extent provided for herein, each Unsecured Creditor will be entitled to vote to the extent of the amount which is equal to the Proven Claim held by the Trust Creditor. The Chair reserves the right to reject any claim in accordance with section 108 (1) of the *BIA* and to deny such person the right to vote at the Creditors' Meeting.

### 5.6 Approval by Creditors

In order that the Proposal be binding on all of the Unsecured Creditors of the Company in accordance with the *BIA*, it must first be accepted by the Unsecured Creditors as prescribed by this Proposal by a majority in number of the Unsecured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing at least two-thirds in value of the Proven Claims of the Unsecured Creditors who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

## ARTICLE 6

### DISTRIBUTION OF PROCEEDS

#### 6.1 Implementation of Proposal

- (a) Upon the Proposal being approved by the Court, the Company shall pay any outstanding Administrative Fees and Expenses and shall deliver a retainer of \$50,000 (or such other amount as the Company and the Proposal Trustee may agree). Notwithstanding the payment of this retainer amount, the Company shall remain liable for the payment of all Administrative Fees and Expenses until such time as the proposal is fully performed and the Proposal Trustee is discharged. The Company shall continue to make such payments as and when due hereafter.
- (b) The Company shall provide the Proposal Trustee with the amount contemplated by section 6.3 hereof within 30 days of the Approval Date.
- (c) Upon the approval of all properly filed Claims and the final resolution of any disputed claims by either the Proposal Trustee and the Company or the Court, the Company shall provide payment to the Proposal Trustee of an amount equal to the lesser of the entire amount of (i) the Proven Claims, plus the amount due under the Superintendent's Levy in respect of such claims and any outstanding Administrative Fees and Expenses, or (ii) THREE HUNDRED THOUSAND DOLLARS (\$300,000). (the "**Proposal Fund**").

#### 6.2 Payment of Administrative Fees and Expenses

The Company shall pay Administrative Fees and Expenses from time to time pending the completion of the Proposal. Upon payment of the Proposal Fund to the Proposal Trustee, the outstanding Administrative Fees and Expenses shall be paid in full out of the funds in its hands,

and, to the extent that is insufficient, from the Proposal Fund, prior to distribution to the Preferred and the Ordinary Creditors.

### **6.3 Distribution to Preferred Creditors**

Within 30 days of the Approval Date the Company shall provide to the Proposal Trustee sufficient funds to pay the Preferred Creditors in full the amount of their Proven Claims in priority to the Ordinary Creditors. The Proposal Trustee shall then make payments to those Preferred Creditors forthwith. Payments to each Preferred Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

### **6.4 Distribution to Ordinary Creditors**

(a) Upon receipt of the Proposal Fund, the Proposal Trustee will, within 30 days, distribute from the Proposal Fund, net of the payments made in sections 6.2 and 6.3, to the Creditors described in section 3.4 hereof (the “**Convenience Creditors**”).

(b) The Ordinary Creditors with Proven Claims, other than Convenience Creditors, shall be paid, within 90 days of the Implementation Date, their *pro rata* share of the remaining Proposal Fund then in the hands of the Proposal Trustee, following payment of the Claims as described in paragraph 6.2 and 6.5, and 6.4(a), based on the proportion which the Proven Claim of such Ordinary Creditor bears to the aggregate amount of the Proven Claims of all Ordinary Creditors.

(c) Related Party Creditors who have subordinated their claim will not receive any distribution from the Proposal Fund.

Payments to each Ordinary Creditor or Convenience Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

### **6.5 Proposal Default Fund**

From the Proposal Fund, and prior to any distributions to any creditors in the administration, an amount of \$20,000 will be retained by the Proposal Trustee (“**Proposal Default Fund**”). The sole purpose of the Proposal Default Fund will be to fund an application to annul the Proposal in the event of default, which has not been waived by the Inspector(s) in the estate or remedied by the Company. Upon instructions from the Inspector(s), if any, the Proposal Trustee will make an application to the Courts to have the Proposal annulled. Despite, a Certificate of Full Performance being issued to the Company, this provision of this Proposal will apply and the Proposal Default Fund will remain unavailable for distribution to the creditors in the estate until all the payments required under this Proposal have been made.

### **6.6 Discharge of Proposal Trustee**

Upon payment by the Proposal Trustee of the amounts contemplated in this Article 6, the Proposal Trustee shall have discharged its duties as Proposal Trustee, the Proposal Trustee’s obligation under its Proposal shall be fully performed and the Proposal Trustee shall be entitled to apply for its discharge as Proposal Trustee hereunder. For greater certainty, the Proposal Trustee will not be

responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default. Upon its discharge, the Proposal Trustee will return any remaining funds in its hands to the Company or as the Company may direct.

## ARTICLE 7

### MISCELLANEOUS

#### 7.1 **Compromise Effective for all Purposes**

The distributions contemplated hereunder will be binding upon each Creditor, other than Secured Creditors, and their heirs, executors, administrators, successors and assigns, for all purposes.

#### 7.2 **Modification of Proposal**

The Company or any Unsecured Creditor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal.

#### 7.3 **Consents, Waivers and Agreements**

As at 12:01 a.m. on the Implementation Date, each Creditor, including the Related Parties, but excluding Secured Creditors, will be deemed:

- (a) to have executed and delivered to the Company all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Company in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Company that has occurred on or prior to the Implementation Date;
- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Company as at the Implementation Date (other than those entered into by the Company on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) to have released the Company, the Proposal Trustee and all of their respective affiliates, employees, agents, directors, officers, shareholders, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any

Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein, including, without limitation, those claims which could be advanced or pursued pursuant to sections 95 to 101.1 of the *BIA*.

#### **7.4 Conditions Precedent to Proposal Implementation**

The implementation of the Proposal by the Company will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) acceptance of the Proposal by the Unsecured Creditors; and
- (b) approval of the Proposal by the Court pursuant to a final Order and the expiry of ten (10) day appeal period under the *BIA* with no appeal having been filed within said ten (10) day period,
- (c) receipt of the Proposal Fund by the Proposal Trustee after the final resolution of all Disputed Claims, if any, and

The date upon which the last of these conditions is met shall be the "Implementation Date"

#### **7.5 Effect of Proposal Generally**

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under the Proposal shall be final and binding on the Company and all Creditors, other than Secured Creditors, including all Claims against Directors (to the extent not otherwise released on the Approval Date, and other than the claims described in S. 50(14) of the *BIA*), and the Proposal shall constitute (i) a full, final and absolute settlement of all rights of the holders of the Claims (whether or not such Creditor with such a Claim filed a Claim); and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Company or the Directors of or in respect of such Claims. The Proposal Trustee shall thereafter issue a certificate of full performance to the Company in accordance with the provisions of the *BIA* promptly.

#### **7.6 Notices**

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier (except for Proofs of Claim which may only be sent by personal delivery, telecopier or registered mail) addressed to the respective parties as follows:

- (a) if to the Company:

- (b) if to an Unsecured Creditor, to the address or telecopier number for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no Proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contacted; and
- (c) if to the Proposal Trustee:

Attention: MNP Ltd.  
c/o Mr. Mathew Lem  
111 Richmond Street West  
Suite 300  
Toronto, ON, M5H 2G4  
Telephone: (416) 515-3882  
Telecopier: (416) 596-1711  
Email: matthew.lem@mnp.ca

or to such other address or telecopier number as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

### **7.7 Foreign Currency Obligations**

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Date of Filing.

### **7.8 Applicable Law**

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

**7.9 Non Severability**

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect

**7.10 Deeming Provisions**

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

**DATED** at the City of Toronto, in the Province of Ontario, this 2<sup>nd</sup> day of August, 2019

**FT ENE CANADA INC.**

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

Jong Chul Park

# Exhibit "O"



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

In the Matter of the Proposal of:

**FT ENE CANADA INC.**  
Debtor

**MNP LTD / MNP LTÉE**  
Licensed Insolvency Trustee

Date of Proposal: August 02, 2019 Security: \$  
Meeting of Creditors:  
Chair:

CERTIFICATE OF FILING OF A PROPOSAL - Section 62

-- AMENDED --

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that:

- a proposal in respect of the aforementioned debtor was filed under section 62 of the *Bankruptcy and Insolvency Act*.

The aforementioned trustee is required:

- to provide to me, without delay, security in the aforementioned amount; and
- to send to all creditors, at least ten days prior to the meeting, a notice of a meeting of creditors, which will be held at the aforementioned time and place.

Date: August 02, 2019, 14:03

E-File/Dépôt Electronique

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902





# Exhibit "P"

**MINUTES OF A MEETING OF THE SOLE SHAREHOLDER OF FT ENE CANADA INC.** (the “**Corporation**”) held at Suite 2100, 181 Bay Street, Toronto, Ontario on the 5th day of August, 2019, at 10:00 a.m. (the “**Meeting**”).

---

**PRESENT** at the Meeting or represented by proxy was Finetex, EnE Inc. (the “**Sole Shareholder**”), the sole shareholder of the Corporation. Also present at the meeting with the approval of the Sole Shareholder were James Phillipson, Jaick Cho, Michael Nowina and Ben Sakamoto.

**Chair and Secretary**

At 10:20 a.m., given that no director or officer of the Corporation was present at the Meeting, Jungjoon Park, as proxyholder for the Sole Shareholder, appointed himself to act as chair of the meeting (the “**Chair**”). Ben Sakamoto acted as Secretary of the Meeting.

**Notice of Meeting**

The Chair noted that the notice of the meeting and the accompanying materials, including director materials that were provided by legal counsel to Jong Chul Park pursuant to section 110(2) of the *Canada Business Corporations Act* (collectively, the “**Meeting Materials**”) were sent to the Sole Shareholder. Accordingly, the Chair dispensed with reading of the notice of meeting.

**Quorum**

The Sole Shareholder being present by proxy at the Meeting, the Chair declared that the requisite quorum of shareholders is present and that the meeting was properly constituted for the transaction of business pursuant to the Corporation’s by-laws.

**Election of Directors**

The Chair stated the first item of business was to fix the number of directors of the Corporation to four (4) and to elect Jungjoon Park, Dongwon Park and James Philipson to the board of directors of the Corporation.

*Upon a motion duly made and unanimously carried by the Sole Shareholder, it was resolved that:*

1. the number of directors of the Corporation is hereby changed from one (1) to four (4), being a number within the minimum and maximum number of directors provided in the articles of the Corporation; and
2. each of Jungjoon Park, Dongwon Park and James Philipson are hereby elected as directors of the Corporation, to hold office until the next annual general meeting of shareholders or until their successor is elected or appointed, subject to and in

accordance with the provisions of the Corporation's articles and by-laws (the "Election").

### Removal of Director


The Chair stated the next and final item of business was the removal of Jong Chul Park as director of the Corporation and to subsequently fix the number of directors of the Corporation to three (3).


*Upon a motion duly made and unanimously carried by the Sole Shareholder, it was resolved that:*

1. Following the Election, Jong Chul Park be and is hereby removed as director of FT EnE Canada Inc. (the "Removal"); and
2. Subsequent to the Election and the Removal, the number of directors of the Corporation is hereby changed from four (4) to three (3), being a number within the minimum and maximum number of directors provided in the articles of the Corporation.

### Termination of Meeting

There being no further business, *upon a motion duly made and unanimously carried by the Sole Shareholder, it was resolved that* the Meeting be and was terminated on August 5, 2019 at 10:26 a.m.

  
\_\_\_\_\_  
Chairman of the Meeting  
Jungjoon Park

  
\_\_\_\_\_  
Secretary of the Meeting  
Ben Sakamoto

# Exhibit "Q"

Mervyn D. Abramowitz

D: 416-597-4887 F: 416-593-3396  
mabramowitz@blaney.com

August 6, 2019

**SENT VIA EMAIL**

Mr. Michael Nowina  
Baker & McKenzie LLP  
181 Bay Street  
Suite 2100  
Toronto, ON, M5J 2T3

Dear Mr. Nowina,

**Re: Proposal of FT EnE Canada Inc. (the "Company")**

We are in receipt of your e-mail, dated August 5, 2019, enclosing various resolutions (the "**Resolutions**"), which, among other things, purport to remove Jong Chul Park as a director of the Company, and also purport to remove YoonJun Park's and Jong Chuk Park's authority to provide instructions to the Company's counsel and to deal with the Company's bank accounts.

As set out in my letter, dated August 1, 2019, it was and continues to be the Company's position that the shareholder meeting held on August 5, 2019, and the Resolutions that were executed at that meeting, are of no force and effect.

In addition, you were provided with a courtesy copy of the Company's proposal, which was filed with the Office of the Superintendent in Bankruptcy on August 2, 2019. The shareholder meeting was, in the Company's view, improper given the fact that it had already filed its proposal.

As you are aware, section 69.1 of the *Bankruptcy and Insolvency Act* ("**BIA**") provides for a stay of proceedings once an insolvent debtor has filed a proposal, as the Company has in this case. It is not open to your clients to interfere with the Company's proposal by attempting to fetter Jong Chul Park's and YoonJun Park's ability to instruct counsel and access Company bank accounts. Pending the meeting of the creditors to vote on the Company's proposal, Blaney McMurtry LLP will continue to act as counsel for the Company, carrying out the Company's instructions, and the Company will advise its financial institutions that they should not take direction from the individuals your clients purported to appoint as directors pursuant to the Resolutions. The Company is of the view that any actions taken by your clients that have the effect of frustrating the Company's ability to conduct business in the normal course (including instructing counsel of its choosing and accessing banking facilities) are contrary to the stay provisions of the BIA and are also offside Justice Penny's decision, dated June 24, 2019.

We are available for a meeting on Wednesday to meet and discuss the above.

Yours very truly,

**Blaney McMurtry LLP**

A handwritten signature in black ink, appearing to be 'M. Abramowitz', written in a cursive style.

Mervyn D. Abramowitz

MDA/AT/ab

c.c: Tim Dunn

Patrick Shea

# Exhibit "R"

CANADA  
District of ONTARIO  
Division of 07-Hamilton  
Court No.: 32-2480036  
Estate No.: 32-2480036

**AFFIDAVIT OF MAILING**

**In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario**

I, Angela Liu, of the Trustee's office of MNP Ltd., hereby make oath and say:

That on the 13th day of August, 2019, I did cause to be mailed by prepaid ordinary mail to the director and creditors of the above-named bankrupt corporation whose names and addresses appear on the paper-writing marked as Exhibit "A", attached hereto, a copy of each of the following: Cover Letter of Notice to the Creditors of FT ENE Canada Inc., Notice of Proposal to Creditors (the "**Notice**"), Proposal, Statement of Affairs, Report of Trustee to the Creditors (the "**Report**"), Proof of Claim, Voting Letter and Proxy in blank, and Checklist for Proof of Claim, marked as Exhibit "B", attached hereto.

And that on the same date, I did cause to electronically file the Notice and the Report with the Office of the Superintendent of Bankruptcy. Copies of confirmations of the filings are marked as Exhibit "C" and "D" attached hereto.

SWORN BEFORE ME in )  
the City of Toronto, in the )  
Province of Ontario )  
the 13<sup>th</sup> day of August, 2019 )  
)  
)  
)  
)  
)  
)



Angela Liu  
Angela Liu

Matthew Eric Lem, a Commissioner, etc.,  
Province of Ontario, for MNP Ltd. and MNP LLP.,  
Expires December 30, 2019.



## Creditor Mailing List

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

THIS IS EXHIBIT "A" REFERRED TO IN  
THE AFFIDAVIT OF  
Angela Liu  
SWORN BEFORE ME THIS 13th DAY OF  
August 2019  
[Signature]  
A Commissioner, Etc.,

Creditor Type	Name	Attention	Address
Director	Jong Chul Park - Director		33 Misty Cres. Toronto ON M3B 1T2
Deemed Trust Claim	CRA - Tax - Ontario		Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9
Secured	Employees - S. 65.13(8)		ON
	Royal Bank of Canada		20 King St. W., 2nd Floor Toronto ON M5H 1C4
Unsecured	Baker & McKenzie LLP	Michael Nowina	Brookfield Place, Suite 2100, 181 Bay Street, P.O. Box 874 Toronto ON M5J 2T3
	Bell		P.O.Box 9000, STN Don Mills North York ON M3C 2X7
	CR Strapping Inc		PO Box 23042, 35 Airport Road Brantford ON N3T 6K4
	Filtration Technologies International.		105 Shenandoah Street Clarksville TN 37043 USA
	FT EnE Inc		23-1, Hyoryeong-ro, Seocho-gu Seoul Seoul 137 819 South Korea
	Gerrie Electric Wholesale Ltd		4104 South Service Road Burlington ON L7L 4X5
	Home Depot Credit Services		P.O. Box 675 STATION D Scarborough ON M1R 5T4
	Hub International		2265 Upper Middle Road East, 7th Floor OAKVILLE ON L6H 0G5
	IBC Computers		196 King George Road Brantford ON N3R 5L3
	Imperial Oil		PO Box 1700 Don Mills ON M3C 4J4
	Kings Wood Products		30 Curtis Ave N Paris ON N3L 3V3
	R.K. Custom Fabrication & Welding		192 Mary Street Brantford ON N3S 3C2
	Silo Wireless		2-19 Sage Court Brantford ON N3R 7T4
	Stuart Hunt and Associates		15802-145 Avenue N.W. Edmonton AB T6V 0H8
	TLS - Truck Load Services Inc		PO Box 100 VAUDREUIL-DORION QC J7V 5W1
	Waste Connections Of Canada Inc.		500 Rennie Street Hamilton ON L8H 3P5
	Wood Enviroment & Infastructure Solutions		10-900 Maple Grove Road Cambridge ON N3H 4R7
	Workplace Safety and Insurance Board	c/o Collection Services	200 Front St W Toronto ON M5V 3J1

THIS IS EXHIBIT "B" REFERRED TO IN  
THE AFFIDAVIT OF  
Angela Liu  
SWORN BEFORE ME THIS 13<sup>th</sup> DAY OF  
August 2019  
[Signature]  
A Commissioner, Etc.,



Via Regular Mail

August 13, 2019

To the Creditors of FT ENE Canada Inc. ("FT" or the "Company")

Please take notice that on August 2, 2019, FT filed a Proposal (the "Proposal") pursuant to s.50.4(1) of the *Bankruptcy and Insolvency Act (Canada)* ("BIA") and MNP Ltd. has consented to act as Proposal Trustee (the "Trustee"). Please find enclosed the following:

- A. Notice of Proposal to Creditors;
- B. Proposal;
- C. Statement of Affairs;
- D. Report of Trustee on Proposal;
- E. Proof of Claim Form;
- F. Voting Letter; and
- G. Proxy Form

A meeting of creditors to consider the Proposal will be held at 2:30 p.m. on August 23, 2019 at the following address:

Blaney McMurtry LLP  
2 Queen Street East, Suite 1500  
Toronto, ON M5C 3G5

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the Proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the Court, the proposal is binding on all the creditors or the class of creditors affected.

**Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with the Trustee prior to 2:30 p.m. (Toronto Time) on August 23, 2019. You may forward your claim, proxy and voting letter by either email at [angela.liu@mnp.ca](mailto:angela.liu@mnp.ca) or via facsimile at (416) 596-7894.**

Proof of claim forms are to be filed based on the amount owed as of **February 27, 2019**, the date the Notice of Intention to make a Proposal was filed.

If you have any questions concerning the foregoing or require any additional information, please contact Angela Liu at 647-775-1777 or by email at [angela.liu@mnp.ca](mailto:angela.liu@mnp.ca).

Yours truly,

MNP Ltd.  
*Trustee acting in re: the Proposal of  
FT ENE Canada Inc.*  
Per:

[Signature]  
Matthew Lem, CIRP, LIT



LICENSED INSOLVENCY TRUSTEES  
SUITE 300, 111 RICHMOND STREET W, TORONTO ON, M5H 2G4  
1.877.251.2922 T: 416.596.1711 F: 416.596.7894 MNPdebt.ca

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 92  
Notice of Proposal to Creditors  
(Section 51 of the Act)

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

Take notice that FT ENE CANADA INC. of the City of Brantford in the Province of Ontario has lodged with us a proposal under the Bankruptcy and Insolvency Act.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed herewith.

A general meeting of the creditors will be held at 2 Queen Street East, Suite 1500, Toronto, ON on the 23rd day of August 2019 at 2:30 PM.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the commencement of the meeting.

Dated at the City of Toronto in the Province of Ontario, this 13th day of August 2019.

MNP LTD. - Licensed Insolvency Trustee



300 - 111 Richmond Street West

Toronto ON M5H 2G4

Phone: (416) 596-1711 Fax: (416) 323-5242

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Bell	P.O.Box 9000, STN Don Mills North York ON M3C 2X7		320.37
CR Strapping Inc	PO Box 23042, 35 Airport Road Brantford ON N3T 6K4		725.82
Employees - S. 65.13(8)	ON		36,000.00
Filtration Technologies International.	105 Shenandoah Street Clarksville TN 37043 USA		8,304.28
Gerrie Electric Wholesale Ltd	4104 South Service Road Burlington ON L7L 4X5		735.86
Home Depot Credit Services	P.O. Box 675 STATION D Scarborough ON M1R 5T4		1,160.70
Hub International	2265 Upper Middle Road East, 7th Floor OAKVILLE ON L6H 0G5		4,198.60
IBC Computers	196 King George Road Brantford ON N3R 5L3		3,335.88
Imperial Oil	PO Box 1700 Don Mills ON M3C 4J4		462.33
Kings Wood Products	30 Curtis Ave N Paris ON N3L 3V3		3,135.75
R.K. Custom Fabrication & Welding	192 Mary Street Brantford ON N3S 3C2		3,113.15
Stuart Hunt and Associates	15802-145 Avenue N.W. Edmonton AB T6V 0H8		3,373.05
TLS - Truck Load Services Inc	PO Box 100 VAUDREUIL-DORION QC J7V 5W1		8,274.60
Waste Connections Of Canada Inc.	500 Rennie Street Hamilton ON L8H 3P5		1,163.04
Wood Enviroment & Infastructure Solutions	10-900 Maple Grove Road Cambridge ON N3H 4R7		4,400.00
Workplace Safety and Insurance Board c/o Collection Services	200 Front St W Toronto ON M5V 3J1	5521919	3,500.00
<b>Total</b>			<b>82,203.43</b>

*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

PROPOSAL OF FT ENE CANADA INC.

FT ENE Canada Inc. (“**FTE**” or the “**Company**”) hereby submits the following Proposal to all of its Unsecured Creditors pursuant to Part III of the *Bankruptcy and Insolvency Act* (Canada).

