

District of Ontario
Division No. 07-Hamilton
Court File No. 32-2683371
Estate No. 32-2683371

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF
WELLAND FORGE CORP.
OF THE CITY OF WELLAND,
IN THE REGIONAL MUNICIPALITY OF NIAGARA,
IN THE PROVINCE OF ONTARIO.

FIRST REPORT OF THE PROPOSAL TRUSTEE
NOVEMBER 19, 2020

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Introduction

1. This report ("**First Report**") is filed by BDO Canada Limited in its capacity as proposal trustee (in such capacity, the "**Proposal Trustee**") in connection with a Notice of Intention to Make a Proposal ("**NOI**") filed on October 27 2020 ("**Proposal Proceeding**") by Welland Forge Corp. ("**WFC**" or the "**Company**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("**BIA**"). A copy of the Certificate of Filing a Notice of Intention to Make a Proposal is attached as **Appendix "I"**.
2. Welland Forge Corp. ("**WFC**" or the "**Company**") is an Ontario corporation located in Welland, Ontario. Prior to ceasing operations in late October 2020, the Company provided custom metal forgings to create high strength metal parts for various industries, including automotive, truck and trailer, and oil and gas.
3. As is further explained below, according to WFC, the Company's business is no longer economically viable and has not been for at least the past four years. Due to growing operating losses exacerbated by the departure of a significant customer in October 2020, the Company recently decided to wind down its business.
4. The alternative to a successful Proposal Proceeding is a bankruptcy liquidation. The proposal to be made by the Company ("**Proposal**") is supported by the Company's parent company G & J Capital Inc. ("**G&J**"). G&J supports the Proposal so that WFC may:
 - a. effect an orderly, transparent, and court-supervised wind-down of operations;
 - b. ensure that the Company's senior secured lender is unaffected by the Proposal, as is required by the terms of a forbearance agreement;
 - c. ensure that the Company's unsecured creditors, particularly employees, have an opportunity for a better outcome than would occur in a bankruptcy proceeding.
5. The First Report is submitted by the Proposal Trustee in conjunction with WFC's motion for an order:

- a. approving the sale of three discrete items of forging equipment to a sister company;
- b. granting an Administration Charge (as defined below) in favour of the Professional Group (defined below); and
- c. approving the First Report and the activities of the Proposal Trustee as set out herein.

Purpose of First Report

6. The purpose of this First Report is to provide the Court and creditors with information related to the relief sought by the Company. This First Report provides:
 - a. information regarding the Company, its financial position, and the purpose of the Proposal Proceedings;
 - b. a description of the activities of the Proposal Trustee;
 - c. a discussion of the Company's request for the Administration Charge; and
 - d. information related to the proposed sale by the Company of three items of machinery and equipment to a related party.
7. This Report should be read in conjunction with the affidavit of Shawn Parnham, WFC's Chief Financial Officer, to be sworn (the "**Parnham Affidavit**").

Restrictions

8. In preparing this First Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company's representatives, the Company's books and records and discussions with its representatives. The Proposal Trustee has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information relied upon in this First Report is based on assumptions formulated by the Company's representatives regarding future events; actual results achieved may vary from this information and these variations may be material.
9. All references to dollars are in Canadian currency unless otherwise specified.

Background

10. Prior to its cessation of operations and NOI filing, Welland Forge had operated for 55 years as a closed-die forging operation providing forged and heat treated metal components to the lifting, oil and gas, mining, construction automotive, truck and trailer, and oil and gas sectors.
11. The Company, which is privately owned, operated from an 11.6 acre leased premises located at 139 Centre Street, Welland, Ontario.
12. According to WFC, the Company has experienced increasing financial difficulties over the past several years. WFC has incurred approximately \$5 million in aggregate operating losses over the last five years.
13. Operating losses were compounded by the loss of the Company's largest customer in early 2020 to competition in India. This customer accounted for approximately 65% of sales. The loss of this customer meant that the business was no longer viable.
14. The Company has advised the Proposal Trustee that as of the date of the NOI filing, WFC does not have any contracts or ongoing operations, except for the limited ongoing delivery of finished goods to wind down its remaining inventory.
15. In all of the above circumstances, the purpose of the NOI filing is to:
 - a. Obtain a stay of proceedings and to preserve the status-quo while permitting a court supervised wind-down of operations and disposition of certain discrete assets;
 - b. Present a proposal to unsecured creditors that affords them an opportunity to realize a greater return than they would in a hard-stop liquidation bankruptcy scenario.
16. The NOI filing allows the Company to maintain control of its assets. Management will work to collect the Company's accounts receivable and realize on WFC's equipment in an orderly fashion, and under the supervision of this Court and the Proposal Trustee.

