

CANADA

ONTARIO SUPERIOR COURT OF  
JUSTICE  
In Bankruptcy and Insolvency

Province of Ontario  
District of: Ontario  
Division No. 09-Mississauga  
Court No. 32-2154391  
Estate No. 32-2154391

**Notice of Proposal to Creditors**  
(Section 51 of the Act)

**In the Matter of the Proposal of  
8635919 Canada Inc. (formerly operating as iTravel2000)  
of the City of Mississauga  
in the Province of Ontario**

Take notice that 8635919 Canada Inc. (formerly operating as iTravel2000), of the City of Mississauga, in the Province of Ontario, has lodged with Richter Advisory Group Inc. (the "**Proposal Trustee**") a proposal under the *Bankruptcy and Insolvency Act*.

A copy of the proposal, a condensed statement of the debtor's assets and liabilities and a list of the creditors affected by the proposal are enclosed herewith.

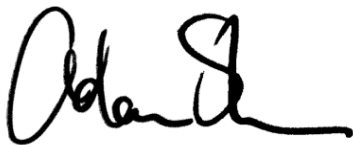
A general meeting of the creditors will be held at Davies Ward Phillips & Vineberg LLP, 155 Wellington St. West, Toronto ON M5V 3J7, on September 30, 2016 at 2:30 PM.

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

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

Dated at Toronto, in the Province of Ontario, this 20<sup>th</sup> day of September, 2016.

Richter Advisory Group Inc.  
Trustee acting *in re* the proposal of  
8635919 Canada Inc. (formerly operating as iTravel2000)



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Montréal, Toronto

(français – recto)



**IN THE MATTER OF THE PROPOSAL OF  
8635919 CANADA INC. (FORMERLY OPERATING AS ITRAVEL 2000)  
OF THE CITY OF MISSISSAUGA,  
IN THE PROVINCE OF ONTARIO**

**PROPOSAL**

8635919 Canada Inc. (formerly operating as iTravel 2000) (the "**Company**"), hereby submits the following Proposal under Part III, Division I the *Bankruptcy and Insolvency Act* (Canada), R.S.C. (1985), c.B-3, as amended.

## ARTICLE 1 – INTERPRETATION

### Section 1.1 Definitions

In this Proposal, the following terms shall have the following meanings:

- (a) **“Act”** means the *Bankruptcy and Insolvency Act* (Canada), R.S.C. (1985), c.B-3, as it may be amended from time to time;
- (b) **“Administrative Fees and Expenses”** means the fees, expenses and disbursements of the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Company based upon time spent at standard billing rates that are incurred in connection with the NOI proceedings of the Company, this Proposal, and any subsequent proposal of the Company;
- (c) **“Affected Claims”** means all Claims and D&O Claims that are not Unaffected Claims;
- (d) **“Affected Creditor”** means a Creditor holding an Affected Claim, but only in respect of such Affected Claim;
- (e) **“Aldenham”** means Aldenham Canada Acquisition Corporation, a Related Party and Secured Creditor of the Company owed approximately \$10,829,998 as at the NOI Filing Date;
- (f) **“Approval Order”** means a Final Order, in a form satisfactory to the Company and the Proposal Trustee, approving the Proposal, to be granted pursuant to the provisions of the Act;
- (g) **“Available Funds”** means funds totaling the sum of:
  - (i) All of the Company’s cash flow generated by the Company’s operations (including, without limitation, proceeds from the sale of any assets not included in the Transaction and the collection of accounts receivables) net of any amounts thereof used by the Company in the ordinary course of its business including, but not limited to, the payment of employee compensation, rent and applicable taxes; and
  - (ii) All consideration paid to or received by the Company pursuant to the Transaction, less all commissions, expenses, fees and applicable taxes;
- (h) **“Business Day”** means any day other than a Saturday or a Sunday or any day on which banks are generally not open for business in Toronto, Ontario;
- (i) **“Claim”** means (i) any right or claim of any Person against the Company in connection with or relating to any indebtedness, liability, action, cause of action, suit, debt due, trust obligation, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever, whether liquidated,

unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known, unknown, disputed or undisputed and whether by guarantee, surety, subrogation or otherwise in any way, and whether in whole or in part, incurred or arising or relating to the period prior to or existing on the NOI Filing Date with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts, events or matters which existed or occurred on or before the NOI Filing Date; (ii) any Landlord Repudiation Claim; and (iii) any Restructuring Claim.

- (j) **"Claims Bar Date"** has the meaning ascribed to it in Section 4.7 of this Proposal;
- (j) **"Company"** has the meaning ascribed to it in the preamble of this Proposal;
- (k) **"Court"** means the Ontario Superior Court of Justice;
- (l) **"Creditor"** means any Person holding one or more Claims which have not been finally and conclusively disallowed;
- (m) **"Creditors' Meeting"** means the meeting of the Creditors called for the purpose of considering and voting upon the Proposal;
- (n) **"Creditors' Meeting Date"** means such date and time as may be called by the Proposal Trustee, but in any event shall be no later than twenty-one (21) days following the filing of this Proposal with the Official Receiver;
- (o) **"D&O Claim"** means any right or claim of any Person against one or more of the Directors or Officers however arising, whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known, unknown, disputed or undisputed including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, including any right of contribution or indemnity, for which any Director or Officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a Director or Officer;
- (p) **"Directors"** means all current and former directors (or their estates) of the Company, in such capacity, and "Director" shall mean any one of them;
- (q) **"Disputed Claim"** means any Claim or D&O Claim which has been received by the Proposal Trustee in accordance with the terms of this Proposal and the Act but has not been accepted as proven in accordance with section 135 of the Act or which is being disputed in whole or in part by the Proposal Trustee, or any other person entitled to do so and has not been resolved by agreement or by Final Order of the Court;
- (r) **"Distribution Fund"** means a fund of \$100,000 set aside from the Available Funds that the Proposal Trustee will distribute to Proven Affected Creditors on

account of Proven Affected Claims in accordance with Section 3.3 of this Proposal;

- (s) **"Effective Date"** means two (2) Business Days following the satisfaction of the conditions set out in Section 5.1 of this Proposal, on which date this Proposal shall become effective;
- (t) **"Elleway"** means Elleway Properties Limited, a Related Party and Creditor of the Company owed approximately \$10,372,353 as at the NOI Filing Date;
- (u) **"Final Distribution Notice"** has the meaning ascribed to it in Section 4.1 of the Proposal;
- (v) **"Final Order"** means an order of the Court where (i) the applicable appeal periods have expired; or (ii) in the event of an appeal or application for leave to appeal or to stay, vary, supersede, set aside or vacate such order, there is a final determination dismissing such appeal or application or an abandonment of such appeal, whether by agreement or by the applicable court or appellate tribunal;
- (w) **"Inspectors"** means the inspectors of the Company that are appointed in accordance section 56 of the Act;
- (x) **"Landlord Repudiation Claim"** means any right or claim of any Person that arises as a result of a disclaimer or resiliation of a Lease by the Company pursuant to section 65.2(1) of the Act;
- (y) **"Lease"** means any lease, sublease, license agreement to lease, offer to lease or other agreement or arrangement, whether written, oral or otherwise pursuant to which the Company has or had a right to occupy premises, and includes all amendments and supplements thereto and all ancillary documents relating thereto and for greater certainty, excludes any lease of personal property;
- (z) **"Mandatory Payment Claims"** means Claims that are:
  - (i) any right or claim of Her Majesty in right of Canada or any province of Canada that is set out in section 60(1.1) of the Act payable as of the NOI Filing Date; and
  - (ii) Claims of former or current employees of the Company to the extent such Claims are required to be paid by section 60(1.3) of the Act;
- (aa) **"NOI"** means a Notice of Intention to Make a Proposal;
- (bb) **"NOI Filing Date"** means the date on which the Company filed a NOI with the Office of the Superintendent in Bankruptcy, specifically August 10, 2016;
- (cc) **"Officers"** means all current and former officers (or their estates) of the Company, in such capacity, and "Officer" shall mean any one of them;

- (dd) **"Official Receiver"** shall have the meaning ascribed to it in the Act;
- (ee) **"Person"** means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (ff) **"Preferred Claim"** means a Claim or any portion of a Claim that is entitled to receive payment in priority to other Affected Creditors as provided in section 136 of the Act;
- (gg) **"Preferred Creditor"** means any Creditor holding a Preferred Claim, but only in respect of such Preferred Claim;
- (hh) **"Proof of Claim"** shall mean the proof of claim form delivered by a Creditor to the Proposal Trustee in accordance with the Act prior the Creditors' Meeting;
- (ii) **"Proposal"** means this Proposal made pursuant to the Act, as further amended or supplemented from time to time;
- (jj) **"Proposal Payments"** has the meaning ascribed to it in Section 3.3 of this Proposal;
- (kk) **"Proposal Trustee"** means Richter Advisory Group Inc., solely in its capacity as Proposal Trustee in these proceedings;
- (ll) **"Proven Affected Claim"** means the amount or any portion of an Affected Claim that is accepted as proven by the Proposal Trustee pursuant to section 135 of the Act and determined for distribution purposes in accordance with this Proposal and the provisions of the Act;
- (mm) **"Proven Affected Creditor"** means a Creditor holding a Proven Affected Claims, but only in respect of such Proven Affected Claim;
- (nn) **"Related Party"** means a Person that is a "related person" (as defined in section 4(2) of the Act) to the Company;
- (oo) **"Related Party Claim"** means any Claim held by a Related Party, including Aldenham and Elleway;
- (pp) **"Released Claims"** has the meaning ascribed to it in Section 9.1 of this Proposal;
- (qq) **"Released Parties"** has the meaning ascribed to it in Section 9.1 of this Proposal;
- (rr) **"Required Majority"** means a majority in number and two-thirds in value of all Proven Affected Claims of Creditors entitled to vote, who are present and voting at the Creditors' Meeting (whether in person, by proxy or by voting letter) in accordance with the voting procedures established by this Proposal and the Act;