ARTICLE 1

DEFINITIONS

1.1 Definitions

In this Proposal:

- (a) “**Administrative Fees and Expenses**” means the proper fees, expenses and legal fees and disbursements of the Proposal Trustee, and the Company on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal including, without limitation, those fees and expenses secured by the Order of Justice Penny dated March 28, 2019, (which order is not vacated or altered by the filing or approval of this Proposal);
- (b) “**Approval Date**” means the date upon which the Approval Order is issued by the Court;
- (c) “**Approval Order**” means an order of the Court approving the Proposal;

- (d) “**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended and in force as at the Date of Filing;
- (e) “**Business Day**” means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (f) “**Canada Pension Plan**” means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as amended;
- (g) “**Claim**” means any right of any Person against the Company in connection with any indebtedness, liability, action or obligation of any kind of or by the Company which indebtedness, action, liability or obligation is in existence or had occurred at the Date of the Proposal, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or at the time of the Date of the Proposal including, without limitation any, claims that would have been claims provable in bankruptcy had the Company become bankrupt on the Date of the Proposal, any claims which might be made by a trustee in bankruptcy or a creditor or any other party pursuant to sections 95 to 101.1 of the *BIA* or under a statute or common law rule similar to these sections, or, any claim related to the manner in which the Company conducted these Proposal proceedings and all operational decisions made during that period, but expressly excluding any equity claims or claims which are found to be equity claims upon review by the Proposal Trustee or the Court;
- (h) “**Collateral**”, in respect of a Secured Creditor, means the assets and property of the Company in which the Secured Creditor holds a valid and enforceable security interest;
- (i) “**Company**” means FT EnE Canada Inc.;
- (j) “**Court**” means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (k) “**Creditor**” means any Person, having a Claim (whether or not a Proof of Claim is filed by such Person) and may, if the context requires, mean a Proposal Trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (l) “**Creditors’ Meeting**” means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;

- (m) “**Creditors’ Meeting Date**” means such date and time as may be called by the Proposal Trustee, but in any event shall be no later than twenty-one (21) days following the Date of the Proposal;
- (n) “**Date of Filing**” means February 27, 2019, the date of the filing of the Notice of Intention to Make a Proposal with the Official Receiver;
- (o) “**Date of the Proposal**” means August 2, 2019, the date that the Proposal was lodged with the Proposal Trustee;
- (p) “**Disputed Claim**” means a Claim which is filed in this Proposal by a Creditor which is: i) disallowed in whole or in part by the Proposal Trustee, ii) disputed in whole or in part by the Company, or iii) is the subject of a disallowance proceeding or appeal before the Court.
- (q) “**Employment Insurance Act**” means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (r) “**Filed Claim**” means a claim filed in the proposal by a Creditor which has not yet been reviewed or approved by the Proposal Trustee and the Company
- (s) “**Implementation Date**” means the date upon which the conditions set forth in Article 7.4 have been satisfied;
- (t) “**Income Tax Act**” means *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (u) “**Official Receiver**” shall have the meaning ascribed thereto in the *BIA*;
- (v) “**Ordinary Creditors**” means Creditors with Proven Claims, except for those Claims:
  - (i) that the Proposal Trustee determines not to be a provable claim in accordance with Section 135 (1.1) of the *BIA*;
  - (ii) that have been finally and conclusively disallowed in accordance with the *BIA*;
  - (iii) that are Claims by Preferred Creditors;
  - (iv) that are Claims by a Related Party;
  - (v) that are Claims by a Secured Creditor;
  - (vi) that are Claims in respect of an Equity Interest; or
  - (vii) that are Claims in respect of Administrative Fees and Expenses.
- (w) “**Performance**” means full performance of this Proposal as set out in Article 6 paragraph 6.1 hereof;

- (x) "Person" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (y) "Preferred Creditors" means Creditors with Proven Claims that are proven and which are required by the *BIA* to be paid in priority to all other Claims under a proposal made by a debtor and including, without limitation:
  - (i) employees and former employees of the Company, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the *BIA* if the Company became bankrupt on the Date of Filing, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Company's business during the same period; and
  - (ii) Her Majesty in Right of Canada or a Province for all amounts that were outstanding at the time of the filing of the notice of intention or of the Date of Filing and are of a kind that could be subject to a demand under,
    - (a) subsection 224(1.2) of the Income Tax Act;
    - (b) any provision of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act and provides for the collection of a contribution, as defined in the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts; or
    - (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Income Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum
      - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act, or
      - (ii) is of the same nature as a contribution under the Canada Pension Plan if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the Canada Pension Plan and the provincial legislation



establishes a "provincial pension plan" as defined in that subsection.

- (z) "Proof of Claim" shall mean the proof of claim required by the *BIA* to be mailed to each known Creditor prior to the Creditors' Meeting;
- (aa) "Proposal" means the Proposal lodged with the Proposal Trustee on August 2<sup>nd</sup>, 2019 together with any amendments or additions thereto;
- (bb) "Proposal Trustee" means MNP Ltd., or its duly appointed successor or successors
- (cc) "Proposal Fund" shall mean the payments made by the Company to the Proposal Trustee pursuant to paragraph 6 hereof;
- (dd) "Proven Claim" of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the *BIA* and approved by the Company and the Proposal Trustee;
- (ee) "Related Party" means Finetex, EnE Inc. ("FT Korea") and any Creditor related to the Company within the meaning of Section 4 of the *BIA*, but shall not include Jong Chul Park;
- (ff) "Secured Creditor" means any creditor holding a valid and perfected security interest against the Company;
- (gg) "Unsecured Creditors" means, collectively, the Preferred Creditors and the Ordinary Creditors; and
- (hh) "Voting Letter" shall mean the voting letter required by subsection 51(1) of the *BIA* to be mailed to each known Creditor prior to the Unsecured Creditors' Meeting.

## 1.2 Articles of Reference

The terms "hereof", "hereunder", "herein" and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In this Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

## 1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

#### **1.4 Date for Any Action**

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.

#### **1.5 Time**

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

#### **1.6 Numbers**

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

#### **1.7 Currency**

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

#### **1.8 Statutory References**

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

#### **1.9 Successors and Assigns**

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

### **ARTICLE 2**

#### **CLASSIFICATION OF CREDITORS**

##### **2.1 Classes of Creditors**

For the purposes of voting on the Proposal, only Ordinary Creditors will be entitled to vote on the Proposal. There shall be one class of Unsecured Creditors.

### **ARTICLE 3**

#### **TREATMENT OF CREDITORS**

### 3.1 Secured Creditors

All Secured Creditors shall be paid in accordance with the respective agreement(s) between each Secured Creditor and the Company or as otherwise agreed between said Secured Creditor and the Company. To the extent that there is insufficient Collateral to repay the secured indebtedness, the Secured Creditor will file the balance of its claim as an Unsecured Creditor and participate in this Proposal as same.

### 3.2 Preferred Creditors

The Proven Claims of the Preferred Creditors are to be paid by the Proposal Trustee in full in priority to all the Proven Claims of Ordinary Creditors in accordance with the *BIA* and the Proposal.

### 3.3 Ordinary Creditors

The Proven Claims of all Ordinary Creditors, subject to paragraph 3.4 below, are to be paid, on a *pro rata* basis, their proportionate share of the Proposal Funds once the claims of Preferred Creditors are satisfied as provided for in this Proposal. For distribution purposes, to the extent that the Collateral is not sufficient to satisfy the Proven Claim of a Secured Creditor, that Secured Creditor shall be an Unsecured Creditor for any portion of that Secured Creditor's Proven Claim that remains outstanding.

### 3.4 Creditors May Elect

Any Claim owed to any Unsecured Creditor, regardless of whether or not the Creditor has filed a proof of claim, which the books and records of the Company (as reviewed by the Proposal Trustee) indicate is owed less than \$15,000.00, shall be deemed to have a Proven Claim in that amount. Any Creditor with a Proven Claim of \$15,000.00 or less, shall receive the full amount of their Proven Claim following the approval of the Proposal, as further set out in section 6.4 (a) hereof. All such Creditors shall be deemed to have voted in favour of the Proposal unless they attend the Creditors Meeting and vote against the Proposal. Any other Creditor, other than a Related Party, with a Proven Claim which is greater than \$15,000.00, may elect in writing, prior to the Proposal being voted upon (including at the Creditor's Meeting), to, instead of participating in a pro rata distribution as set out above, receive \$15,000.00. As further described in section 6.4 (a) below. Any such Unsecured Creditor with a claim below \$15,000.00 or any Unsecured Creditor who makes such an election (an "Electing Creditor") shall be deemed to have voted in favour of the Proposal and shall be deemed to have provided the Proposal Trustee with their proxy.

### 3.5 Related Party Postponement

The Related Party shall be bound by this Proposal. The Related Party shall either i) deliver an agreement and consent, in a form satisfactory to the Company and the Proposal Trustee, to subordinate its Claim(s) in full to the Claims of the Ordinary Creditors payable under this Proposal or ii) file a Proof of Claim. The Related Party shall be entitled to vote only against, and not in favour of, this Proposal, and then only to the extent of its Proven Claim.

### 3.6 Claims Against Directors or Deemed Director

Any Claims (other than those set out in section 50(14) of the *BIA*) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company or where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred prior to the filing date (a "Director Claim") shall, following acceptance of this Proposal by the Creditors, and upon the Approval Date, be and are hereby, compromised and released and forever discharged as against the directors of the Company.

Any Claim (other than those set out in section 50(14) of the *BIA*) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred after the filing date up until the date this Proposal is approved by the Court (a "Restructuring Director Claim") shall, following acceptance of this Proposal by the Creditors, and upon the Approval Date, be and are hereby, compromised and released and forever discharged as against the directors of the Company.

## ARTICLE 4

### PROCEDURE FOR VALIDATION OF CLAIMS

#### 4.1 Filing of Proofs of Claim

Each Creditor must file a Proof of Claim as required by the *BIA* to vote on, or receive a distribution under, the Proposal.

#### 4.2 Allowance or Disallowance of Claims by the Proposal Trustee

Upon receipt of a completed Proof of Claim, the Proposal Trustee and the Company shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the *BIA*. The procedure for valuing Claims of the Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the *BIA*, subject to the following. In the event any claim is disallowed by the Proposal Trustee and appealed by such Creditor within the time period provided in the *BIA*, the Proposal Trustee shall permit the Company to proceed with the appeal of any such Claims, with input from the Proposal Trustee. Without limiting the foregoing, the Proposal Trustee shall permit the Company to contest any claim made by the Related Party in these proceedings, with input from the Proposal Trustee. The Company and/or the Proposal Trustee reserve the right to seek the assistance of the Court in valuing any Claim, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Creditor under the Proposal, as the case may be.

#### 4.3 Claims Bar Process

Forthwith after obtaining the Approval Order, the Proposal Trustee shall give notice pursuant to s.149 of the *BIA* by registered mail to every person with a claim the Proposal Trustee has notice

or knowledge but whose claim has been filed or proved that if such person does not prove his claim within a period of thirty (30) days after the mailing of the notice (“**Claims Bar Date**”), the Proposal Trustee will proceed to declare a final dividend without regard to such person’s claim; the dividend referred to in said notice shall be deemed a final dividend and any person so notified who does not provide his claim within the said thirty (30) days shall be barred from making a claim in this Proposal or sharing in any dividend hereunder, subject to any exceptions set out in Sections 149(2)(3) and (4) of the *BIA*.

## ARTICLE 5

### MEETING OF CREDITORS

#### 5.1 Unsecured Creditors’ Meeting

On the Creditors’ Meeting Date, the Proposal Trustee shall hold the Creditors’ Meeting in order for the Creditors to consider and vote upon the Proposal.

#### 5.2 Time and Place of Meeting

Unless otherwise ordered by the Court, the Creditors’ Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in its notice of meeting to be mailed pursuant to the *BIA*. All Proofs of Claim shall be delivered in accordance with the provisions of the Proposal, the *BIA* and any Order which may be issued by the Court in respect of the procedure governing the Creditors’ Meeting.

#### 5.3 Conduct of Meetings

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors’ Meeting and will decide all matters relating to the conduct of the Creditors’ Meeting. The only persons entitled to attend the Creditors’ Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors’ Meeting, the Secured Creditors and their respective legal counsel, if any, and the officers, directors, auditors, and legal counsel of the Company, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors’ Meeting or with the consent of the Unsecured Creditors.

#### 5.4 Adjournment of Meetings

The Creditors’ Meeting may be adjourned in accordance with Section 52 of the *BIA* or by ordinary resolution of the Creditors in attendance at the Creditors’ Meeting, including any creditors who are in attendance by proxy, or by the Proposal Trustee. Without limiting the foregoing, in the event the value of a Proof of Claim filed at or prior to the Creditor’s Meeting is disputed by the Company or the Proposal Trustee, and the value of such Proof of Claim is sufficiently material such that the outcome of the Proposal vote could be altered by the value ultimately assigned to that Proof of Claim, the Proposal Trustee shall, upon the request of the Company, adjourn the meeting in order to conduct further investigation of that Proof of Claim.

### 5.5 Voting by Creditors

To the extent provided for herein, each Unsecured Creditor will be entitled to vote to the extent of the amount which is equal to the Proven Claim held by the Trust Creditor. The Chair reserves the right to reject any claim in accordance with section 108 (1) of the *BIA* and to deny such person the right to vote at the Creditors' Meeting.

### 5.6 Approval by Creditors

In order that the Proposal be binding on all of the Unsecured Creditors of the Company in accordance with the *BIA*, it must first be accepted by the Unsecured Creditors as prescribed by this Proposal by a majority in number of the Unsecured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing at least two-thirds in value of the Proven Claims of the Unsecured Creditors who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

## ARTICLE 6

### DISTRIBUTION OF PROCEEDS

#### 6.1 Implementation of Proposal

- (a) Upon the Proposal being approved by the Court, the Company shall pay any outstanding Administrative Fees and Expenses and shall deliver a retainer of \$50,000 (or such other amount as the Company and the Proposal Trustee may agree). Notwithstanding the payment of this retainer amount, the Company shall remain liable for the payment of all Administrative Fees and Expenses until such time as the proposal is fully performed and the Proposal Trustee is discharged. The Company shall continue to make such payments as and when due hereafter.
- (b) The Company shall provide the Proposal Trustee with the amount contemplated by section 6.3 hereof within 30 days of the Approval Date.
- (c) Upon the approval of all properly filed Claims and the final resolution of any disputed claims by either the Proposal Trustee and the Company or the Court, the Company shall provide payment to the Proposal Trustee of an amount equal to the lesser of the entire amount of (i) the Proven Claims, plus the amount due under the Superintendent's Levy in respect of such claims and any outstanding Administrative Fees and Expenses, or (ii) THREE HUNDRED THOUSAND DOLLARS (\$300,000). (the "Proposal Fund").

#### 6.2 Payment of Administrative Fees and Expenses

The Company shall pay Administrative Fees and Expenses from time to time pending the completion of the Proposal. Upon payment of the Proposal Fund to the Proposal Trustee, the outstanding Administrative Fees and Expenses shall be paid in full out of the funds in its hands,

and, to the extent that is insufficient, from the Proposal Fund, prior to distribution to the Preferred and the Ordinary Creditors.

### 6.3 Distribution to Preferred Creditors

Within 30 days of the Approval Date the Company shall provide to the Proposal Trustee sufficient funds to pay the Preferred Creditors in full the amount of their Proven Claims in priority to the Ordinary Creditors. The Proposal Trustee shall then make payments to those Preferred Creditors forthwith. Payments to each Preferred Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

### 6.4 Distribution to Ordinary Creditors

(a) Upon receipt of the Proposal Fund, the Proposal Trustee will, within 30 days, distribute from the Proposal Fund, net of the payments made in sections 6.2 and 6.3, to the Creditors described in section 3.4 hereof (the "Convenience Creditors").

(b) The Ordinary Creditors with Proven Claims, other than Convenience Creditors, shall be paid, within 90 days of the Implementation Date, their *pro rata* share of the remaining Proposal Fund then in the hands of the Proposal Trustee, following payment of the Claims as described in paragraph 6.2 and 6.5, and 6.4(a), based on the proportion which the Proven Claim of such Ordinary Creditor bears to the aggregate amount of the Proven Claims of all Ordinary Creditors.

(c) Related Party Creditors who have subordinated their claim will not receive any distribution from the Proposal Fund.

Payments to each Ordinary Creditor or Convenience Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

### 6.5 Proposal Default Fund

From the Proposal Fund, and prior to any distributions to any creditors in the administration, an amount of \$20,000 will be retained by the Proposal Trustee ("**Proposal Default Fund**"). The sole purpose of the Proposal Default Fund will be to fund an application to annul the Proposal in the event of default, which has not been waived by the Inspector(s) in the estate or remedied by the Company. Upon instructions from the Inspector(s), if any, the Proposal Trustee will make an application to the Courts to have the Proposal annulled. Despite, a Certificate of Full Performance being issued to the Company, this provision of this Proposal will apply and the Proposal Default Fund will remain unavailable for distribution to the creditors in the estate until all the payments required under this Proposal have been made.

### 6.6 Discharge of Proposal Trustee

Upon payment by the Proposal Trustee of the amounts contemplated in this Article 6, the Proposal Trustee shall have discharged its duties as Proposal Trustee, the Proposal Trustee's obligation under its Proposal shall be fully performed and the Proposal Trustee shall be entitled to apply for its discharge as Proposal Trustee hereunder. For greater certainty, the Proposal Trustee will not be

responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default. Upon its discharge, the Proposal Trustee will return any remaining funds in its hands to the Company or as the Company may direct.

## ARTICLE 7

### MISCELLANEOUS

#### 7.1 Compromise Effective for all Purposes

The distributions contemplated hereunder will be binding upon each Creditor, other than Secured Creditors, and their heirs, executors, administrators, successors and assigns, for all purposes.

#### 7.2 Modification of Proposal

The Company or any Unsecured Creditor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal.

#### 7.3 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, each Creditor, including the Related Parties, but excluding Secured Creditors, will be deemed:

- (a) to have executed and delivered to the Company all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Company in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Company that has occurred on or prior to the Implementation Date;
- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Company as at the Implementation Date (other than those entered into by the Company on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) to have released the Company, the Proposal Trustee and all of their respective affiliates, employees, agents, directors, officers, shareholders, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any



Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein, including, without limitation, those claims which could be advanced or pursued pursuant to sections 95 to 101.1 of the *BIA*.

#### 7.4 Conditions Precedent to Proposal Implementation

The implementation of the Proposal by the Company will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) acceptance of the Proposal by the Unsecured Creditors; and
- (b) approval of the Proposal by the Court pursuant to a final Order and the expiry of ten (10) day appeal period under the *BIA* with no appeal having been filed within said ten (10) day period,
- (c) receipt of the Proposal Fund by the Proposal Trustee after the final resolution of all Disputed Claims, if any, and

The date upon which the last of these conditions is met shall be the "Implementation Date"

#### 7.5 Effect of Proposal Generally

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under the Proposal shall be final and binding on the Company and all Creditors, other than Secured Creditors, including all Claims against Directors (to the extent not otherwise released on the Approval Date, and other than the claims described in S. 50(14) of the *BIA*), and the Proposal shall constitute (i) a full, final and absolute settlement of all rights of the holders of the Claims (whether or not such Creditor with such a Claim filed a Claim); and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Company or the Directors of or in respect of such Claims. The Proposal Trustee shall thereafter issue a certificate of full performance to the Company in accordance with the provisions of the *BIA* promptly.

#### 7.6 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier (except for Proofs of Claim which may only be sent by personal delivery, telecopier or registered mail) addressed to the respective parties as follows:

- (a) if to the Company:

- (b) if to an Unsecured Creditor, to the address or telecopier number for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no Proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contacted; and
- (c) if to the Proposal Trustee:

Attention: MNP Ltd.  
c/o Mr. Mathew Lem  
111 Richmond Street West  
Suite 300  
Toronto, ON, M5H 2G4  
Telephone: (416) 515-3882  
Telecopier: (416) 596-1711  
Email: matthew.lem@mnp.ca

or to such other address or telecopier number as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

#### **7.7 Foreign Currency Obligations**

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Date of Filing.

#### **7.8 Applicable Law**

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

**7.9 Non Severability**

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect

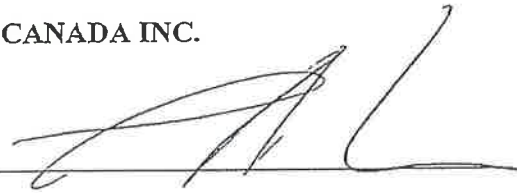
**7.10 Deeming Provisions**

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

**DATED** at the City of Toronto, in the Province of Ontario, this 2<sup>nd</sup> day of August, 2019

**FT ENE CANADA INC.**

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

A handwritten signature in black ink, appearing to be 'Jong Chul Park', written over a horizontal line.

Jong Chul Park

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

Original  Amended

Form 78  
 Statement of Affairs (Business Proposal) made by an entity  
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the Proposal of  
 FT ENE CANADA INC.  
 of the City of Brantford  
 in the Province of Ontario

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 27th day of February 2019. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A" ..... 46,430.43	1. Inventory ..... 100,000.00
Balance of secured claims as per list "B" ..... 0.00	2. Trade fixtures, etc. .... 0.00
Total unsecured creditors ..... 46,430.43	3. Accounts receivable and other receivables, as per list "E"
2. Secured creditors as per list "B" ..... 36,001.00	Good ..... 368,149.00
3. Preferred creditors as per list "C" ..... 0.00	Doubtful ..... 0.00
4. Contingent, trust claims or other liabilities as per list "D"	Bad ..... 0.00
estimated to be reclaimable for ..... 1.00	Estimated to produce ..... 368,149.00
Total liabilities ..... 82,432.43	4. Bills of exchange, promissory note, etc., as per list "F" ... 0.00
Surplus ..... 2,109,738.57	5. Deposits in financial institutions ..... 0.00
	6. Cash ..... 387,522.00
	7. Livestock ..... 0.00
	8. Machinery, equipment and plant ..... 1,000,000.00
	9. Real property or immovable as per list "G" ..... 0.00
	10. Furniture ..... 0.00
	11. RRSPs, RRIFs, life insurance, etc. .... 0.00
	12. Securities (shares, bonds, debentures, etc.) ..... 0.00
	13. Interests under wills ..... 0.00
	14. Vehicles ..... 500.00
	15. Other property, as per list "H" ..... 336,000.00
	If debtor is a corporation, add:
	Amount of subscribed capital ..... 0.00
	Amount paid on capital ..... 0.00
	Balance subscribed and unpaid ..... 0.00
	Estimated to produce ..... 0.00
	Total assets ..... 2,192,171.00
	Deficiency ..... NIL

I, Jong Chul Park - Director, of the City of Toronto in the Province of Ontario, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 2nd day of August 2019 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)  
 before me at the City of Toronto in the Province of Ontario, on this 2nd day of August 2019.

  
 Matthew Lem, Commissioner of Oaths  
 For the Province of Ontario  
 MNP LTD.  
 Expires December 30, 2019

  
 Jong Chul Park - Director

Matthew Eric Lem, a Commissioner, etc.,  
 Province of Ontario, for MNP Ltd. and MNP LLP,  
 Expires December 30, 2019.

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036


FORM 78 -- Continued

List "A"  
 Unsecured Creditors  
 FT ENE CANADA INC.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Bell	P.O.Box 9000, STN Don Mills North York ON M3C 2X7	320.37	0.00	320.37
2	CR Strapping Inc	PO Box 23042, 35 Airport Road Brantford ON N3T 6K4	725.82	0.00	725.82
3	Filtration Technologies International.	105 Shenandoah Street Clarksville TN 37043 USA	8,304.28	0.00	8,304.28
4	FT EnE Inc	23-1, Hyoryeong-ro, Seocho-gu Seoul Seoul 137 819 South Korea	1.00	0.00	1.00
5	Gerie Electric Wholesale Ltd	4104 South Service Road Burlington ON L7L 4X5	735.86	0.00	735.86
6	Home Depot Credit Services	P.O. Box 675 STATION D Scarborough ON M1R 5T4	1,160.70	0.00	1,160.70
7	Hub International	2265 Upper Middle Road East, 7th Floor OAKVILLE ON L6H 0G5	4,198.60	0.00	4,198.60
8	IBC Computers	196 King George Road Brantford ON N3R 5L3	3,335.88	0.00	3,335.88
9	Imperial Oil	PO Box 1700 Don Mills ON M3C 4J4	462.33	0.00	462.33
10	Kings Wood Products	30 Curtis Ave N Paris ON N3L 3V3	3,135.75	0.00	3,135.75
11	R.K. Custom Fabrication & Welding	192 Mary Street Brantford ON N3S 3C2	3,113.15	0.00	3,113.15
12	Silo Wireless	2-19 Sage Court Brantford ON N3R 7T4	226.00	0.00	226.00
13	Stuart Hunt and Associates	15802-145 Avenue N.W. Edmonton AB T6V 0H8	3,373.05	0.00	3,373.05
14	TLS - Truck Load Services Inc	PO Box 100 VAUDREUIL-DORION QC J7V 5W1	8,274.60	0.00	8,274.60
15	Waste Connections Of Canada Inc.	500 Rennie Street Hamilton ON L8H 3P5	1,163.04	0.00	1,163.04
16	Wood Enviroment & Infrastructure Solutions	10-900 Maple Grove Road Cambridge ON N3H 4R7	4,400.00	0.00	4,400.00
17	Workplace Safety and Insurance Board Attn: c/o Collection Services 5521919	200 Front St W Toronto ON M5V 3J1	3,500.00	0.00	3,500.00
Total:			46,430.43	0.00	46,430.43

02-Aug-2019

Date

  
 Jong Chul Park - Director

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

FORM 78 – Continued

List "B"  
 Secured Creditors

FT ENE CANADA INC.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	Employees - S. 65.13(8)	ON	36,000.00	Other - Trust Account - MNP re S. 65.13(8)		36,000.00		
2	Royal Bank of Canada	20 King St. W., 2nd Floor Toronto ON M5H 1C4	1.00	Debts Due - Business - Accounts Receivables Business Assets - Machinery - Office, plant and warehouse equipment Business Assets - Stock In Trade - Inventory Cash on hand - Cash in Bank - Royal Bank & TD Bank Other - Cash Collateral - held by RBC Motor Vehicles - Automobile - Ford - F150		1.00 0.00 0.00 0.00 0.00 0.00	368,148.00 2,710,308.13 400,000.00 387,522.00 50,000.00 6,241.60	
<b>Total:</b>			<b>36,001.00</b>			<b>36,001.00</b>	<b>3,922,219.73</b>	<b>0.00</b>

02-Aug-2019

Date



Jong Chul Park - Director

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 78 – Continued


List "C"  
Preferred Creditors for Wages, Rent, etc.