Financial Position of the Company

The Toronto-Dominion Bank

17. WFC, as guarantor, is a party to a \$65 million credit agreement between G&J, as borrower, The Toronto-Dominion Bank (“TD”), as administrative agent on its own behalf and on behalf of certain other lenders (collectively, the “Lenders”), dated February 19, 2019 (“Credit Agreement”). The agreement was amended on June 30, 2020. In addition to WFC, there are several other related entity guarantors that are parties to the Credit Agreement.
18. As security for the Credit Agreement, TD has a general security interest against all of WFC’s assets that is registered under the *Personal Property Security Act* R.S.O. 1990, c. P. 10, as amended (the “PPSA”).
19. TD has advised WFC that the Company’s insolvency and these Proposal Proceedings are defaults under the Credit Agreement. Subject to certain conditions and covenants, TD has agreed to forbear from exercising its rights under the Credit Agreement to facilitate WFC’s wind down, liquidation and proposal to unsecured creditors.
20. TD, WFC, G&J and the related corporate guarantors entered into a Forbearance Agreement, dated October 27, 2020 (“Forbearance Agreement”).
21. The Forbearance Agreement, among other things, requires WFC to obtain an order lifting the stay of proceedings in the Proposal Proceeding to permit TD to exercise any and all rights and remedies available to TD in respect of WFC and its property (“Lift Stay Order”). The Company sought and obtained the Lift Stay Order on October 29, 2020.
22. It is also a condition of the Forbearance Agreement that any proposal made by WFC stipulate that TD is an unaffected creditor.
23. The Proposal Trustee has requested a legal opinion on the validity and enforceability of TD’s security from Miller Thomson. At the time of this First Report, Miller Thomson is in the process of completing the legal opinion.

Xerox Canada Ltd.

24. In addition to TD, Xerox Canada Ltd. ("**Xerox**") has also registered a security interest against the Company under the PPSA as security for the lease of photocopiers to WFC. The assets that WFC is proposing to sell are not subject to Xerox's security interest.

Other Creditors

25. WFC is indebted to related parties in the approximate amount of \$8,500,000 as at October 27, 2020. This amount includes an estimated \$1,800,000 owing to Welland Forge Land Corp., the Company's landlord, and \$6,600,000 owing to G&J. The related parties have advised the Proposal Trustee that they intend to postpone the related party debt for the benefit of the unsecured creditors.
26. The Company's remaining creditors are trade creditors who are owed approximately \$750,000 as at October 27, 2020.

Former Employees

27. As indicated, the Company does not have any ongoing operations. All 65 of its employees were terminated prior to the NOI filing (the "**Former Employees**"). Of these Former Employees, approximately 45 are unionized and represented by Unifor Local 523.
28. The Company has advised the Proposal Trustee that WFC paid the Former Employees all outstanding wages and vacation pay prior to the NOI Filing. WFC is current with its payroll remittance obligations to Canada Revenue Agency ("**CRA**").
29. The Company has also advised the Proposal Trustee that there may exist certain claims by Former Employees for, among other things, termination and severance pay. According to WFC, these claims total approximately \$2,065,000.

Activities of the Proposal Trustee

Notice to Creditors

30. In accordance with its obligations under the BIA, the Proposal Trustee mailed notices to all known creditors of the Company regarding the filing of the NOI on October 27, 2020.
31. These notices were in two different forms: i) one for the trade and other creditors and, ii) one for the Former Employees. The notice to the Former Employees provided additional details to address any questions the Former Employees may have regarding the Proposal Proceeding.
32. In addition, the Proposal Trustee has created and will post certain court documents and other information about the Proposal Proceeding on its website for these proceedings: <https://www.bdo.ca/en-ca/extranets/wellandforge>.

Cash Flow Projection

33. The Company's cash flow projection and related assumptions for the 13 week period ending January 30, 2021, together with management's report on the cash flow projection (as required under subsection 50.4(2)(c) of the BIA) is attached as **Appendix 'II'**.
34. Based on the Proposal Trustee's review of the cash flow projection, there are no material assumptions which seem unreasonable in the present circumstances. The Proposal Trustee's report for the Company on the cash flow projection (as required under subsection 50.4(2)(b) of the BIA) is attached as **Appendix 'III'**.

