
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 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, Maxime Codere, CPA, CA, 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 27, 2017, Densi filed an Application seeking the issuance of an order extending the Stay Period until May 22, 2017 (the "**Application**").
4. The purpose of this Report is to provide this Honourable Court with information regarding Densi's activities since the filing of the NOI, as well as the Trustee's recommendation with respect to Densi's demand to extend the Stay Period, as set forth in the Application.

BACKGROUND INFORMATION

5. 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.
6. 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.
7. 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 FILING OF THE NOI

- 8. 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.
- 9. On March 24 2017, the Sale Process was launched by Densi under the supervision of the Trustee.
- 10. Between March 24 and March 27, 2017, a teaser (hereinafter the "**Teaser**") and a confidential information memorandum (hereinafter the "**CIM**") providing potential purchasers with a summary description of Densi's business and operations, the assets for sale and the terms and conditions of the Sale Process, were sent to approximately 80 potential purchasers. A copy of the Teaser and CIM are attached to this Report as **APPENDIX A**.
- 11. Pursuant to the CIM, all offers in respect of Densi's assets are to be submitted to the Trustee by no later than May 5, 2017, at 2pm (the "**Bid Deadline**").
- 12. Although Densi indicated to potential purchasers that it was open to entertain offers in bulk for all of its assets, a conscious decision was made, in order to maximize the value of these assets, to exclude from the Sale Process Densi's inventory, as such assets had a significant greater value if sold as part of Densi's ordinary course of business.
- 13. Indeed, during the week of March 20, 2017, the Trustee has retained the services of Service FL, in order to evaluate the liquidation value of Densi's inventory under a bankruptcy scenario. As appears from a preliminary report from Service FL dated March 24, 2017, filed as Exhibit R-2 of the Application, the value of Densi's inventory would be significantly depleted under a "*go dark*" scenario, where all operations of Densi would be shut down.
- 14. On the basis of this preliminary evaluation provided by Service FL, Densi, with the assistance of the Trustee, has analyzed various scenarios which indicates that notwithstanding the result of the Sale Process, Densi does not expect its creditors to be materially prejudiced should it continue its operations at least until the Bid Deadline, given the value of its inventory outside of a bankruptcy scenario.
- 15. On March 27, 2017, the Trustee, Densi and its legal advisors have meet with the FSTQ, Densi's largest creditor, to discuss the Company's plan going forward, including the Sale Process and the administration in general.

PRELIMINARY INDICATIONS OF INTERESTS

16. Since the launch of the Sale Process and even a few days before, Densi and the Trustee were advised by a few potential purchasers of their potential interest in the Sale Process. As of the date hereof, the Trustee and/or Densi have been approached by four (4) parties potentially interested in the Sale Process.
17. Densi and the Trustee intend to follow up with these potential purchasers in view of securing offers by the Bid Deadline.
18. In the meantime, and as previously discussed, Densi intends to continue to maintain its ongoing operations in order to continue generating sufficient liquidities to conduct such process and maximize the value of its assets for the benefit of its creditors.

CASH FLOW RESULTS RELATIVE TO PROJECTIONS

19. Cash receipts and disbursements for the 19 day period ended March 24, 2017 as compared to the cash flow projections, are summarized in the following table:

Densi Corporation			
Variance Analysis (Actuals vs. Projected Cash Flows)			
For the 19 days period March 6, 2017 to March 24, 2017			
	Actuals	Forecast	Variance
Cash Receipts			
Proceeds from sales	151 585	124 700	26 885
Total Receipts	151 585	124 700	26 885
Cash Disbursements			
Material	13 777	-	13 777
Payroll	37 172	30 000	7 172
Insurance	-	3 622	(3 622)
Rent	-	-	-
Utilities	977	8 568	(7 591)
Utility/UPS deposits	5 000	10 000	(5 000)
Transport	3 610	3 600	10
Consultants	-	2 000	(2 000)
Restructuring (Trustee and Legal)	72 365	25 000	47 365
Travel and meetings in sale process	-	-	-
Interest and back charge	194	625	(431)
Other	2 000	12 448	(10 448)
Total Disbursements	135 096	95 863	39 233
Net Cash Flow	16 489	28 837	(12 348)
Cash Position			
Opening Cash Position	224 890	219 088	5 802
Net Cash Flow	16 489	28 837	(12 348)
Closing Cash Position (net of Outstandings Cheques)	241 379	247 925	(6 546)