- (ss) **"Restructuring Claim"** means any right or claim of any Person against the Company, other than a Landlord Repudiation Claim, in connection with any indebtedness, liability or obligation of any kind owed to such Person arising out of the restructuring, the disclaimer or the termination of any contract, lease, employment agreement, or any other agreement, whether written or oral, after the NOI Filing Date, including any right of any Person that arises as a result of a resiliation or disclaimer of an agreement by the Company pursuant to section 65.11 of the Act;
- (tt) **"Secured Claim"** means Claims in respect of which a Creditor holds Security that is validly attached and perfected as of the NOI Filing Date, provided however such Claims shall be Secured Claims only to the extent of the realizable value of the assets secured by the Security, as such realizable value is determined (i) by agreement between the Creditor holding such Security and the Company, with consent of the Proposal Trustee; or (ii) by the Court;
- (uu) **"Secured Creditor"** means a Creditor holding a Secured Claim, but only in respect of such Secured Claim;
- (vv) **"Security"** means a mortgage, hypothec, pledge, charge, lien, encumbrance or security interest on or against the property of the Company or any part thereof as security for a debt due or accruing due to a creditor by the Company, whether by way of direct indebtedness or by way of guarantee, indemnity, surety or otherwise;
- (ww) **"Superintendent's Levy"** has the meaning ascribed to it in section 147 of the Act and is payable to the Superintendent in Bankruptcy, appointed pursuant to section 5 of the Act;
- (xx) **"Transaction"** shall have the meaning ascribed to it in Section 2.1; and
- (yy) **"Unaffected Claims"** means (i) any Claims in respect of Administrative Fees and Expenses; (ii) any Secured Claims; (iii) any Related Party Claims (including, for greater certainty, any Claim of Elleway); and (iv) the Claims of Directors or Officers of the Company for indemnity pursuant to the indemnities provided by the Company.

## **Section 1.2 Articles of Reference**

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

### **Section 1.3 Headings**

The division of this Proposal into parts, paragraphs and subparagraphs, and the insertion of headings herein, is for convenience of reference only and is not to affect the construction or interpretation of this Proposal.

### **Section 1.4 Date for Action**

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

### **Section 1.5 Time**

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

### **Section 1.6 Numbers and Gender**

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

### **Section 1.7 Currency**

Unless otherwise stated herein, all references to currency and to "\$" in this Proposal are to lawful money of Canada.

### **Section 1.8 Statutory References**

Except as otherwise provided herein, any reference in this Proposal to a statute includes all regulations made hereunder, all amendments to such statute or regulation(s) in force as at the NOI Filing Date, and any statute or regulation that supplements or supersedes such statute or regulation(s).

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

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

## **ARTICLE 2 – PURPOSE OF THE PROPOSAL**

### **Section 2.1 Background to the Proposal**

On July 7, 2016, the Company entered into a sale agreement with Red Label Holdings Inc., the parent company of TravelBrands and Redtag.ca, for the sale of substantially all of the Company's business and assets (the "**Transaction**"). The Transaction closed on August 4, 2016.



On August 10, 2016 the Company filed an NOI in order present a proposal under the Act to its Creditors.

The Company's assets and property, including the proceeds of the Transaction, are subject to a Secured Claim of Aldenham and a Claim of Elleway. As part this Proposal, Aldenham agrees that if the conditions precedent set out in Section 5.1 of this Proposal are satisfied, it will subordinate and postpone its Secured Claim to allow for the payment by the Company of the Superintendent's Levy, any Administrative Fees and Expenses, the Preferred Claims, the Mandatory Payment Claims and the creation of the Distribution Fund to be distributed *pro-rata* on account of Proven Affected Claims. As part of this Proposal, Elleway also agrees that if the conditions precedent set out in Section 5.1 of this Proposal are satisfied, it will waive any right to receive a distribution *pro-rata* with Proven Affected Creditors from the Distribution Fund on account of its Claim.

## **Section 2.2 Purpose of the Proposal**

The purpose of the Proposal is to allow the Company to complete a restructuring of its indebtedness in the manner contemplated herein and as permitted by the Act in the expectation that all stakeholders of the Company will derive a greater benefit from the restructuring contemplated by this Proposal than they would otherwise receive from a bankruptcy of the Company.

## **ARTICLE 3- DISTRIBUTIONS AND PAYMENTS**

### **Section 3.1 Arrangements with Aldenham**

Aldenham agrees to the following terms in order to facilitate the implementation and funding of this Proposal:

- (b) its Secured Claim, including all accrued interest, shall remain unaffected by this Proposal and remain due and owing to Aldenham and the Security granted by the Company to Aldenham shall remain in full force and effect in accordance with its terms with the priority as between Aldenham and the other Secured Creditors remaining the same as it was on the day before the NOI Filing Date;
- (c) Aldenham agrees to forbear from enforcing its Security and Secured Claim until the occurrence of the earliest of (i) the bankruptcy of the Company; (ii) implementation of the Proposal and filing by the Proposal Trustee of the certificate of performance in accordance with Section 6.4 of this Proposal; and (iii) annulment of the Proposal; and
- (d) Aldenham agrees that if the conditions precedent set in Section 5.1 of this Proposal are satisfied it will subordinate and postpone its Secured Claim to the extent of the Proposal Payments and permit payments from the Available Funds in accordance with Section 3.3 of this Proposal.

### Section 3.2 Arrangements with Elleway

Elleway agrees to the following terms in order to facilitate the implementation and funding of this Proposal:

- (a) its Claim, including all accrued interest, shall remain unaffected by this Proposal and remain due and owing to Elleway and the Security granted by the Company to Elleway shall remain in full force and effect in accordance with its terms with the priority as between Elleway and the other Creditors remaining the same as it was on the day before the NOI Filing Date;
- (b) Elleway agrees to forebear from enforcing its Security and Claim until the occurrence of the earliest of (i) the bankruptcy of the Company; (ii) implementation of the Proposal and filing by the Proposal Trustee of the certificate of performance in accordance with Section 6.4 of this Proposal; and (iii) annulment of the Proposal; and
- (c) Elleway agrees that if the conditions precedent set in Section 5.1 of this Proposal are satisfied, it will postpone its Claim, permit payments from the Available Funds in accordance with Section 3.3 of this Proposal and waive any right to receive a distribution *pro-rata* with Proven Affected Creditors from the Distribution Fund on account of its Claim.

### Section 3.3 Payments from the Available Funds

Subject to the terms and conditions set forth in this Proposal, the following payments will be made from the Available Funds:

- (a) Administrative Fees and Expenses: subject to Section 7.3 hereof, all Administrative Fees and Expenses as and when due in the ordinary course of business, in priority to all other Claims in accordance with the Act;
- (b) Superintendent's Levy: the Superintendent's Levy shall be paid in full;
- (c) Mandatory Payment Claims: Mandatory Payment Claims shall be paid in full;
- (d) Preferred Creditors: Preferred Claims shall be paid in full, without interest; and
- (e) Unsecured Claims: \$100,000 of the Available Funds shall be set aside by the Proposal Trustee to comprise of the Distribution Fund which shall be distributed *pro-rata* to Proven Affected Creditors on account of their Proven Affected Claims (other than D&O Claims) at such times, if any, as the Proposal Trustee shall determine in consultation with the Inspectors.

(collectively, the "Proposal Payments").

### **Section 3.4 Payments to the Proposal Trustee**

Within five (5) Business Days of the Approval Order being issued and entered, the Company shall transfer from the Available Funds to the Proposal Trustee an amount equal to the Proposal Payments and an amount equal to an estimate, agreed to between the Proposal Trustee and the Company, of the Administrative Fees and Expenses of the Proposal Trustee and its counsel necessary to complete the NOI proceedings and implement this Proposal.

### **Section 3.5 Timing of Payments**

Subject to any reserves that may be required as determined by the Proposal Trustee, the Proposal Trustee shall make the distributions and payments contemplated herein as soon as practically possible thirty (30) days after sending the Final Distribution Notice

The Proposal Trustee may make interim distributions after the Effective Date provided there are sufficient reserves from the Available Funds for Disputed Claims and Claims and D&O Claims that the Proposal Trustee has notice or knowledge of but for which a Proof of Claim has not been filed.

## **ARTICLE 4 - CLAIMS PROCESS, CLASSIFICATION OF CREDITORS AND RELATED MATTERS**

### **Section 4.1 Claims Process**

In order to be eligible to vote at the Creditors' Meeting, each Creditor shall file a Proof of Claim with the Proposal Trustee in accordance with the applicable provisions of the Act, and shall specify every Claim and D&O Claim it asserts against the Company and/or the Directors and Officers.

In accordance with section 149 of the Act, prior to the final distribution from the Available Funds, the Proposal Trustee shall give notice by mail (the "**Final Distribution Notice**") to every known Creditor who did not file a Proof of Claim.

In order to receive a distribution from the Available Funds, a Creditor must submit a Proof of Claim prior to the Claims Bar Date.