Monitoring Receipts and Disbursements

35. The Proposal Trustee has arranged reporting and monitoring processes with the Company's management, including reviewing all of WFC's cash flow, financial reporting, and receipts and disbursements on a weekly basis.

Communicating with Creditors

36. The Proposal Trustee has and continues to field calls, answer questions and update the Former Employees and other creditors on the Proposal Proceedings.
37. The Proposal Trustee has also had discussions with Unifor Local 523 to maintain transparency and encourage open communication with respect to the Proposal Proceeding.
38. The Proposal Trustee also continues to report to TD regarding key events in the administration and the status of the Proposal Trustee's weekly monitoring of the Company.

Proposed Sale of Certain Assets to Related Entity

39. The Company's assets include accounts receivable ("**A/R**") and certain machinery and equipment ("**Equipment**" and together with A/R, the "**Assets**"). WFC's management has been instrumental in the collection of A/R since the beginning of the Proposal Proceedings.
40. The Equipment consists of approximately sixty discrete items of forging machinery and equipment ranging in size from small saws and drills to large furnaces and presses.
41. The Assets are subject to TD's security interest.

Prior Marketing and Going Concern Sale Efforts

42. In 2016 WFC (and certain related entities) retained KPMG Corporate Finance Inc. ("**KPMG**"), as its financial advisor with a mandate to pursue a going concern sale of WFC's business and the business of certain related entities ("**2016 Sales Process**").
43. In furtherance of the 2016 Sales process, KPMG identified 30 potential strategic buyers for WFC's business. However, only nine of these potential purchasers requested and received a Confidential Information Memorandum ("**CIM**").

44. The Company has advised the Proposal Trustee that the 2016 Sales Process did not result in any offers for WFC's business.
45. WFC (and certain other related entities) retained KPMG again in the summer of 2018 in a second attempt to market and divest the business as a going concern ("**2018 Sales Process**").
46. In furtherance of the 2018 Sales Process, KPMG expanded its list of global strategic buyers to 76 (from the original 30 potential purchasers). Of these potential acquirers, 27 requested and received a CIM.
47. The Proposal Trustee understands that as was the case with the 2016 Sales Process, the 2018 Sales Process unfortunately did not result in any offers for WFC's business.
48. Further details of the Company's unsuccessful attempts to achieve going concern sale value are set out in the Parnham Affidavit.

Sale of Purchased Assets

49. In an effort to further assess its options, the Company retained Platinum Asset Appraisals ("**Platinum**") on August 11, 2020 to appraise the Equipment on a forced liquidation basis. A copy of Platinum's appraisal is attached as **Confidential Appendix "I"**.
50. In the course of its appraisal, Platinum took into account certain key facts and made certain key assumptions, including:
 - i. The nature of the Equipment is such that it is very expensive to remove and relocate;
 - ii. Maximizing the realization value of the Equipment would require at least twelve to eighteen months;
 - iii. Values in the appraisal reflect gross realization numbers post-pandemic. For the reasons explained below, it is probable that gross realizations would be less if the Equipment is sold during the pandemic.

51. Subsequent to the delivery of the appraisal, Platinum reported to the Proposal Trustee that if the Company conducted a sale of its Assets in the next 90 days, the proceeds could be substantially less than even the appraised values, and that some assets would likely remain unsold. Taking into account the ongoing global pandemic, the depressed current economic climate in Ontario, and the approaching holiday season slowdown in business activity, Platinum has opined that it is reasonable to expect a discount on gross realizations in the order of 20% - 30% compared to appraised values. This opinion also takes into account the fact that pandemic related restrictions on potential US buyers entering Canada remain in place and buyers are generally unwilling or unable to travel. Based on the nature of the assets, it is unlikely that a buyer would make a purchase offer "sight unseen" unless such offer was made at a significant discount.
52. As described in the Parnham Affidavit, IMT Partnership Port Colbourne Forge ("**Purchaser**") is a related entity forgery operation based in Port Colbourne, Ontario, approximately 14 kilometres from WFC.
53. The Purchaser has identified three items of WFC's Equipment that the Purchaser believes it can relocate, install and utilize in its own forgery operations in Port Colbourne (collectively the "**Purchased Assets**"):
- a. Erie 4,000 Metric Ton Press (the "**Erie Press**");
 - b. National 4" Upsetter (the "**Upsetter**"); and
 - c. Miller 200 AMP TIG Welder.
54. Subject to court approval, the Purchaser and WFC intend to document the sale by way of bill of sale ("**Sale Transaction**"). A copy of the Bill of Sale is attached as **Appendix "IV"**.
55. Pursuant to section 65.13 of the BIA, an insolvent person subject to NOI proceedings may not sell or dispose of its assets outside of the ordinary course of business unless authorized by the Court.
56. Section 65.13(4) of the BIA also lists criteria to be considered by the Court when

determining whether to approve a proposed transaction.