20. As at March 24, 2017, Densi's closing cash position was approximately \$288,000 and on a book basis was approximately \$241,000, net of cheques in circulation and accruals of approximately \$47,000, primarily related to restructuring fees.
21. The net cash flow during the period was approximately \$12,000 lower than projected. The primary reasons for the favorable net cash flow variance are summarized below:
 - a) Total cash receipts during the period were approximately \$27,000 higher than forecasted mainly due to some accounts receivable cashed earlier than forecasted; and

- b) Total cash disbursements during the period were approximately \$39,000 higher than forecasted mainly due to timing difference, lower operating expenses and utility deposits and higher restructuring fees.
22. 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.

UPDATED CASH FLOW PROJECTIONS

23. Densi has prepared the updated cash flow projections for the period commencing March 27, 2017 and ending on June 2, 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 B**;

Densi Corporation	
Projected Cash Flows	
For the 68 days period March 27, 2017 to June 2, 2017	
	Projected
Cash Receipts	
Proceeds from sales	495 202
Total Receipts	495 202
Cash Disbursements	
Material	3 967
Payroll	150 552
Insurance	13 931
Rent	72 618
Utilities	16 000
Utility deposits	18 750
Transport	12 000
Consultants	15 000
Restructuring (Professional fees & Valuation)	72 300
Restructuring (KERP)	75 000
Travel and meetings in sale process	10 000
Interest and back charge	2 050
Other	39 995
Total Disbursements	502 163
Net Cash Flow	(6 961)
Cash Position	
Opening Cash Position (net of Outstandings Cheques)	241 379
Net Cash Flow	(6 961)
Closing Cash Position	234 418

24. The Trustee notes the following with respect to the Projected Cash Flow:
- a) The Company opening cash balance as at March 27, 2017 was \$241,000, net of cheques in circulation and accruals of approximately \$47,000, 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 \$495,000;
- c) The Projected Cash Flow reflect that the total cash disbursements during the reference period is expected to be approximately \$502,000;
- d) The Projected Cash Flow reflect a small negative net cash flow during the reference period of approximately \$7,000; and

- e) The Projected Cash Flow reflect that the closing cash balance as at June 2, 2017 is expected to be approximately \$234,000; and
 - f) During the period of the Projected Cash Flow, Densi generates new sales for which an amount of accounts receivable of approximately \$204,000 is expected to be collected after June 2, 2017.
25. Based on the Projected Cash Flow, the Company has sufficient liquidity to fund its operating activities during the First Extension Period.

REQUEST FOR AN EXTENSION OF DELAY

26. As appears from the Application, the Company is seeking a 45-day extension of the Stay Period as it believes it will allow it to:
- a) Complete the Sale Process;
 - b) Maximize the chance of receiving one or several offers to present to the Court for approval;
 - c) Continue 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
 - d) Depending on the results of the Sale Process, submit to its creditors a viable proposal;
27. The Trustee supports the relief sought by the Company in its Application, 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 29 day of March 2017.

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



Maxime Codere, CPA, CA, CIRP, LIT
Designated Administrator
600 de Maisonneuve Blvd. West
Suite 1500
Montreal, QC H3A 0A3
(514) 840-2100

**APPENDIX A
TEASER AND
CONFIDENTIAL INFORMATION MEMORANDUM ("CIM")**



DENSI CORPORATION

March 24, 2017

CALL FOR TENDERS

Information Memorandum

kpmg.ca



KPMG Inc.
KPMG Tower
Suite 1500
600, de Maisonneuve Blvd. West
Montréal (Québec) H3A 0A3

Telephone (514) 840-2100
Fax (514) 840-2187
Internet www.kpmg.ca

March 24, 2017

Notice to potential bidders

Subject: DENSI CORPORATION

We hereby present the information memorandum in connection with the private call for tenders.

Should you have any questions, please do not hesitate to contact Maxime Codere at 514-940-7528.

KPMG INC.

Dev A. Coossa, CIRP, LIT
Partner

Maxime Codere, CPA, CA, CIRP, LIT
Vice-president



Table of Contents

1	Notice to reader	1
2	Introduction	2
3	Sale Procedures	3
4	Terms and Conditions of Sale	4
	Appendix A : Form of Tender	7
	Appendix B : Assets	9
	Appendix C : Confidentiality Agreement (NDA)	10



1 Notice to reader

Densi Corporation (hereinafter the “**Densi**” or the “**Company**”), started a restructuring process on March 6, 2017, by the filing of a notice of intention to file a proposal (hereinafter the “**NOI**”) pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act* (hereinafter the “**BIA**”). KPMG Inc. was appointed Trustee to the NOI (hereinafter the “**Trustee**” or “**KPMG**”).