FT ENE CANADA INC.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total:					0.00	0.00	0.00

02-Aug-2019

Date



Jong Chul Park - Director

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 78 -- Continued


List "D"  
Contingent or Other Liabilities

FT ENE CANADA INC.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
1	CRA - Tax - Ontario 848272043RP0001	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	1.00	0.00		Deemed Trust Claim
Total:			1.00	0.00		

02-Aug-2019

Date

  
Jong Chul Park - Director



District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

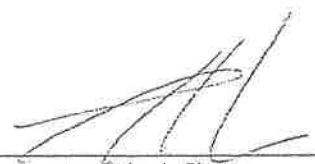
FORM 78 -- Continued

List "E"  
 Debts Due to the Debtor  
 FT ENE CANADA INC.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
1	Accounts Receivables	ON	Trade Receivables	368,149.00 0.00 0.00		02-Aug-2019	368,149.00	
Total:				368,149.00 0.00 0.00			368,149.00	

02-Aug-2019

Date



Jong Chul Park - Director

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

FORM 78 – Continued

List "F"

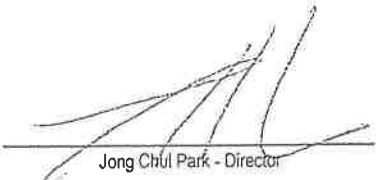
Bills of Exchange, Promissory Notes, Lien Notes, Chattel  
 Mortgages, etc., Available as Assets

FT ENE CANADA INC.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

02-Aug-2019

Date



Jong Chul Park - Director

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036


FORM 78 -- Continued

List "G"  
Real Property or Immovables Owned by Debtor  
FT ENE CANADA INC.

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
			Total:	0.00	0.00

02-Aug-2019

Date



Jong Chul Park - Director

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

FORM 78 - Concluded

List "H"  
 Property

FT ENE CANADA INC.  
 FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade		Inventory	400,000.00	100,000.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			387,522.00	387,522.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant		Office, plant and warehouse equipment	2,710,309.18	1,000,000.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles		Automobile - Ford - F150	6,241.60	500.00
(l) Taxes			0.00	0.00
(m) Other		Book Debts - SMIA Refund	150,000.00	50,000.00
		Book Debts - HST Refund	150,000.00	150,000.00
		Cash Collateral - held by RBC	50,000.00	50,000.00
		Trust Account - MNP re S. 65.13(8)	36,000.00	36,000.00
		Trust Account - Blaneys	50,000.00	50,000.00
			<b>Total:</b>	<b>1,824,022.00</b>

02-Aug-2019

Date



Jong Chul Park - Director

District of ONTARIO  
Division 07-Hamilton  
Estate #: 32-2480036  
Court # 32-2480036

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(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

REPORT OF TRUSTEE TO THE CREDITORS  
*(Section 50(5) of the Bankruptcy and Insolvency Act)*

Enclosed are the following documents:

- ♦ Notice of Proposal to Creditors;
- ♦ Proposal under Part III, Division I, of the *Bankruptcy and Insolvency Act* (the “BIA”), dated August 2, 2019 (the “Proposal”) lodged with MNP Ltd. (the “Trustee”) by FT EnE Canada Inc. (the “Company”) and filed with the Official Receiver on August 2, 2019;
- ♦ a statement of affairs, detailing the Company’s assets and liabilities as August 2, 2019 (“SOA”);
- ♦ a proof of claim form;
- ♦ voting letter if you wish to vote in advance of the meeting; and
- ♦ general proxy.

The following is an outline of the background and financial position of the Company, including relevant information that should be of assistance to the creditors in considering their position with respect to the Proposal.

In preparing this Report and making the comments herein, the Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company’s books and records, discussions with employees and management and information from other third-party sources (collectively, the “Information”). Except as described in this Report, the 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 pursuant to the CPA Canada Handbook.

Capitalized terms used in this Report are the same as those referenced in the Proposal.

#### **SECTION A - Background**

The Company is a Canadian corporation carrying on business from a leased<sup>1</sup> production facility of approximately 37,000 square-foot located at 14 Sharp Rd, Brantford, Ontario. The Company is a

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<sup>1</sup> 14 Sharp Rd., Brantford, Ontario (the “Real Property”) was owned by the Company up until June 21, 2019. Following the completion of the Court approved sale and investment solicitation process (Order, dated March 28, 2019), the Real Property was sold

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.

FTEI's shares were publicly traded on the Korean Securities Dealers Automated Quotations (KOSDAQ) but were delisted on April 26, 2019; FTEI filed for a form of insolvency protection on February 27, 2019 in the Republic of Korea.

The Company filed a Notice of Intention to Make a Proposal on February 27, 2019 ("NOI"), and subsequently obtained three (3) extensions of the Stay Period under the BIA (the latest up to August 7, 2019) within which to file a Proposal from the Court.

On August 2, 2019, the Company filed a Proposal pursuant to the BIA.

The Company was of the view 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.

The Company commenced these restructuring proceedings as a means of: (i) protecting and stabilizing the Company in light of the aforementioned filing by FTEI in the Republic of Korea; (ii) considering the possibility of a restructuring through a sale of its assets and business; and (iii) offering its creditors a dividend that would be higher than its creditors would receive in the event of a bankruptcy.

Since the NOI filing, the Company has conducted and completed a Court-approved sale and investment solicitation process (Order, dated March 28, 2019), which resulted in the sale of the Real Property. Although the going-concern operating business and assets of the Company were also marketed and offered for sale, no acceptable offer that would maximize stakeholder value was received, accordingly such offers were rejected by the Company.

The Trustee is maintaining a website at <https://mnpdebt.ca/en/corporate/Engagements/ft-ene-canada-inc> with publicly available information on the Company's proposal proceedings.

## **SECTION B - Summary of the Proposal**

This section contains a summary of the Proposal, the terms of which would be effective only if the Proposal is accepted by the creditors and approved by the Court, in accordance with the provisions of the BIA.

As set out in the Proposal, the Proposal provides for the following:

- (i) Funding of the Proposal, as follows:
  - a) Conditional on, *inter alia*, the acceptance of the Proposal by the Unsecured Creditors of the Company and the Court approving the Proposal, the Company shall pay any outstanding Administrative Fees and Expenses<sup>2</sup> and additionally shall provide a further retainer to the Trustee in the sum of \$50,000 (or such amount as the Company and the Trustee may agree);

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and leased back (approx. 6 month lease) in a transaction that was approved by the Court (Approval and Vesting Order, dated June 7, 2019).

<sup>2</sup> Includes the fees and expenses of the Trustee and its legal counsel, as well as the those of the Company's legal counsel, which are secured by a charge pursuant to the Order dated March 28, 2019.

- b) Within thirty (30) days of the Court approving the Proposal, the Company shall provide to the Trustees with sufficient funds to pay the Preferred Creditors<sup>3</sup> in full; and
  - c) Upon the approval and final resolution of all properly filed claims by the Trustee and the Company or the Court, the Company shall provide the Trustee an amount equal to the lesser of the total aggregate Proven Claims plus the Superintendent's Levy or \$300,000 (the "Proposal Fund").
- (ii) Secured Creditors will be paid in accordance with existing arrangements, or as may be arranged with them and are not affected by this Proposal;
  - (iii) Any claim owed to any Unsecured Creditors where the books and records of the Company indicate an amount equal to or less than \$15,000, shall be deemed to have a Proven Claim, in such amount, regardless of whether they have filed a proof of claim or not;
  - (iv) Any Unsecured Creditor with a Proven Claim greater than \$15,000, excluding any Related Party<sup>4</sup>, may at the time of filing a Proof of Claim and for distribution purposes only elect, in writing, to accept a distribution equal to \$15,000, in full and final satisfaction of its claim, instead a pro rata share of the net Proposal Fund;
  - (v) Any Unsecured Creditors with a Proven Claim of \$15,000 or less, deemed or otherwise, and those Unsecured Creditors with a Proven Claim greater but have elected to receive \$15,000 instead, shall be deemed to have voted in favour of the Proposal and shall deemed to have provided the Proposal Trustee with their proxy to vote as such;
  - (vi) Any Related Party shall either (i) deliver an agreement and consent, in a form satisfactory to the Company and the Trustee, to subordinate its claim or (ii) file a proof of claim. Any Related Party is entitled to vote against, but not for the Proposal under the provisions of S.54(3) of the BIA;
  - (vii) Distributions under the Proposal, are to be as follows:
    - a) Payment of the Administrative Fees and Expenses, in connection with the Proposal shall be paid from time to time by the Company up to the payment of the Proposal Fund. Upon the payment of the Proposal Fund to the Trustee, the outstanding Administrative Fees and Expenses shall be paid out of funds in its hands, and, to the extent it is insufficient, from the Proposal Fund, prior to distribution to the Preferred Creditors and Ordinary Creditors;
    - b) Payment to the Office of the Superintendent of Bankruptcy of the levy payable under section 147 and Rule 123(2) of the BIA on the applicable distributions set-out below;
    - c) Payment forthwith to the Preferred Creditors (including employee amounts under S. 136(1)(d) of the BIA and the Crown claims listed in S. 60(1.1) of the BIA) in full of their Proven Claims following receipt of the funds, which is to be within thirty (30) days of the Court approving the Proposal;

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<sup>3</sup> Includes employee amounts under S. 136(1)(d) of the BIA and the Crown claims listed in S. 60(1.1) of the BIA.

<sup>4</sup> Includes FTEI and any creditor related to the Company within the meaning of Section 4 of the BIA, excludes Jong Chul Park.

- d) Within thirty (30) days of the Trustee's receipt of the Proposal Fund, payment to Unsecured Creditor with a Proven Claim of \$15,000 or less, deemed or otherwise, and those Unsecured Creditors with a Proven Claim greater but have elected to receive \$15,000 instead, shall be paid in full from the Proposal Fund; and
  - e) Within ninety (90) days of the Implementation Date, payment to the remaining Unsecured Creditors with Proven Claims of the balance of the Proposal Fund remaining after the payment of any unfunded/unpaid Administrative Fees and Expenses and aforementioned claims on a *pro rata* basis;
- (viii) Any Claims (other than those set-out in S. 50(14) of the BIA) against the Company by any Creditor that are also Claims against the directors and deemed directors of the Company that relate to obligations of the Company where the directors or deemed director are under any law liable in their capacity as directors for the payment of such obligations which occurred before the NOI filing date or after up until the date of the Proposal shall be, and upon Court approval of the Proposal, are to the extent permitted by the BIA, released and forever discharged as against the directors or deemed directors of the Company; and
- (ix) Sections 95-101 of the BIA will not apply in respect of this Proposal;

The above description of the Proposal is a summary only, and readers are cautioned that if there is inconsistency between this report and the Proposal, the terms of the Proposal shall govern.

The Trustee understands that the Company and its counsel, after consultation with the Trustee and its counsel regarding some technical amendments, as well as FTEI and its counsel regarding other amendments, are considering amending certain language of the Proposal, not affecting the quantum of the distributions to the Unsecured Creditors as described above. However as of the date of this report an amended proposal has not been filed with the Trustee. If the Proposal is amended, the Trustee will report on the amendments made to creditors at the meeting of creditors.

#### **SECTION C - Financial Position and Causes of Difficulties**

1. The Company advises that the causes of its financial difficulties are attributable to the following:
  - a. Due to the losses being incurred by FTEI, the Company was not provided the sales and research development support that was anticipated by the Company. The lack of sales and research led to stagnation and lost sales opportunities; and
  - b. The Company felt that there was reasonable concern that without the filing of the NOI, the Company may lose their ability to act independently from FTEI and may otherwise have become involved in the insolvency filings of FTEI, to the detriment of its own creditors, employees and customers.
2. The Company has throughout the post-NOI period, has generated sufficient cash flows to sustain its operations. Commentary on the Company financial results since the NOI filing have been presented to the Court in the Trustee's four (4) reports to Court (see the Trustee's Case Website at <https://mnpdebt.ca/en/corporate/Engagements/ft-ene-canada-inc> in order to view the Trustee's reports to Court).

#### **SECTION D - Interim Receiver**

Not Applicable.



## SECTION E - Identification and Evaluation of Assets

According to the SOA, the Company's assets and their estimated realizable value are as listed below. Further details can be found in Section L of this Report.

Nature of Assets	Estimated Realizable Value Per SOA
Inventory – Stock-in-trade	\$ 100,000
Accounts receivable (net of allowance for doubtful accounts)	368,149
Refunds – SIMA and HST	200,000
Cash – Cash in the Bank	387,522
Cash collateral – Held by RBC	50,000
Trust account – Blaneys	50,000
Trust account – MNP re S. 65.13(8) of BIA	36,000
Vehicles – Ford F150	500
Machinery, equipment and plant	1,000,000
TOTAL	<u>\$ 2,192,171</u>

The Trustee performed a *Personal Property Security Act* (Ontario) (“PPSA”) registration search on August 12, 2019. The search revealed registrations by Royal Bank of Canada (“RBC”) and VW Credit Canada Inc. (“VW”). The Company's indebtedness to RBC was substantially paid off in June 2019 from the proceeds of sale from the Real Property. The PPSA registration is to be discharged and the above-mentioned cash collateral released on or around August 24, 2019 following the contemplated closing of banking facilities on August 14, 2019. A leased vehicle associated with the VW registration was returned on or about June 18, 2019, and accordingly the PPSA registration should be discharged. The Company has advised that no deficiency in the obligation resulted from the return of the vehicle to VW.

With respect to the ownership of the intellectual property associated with the proprietary electrospinning technology, processes and associated other intellectual property and trade secrets to produce nanofibers (collectively the “Nanofiber IP”) used by the Company, the Trustee has been advised by the Company that the Company has no ownership interest in the Nanofiber IP.

## SECTION F - Conduct of the Company

The conduct of the Company does not appear to be subject to censure.

## SECTION G - Creditors' Claims

As per the SOA, the Company's creditors consist of:

Creditor Classifications	Indebtedness Per SOA
Secured creditors	\$ 36,001
Preferred creditors	0
Unsecured creditors	46,430
Contingent, trust claims or other liabilities	1
TOTAL	<u>\$ 82,432</u>

In connection with the above creditor classes and amounts, we note the following:

1. Virtually all of the secured creditors' claim figure represents a potential S. 81.3 of the BIA claim to the \$36,000 held in trust by the Trustee for payment of employee claims as required under S. 65.13(8) of the BIA and the terms of approval of the sale of the Real Property. Notwithstanding, the Company has advised that there are no amounts owing to the employees for amounts outstanding prior to the NOI filing. The Company has also remained current with its post-NOI obligations. Additionally, the secured creditors' figure includes an amount of \$1

for RBC in recognition of the security it holds against the Company's assets, including the \$50,000 cash collateral noted above, pending such security registration being discharged as discussed above;

2. The Company advises that there are no amounts owing to the employees or other potential preferred creditors under S. 136(1) of the BIA;
3. The unsecured creditors' figure represents the Company's known debts to suppliers and other trade creditors as at the NOI filing date, as well as \$1 for the amount due to FTEI. It should be noted that this figure of \$1.00 shown on the SOA as owing to FTEI is not necessarily reflective of the actual amount owing to FTEI. FTEI was shown to be the largest creditor (unsecured) at approximately \$6 million in the Company's NOI. As the Proposal has only just been filed, no proofs of claim have yet been filed with the Trustee by the creditors and accordingly, the figures presented in the SOA and the creditors' claims are still subject to being proven or deemed proven.
4. The contingent, trust claims or other liabilities' figure represents a potential deemed trust claim of Canada Revenue Agency ("CRA") for unremitted employee source deductions. The Company advises that there are no amounts owing to CRA for unremitted employee source deductions (save and except for any current amounts for the preceding month), which is supported by the Trustee's monitoring of the Company's operations since the NOI filing. Section 60(1.1) of the BIA deals with Crown claims arising under S. 224(1.2) of the *Income Tax Act* ("ITA") and similar provincial legislation or any provision of the *Canada Pension Plan Act* or the *Employment Insurance Act* that refers to S. 224(1.2) of the ITA or similar provincial legislation. Unless the Crown consents otherwise, a proposal must provide for payment within six months of the claims set out in S. 60(1.1) of the BIA. Notwithstanding that it is believed that there are no amounts owing to CRA that are subject to this provision, the Proposal contemplates any such amount being paid as part of the Preferred Creditor payments within the required time period, as required under the BIA.

#### **SECTION H - Previous Business Dealings with the Company**

Not applicable

#### **SECTION I - Informal Meeting with Major Creditors**

After the filing of the NOI, the Company and the Trustee and their respective legal counsel have had numerous and ongoing discussions with FTEI and its legal counsel (also see Section K – Other below).

#### **SECTION J - Remuneration of Trustee**

The Trustee's fees and expenses related to the administration of the Proposal, including those of its and Company's legal counsel, will be paid by the Company from time to time, from retainers and from the Proposal Fund to the extent necessary as detailed in Section B, paragraphs (i)(b) and (vii)(a) above.

In addition to the \$50,000 retainer contemplated in Article 6.1(a) of the Proposal, the Company has provided a total of \$40,000 as a retainer towards the Trustee's fees and expenses.

On March 28, 2019, the Court ordered an Administration Charge in favour of the Trustee, counsel to the Trustee and counsel to the Company.

#### **SECTION K - Other**

Since May 2019, FTEI has, among other things, sought unsuccessfully through the Court, to take control of the Company and remove Jong Chul Park ("JC Park") as a director of the Company and

Yoonjun Park (“Y. Park”) as the General Manager of the Company. Details of the motion and the outcome of such motions by FTEI can be viewed on the Trustee’s Case Website at <https://mnpdebt.ca/en/corporate/Engagements/ft-ene-canada-inc>.

On August 5, 2019, FTEI purported, as the sole shareholder of the Company, to have lawfully conducted a shareholder meeting and removed and replaced JC Park as a director of the Company and removed Y. Park as General Manager of the Company. It is the Company’s position, and the position of JC Park, that such shareholder meeting was unlawfully held and as such is not being recognized by the Company. It should be noted that no determination of this issue has been made by the Court and no date has yet been set for it to be heard.

As a consequence of the above events, on August 8, 2019 Y. Park resigned his position with the Company.

**SECTION L - Statement of Estimated Realizations**

Set out below is the Trustee’s estimate of the distribution to the unsecured creditors if the Proposal is accepted by the Unsecured Creditors and approved by the Court:

	<u>Note</u>		
Funding by the Company of the Proposal			
Administrative Fees and Expense Funding, including \$50,000	[1]	\$ 160,000	
Funding for Preferred Creditors	[2]	-	
Proposal Fund	[3]	<u>46,430</u>	
Total Funding by the Company of the Proposal		206,430	
Less:			
Estimated Net Trustee’s Fees and Expenses, after application of \$40,000 retainer on hand	[1]	<u>( 160,000)</u>	
Estimated Net Funds Available for Distribution to Unsecured Creditors		<u>\$ 46,430</u>	
Estimated Claims of Unsecured Creditors per SOA (excluding claim of FTEI - assumed subordination)	[3]	<u>\$ 46,430</u>	
Estimated Distribution to Unsecured Creditors (%)		<table border="1" style="display: inline-table;"><tr><td style="text-align: center;">100.0%</td></tr></table>	100.0%
100.0%			

Notes:

1. Figure represents only the Trustee’s fees and expenses including those of its legal counsel but excludes the potential amounts owing and to be paid to the Company’s legal counsel by the Trustee under the Proposal.
2. No amounts are estimated to be owing and to be paid to the Preferred Creditors (employees and the Crown) under the Proposal.
3. Figure is based on the SOA and assumes that FTEI subordinates its claim and does not participate in any distributions.

If the Proposal is rejected by the Creditors, the Company will be deemed bankrupt. The anticipated realizations from a bankruptcy, per the SOA, are summarized below.

	<u>Note</u>		
Estimated Gross Proceeds from Realizations:			
Inventory – Stock-in-trade	[1] \$	100,000	
Accounts receivable (net of allowance for doubtful accounts)	[2]	276,112	
Refunds – SIMA and HST	[3]	200,000	
Cash – Cash in the Bank	[4]	387,522	
Cash collateral – Held by RBC	[4]	50,000	
Trust account – Blaneys	[5]	-	
Trust account – MNP re S. 65.13(8) of BIA	[4]	36,000	
Vehicles – Ford F150	[1]	500	
Machinery, equipment and plant	[1]	<u>1,000,000</u>	
Estimated Total Gross Proceeds from Realizations		2,050,134	
Less:			
Estimated selling/liquidation cost	[6] (	275,125)	
Estimated occupation costs (rent, utilities, maintenance, etc.)	[7] (	76,614)	
Estimated Trustee's fees and disbursements		<u>( 56,500)</u>	
Estimated Total Net Proceeds from Realizations		1,641,895	
Less:			
Estimated outstanding professional fees and expenses associated with NOI/Proposal proceeding secured by the Administrative Charge granted pursuant to the Court Order dated March 28, 2019	[8] (	<u>300,000)</u>	
Estimated Net Funds Available for Distribution to the Unsecured Creditors		<u>\$ 1,341,895</u>	
Estimated Claims of Unsecured Creditors	[9] \$	<u>6,142,296</u>	
Estimated Distribution to Unsecured Creditors (%)		<table border="1" style="display: inline-table;"><tr><td style="text-align: center;">21.8%</td></tr></table>	21.8%
21.8%			

Notes:

1. Based on the SOA figures, no appraisals have been obtained in connection with these assets.
2. Based on the SOA figures and assumes a 75% recovery of the accounts receivables due to discounts, warranty claim issues and other damage claims if collected under a bankruptcy.
3. Based on the SOA figures, with the collection of these refunds being subject to the outstanding corporate tax income returns for 2017 and 2018 being filed with CRA.
4. Based on the SOA figures, with no expected offsetting claims or direct realization costs.
5. Assumes the Company's legal counsel will apply such monies held in trust towards its outstanding professional fees and expenses in the event of the Company's bankruptcy.
6. Assumes selling and liquidation costs (auctioneer commissions, advertising, set-up, etc.) of 25% of the gross realizations in connection with the Inventory, Vehicles, and Machinery, equipment and plant.

7. Assumes occupancy of the leased premises until December 31, 2019, and associated costs thereto.
8. The Administrative Charge created by the Order, dated March 28, 2019 is against all of the Company's assets and would rank in priority to the claims of the Company's unsecured creditors. This figure would include the potential amounts owing for the Trustee's fees and expenses including those of its legal counsel and those of the Company's legal counsel not paid under the NOI/Proposal proceeding incurred prior to the bankruptcy.
9. In the event of the Company's bankruptcy, the claim of the Related Party (FTEI) would participate in the distribution to unsecured creditors; for illustration purposes only, FTEI's claim has been reflected at \$6 million. Additionally, the Company's bankruptcy would result in termination pay liability arising from the termination of the employees.