57. In the case of a sale to a related person, section 65.13(5) of the BIA provides that the Court must be satisfied that good faith efforts were made to sell or otherwise dispose of assets to non-related parties. A Court must also be satisfied that the consideration to be received is better than the consideration that would have been received from any other offer made in accordance with the process leading to the proposed sale.
58. The Proposal Trustee is of the view that the process leading to the Sale Transaction was reasonable in the circumstances because:
 - a. The purchase price for the Purchased Assets is significantly higher than Platinum's assessment of the liquidation value of the Purchased Assets;
 - b. There were two recent unsuccessful sales processes run by KPMG that did not result in offers for any part of WFC's business. It is unlikely that embarking on such a process - for yet a third time- would yield any different or better result, let alone achieve greater realizations such as would begin to offset the costs of a further sale process;
 - c. Due to the size and nature of the Purchased Assets (particularly the extremely large 4,000 metric ton Erie Press) it is extremely costly to remove and relocate the Purchased Assets even to a facility that is as close as PC Forge. The fact that PC Forge is situated relatively close to WFC represents a unique opportunity to redeploy the equipment in an economic manner.
 - d. The Trustee is not aware of any opposition to the Sales Transaction; and
 - e. TD is supportive of the Sale Transaction
59. The Proposal Trustee supports the Sale Transaction for the following reasons:
 - a. The proceeds of the Sale Transaction almost certainly exceed potential realizations (if any) of the Purchased Assets in a bankruptcy proceeding due to

the unique nature of the equipment (viz. aged, difficult to relocate, forgery industry specific, etc.);

- b. The purchase price is greater than Platinum's appraisal of the specific pieces of equipment, even at a pre-pandemic level;
 - c. The Erie Press weighs approximately 420,000 lbs. and the Company has advised the Proposal Trustee that it has no scrap value; and
 - d. The giant scale of the Erie Press and Upsetter, and enormous costs to decommission, move and re-install are a deterrent to potential purchasers. The Purchaser has estimated that the cost to move the Erie Press and the Upsetter will exceed \$1.3 million.
60. The Proposal Trustee has determined that a Sale Transaction is more beneficial than a liquidation of the Purchased Assets in failed proposal and ensuing bankruptcy proceeding because in a bankruptcy proceeding:
- a. a trustee in bankruptcy will incur additional costs;
 - b. the Company's management may be less inclined to assist in the realization process in a bankruptcy shut-down;
 - c. TD may enforce its rights under its security; and
 - d. WFC's customers may be less receptive to the A/R collection efforts of a trustee in bankruptcy, resulting in reduced overall realizations.
61. The Company has advised the Proposal Trustee that they intend to liquidate the remaining Equipment in due course.
62. The Company has advised the Proposal Trustee that those creditors with PPSA registrations will be provided with notice of the motion for approval of the Sale Transaction.
63. The relevant union has also been made aware of the proposed Sale Transaction and appears to be accepting of it in the circumstances.

64. The Proposal Trustee is of the view that the Company has acted in good faith in its efforts to realize going concern and other value from the entire company, including the three discrete items of equipment that are the subject of the proposed sale.

Administration Charge

65. The Company is requesting a \$200,000 first ranking priority charge over all of the Company's assets, undertaking, and property (the "**Administration Charge**") in favour of the Proposal Trustee, the Proposal Trustee's legal counsel, Miller Thomson LLP, and the Company's legal counsel, Mandorin, Snyder LLP (collectively the "**Professional Group**") to secure payment of their professional fees and disbursements.
66. As set out in the Parnham Affidavit, the Company believes that the Administration Charge is essential to a successful Proposal Proceeding and wind down of the Company.
67. The participation of the Professional Group is critical to a successful Proposal Proceeding and will, collectively, include necessary activities such as:
- a. Administration and monitoring of the Proposal Proceedings, including preparing reports to creditors, the Official Receiver, and this Court as may be required by the BIA;
 - b. Preparing, updating and reviewing the Company's cash flows and related financial disclosures;
 - c. Corresponding with the Company's stakeholders, as required;
 - d. Preparing, drafting and filing all necessary court materials; and
 - e. Providing general corporate and specialized restructuring advice to the Company.
68. Because of their familiarity with the Company's business and their specialized experience in proposal proceedings generally, the services to be provided by the Professional Group are important components of the Proposal Proceeding. Further, the Professional Group has and will work cooperatively to ensure there is no unwarranted duplication of work performed.