As part of its restructuring process, Densi, with the support and supervision of KPMG, solicits offers for the purchase of its intellectual property (hereinafter the “**Assets**”), subject to the approval of the Superior Court of Québec (hereinafter the “**Court**”).

The Assets are described in **Appendix B**.

Densi will also consider offers in bulk for the sale of all of its assets.

This document has been prepared solely for the convenience of prospective purchasers (hereinafter “**Purchaser**” or collectively “**Purchasers**”) to assist them in their determination of whether they wish to submit a proposal offer to purchase the Assets.

Densi expressly advises, and the Purchaser acknowledges, that the Purchaser will not and should not solely rely on the information contained in this information memorandum in its consideration to submit an offer purchase all or part of the Assets.

KPMG has not independently verified any of the information contained herein and makes no express or implied representation or warranty as to the accuracy or completeness of such information. Nothing contained in this document is or should be relied upon as a representation with respect to the Assets.

Each Purchaser must rely upon on its own inspection and investigation in order to satisfy itself as to title, merchantability, encumbrances, description, fitness for purpose, quantity, condition, existence, value or any other matter or thing whatsoever relating to the Assets to be purchased.

The information contained herein has been prepared for the sole purpose of presenting to Purchaser an opportunity to purchase the Assets and such information is to be held in confidence and is not to be reproduced or used for any other purpose or disclosed to third parties without Densi’s prior written consent.

Neither this document, nor its delivery to any Purchaser, shall constitute an offer to sell any of the Assets.

2 Introduction

Densi is 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.

Founded in 1979, Densi is a privately owned company and a wholesale distributor of imaging supplies and parts for business copiers, printers, multi-function printers and other imaging equipment.

The majority of Densi's revenues are generated through the sale of merchandise to resellers via its online B2B store, which allows its customers to search its entire inventory of products, see real-time pricing and availability and place orders 24 hours per day, seven days a week.

Densi:

- 38 years in business;
- Represents approximately 200 manufacturers;
- Brand and Products present in 20 countries located on 3 continents;
- Carries approximately 8000 products;
- Currently has more than 1,150 active customers; and,
- Owns recognized brands:



DENSI TONE



3 Sale Procedures

Densi will consider offers to purchase its Assets, on an “as-is, where-is” basis, and without any warranty of any kind, whether express or implied.

Purchasers interested in evaluating a potential transaction regarding the purchase of Densi’s Assets may be provided access to relevant information and documentations upon executing the confidentiality agreement (NDA) appended at Appendix C hereto.

Densi’s representatives will make themselves available to answer any questions or queries which Purchasers may have.

All offers must be submitted in accordance with the Terms and Conditions of Sales detailed in Article 4 of this Information Package, as well as for the offer form enclosed in Appendix A.

The offers must be received on or before Friday May 5, 2017 at 2:00 PM Eastern Daylight Time (hereinafter “EDT”).

The offers must be received at the office of KPMG at the address below:

KPMG INC. Attn. Maxime Codere, CPA, CA, CIRP, LIT
600 de Maisonneuve Blvd. West, suite 1500
Montréal (Québec) Canada H3A 0A3

All contact by Purchasers should be made directly with the representative of KPMG referred below:

Maxime Codere, CPA, CA, CIRP, LIT
Vice-president
Telephone: (514) 940-7528
Fax: (514) 840-2121
Email: mcodere@kpmg.ca

The offers will be opened on **Friday May 5, 2017 at 3:00 PM EDT** at the office of KPMG in the presence of the representatives of Densi and the Purchasers wishing to be present.

All offers submitted to the Densi in accordance with the Terms and Conditions of Article 4 of the Information Package will be considered. If a party does not submit an offer in accordance with the Terms and Conditions of Sale described in Section 4 of this information memorandum, Densi will not be obligated in any way to consider said offer.

Purchasers are cautioned that the highest offer may not necessarily be accepted, nor will any of the offers submitted necessarily be accepted. Any offer will be subject to a formal purchase and sale agreement to be agreed and entered into with Densi, and will be subject to approval by the Court.