### **Section 4.2 Landlord Claim**

A Creditor holding a Landlord Repudiation Claim shall only file a Proof of Claim in respect such Landlord Repudiation Claim in an amount calculated in accordance with section 65.2(4) of the Act unless otherwise agreed in writing by the applicable Creditor and the Company, with consent of the Proposal Trustee.

### **Section 4.3 Set-Off**

The law of set-off applies to all Claims.

#### **Section 4.4 Claims for Voting Purposes**

Each Affected Creditor as at the date of the Creditors' Meeting shall be entitled to a single vote valued at the amount of its Affected Claim or portion of its Affected Claim, if any, that has been accepted by the Proposal Trustee for voting purposes without prejudice to the rights of the Company, the Proposal Trustee and the Creditor to have the quantum of any Disputed Claim finally determined for the purposes of receiving its share of the Available Funds, if any or for the purposes of determining whether this Proposal was approved by the Required Majority.

Without limiting the foregoing, Disputed Claims shall be tracked by the Proposal Trustee for voting purposes but Disputed Claims will not be considered for the purposes of determining the Required Majority.

#### **Section 4.5 Disputed Claims**

Any Creditor with a Disputed Claim shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless and until such Claim becomes a Proven Affected Claim. Distributions pursuant to Section 3.3 hereof shall be made in respect of any Disputed Claim that is finally determined to be a Proven Affected Claim.

#### **Section 4.6 D&O Claims**

All D&O Claims, except those not permitted to be released pursuant to section 50(14) of the Act, shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without consideration on the Effective Date.

#### **Section 4.7 Claims Bar**

Any Creditor who does not prove their Claim or D&O Claim on the date that is thirty (30) days of the mailing the Final Distribution Notice sent by the Proposal Trustee pursuant to the section 149 of the Act (the "**Claims Bar Date**"), shall forever be barred from making a Claim or D&O Claim or sharing in any distribution provided for in this Proposal, subject to any exception set out in sections 149(2), (3), (4) and 150 of the Act and on the Effective Date, any such Claim or D&O Claim will be irrevocably released and discharged pursuant to the terms of this Proposal, regardless of whether such Creditor was sent the Final Distribution Notice by the Proposal Trustee or whether such Creditor received such notice.

#### **Section 4.8 Class of Creditors**

For the purpose of considering and voting upon and receiving distributions under this Proposal, there shall be one class of Affected Creditors.

#### **Section 4.9 Creditors' Meeting, Proxies and Voting Letters**

The Company shall hold the Creditors' Meeting on the Creditors' Meeting Date, at a location to be determined by the Proposal Trustee. Notice shall be provided to all known Creditors in accordance with the Act.

Proxies, as provided for in the Act indicating a Person authorized to act on behalf of a Affected Creditor may be submitted to the Proposal Trustee at, or any time prior to, the commencement of the vote on the Proposal at the Creditors' Meeting.

Voting letters as provided for in the Act submitted to the Proposal Trustee prior to the Creditors' Meeting must indicate whether the Affected Creditor wishes to cast its vote in favour of or against the Proposal. Voting letters that do not indicate either preference will be deemed to indicate a vote in favour of the Proposal.

Persons in attendance at the Creditors' Meeting shall cast their vote in the manner prescribed by the Proposal Trustee and the Act. All votes will be recorded and tabulated by the Proposal Trustee, who may seek the assistance of the Court with respect to any dispute arising from or out of the tabulation of votes. For greater certainty, Creditors shall not be entitled to vote the value of their Unaffected Claims.

A quorum shall be constituted for the Creditors' Meeting or any adjournment thereof if there is one Affected Creditor (a) that is entitled to vote, present in person or by proxy, or (b) has submitted a voting letter in accordance with the provisions of the Act and this Proposal. If the requisite quorum is not present at the Creditors' Meeting or if the Creditors' Meeting has to be postponed for any reason, then the Creditors' Meeting shall be adjourned by the Proposal Trustee to such date, time and place as determined by the Proposal Trustee. For greater certainty, the Creditors' Meeting may be adjourned one or more times in accordance with section 52 of the Act.

#### **Section 4.10 Approval of Creditors**

In order to be approved and binding on all Affected Creditors in accordance with the Act, the Proposal must be accepted by an affirmative vote of the Required Majority.

#### **Section 4.11 Modifications of the Proposal**

Subject to the consent of the Proposal Trustee, at any time prior to holding the Creditors' Meeting or at the Creditors' Meeting, the Company may file any modification, amendment or supplement of and to the Proposal, by way of amended proposal, and file such amended proposal with the Official Receiver as soon as practical, in which case any such amended proposal or proposals shall, for all purposes, be and be deemed to be part of and incorporated into the Proposal.

At the Creditors' Meeting, the Proposal Trustee or chair of the Creditors' Meeting shall provide all Affected Creditors in attendance with details of any modifications or amendments of and to the Proposal prior to the vote being taken to approve the Proposal. After the Creditors' Meeting (and both prior to and subsequent to the issuance of the Approval Order), the Company may at any time and from time to time vary, amend, modify or supplement the Proposal with consent of the Proposal Trustee, if such variation, amendment, modification or supplement is of a minor, immaterial or technical nature or would not be materially prejudicial to the interest of any of Affected Creditor and is necessary in order to give effect to the substance of the Proposal or the Approval Order.

## **ARTICLE 5- CONDITIONS PRECEDENT**

### **Section 5.1 Conditions Precedent to the Implementation of the Proposal**

The implementation of the Proposal and distributions contemplated hereunder is subject to the satisfaction of the following conditions precedents:

- (a) The Proposal shall be approved by the Required Majority at the Creditors' Meeting;
- (b) The Approval Order shall be issued and entered; and
- (c) All other actions, documents and agreements necessary to implement this Proposal as required herein or otherwise by the Proposal Trustee shall have been effected and executed.

If approval by the Required Majority is obtained, the Proposal Trustee shall file with the Court an application for the Approval Order no later than five (5) Business Days following the Creditors' Meeting or such other date as the Court may order, which application shall be heard as soon as possible according to the procedure set out in section 58 of the Act.

If the Proposal is not approved by the Required Majority at the Creditors' Meeting, the Proposal Trustee shall report on the results of the vote as required under section 57 of the Act and the Company shall be deemed bankrupt in accordance with the Act.

## **ARTICLE 6 - TREATMENT OF CREDITORS**

### **Section 6.1 Effect of this Proposal**

On the Effective Date, the treatment of Claims under this Proposal shall be final and binding on the Company and all Creditors (and their respective heirs, executors, administrators, legal or personal representatives, successors and assigns) and the Proposal will constitute:

- (a) full, final and absolute settlement of all rights of all Affected Creditors; and
- (b) as applicable, an absolute release and discharge of all indebtedness, liabilities and obligations of the Company in respect of all Claims other than Unaffected Claims, and related Security, including any interest accrued, costs or other rights arising after the NOI Filing Date.

### **Section 6.2 Unaffected Claims**

Notwithstanding anything to the contrary herein, this Proposal does not compromise, release or otherwise affect any Unaffected Claims.

### **Section 6.3 Consents and Waivers**

On the Effective Date, all Affected Creditors shall be deemed to have consented and agreed to all of the provisions of the Proposal in its entirety. Each Affected Creditor will be deemed to have

waived any default by the Company in any provision, express or implied or in any agreement, whether written or oral, existing between the Affected Creditor and the Company that occurred on or prior to the Effective Date. Each Affected Creditor will be deemed to have agreed that, to the extent there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of the Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

#### **Section 6.4 Certificate of Performance**

Upon completion of the payments and distributions contemplated herein, the Proposal shall have been fully performed and the Proposal Trustee shall issue to the Company and file with the Court the certificate referred to in section 65.3 of the Act.

#### **Section 6.5 Discharge of the Proposal Trustee**

Upon filing the certificate referred to in section 65.3 of the Act, the Proposal Trustee shall have discharged its duties as Proposal Trustee and the Proposal Trustee shall be entitled to apply for its discharge as Proposal Trustee in accordance with the Act.

### **ARTICLE 7- PROPOSAL TRUSTEE**

#### **Section 7.1 Liability of the Proposal Trustee**

The Proposal Trustee is acting solely in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee shall incur any liabilities or obligations in connection with the Proposal or in respect of the business or obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute wilful misconduct or gross negligence.

#### **Section 7.2 Indemnity of the Proposal Trustee**

The Proposal Trustee shall be indemnified in full by the Company for all personal liability arising from fulfilling any duties or exercising any powers or duties conferred upon it by this Proposal or under the Act, except for any liability incurred as result of willful misconduct or gross negligence.

#### **Section 7.3 Fees of the Proposal Trustee**

The Court shall review and approve the Proposal Trustee's and counsel to the Proposal Trustee's fees, expenses and disbursements. The Proposal Trustee and its counsel will be entitled to be paid regular interim fees, expenses and disbursements upon approval by Affected Creditors, the Inspectors, or the Court.

## ARTICLE 8 - INSPECTORS

### Section 8.1 Appointment and Roles of Inspectors

At the Creditors' Meeting, the Proven Affected Creditors will be entitled to appoint one or more, but not exceeding five (5) Inspectors, whose powers shall be as follows:

- (a) advising the Proposal Trustee in respect of such matters as the Proposal Trustee may refer to the Inspectors;
- (b) exercising all powers given to the Inspectors of a bankrupt estate appointed pursuant to the provisions of the Act;
- (c) altering or extending the time for payments to be made pursuant to this Proposal, but not the total amount paid;
- (d) the power to waive any default in the performance of any provision of this Proposal; and
- (e) advising the Proposal Trustee concerning any Disputed Claim under this Proposal including the settlement of same.