69. The Proposal Trustee is of the view that the Administration Charge is appropriate in these circumstances:
- a. The proposed services add value and are essential to a successful Proposal Proceeding;
 - b. It is necessary for the Company to pay the reasonable fees and disbursements of the Professional Group;
 - c. The Professional Group is not willing to assume the risk of extending credit to the Company in connection with the Proposal Proceedings. It is unlikely that the Professional Group will continue to participate in the Proposal Proceedings unless their reasonable fees and disbursements are secured by way of the proposed Administration Charge;
 - d. The quantum of the proposed Administration Charge is reasonable given the nature and scope of the services to be provided; and
 - e. TD is supportive of the Administrative Charge.
70. The Company has advised the Proposal Trustee that all creditors having PPSA registrations against the Company will be served with the motion record.
71. Representatives of the union are also on notice of this motion and have been consulted.

Conclusion and Recommendation

72. In all of the above circumstances, the Proposal Trustee respectfully recommends the Court grant the relief sought by the Company.

All of which is respectfully submitted this 19th day of November, 2020.

BDO CANADA LIMITED

in its capacity as Proposal Trustee under the
Notice of Intention to Make a Proposal
filed by Welland Forge Corp. and not in its
personal capacity

Per:



Vince Siciliano, CPA, CGA, CIRP, LIT
Senior Vice President

APPENDIX 'I'

District of Ontario
Division No. 07 - Hamilton
Court No. 32-2683371
Estate No. 32-2683371

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

Welland Forge Corp.
Insolvent Person

BDO CANADA LIMITED / BDO CANADA LIMITÉE
Licensed Insolvency Trustee

Date of the Notice of Intention: October 27, 2020

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: October 27, 2020, 12:32

E-File/Dépôt Electronique

Official Receiver

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

Canada

APPENDIX 'II'

IN THE MATTER OF THE PROPOSAL OF
WELLAND FORGE CORP.
OF THE CITY OF WELLAND,
IN THE REGIONAL MUNICIPALITY OF NIAGARA,
IN THE PROVINCE OF ONTARIO.

STATEMENT OF PROJECTED CASH-FLOW
FOR THE PERIOD ENDING JANUARY 30, 2021

	7-Nov-20	14-Nov-20	21-Nov-20	28-Nov-20	5-Dec-20	12-Dec-20	19-Dec-20	26-Dec-20	2-Jan-21	9-Jan-21	16-Jan-21	23-Jan-21	30-Jan-21
RECEIPTS													
Accounts receivable collections (CDN)	\$ 160,189	\$ 3,638	\$ 30,454	\$ 112,007	\$ 4,383	\$ 92,898	\$ 33,060	\$ 33,060	\$ 53,496	\$ 33,060	\$ 33,060	\$ 33,060	\$ 24,360
Accounts receivable collections (USD)	262,050	240,758	259,603	89,954	118,185	282,614	115,205	78,926	78,926	78,926	78,926	78,926	58,156
HST re-laid				5,000		5,000							
Government Grants (CEWS/Duty)	422,239	304,336	290,057	236,561	122,568	128,235	380,512	148,265	132,422	111,986	111,986	111,986	82,516
DISBURSEMENTS													
Legal fees				22,600				22,600					22,600
Professional fees (Proposal Trustee and counsel)				45,200				45,200					45,200
Transportation	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,000
Customs Duties				3,000				3,000					3,000
Utilities (Gas, Hydro, Water)			10,000	5,000		10,000	5,000	5,000				10,000	5,000
Salaries and Wages		22,500		22,500			22,500	22,500					
Group Benefits (Manulife)				28,000			28,000	28,000					
Temp Labour	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000					3,000
Sales Commission				3,000			3,000	3,000					2,000
IT/Communication				2,000			2,000	2,000					
Security		67,800		28,250			28,250	28,250					5,000
Other Site Remediation				11,300			11,300	11,300					11,300
Miscellaneous	10,750	101,050	20,750	186,600	10,750	33,250	20,750	197,900	3,750	3,750	3,750	10,000	108,400
PROJECTED WEEKLY CASH FLOW													
CASH BALANCE	411,489	203,346	269,307	50,361	111,818	94,985	359,762	(49,635)	128,672	108,236	108,236	101,986	(25,884)
Opening Position per ... Books	\$ 227,338	\$ 638,828	\$ 842,174	\$ 1,111,481	\$ 1,161,842	\$ 1,273,660	\$ 1,368,645	\$ 1,728,407	\$ 1,678,771	\$ 1,807,443	\$ 1,915,680	\$ 2,023,916	\$ 2,125,902
Ending Position per ... Books	\$ 638,828	\$ 842,174	\$ 1,111,481	\$ 1,161,842	\$ 1,273,660	\$ 1,368,645	\$ 1,728,407	\$ 1,678,771	\$ 1,807,443	\$ 1,915,680	\$ 2,023,916	\$ 2,125,902	\$ 2,100,018