4 Terms and Conditions of Sale

1. Densi will consider written offers to purchase the Assets.

All offers must be marked “TENDER- DENSI CORPORATION » and must be received at the offices of KPMG at the following address on or before Friday May 5, 2017 at 2:00 PM EDT:

KPMG INC.

To the attention of Maxime Codere, CPA, CA, CIRP, LIT
600 de Maisonneuve Blvd. West, suite 1500
Montréal (Québec) H3A 0A3

2. All Purchasers submitting an offer declare, by the deposit of an offer, having inspected, examined and being satisfied with the Assets subject to the offer (including their title) and acknowledge that no representation, warranty, term, condition, understanding or collateral agreement, statutory or otherwise, is expressed or can be implied, with respect to title, merchantability, condition, description, fitness for purpose, quality, quantity or any other thing, affecting any of the Assets or in respect of any other matter or thing whatsoever except as expressly stated herein.
3. Without limiting the foregoing, each party submitting an offer acknowledges and agrees that each Asset is specifically offered on an "as is, where is" basis as each Asset will exist on the closing date..

Each party submitting an offer acknowledges that KPMG is not required to inspect or count, or provide any inspection or counting, of the Assets or any part thereof and such party shall be deemed, at its own expense, to have relied entirely on its own judgement, inspection and investigation. It shall be the sole responsibility of a Purchaser to obtain, at its own expense, any consent to such transfer and any further documents or assurance which is necessary or desirable in the circumstances. KPMG shall not be liable for any incorrect description, defect or condition of any of the Assets, and each person submitting an offer shall make no claim against KPMG or any of its directors, officers or employees in connection with the proposal for the purchase of any of the Assets.

4. The Assets will be available for inspection as described in section 3 (Sale Procedures).
5. Densi and KPMG shall not be required to provide or produce any document, title, statement or other document or proof of right to those already in his possession.
6. All offers must be signed by a duly authorized officer of the entity making the proposal.
7. All offers must specified the value allocated to each lot.
8. Where a proposal offer is subject to a condition, the offer shall state both the amount of the offer where the condition set forth in the offer is accepted by Densi and the amount of the offer where the condition is not accepted.
9. Where an offer is subject to a condition and the offer states only one amount, that amount shall be considered to be the amount of the offer even if the condition set forth in the offer is not accepted by Densi.

10. All offers must be accompanied by a bank draft or certified cheque payable to “KPMG INC. *In Trust*” in an amount equal to 15% of the gross purchase price offered for the Assets, which will be held in trust by KPMG. **If the transaction obtains the approval of the Court**, this draft or cheque shall be deemed a non-refundable cash deposit (the “**Deposit**”) and shall be held and applied against the purchase price at closing.

In addition, where the gross purchase price exceeds \$500,000, the Purchaser must provide documented evidence that it has the necessary financial resources to consummate the proposed transaction.

11. Densi reserves the right to amend or terminate the sale process at any time. The highest or any offer will not necessarily be accepted and the acceptance of any offer is at Densi sole and absolute discretion.
12. Densi can, in its sole discretion, waive any or all of the “**Terms and conditions of Sale**”, or to its notice of sale by tender.
13. If any offer is accepted by Densi, subject to the approval of the Court, Densi will notify the Purchaser within 5 working days, by notice in writing either delivered or email or by registered mail addressed to the Purchaser having submitted such offer at the address set forth in its offer, such notice to be deemed effectively given and received when deposited in the post office or when delivered or submitted by email as the case may be.
14. All deposits in respect of offers not accepted by Densi shall be returned to the parties having paid such deposits by prepaid registered mail, addressed to the party at the address set forth in its offer, without interest thereon.
15. Upon approval of a transaction by the Court, the Purchaser will have 10 business days following the issuance of an approval order by the Court to take possession of the Assets and make the full payment of the balance of the purchase price, including applicable taxes.
16. Densi shall remain in possession of and retain all rights, title and interest to the Assets until the purchase price has been paid in full.
17. If a Purchaser fails to comply with these Conditions of Sale, its deposit and all payments made thereon shall be forfeited to the Densi, who will be entitled to resell the Assets to another party and claim from the Purchaser any loss or damages resulting from such Purchaser’s failure to comply with the Conditions of Sale and close the sale transaction contemplated in its offer to Densi.
18. The submission of a proposal offer to Densi shall constitute an acknowledgment that the Purchaser has reviewed, understood, acknowledged and agreed to the terms of the accompanying “**Notice to Reader**”, as well as these “**Terms and Conditions of Sale**”.
19. Any sale of the Assets will be made without any warranty and at the risk of the Purchaser.
20. The balance of the purchase price will be paid by cash, certified check or bank draft, upon closing.