### Section 8.2 Liability of the Inspectors

The Inspectors shall not have any liability to the Creditors or the Company for exercising any of the powers given to them under this Proposal or the Act.

## ARTICLE 9 - RELEASES

### Section 9.1 Proposal Releases

On the Effective Date, (i) the Company's employees and contractors, each Director and Officer, and their respective heirs and assigns, and (ii) the Proposal Trustee, the Proposal Trustee's counsel, and each and every present and former shareholder, affiliate, subsidiary, director, officer, member, partner, employee, auditor, financial advisor, legal counsel and agent of any of the foregoing Persons (each of the Persons named in (i) or (ii) of this Section 9.1, in their capacity as such, being herein referred to individually as a "**Released Party**" and all referred to collectively as "**Released Parties**") shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature, including claims for contribution or indemnity which any Creditor or other Person may be entitled to assert, including claims that are liquidated, unliquidated, fixed, contingent, matured, unmatured, legal, equitable, present, future, known, unknown, disputed, undisputed or whether by guarantee, by surety, by subrogation or otherwise incurred and whether or not such a right is executory in nature, including, for greater certainty, any Affected Claim based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing or other



occurrence existing or taking place on or prior to the Effective Date that constitute or are in any way relating to, arising out of or in connection with any Affected Claims, the business and affairs of the Company whenever or however conducted, the administration and/or management of the Company, the Proposal, or any document, instrument, matter or transaction involving the Company taking place in connection with the Proposal (referred to collectively as the “**Released Claims**”), shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, all to the fullest extent permitted by governing law; provided that nothing herein will waive, discharge, release, cancel or bar (a) the right to enforce the Company’s obligations under the Proposal; (b) any Unaffected Claim; or (c) any D&O Claim that is not permitted to be released pursuant to section 50(14) of the Act.

## **ARTICLE 10 - MISCELLANEOUS**

### **Section 10.1 Post Filing Goods and Services**

Claims arising in respect of goods supplied, services rendered or other consideration given to the Company, with the acceptance of the Company, subsequent to the NOI Filing Date shall be paid in full from the Available Funds in the ordinary course of business and on regular trade terms.

### **Section 10.2 Non Severability**

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

### **Section 10.3 Applicable Law**

This Proposal will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

### **Section 10.4 Reviewable Transactions**

The provisions of sections 95 to 101, inclusively, of the Act and any similar provision of any federal or provincial statute shall not apply to this Proposal.

### **Section 10.5 Further Assurances**

Each of the Persons named or referred to in, or subject to, this Proposal will execute and deliver all such documents and instruments and do all such actions and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal and to give effect to the transactions contemplated herein.

### **Section 10.6 Report of the Proposal Trustee**

The Proposal Trustee will prepare a report on the Proposal, which will be filed with the Official Receiver and the Court and distributed to Affected Creditors pursuant to the Act.

**Section 10.7 Annulment**

If this Proposal is annulled by an order of the Court, all Security, agreements and other arrangements with Secured Creditors that existed prior to the NOI Filing Date will be deemed to continue in full force and effect, as if this Proposal had been rejected at the Creditors' Meeting and the forbearance, subordination and postponement provided in Section 3.1 and 3.2 of this Proposal shall have no force and effect, provided that all payments on account of Claims made pursuant to the terms of this Proposal will reduce the Claims of the applicable Creditors.

***[SIGNATURE PAGES FOLLOW]***

Dated at Toronto this 9<sup>th</sup> day of September, 2016.

8635919 CANADA INC.

Per: Adrian Cobbold  
Name: Adrian Cobbold  
Title: Vice President Finance

Aldenham and Elleway have executed an acknowledgement and agreement on the following pages

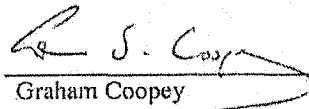
**ACKNOWLEDGEMENT AND AGREEMENT OF  
ELLEWAY PROPERTIES LIMITED**

The undersigned hereby acknowledges and agrees to the provisions of the 8635919 Canada Inc.'s Proposal dated September 9, 2016 including, without limitation, the postponement of its loans and waiver of distribution rights under the Proposal contemplated in Section 3.2 thereof.

Dated at \_\_\_\_\_ this 9<sup>th</sup> day of September, 2016.

**ELLEWAY PROPERTIES LIMITED**

Per:  
Name:  
Title:

  
Graham Coopey

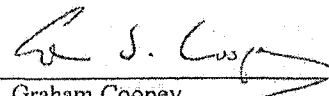
**ACKNOWLEDGEMENT AND AGREEMENT OF  
ALDENHAM CANADA ACQUISITION CORPORATION**

The undersigned hereby acknowledges and agrees to the provisions of the 8635919 Canada Inc.'s Proposal dated September 9, 2016 including, without limitation, the postponement and subordination of its secured loans contemplated in Section 3.1 thereof.

Dated at \_\_\_\_\_ this 9<sup>th</sup> day of September, 2016.

**ALDENHAM CANADA ACQUISITION CORPORATION**

Per:  
Name:  
Title:

  
\_\_\_\_\_  
Graham Coopey

District of: Ontario  
Division No. 09 - Mississauga  
Court No. 32-2154391  
Estate No. 32-2154391

☒ Original

☐ Amended

-- Form 78 --

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

In the Matter of the Proposal of  
8635919 Canada Inc. (formerly operating as iTravel2000)  
Of the City of Mississauga  
In the Province of Ontario

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 10th day of August 2016. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A" .....	224,690.77	1. Inventory .....	0.00
Balance of secured claims as per list "B" .....	19,102,584.62	2. Trade fixtures, etc. ....	0.00
Total unsecured creditors .....	19,327,275.39	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B" .....	2,276,422.92	Good .....	972,805.75
3. Preferred creditors as per list "C" .....	0.00	Doubtful .....	190,221.58
4. Contingent, trust claims or other liabilities as per list "D"	0.00	Bad .....	0.00
estimated to be reclaimable for .....		Estimated to produce .....	782,584.17
Total liabilities .....	21,603,698.31	4. Bills of exchange, promissory note, etc., as per list "F" ...	0.00
Surplus .....	NIL	5. Deposits in financial institutions .....	0.00
		6. Cash .....	1,129,354.29
		7. Livestock .....	0.00
		8. Machinery, equipment and plant .....	0.00
		9. Real property or immovable as per list "G" .....	0.00
		10. Furniture .....	0.00
		11. RRSPs, RRIFFs, life insurance, etc. ....	0.00
		12. Securities (shares, bonds, debentures, etc.) .....	339,484.46
		13. Interests under wills .....	0.00
		14. Vehicles .....	0.00
		15. Other property, as per list "H" .....	25,000.00
		If debtor is a corporation, add:	
		Amount of subscribed capital .....	0.00
		Amount paid on capital .....	0.00
		Balance subscribed and unpaid .....	0.00
		Estimated to produce .....	0.00
		Total assets .....	2,276,422.92
		Deficiency .....	19,327,275.39

I, Adrian Cobbold, of the City of Mississauga, in the Province of Ontario, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of the Company's affairs on the 10th day of August 2016 and fully disclose all property of every description that is in the Company's possession or that may devolve on it in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)

before me at the City of Mississauga, in the Province of Ontario, on this 8th day of September 2016.



Stuart Newton Berger, a Commissioner, etc.,  
Province of Ontario, while a Student-at-Law.  
Expires April 13, 2018.

  
Adrian Cobbold

District of: Ontario  
Division No. 09 - Mississauga  
Court No. 32-2154391  
Estate No. 32-2154391

FORM 78 -- Continued


List "A"  
Unsecured Creditors

8635919 Canada Inc

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	ABDELAZIZ LAGHA	2382 LEGARE LAVAL QC H7T 2C5	1.00	0.00	1.00
2	ALDENHAM CANADA ACQUISITION CORP.	3000-1004 MIDDLEGATE RD. MISSISSAUGA ON L4Y 1M4	0.00	8,605,102.00	8,605,102.00
3	BERSKIN & PARR	2800-600 DE MAISONNEUVE WEST MONTREAL QC H3A 3J2	937.90	0.00	937.90
4	CPMI ITF 1004 MIDDLEGATE	200-1004 MIDDLEGATE ROAD MISSISSAUGA ON L4Y 1M4	1.00	0.00	1.00
5	ELLEWAY PROPERTIES LIMITED	WESTMINSTER HOUSE, JUBILEE PROMENADE ST. HELIER, JERSEY, CHANNEL ISLANDS - JE2 3NW	0.00	10,372,353.32	10,372,353.32
6	EMPLOYEES		221,956.97	0.00	221,956.97
7	HEWLITT PACKARD FINANCIAL SERVICES CANADA CO.	5150 SPECTRUM WAY MISSISSAUGA ON L4W 5G1	0.00	125,129.30	125,129.30
8	JOSEPH SAFARI BALEGAMIRE	2411b RUE WELLINGTON MONTREAL QC H3K 1X5	1.00	0.00	1.00
9	PALLET VALO LLP	300-77 CITY CENTRE DRIVE, WEST TOWER MISSISSAUGA ON L5B 1M5	245.47	0.00	245.47
10	SEBASTIEN BILODEAU ET AL	11725 DE LA COLLINE QUEBEC QC G2A 2E1	1.00	0.00	1.00
11	THE MANUFACTURERS LIFE ASSURANCE COMPANY	920-2000 MANSFIELD ST MONTREAL QC H3A 2Z6	1.00	0.00	1.00
12	ZZZ US EXCHANGE RATE 1.3060		1,545.43	0.00	1,545.43
Total:			224,690.77	19,102,584.62	19,327,275.39