#### **Preferences and Transactions at Under Value**

The Proposal provides that sections 95-101 are not applicable. Accordingly, and to assess the appropriateness of the inclusion of this clause, the Trustee would generally undertake a review of the Company's books and records in order to enable it to be in a position to report to the creditors on any potential preferences or transfers at undervalue identified.

In order to carry out this review, the Trustee would review the Company's bank statements and cancelled cheques for the period beginning five (5) years prior to the filing of the NOI and ending on August 2, 2019, given that the Company has had transactions with FTEI and JC Park; both related parties as defined by the BIA. At the time of writing the report, the Trustee has not yet completed its review, but will advise the creditors at the meeting of creditors to consider the Proposal on August 23, 2019 should any other preferences or transactions at undervalue be identified as part of the Trustee's review.

Notwithstanding the foregoing, the Trustee has identified the following post-NOI transactions:

1. During March and April 2019, the Company paid a total of approximately \$26,000 in logistics costs (broker, carrier and SIMA duties) associated with pre-filing paid material purchases. Although a pre-filing liability, the Company believed the payments were necessary and critical in order to avoid disruption to the Company's on-going operations.

Irrespective of the outcome of the review, it should be noted that the Proposal contemplates the payment in full of the unrelated/arm's length creditors. Accordingly, and should the Proposal be accepted by the creditors and approved by the Court, the only parties potentially prejudiced are the same related parties who may benefit the inclusion of this clause.

#### **SECTION M - Recommendations**

Based on the above, the Trustee recommends the acceptance of the Proposal as the Proposal contemplates a higher distribution to the Unsecured Creditors than a bankruptcy. The Proposal would also provide for the continued employment of the Company's current employees and the preservation of business relationships with the Company's existing suppliers and customers.

#### **SECTION N - Technical Requirements for a Successful Proposal**

This Proposal will become effective only if it is accepted by a resolution of the Unsecured Creditors and approved by the Court. To obtain Creditor approval, a simple majority in the number of Unsecured Creditors voting, with this majority representing at least 2/3 of the dollar value of the

It should be noted that pursuant to S. 109(6)<sup>5</sup> of the BIA, the vote of a creditor not dealing with the Company at arm's length shall be excluded from the vote, if such creditor's vote will determine the outcome of the vote. This would include a vote against the Proposal by FTEI, with any such redetermined outcome (i.e. the exclusion of FTEI's vote) then being subject to the Court determining the appropriateness of its inclusion, if an application is made by FTEI within ten (10) days of the vote.

If the Unsecured Creditors vote to accept the Proposal, Court approval of the Proposal must then be sought. If the Court does not approve the Proposal, the Company would be deemed to have made an assignment in bankruptcy and the Trustee will then call a meeting of creditors in the matter of the bankruptcy.

When completing the Proof of Claim form submitted herewith, Creditors should include all outstanding amounts as at February 27, 2019, the date of the filing of the NOI. It is expressly noted and should be clearly understood that the Trustee, in its capacity as Trustee, assumes no personal liability for any claims that Creditors may have against the Company, filed, proven, deemed or otherwise, either before or after the filing of the Proposal.

Creditors may attend, in person or by proxy, the meeting to consider the Proposal, which will be held at offices of Blaney McMurtry LLP, located at 2 Queen Street East, Suite 1500, Toronto, Ontario on August 23, 2019 at 2:30 PM (Toronto Time).

Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters by either email to [angela.liu@mnp.ca](mailto:angela.liu@mnp.ca) or fax to (416) 596-7894, to the Trustee so as to be received prior to 2:30 PM (Toronto Time) on August 23, 2019.

Should you have any questions or comments on the Proposal or this report, please do not hesitate to contact the undersigned.

Dated at Toronto, Ontario, the 13<sup>th</sup> day of August 2019.

**MNP LTD.**

**Trustee acting *in re* the Proposal of  
FT EnE Canada Inc., and not in its  
personal capacity**

Per:



Matthew E. Lem  
Licensed Insolvency Trustee

Encl.

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<sup>5</sup> S. 109(6) - Vote of creditors not dealing at arm's length - If the chair is of the opinion that the outcome of a vote was determined by the vote of a creditor who did not deal with the debtor at arm's length at any time during the period that begins on the day that is one year before the date of the initial bankruptcy event and that ends on the date of the bankruptcy, the chair shall redetermine the outcome by excluding the creditor's vote. The redetermined outcome is the outcome of the vote unless a court, on application within 10 days after the day on which the chair redetermined the outcome of the vote, considers it appropriate to include the creditor's vote and determines another outcome.

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 31  
Proof of Claim  
(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1),  
and Paragraphs 51(1)(e) and 66.14(b) of the Act)

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

All notices or correspondence regarding this claim must be forwarded to the following address:

\_\_\_\_\_  
\_\_\_\_\_

In the matter of the proposal of FT ENE CANADA INC. of the City of Brantford in the Province of Ontario and the claim of \_\_\_\_\_, creditor,  
I, \_\_\_\_\_ (name of creditor or representative of the creditor), of the city of \_\_\_\_\_ in the province of \_\_\_\_\_, do hereby certify:

1. That I am a creditor of the above named debtor (or I am \_\_\_\_\_ (position/title) of \_\_\_\_\_, creditor).
2. That I have knowledge of all the circumstances connected with the claim referred to below.
3. That the debtor was, at the date of proposal, namely the 27th day of February 2019, and still is, indebted to the creditor in the sum of \$ \_\_\_\_\_, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

- A. UNSECURED CLAIM OF \$ \_\_\_\_\_  
(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and  
(Check appropriate description.)

- Regarding the amount of \$ \_\_\_\_\_, I claim a right to a priority under section 136 of the Act.  
 Regarding the amount of \$ \_\_\_\_\_, I do not claim a right to a priority.  
(Set out on an attached sheet details to support priority claim.)

- B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ \_\_\_\_\_

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:  
(Give full particulars of the claim, including the calculations upon which the claim is based.)

- C. SECURED CLAIM OF \$ \_\_\_\_\_

That in respect of this debt, I hold assets of the debtor valued at \$ \_\_\_\_\_ as security, particulars of which are as follows:  
(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

- D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ \_\_\_\_\_  
(Attach a copy of sales agreement and delivery receipts.)

- E. CLAIM BY WAGE EARNER OF \$ \_\_\_\_\_
- That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ \_\_\_\_\_,
- That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ \_\_\_\_\_,
- F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ \_\_\_\_\_
- That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ \_\_\_\_\_,
- That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ \_\_\_\_\_,
- G. CLAIM AGAINST DIRECTOR \$ \_\_\_\_\_

*(To be completed when a proposal provides for the compromise of claims against directors.)*  
 That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:  
*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

- H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ \_\_\_\_\_

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:  
*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

5. That, to the best of my knowledge, I \_\_\_\_\_ (am/am not) (or the above-named creditor \_\_\_\_\_ (is/is not)) related to the debtor within the meaning of section 4 of the Act, and \_\_\_\_\_ (have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: *(Provide details of payments, credits and transfers at undervalue.)*

7. *(Applicable only in the case of the bankruptcy of an individual.)*

- Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.
- I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
 Witness

\_\_\_\_\_  
 Creditor

Phone Number: \_\_\_\_\_  
 Fax Number : \_\_\_\_\_  
 E-mail Address : \_\_\_\_\_

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.  
 WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.  
 Subsection 20(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.



District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 37

Voting Letter  
(Paragraph 51(1)(f) of the Act)

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

I, \_\_\_\_\_, creditor (or I, \_\_\_\_\_, representative  
of \_\_\_\_\_, creditor), of \_\_\_\_\_, a creditor in the above matter  
for the sum of \$ \_\_\_\_\_, hereby request the trustee acting with respect to the proposal of FT ENE  
CANADA INC., to record my vote \_\_\_\_\_ (for or against) the acceptance of the proposal as made  
on the 2nd day of August 2019.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_.

Witness

\_\_\_\_\_  
Individual Creditor

Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per

\_\_\_\_\_  
Name and Title of Signing Officer

Return To:  
MNP LTD. - Licensed Insolvency Trustee  
Per:

\_\_\_\_\_  
Matthew Lem - Licensed Insolvency Trustee  
300 - 111 Richmond Street West  
Toronto ON M5H 2G4  
Phone: (416) 596-1711 Fax: (416) 323-5242

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 36  
Proxy  
(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

I, \_\_\_\_\_, of \_\_\_\_\_, a creditor in the above matter, hereby  
appoint \_\_\_\_\_, of \_\_\_\_\_, to be  
my proxyholder in the above matter, except as to the receipt of dividends, \_\_\_\_\_ (with or without)  
power to appoint another proxyholder in his or her place.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per \_\_\_\_\_  
Name and Title of Signing Officer

Return To:

MNP LTD. - Licensed Insolvency Trustee

\_\_\_\_\_  
300 - 111 Richmond Street West  
Toronto ON M5H 2G4  
Phone: (416) 596-1711 Fax: (416) 323-5242

## CHECKLIST FOR PROOFS OF CLAIM

This checklist is provided to assist you in preparing the accompanying proof of claim form and, where required, proxy form in a complete and accurate manner. Please specifically check each requirement.

Under Section 109 of the Bankruptcy and Insolvency Act only those creditors who have filed their claims in the proper form with the trustee, before the time appointed for the meeting, are entitled to vote at the meeting.

Section 124 states that every creditor shall prove his claim and the creditor who does not prove his claim is not entitled to share in any distribution that may be made.

### General

- ◆ The signature of a witness is required;
- ◆ The claim must be signed personally by the individual completing this declaration;
- ◆ Give the complete address where all notices or correspondence is to be forwarded
- ◆ The amount of the statement of account must correspond to the amount indicated on the proof of claim.
- ◆ It is permissible to file a proof of claim by fax or by email.

### Paragraph 1

- ◆ Creditor must state full and complete legal name of company or firm;
- ◆ If the individual completing the proof of claim is not the creditor himself, he/she must state his/her position or title.

### Paragraph 3

- ◆ The statement of account must be complete;
- ◆ A detailed statement of account must be attached to the proof of claim and must show the date, the number and the amount of all the invoices or charges, together with the date, the number and the amount of all credits or payments. A statement of account is not complete if it begins with an amount brought forward.

### Paragraph 4

- ◆ Subparagraph 4.A must be completed by an unsecured creditor and must indicate if priority is claimed pursuant to Section 136.
- ◆ Subparagraph 4.B must be completed by a landlord only in a Proposal, for any claim related to disclaimer of lease. The amount of the claim is to be calculated according to the terms of the proposal. Provide details of calculation.
- ◆ Subparagraph 4.C must be completed by a secured creditor. A certified true copy of the security instrument as registered must be provided.
- ◆ Subparagraph 4.D must be completed by a farmer, fisherman or aquaculturist creditor. A copy of the sales agreement and delivery documents must be provided.
- ◆ Subparagraph 4.E applies if you are a wage earner (ie, a clerk, servant, travelling salesperson, labourer or worker who is owed wages, salaries, commissions or compensation by a bankrupt (subsection 81.3) or by a "person" that is subject to a receivership (subsection 81.4) for services rendered during the six months immediately before the date of bankruptcy or receivership).
- ◆ Subparagraph 4.F applies to claims by employees for unpaid amounts regarding pension plans. Please note that such claims apply only to unremitted pension contributions outstanding when the sponsoring employer becomes bankrupt or is subject to a receivership.
- ◆ Subparagraph 4.G is to be completed only in a Proposal, and only if the proposal provides for the compromise of claims against Directors. Provide full details including calculations.
- ◆ Subparagraph 4.H applies if you are a "customer" of a bankrupt securities firm (as contemplated by Section 262 of the Bankruptcy and Insolvency Act).

**Paragraph 5**

- ◆ All claimants must indicate if he or she is related or not to the debtor, as defined in Section 4 of the Bankruptcy and Insolvency Act, by striking out "AM" or "IS" or "AM NOT" or "IS NOT".

**Paragraph 6**

- ◆ All claimants must attach a detailed list of all payments or credits received or granted, as follows:
  - a) Within the three (3) months preceding the bankruptcy or the proposal, in the case where the claimant and the debtor are not related;
  - b) Within the twelve (12) months preceding the bankruptcy or proposal, in the case where the claimant and the debtor are related.

**- APPOINTING PROXY -**

Note: The Bankruptcy and Insolvency Act permits a proof of claim to be made by a duly authorized agent of a creditor but this does not give such a person power to vote at the first meeting of creditors or to act as the proxy of the creditor.

**General**

- ◆ A creditor may vote either in person or by proxy;
- ◆ A debtor may not be appointed as proxy to vote at any meeting of his creditors;
- ◆ The Trustee may be appointed as a proxy for any creditor;
- ◆ In order for a duly authorized person to have a right to vote he must himself be a creditor or be the holder of a properly executed proxy. The name of the creditor must appear in the proxy.



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of Canada

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du Canada

## Update filing - update is confirmed

Welcome **Angela Liu** | [Preferences](#) | [E-Filing helpdesk](#) | [Instructions](#) | [Logout](#)

### Estate Information

Please Note: The following estate(s) were updated:

- **Estate Number:** 32-2480036
- **Estate Name:** FT ENE CANADA INC.

THIS IS EXHIBIT "C" REFERRED TO IN  
THE AFFIDAVIT OF  
Angela Liu  
SWORN BEFORE ME THIS 13<sup>th</sup> DAY OF  
August 2019  
[Signature]  
A Commissioner, Etc.,

### Document(s) submitted

The following document(s) have been successfully submitted

- Form 92: Notice of Proposal to Creditors

### Reference

- The Reference Number for this transaction is: **16129102**.
- Submitted by Angela Liu.
- 2019-08-13 15:38 EDT

[Submit another document for this estate.](#)

If you would like to submit a document against a different estate, please click on the **Update** link in the left hand side menu.

**Date modified:** 2019-05-31



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Update filing - update is confirmed

Welcome **Angela Liu** | [Preferences](#) | [E-Filing helpdesk](#) | [Instructions](#) | [Logout](#)

## Estate Information

Please Note: The following estate(s) were updated:

- **Estate Number:** 32-2480036
- **Estate Name:** FT ENE CANADA INC.

THIS IS EXHIBIT "D" REFERRED TO IN  
THE AFFIDAVIT OF  
Angela Liu  
SWORN BEFORE ME THIS 13<sup>th</sup> DAY OF  
August 2019  
[Signature]  
A Commissioner, Etc.,

## Document(s) submitted

The following document(s) have been successfully submitted

- Report of Trustee to the Creditors dated August 13, 2019

## Reference

- The Reference Number for this transaction is: **16129475**.
- Submitted by Angela Liu.
- 2019-08-13 16:22 EDT

[Submit another document for this estate.](#)

If you would like to submit a document against a different estate, please click on the **Update** link in the left hand side menu.

**Date modified:** 2019-05-31

# Exhibit "S"

THIS IS EXHIBIT "B" REFERRED TO IN  
THE AFFIDAVIT OF

Angela Liu  
SWORN BEFORE ME THIS 13<sup>th</sup> DAY OF

August 2019  
[Signature]  
A Commissioner, Etc.,



Via Regular Mail

August 13, 2019

To the Creditors of FT ENE Canada Inc. ("FT" or the "Company")

Please take notice that on August 2, 2019, FT filed a Proposal (the "Proposal") pursuant to s.50.4(1) of the *Bankruptcy and Insolvency Act (Canada)* ("BIA") and MNP Ltd. has consented to act as Proposal Trustee (the "Trustee"). Please find enclosed the following:

- A. Notice of Proposal to Creditors;
- B. Proposal;
- C. Statement of Affairs;
- D. Report of Trustee on Proposal;
- E. Proof of Claim Form;
- F. Voting Letter; and
- G. Proxy Form

A meeting of creditors to consider the Proposal will be held at 2:30 p.m. on August 23, 2019 at the following address:

Blaney McMurtry LLP  
2 Queen Street East, Suite 1500  
Toronto, ON M5C 3G5

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the Proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the Court, the proposal is binding on all the creditors or the class of creditors affected.

**Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with the Trustee prior to 2:30 p.m. (Toronto Time) on August 23, 2019. You may forward your claim, proxy and voting letter by either email at [angela.liu@mnp.ca](mailto:angela.liu@mnp.ca) or via facsimile at (416) 596-7894.**

Proof of claim forms are to be filed based on the amount owed as of February 27, 2019, the date the Notice of Intention to make a Proposal was filed.

If you have any questions concerning the foregoing or require any additional information, please contact Angela Liu at 647-775-1777 or by email at [angela.liu@mnp.ca](mailto:angela.liu@mnp.ca).

Yours truly,

**MNP Ltd.**  
*Trustee acting in re: the Proposal of  
FT ENE Canada Inc.*  
Per:

[Signature]  
Matthew Lem, CIRP, LIT



LICENSED INSOLVENCY TRUSTEES  
SUITE 300, 111 RICHMOND STREET W, TORONTO ON, M5H 2G4  
1.877.251.2922 T: 416.596.1711 F: 416.596.7894 [MNPdebt.ca](http://MNPdebt.ca)



District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 92  
Notice of Proposal to Creditors  
(Section 51 of the Act)

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

Take notice that FT ENE CANADA INC. of the City of Brantford in the Province of Ontario has lodged with us a proposal under the Bankruptcy and Insolvency Act.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed herewith.

A general meeting of the creditors will be held at 2 Queen Street East, Suite 1500, Toronto, ON on the 23rd day of August 2019 at 2:30 PM.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the commencement of the meeting.

Dated at the City of Toronto in the Province of Ontario, this 13th day of August 2019.

MNP LTD. - Licensed Insolvency Trustee

  
300 - 111 Richmond Street West  
Toronto ON M5H 2G4  
Phone: (416) 596-1711 Fax: (416) 323-5242

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Bell	P.O.Box 9000, STN Don Mills North York ON M3C 2X7		320.37
CR Strapping Inc	PO Box 23042, 35 Airport Road Brantford ON N3T 6K4		725.82
Employees - S. 65.13(8)	ON		36,000.00
Filtration Technologies International.	105 Shenandoah Street Clarksville TN 37043 USA		8,304.28
Gerrie Electric Wholesale Ltd	4104 South Service Road Burlington ON L7L 4X5		735.86
Home Depot Credit Services	P.O. Box 675 STATION D Scarborough ON M1R 5T4		1,160.70
Hub International	2265 Upper Middle Road East, 7th Floor OAKVILLE ON L6H 0G5		4,198.60
IBC Computers	196 King George Road Brantford ON N3R 5L3		3,335.88
Imperial Oil	PO Box 1700 Don Mills ON M3C 4J4		462.33
Kings Wood Products	30 Curtis Ave N Paris ON N3L 3V3		3,135.75
R.K. Custom Fabrication & Welding	192 Mary Street Brantford ON N3S 3C2		3,113.15
Stuart Hunt and Associates	15802-145 Avenue N.W. Edmonton AB T6V 0H8		3,373.05
TLS - Truck Load Services Inc	PO Box 100 VAUDREUIL-DORION QC J7V 5W1		8,274.60
Waste Connections Of Canada Inc.	500 Rennie Street Hamilton ON L8H 3P5		1,163.04
Wood Enviroment & Infrastructure Solutions	10-900 Maple Grove Road Cambridge ON N3H 4R7		4,400.00
Workplace Safety and Insurance Board c/o Collection Services	200 Front St W Toronto ON M5V 3J1	5521919	3,500.00
<b>Total</b>			<b>82,203.43</b>

# Exhibit "T"

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

Original  Amended

\_Form 78\_  
 Statement of Affairs (Business Proposal) made by an entity  
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the Proposal of  
 FT ENE CANADA INC.  
 of the City of Brantford  
 in the Province of Ontario

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 27th day of February 2019. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A" . . . . . 46,430.43	1. Inventory . . . . . 100,000.00
Balance of secured claims as per list "B" . . . . . 0.00	2. Trade fixtures, etc. . . . . 0.00
Total unsecured creditors . . . . . 46,430.43	3. Accounts receivable and other receivables, as per list "E"
2. Secured creditors as per list "B" . . . . . 36,001.00	Good . . . . . 368,149.00
3. Preferred creditors as per list "C" . . . . . 0.00	Doubtful . . . . . 0.00
4. Contingent, trust claims or other liabilities as per list "D"	Bad . . . . . 0.00
estimated to be reclaimable for . . . . . 1.00	Estimated to produce . . . . . 368,149.00
Total liabilities . . . . . 82,432.43	4. Bills of exchange, promissory note, etc., as per list "F" . . . . . 0.00
Surplus . . . . . 2,109,738.57	5. Deposits in financial institutions . . . . . 0.00
	6. Cash . . . . . 387,522.00
	7. Livestock . . . . . 0.00
	8. Machinery, equipment and plant . . . . . 1,000,000.00
	9. Real property or immovable as per list "G" . . . . . 0.00
	10. Furniture . . . . . 0.00
	11. RRSPs, RRIFs, life insurance, etc. . . . . 0.00
	12. Securities (shares, bonds, debentures, etc.) . . . . . 0.00
	13. Interests under wills . . . . . 0.00
	14. Vehicles . . . . . 500.00
	15. Other property, as per list "H" . . . . . 336,000.00
	If debtor is a corporation, add:
	Amount of subscribed capital . . . . . 0.00
	Amount paid on capital . . . . . 0.00
	Balance subscribed and unpaid . . . . . 0.00
	Estimated to produce . . . . . 0.00
	Total assets . . . . . 2,192,171.00
	Deficiency . . . . . NIL

I, Jong Chul Park - Director, of the City of Toronto in the Province of Ontario, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 2nd day of August 2019 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)  
 before me at the City of Toronto in the Province of Ontario, on this 2nd day of August 2019.

  
 \_\_\_\_\_  
 Matthew Lem, Commissioner of Oaths  
 For the Province of Ontario  
 MNP LTD.  
 Expires December 30, 2019

  
 \_\_\_\_\_  
 Jong Chul Park - Director

Matthew Eric Lem, a Commissioner, etc.,  
 Province of Ontario, for MNP Ltd. and MNP LLP,  
 Expires December 30, 2019.

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036


FORM 78 -- Continued

List "A"  
 Unsecured Creditors  
 FT ENE CANADA INC.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Bell	P.O.Box 9000, STN Don Mills North York ON M3C 2X7	320.37	0.00	320.37
2	CR Strapping Inc	PO Box 23042, 35 Airport Road Brantford ON N3T 6K4	725.82	0.00	725.82
3	Filtration Technologies International.	105 Shenandoah Street Clarksville TN 37043 USA	8,304.28	0.00	8,304.28
4	FT EnE Inc	23-1, Hyoryeong-ro, Seocho-gu Seoul Seoul 137 819 South Korea	1.00	0.00	1.00
5	Gerrie Electric Wholesale Ltd	4104 South Service Road Burlington ON L7L 4X5	735.86	0.00	735.86
6	Home Depot Credit Services	P.O. Box 675 STATION D Scarborough ON M1R 5T4	1,160.70	0.00	1,160.70
7	Hub International	2265 Upper Middle Road East, 7th Floor OAKVILLE ON L6H 0G5	4,198.60	0.00	4,198.60
8	IBC Computers	196 King George Road Brantford ON N3R 5L3	3,335.88	0.00	3,335.88
9	Imperial Oil	PO Box 1700 Don Mills ON M3C 4J4	462.33	0.00	462.33
10	Kings Wood Products	30 Curtis Ave N Paris ON N3L 3V3	3,135.75	0.00	3,135.75
11	R.K. Custom Fabrication & Welding	192 Mary Street Brantford ON N3S 3C2	3,113.15	0.00	3,113.15
12	Silo Wireless	2-19 Sage Court Brantford ON N3R 7T4	226.00	0.00	226.00
13	Stuart Hunt and Associates	15802-145 Avenue N.W. Edmonton AB T6V 0H8	3,373.05	0.00	3,373.05
14	TLS - Truck Load Services Inc	PO Box 100 VAUDREUIL-DORION QC J7V 5W1	8,274.60	0.00	8,274.60
15	Waste Connections Of Canada Inc.	500 Rennie Street Hamilton ON L8H 3P5	1,163.04	0.00	1,163.04
16	Wood Environment & Infrastructure Solutions	10-900 Maple Grove Road Cambridge ON N3H 4R7	4,400.00	0.00	4,400.00
17	Workplace Safety and Insurance Board Attn: c/o Collection Services 5521919	200 Front St W Toronto ON M5V 3J1	3,500.00	0.00	3,500.00
Total:			46,430.43	0.00	46,430.43

02-Aug-2019

Date

  
 Jong Chul Park - Director

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

FORM 78 – Continued


List "B"  
 Secured Creditors

FT ENE CANADA INC.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	Employees - S. 65.13(8)	ON	36,000.00	Other - Trust Account - MNP re S. 65.13(8)		36,000.00		
2	Royal Bank of Canada	20 King St. W., 2nd Floor Toronto ON M5H 1C4	1.00	Debts Due - Business - Accounts Receivables Business Assets - Machinery - Office, plant and warehouse equipment Business Assets - Stock In Trade - Inventory Cash on hand - Cash in Bank - Royal Bank & TD Bank Other - Cash Collateral - held by RBC Motor Vehicles - Automobile - Ford - F150		1.00 0.00 0.00 0.00 0.00 0.00	368,148.00 2,710,308.13 400,000.00 387,522.00 50,000.00 6,241.60	
Total:			36,001.00			36,001.00	3,922,219.73	0.00

02-Aug-2019

Date

  
 Jong Chul Park - Director

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 78 – Continued


List "C"  
Preferred Creditors for Wages, Rent, etc.

