

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION: 01- LONGUEUIL
S.C.: 505-11-014522-176
SUPER: 41-2225245

SUPERIOR COURT
(Commercial Division)

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

DENSI CORPORATION, a corporation incorporated under the Canada Business Corporation Act, having its principal place of business at 1100 Parent Street, in the city of Saint-Bruno-de-Montarville, district of Longueuil, Québec, J3V 6L8

Applicant

- and -

KPMG INC., a corporation duly incorporated under the *Canada Business Corporations Act* (Canada), having a place of business at 600, boul. De Maisonneuve Blvd. West, Suite 1500 Montreal, QC, H3A 0A3

Trustee

**REPORT BY THE TRUSTEE ON
SALE TRANSACTIONS OUTSIDE OF THE ORDINARY COURSE OF BUSINESS
(SECTION 65.13) AND
ON THE STATE OF THE INSOLVENT PERSON'S BUSINESS AND FINANCIAL AFFAIRS
(PARAGRAPHS 50.4(7)(B) AND 50.4(9))**

IN THE MATTER OF THE PROPOSAL OF **DENSI CORPORATION**:

I, Dev A. Coossa, CIRP, LIT of the firm KPMG Inc. ("**KPMG**" or the "**Trustee**"), the trustee under the Notice of Intention to Make a proposal filed by **DENSI CORPORATION** (hereinafter the "**Densi**" or the "**Company**"), hereby report to the Court as follows.

INTRODUCTION

1. On March 6, 2017, Densi filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to section 50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**"), and KPMG was appointed as Trustee to the NOI. As a result of the filing of the NOI, all proceedings against Densi and its assets were stayed until April 5, 2017 (the "**Stay Period**").
2. On March 6, 2017, the Trustee filed with the official receiver (i) a projected cash-flow statement for the period of March 6, 2017 to April 7, 2017, (ii) the Company's report on its cash flow statement and (iii) The trustee report on said cash flow statement, in accordance with section 50.4(2) of the BIA and on March 10, 2017, the Trustee sent a copy of the NOI to all known creditors of Densi.
3. On March 8, 2017, Densi was authorized by this Court to conduct, with the assistance and under the supervision of KPMG and of the Court, a sale process in order to sell its Assets, outside of its ordinary course of business (hereinafter the "**Sale Process**"), which Sale Process is further described in the Application.
4. On March 30, 2017, the Court granted an order extending the stay period until May 23, 2017.
5. On March 30, 2017, the Trustee filed with the official receiver (i) a projected cash-flow statement for the period of March 27, 2017 to June 2, 2017, (ii) the Company's report on its cash flow statement, (iii) The trustee report on said cash flow statement and (iv) The Trustee's report on the State of Business, in accordance with the BIA.
6. The purpose of this Report is to provide this Honourable Court with information regarding:
 - a) Densi's activities since the Trustees latest report filed with the Court and dated March 29, 2017; and,
 - b) Trustee's recommendations with respect to Densi's demands as set forth in the Application:
 - i) Approval of the transactions contemplated under the Offer to Purchase submitted in the context of the Sale Process by 9098-5128 Québec Inc. ("**Nutone**") to Densi on May 5, 2017, as revised on May 9, 2017 (the "**Nutone Offer**");
 - ii) Approval of the transactions contemplated under the offers to purchase equipment which were submitted to Densi outside of the Sale Process by Jonoco Copier Inc. ("**Jonoco**") and 9123792 Canada Inc. ("**9123792**") and Capi Inc. ("**Capi**");
 - iii) Approval, given their limited liquidation value, of the sale of all of Densi's remaining equipment without further court approval, provided that such sale transactions receives the prior written approval from the Trustee; and
 - iv) Extension of the Stay Period for an additional period of three (3) days (i.e. until May 26th, 2017) in order to allow Densi to complete the transaction with Nutone.