21. All applicable federal or provincial taxes in connection with the sale including provincial sales tax (PST) and Goods and Service Tax (GST), if any shall be over and above the purchase price and shall be in all cases the responsibility of the Purchaser.
22. The validity and interpretation of the Conditions of Sale and offer submitted or any agreement executed pursuant thereto shall be governed by the laws of Quebec.
23. Subject to paragraph 20, the purchase price for the Assets will be kept in trust by KPMG in an account at a financial institution and bearing interest, to be dealt according to the law.

Dated at Montréal, Québec, this 24th day of March 2017.



Appendix A : Form of Tender

To: Densi Corporation

Attention: KPMG INC. (Maxime Codere, CPA, CA, CIRP, LIT)
600 de Maisonneuve Blvd. West, suite 1500
Montréal (Québec) H3A 0A3

1. _____
(Name of the party issuing Proposal)

2. _____
(Address of Party)

3. _____
(Person to be contacted) (Phone number) (Fax number)

4.	Amount offered – Lot 1: Intellectual property (excluding the list of clients)	_____	\$
	Amount offered – Lot 2: List of active clients	_____	\$
	TOTAL	_____	\$

5. Please find enclosed my (our) certified check / my (our) bank draft payable to KPMG INC. In Trust, of an amount of \$ _____ which corresponds to 15% of the total above given.

Conditions:

-
6. This Proposal is submitted pursuant to the Terms and Conditions of Sale included in the Information Memorandum dated March 24, 2017.





Authorized signing Officer

Date

Appendix B : Assets

LOT 1 - Intellectual properties, including the following¹:

- 1- Densi Corporation tradenames;
- 2- Densi Corporation trademarks, as follow:

Application Number/ Numéro de l'application	Registration Number/No de l'enregistrement	Status/ Statut	Registered	Applicant	Logos	Next renewal/ Prochain délai
1683870	TMA958,539	Registered / Enregistrée	2016-12-21	Densi Corp		2031-07-21
1596911	TMA906,489	Registered / Enregistrée	2015-06-17	Densi Corp		2030-06-17
1736627	DEM 1736627	Formalized / Formalités accomplies		Densi Corp		
1413163	TMA759877	Registered / Enregistrée	2010-02-18	Densi Corp		2025-02-18

- 3- All other intellectual properties, including transactional website www.densi.com and phone number but excluding the List of active clients

LOT 2 - List of active clients¹:

Densi has more than 1,150 active customers in 4 countries located on 3 continents.

¹ Some of the Assets are subject of limited License Agreement



Appendix C : Confidentiality Agreement (NDA)

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT made the ____ day of _____, 2017.

BETWEEN:

Densi Corporation a corporation incorporated and subsisting under the Canada Business Corporation Act, and having its principal place of business at 1100 Parent Street, in the city of Saint-Bruno-de-Montarville, province of Quebec J3V 6L8 (hereinafter referred to as the “Company”)

and

**[NAME OF COMPANY WHO IS BEING ASKED TO SIGN
CONFIDENTIALITY AGREEMENT]**

a corporation incorporated and subsisting under the laws of _____, and having its principal place of business at _____

(hereinafter referred to as the “Recipient”)

WHEREAS the Company and the Recipient intend to initiate discussions in order to evaluate a possible transaction (the “Transaction”).

AND WHEREAS in the course of evaluating the Transaction, it may become necessary for the Recipient to obtain access to information and/or documentation that the Company considers to be of a confidential nature.

AND WHEREAS the Company wishes to define its rights and obligations with respect to any and all information provided to the Recipient in connection with the Transaction.

NOW THEREFORE in for other good and valuable consideration, the receipt and sufficiency of which is acknowledged by the parties, the parties hereby agree as follows:

1. “Confidential Information” shall be defined as any and all data and information in any format or form, electronic, written or oral, relating to the business, affairs or operations of the Company, which at any time may be communicated or revealed to the Recipient, either directly or indirectly, including, but not limited to, contracts, reports, memoranda, legal documentation, financial data, present or future business plans or strategies, customer data, technology, design and techniques, and any information related to the negotiations in connection with the Transaction, or any other information or documentation designated as such by the Company.