08-Sep-2016

Date

  
Adrian Cobbold

District of: Ontario  
Division No. 09 - Mississauga  
Court No. 32-2154391  
Estate No. 32-2154391

FORM 78 -- Continued

List "B"  
Secured Creditors

8635919 Canada Inc

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	ALDENHAM CANADA ACQUISITION CORP.	3000-1004 MIDDLEGATE RD. MISSISSAUGA ON L4Y 1M4	10,829,998.06	Cash on Hand  Debts Due - Business - Accounts receivable Other - Deposit held by regulator Securities - Guarantee Investment Contracts		1,129,354.29  782,584.17 25,000.00 287,957.60		8,605,102.00
2	BANK OF MONTREAL	234 SIMCOE ST. 2ND FL TORONTO ON M5T 1T4	51,526.86	Securities - Guarantee Investment Contracts		51,526.86		
3	ELLEWAY PROPERTIES LIMITED	WESTMINSTER HOUSE, JUBILEE PROMENADE ST. HELIER, JERSEY, CHANNEL ISLANDS - JE2 3NW	10,372,353.32	Other - Deposit held by regulator  Cash on Hand Debts Due - Business - Accounts receivable Securities - Guarantee Investment Contracts		0.00  0.00 0.00 0.00		10,372,353.32
4	HEWLITT PACKARD FINANCIAL SERVICES CANADA CO.	5150 SPECTRUM WAY MISSISSAUGA ON L4W 5G1	125,129.30	Cash on Hand  Debts Due - Business - Accounts receivable Other - Deposit held by regulator Securities - Guarantee Investment Contracts		0.00  0.00 0.00 0.00		125,129.30
Total:			21,379,007.54			2,276,422.92	0.00	19,102,584.62

08-Sep-2016

Date

  
Adrian Cobbold



**THIS INFORMATION SHEET IS SUPPLIED IN ORDER TO ASSIST YOU  
IN COMPLETING THE PROOF OF CLAIM FORM**

- ☐ The proof of claim must be signed by the individual completing the form.
- ☐ The signature of the claimant must be witnessed.
- ☐ Give the complete address (including postal code) where all notices and correspondence are to be forwarded.
- ☐ The amount on the statement of account must agree with the amount claimed on the proof of claim.

**PARAGRAPH 1 OF THE PROOF OF CLAIM**

- ☐ If the individual completing the proof of claim is not the creditor himself, he must state his position or title.
- ☐ The creditor must state the full and complete legal name of the Company or the claimant.

**PARAGRAPH 3 OF THE PROOF OF CLAIM**

- ☐ A detailed statement of account must be attached to the proof of claim and must show the date, the invoice number and the dollar amount of all the invoices or charges, together with the date, the number and the amount of all credits or payments. A statement of account is not complete if it begins with an amount brought forward. In addition, a creditor must indicate his/her address, phone number, fax number and E-mail address.

**PARAGRAPH 4 OF THE PROOF OF CLAIM**

- ☐ An unsecured creditor (subparagraph (A)) must check and state whether or not a priority rank is claimed under Section 136 of the Bankruptcy and Insolvency Act.
- ☐ A claim of landlord (subparagraph (B)) for disclaim of lease must be completed with full particulars and calculations.
- ☐ A secured creditor must complete subparagraph (C) and attach a copy of the security documents.
- ☐ A farmer, fisherman or aquaculturist must complete subparagraph (D).
- ☐ A wage earner must complete subparagraph (E), if applicable.
- ☐ Section F must be completed with regard to a pension plan.
- ☐ A claim against director(s) (subparagraph (G)), in a proposal which compromises a creditor's claim, must contain full particulars and calculations.
- ☐ A customer of a bankrupt securities firm must complete subparagraph (H).

**PARAGRAPH 5 OF THE PROOF OF CLAIM**

- ☐ The claimant must indicate whether he/she **is** or **is not related** to the debtor, as defined in the Bankruptcy and Insolvency Act, by striking out that which is not applicable.

**PARAGRAPH 6 OF THE PROOF OF CLAIM**

- ☐ The claimant must attach a detailed list of all payments received and/or credits granted, as follows:
  - a) within the **three months** preceding the initial bankruptcy event, in the case where the claimant and the debtor are **not related**;
  - b) within the **twelve months** preceding the initial bankruptcy event, in the case where the claimant and the debtor are **related**.

**PROXY**

- a) A creditor may vote either in person or by proxy;
- b) A debtor may not be appointed as proxy to vote at any meeting of the creditors;
- c) The Trustee may be appointed as a proxy for any creditor;
- d) In order for a duly authorized person to have a right to vote he must himself be a creditor or be the holder of a properly executed proxy. The name of the creditor must appear in the proxy.



**PROOF OF CLAIM**

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

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

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

In the Matter of the Proposal of **8635919 Canada Inc. (formerly operating as iTravel2000)** of the City of Mississauga,  
Province of Ontario, and the claim of

\_\_\_\_\_, creditor.

I, \_\_\_\_\_ (name of creditor or representative of  
the creditor), of \_\_\_\_\_ (city and province), do hereby certify:

1. That I am a creditor of the above-named debtor (or that I am \_\_\_\_\_ (state position or  
title) of \_\_\_\_\_ (name of creditor or representative of the creditor).

2. That I have knowledge of all of the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of the Notice of Intention, namely August 10, 2016, and still is, indebted to the creditor in  
the sum of \$\_\_\_\_\_, as specified in the statement of account (or affidavit) attached and marked  
Schedule "A" after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit  
must specify the vouchers or other evidence in support of the claim.)

4. Check and complete appropriate category

☐ A. UNSECURED CLAIM OF \$ \_\_\_\_\_

(Other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and

(Check appropriate description)

☐ Regarding the amount of \$\_\_\_\_\_, I do not claim a right to a priority.  
("Ordinary Creditor")

☐ Regarding the amount of \$\_\_\_\_\_, I claim a right to a priority under section 136 of the Act.  
("Preferred Creditor")

(Set out on an attached sheet details to support priority claim)

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

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:

(Give full particulars of the claim, including the calculations upon which the claim is based)

☐ C. SECURED CLAIM OF \$ \_\_\_\_\_

That in respect of this debt, I hold assets of the debtor valued at \$\_\_\_\_\_ as security, particulars of which  
are as follows:

(Give full particulars of the security, including the date on which the security was given and the value at which you  
assess the security, and attach a copy of the security documents.)

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

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

T. 416.488.2345 / 1.888.805.1793

F. 514.934.8603

[claims@richter.ca](mailto:claims@richter.ca)

Richter Advisory Group Inc.

181 Bay Street, Suite 3320

Bay Wellington Tower

Toronto, ON M5J 2T3

[www.richter.ca](http://www.richter.ca)

Montréal, Toronto



- 
- Signature of witness*

CANADA

Province of Ontario  
District of: Ontario  
Division No. 09-Mississauga  
Court No. 32-2154391  
Estate No. 32-2154391

ONTARIO SUPERIOR COURT OF  
JUSTICE  
In Bankruptcy and Insolvency

**VOTING LETTER  
(Division 1 Proposal)  
(Paragraph 51(1)f) of the Act)**

**In the Matter of the Proposal of  
8635919 Canada Inc. (formerly operating as iTravel2000)**

I, \_\_\_\_\_, creditor  
(or I, \_\_\_\_\_, representative of \_\_\_\_\_, creditor)  
of \_\_\_\_\_ (name of city), a creditor in the above matter for the sum of  
\$\_\_\_\_\_, hereby request the trustee acting with respect to the proposal of **8635919  
Canada Inc. (formerly operating as iTravel2000)** to record my vote \_\_\_\_\_ (for  
or against) the acceptance of the proposal as made on September 9, 2016.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_ 2016.

\_\_\_\_\_  
Name of Individual Creditor (Please print)

\_\_\_\_\_  
Signature of Individual Creditor

\_\_\_\_\_  
Signature of Witness

- OR -

\_\_\_\_\_  
Name of Corporate Creditor (Please print)

\_\_\_\_\_  
Signature of Corporate Creditor

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Name and Title of Signing Officer (Please print)

T. 416.488.2345 / 1.888.805.1793  
F. 514.934.8603  
[claims@richter.ca](mailto:claims@richter.ca)

Richter Advisory Group Inc.  
181 Bay St., Suite 3320  
Bay Wellington Tower  
Toronto, ON M5J 2T3  
[www.richter.ca](http://www.richter.ca)

Montréal, Toronto

(français – recto)



**IN THE MATTER OF THE PROPOSAL OF**  
**8635919 CANADA INC. (FORMERLY OPERATING AS ITRAVEL 2000)**  
**OF THE CITY OF MISSISSAUGA**  
**IN THE PROVINCE OF ONTARIO**

**REPORT OF THE PROPOSAL TRUSTEE ON THE**  
**FINANCIAL SITUATION OF THE DEBTOR AND THE PROPOSAL**  
**(Sections 50(10)(b) and 50(5) of the *Bankruptcy and Insolvency Act*)**

This report provides an outline of the background and financial position of 8635919 Canada Inc. (formerly operating as iTravel 2000) (“**8635919**” or the “**Company**”), including relevant information that should be of assistance to the Company’s Creditors in considering their position with respect to the Proposal being presented by the Company to its Creditors.