BACKGROUND INFORMATION AND PRINCIPAL CAUSES OF FINANCIAL DIFFICULTIES

7. This Report should be read in conjunction with the Application, which provides additional background and other information regarding the Applicant and the NOI proceedings. Capitalized terms not defined in this Report are used as defined in the Application.
8. Founded in 1979, Densi is a privately owned company and a distributor of imaging supplies and parts for business copiers, printers, multi-function printers and other imaging equipment. Based in St-Bruno de Montarville, Densi acts as an intermediary between suppliers of imaging consumable products and active value resellers of imaging products, the majority of which are in Canada.
9. As appears from the Application, the NOI was filed in a context where:
 - a) For the past few years, the printer consumable product market and aftermarket has seen an important downturn in Canada;
 - b) Such market trends, combined with increased competition, namely from foreign companies that have begun setting up shop locally in order to by-pass intermediaries such as Densi, have forced wholesalers and manufacturers of imaging supply products such as Densi to offer even more competitive pricing on their products, thereby reducing their profit margins, and increasing the pressure on their cash-flows;
 - c) Over the past three (3) years, the exchange rate between the Canadian dollar and the US dollar has varied and has had an immense impact on Densi's profitability, revenue stream and cash-flow given the fact that the majority if not all of its inventory is purchased in US dollars, whereas the majority of its customers are based in Canada;
 - d) In 2015, Densi proceeded with a re-branding involving the redesign of its product packaging with the objective of attracting more business from both new and existing customers. However, this project turned to be very costly and unprofitable;
 - e) Despite Densi's efforts to minimize its costs and right-size its business in order to maintain profitability, including by reducing its workforce, it ultimately came to the realization that it was no longer able to compete as an intermediary in the printer consumable product and imaging supply aftermarket; and
 - f) For the fiscal years ended December 31, 2016, Densi recorded a total net loss of approximately \$947,000.

DENSI'S ACTIVITIES SINCE THE TRUSTEE'S LATEST REPORT FILED WITH THE COURT AND DATED MARCH 29, 2017 AND CASH FLOW RESULTS RELATIVE TO PROJECTIONS

10. Densi continued to sell its inventory in the ordinary course of business in order to maximize their value as opposed to simply liquidating them in the context of a "go-dark"/bankruptcy scenario, where their value would be substantially depleted and in order to maintain the value of its intellectual property to sold in the Sale Process.

11. Cash receipts and disbursements from March 6, 2017, to the period ended May 12, 2017 as compared to the cash flow projections, are summarized in the following table:

Densi Corporation			
Variance Analysis (Actuals vs. Projected Cash Flows)			
Cumulative for March 6, 2017 to May 12, 2017			
	Forecast	Actuals	Variance
Cash Receipts			
Proceeds from sales	501 670	425 989	(75 681)
Total Receipts	501 670	425 989	(75 681)
Cash Disbursements			
Material	17 744	29 313	11 569
Payroll	168 603	164 101	(4 502)
Insurance	13 931	13 512	(419)
Rent	72 618	68 538	(4 080)
Utilities	16 977	5 088	(11 889)
Utility deposits	23 750	7 917	(15 833)
Transport	12 010	20 571	8 561
Consultants	15 000	-	(15 000)
Restructuring (Professional fees & Valuation)			
Trustee	81 322	101 322	20 000
Legal advisor of Debtor	51 043	90 318	39 275
Valuation firm	2 300	2 300	-
Restructuring (KERP)	37 500	37 500	-
Travel and meetings in sale process	10 000	-	(10 000)
Interest and back charge	1 644	6 275	4 631
Other	34 492	13 695	(20 797)
Total Disbursements	558 935	560 451	1 516
Net Cash Flow	(57 265)	(134 462)	(77 197)
Cash Position			
Bank Balance - beginning of week	224 890	224 890	-
Net Cash Flow	(57 265)	(134 462)	(77 197)
Bank Balance - end of week	167 625	90 428	(77 197)

12. As at May 12, 2017, Densi's closing cash position on a book basis was approximately \$90,000 compared to \$168,000 forecasted.
13. One of the assumptions in the forecast was that Densi would have to collect a balance of sales of \$50,000 from Verisource, during the period, which did not materialized as expected. Densi has entered into a litigation with Verisource, as there is a total outstanding balance of sales of \$450,000 owed to Densi from Verisource.

	Forecast	Actuals	Variance
Bank Balance - end of week	167 625	90 428	(77 197)
Verisource (in litigation)	(50 000)	-	50 000
Bank Balance - end of week (excluding Verisource)	117 625	90 428	(27 197)

14. The net variance, excluding the receipts of the Verisource balance is \$27,000.
15. The primary reason for the variance is due to the fact that the total cash receipts during the period were approximately \$26,000 lower than forecasted mainly due to lower sales than forecasted.
16. Densi has paid, and continues to pay for any goods and services received subsequent to the date of the filing of the NOI, including payroll, rent and new purchases.