FT ENE CANADA INC.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total:					0.00	0.00	0.00

02-Aug-2019

Date



Jong Chul Park - Director

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

FORM 78 – Continued

List "D"  
 Contingent or Other Liabilities

FT ENE CANADA INC.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
1	CRA - Tax - Ontario 848272043RP0001	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9	1.00	0.00		Deemed Trust Claim
<b>Total:</b>			<b>1.00</b>	<b>0.00</b>		

02-Aug-2019

Date



Jong Chul Park - Director



District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

FORM 78 -- Continued

List "E"  
 Debts Due to the Debtor  
 FT ENE CANADA INC.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
1	Accounts Receivables	ON	Trade Receivables	368,149.00 0.00 0.00		02-Aug-2019	368,149.00	
Total:				368,149.00 0.00 0.00			368,149.00	

02-Aug-2019

Date



Jong Chul Park - Director

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 78 – Continued

List "F"

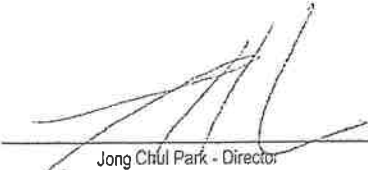
Bills of Exchange, Promissory Notes, Lien Notes, Chattel  
Mortgages, etc., Available as Assets

FT ENE CANADA INC.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

02-Aug-2019

Date



Jong Chul Park - Director

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 78 -- Continued


List "G"  
Real Property or Immovables Owned by Debtor

FT ENE CANADA INC.

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
			Total:	0.00	0.00

02-Aug-2019

Date



Jong Chul Park - Director

District of: Ontario  
 Division No. 07 - Hamilton  
 Court No. 32-2480036  
 Estate No. 32-2480036

FORM 78 - Concluded

List "H"  
 Property

FT ENE CANADA INC.  
 FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade		Inventory	400,000.00	100,000.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			387,522.00	387,522.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant		Office, plant and warehouse equipment	2,710,309.18	1,000,000.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles		Automobile - Ford - F150	6,241.60	500.00
(l) Taxes			0.00	0.00
(m) Other		Book Debts - SMIA Refund	150,000.00	50,000.00
		Book Debts - HST Refund	150,000.00	150,000.00
		Cash Collateral - held by RBC	50,000.00	50,000.00
		Trust Account - MNP re S. 65.13(8)	36,000.00	36,000.00
		Trust Account - Blaneys	50,000.00	50,000.00
			<b>Total:</b>	<b>1,824,022.00</b>

02-Aug-2019

Date



Jong Chul Park - Director

# Exhibit "U"

MINUTES OF THE MEETING OF CREDITORS TO CONSIDER THE PROPOSAL

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

Minutes of the meeting of creditors to consider the proposal held at offices of Blaney McMurtry LLP ("Blaneys") at 2 Queen Street East, Suite 1500, Toronto, Ontario, on August 23, 2019 2:30 PM.

Present:

Matthew Lem  
Jong Chul Park - Director

Representing

Trustee and Chairperson  
FT EnE Canada Inc. (the "Company")

(see attendance list for other attendees, attached hereto as **Appendix "A"**)

Matthew Lem acted as the Chairperson and secretary of the meeting. The Chairperson informed the Meeting that pursuant to section 51(3) of the *Bankruptcy and Insolvency Act (the "Act")*, he would act as Chairperson and would decide any questions or disputes arising at the meeting and from such decision any creditor may appeal to the court. The Chairperson examined the Proofs of Claim and Proxies in favour of the Trustee and determined that there was a quorum. The Chairperson declared the Meeting duly convened and called the Meeting to order.

The Trustee advised the meeting that there were amendments to the Proposal, dated August 2, 2019 (the "**Proposal**"), put forward by FT EnE, Inc. ("**FTEI**"), as well as other amendments contemplated by the Company following the Trustee's discussions with the Company and as alluded to in the Trustee's Report to the Creditors (attached hereto as **Appendix "B"**). Accordingly, the Trustee recommended a temporary adjournment of the meeting to allow the creditors in attendance to review and discuss the potential amendments to the Proposal.

It was moved by: The Trustee, as proxyholder for Gerrie Electric Wholesale Ltd.; and

Seconded by: The Trustee, as proxyholder for Waste Connections of Canada Inc.,

That meeting be temporarily adjourned.

The motion to temporarily adjourn the meeting was passed.

The meeting was reconvened on or about 5:20 PM, wherein the Trustee recommended a further adjournment of the meeting for the following reasons:

1. To allow the Company to assemble and circulate the proposed amendments to the Proposal (the **"Proposed Amendments"**) that were discussed and as put forward in the earlier adjournment period; and
2. Allow time for FTEI to review the Proposed Amendments and obtain instructions regarding same.

In addition, the issue of FTEI's claim and the value to which the Trustee, as Chairperson, would admit FTEI's claim for voting purposes only pursuant to S. 108(2) of the Act was raised. The Chairperson declared that it would, at this time, admit FTEI's claim for voting purposes only at US\$2.7 million.

On behalf of the Company, David Ullman of Blaney McMurtry LLP, the Company's legal counsel, objected to such a valuation decision for voting purposes at the value of US\$2.7 million by the Chairperson. In accordance with the procedure set out in s.108(3) of the Act, FTEI's claim was marked as objected to and FTEI was allowed to vote at the value of US\$2.7 million, subject to the vote being subsequently declared invalid in the event that the objection is sustained.

On the matter of the further adjournment of the meeting for the reasons note above and there being no further business,

It was moved by: The Trustee, as proxyholder for Gerrie Electric Wholesale Ltd.; and  
Seconded by: The Trustee, as proxyholder for Waste Connections of Canada Inc.,  
That the meeting be adjourned to 8:30 AM on August 29, 2019

FTEI objected to the adjournment, which ordinarily would have defeated the motion. However, the Trustee, as Chairperson advised the meeting that pursuant to S. 109(6) of the Act and as it was its opinion that the outcome of the vote on the adjournment motion would be determined by the vote of FTEI, a party deemed not to have acted at arms-length in the preceding one (1) year (from the date of the initial bankruptcy event), FTEI's vote would be excluded and the vote redetermined. This opinion was arrived at based on the fact that FTEI is the 100% shareholder of the Company, and therefore "related" under the provisions of S.4(2) and (5) of the Act, which deems the Company and FTEI not to be dealing with each other at arms-length. Therefore, the Chairperson re-determined the vote by excluding FTEI's vote, and the motion to adjourn the meeting to 8:30 AM on August 29, 2019 was passed.

The meeting was adjourned on or about 5:25 PM



A handwritten signature in cursive script, appearing to be 'L. Li', written over a horizontal line.

Chairperson

6 September 2019










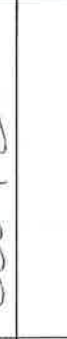
Date



FT ENE CANADA INC.

File No. 32-2480036

Attendance Sheet - First Meeting of Creditors

Name (print)	Signature	Representing	Amount of Claim	Remarks
Matthew Lam		MNP Proposed Trustee	—	
Alex Ichenko		MNP as counsel	—	
Ben Sakamoto		FT Canada / Finetex		
Jungsoon Park		FT Canada / Finetex		
David Ullmann		Counsel to FT Canada		
Park Yong Chul		FT Can CEO		
GARY BISSELL-THORPE		FT Can		
Michael Novina		FTCI - Counsel to		
M.D. Abramowitz		COUNSEL TO FT CANADA		
Alexandra Teodoroscu		Counsel to FT Canada		

2 proxies held by the Trustee totaling \$1,898.90

# Exhibit "V"

**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**

**AMENDED PROPOSAL OF FT ENE CANADA INC.**

FT ENE Canada Inc. (“**FTE**” or the “**Company**”) hereby submits the following Proposal to all of its Unsecured Creditors pursuant to Part III of the *Bankruptcy and Insolvency Act* (Canada).

**ARTICLE 1**

**DEFINITIONS**

**1.1 Definitions**

In this Proposal:

- (a) “**Administrative Fees and Expenses**” means the proper fees, expenses and legal fees and disbursements of the Proposal Trustee, and the Company on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal including, without limitation, those fees and expenses secured by the Order of Justice Penny dated March 28, 2019, (which order is not vacated or altered by the filing or approval of this Proposal);
- (b) “**Approval Date**” means the date upon which the Approval Order is issued by the Court;
- (c) “**Approval Order**” means an order of the Court approving the Proposal;
- (d) “**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended and in force as at the Date of Filing;
- (e) “**Business Day**” means a day, other than a Saturday or Sunday, on which banks are

generally open for business in Toronto, Ontario;

- (f) **"Canada Pension Plan"** means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as amended;
- (g) **"Claim"** means any right of any Person against the Company in connection with any indebtedness, liability, action or obligation of any kind of or by the Company which indebtedness, action, liability or obligation is in existence or had occurred at the Date of ~~the Proposal Filing~~, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or at the time of the Date of ~~the Proposal Filing~~ including, without limitation, any, claims that would have been claims provable in bankruptcy had the Company become bankrupt on the Date of the Proposal Filing, and claim related to the manner in which the Company conducted these Proposal proceedings and all operational decisions made during that period, and any claims which might be made by a trustee in bankruptcy or a creditor or any other party pursuant to sections 95 to 101.1 of the *BIA* or under a statute or common law rule similar to these sections, ~~or, any claim related to the manner in which the Company conducted these Proposal proceedings and all operational decisions made during that period,~~ but expressly excluding any equity claims or claims which are found to be equity claims upon review by the Proposal Trustee or the Court;
- (h) **"Collateral"**, in respect of a Secured Creditor, means the assets and property of the Company in which the Secured Creditor holds a valid and enforceable security interest;
- (i) **"Company"** means FT EnE Canada Inc.;
- (j) **"Court"** means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (k) **"Creditor"** means any Person, having a Claim (whether or not a Proof of Claim is filed by such Person) and may, if the context requires, mean a Proposal Trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (l) **"Creditor Approval"** means acceptance of the Proposal by the Unsecured Creditors as required under the *BIA* and set out in section 5.6 herein;
- (m) ~~(+)~~ **"Creditors' Meeting"** means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;
- (n) ~~(#)~~ **"Creditors' Meeting Date"** means such date and time as may be called by the Proposal Trustee, but in any event shall be no later than twenty-one (21) days following the Date of the Proposal;
- (o) ~~(#)~~ **"Date of Filing"** means February 27, 2019, the date of the filing of the Notice of Intention to Make a Proposal with the Official Receiver;

- (p) ~~(o)~~ **“Date of the Proposal”** means August 2, 2019, the date that the Proposal was lodged with the Proposal Trustee;
- (q) ~~(p)~~ **“Disputed Claim”** means a Claim which is filed in this Proposal by a Creditor which is: i) disallowed in whole or in part by the Proposal Trustee, ~~ii) disputed in whole or in part by the Company, or~~ ~~iii) or ii)~~ is the subject of a disallowance proceeding or appeal before the Court.
- (r) ~~(q)~~ **“Employment Insurance Act”** means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (s) ~~(r)~~ **“Filed Claim”** means a claim filed in the proposal by a Creditor which has not yet been reviewed or approved by the Proposal Trustee and the Company
- (t) ~~(s)~~ **“Implementation Date”** means the date upon which the conditions set forth in Article 7.4 have been satisfied and the Certificate of Full Performance is issued by the Proposal Trustee to the Company;
- (u) ~~(t)~~ **“Income Tax Act”** means *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (v) ~~(u)~~ **“Official Receiver”** shall have the meaning ascribed thereto in the *BIA* -
- (w) ~~(v)~~ **“Ordinary Creditors”** means Creditors with Proven Claims, except for those Claims:
- (i) that the Proposal Trustee determines not to be a provable claim in accordance with Section 135 (1.1) of the *BIA*;
  - (ii) that have been finally and conclusively disallowed in accordance with the *BIA*;
  - ~~iii)~~ that are Claims by Preferred Creditors;
  - ~~iv)~~ that are Claims by a Related Party;
  - (iv) ~~(v)~~ that are Claims by a Secured Creditor;
  - (v) ~~(vi)~~ that are Claims in respect of an Equity Interest; or
  - (vi) ~~(vii)~~ that are Claims in respect of Administrative Fees and Expenses.
- (x) ~~(w)~~ **“Performance”** means full performance of this Proposal as set out in Article 6 paragraph 6.1 hereof;
- (y) ~~(x)~~ **“Person”** means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (z) **“Post-Filing Claim”** means any right of any Person against the Company in connection with any indebtedness, liability, action or obligation of any kind of or by the Company which indebtedness, action, liability or obligation which is in existence after the Date of Filing, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause

or chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist after the Date of Filing;

- (aa) **“Post-Filing Creditor”** means any Person having a Post-Filing Claim;
- (bb) ~~(y)~~ **“Preferred Creditors”** means Creditors with Proven Claims that are proven and which are required by the *BIA* to be paid in priority to all other Claims under a proposal made by a debtor and including, without limitation:
- (i) employees and former employees of the Company, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the *BIA* if the Company became bankrupt on the Date of Filing, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Company's business during the same period; and
  - (ii) Her Majesty in Right of Canada or a Province for all amounts that were outstanding at the time of the filing of the notice of intention or of the Date of Filing and are of a kind that could be subject to a demand under,
    - (a) subsection 224(1.2) of the Income Tax Act;
    - (b) any provision of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act and provides for the collection of a contribution, as defined in the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts; or
    - (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Income Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum
      - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act, or
      - (ii) is of the same nature as a contribution under the Canada Pension Plan if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the Canada Pension Plan and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.
- (cc) ~~(z)~~ **“Proof of Claim”** shall mean the proof of claim required by the *BIA* to be mailed to each known Creditor prior to the Creditors' Meeting;
- (dd) ~~(aa)~~ **“Proposal”** means the Proposal lodged with the Proposal Trustee on August 2<sup>nd</sup>, 2019 together with any amendments or additions thereto;

- (ee) ~~(bb)~~ **“Proposal Trustee”** means MNP Ltd., or its duly appointed successor or successors
- (ff) ~~(ee)~~ **“Proposal Fund”** shall mean the payments made by the Company to the Proposal Trustee pursuant to paragraph 6 hereof;
- (gg) ~~(dd)~~ **“Proven Claim”** of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the *BIA* and approved by the Company and the Proposal Trustee and the Claim of a Convenience Creditor;
- (hh) ~~(ee)~~ **“Related Party”** means Finetex, EnE Inc. (**“FT Korea”**) and any Creditor related to the Company within the meaning of Section 4 of the *BIA*, ~~but shall not include Jong Chul Park~~;
- (ii) ~~(ff)~~ **“Secured Creditor”** means any creditor holding a valid and perfected security interest against the Company;
- (jj) ~~(gg)~~ **“Unsecured Creditors”** means, collectively, the Preferred Creditors and the Ordinary Creditors; and
- (kk) ~~(hh)~~ **“Voting Letter”** shall mean the voting letter required by subsection 51(1) of the *BIA* to be mailed to each known Creditor prior to the Unsecured Creditors’ Meeting.

## 1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In this Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

## 1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

## 1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.

## 1.5 Time

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

## 1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

## **1.7 Currency**

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

## **1.8 Statutory References**

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

## **1.9 Successors and Assigns**

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

# **ARTICLE 2 CLASSIFICATION OF CREDITORS**

## **2.1 Classes of Creditors**

For the purposes of voting on the Proposal, only Ordinary Creditors will be entitled to vote on the Proposal. There shall be one class of Unsecured Creditors.

# **ARTICLE 3 TREATMENT OF CREDITORS**

## **3.1 Secured Creditors**

All Secured Creditors shall be paid in accordance with the respective agreement(s) between each Secured Creditor and the Company or as otherwise agreed between said Secured Creditor and the Company. To the extent that there is insufficient Collateral to repay the secured indebtedness, the Secured Creditor will file the balance of its claim as an Unsecured Creditor and participate in this Proposal as same.

## **3.2 Preferred Creditors**

The Proven Claims of the Preferred Creditors are to be paid by the Proposal Trustee in full in priority to all the Proven Claims of Ordinary Creditors in accordance with the *BIA* and the Proposal.

## **3.3 Ordinary Creditors**

The Proven Claims of all Ordinary Creditors, subject to paragraph 3.4 below, are to be paid, on a *pro rata* basis, their proportionate share of the Proposal Funds once the claims of Preferred Creditors are satisfied as provided for in this Proposal. For distribution purposes, to the extent that the Collateral is not sufficient to satisfy the Proven Claim of a Secured Creditor, that Secured Creditor shall be an Unsecured Creditor for any portion of that Secured Creditor's Proven Claim that remains outstanding.

## **3.4 Creditors May Elect**

Any Claim owed to any Unsecured Creditor, regardless of whether or not the Creditor has filed a proof of claim, which the books and records of the Company (as reviewed by the Proposal ~~Proposal~~-Trustee) indicate is ~~owed~~ less than \$15,000.00, shall be deemed to have a Proven Claim in that amount.



~~(“Convenience Creditor”). Any Convenience Creditor with a Proven Claim of \$15,000.00 or less, shall receive the full amount of their Proven Claim following the approval of the Proposal, as further set out in section 6.4 (a) hereof. All such Creditors shall be deemed to have voted in favour of the Proposal unless they attend the Creditors Meeting and vote against the Proposal. Any other Creditor, other than a Related Party, with a Proven Claim which is greater than \$15,000.00, may elect in writing, prior to the Proposal being voted upon (including at the Creditor’s Meeting) on or before September 17, 2019, to, instead of participating in a pro rata distribution as set out above, receive \$15,000.00 (an “Electing Creditor”). As further described in section 6.4~~

~~(a) below. Any such Unsecured Creditor with a claim(a) below \$ 15,000.00 or, any Unsecured Convenience Creditor who makes such an election (an “or Electing Creditor”) shall be deemed to have voted in favour of the Proposal and shall be deemed to have provided the Proposal Trustee with their proxy.~~

### ~~3.5 — Related Party Postponement~~

~~The Related Party shall be bound by this Proposal. The Related Party shall either i) deliver an agreement and consent, in a form satisfactory to the Company and the Proposal Trustee, to subordinate its Claim(s) in full to the Claims of the Ordinary Creditors payable under this Proposal or ii) file a Proof of Claim. The Related Party shall be entitled to vote only against, and not in favour of, this Proposal, and then only to the extent of its Proven Claim.~~

### ~~3.5 3.6 Claims Against Directors or Deemed Director~~

~~Any Claims (other than those set out in section 50(14) of the BIA which for greater certainty includes a claim for oppression, breach of fiduciary duty or that falls within section 178 of the BIA, including without limitation allegations of fraud, embezzlement, misappropriation and/or defalcation) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company or where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred prior to the filing date (a “Director Claim”) shall, following acceptance of this Proposal by the Creditors, and upon the Approval on the Implementation Date, be and are hereby, compromised and released and forever discharged as against the directors of the Company.~~

~~Any Claim (other than those set out in section 50(14) of the BIA, which for greater certainty includes a claim for oppression, breach of fiduciary duty or that falls within section 178 of the BIA, including without limitation allegations of fraud, embezzlement, misappropriation and/or defalcation) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred after the filing date up until the date this Proposal is approved by the Court (a “Restructuring Director Claim”) shall, following acceptance of this Proposal by the Creditors, and upon the Approval on the Implementation Date, be and are hereby, compromised and released and forever discharged as against the directors of the Company.~~

## ARTICLE 4

### PROCEDURE FOR VALIDATION OF CLAIMS

#### 4.1 Filing of Proofs of Claim

~~Each~~With the Exception of Convenience Creditors and Electing Creditors, each Creditor must file a Proof

of Claim as required by the *BIA* to vote on, or receive a distribution under, the Proposal.

#### **4.2 Allowance or Disallowance of Claims by the Proposal Trustee**

Upon receipt of a completed Proof of Claim, the Proposal Trustee ~~and the Company~~ shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the *BIA*. The procedure for valuing Claims of the Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the *BIA*, ~~subject to the following. In the event any claim is disallowed by the Proposal Trustee and appealed by such Creditor within the time period provided in the *BIA*, the Proposal Trustee shall permit the Company to proceed with the appeal of any such Claims, with input from the Proposal Trustee. Without limiting the forgoing, the Proposal Trustee shall permit the Company to contest any claim made by the Related Party in these proceedings, with input from the Proposal Trustee. The Company and/or the Proposal Trustee~~ reserves the right to seek the assistance of the Court in valuing any Claim, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Creditor under the Proposal, as the case may be.

#### **4.3 Claims Bar Process**

Forthwith after obtaining the Approval Order, the Proposal Trustee shall give notice pursuant to s.149 of the *BIA* by registered mail to every person with a claim the Proposal Trustee has notice or knowledge but whose claim has been filed or proved that if such person does not prove his claim within a period of thirty (30) days after the mailing of the notice ("**Claims Bar Date**"), the Proposal Trustee will proceed to declare a final dividend without regard to such person's claim; the dividend referred to in said notice shall be deemed a final dividend and any person so notified who does not provide his claim within the said thirty (30) days shall be barred from making a claim in this Proposal or sharing in any dividend hereunder, subject to any exceptions set out in Sections 149(2)(3) and (4) of the *BIA*.

### **ARTICLE 5**

#### **MEETING OF CREDITORS**

##### **5.1 Unsecured Creditors' Meeting**

On the Creditors' Meeting Date, the Proposal Trustee shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

##### **5.2 Time and Place of Meeting**

Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in its notice of meeting to be mailed pursuant to the *BIA*. All Proofs of Claim shall be delivered in accordance with the provisions of the Proposal, the *BIA* and any Order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting.

##### **5.3 Conduct of Meetings**

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, the Secured Creditors and their respective legal counsel, if any, and the officers, directors, auditors, and legal counsel of the Company, together with such representatives of the Proposal Trustee as

the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Unsecured Creditors.

#### 5.4 Adjournment of Meetings

The Creditors' Meeting may be adjourned in accordance with Section 52 of the *BIA* or by ordinary resolution of the Creditors in attendance at the Creditors' Meeting, including any creditors who are in attendance by proxy, or by the Proposal Trustee. ~~Without limiting the foregoing, in the event the value of a Proof of Claim filed at or prior to the Creditor's Meeting is disputed by the Company or the Proposal Trustee, and the value of such Proof of Claim is sufficiently material such that the outcome of the Proposal vote could be altered by the value ultimately assigned to that Proof of Claim, the Proposal Trustee shall, upon the request of the Company, adjourn the meeting in order to conduct further investigation of that Proof of Claim.~~

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#### 5.5 Voting by Creditors

To the extent provided for herein, each Unsecured Creditor will be entitled to vote to the extent of the amount which is equal to the Proven Claim ~~held by the Trust Creditor~~. The ~~Chair~~chair reserves the right to reject any claim in accordance with section 108 (1) of the *BIA* and to deny such person the right to vote at the Creditors' Meeting.