Enclosed are the following documents:

- Notice of Proposal to Creditors;
- Proposal, under Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3, as amended (the “**Act**”), lodged with Richter Advisory Group Inc. (“**Richter**” or the “**Proposal Trustee**”) by the Company and filed with the Official Receiver on September 9, 2016;
- The Company’s Statement of Affairs sworn September 8, 2016;
- A Proof of Claim form and general Proxy; and
- A Voting Letter.

In preparing this report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company’s representatives, the Company’s books and records, discussions with the Company’s representatives and the Company’s legal counsel. The Proposal Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information.

Unless otherwise stated, monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in this report have the meanings attributed to such terms in the Proposal.

**Section A – Introduction and Background**

8635919 is a privately held company, which previously operated under the name iTravel 2000 as a full-service travel retailer offering consumers a wide range of travel products with air carriers, hotel operators, car rental agencies and tour operators. The Company operated through its website and toll-free numbers as its primary sales channels, and had approximately 160 employees at its offices in Mississauga and Montreal.

Elleway Acquisitions Ltd. (“**Elleway Acquisitions**”), the equity sponsor of the Company, acquired the business out of receivership in late 2013. Since the initial investment by Elleway Acquisitions, the Company has experienced continued unprofitability driven, in part, by margin compression within the travel industry as airlines and hotels increasingly sell direct to consumers. Additionally, during the past

year certain external factors have negatively impacted the travel industry in general and the Company in particular, including the decline in value of the Canadian dollar, a mild winter and the Zika virus, all of which adversely impacted Canadian travel to the U.S. and Caribbean, the primary destinations in which the Company operated.

As a result of the Company's continuing losses, the Company was dependent on capital injections from Elleway Acquisitions and/or certain related entities to fund operations. As at the date of this report, the Company is indebted to entities affiliated with Elleway Acquisitions, being Aldenham Canada Acquisitions Corporation ("**Aldenham**") and Elleway Properties Limited ("**Elleway**"), in excess of \$20 million (discussed in greater detail later in this report).

In early/mid 2015, it was determined that the Company could not continue to operate without significant capital injections and the Company's Board of Directors determined it prudent to consider various strategic options, including the potential sale of the Company. In February 2016, the Company retained Grant Thornton Corporate Finance Inc. ("**GT**") to conduct a sales process for the Company or its assets. GT, with the assistance of the Company, prepared marketing documents, including a teaser, confidential information memorandum and NDA template. A data room, which contained financial and other information relevant to the Company's business and assets, was also created. A list of potential interested parties was assembled and GT and representatives of the Company contacted the target group to advise of the opportunity.

Following discussions with several parties regarding their interest in the Company or its assets, including more fulsome negotiations with two interested parties, on July 7, 2016, the Company entered into a sale agreement with Red Label Holdings Inc., the parent company of TravelBrands and Redtag.ca, (the "**Purchaser**") for the sale of substantially all of the Company's business and assets (the "**Transaction**"). The Transaction, which provided for continuity of the business and ongoing employment for the majority (approximately 90%) of the Company's employees, closed on August 4, 2016 (the "**Closing Date**"). Following the closing of the Transaction, the Company provided the Purchaser with a limited period of time within which to inform the Company of those contracts/leases as between the Company and various counterparties it sought to assume.

Notwithstanding that the amounts realized from the Transaction were significantly less than the Company's secured obligations to Aldenham, a related party and the Company's primary secured lender, as the Transaction was for substantially all of the Company's business and assets, it was necessary that the Transaction comply with the *Bulk Sales Act* (the "**BSA**"), which requires that all unsecured trade creditors (as defined in the BSA) be paid, in full, the amounts owed to them by the Company.

In addition, the Company has advised the Proposal Trustee that, in an effort to ensure a smooth transition of the business to the Purchaser, the Company satisfied the termination and severance obligations owing to those limited number of former employees not offered employment by the Purchaser. To that end, the Proposal Trustee understands that payments were made to certain former employees of the Company in return for full and final releases in favour of the Company (details regarding these payments are discussed in greater detail later in this report).

Following the closing of the Transaction, the Company was left with limited assets (discussed in greater detail later in this report) with which to pay its remaining obligations. As such, in an effort to provide some recovery to the Company's remaining creditors, which primarily consist of counterparties to disclaimed contracts/leases not assumed by the Purchaser, the Company filed a Notice of Intention to Make a Proposal ("**NOI**") under section 50.4(1) of the Act on August 10, 2016.

On September 9, 2016, the enclosed Proposal naming Richter as Proposal Trustee was filed with the Official Receiver.

## Section B – Summary of the Proposal

A brief summary of the Proposal is provided below. The terms of the Proposal would be effective if:

1. the Proposal is approved by a majority in number and two thirds in value of the Creditors entitled to vote that are present, personally or by proxy, at the Creditors' Meeting; and
2. the Proposal is approved by the Court, in accordance with the provisions of the Act.

Subject to Creditor acceptance and Court approval, the Proposal provides for the Company to pay \$100,000 to the Proposal Trustee to be distributed *pro-rata* to the Company's Proven Affected Creditors on account of their Proven Affected Claims (other than D&O Claims) in the expectation that all stakeholders of the Company will derive a greater benefit from the distribution contemplated by the Proposal than they would otherwise receive from a bankruptcy of the Company.

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

1. Subject to the terms and conditions set forth in the Proposal, the following payments will be made from the Available Funds:
  - (i) Administrative Fees and Expenses: subject to Section 7.3 of the Proposal, all Administrative Fees and Expenses as and when due in the ordinary course of business, in priority to all other Claims in accordance with the Act;
  - (ii) Superintendent's Levy: the Superintendent's Levy shall be paid in full;
  - (iii) Mandatory Payment Claims: Mandatory Payment Claims, if any, shall be paid in full;
  - (iv) Preferred Creditors: Preferred Claims, if any, shall be paid in full, without interest; and
  - (v) Unsecured Claims: \$100,000 of the Available Funds shall be set aside with the Proposal Trustee to comprise the Distribution Fund which shall be distributed *pro-rata* to Proven Affected Creditors on account of their Proven Affected Claims (other than D&O Claims).

(collectively, the "**Proposal Payments**").
2. The Company's assets and property, including the proceeds of the Transaction, are subject to a Secured Claim of Aldenham and a Claim of Elleway, both Related Parties. As part the Proposal, Aldenham agreed that if the conditions precedent in Section 5.1 of the Proposal are satisfied, it will subordinate and postpone its Secured Claim to allow for the payment by the Company of the Proposal Payments. As part of the Proposal, Elleway also agreed that if the conditions precedent set out in Section 5.1 of the Proposal are satisfied, it will waive any right to receive a distribution *pro-rata* with Proven Affected Creditors from the Distribution Fund on account of its Claim.
3. The Proposal is not being made to Secured Creditors or to Elleway. The Claims of Secured Creditors and Elleway are to be dealt with in accordance with existing arrangements between the Company and the Secured Creditors and Elleway or as otherwise agreed by the Company and the Secured Creditors and Elleway.
4. Within five (5) Business Days of the Approval Order being issued and entered, the Company shall transfer from the Available Funds to the Proposal Trustee an amount equal to the Proposal Payments and an amount equal to an estimate, agreed to between the Proposal Trustee and the Company, of the Administrative Fees and Expenses of the Proposal Trustee and its counsel necessary to complete the NOI proceedings and implement the Proposal.

5. Subject to any reserves that may be required as determined by the Proposal Trustee, the Proposal Trustee shall make the distributions and payments contemplated herein as soon as practically possible thirty (30) days after sending the Final Distribution Notice.
6. In order to be eligible to vote at the Creditors' Meeting, each Creditor shall file a Proof of Claim with the Proposal Trustee in accordance with the applicable provisions of the Act, and shall specify every Claim and D&O Claim it asserts against the Company and/or the Directors and Officers.
7. A Creditor holding a Landlord Repudiation Claim shall only file a Proof of Claim in respect such Landlord Repudiation Claim in an amount equal to the lesser of:
  - (i) The aggregate of:
    - (a) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer or resiliation becomes effective, and
    - (b) fifteen (15) percent of the rent for the remainder of the term of the lease after that year, and;
  - (ii) Three (3) years' rent;unless otherwise agreed, in writing, by the applicable Creditor and the Company, with consent of the Proposal Trustee.
8. On the Effective Date, the treatment of Claims under the Proposal shall be final and binding on the Company and all Creditors (and their respective heirs, executors, administrators, legal or personal representatives, successors and assigns) and the Proposal will constitute (a) full, final and absolute settlement of all rights of all Affected Creditors; and (b) as applicable, an absolute release and discharge of all indebtedness, liabilities and obligations of the Company in respect of all Claims other than Unaffected Claims, and related Security, including any interest accrued, costs or other rights arising after the NOI Filing Date.
9. On the Effective Date, all Affected Creditors shall be deemed to have consented and agreed to all of the provisions of the Proposal in its entirety. Each Affected Creditor will be deemed to have waived any default by the Company in any provision, express or implied or in any agreement, whether written or oral, existing between the Affected Creditor and the Company that occurred on or prior to the Effective Date. Each Affected Creditor will be deemed to have agreed that, to the extent there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of the Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.
10. In accordance with section 149 of the Act, prior to the final distribution, the Proposal Trustee shall give notice by mail to every known Creditor who did not file a Proof of Claim that, if the Creditor does not file a Proof of Claim within thirty (30) days after the mailing of the notice, the Proposal Trustee will proceed to declare a dividend without regard to that Creditor's claim. In order to receive a distribution, a Creditor must submit a Proof of Claim prior to the Claims Bar Date.
11. Upon completion of the payments and distributions contemplated in the Proposal, the Proposal will have been fully performed and the Proposal Trustee shall issue to the Company and file with the Court the certificate referred to in section 65.3 of the Act.
12. The provisions of Sections 95 – 101 of the Act and any similar provision of any federal or provincial statute do not apply to the Proposal.