Confidential Information will not include information which:

- (a) has rightfully been in the possession of the Recipient prior to the date of disclosure of such information by the Company;
 - (b) has been in the public domain prior to the date of disclosure of such information by the Company;
 - (c) later becomes part of the public domain by publication or by other means except by means of an unauthorized act or omission on the part of the Recipient;
 - (d) is lawfully obtained by the Recipient from a third party independent of the Company who, to the knowledge of the Recipient, is not bound by any confidentiality obligation *vis-à-vis* the Company; or
 - (e) is required to be disclosed by order of a court or governmental or regulatory authority.
2. The Recipient acknowledges that there are no representations or warranties, whether express or implied, as to the accuracy or completeness of the Confidential Information.
 3. The Recipient agrees to provide the Confidential Information only to those of its directors, officers, employees, consultants, agents, advisors or representatives directly concerned with the evaluation of the Transaction who need to know the Confidential Information so as to enable the Recipient to evaluate the Transaction (collectively, the “Representatives”) and who agree to be bound by this agreement. The Recipient agrees to be responsible for and accepts liability in respect of any breach of this agreement, including the unauthorized disclosure or use of any Confidential Information, by any of its Representatives.
 4. The Recipient and its Representatives shall receive and maintain the Confidential Information in the strictest of confidence and shall only use the Confidential Information for the limited purpose of enabling the Recipient to evaluate the Transaction and for no other purpose or use, and shall not disclose such Confidential Information or any part thereof to any other person or entity except with the Company’s prior written consent and shall not be entitled to use, file or disclose in any other way the Confidential Information in any court proceedings.
 5. The Recipient and its Representatives agree that the Confidential Information is and shall remain the property of the Company and that they shall not copy or reproduce any written materials containing Confidential Information without the Company’s prior written consent, except as may be necessary for the purposes set out in Section 3.

6. At the option of the Company and upon its request, the Recipient and its Representatives shall promptly return or destroy all notes, memoranda, correspondence, documents and any other material containing or derived from Confidential Information, including all copies thereof, either furnished hereunder or prepared by the Recipient or its Representatives. Any destruction of such Confidential Information shall be confirmed in writing upon the request of the Company.
7. Without the prior written consent of the Company, the Recipient will not disclose to any person, except as may be necessary for the purposes set out in Section 3, the fact that the Confidential Information has been made available to the Recipient, that discussions or negotiations are taking place, or any other facts with respect to the Transaction, including the status thereof, except as required by law, and then only upon furnishing the Company with immediate written notice.
8. The Recipient agrees that a breach of any of the covenants set out herein shall have material adverse consequences to the Company and that damages arising from the said breach may be difficult to quantify. Accordingly, the Recipient agrees that should it, or any of its Representatives, breach any provision herein, in addition to any other right or remedy at law or in equity, the Company shall be entitled to an immediate injunction or other appropriate order to restrain any such breach by the Recipient without quantifying the damage sustained by the Company.
9. Until the earlier of:
 - (a) a definitive agreement regarding the Transaction having been executed by the Recipient and the Company; or
 - (b) two years from the date of this agreement;

the Recipient and its affiliates (including any corporate entity or person affiliated with, associated with, controlled by, in control of, or under common control with the Recipient) shall not initiate or maintain contact, except in the ordinary course of business, with any officer, director, employee, customer, supplier, competitor or sales representative of the Company, except with the express written permission of the Company. The Recipient and its affiliates further agree for the same period not to solicit for employment or contract for services any personnel now employed by the Company without the prior written permission of the Company, except that the Recipient shall not be precluded from hiring or employing any such person who (i) initiates discussions regarding such employment without any direct solicitation by the Recipient; (ii) responds to any public advertisement or other form of general solicitation placed by the Recipient; or (iii) has been terminated by the Company prior to commencement of employment discussions between the Recipient and such person.