SALE PROCESS AND NUTONE OFFER TO PURCHASE

Sale Process

17. The Sale process was conducted in accordance with the Court order approving a sale process under the supervision of KPMG.
18. Between the launch of the Sale Process on March 24, 2017 and the bid deadline on May 5, 2017 2 p.m. (the "**Bid Deadline**"):
 - a) The Trustee or Densi sent a teaser ("**Teaser**") and a Confidential Information memorandum (the "**CIM**") to Eighty (80) potential purchasers selected by Densi and KPMG;
 - b) The Trustee sent the Teaser and the CIM to approximately 1,500 members of KPMG's international network of M&A professionals;
 - c) Nine (9) potential purchasers signed a non-disclosure agreement and were given access to the virtual data room by the Trustee;
 - d) Six (6) potential purchasers accessed the virtual data room.
19. In accordance with the terms and conditions of the Sale Process, on May 5, 2017, the Trustee opened the four (4) offers received at the Bid Deadline, in the presence of the representatives of Densi and of its largest creditor, the Fonds de solidarité des Travailleurs du Québec (the "**FSTQ**").
20. One (1) of the offers was significantly lower than the other three (3) offers and the other three (3) other offers, although structured differently, they provided somewhat similar recoveries to Densi and its creditors.
21. Accordingly, in an attempt to further maximize the value of Densi's Assets, Densi and the Trustee invited these bidders to "sharpen their pens" and submit, if they wished, revised offers by May 9, 2017, at 5 p.m. (the "**Revised Bid Deadline**").
22. At the Revised Bid Deadline, each of the three (3) bidders mentioned above submitted to the Trustee a revised offer, which each provided an increased purchase price.
23. On May 11, 2017, after having reviewed each and every one of the offers and after having consulted with the Trustee and FSTQ, Densi informed the Trustee that, subject to the execution of an asset purchase agreement and other related agreements or documents satisfactory to it, it was accepting the Nutone Offer, which was the offer which provided the greatest recovery to Densi's creditors.

Nutone Offer to Purchase

24. The Nutone Offer, which is described in more detail in the Application, consist in the purchase of the following assets of Densi:
 - a) All of Densi's intellectual property, including its trade names (except for those already assigned to third parties);
 - b) The list of all of Densi's clients (except for those client lists that have already been sold to third parties); and
 - c) All of Densi's remaining inventory, save exception;(Collectively the "**Densi Purchased Assets**")

25. The Nutone Offer also includes the following assets and rights that are not owned by Densi:
- a) Puretone Inc.'s rights in the tradename "Puretone"; and
 - b) The execution by Mr. Eric Melka and Robert Melka of a non-solicitation and non-competition agreement.
- (Collectively the "**Other Purchased Assets**")
26. Excluded from the Nutone Offer are some of Densi's remaining inventory and other equipment, which Densi, with the assistance of the Trustee, will attempt to sell in order to increase its creditors' recovery.
27. The purchase price set forth in the Nutone Offer is payable as follows:
- a) The payment for Densi Purchased Assets shall be fully payable to the Trustee's trust account upon approval of the Nutone Offer by this Court, and closing of the sale transactions contemplated thereunder;
 - b) The payment for Other Purchased Assets Purchase Price shall also be fully payable to the Trustee's trust account upon approval of the Nutone Offer by this Court and closing of the sale transactions contemplated thereunder, but shall be distributed as follows:
 - i) If a Proposal is accepted by Densi's creditors and approved by the Court, the Other Purchased Assets Purchase Price shall be used to fund, in part, such Proposal; or
 - ii) If a Proposal is not accepted by Densi's creditors or approved by this Court, the Other Purchased Assets Purchase Price shall be distributed to Les Cartouches DNS Inc., Eric Melka and Robert Melka, the rightful beneficiaries of the Other Purchased Assets Purchase Price.
28. After review of all offers submitted in the context of the Sale Process, Densi and the Trustee are in the view that the Nutone Offer represents the more beneficial offer to Densi's creditors, as it provides the highest recovery up-front, and the most certainty in terms of closing.
29. On May 11, 2017, Densi, Eric Melka informed the Trustee of its decision to accept the Nutone Offer, and to sell to Nutone the Densi Purchased Assets as well as the Other Purchased Assets, on an "as is, where is" basis, subject to the approval of the Nutone Offer by this Court, and the execution an asset purchase agreement and other related agreements or documents satisfactory to them.