13. On the Effective Date, (i) the Company's employees and contractors, each Director and Officer, and their respective heirs and assigns, and (ii) the Proposal Trustee, the Proposal Trustee's counsel, and each and every present and former shareholder, affiliate, subsidiary, director, officer, member, partner, employee, auditor, financial advisor, legal counsel and agent of any of the foregoing Persons shall be released and discharged from any and all claims which any Creditor or other Person may be entitled to assert, including any Affected Claim existing on or prior to the Effective Date that constitute or are in any way relating to, arising out of or in connection with any Affected Claims, the business and affairs of the Company, the administration and/or management of the Company, the Proposal, or any document, instrument, matter or transaction involving the Company in connection with the Proposal, shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties; provided that nothing in the Proposal will waive, discharge, release, cancel or bar (a) the right to enforce the Company's obligations under the Proposal; (b) any Unaffected Claim; or (c) any D&O Claim that is not permitted to be released pursuant to section 50(14) of the Act.
14. The implementation of the Proposal and distributions contemplated thereunder are subject to the satisfaction of the following conditions precedent:
- (i) The Proposal shall be approved by the Required Majority at the Creditors' Meeting;
  - (ii) The Approval Order shall be issued and entered; and
  - (iii) All other actions, documents and agreements necessary to implement this Proposal as required herein or otherwise by the Proposal Trustee shall have been effected and executed.

**The description of the Proposal in this report is a summary only and is being provided solely for the purpose of assisting the Creditors. In the event there is any inconsistency between this report and the Proposal, the terms of the Proposal shall govern. Creditors are advised to read the Proposal in its entirety.**

### **Section C – Financial Position and Causes of Difficulties**

The Company's operating results for the period from November 4, 2013 to October 31, 2014 ("**2014**"), the fiscal year ended October 31, 2015 ("**2015**") and the nine-month period ended July 31, 2016 ("**2016**") are summarized in the table below:

<b>8635919 Canada Inc.</b>			
<b>Historical Financial Results</b>			
<b>(\$s in 000's)</b>	<b>2014 (audited)</b>	<b>2015 (audited)</b>	<b>2016 (unaudited)</b>
Revenue	19,726	16,185	12,275
Cost of Sales	(5,945)	(4,680)	(3,426)
Gross Margin	13,781	11,505	8,849
Expenses	(19,609)	(15,955)	(10,270)
<b>Operating Loss</b>	<b>(5,828)</b>	<b>(4,450)</b>	<b>(1,421)</b>

Elleway Acquisitions acquired the Company in late 2013 with the intention of undertaking a period of financial and operational restructuring. Although the Company successfully eliminated certain fixed overhead expenses, various external factors adversely impacting the travel industry have negatively impacted sales volume and the Company has continued to be unprofitable.

**Section D – Interim Receiver**

Not applicable.

**Section E – Identification and Evaluation of Assets**

According to the Company's Statement of Affairs, the Company's assets consist of the following:

Asset Description	Estimated Net Book Value	Estimated Realizable Value per SOA
Cash	1,129	1,129
Investments / Other	364	364
Accounts Receivable	973	783
Capital Assets	56	-
<b>Total*</b>	<b>2,523</b>	<b>2,276</b>

*\*Excludes funds received from customers and held, in trust, as payment for travel services which, pursuant to the Transaction, were transferred to the Purchaser on or around August 12, 2016*

The Company's assets are discussed in greater detail below:

**Cash**

Cash balances include amounts held in the Company's bank accounts as well as approximately \$795,000 held in trust representing the remaining proceeds from the Transaction.

**Investments**

Investments primarily consist of Guaranteed Investment Certificates ("GICs") held by Bank of Montreal ("BMO") as security for the Company's obligations to BMO (discussed in greater detail later in this report).

**Accounts Receivable**

According to the Company's books and records, the Company's accounts receivable balance, as at August 10, 2016, was approximately \$973,000. The Company has undertaken a detailed analysis of its accounts receivable to determine the collectability of each account taking into consideration historic collection rates, the nature of the customer and the aging of the receivable. Based on the Company's analysis, the Company has estimated that approximately \$783,000 of its accounts receivable are collectible.

**Capital Assets**

According to the Company's books and records, the net book value of the Company's capital assets, as at August 10, 2016, was approximately \$56,000. The Company's capital assets consist largely of miscellaneous equipment not acquired by the Purchaser as part of the Transaction. The Company estimates that the realizable value of its capital assets is negligible.

## Section F – Conduct of the Debtor

The Proposal Trustee has performed a preliminary review of certain of the Company's financial records, including bank statements for the twelve-month period prior to the NOI Filing Date in order to identify (i) any disbursements greater than \$50,000 that may be considered preferences pursuant to the Act, and (ii) any transactions that may be considered transfers at undervalue pursuant to the Act. In addition, the Proposal Trustee has made enquiries with certain members of the Company's management, including individuals with knowledge of the Company's day-to-day financial transactions, to discuss the potential existence of any such transactions.

In the three-month period prior to the NOI Filing Date, the Company made thirteen (13) disbursements greater than \$50,000, as follows:

Date	Payee	Amount	Description
May 11, 2016	Ceridian	\$ 322,901.76	Payroll
May 27, 2016	Ceridian	\$ 312,419.01	Payroll
June 03, 2016	Suncor - Petro	\$ 65,790.15	Vendor
June 03, 2016	Google	\$ 74,344.65	Vendor
June 13, 2016	Ceridian	\$ 298,062.64	Payroll
June 20, 2016	Bank of Montreal	\$ 60,882.80	Secured Creditor
June 21, 2016	Hub International	\$ 92,498.67	Insurance
June 28, 2016	Ceridian	\$ 287,253.46	Payroll
July 08, 2016	Google	\$ 62,818.67	Vendor
July 08, 2016	Suncor - Petro	\$ 70,029.71	Vendor
July 13, 2016	Ceridian	\$ 299,583.05	Payroll
July 27, 2016	Ceridian	\$ 296,305.84	Payroll
July 29, 2016	Suncor - Petro	\$ 58,397.97	Vendor

The Proposal Trustee understands that each of the above payments was made in the ordinary course of business. In addition, as noted earlier in this report (see Section A), the BSA applied to the Transaction. As a result, each of the above payments, excluding the Secured Creditor payment that would not be considered a preference, were required payments in order for the Transaction to comply with the BSA. In this regard, the Proposal Trustee notes that, as part of the Transaction, the amounts owed by the Company to its unsecured trade creditors (as defined in the BSA) as at the Closing Date in the amount of approximately \$974,000 were paid, in full, by the Purchaser on or about August 8, 2016.

In addition to the above and as noted in Section A of this report, the Proposal Trustee is aware that, on or about August 9, 2016, the Company made payments in the aggregate amount of approximately \$134,000 to eight (8) former employees that were not offered employment by the Purchaser in respect of termination and severance pay. The largest individual payment was approximately \$46,000 and the smallest individual payment was approximately \$3,000. In the Proposal Trustee's view, although the payments to the Company's employees may qualify as preferences pursuant to Section 95(1) of the Act, the quantum of the individual payments as well as the significant costs to challenge the payments severely limit any potential benefit to the Company's Creditors, generally, from any successful challenge of the payments.

Based on its review of certain of the Company's financial records and discussions with the Company's management, the Proposal Trustee has not identified any Related Party transactions in the twelve-month period prior to the NOI Filing Date that may be considered preferences or transfers at undervalue.

The Proposal Trustee will provide an update, if necessary, on its review of the Company's financial records at the Creditors' Meeting to consider the Proposal.

## Section G – Creditor Claims

According to the Company's Statement of Affairs, the Company's creditors are summarized in the table below:

Creditor Classification	Estimated Claim Per SOA
Secured	11,008,200
Preferred	nil
Unsecured*	10,597,044
<b>Total Claims*</b>	<b>21,605,244</b>

*\*Includes the Claim of Elleway in the amount of approximately \$10.4 million which Claim, should the Proposal be approved by both Creditors and the Court, will be postponed and not share in any distribution under the Proposal.*

### Secured Creditors

Based on the Company's books and records, the Company's Secured Creditors and the amounts of their respective claims, as at August 10, 2016, are as follows:

Secured Creditor	Amount of Claim
Aldenham Canada Acquisition Corporation ("Aldenham")	10,829,998
Hewlett Packard Financial Services Co. ("HP")	125,129
Bank of Montreal ("BMO")	53,072
<b>Total Claims</b>	<b>11,008,200</b>

As noted in Section B of this report, the Proposal is not made to Secured Creditors (or to Elleway). The Claims of Secured Creditors (and Elleway) are to be dealt with in accordance with existing agreements between the Company and the Secured Creditors (and Elleway) or as otherwise agreed between the Company and the Secured Creditors (and Elleway).