10. The Recipient agrees to indemnify, defend, and hold the Company harmless from and against any and all loss, cost, expense, liability, claim or cause of action, including legal fees and other costs of litigation incurred in connection with such claims, which the Company may incur or be subject to arising from the breach of any provision of this agreement by the Recipient.
11. If any provision of this agreement is determined to be invalid or unenforceable in whole or in part, it shall be deemed not to affect the validity of the remaining provisions and each section of this agreement is hereby declared to be a separate and distinct provision.
12. Unless specifically terminated by a written agreement between the parties, this agreement shall remain in full force and effect for a period of two years from the date hereof.
13. This agreement will not be assigned by any party hereto without the prior written consent of the other party.
14. This agreement will be governed by and construed in accordance with the laws of the Province of Québec and the parties irrevocably attorn the jurisdiction of the courts of the Province of Québec.
15. This agreement constitutes the entire agreement between the parties and supersedes any and all prior understandings with regard to the subject matter hereof and will be binding upon the parties and their respective successors and assigns

IN WITNESS WHEREOF this agreement has been executed by the parties.

DENSI CORPORATION

by: _____

Name:

Title:

**[NAME OF COMPANY RECEIVING
INFORMATION]**

by: _____

Name:

Title:

Contact Information

Dev A. Coossa

Senior Vice-President

+1 (514) 840-2555

dcoossa@kpmg.ca

Maxime Codere

Vice-President

+1 (514) 940-7528

mcodere@kpmg.ca

Charles Nguyen

Senior Consultant

+1 (514) 840-2376

charlesnguyen@kpmg.ca

Unique opportunity

Densi Corporation (hereinafter the “**Densi**” or the “**Company**”), started a restructuring process on March 6, 2017, by the filing of a notice of intention to file a proposal (hereinafter the “**NOI**”) pursuant to Section 50.4 (1) of the *Bankruptcy and Insolvency Act* (hereinafter the “**BIA**”).

KPMG inc. has been appointed as trustee to the NOI.

As part of its restructuring process, Densi, with the support and supervision of KPMG, solicits offers for the purchase of its **intellectual property**, subject to the approval of the Superior Court of Québec.

Company profile

Densi is 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.

Founded in 1979, Densi is a privately owned distributor of imaging supplies and parts for business copiers, printers, multi-function printers and other imaging equipment.

Densi:

- ❖ Has more than 38 years in the business;
- ❖ Represents approximately 200 manufacturers;
- ❖ Densi Branded Products available in 20 countries located on 3 continents;
- ❖ Carries approximately 8000 products;
- ❖ Currently has approximately 1,150 active customers; and,
- ❖ Owns recognized brands.

Intellectual properties, including the following:

- ❖ Densi Corporation tradenames;
- ❖ Densi Corporation trademarks;
- ❖ List of clients;
- ❖ All other intellectual properties, including transaction website www.densi.com and phone number.



DENSI

DENSITONE

Densi will also consider offers in bulk for the sale of all of its assets.

Contact Information

Dev A. Coossa

Senior Vice-President

+1 (514) 840-2555

dcoossa@kpmg.ca

Maxime Codere

Vice-President

+1 (514) 940-7528

mcodere@kpmg.ca

Charles Nguyen

Senior Consultant

+1 (514) 840-2376

charlesnguyen@kpmg.ca

Important notice

This document contains basic information, statements and estimates provided to KPMG Inc. by the Company and its management.

This document contains certain statements, estimates and projections with respect to the anticipated future performance of the Company. Such statements, estimates and projections reflect various assumptions made by the management of the Company concerning anticipated results, which assumptions may or may not prove to be correct. No representation is made as to the accuracy of such statements, estimates and projections.

Any person including any purchaser referred to in this document or any business or assets referred to herein must satisfy himself as to all matters relating to that Company or such business assets including all the information and statement contained herein.

KPMG Inc. on behalf of itself and all other member firms of KPMG, and all partners, staff and agents thereof, does not accept responsibility for any information contained herein and disclaims all liability to any person or entity arising out of or in connection with such information. KPMG Inc. is a division of KPMG LLP which is authorized and regulated by the Financial Services Authority for investment business activities.