OTHER TRANSACTIONS TO PURCHASE EQUIPMENT AND INVENTORIES OUTSIDE THE SALE PROCESS AND ORDINARY COURSE OF BUSINESS

30. Respectively on March 24, 2017 and March 30, 2017, Densi obtained from Services FL preliminary assessments regarding the value of its and of its equipment (collectively the "**Services FL Evaluation**") in the context of a liquidation context.
31. Pursuant to the Services FL Evaluation, the value of both Densi's inventory and equipment would be substantially reduced if such assets were sold in the context of a liquidation.

32. Accordingly, Densi, with the approval of the Trustee and in order to preserve the value of such inventory and equipment, made the decision not to include these assets as part of the Sale Process but rather:
- a) Continue to sell its inventory in the ordinary course of business; and
 - b) Attempt to sell its equipment in parallel with the Sale Process by contacting several parties potentially interested in purchasing its equipment.
33. On April 5, 6, and 25, 2017, respectively, Jonoco, 9123792 and Capi submitted offers to purchase equipment. The offers submitted by Jonoco, 9123792 and Capi are described in more detail in the Application.

Jonoco and 9123792 offers

34. In order to assess the values set forth in the Jonoco and 9123792 offers and the Services FL Evaluation and potentially maximize the purchase price for its equipment, Densi, with the assistance of the Trustee, approached Continental Auctionners ("**Continental**") to see how much such company evaluated the value of the aforementioned equipment.
35. On April 6, 2017, Continental sent a letter to the Trustee providing it with its evaluation of the value of the equipment included in Jonoco and 9123792 offers in a liquidation context (the "**Continental Equipment Evaluation**").
36. The purchase price offered by Jonoco and by 9123792 were significantly superior to the values provided in both the Service FL Equipment Evaluation and the Continental Equipment Evaluation in a liquidation context.
37. Given the minimal value of the equipment and Jonoco's and 9123792's insistence in closing the transactions quickly, the Trustee approved the transactions and determined that it would not be appropriate to incur, at that time, the cost of seeking this Court's approval, as such costs would have certainly significantly reduced Densi's creditors' recovery for the sale of such assets.

Capi offers

38. The purchase price offered by Capi was significantly superior to the value provided in the Services FL Equipment Evaluation in a liquidation context.
39. Densi and the Trustee did not expect Continental to provide a higher liquidation value in respect of the assets subject to the Capi Offer.
40. Given the minimal value of the equipment and Capi's insistence in closing the transactions quickly, the Trustee approved the transactions and determined that it would not be appropriate to incur, at that time, the cost of seeking this Court's approval, as such costs would have certainly significantly reduced Densi's creditors' recovery for the sale of such assets.

Remaining equipment and inventories

41. Given the limited liquidation value of Densi's remaining equipment and inventories, Densi wishes to avoid, to the extent possible, having to incur the costs and fees associated with presenting at Court an application each time an offer is made and accepted with respect to such equipment, as these costs and fees will ultimately reduce the amount to be distributed to Densi's creditors.

42. Therefore, Densi requests the immediate approval from this Court to sell all of its remaining equipment and inventories, without having to file any additional application each time that a sale transaction is concluded with respect to such assets, provided that such sale transactions receive the prior written approval from the Trustee.

UPDATED CASH FLOW PROJECTIONS

43. Densi has prepared the updated cash flow projections for the period commencing May 15, 2017 and ending on May 26, 2017 (hereinafter the "**Projected Cash Flow**"). The Projected Cash Flow is summarized in the following table. A copy of the Projected Cash Flow as well as the statutory reports of the Company and the Trustee are attached to this Report as **APPENDIX A**;

Densi Corporation Projected Cash Flows May 15, 2017 to May 26, 2017	
	Forecast
Cash Receipts	
Proceeds from sales	155 000
Total Receipts	155 000
Cash Disbursements	
Material	-
Payroll	25 893
Insurance	-
Rent	-
Utilities	3 315
Utility deposits	-
Transport	-
Consultants	-
Restructuring (Professional fees & Valuation)	-
Trustee	-
Legal advisor of Debtor	-
Valuation firm	-
Restructuring (KERP)	-
Travel and meetings in sale process	-
Interest and back charge	-
Other	862
Total Disbursements	30 070
Net Cash Flow	124 930
Cash Position	
Bank Balance - beginning of week	90 428
Net Cash Flow	124 930
Bank Balance - end of week	215 358