#### 5.6 Approval by Creditors

In order that the Proposal be binding on all of the Unsecured Creditors of the Company in accordance with the *BIA*, it must first be accepted by the Unsecured Creditors as prescribed by this Proposal by a majority in number of the Unsecured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing at least two-thirds in value of the Proven Claims of the Unsecured Creditors who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

### ARTICLE 6

#### DISTRIBUTION OF PROCEEDS

##### 6.1 Implementation of Proposal

- (a) ~~Upon the Proposal being approved by the Court~~Within ten (10) days of Creditor Approval, the Company shall pay any outstanding Administrative Fees and Expenses and shall deliver a retainer of \$50,000 (or such other amount as the Company and the Proposal Trustee may agree). Notwithstanding the payment of this retainer amount, the Company shall remain liable for the payment of all Administrative Fees and Expenses until such time as the ~~proposal~~Proposal is fully performed and the Proposal Trustee is ~~discharged~~discharged. The Company shall continue to make such payments as and when due hereafter.
- (b) ~~The~~Within ten (10) days of Creditor Approval, the Company shall provide the Proposal Trustee with the amount contemplated by section 6.3 hereof ~~within 30 days of the~~

Approval Date.

- (c) ~~Upon the approval of all properly filed Claims and the final resolution of any disputed claims by either the Proposal Trustee and the Company or the Court~~ Within ten (10) days of Creditor Approval, the Company shall provide payment to the Proposal Trustee of an amount equal to the lesser of the entire amount of (i) the Proven Claims, plus the amount due under the Superintendent's Levy in respect of such claims and any outstanding Administrative Fees and Expenses, or (ii) ~~THREEONE HUNDRED FIFTY THOUSAND DOLLARS (\$300,000)~~ 150,000. (the "**Proposal Fund**"). The Proposal Fund shall be held in trust by the Proposal Trustee pending the Approval Date and distribution of the Proposal Fund to Creditors with Proven Claims, as set out in sections 6.3 and 6.4 below.

## 6.2 Payment of Administrative Fees and Expenses

The Company shall pay Administrative Fees and Expenses from time to time pending the completion of the Proposal. Upon payment of the Proposal Fund to the Proposal Trustee, the outstanding Administrative Fees and Expenses shall be paid in full out of the funds in its hands, and, to the extent that is insufficient, from the Proposal Fund, prior to distribution to the Preferred and the Ordinary Creditors.

## 6.3 Distribution to Preferred Creditors

~~Within 30 days of~~ Upon the Approval/Implementation Date the Company shall provide to the Proposal Trustee sufficient funds to pay the Preferred Creditors in full the amount of their Proven Claims in priority to the Ordinary Creditors. ~~The Proposal Trustee shall then~~ make payments to those Preferred Creditors forthwith. Payments to each Preferred Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

## 6.4 Distribution to Ordinary Creditors

(a) ~~Upon receipt of the Proposal Fund~~ Implementation Date, the Proposal Trustee will, within ~~30~~ 10 days, ~~distribute from~~ pay the Proposal Fund, net of the payments made in sections 6.2 and 6.3, to the Creditors described in section 3.4 hereof (the "**Convenience Creditors**") and the Electing Creditors from the Proposal Fund.

(b) The Ordinary Creditors with Proven Claims, other than Convenience Creditors and Electing Creditors, shall be paid, ~~within 90 days of the Implementation Date~~ from the Proposal Fund, net of the payments made in section 6.2, 6.3 and 6.5 to the Ordinary Creditors with Proven Claims, their pro rata share of the remaining Proposal Fund then in the hands of the Proposal Trustee, following payment of the Claims as described in paragraph 6.2 and 6.5, and 6.4(a), based on the proportion which the Proven Claim of such Ordinary Creditor bears to the aggregate amount of the Proven Claims of all Ordinary Creditors.

(c) The Proposal Trustee shall, following the payments in 6.4(a) and (b) above attend to the resolution of any Disputed Claims. There will be no further distribution until the Disputed Claims are resolved. Upon resolution of the Disputed Claims, the Claims held by parties whose Claims were disputed (other than the Claims of Related Parties) shall receive payment in accordance with the resolution of their Proven Claims from the Proposal Fund.

(d) Following the payments set out in 6.4(a), (b) and (c) above, the Proven Claims of Related Parties shall be paid from the Proposal Fund;

(c) ~~(e) Related Party Creditors who have subordinated their claim~~ FT Korea will not only receive any distribution from the Proposal Fund following the resolution of its Claim(s), and the full payment of the Convenience Creditors, Electing Creditors and the other Proven Claims of Ordinary Creditors, unless FT Korea has made the election of being treated as an Electing Creditor, in which case it will receive a distribution in accordance with 6.4(a). Payments to each Ordinary Creditor or Convenience Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

## 6.5 Proposal Default Fund

From the Proposal Fund, and prior to any distributions to any creditors in the administration, an amount of \$20,000 will be retained by the Proposal Trustee (**“Proposal Default Fund”**). The sole purpose of the Proposal Default Fund will be to fund an application to annul the Proposal in the event of default, which has not been waived by the Inspector(s) in the estate or remedied by the Company. Upon instructions from the Inspector(s), if any, the Proposal Trustee will make an application to the Courts to have the Proposal annulled. Despite, a Certificate of Full Performance being issued to the Company, this provision of this Proposal will apply and the Proposal Default Fund will remain unavailable for distribution to the creditors in the estate until all the payments required under this Proposal have been made.

## 6.6 Discharge of Proposal Trustee

Upon payment by the Proposal Trustee of the amounts contemplated in this Article 6, the Proposal Trustee shall have discharged its duties as Proposal Trustee, the Proposal Trustee’s obligation under its Proposal shall be fully performed and the Proposal Trustee shall be entitled to apply for its discharge as Proposal Trustee hereunder. For greater certainty, the Proposal Trustee will not be responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default. Upon its discharge, the Proposal Trustee will return any remaining funds in its hands to the Company or as the Company may direct.

## ARTICLE 7

### MISCELLANEOUS

#### 7.1 Compromise Effective for all Purposes

The distributions contemplated hereunder will be binding upon each Creditor, other than Secured Creditors, and their heirs, executors, administrators, successors and assigns, for all purposes.

#### 7.2 Modification of Proposal

The Company or any Unsecured Creditor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal.

#### 7.3 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, each Creditor, including the Related Parties, but

excluding Secured Creditors, and any Post-Filing Creditor (which term expressly includes Mr. Jung Chul Park) will be deemed:

- (a) to have executed and delivered to the Company all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;

- (b) to have waived any default by the Company in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Company that has occurred on or prior to the Implementation Date;
- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Company as at the Implementation Date (other than those entered into by the Company on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) to have released the Company, the Proposal Trustee and all of their respective affiliates, employees, agents, ~~directors~~, officers, shareholders, advisors (including without limitation counsel for the directors), consultants and solicitors from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any

Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein, including, without limitation, those claims which could be advanced or pursued pursuant to sections 95 to 101.1 of the *BIA*.

- (e) Notwithstanding s. 7.3(d), nothing in this Proposal or in s. 7.3(d) constitutes a release of the Company and/or its employees, affiliates, officers and directors in respect of a claim for oppression, breach of fiduciary duty or that falls within section 178 of the *BIA*, including without limitation allegations of fraud, embezzlement, misappropriation and/or defalcation.

**7.4 Conditions Precedent to Proposal Implementation**

The implementation of the Proposal by the Company will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) ~~acceptance of the Proposal by the Unsecured Creditors; and~~ Creditor Approval;
- (b) approval of the Proposal by the Court pursuant to a final Order ~~and;~~
- (c) ~~the expiry of ten (10) day appeal period under the *BIA* with no appeal having been filed within said ten (10) day period.~~ Company will provide FT Korea with an opportunity to conduct a site visit and orientation at the Company’s leased premises prior to September 17, 2019;
- (d) the Company and/or the Proposal Trustee shall provide to FT Korea all available current operational information relating to the Company, as well as all operational information in the three months preceding the Date of the Proposal, including but not limited to lease information, details on capital assets and government remittances, accounts receivables and account payable information and customer and sales information by September 4,

2019.

- (e) Jong Chul Park shall resign from all positions with the Company effective one (1) day after the Approval Date. Jong Chul Park will deliver to the Proposal Trustee a resignation in respect of his position(s) with the Company by September 4, 2019, which shall be held in escrow by the Proposal Trustee and will be released within one (1) day of the Approval Date;
- (f) Jong Chul Park shall (to the extent the following is within his possession and control) provide the following to FT Korea one (1) day after the Approval Date: keys to the Company's leased premises, passwords to access the Company's premises and data, and access to the Company's books and records.
- (g) ~~(e)-receipt of the Proposal Fund by the Proposal Trustee after the final resolution of all Disputed Claims, if any;~~ and

The date upon which the last of these conditions is met and the Certificate of Full Performance is issued by the Proposal Trustee to the Company shall be the **"Implementation Date"**

## 7.5 Effect of Proposal Generally

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under the Proposal shall be final and binding on the Company and all Creditors, other than Secured Creditors, including all Claims against Directors ~~(to the extent not otherwise released on the Approval Date, and other than the claims described in S. 50(14) of the BIA as set out in section 3.5 above)~~, and the Proposal shall constitute (i) a full, final and absolute settlement of all rights of the holders of the Claims (whether or not such Creditor with such a Claim filed a Claim); and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Company or the Directors of or in respect of such Claims. The Proposal Trustee shall thereafter issue a ~~certificate of full performance~~ Certificate of Full Performance to the Company in accordance with the provisions of the BIA promptly.

## 7.6 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier (except for Proofs of Claim which may only be sent by personal delivery, telecopier or registered mail) addressed to the respective parties as follows:

- (a) ~~(a)~~ if to the Company:

- (b) if to an Unsecured Creditor, to the address or telecopier number for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no Proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contacted; and

- Attention:
- (c) if to the Proposal Trustee:

MNP Ltd.  
 c/o Mr. ~~Mathew~~Matthew Lem 111 Richmond Street West  
 Suite 300  
 Toronto, ON, Telephone: M5H 2G4 (416)515-3882 (416)  
 596-1711 Telecopier: matthew.lem@mnp.ca  
 Email:

or to such other address or telecopier number as any party may from time to time notify the others in accordance with this section. In the event of any strike, lockout and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

**7.7 Foreign Currency Obligations**

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Date of Filing.

**7.8 Applicable Law**

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.



**7.9 Non Severability**

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect

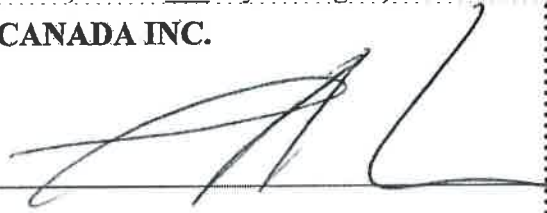
**7.10 Deeming Provisions**

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

**DATED** at the City of Toronto, in the Province of Ontario, this 2<sup>nd</sup> ~~2~~<sup>9</sup> day of August, 2019

**FT ENE CANADA INC.**

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



**Jong Chul Park**

Document comparison by Workshare 10.0 on Thursday, August 29, 2019  
1:55:51 PM

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Style change	0
Format changed	0
Total changes	230

## Exhibit "W"

MINUTES OF THE RECONVENED MEETING OF CREDITORS TO CONSIDER THE PROPOSAL

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

Minutes of the reconvened meeting of creditors to consider the proposal held at offices of Blaney McMurtry LLP ("**Blaneys**") at 2 Queen Street East, Suite 1500, Toronto, Ontario, on August 29, 2019 8:30 AM.

Present:

Matthew Lem

Jong Chul Park - Director

(see attendance list for other attendees, attached hereto as **Appendix "A"**)

Representing

Trustee and Chairperson

FT EnE Canada Inc. (the "**Company**")

Matthew Lem acted as the Chairperson and secretary of the meeting. The Chairperson informed the Meeting that pursuant to section 51(3) of the *Bankruptcy and Insolvency Act (the "Act")*, he would act as Chairperson and would decide any questions or disputes arising at the meeting and from such decision any creditor may appeal to the court. The Chairperson examined the Proofs of Claim and Proxies in favour of the Trustee and determined that there was a quorum. The Chairperson declared the Meeting duly convened and called the Meeting to order.

The Trustee advised that there remained unsettled matters concerning the proposed amendments to the Proposal, dated August 2, 2019 (the "**Proposal**") put forward by FT EnE, Inc. ("**FTEI**") and the Company as discussed at the creditors' meeting held on August 23, 2019, and later circulated on August 28, 2019 by the Company to FTEI, the Trustee and their respective legal counsel. Accordingly, the Trustee recommended a temporary adjournment of the meeting to allow the creditors in attendance to review and discuss the potential amendments to the Proposal.

It was moved by: The Trustee, as proxyholder for Gerrie Electric Wholesale Ltd.; and

Seconded by: The Trustee, as proxyholder for Waste Connections of Canada Inc.,

That the meeting be temporarily adjourned.

The motion to temporarily adjourn the meeting was passed.

The meeting was reconvened on or about 11:49 AM, following detailed negotiations on the terms of the proposal and discussions on the issues of concern to FTEI. The Company moved to have certain

amendments be made to the Proposal and an amended proposal dated August 29, 2019 (the "**Amended Proposal**") was put forward; the Amended Proposal however did not address all of FTEI's issues.

On behalf of FTEI, Michael Nowina of Baker & McKenzie LLP made an objection to Mr. Jong Chul Park ("**JC Park**") moving amendments to the Company's proposal, due to his position that JC Park had been replaced as a director of the Company back on August 5, 2019

In response and on behalf of JC Park, Tim Dunn of Minden Gross LLP, made an objection to the assertion made by Mr. Nowina that JC Park had been replaced as a director of the Company.

The objections were noted and the Chairperson proceeded to take steps to conduct a vote on the Amended Proposal.

On the issue of the valuation of FTEI's claim, the Trustee, as Chairperson of the meeting, again declared that it would, at this time, admit FTEI's claim at US\$2.7 million for voting purposes only, pursuant to S. 108(2) of the Act.

Again, on behalf of the Company, David Ullman of Blaney McMurtry LLP, the Company's legal counsel, objected to such a valuation decision for voting purposes at the value of US\$2.7 million by the Chairperson. In accordance with the procedure set out in s.108(3) of the Act, FTEI's claim was marked as objected to and FTEI was allowed to vote at the value of US\$2.7 million, subject to the vote being subsequently declared in invalid in the event that the objection is sustained.

The Chairperson then called for a vote on the Amended Proposal.

The results of the initial vote on the Amended Proposal, are summarized as follows:

	FOR <sup>1</sup>	%	AGAINST <sup>2</sup>	%
Number of creditors	3	75.00%	1	25.00%
Dollar value	\$2,149.17	0.06%	\$3,549,150.00	99.94%

<sup>1</sup> – The number of creditors and dollar value of claims FOR the Amended Proposal shown above represents only those creditors' who filed proofs of claims and provided voting letters and/or proxies given to MNP. The above figures exclude the eleven (11) creditors with deemed proven claims totaling \$39,687.89, which under the section 3.4 of the Amended Proposal were deemed to have voted for the proposal and provided proxies to the Proposal Trustee.

<sup>2</sup> – Represents the vote of FTEI, whose claim was admitted for voting purposes only at US\$2,700,000 (\$3,549,150). Pursuant to S. 54(3) of the Act, FTEI cannot vote FOR the Amended Proposal but can vote AGAINST the Amended Proposal.

Pursuant to S. 109(6) of the Act, if it is the Chairperson's opinion that the outcome of the vote would be determined by the vote of a creditor not dealing at arms-length with the Company in the preceding one (1) year (from the date of the initial bankruptcy event), such creditor's vote shall be excluded and the vote re-determined. This opinion was based on the fact that FTEI is the 100% shareholder of the Company, and therefore "related" under the provisions of S.4(2) and (5) of the Act, which deems the Company and FTEI not to be dealing with each other at arms-length.

Accordingly, the vote on the Amended Proposal was re-determined and FTEI's vote was excluded. The results of the re-determined vote on the Amended Proposal, are summarized as follows:

	FOR <sup>1</sup>	%	AGAINST <sup>2</sup>	%
Number of creditors	3	100.00%	0	0.00%
Dollar value	\$2,149.17	100.00%	\$0.00	0.00%

<sup>1</sup> – The number of creditors and dollar value of claims FOR the Amended Proposal shown above represents only those creditors' who filed proofs of claims and provided voting letters and/or proxies given to MNP. The above figures exclude the eleven (11) creditors with deemed proven claims totaling \$39,687.89, which under the section 3.4 of the Amended Proposal were deemed to have voted for the proposal and provided proxies to the Proposal Trustee.

<sup>2</sup> – Excludes FTEI's vote pursuant to s. 109(6) of the Act.

Based on the re-determined vote, the Amended Proposal was accepted by the creditors

There being no further business,

It was moved by: The Trustee, as proxyholder for Gerrie Electric Wholesale Ltd.; and

Seconded by: The Trustee, as proxyholder for Waste Connections of Canada Inc.,

That the meeting be adjourned

The meeting was adjourned.



Chairperson

6 September 2019








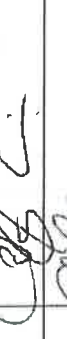


Date

August 21, 2019

FT ENE CANADA INC.

File No. 32-2480036

Attendance Sheet - ~~First~~ Meeting of Creditors

Name (print)	Signature	Representing	Amount of Claim	Remarks
Mathew Lam		MNP Ltd. Trustee	—	
Tim Dunn		O.C. Park		
Ben Sakamoto		FT Canada / Finetex		
Michael Nowina		Finetex	\$ 5.7M	
GARRY BESNETHERIC		FINETEX CANADA		
MERVYN D. ARONOWITZ		FT ENE CANADA		
David Ullmann		FT ENE Canada		
Alexandra Podorescu		FT ENE Canada.		
Alex Seibel		MNP - Trust	—	
PSHRA		YOOA BANK	—	

Trustee hold 2 proxies totaling \$1,898.90

## Exhibit X”



CANADA  
District of ONTARIO  
Division of 07-Hamilton  
Court No.: 32-2480036  
Estate No.: 32-2480036

**AFFIDAVIT OF MAILING**


**In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario**

I, Angela Liu, of the Trustee's office of MNP Ltd., hereby make oath and say:

That on the 30th day of August, 2019, I did cause to be mailed by prepaid ordinary mail to the director and the creditors of the above-named debtor whose names and addresses appear on the paper-writing marked as Exhibit "A", attached hereto, a copy of each of the Notice of Amended Proposal to Creditors and Notice of Hearing of Application for Court Approval of Proposal (the "**Notice**"), marked as Exhibit "B", attached hereto.

And that on the 30th day of August, 2019, I did cause to electronically file the Notice with the Office of the Superintendent of Bankruptcy. A Copy of confirmation of the filing is marked as Exhibit "C" attached hereto.

SWORN BEFORE ME in )  
the City of Toronto, in the )  
Province of Ontario )  
the 3<sup>rd</sup> day of September, 2019 )

  
Angela Liu

Matthew Eric Lem, a Commissioner, etc.,  
Province of Ontario, for MNP Ltd. and MNP LLP.,  
Expires December 30, 2019.

## Creditor Mailing List

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

THIS IS EXHIBIT "A" REFERRED TO IN  
THE AFFIDAVIT OF  
Angele Liu  
SWORN BEFORE ME THIS 3<sup>rd</sup> DAY OF  
September 2019  
[Signature]  
A Commissioner, Etc.,

Creditor Type	Name	Attention	Address
Director	Jong Chul Park - Director		33 Misty Cres. Toronto ON M3B 1T2
Unsecured	Baker & McKenzie LLP	Michael Nowina	Brookfield Place, Suite 2100, 181 Bay Street, P.O. Box 874 Toronto ON M5J 2T3
	Bell		P.O.Box 9000, STN Don Mills North York ON M3C 2X7
	Citi Cards Canada Inc.	Bankruptcy Department	PO Box 2052, Stn B Mississauga ON L4Y 0B5
	CR Strapping Inc		PO Box 23042, 35 Airport Road Brantford ON N3T 6K4
	CRA - Tax - Ontario		Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9
	Filtration Technologies International.		105 Shenandoah Street Clarksville TN 37043 USA
	FT EnE Inc		c/o Michael Nowina, Baker McKenzie LLP 2100-181 Bay Street Toronto ON M5J 2T3
	Gerrie Electric Wholesale Ltd		4104 South Service Road Burlington ON L7L 4X5
	Hub International		2265 Upper Middle Road East, 7th Floor OAKVILLE ON L6H 0G5
	IBC Computers		196 King George Road Brantford ON N3R 5L3
	Imperial Oil		PO Box 1700 Don Mills ON M3C 4J4
	Kings Wood Products		30 Curtis Ave N Paris ON N3L 3V3
	R.K. Custom Fabrication & Welding		192 Mary Street Brantford ON N3S 3C2
	Stuart Hunt and Associates		15802-145 Avenue N.W. Edmonton AB T6V 0H8
	TLS - Truck Load Services Inc		PO Box 100 VAUDREUIL-DORION QC J7V 5W1
	Waste Connections Of Canada Inc.		500 Rennie Street Hamilton ON L8H 3P5
	Wood Enviroment & Infastructure Solutions		10-900 Maple Grove Road Cambridge ON N3H 4R7

If you have any questions concerning the foregoing or require any additional information please contact Angela Liu at 647-775-1777 or by email at [angela.liu@mnp.ca](mailto:angela.liu@mnp.ca).

Dated at Toronto, Ontario this 30<sup>th</sup> day of August 2019.

**MNP LTD.**

**Trustee acting *in re* the Proposal of  
FT ENE Canada Inc.**

Per:

  
\_\_\_\_\_  
Matthew Lem, CIRP, LIT

Encl.

THIS IS EXHIBIT B REFERRED TO IN  
THE AFFIDAVIT OF  
Angela L. Da  
SWORN BEFORE ME THIS 3<sup>rd</sup> DAY OF  
September 1, 2019  
[Signature]  
A Commissioner, Etc.,



Estate # 32-2480036

NOTICE OF AMENDED PROPOSAL TO CREDITORS  
and  
NOTICE OF HEARING OF APPLICATION FOR COURT APPROVAL OF PROPOSAL

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

TAKE NOTICE THAT on August 2, 2019, FT ENE Canada Inc. (the "Company") filed a Proposal (the "Proposal") pursuant to the *Bankruptcy and Insolvency Act (Canada)* and MNP Ltd. consented to act as the Proposal Trustee (the "Trustee").

AND TAKE NOTICE THAT at the reconvened Meeting of Creditors held on August 29, 2019 (the "Creditors' Meeting"), the Company lodged with the Trustee an amended Proposal which was filed with the Official Receiver on the same day (the "Amended Proposal"). Clean and legal blacklined (details what changed between the original version of the Proposal and the Amended Proposal) copies of the Amended Proposal can be viewed and/or downloaded from this proceedings' Case Website at <https://mnpdebt.ca/en/corporate/Engagements/ft-ene-canada-inc> .

The Amended Proposal was amended to include, among other things, the following:

- Modifications and additions to the Definitions in section 1.1;
- Removal of the Related Party Postponement section (formerly section 3.5);
- Additional clarification language to the Claims Against Directors or Deemed Director section (formerly section 3.6, now section 3.5);
- Modifications to Article 6 – Distribution of Proceeds to accelerate the timing for the funding to be paid to the Trustee and then the distribution to the creditors; and
- Additions to the Conditions Precedent to the Proposal Implementation in section 7.4 to address operational transition issues.

AND FURTHER TAKE NOTICE THAT at the Creditors' Meeting, the creditors voted<sup>1</sup> to accept the Amended Proposal and the Trustee has made an application to the Court to approve the Amended Proposal. Attached to this Notice is a copy of the Notice of Hearing of Application for Court Approval of Proposal which details the hearing date and the location of the hearing.