1. *The Comprehensive Economic and Trade Agreement (CETA) is a proposed trade agreement between Canada and the European Union*

**APPENDIX B
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
 S.C.: 01-Longueuil
 SUPER: 505-11-014522-176
 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:
 March 27 to June 2, 2017

Week ending	March 31	April 7	April 14	April 21	April 28	May 5	May 12	May 19	May 26	June 2	TOTAL
Bank Balance - beginning of week	241 379 \$	224 864 \$	180 892 \$	188 420 \$	241 348 \$	267 224 \$	208 510 \$	192 625 \$	233 049 \$	233 049 \$	241 379 \$
Receipts											
Proceeds from sales	80 499 \$	5 178 \$	47 577 \$	58 022 \$	74 921 \$	58 888 \$	25 000 \$	42 824 \$	71 500 \$	30 793 \$	495 202 \$
Total	80 499 \$	5 178 \$	47 577 \$	58 022 \$	74 921 \$	58 888 \$	25 000 \$	42 824 \$	71 500 \$	30 793 \$	495 202 \$
Disbursements											
Material	3 967 \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	3 967 \$
Payroll	65 342 \$	- \$	22 649 \$	- \$	22 649 \$	- \$	20 791 \$	- \$	19 121 \$	- \$	150 552 \$
Insurance	6 026 \$	- \$	- \$	2 694 \$	2 517 \$	- \$	2 694 \$	- \$	- \$	- \$	13 931 \$
Rent	- \$	36 309 \$	- \$	- \$	- \$	36 309 \$	- \$	- \$	- \$	- \$	72 618 \$
Utilities	4 000 \$	2 000 \$	4 000 \$	- \$	4 000 \$	2 000 \$	- \$	- \$	- \$	- \$	16 000 \$
Utility deposits	8 750 \$	- \$	10 000 \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	18 750 \$
Transport	1 200 \$	1 200 \$	1 200 \$	1 200 \$	1 200 \$	1 200 \$	1 200 \$	1 200 \$	1 200 \$	1 200 \$	12 000 \$
Consultants	- \$	2 500 \$	- \$	- \$	5 000 \$	2 500 \$	5 000 \$	- \$	- \$	- \$	15 000 \$
Restructuring (Professional fees & Valuation)	2 300 \$	- \$	- \$	- \$	- \$	35 000 \$	- \$	- \$	- \$	- \$	72 300 \$
Restructuring (KERP)	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	- \$	75 000 \$
Travel and meetings in sale process	200 \$	225 \$	- \$	- \$	- \$	- \$	10 000 \$	- \$	- \$	- \$	10 000 \$
Interest and back charge	5 229 \$	6 916 \$	2 000 \$	2 000 \$	200 \$	225 \$	200 \$	200 \$	200 \$	200 \$	2 050 \$
Other	- \$	- \$	6 916 \$	2 000 \$	13 479 \$	2 868 \$	1 000 \$	1 000 \$	5 503 \$	1 000 \$	39 955 \$
Total	97 014 \$	49 150 \$	40 049 \$	5 094 \$	49 045 \$	117 602 \$	40 885 \$	2 400 \$	26 024 \$	74 900 \$	502 163 \$
Excess of receipts over disbursements	(16 515) \$	(43 972) \$	7 528 \$	52 928 \$	25 876 \$	(58 714) \$	(15 885) \$	40 424 \$	45 476 \$	(44 107) \$	(6 961) \$
Bank balance - end of week	224 864 \$	180 892 \$	188 420 \$	241 348 \$	267 224 \$	208 510 \$	192 625 \$	233 049 \$	278 525 \$	234 418 \$	234 418 \$

Notes: During the period of March 27 and June 2, 2017, Densi generates new sales for which an amount of approximately \$204,000 is expected to be cashed after June 2, 2017.

As at March 24, 2017, Densi's closing cash position was approximately \$289,000 and on a book basis was approximately \$241,000, net of cheques in circulation and accruals of approximately \$47,000, primarily related to restructuring fees.

Dated March 28, 2017

Densi Corporation

Per: Eric Melka

KPMG INC.

Per: Maxime Coderre, CMA, CA, CFP, FTI

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 28th day of March, 2017 consisting of the period from March 27, 2017 to June 2, 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 28th day of March, 2017.

DENSI CORPORATION



Per: Eric Melka



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 28th day of March, 2017, consisting of the period from March 27, 2017 to June 2, 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:

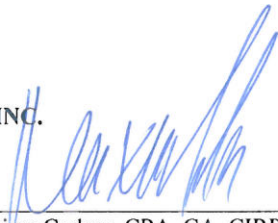
- a) the hypothetical assumptions are not consistent with the purpose of the projection;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the insolvent Debtor Company or do not provide a reasonable basis for 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 28th day of March, 2017.

KPMG INC.


Per: Maxime Codere, CPA, CA, CIRP, LIT