44. The Trustee notes the following with respect to the Projected Cash Flow:
- a) The Company opening cash balance as at May 15, 2017 was \$90,428, net of cheques in circulation and accruals of approximately \$120,000, primarily related to restructuring fees;
 - b) The Projected Cash Flow reflect that the total cash receipts during the reference period is expected to be approximately \$155,000, which represent essentially the proceed of the sale to Nutone;
 - c) The Projected Cash Flow reflect that the total cash disbursements during the reference period is expected to be approximately \$30,000;

- d) The Projected Cash Flow reflect a positive net cash flow during the reference period of approximately \$125,000; and
 - e) The Projected Cash Flow reflect that the closing cash balance as at May 26, 2017 is expected to be approximately \$215,000; and
45. Based on the Projected Cash Flow, the Company has sufficient liquidity to fund its operating activities during the Second Extension Period.

REQUEST FOR AN EXTENSION OF DELAY

46. As appears from the Application, the Company is seeking a 3 day extension of the Stay Period until May 26, 2017, as it believes it will allow it to:
- a) Complete the sale transaction contemplated under the Nutone Offer and facilitate the transfer of the Purchased Assets to Nutone;
 - b) Collect its outstanding receivables; and
 - c) Submit to its creditors a Proposal which will allow them to maximize their recovery.

TRUSTEE'S CONCLUSIONS

47. The Trustee respectfully makes the following comments to this Honourable Court:

Nutone Offer

48. The Trustee supports the request sought by the Company in its Application to obtain the approval from the Court of the Nutone Offer, for the following reasons:
- a) The Sale Process, which was authorized the Court on March 8, 2017, was reasonable under the circumstances;
 - b) Under the terms of the Nutone Offer, the sale of the Densi's Purchased Assets provides a greater realization than in a context of a liquidation;
 - c) The sale transaction contemplated under the Nutone Offer will provide the better recovery to all of Densi's creditors in comparison with the other offers submitted; and
 - d) Furthermore, if a Proposal is accepted by Densi's creditors and approved by the Court, the sale of the Other Purchased Assets will significantly increase the amount available for distribution to creditors.

Jonoco, 9123792 and Capi offers

49. The Trustee supports the request sought by the Company in its Application to obtain the approval from the Court of the Jonoco Offer, the 9123792 Offer and Capi Offer, for the following reasons:
- a) Given the minimal value of the equipment, the sale and approval process were reasonable under the circumstances;
 - b) The transactions contemplated under the Jonoco Offer, the 9123792 Offer and the Capi Offer are all reasonable under the circumstances.

- c) Under the terms of the Jonoco Offer, the 9123792 Offer and the Capi Offer, the sale of the Densi's equipment provides a greater realization than in a context of a liquidation.

Remaining equipment and inventories

50. The Trustee supports the request sought by the Company in its Application to obtain the approval from the Court to sell all of its remaining equipment and inventories outside the ordinary course of business and with the prior approval of the Trustee, for the following reason:
- a) Given the limited liquidation value of Densi's remaining equipment and inventories; and,
 - b) The costs and fees associated with presenting at Court an application each time an offer is made and accepted with respect to such equipment and inventories.

Request for an extension of delay

51. The Trustee supports the request sought by the Company in its Application for an extension of delay, for the following reasons:
- a) The Company has acted, and is acting in good faith and with due diligence;
 - b) No creditor would be materially prejudiced if the extension being applied for were granted; and
 - c) Depending on the results of the Sale Process, the Company may be able to make a viable proposal if the extension being applied for were granted.

All of which is respectively submitted this 18 day of May 2017.

KPMG INC., in its capacity
of Trustee of Densi Corporation



Dev A. Coossa, CIRP, LIT
Designated Administrator
600 de Maisonneuve Blvd. West
Suite 1500
Montreal, QC H3A 0A3
(514) 840-2100

Appendix A
CASH-FLOW STATEMENT,
DEBTOR'S COMPANY REPORT ON CASH-FLOW STATEMENT
AND TRUSTEE'S REPORT ON CASH-FLOW STATEMENT

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION: 01 - LONGUEUIL
S.C.: 505-11-014522-176
SUPER.: 41-2225245

SUPERIOR COURT
COMMERCIAL DIVISION

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

DENSI CORPORATION, body politic and corporate, duly incorporated according to Law, and having its head office and principal place of business at 1100 Parent Street, in the city of Saint-Bruno-de-Montarville, district of Longueuil, province of Quebec J3V 6L8.