<sup>1</sup> FT EnE, Inc. ("FTEI") voted against the Amended Proposal, which ordinarily would have led to the rejection the Amended Proposal. However, pursuant to S. 109(6) of the Act, as it was the Chairman of the meeting's opinion that the outcome of this vote would be determined by the vote of FTEI, a party deemed not to have acted at arms-length with the Company in the preceding one (1) year (from the date of the initial bankruptcy event), the vote was redetermined by excluding FTEI's vote.

District of: Ontario  
Division No. 07 - Hamilton  
Court No. 32-2480036  
Estate No. 32-2480036

FORM 40.1  
Notice of Hearing of Application for Court Approval of Proposal  
(Paragraph 58(b) of the Act)

In the matter of the Proposal of  
FT ENE CANADA INC.  
of the City of Brantford  
in the Province of Ontario

In Ontario Superior Court of Justice in Bankruptcy.

In the matter of the proposal of FT ENE CANADA INC., a debtor.

Take notice that an application will be made to the court, at 330 University Ave., Flr. 5, Toronto, Ontario, on the 18th day of September 2019, at 2:15 PM, to approve the amended proposal of FT ENE CANADA INC., accepted by the creditors at a meeting held on the 29th day of August 2019.

Dated at the City of Toronto in the Province of Ontario, this 30th day of August 2019.

MNP LTD. - Licensed Insolvency Trustee



300 - 111 Richmond Street West  
Toronto ON M5H 2G4  
Phone: (416) 596-1711 Fax: (416) 323-5242



**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**  
  
**AMENDED PROPOSAL OF FT ENE CANADA INC.**

FT ENE Canada Inc. (“**FTE**” or the “**Company**”) hereby submits the following Proposal to all of its Unsecured Creditors pursuant to Part III of the *Bankruptcy and Insolvency Act* (Canada).

**ARTICLE 1**

**DEFINITIONS**

**1.1 Definitions**

In this Proposal:

- (a) “**Administrative Fees and Expenses**” means the proper fees, expenses and legal fees and disbursements of the Proposal Trustee, and the Company on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal including, without limitation, those fees and expenses secured by the Order of Justice Penny dated March 28,2019, (which order is not vacated or altered by the filing or approval of this Proposal);
- (b) “**Approval Date**” means the date upon which the Approval Order is issued by the Court;
- (c) “**Approval Order**” means an order of the Court approving the Proposal;
- (d) “**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended and in force as at the Date of Filing;
- (e) “**Business Day**” means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (f) “**Canada Pension Plan**” means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as

amended;

- (g) **“Claim”** means any right of any Person against the Company in connection with any indebtedness, liability, action or obligation of any kind of or by the Company which indebtedness, action, liability or obligation is in existence or had occurred at the Date of Filing, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or at the time of the Date of Filing including, without limitation, any claims that would have been claims provable in bankruptcy had the Company become bankrupt on the Date of Filing, and claim related to the manner in which the Company conducted these Proposal proceedings and all operational decisions made during that period, and any claims which might be made by a trustee in bankruptcy or a creditor or any other party pursuant to sections 95 to 101.1 of the *BIA* or under a statute or common law rule similar to these sections, but expressly excluding any equity claims or claims which are found to be equity claims upon review by the Proposal Trustee or the Court;
- (h) **“Collateral”**, in respect of a Secured Creditor, means the assets and property of the Company in which the Secured Creditor holds a valid and enforceable security interest;
- (i) **“Company”** means FT EnE Canada Inc.;
- (j) **“Court”** means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (k) **“Creditor”** means any Person, having a Claim (whether or not a Proof of Claim is filed by such Person) and may, if the context requires, mean a Proposal Trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (l) **“Creditor Approval”** means acceptance of the Proposal by the Unsecured Creditors as required under the *BIA* and set out in section 5.6 herein;
- (m) **“Creditors’ Meeting”** means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;
- (n) **“Creditors’ Meeting Date”** means such date and time as may be called by the Proposal Trustee, but in any event shall be no later than twenty-one (21) days following the Date of the Proposal;
- (o) **“Date of Filing”** means February 27, 2019, the date of the filing of the Notice of Intention to Make a Proposal with the Official Receiver;
- (p) **“Date of the Proposal”** means August 2, 2019, the date that the Proposal was lodged with the Proposal Trustee;
- (q) **“Disputed Claim”** means a Claim which is filed in this Proposal by a Creditor which is: i) disallowed in whole or in part by the Proposal Trustee, or ii) is the subject of a disallowance



proceeding or appeal before the Court.

- (r) **“Employment Insurance Act”** means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (s) **“Filed Claim”** means a claim filed in the proposal by a Creditor which has not yet been reviewed or approved by the Proposal Trustee and the Company
- (t) **“Implementation Date”** means the date upon which the conditions set forth in Article 7.4 have been satisfied and the Certificate of Full Performance is issued by the Proposal Trustee to the Company;
- (u) **“Income Tax Act”** means *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (v) **“Official Receiver”** shall have the meaning ascribed thereto in the *BIA* -;
- (w) **“Ordinary Creditors”** means Creditors with Proven Claims, except for those Claims:
  - (i) that the Proposal Trustee determines not to be a provable claim in accordance with Section 135 (1.1) of the *BIA*;
  - (ii) that have been finally and conclusively disallowed in accordance with the *BIA*;
  - (iii) that are Claims by Preferred Creditors;
  - (iv) that are Claims by a Secured Creditor;
  - (v) that are Claims in respect of an Equity Interest; or
  - (vi) that are Claims in respect of Administrative Fees and Expenses.
- (x) **“Performance”** means full performance of this Proposal as set out in Article 6 paragraph 6.1 hereof;
- (y) **“Person”** means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (z) **“Post-Filing Claim”** means any right of any Person against the Company in connection with any indebtedness, liability, action or obligation of any kind of or by the Company which indebtedness, action, liability or obligation which is in existence after the Date of Filing, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist after the Date of Filing;
- (aa) **“Post-Filing Creditor”** means any Person having a Post-Filing Claim;
- (bb) **“Preferred Creditors”** means Creditors with Proven Claims that are proven and which are required by the *BIA* to be paid in priority to all other Claims under a proposal made by a debtor and including, without limitation:

- (i) employees and former employees of the Company, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the *BIA* if the Company became bankrupt on the Date of Filing, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Company's business during the same period; and
- (ii) Her Majesty in Right of Canada or a Province for all amounts that were outstanding at the time of the filing of the notice of intention or of the Date of Filing and are of a kind that could be subject to a demand under,
  - (a) subsection 224(1.2) of the Income Tax Act;
  - (b) any provision of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act and provides for the collection of a contribution, as defined in the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts; or
  - (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Income Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum
    - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act, or
    - (ii) is of the same nature as a contribution under the Canada Pension Plan if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the Canada Pension Plan and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.
- (cc) **"Proof of Claim"** shall mean the proof of claim required by the *BIA* to be mailed to each known Creditor prior to the Creditors' Meeting;
- (dd) **"Proposal"** means the Proposal lodged with the Proposal Trustee on August 2<sup>nd</sup>, 2019 together with any amendments or additions thereto;
- (ee) **"Proposal Trustee"** means MNP Ltd., or its duly appointed successor or successors
- (ff) **"Proposal Fund"** shall mean the payments made by the Company to the Proposal Trustee pursuant to paragraph 6 hereof;
- (gg) **"Proven Claim"** of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the *BIA* and approved by the Company and the Proposal Trustee and the Claim of a Convenience Creditor;

- (hh) **“Related Party”** means Finetex, EnE Inc. (**“FT Korea”**) and any Creditor related to the Company within the meaning of Section 4 of the *BIA*;
- (ii) **“Secured Creditor”** means any creditor holding a valid and perfected security interest against the Company;
- (jj) **“Unsecured Creditors”** means, collectively, the Preferred Creditors and the Ordinary Creditors; and
- (kk) **“Voting Letter”** shall mean the voting letter required by subsection 51(1) of the *BIA* to be mailed to each known Creditor prior to the Unsecured Creditors’ Meeting.

## 1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In this Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

## 1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

## 1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.

## 1.5 Time

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

## 1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

## 1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

## 1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

### 1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

## ARTICLE 2

### CLASSIFICATION OF CREDITORS

#### 2.1 Classes of Creditors

For the purposes of voting on the Proposal, only Ordinary Creditors will be entitled to vote on the Proposal. There shall be one class of Unsecured Creditors.

## ARTICLE 3

### TREATMENT OF CREDITORS

#### 3.1 Secured Creditors

All Secured Creditors shall be paid in accordance with the respective agreement(s) between each Secured Creditor and the Company or as otherwise agreed between said Secured Creditor and the Company. To the extent that there is insufficient Collateral to repay the secured indebtedness, the Secured Creditor will file the balance of its claim as an Unsecured Creditor and participate in this Proposal as same.

#### 3.2 Preferred Creditors

The Proven Claims of the Preferred Creditors are to be paid by the Proposal Trustee in full in priority to all the Proven Claims of Ordinary Creditors in accordance with the *BIA* and the Proposal.

#### 3.3 Ordinary Creditors

The Proven Claims of all Ordinary Creditors, subject to paragraph 3.4 below, are to be paid, on a *pro rata* basis, their proportionate share of the Proposal Funds once the claims of Preferred Creditors are satisfied as provided for in this Proposal. For distribution purposes, to the extent that the Collateral is not sufficient to satisfy the Proven Claim of a Secured Creditor, that Secured Creditor shall be an Unsecured Creditor for any portion of that Secured Creditor's Proven Claim that remains outstanding.

#### 3.4 Creditors May Elect

Any Claim owed to any Unsecured Creditor, regardless of whether or not the Creditor has filed a proof of claim, which the books and records of the Company (as reviewed by the Proposal Trustee) indicate is less than \$15,000.00, shall be deemed to have a Proven Claim in that amount ("**Convenience Creditor**"). Any Convenience Creditor shall receive the full amount of their Proven Claim following the approval of the Proposal, as further set out in section 6.4 (a) hereof. Any other Creditor with a Proven Claim which is greater than \$15,000.00, may elect in writing, on or before September 17, 2019, to, instead of participating in a pro rata distribution as set out above, receive \$15,000.00 (an "**Electing Creditor**"). As further described in section 6.4(a) below, any Convenience Creditor or **Electing Creditor** shall be deemed to have voted in favour of the Proposal and shall be deemed to have provided the Proposal Trustee with their proxy.

### 3.5 Claims Against Directors or Deemed Director

Any Claims (other than those set out in section 50(14) of the *BIA* which for greater certainty includes a claim for oppression, breach of fiduciary duty or that falls within section 178 of the *BIA*, including without limitation allegations of fraud, embezzlement, misappropriation and/or defalcation) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company or where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred prior to the filing date (a “**Director Claim**”) shall on the Implementation Date be and are hereby, compromised and released and forever discharged as against the directors of the Company.

Any Claim (other than those set out in section 50(14) of the *BIA*, which for greater certainty includes a claim for oppression, breach of fiduciary duty or that falls within section 178 of the *BIA*, including without limitation allegations of fraud, embezzlement, misappropriation and/or defalcation) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred after the filing date up until the date this Proposal is approved by the Court (a “**Restructuring Director Claim**”) shall on the Implementation Date be and are hereby, compromised and released and forever discharged as against the directors of the Company.

## ARTICLE 4

### PROCEDURE FOR VALIDATION OF CLAIMS

#### 4.1 Filing of Proofs of Claim

With the Exception of Convenience Creditors and Electing Creditors, each Creditor must file a Proof of Claim as required by the *BIA* to vote on, or receive a distribution under, the Proposal.

#### 4.2 Allowance or Disallowance of Claims by the Proposal Trustee

Upon receipt of a completed Proof of Claim, the Proposal Trustee shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the *BIA*. The procedure for valuing Claims of the Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the *BIA*. The Proposal Trustee reserves the right to seek the assistance of the Court in valuing any Claim, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Creditor under the Proposal, as the case may be.

#### 4.3 Claims Bar Process

Forthwith after obtaining the Approval Order, the Proposal Trustee shall give notice pursuant to s.149 of the *BIA* by registered mail to every person with a claim the Proposal Trustee has notice or knowledge but whose claim has been filed or proved that if such person does not prove his claim within a period of thirty (30) days after the mailing of the notice (“**Claims Bar Date**”), the Proposal Trustee will proceed to declare a final dividend without regard to such person’s claim; the dividend referred to in said notice shall be deemed a final dividend and any person so notified who does not provide his claim within the said thirty (30) days shall be barred from making a claim in this Proposal or sharing in any dividend hereunder, subject to any exceptions set out in Sections 149(2)(3) and (4) of the *BIA*.

8.  
ARTICLE 5

MEETING OF CREDITORS

**5.1 Unsecured Creditors' Meeting**

On the Creditors' Meeting Date, the Proposal Trustee shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

**5.2 Time and Place of Meeting**

Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in its notice of meeting to be mailed pursuant to the *BIA*. All Proofs of Claim shall be delivered in accordance with the provisions of the Proposal, the *BIA* and any Order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting.

**5.3 Conduct of Meetings**

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, the Secured Creditors and their respective legal counsel, if any, and the officers, directors, auditors, and legal counsel of the Company, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Unsecured Creditors.

**5.4 Adjournment of Meetings**

The Creditors' Meeting may be adjourned in accordance with Section 52 of the *BIA* or by ordinary resolution of the Creditors in attendance at the Creditors' Meeting, including any creditors who are in attendance by proxy, or by the Proposal Trustee.

**5.5 Voting by Creditors**

To the extent provided for herein, each Unsecured Creditor will be entitled to vote to the extent of the amount which is equal to the Proven Claim. The chair reserves the right to reject any claim in accordance with section 108 (1) of the *BIA* and to deny such person the right to vote at the Creditors' Meeting.

**5.6 Approval by Creditors**

In order that the Proposal be binding on all of the Unsecured Creditors of the Company in accordance with the *BIA*, it must first be accepted by the Unsecured Creditors as prescribed by this Proposal by a majority in number of the Unsecured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing at least two-thirds in value of the Proven Claims of the Unsecured Creditors who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

## ARTICLE 6

### DISTRIBUTION OF PROCEEDS

#### 6.1 Implementation of Proposal

- (a) Within ten (10) days of Creditor Approval, the Company shall pay any outstanding Administrative Fees and Expenses and shall deliver a retainer of \$50,000 (or such other amount as the Company and the Proposal Trustee may agree). Notwithstanding the payment of this retainer amount, the Company shall remain liable for the payment of all Administrative Fees and Expenses until such time as the Proposal is fully performed and the Proposal Trustee is discharged. The Company shall continue to make such payments as and when due hereafter.
- (b) Within ten (10) days of Creditor Approval, the Company shall provide the Proposal Trustee with the amount contemplated by section 6.3 hereof.
- (c) Within ten (10) days of Creditor Approval, the Company shall provide payment to the Proposal Trustee of an amount equal to the lesser of the entire amount of (i) the Proven Claims, plus the amount due under the Superintendent's Levy in respect of such claims and any outstanding Administrative Fees and Expenses, or (ii) ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000). (the "**Proposal Fund**"). The Proposal Fund shall be held in trust by the Proposal Trustee pending the Approval Date and distribution of the Proposal Fund to Creditors with Proven Claims, as set out in sections 6.3 and 6.4 below.

#### 6.2 Payment of Administrative Fees and Expenses

The Company shall pay Administrative Fees and Expenses from time to time pending the completion of the Proposal. Upon payment of the Proposal Fund to the Proposal Trustee, the outstanding Administrative Fees and Expenses shall be paid in full out of the funds in its hands, and, to the extent that is insufficient, from the Proposal Fund, prior to distribution to the Preferred and the Ordinary Creditors.

#### 6.3 Distribution to Preferred Creditors

Upon the Implementation Date, the Proposal Trustee shall make payments to those Preferred Creditors forthwith. Payments to each Preferred Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

#### 6.4 Distribution to Ordinary Creditors

- (a) Upon the Implementation Date, the Proposal Trustee will, within 10 days, pay the Convenience Creditors and the Electing Creditors from the Proposal Fund.
- (b) The Ordinary Creditors with Proven Claims, other than Convenience Creditors and Electing Creditors, shall be paid from the Proposal Fund, net of the payments made in section 6.2, 6.3 and 6.5 to the Ordinary Creditors with Proven Claims, their *pro rata* share of the remaining Proposal Fund then in the hands of the Proposal Trustee based on the proportion which the Proven Claim of such Ordinary Creditor bears to the aggregate amount of the Proven Claims of all Ordinary Creditors.
- (c) The Proposal Trustee shall, following the payments in 6.4(a) and (b) above attend to the resolution of any Disputed Claims. There will be no further distribution until the Disputed Claims are resolved. Upon

resolution of the Disputed Claims, the Claims held by parties whose Claims were disputed (other than the Claims of Related Parties) shall receive payment in accordance with the resolution of their Proven Claims from the Proposal Fund.

(d) Following the payments set out in 6.4(a), (b) and (c) above, the Proven Claims of Related Parties shall be paid from the Proposal Fund;

(e) FT Korea will only receive a distribution from the Proposal Fund following the resolution of its Claim(s), and the full payment of the Convenience Creditors, Electing Creditors and the other Proven Claims of Ordinary Creditors, unless FT Korea has made the election of being treated as an Electing Creditor, in which case it will receive a distribution in accordance with 6.4(a). Payments to each Ordinary Creditor or Convenience Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

### **6.5 Proposal Default Fund**

From the Proposal Fund, and prior to any distributions to any creditors in the administration, an amount of \$20,000 will be retained by the Proposal Trustee (“**Proposal Default Fund**”). The sole purpose of the Proposal Default Fund will be to fund an application to annul the Proposal in the event of default, which has not been waived by the Inspector(s) in the estate or remedied by the Company. Upon instructions from the Inspector(s), if any, the Proposal Trustee will make an application to the Courts to have the Proposal annulled. Despite, a Certificate of Full Performance being issued to the Company, this provision of this Proposal will apply and the Proposal Default Fund will remain unavailable for distribution to the creditors in the estate until all the payments required under this Proposal have been made.

### **6.6 Discharge of Proposal Trustee**

Upon payment by the Proposal Trustee of the amounts contemplated in this Article 6, the Proposal Trustee shall have discharged its duties as Proposal Trustee, the Proposal Trustee’s obligation under its Proposal shall be fully performed and the Proposal Trustee shall be entitled to apply for its discharge as Proposal Trustee hereunder. For greater certainty, the Proposal Trustee will not be responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default. Upon its discharge, the Proposal Trustee will return any remaining funds in its hands to the Company or as the Company may direct.

## **ARTICLE 7**

### **MISCELLANEOUS**

#### **7.1 Compromise Effective for all Purposes**

The distributions contemplated hereunder will be binding upon each Creditor, other than Secured Creditors, and their heirs, executors, administrators, successors and assigns, for all purposes.

#### **7.2 Modification of Proposal**

The Company or any Unsecured Creditor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal.

#### **7.3 Consents, Waivers and Agreements**

As at 12:01 a.m. on the Implementation Date, each Creditor, including the Related Parties, but



excluding Secured Creditors and any Post-Filing Creditor (which term expressly includes Mr. Jung Chul Park) will be deemed:

- (a) to have executed and delivered to the Company all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Company in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Company that has occurred on or prior to the Implementation Date;
- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Company as at the Implementation Date (other than those entered into by the Company on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) to have released the Company, the Proposal Trustee and all of their respective affiliates, employees, agents, officers, shareholders, advisors (including without limitation counsel for the directors), consultants and solicitors from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein, including, without limitation, those claims which could be advanced or pursued pursuant to sections 95 to 101.1 of the *BIA*.
- (e) Notwithstanding s. 7.3(d), nothing in this Proposal or in s. 7.3(d) constitutes a release of the Company and/or its employees, affiliates, officers and directors in respect of a claim for oppression, breach of fiduciary duty or that falls within section 178 of the *BIA*, including without limitation allegations of fraud, embezzlement, misappropriation and/or defalcation.

#### **7.4 Conditions Precedent to Proposal Implementation**

The implementation of the Proposal by the Company will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) Creditor Approval;
- (b) approval of the Proposal by the Court pursuant to a final Order;
- (c) the Company will provide FT Korea with an opportunity to conduct a site visit and orientation at the Company's leased premises prior to September 17, 2019;
- (d) the Company and/or the Proposal Trustee shall provide to FT Korea all available current operational information relating to the Company, as well as all operational information in the three months preceding the Date of the Proposal, including but not limited to lease information, details on capital assets and government remittances, accounts receivables and

account payable information and customer and sales information by September 4, 2019.

- (e) Jong Chul Park shall resign from all positions with the Company effective one (1) day after the Approval Date. Jong Chul Park will deliver to the Proposal Trustee a resignation in respect of his position(s) with the Company by September 4, 2019, which shall be held in escrow by the Proposal Trustee and will be released within one (1) day of the Approval Date;
- (f) Jong Chul Park shall (to the extent the following is within his possession and control) provide the following to FT Korea one (1) day after the Approval Date: keys to the Company's leased premises, passwords to access the Company's premises and data, and access to the Company's books and records.
- (g) receipt of the Proposal Fund by the Proposal Trustee; and

The date upon which the last of these conditions is met and the Certificate of Full Performance is issued by the Proposal Trustee to the Company shall be the "**Implementation Date**"

## 7.5 Effect of Proposal Generally

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under the Proposal shall be final and binding on the Company and all Creditors, other than Secured Creditors, including all Claims against Directors (as set out in section 3.5 above), and the Proposal shall constitute (i) a full, final and absolute settlement of all rights of the holders of the Claims (whether or not such Creditor with such a Claim filed a Claim); and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Company or the Directors of or in respect of such Claims. The Proposal Trustee shall thereafter issue a Certificate of Full Performance to the Company in accordance with the provisions of the *BIA* promptly.

## 7.6 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier (except for Proofs of Claim which may only be sent by personal delivery, telecopier or registered mail) addressed to the respective parties as follows:

- (a) if to the Company:
- (b) if to an Unsecured Creditor, to the address or telecopier number for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no Proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contacted; and,

(c) if to the Proposal Trustee:

Attention: MNP Ltd.  
 c/o Mr. Matthew Lem 111  
 Richmond Street West Suite  
 300  
 Toronto, ON, M5H 2G4  
 Telephone: (416)515-3882 (416) 596-  
 Telecopier: 1711 matthew.lem@mnp.ca  
 Email:

or to such other address or telecopier number as any party may from time to time notify the others in accordance with this section. In the event of any strike, lockout and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

### **7.7 Foreign Currency Obligations**

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Date of Filing.

### **7.8 Applicable Law**

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

### **7.9 Non Severability**

It is intended that all provisions of this Proposal shall be binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect

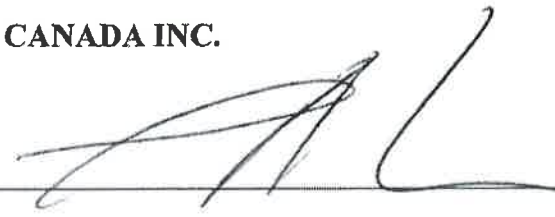
### **7.10 Deeming Provisions**

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

**DATED** at the City of Toronto, in the Province of Ontario, this 29<sup>th</sup> day of August, 2019.

**FT ENE CANADA INC.**

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

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

Jong Chul Park

# TAB 3



## **SERVICE**

1. **THIS COURT ORDERS** that the time for service 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.

## **APPROVAL OF PROPOSAL**

2. **THIS COURT ORDERS** that defined terms not otherwise defined herein, shall have the meanings attributed to them in the Amended Proposal.

3. **THIS COURT ORDERS AND DECLARES** that the Amended Proposal of the Company as set out at **Exhibit "A"** to the Report and Annexed hereto as **Schedule "A"** is hereby approved.