Aldenham, the Company's primary secured creditor, was owed approximately \$11 million as at the NOI Filing Date. As detailed in Section E of this report, the estimated value of the Company's assets subject to Aldenham's security is significantly less than the Company's obligations to Aldenham. Aldenham, however, has agreed to subordinate and postpone its Secured Claim to allow for payment of the Proposal Payments, subject to approval of the Proposal by both Creditors and the Court.

In order to assess the validity of Aldenham's security, Stikeman Elliott LLP ("**Stikeman**"), independent legal counsel to the Proposal Trustee, has provided its opinion to the Proposal Trustee indicating that, in its view and subject to the customary qualifications and limitations noted therein, Aldenham's security created a valid perfected security interest pursuant to the laws of Ontario and is valid and enforceable as against the Company.

The Proposal Trustee also notes that, based on its review of a summary of registrations of security interests against the Company pursuant to the *Personal Property Security Act* (Ontario), in addition to Aldenham, BMO (the "**BMO Security**") and HP (the "**HP Security**") have registered security interests against the Company (collectively, the "**Other Security Registrations**").

The Company has advised the Proposal Trustee that the BMO Security relates to security registered by BMO in respect of a credit card facility and various letters of credit issued by BMO (primarily to the Quebec travel industry regulator, Office de la Protection des Consommateurs).

The Proposal Trustee understands that the HP Security relates to security registered by HP in respect of the Company's lease of computer/IT equipment from HP (the "**HP Lease**"). Subsequent to the NOI Filing Date, the Company disclaimed all interest in the equipment subject to the HP Lease.

Given that the estimated value of the Company's assets (see Section E) is insufficient to satisfy the Company's secured obligations to Aldenham, as at the date of this report, the Proposal Trustee has not requested that Stikeman provide an opinion as to the validity and enforceability of the Other Security Registrations.

### **Preferred Creditors**

According to the Company's Statement of Affairs, no amounts are due to Preferred Creditors. Based on the Proposal Trustee's review of certain of the Company's financial records, it appears that all amounts owed to the Company's employees, in respect of outstanding wages and vacation pay, which may have existed as at the NOI Filing Date, have been paid by the Company and/or the Purchaser in the ordinary course. Any employee claims that might exist at the time of Court approval of the Proposal will be paid immediately following Court approval in accordance with the terms of the Proposal and the Act.

Based on its review of certain of the Company's financial records, the Proposal Trustee is not aware of any other potential Preferred Claims or Mandatory Payment Claims.

### **Unsecured Creditors**

According to the Company's Statement of Affairs, the Company's unsecured creditors are owed approximately \$10.6 million, including approximately \$10.4 million owed to Elleway, a Related Party. As noted in Section B of this report, subject to approval of the Proposal by both Creditors and the Court, Elleway has agreed to postpone its Claim and waive its right to receive its *pro-rata* distribution from the Distribution Fund under the Proposal.

The Company has advised the Proposal Trustee that the amounts noted as owing to employees on the Statement of Affairs (approximately \$220,000) was in respect of outstanding wages owed to the Company's employees prior to the closing of the Transaction, which amounts were subsequently paid by the Company and/or the Purchaser. In addition, as the Proposal Trustee understands that the majority of the Company's former employees were provided employment with the Purchaser and those former employees not offered employment with the Purchaser were paid the termination/severance amounts due to them by the Company, the Proposal Trustee is unaware of any remaining obligations to the Company's former employees.

As noted previously in this report, following the closing of the Transaction, the Company provided the Purchaser with a limited period of time within which to inform the Company of those contracts/leases as between the Company and various counterparties it sought to assume. Prior to the filing of the Proposal, the Company disclaimed its interest in two (2) commercial leases for its offices in both Montreal and Mississauga as well as various contracts/agreements entered into by the Company. As such, any Landlord Repudiation Claims or Restructuring Claims resulting from the disclaimers will increase the total claims sharing in the Distribution Fund.

### **Section H – Previous Dealings with the Debtor**

The undersigned Proposal Trustee confirms that neither he nor the firm with which he is related has provided previous services to the Company in any capacity other than consulting with the Company in respect of its consideration to file a Proposal. The Proposal Trustee further confirms that he does not have any knowledge of any conflict of interest situation arising from the acceptance of this appointment as Proposal Trustee under the Proposal.

## **Section I – Informal Meetings with Major Creditors**

The Company and the Proposal Trustee have had various discussions with Aldenham and Elleway regarding the Transaction and the arrangements between the Company, Aldenham and Elleway under the Proposal. These discussions were necessary in order to, among other things, establish the Distribution Fund under the Proposal to provide a recovery to unsecured creditors.

## **Section J – Remuneration of Proposal Trustee**

Payment of the fees and expenses of the Proposal Trustee, including the legal fees and disbursements of the Proposal Trustee, are provided for in the Proposal.

## **Section K - Cash Flow Statement**

In accordance with the Act, the Proposal Trustee reviewed the cash flow statement and assumptions for the period August 10, 2016 to November 11, 2016 that were prepared by the Company (the “**Cash Flow Statement**”) and which were filed with the Official Receiver. In reviewing the Cash Flow Statement, nothing has come to the Proposal Trustee’s attention which would lead the Proposal Trustee to believe that the hypothetical and probable assumptions used by the Company in the preparation of the Cash Flow Statement are inconsistent with the purpose of the Cash Flow Statement.

## **Section L – Statement of Estimated Realizations**

### **Proposal Accepted**

As noted in Section G, should the Proposal be approved by both the Creditors and the Court, Elleway has agreed to postpone its Claim (approximately \$10.4 million) and waive its right to receive a *pro-rata* distribution from the Distribution Fund. In addition, the employee Claims (approximately \$220,000) in respect of unpaid wages included on the Statement of Affairs were subsequently paid by the Company and/or Purchaser.

In light of the above, it appears that the Claims eligible to receive a distribution from the Distribution Fund will primarily be comprised of (i) Landlord Repudiation Claims, which are to be calculated in accordance with section 65.2(4) of the Act unless otherwise agreed in writing by the applicable Creditor and the Company, with consent of the Proposal Trustee, and (ii) Restructuring Claims that, by their nature, are likely unliquidated claims that must be valued by the Proposal Trustee prior to admission for either voting purposes or sharing in a distribution from the Distribution Fund.

As a result of the foregoing, as at the date of this report, it is difficult to estimate the Claims of Creditors that would be entitled to both vote on and participate in a distribution under the Proposal. As noted in Section G of this report, any proven Landlord Repudiation Claims or proven Restructuring Claims will increase the total claims sharing in the Distribution Fund, thus reducing each creditor’s respective share of the Distribution Fund.

When assessing the distributions that may be made to Proven Affected Creditors under the Proposal, the Proposal Trustee notes that, although the distributions from the Distribution Fund may not provide a significant recovery to Creditors, any recovery would appear to exceed what Creditors would receive in a bankruptcy.

**Proposal Not Accepted**

If the Proposal is not accepted, the Company would become bankrupt on September 30, 2016 and the Company's assets would vest with the trustee in bankruptcy, subject to the rights of the Company's Secured Creditors.

As discussed previously in this report, all of the Company's assets are subject to the Security of Aldenham and BMO/HP have registered security interests against the Company. As at the NOI Filing Date, the outstanding secured debt totaled approximately \$11 million, which is well in excess of the realizable value of the Company's assets.

In the event of the Company's bankruptcy, the Distribution Fund provided for under the Proposal would not be made available for the benefit of the Company's unsecured creditors, in which event the Proposal Trustee estimates that there would not be any funds available to support a distribution to the Company's unsecured creditors.

**Section M – Recommendations**

Based on the analysis set out in this report, the Proposal Trustee believes that the Proposal is preferable to a bankruptcy, since it provides an opportunity for a distribution to the Company's unsecured creditors that likely exceeds amounts that would otherwise be available from a bankruptcy. If the Proposal is rejected, the Company will be deemed bankrupt resulting in no recoveries for the Company's unsecured creditors.

Accordingly, based on all of the above, the Proposal Trustee recommends the acceptance of the Proposal by the Company's Creditors.

**Section N – Meeting of Creditors**

In completing the Proof of Claim form enclosed herewith, Creditors should only include all amounts outstanding as at August 10, 2016.

**It is expressly noted and should be clearly understood that Richter, acting solely in its capacity as Proposal Trustee, assumes no responsibility for any claims against the Company before, on, or after the NOI Filing Date.**

Creditors may attend the meeting to consider the Proposal either in person or by proxy. The meeting to consider the Proposal will be held on September 30, 2016 at 2:30 p.m. at the offices of Davies Ward Phillips & Vineberg LLP, 155 Wellington Street West, Toronto, Ontario.

**Please note that in order for your vote to count in connection with the Proposal, it is necessary that you complete and submit the enclosed documents prior to the meeting.**

Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters to the Proposal Trustee so as to be received prior to the meeting.

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Should you have any questions in connection with the Proposal or this report, please contact Mr. Adam Sherman at (416) 642-4836 or via email at [asherman@richter.ca](mailto:asherman@richter.ca) or Mr. Anthony Dalfio at (416) 642-4835 or via email at [adalfio@richter.ca](mailto:adalfio@richter.ca).

Dated at Toronto, Ontario, this 20<sup>th</sup> day of September, 2016

**Richter Advisory Group Inc.**  
**in its capacity as Proposal Trustee re**  
**the Proposal of 8635919 Canada Inc.**

A handwritten signature in black ink, appearing to read 'Adam Sherman', with a long horizontal flourish extending to the right.

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Adam Sherman, MBA, CIRP, LIT  
Senior Vice President