

Ira Smith

From: Ira Smith
Sent: January-03-14 3:09 PM
To: colby@fredtayar.com; clinthwaite@fredtayar.com
Subject: First Supplementary Report to the First Report Volume 1 - MPH Graphics Inc.

Importance: High

Further to your advice as to His Honour's comments regarding the Proposal Trustee's First Report Volume 1 and specifically wishing a more affirmative comment regarding the Company's ability to make a viable Proposal, we advise as follows:

1. The Proposal Trustee's current understanding, based on the creditor list (copy attached) and updated information from legal counsel to Royal Bank of Canada, is that the secured creditor debt to be paid out of the sales proceeds of \$1,763,000 (prior to consideration of any adjustment in the purchase price as per the Stalking Horse APA and not including HST) is the amount of \$1,468,665. This is allocated to Royal Bank \$590,000, BDC \$52,500 and the "Pugh" entities \$826,165. The Company's cash flow filed in these proceedings indicates that the indebtedness to RBC will not materially fluctuate during the Stalking Horse Sales Process.
2. This will leave net proceeds of \$294,335.
3. The Amended Stalking Horse APA (as amended this afternoon) and the Stalking Horse Process, provides the Company with the best possibility, currently known to the Proposal Trustee, of making a viable Proposal and the Company is working diligently in this process.
4. The results of the Stalking Horse Sales Process, the actual as compared to the budgeted cash flow wish to make will ultimately determine the Company's ability to make a viable Proposal.

Please apologize to His Honour for our use of an email. Our office annually shuts down over the Holiday period and this year reopens on Monday, January 6, 2014. This was the only method possible for the Proposal Trustee to provide a Supplementary Report and is not our normal practice.

Yours truly

IRA SMITH TRUSTEE & RECEIVER INC.
Trustee in re the Proposal of
MPH Graphics Inc.

Ira Smith
President



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