4. **THIS COURT ORDERS AND DECLARES** that, pursuant to paragraph 3.5 of the Amended Proposal, the Unsecured Creditors will be deemed to have released and discharged all claims that arose prior to the NOI Filing Date against the former and current officers and directors of the Debtors, to the extent that these claims relate to the obligations of the Debtors where the directors and officers of the Debtors, as applicable, are liable in their capacity as directors and/or officers of the Debtors for the payment of such obligations, but shall exclude any such claims as described in s.50(14) of the BIA.

## **APPROVAL OF REPORT ON THE AMENDED PROPOSAL**

5. **THIS COURT ORDERS** that the Report, and the conduct and activities of the Proposal Trustee as set out therein, be and are hereby approved.

## **PAYMENT AND TAXATION OF FEES AND DISBURSEMENTS OF THE PROPOSAL TRUSTEE**

6. **THIS COURT ORDERS** that from and after the date of this Order, the fees and disbursements of the Proposal Trustee, and its counsel, may be paid by the Company in the ordinary course prior to taxation, except that (a) Court Approval thereof shall be required in the event that the Proposal Trustee or its counsel seeks to enforce the Administration Charge; and (b)

such fees and disbursements paid by the Company in the ordinary course shall be subject to taxation in the ordinary course pursuant to the BIA.

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**Schedule "A"**

**Amended Proposal of FT ENE CANADA INC.**

**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**

**AMENDED PROPOSAL OF FT ENE CANADA INC.**

FT ENE Canada Inc. (“FTE” or the “**Company**”) hereby submits the following Proposal to all of its Unsecured Creditors pursuant to Part III of the *Bankruptcy and Insolvency Act* (Canada).

**ARTICLE 1**

**DEFINITIONS**

**1.1 Definitions**

In this Proposal:

- (a) “**Administrative Fees and Expenses**” means the proper fees, expenses and legal fees and disbursements of the Proposal Trustee, and the Company on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal including, without limitation, those fees and expenses secured by the Order of Justice Penny dated March 28, 2019, (which order is not vacated or altered by the filing or approval of this Proposal);
- (b) “**Approval Date**” means the date upon which the Approval Order is issued by the Court;
- (c) “**Approval Order**” means an order of the Court approving the Proposal;
- (d) “**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended and in force as at the Date of Filing;
- (e) “**Business Day**” means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (f) “**Canada Pension Plan**” means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as

amended;

- (g) **“Claim”** means any right of any Person against the Company in connection with any indebtedness, liability, action or obligation of any kind of or by the Company which indebtedness, action, liability or obligation is in existence or had occurred at the Date of Filing, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or at the time of the Date of Filing including, without limitation, any claims that would have been claims provable in bankruptcy had the Company become bankrupt on the Date of Filing, and claim related to the manner in which the Company conducted these Proposal proceedings and all operational decisions made during that period, and any claims which might be made by a trustee in bankruptcy or a creditor or any other party pursuant to sections 95 to 101.1 of the *BIA* or under a statute or common law rule similar to these sections, but expressly excluding any equity claims or claims which are found to be equity claims upon review by the Proposal Trustee or the Court;
- (h) **“Collateral”**, in respect of a Secured Creditor, means the assets and property of the Company in which the Secured Creditor holds a valid and enforceable security interest;
- (i) **“Company”** means FT EnE Canada Inc.;
- (j) **“Court”** means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (k) **“Creditor”** means any Person, having a Claim (whether or not a Proof of Claim is filed by such Person) and may, if the context requires, mean a Proposal Trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (l) **“Creditor Approval”** means acceptance of the Proposal by the Unsecured Creditors as required under the *BIA* and set out in section 5.6 herein;
- (m) **“Creditors’ Meeting”** means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;
- (n) **“Creditors’ Meeting Date”** means such date and time as may be called by the Proposal Trustee, but in any event shall be no later than twenty-one (21) days following the Date of the Proposal;
- (o) **“Date of Filing”** means February 27, 2019, the date of the filing of the Notice of Intention to Make a Proposal with the Official Receiver;
- (p) **“Date of the Proposal”** means August 2, 2019, the date that the Proposal was lodged with the Proposal Trustee;
- (q) **“Disputed Claim”** means a Claim which is filed in this Proposal by a Creditor which is: i) disallowed in whole or in part by the Proposal Trustee, or ii) is the subject of a disallowance

proceeding or appeal before the Court.

- (r) **“Employment Insurance Act”** means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (s) **“Filed Claim”** means a claim filed in the proposal by a Creditor which has not yet been reviewed or approved by the Proposal Trustee and the Company
- (t) **“Implementation Date”** means the date upon which the conditions set forth in Article 7.4 have been satisfied and the Certificate of Full Performance is issued by the Proposal Trustee to the Company;
- (u) **“Income Tax Act”** means *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (v) **“Official Receiver”** shall have the meaning ascribed thereto in the *BIA* -
- (w) **“Ordinary Creditors”** means Creditors with Proven Claims, except for those Claims:
  - (i) that the Proposal Trustee determines not to be a provable claim in accordance with Section 135 (1.1) of the *BIA*;
  - (ii) that have been finally and conclusively disallowed in accordance with the *BIA*;
  - (iii) that are Claims by Preferred Creditors;
  - (iv) that are Claims by a Secured Creditor;
  - (v) that are Claims in respect of an Equity Interest; or
  - (vi) that are Claims in respect of Administrative Fees and Expenses.
- (x) **“Performance”** means full performance of this Proposal as set out in Article 6 paragraph 6.1 hereof;
- (y) **“Person”** means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (z) **“Post-Filing Claim”** means any right of any Person against the Company in connection with any indebtedness, liability, action or obligation of any kind of or by the Company which indebtedness, action, liability or obligation which is in existence after the Date of Filing, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts which exist after the Date of Filing;
- (aa) **“Post-Filing Creditor”** means any Person having a Post-Filing Claim;
- (bb) **“Preferred Creditors”** means Creditors with Proven Claims that are proven and which are required by the *BIA* to be paid in priority to all other Claims under a proposal made by a debtor and including, without limitation:

- (i) employees and former employees of the Company, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the *BIA* if the Company became bankrupt on the Date of Filing, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Company's business during the same period; and
- (ii) Her Majesty in Right of Canada or a Province for all amounts that were outstanding at the time of the filing of the notice of intention or of the Date of Filing and are of a kind that could be subject to a demand under,
  - (a) subsection 224(1.2) of the Income Tax Act;
  - (b) any provision of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act and provides for the collection of a contribution, as defined in the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts; or
  - (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Income Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum
    - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act, or
    - (ii) is of the same nature as a contribution under the Canada Pension Plan if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the Canada Pension Plan and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.
- (cc) **"Proof of Claim"** shall mean the proof of claim required by the *BIA* to be mailed to each known Creditor prior to the Creditors' Meeting;
- (dd) **"Proposal"** means the Proposal lodged with the Proposal Trustee on August 2<sup>nd</sup>, 2019 together with any amendments or additions thereto;
- (ee) **"Proposal Trustee"** means MNP Ltd., or its duly appointed successor or successors
- (ff) **"Proposal Fund"** shall mean the payments made by the Company to the Proposal Trustee pursuant to paragraph 6 hereof;
- (gg) **"Proven Claim"** of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the *BIA* and approved by the Company and the Proposal Trustee and the Claim of a Convenience Creditor;

- (hh) “**Related Party**” means Finetex, EnE Inc. (“**FT Korea**”) and any Creditor related to the Company within the meaning of Section 4 of the *BIA*;
- (ii) “**Secured Creditor**” means any creditor holding a valid and perfected security interest against the Company;
- (jj) “**Unsecured Creditors**” means, collectively, the Preferred Creditors and the Ordinary Creditors; and
- (kk) “**Voting Letter**” shall mean the voting letter required by subsection 51(1) of the *BIA* to be mailed to each known Creditor prior to the Unsecured Creditors’ Meeting.

## 1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In this Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

## 1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

## 1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.

## 1.5 Time

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

## 1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

## 1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

## 1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

### 1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

## ARTICLE 2

### CLASSIFICATION OF CREDITORS

#### 2.1 Classes of Creditors

For the purposes of voting on the Proposal, only Ordinary Creditors will be entitled to vote on the Proposal. There shall be one class of Unsecured Creditors.

## ARTICLE 3

### TREATMENT OF CREDITORS

#### 3.1 Secured Creditors

All Secured Creditors shall be paid in accordance with the respective agreement(s) between each Secured Creditor and the Company or as otherwise agreed between said Secured Creditor and the Company. To the extent that there is insufficient Collateral to repay the secured indebtedness, the Secured Creditor will file the balance of its claim as an Unsecured Creditor and participate in this Proposal as same.

#### 3.2 Preferred Creditors

The Proven Claims of the Preferred Creditors are to be paid by the Proposal Trustee in full in priority to all the Proven Claims of Ordinary Creditors in accordance with the *BIA* and the Proposal.

#### 3.3 Ordinary Creditors

The Proven Claims of all Ordinary Creditors, subject to paragraph 3.4 below, are to be paid, on a *pro rata* basis, their proportionate share of the Proposal Funds once the claims of Preferred Creditors are satisfied as provided for in this Proposal. For distribution purposes, to the extent that the Collateral is not sufficient to satisfy the Proven Claim of a Secured Creditor, that Secured Creditor shall be an Unsecured Creditor for any portion of that Secured Creditor's Proven Claim that remains outstanding.

#### 3.4 Creditors May Elect

Any Claim owed to any Unsecured Creditor, regardless of whether or not the Creditor has filed a proof of claim, which the books and records of the Company (as reviewed by the Proposal Trustee) indicate is less than \$15,000.00, shall be deemed to have a Proven Claim in that amount ("**Convenience Creditor**"). Any Convenience Creditor shall receive the full amount of their Proven Claim following the approval of the Proposal, as further set out in section 6.4 (a) hereof. Any other Creditor with a Proven Claim which is greater than \$15,000.00, may elect in writing, on or before September 17, 2019, to, instead of participating in a pro rata distribution as set out above, receive \$15,000.00 (an "**Electing Creditor**"). As further described in section 6.4(a) below, any Convenience Creditor or **Electing Creditor** shall be deemed to have voted in favour of the Proposal and shall be deemed to have provided the Proposal Trustee with their proxy.

### 3.5 Claims Against Directors or Deemed Director

Any Claims (other than those set out in section 50(14) of the *BIA* which for greater certainty includes a claim for oppression, breach of fiduciary duty or that falls within section 178 of the *BIA*, including without limitation allegations of fraud, embezzlement, misappropriation and/or defalcation) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company or where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred prior to the filing date (a “**Director Claim**”) shall on the Implementation Date be and are hereby, compromised and released and forever discharged as against the directors of the Company.

Any Claim (other than those set out in section 50(14) of the *BIA*, which for greater certainty includes a claim for oppression, breach of fiduciary duty or that falls within section 178 of the *BIA*, including without limitation allegations of fraud, embezzlement, misappropriation and/or defalcation) against any Director, including any deemed director, that relate to obligations of such person to the Company or actions taken by such person on behalf of or to support the interests of the Company where the directors are under any law liable in their capacity as directors for the payment or performance of such obligations which occurred after the filing date up until the date this Proposal is approved by the Court (a “**Restructuring Director Claim**”) shall on the Implementation Date be and are hereby, compromised and released and forever discharged as against the directors of the Company.

## ARTICLE 4

### PROCEDURE FOR VALIDATION OF CLAIMS

#### 4.1 Filing of Proofs of Claim

With the Exception of Convenience Creditors and Electing Creditors, each Creditor must file a Proof of Claim as required by the *BIA* to vote on, or receive a distribution under, the Proposal.

#### 4.2 Allowance or Disallowance of Claims by the Proposal Trustee

Upon receipt of a completed Proof of Claim, the Proposal Trustee shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the *BIA*. The procedure for valuing Claims of the Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the *BIA*. The Proposal Trustee reserves the right to seek the assistance of the Court in valuing any Claim, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Creditor under the Proposal, as the case may be.

#### 4.3 Claims Bar Process

Forthwith after obtaining the Approval Order, the Proposal Trustee shall give notice pursuant to s.149 of the *BIA* by registered mail to every person with a claim the Proposal Trustee has notice or knowledge but whose claim has been filed or proved that if such person does not prove his claim within a period of thirty (30) days after the mailing of the notice (“**Claims Bar Date**”), the Proposal Trustee will proceed to declare a final dividend without regard to such person’s claim; the dividend referred to in said notice shall be deemed a final dividend and any person so notified who does not provide his claim within the said thirty (30) days shall be barred from making a claim in this Proposal or sharing in any dividend hereunder, subject to any exceptions set out in Sections 149(2)(3) and (4) of the *BIA*.



8.  
**ARTICLE 5**

**MEETING OF CREDITORS**

**5.1 Unsecured Creditors' Meeting**

On the Creditors' Meeting Date, the Proposal Trustee shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

**5.2 Time and Place of Meeting**

Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in its notice of meeting to be mailed pursuant to the *BIA*. All Proofs of Claim shall be delivered in accordance with the provisions of the Proposal, the *BIA* and any Order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting.

**5.3 Conduct of Meetings**

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, the Secured Creditors and their respective legal counsel, if any, and the officers, directors, auditors, and legal counsel of the Company, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Unsecured Creditors.

**5.4 Adjournment of Meetings**

The Creditors' Meeting may be adjourned in accordance with Section 52 of the *BIA* or by ordinary resolution of the Creditors in attendance at the Creditors' Meeting, including any creditors who are in attendance by proxy, or by the Proposal Trustee.

**5.5 Voting by Creditors**

To the extent provided for herein, each Unsecured Creditor will be entitled to vote to the extent of the amount which is equal to the Proven Claim. The chair reserves the right to reject any claim in accordance with section 108 (1) of the *BIA* and to deny such person the right to vote at the Creditors' Meeting.

**5.6 Approval by Creditors**

In order that the Proposal be binding on all of the Unsecured Creditors of the Company in accordance with the *BIA*, it must first be accepted by the Unsecured Creditors as prescribed by this Proposal by a majority in number of the Unsecured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing at least two-thirds in value of the Proven Claims of the Unsecured Creditors who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

## ARTICLE 6

### DISTRIBUTION OF PROCEEDS

#### 6.1 Implementation of Proposal

- (a) Within ten (10) days of Creditor Approval, the Company shall pay any outstanding Administrative Fees and Expenses and shall deliver a retainer of \$50,000 (or such other amount as the Company and the Proposal Trustee may agree). Notwithstanding the payment of this retainer amount, the Company shall remain liable for the payment of all Administrative Fees and Expenses until such time as the Proposal is fully performed and the Proposal Trustee is discharged. The Company shall continue to make such payments as and when due hereafter.
- (b) Within ten (10) days of Creditor Approval, the Company shall provide the Proposal Trustee with the amount contemplated by section 6.3 hereof.
- (c) Within ten (10) days of Creditor Approval, the Company shall provide payment to the Proposal Trustee of an amount equal to the lesser of the entire amount of (i) the Proven Claims, plus the amount due under the Superintendent's Levy in respect of such claims and any outstanding Administrative Fees and Expenses, or (ii) ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000). (the "**Proposal Fund**"). The Proposal Fund shall be held in trust by the Proposal Trustee pending the Approval Date and distribution of the Proposal Fund to Creditors with Proven Claims, as set out in sections 6.3 and 6.4 below.

#### 6.2 Payment of Administrative Fees and Expenses

The Company shall pay Administrative Fees and Expenses from time to time pending the completion of the Proposal. Upon payment of the Proposal Fund to the Proposal Trustee, the outstanding Administrative Fees and Expenses shall be paid in full out of the funds in its hands, and, to the extent that is insufficient, from the Proposal Fund, prior to distribution to the Preferred and the Ordinary Creditors.

#### 6.3 Distribution to Preferred Creditors

Upon the Implementation Date, the Proposal Trustee shall make payments to those Preferred Creditors forthwith. Payments to each Preferred Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

#### 6.4 Distribution to Ordinary Creditors

- (a) Upon the Implementation Date, the Proposal Trustee will, within 10 days, pay the Convenience Creditors and the Electing Creditors from the Proposal Fund.
- (b) The Ordinary Creditors with Proven Claims, other than Convenience Creditors and Electing Creditors, shall be paid from the Proposal Fund, net of the payments made in section 6.2, 6.3 and 6.5 to the Ordinary Creditors with Proven Claims, their *pro rata* share of the remaining Proposal Fund then in the hands of the Proposal Trustee based on the proportion which the Proven Claim of such Ordinary Creditor bears to the aggregate amount of the Proven Claims of all Ordinary Creditors.
- (c) The Proposal Trustee shall, following the payments in 6.4(a) and (b) above attend to the resolution of any Disputed Claims. There will be no further distribution until the Disputed Claims are resolved. Upon

resolution of the Disputed Claims, the Claims held by parties whose Claims were disputed (other than the Claims of Related Parties) shall receive payment in accordance with the resolution of their Proven Claims from the Proposal Fund.

(d) Following the payments set out in 6.4(a), (b) and (c) above, the Proven Claims of Related Parties shall be paid from the Proposal Fund;

(e) FT Korea will only receive a distribution from the Proposal Fund following the resolution of its Claim(s), and the full payment of the Convenience Creditors, Electing Creditors and the other Proven Claims of Ordinary Creditors, unless FT Korea has made the election of being treated as an Electing Creditor, in which case it will receive a distribution in accordance with 6.4(a). Payments to each Ordinary Creditor or Convenience Creditor shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the *BIA*.

### **6.5 Proposal Default Fund**

From the Proposal Fund, and prior to any distributions to any creditors in the administration, an amount of \$20,000 will be retained by the Proposal Trustee ("**Proposal Default Fund**"). The sole purpose of the Proposal Default Fund will be to fund an application to annul the Proposal in the event of default, which has not been waived by the Inspector(s) in the estate or remedied by the Company. Upon instructions from the Inspector(s), if any, the Proposal Trustee will make an application to the Courts to have the Proposal annulled. Despite, a Certificate of Full Performance being issued to the Company, this provision of this Proposal will apply and the Proposal Default Fund will remain unavailable for distribution to the creditors in the estate until all the payments required under this Proposal have been made.

### **6.6 Discharge of Proposal Trustee**

Upon payment by the Proposal Trustee of the amounts contemplated in this Article 6, the Proposal Trustee shall have discharged its duties as Proposal Trustee, the Proposal Trustee's obligation under its Proposal shall be fully performed and the Proposal Trustee shall be entitled to apply for its discharge as Proposal Trustee hereunder. For greater certainty, the Proposal Trustee will not be responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default. Upon its discharge, the Proposal Trustee will return any remaining funds in its hands to the Company or as the Company may direct.

## **ARTICLE 7**

### **MISCELLANEOUS**

#### **7.1 Compromise Effective for all Purposes**

The distributions contemplated hereunder will be binding upon each Creditor, other than Secured Creditors, and their heirs, executors, administrators, successors and assigns, for all purposes.

#### **7.2 Modification of Proposal**

The Company or any Unsecured Creditor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal.

#### **7.3 Consents, Waivers and Agreements**

As at 12:01 a.m. on the Implementation Date, each Creditor, including the Related Parties, but

excluding Secured Creditors and any Post-Filing Creditor (which term expressly includes Mr. Jung Chul Park) will be deemed:

- (a) to have executed and delivered to the Company all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Company in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Company that has occurred on or prior to the Implementation Date;
- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Company as at the Implementation Date (other than those entered into by the Company on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) to have released the Company, the Proposal Trustee and all of their respective affiliates, employees, agents, officers, shareholders, advisors (including without limitation counsel for the directors), consultants and solicitors from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein, including, without limitation, those claims which could be advanced or pursued pursuant to sections 95 to 101.1 of the *BIA*.
- (e) Notwithstanding s. 7.3(d), nothing in this Proposal or in s. 7.3(d) constitutes a release of the Company and/or its employees, affiliates, officers and directors in respect of a claim for oppression, breach of fiduciary duty or that falls within section 178 of the *BIA*, including without limitation allegations of fraud, embezzlement, misappropriation and/or defalcation.

#### **7.4 Conditions Precedent to Proposal Implementation**

The implementation of the Proposal by the Company will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) Creditor Approval;
- (b) approval of the Proposal by the Court pursuant to a final Order;
- (c) the Company will provide FT Korea with an opportunity to conduct a site visit and orientation at the Company's leased premises prior to September 17, 2019;
- (d) the Company and/or the Proposal Trustee shall provide to FT Korea all available current operational information relating to the Company, as well as all operational information in the three months preceding the Date of the Proposal, including but not limited to lease information, details on capital assets and government remittances, accounts receivables and

account payable information and customer and sales information by September 4, 2019.

- (e) Jong Chul Park shall resign from all positions with the Company effective one (1) day after the Approval Date. Jong Chul Park will deliver to the Proposal Trustee a resignation in respect of his position(s) with the Company by September 4, 2019, which shall be held in escrow by the Proposal Trustee and will be released within one (1) day of the Approval Date;
- (f) Jong Chul Park shall (to the extent the following is within his possession and control) provide the following to FT Korea one (1) day after the Approval Date: keys to the Company's leased premises, passwords to access the Company's premises and data, and access to the Company's books and records.
- (g) receipt of the Proposal Fund by the Proposal Trustee; and

The date upon which the last of these conditions is met and the Certificate of Full Performance is issued by the Proposal Trustee to the Company shall be the "**Implementation Date**"

#### **7.5 Effect of Proposal Generally**

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under the Proposal shall be final and binding on the Company and all Creditors, other than Secured Creditors, including all Claims against Directors (as set out in section 3.5 above), and the Proposal shall constitute (i) a full, final and absolute settlement of all rights of the holders of the Claims (whether or not such Creditor with such a Claim filed a Claim); and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Company or the Directors of or in respect of such Claims. The Proposal Trustee shall thereafter issue a Certificate of Full Performance to the Company in accordance with the provisions of the *BIA* promptly.

#### **7.6 Notices**

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier (except for Proofs of Claim which may only be sent by personal delivery, telecopier or registered mail) addressed to the respective parties as follows:

- (a) if to the Company:
- (b) if to an Unsecured Creditor, to the address or telecopier number for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no Proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contacted; and,

(c) if to the Proposal Trustee:

Attention: MNP Ltd.  
 c/o Mr. Matthew Lem 111  
 Richmond Street West Suite  
 300  
 Toronto, ON, M5H 2G4  
 Telephone: (416)515-3882 (416) 596-  
 Telecopier: 1711 matthew.lem@mnp.ca  
 Email:

or to such other address or telecopier number as any party may from time to time notify the others in accordance with this section. In the event of any strike, lockout and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

### **7.7 Foreign Currency Obligations**

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Date of Filing.

### **7.8 Applicable Law**

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

### **7.9 Non Severability**

It is intended that all provisions of this Proposal shall be binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect

### **7.10 Deeming Provisions**

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

**DATED** at the City of Toronto, in the Province of Ontario, this 29<sup>th</sup> day of August, 2019.

**FT ENE CANADA INC.**

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

A handwritten signature in black ink, appearing to be 'Jong Chul Park', written over a horizontal line. The signature is stylized and cursive.

Jong Chul Park

Court File No. 32-2480036  
Estate File No. 32-2480036

IN THE MATTER OF THE PROPOSAL FT ENE CANADA INC.

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**  
  
**(PROCEEDING COMMENCED AT TORONTO)**

**ORDER**  
**(Approving Proposal – Sec. 60(5))**

**PALLET VALO LLP**  
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Alex Ilchenko / Monty Dhaliwal  
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Fax: (905) 273-6920

Lawyers for MNP LTD.  
in its capacity as Proposal Trustee  
of FT ENE CANADA INC.



Court File No. 32-2480036  
Estate File No. 32-2480036

IN THE MATTER OF THE PROPOSAL FT ENE CANADA INC.

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**  
  
**(PROCEEDING COMMENCED AT TORONTO)**

**MOTION RECORD OF PROPOSAL**  
**TRUSTEE**  
**(Returnable September 18, 2019)**

**PALLETT VALO LLP**  
Lawyers & Trade-Mark Agents  
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Mississauga, Ontario L5B 1M5  
  
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Lawyers for MNP LTD.  
in its capacity as Proposal Trustee  
of FT ENE CANADA INC.