Welland Forge Corp.
Per: 
Peter Naumis, B. Comm., CTRP, LIT
Vice President

Nov 4, 2020
Date

This statement of projected cash-flow for Welland Forge Corp. has been prepared in accordance with section 30(6) of the Bankruptcy and Insolvency Act, and should be read in conjunction with Trustee's Report on Cash-Flow, dated November 4, 2020.

**IN THE MATTER OF THE PROPOSAL OF
WELLAND FORGE CORP.
OF THE CITY OF WELLAND,
IN THE REGIONAL MUNICIPALITY OF NIAGARA,
IN THE PROVINCE OF ONTARIO.**

Report on Cash-flow Statement by the Company Making the Proposal

Welland Forge Corp. (the "Company") has developed the assumptions and prepared the attached statement of projected cash-flow of the insolvent person, as of the 4th day of November, 2020, consisting of the Statement of Projected Cash-Flow and Notes and Assumptions to the Statement of Projected Cash-Flow.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in Note 1, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions have been disclosed in Notes 2 - 5.

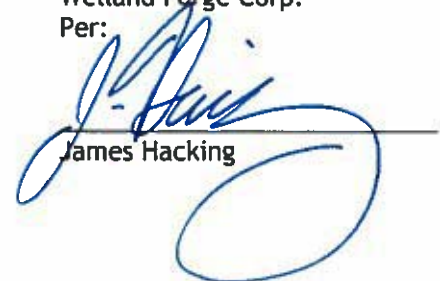
Since the projection is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The projection has been prepared solely for the creditors of the Company for the purpose described in Note 1, using a set of probable and hypothetical assumptions set out in Notes 2 - 5. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at Welland, Ontario, this 4th day of November, 2020.

Welland Forge Corp.

Per:



James Hacking

APPENDIX 'III'

**IN THE MATTER OF THE PROPOSAL OF
WELLAND FORGE CORP.
OF THE CITY OF WELLAND,
IN THE REGIONAL MUNICIPALITY OF NIAGARA,
IN THE PROVINCE OF ONTARIO.**

Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) of the Act)

The attached statement of projected cash-flow of Welland Forge Corp. (the "Company"), as of the 4th day of November, 2020, consisting of an unaudited monthly cash flow statement, has been prepared by the Company for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Note 2 - 5.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the 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 the insolvent person 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 the insolvent person are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

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

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

Dated at Mississauga, Ontario, this 4th day of November, 2020.

BDO CANADA LIMITED

Trustee

Per:



Peter Naumis, B. Comm., CIRP, LIT
Vice President

APPENDIX 'IV'



139 Centre Street,
P.O. Box 216
Welland, On L3B 5P4
Phone: (905) 732-7536

2020-11-16

BILL of SALE

Assets sold to:

IMT Partnership (PC Forge)
837 Reuter Road
Port Colborne, ON
L3K 5V7

Forging cell 705

Erie 4000 metric ton press s/n 990380
Blow, 300 ton trim press s/n H559
Elevator dumper
Prohlich 65" vibratory Billet Feeder
Cross feed conveyer
Raydyne billet furnace
Outfeed conveyor

Upsetter cell 804

National 4" upsetter s/n 14467
Ajax induction furnace
Raw material dumper
Outfeed conveyors
Jib crane with hoist

Miller, 200 amp tig welder, syncrowave 200

All assets sold as is.

Lot price of \$200,000