Debtor Company

- AND -

KPMG INC.

Trustee

DEBTOR'S COMPANY REPORT ON CASH-FLOW STATEMENT
(Paragraphs 50(6)(c) and 50.4(2)(c))

The management of DENSI CORPORATION has developed the assumptions and prepared the attached statement of projected cash-flow of the insolvent Debtor Company, as of the 18th day of May, 2017 consisting of the period from May 15, 2017 to May 26, 2017.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection, and the probable assumptions are suitably supported and consistent with the plans of the insolvent Debtor Company and provide a reasonable basis for the projection.

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

The projection has been prepared based on a set of probable and hypothetical assumptions. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Longueuil, this 18th day of May, 2017.

DENSI CORPORATION



Per: Eric Melka

CANADA
 PROVINCE OF QUEBEC
 DISTRICT OF QUEBEC
 DIVISION: 01-Longueuil
 S.C.: 505-11-014522-176
 SUPER.: 41-2225245

SUPERIOR COURT
 COMMERCIAL DIVISION

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF: **DENSI CORPORATION**
Debtor

Cash Flow for the period:
 May 15 to May 26, 2017

Week ending	May 12	May 19	May 26	TOTAL
Bank Balance - beginning of week	90 428 \$	90 428 \$	86 251 \$	90 428 \$
Receipts				
Proceeds from sales			155 000 \$	155 000 \$
Total	- \$	- \$	155 000 \$	155 000 \$
Disbursements				
Material		- \$	-	- \$
Payroll		- \$	25 893 \$	25 893 \$
Insurance		- \$	- \$	- \$
Rent		- \$	- \$	- \$
Utilities		3 315 \$	- \$	3 315 \$
Utility deposits		- \$	- \$	- \$
Transport		- \$	- \$	- \$
Consultants		- \$	- \$	- \$
Restructuring (Professional fees & Valuation)		- \$	- \$	- \$
Restructuring (KERP)		- \$	- \$	- \$
Travel and meetings in sale process		- \$	- \$	- \$
Interest and back charge		- \$	- \$	- \$
Other		862 \$	- \$	862 \$
Total	- \$	4 177 \$	25 893 \$	30 070 \$
Excess of receipts over disbursements	- \$	(4 177) \$	129 107 \$	124 930 \$
Bank Balance - end of week	90 428 \$	86 251 \$	215 358 \$	215 358 \$

Note: The cash opening is net of cheques in circulation and accruals.

Dated May 18th, 2017

Densi Corporation



Per: Eric Melka

KPMG INC.



Per: Dev A. Coossa, CIRP, LIT



KPMG Inc.
Suite 1500
600 de Maisonneuve Blvd. West
Montreal (Quebec) H3A 0A3

Telephone (514) 840-2100
Fax (514) 840-2121
Internet www.kpmg.ca

CANADA
PROVINCE OF QUEBEC
DISTRICT OF QUEBEC
DIVISION: 01 - LONGUEUIL
S.C.: 505-11-014522-176
SUPER.: 41-2225245

SUPERIOR COURT
COMMERCIAL DIVISION

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

DENSI CORPORATION, body politic and corporate, duly incorporated according to Law, and having its head office and principal place of business at 1100 Parent Street, in the city of Saint-Bruno-de-Montarville, district of Longueuil, province of Quebec J3V 6L8.

Debtor Company

- AND -

KPMG INC.

Trustee

**TRUSTEE'S REPORT ON CASH-FLOW STATEMENT
(Paragraphs 50(6)(b) and 50.4(2)(b))**

The attached statement of projected cash-flow of DENSI CORPORATION, as of the 18th day of May, 2017, consisting of the period from May 15, 2017 to May 26, 2017, has been prepared by the management of the insolvent Debtor Company for the purpose of the current procedures.

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

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

- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent Debtor Company or do not provide a reasonable basis for the projections, given the hypothetical assumptions; or
- c) the projection does not reflect the probable and hypothetical assumptions.

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

The projection has been prepared solely for the purpose of the current procedures notes and readers are cautioned that it may not be appropriate for other purposes.

Dated at Montreal, this 18th day of May, 2017.

KPMG INC.

Per: Dev A. Cobssa, CIRP, LIT