

CANADA

SUPERIOR COURT

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

(Commercial Division)

COURT NO.: 500-11-042467-122
ESTATE NO.: 41-1610492

IN THE MATTER OF THE PROPOSAL OF **4021568 CANADA INC.**, a legal person, duly incorporated according to law, and having its principal place of business at 9600 Meilleur Street, Suite 925, in the City and District of Montréal, Province of Québec, H2N 2E3.

DEBTOR

Proposal

We, 4021568 Canada Inc., the above-noted Debtor, hereby submit the following Proposal under the Bankruptcy and Insolvency Act:

1. **DEFINITIONS:** For all purposes relating to the present proposal proceedings, the following terms shall have the following meanings
 - 1.1 **“Act”** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended from time to time;
 - 1.2 **“Approval”** means the situation arising from the Proposal having been duly accepted by the creditors and having been approved by the Court in a Judgment which has become executory as a result of the delay for appeal having expired without there having been an appeal, or an appeal having been lodged and the Judgment approving the proposal having been confirmed or the appeal withdrawn;
 - 1.3 **“Bank’s Secured Assets”** means the “Closing Date Accounts Receivable” and “Closing Date Inventory” of the Company, as such terms are defined in the Purchaser’s Offer;
 - 1.4 **“Company”** means 4021568 Canada Inc.;
 - 1.5 **“Court”** means the Superior Court of the District of Montreal sitting in bankruptcy and insolvency matters (Commercial Chamber);
 - 1.6 **“IP and Contractual Rights”** means the “Intellectual Property” and the “Contractual Rights” of the Company, as such terms are defined in the Purchaser’s Offer;

- 1.7 **“Ordinary Claims”** means claims of the Ordinary Creditors, including claims of every nature and kind whatsoever, whether due or not due for payment as of the date of the filing of this Proposal of the Company including contingent or unliquidated claims arising out of any transaction entered into by the Company prior to such date;
- 1.8 **“Ordinary Creditors”** means the creditors of the Ordinary Claims;
- 1.9 **“Ordinary Creditors’ Total Distribution Amount”** means the amount representing the difference between (x) the amount of the proceeds on hand arising from the realization of the Proposal Assets after the amount thereof has been ascertained and is available for distribution and (y) the amount required for payment of all Proposal Expenses, Secured Claims, Post-Filing Goods and Services, Preferred Claims and any other amounts having priority over the Ordinary Claims;
- 1.10 **“Post-Filing Goods and Services”** means all accrued expenses and debts arising in respect of goods supplied, guarantees issued, services rendered or other consideration given as and from the date of the filing of this Proposal up to the time of Approval;
- 1.11 **“Preferred Claims”** means all claims directed by the Act to be paid in priority to all other claims in the distribution of the property of an insolvent party;
- 1.12 **“Proposal”** means this Proposal;
- 1.13 **“Proposal Assets”** means the following assets of the Company, minus the Proposal Expenses:
- (a) the net proceeds arising from the sale of the IP and Contractual Rights pursuant to the Purchaser’s Offer;
 - (b) the net proceeds arising from the liquidation of the Company’s presently existing fixed assets and any other of the Company’s assets that are not the Bank’s Secured Assets.

For the purposes of clarity, the Bank’s Secured Assets are not included among the Proposal Assets;

- 1.14 **“Proposal Expenses”** means all proper fees, expenses, liabilities and obligations of the Company and the Trustee and the fees and expenses of the legal representatives of the Company and the Trustee relating to the Proposal, all legal fees and accounting fees relating or incidental to the proceedings arising out of this Proposal and all expenses incurred or to be incurred for the safeguard, management, supervision and realization of the Proposal Assets, including, without limitation, occupancy expenses,

wages and salaries and professional fees incurred after the closing of the Sale;

1.15 “**Purchased Assets**” means the IP and Contractual Rights and the Bank’s Secured Assets;

1.16 “**Purchaser’s Offer**” means an offer made to the Company and submitted on April 3, 2012, *inter alia*, to purchase the Purchased Assets, namely:

(a) the IP and Contractual Rights from the Company for a cash payment of \$100,100, and

(b) the Bank’s Secured Assets from the Company, the proceeds of which are subject to the Secured Claims,

the whole subject to certain conditions including, without limitation, the timely receipt of Sale Approval, a copy of which Purchaser’s Offer has been provided to the Trustee;

1.17 “**Sale**” means the sale of the Purchased Assets as contemplated by the Purchaser’s Offer;

1.18 “**Sale Approval**” means the approval of the Sale by the Court in the manner contemplated in the Purchaser’s Offer;

1.19 “**Satisfaction Certificate**” means the certificate issued by the Trustee and filed with the Court after the Trustee has received the proceeds of sale of the IP and Contractual Rights and any other assets of the Company other than the Bank’s Secured Assets, and has been satisfied that the Company has completed all matters required of it pursuant to this Proposal;

1.20 “**Secured Claims**” means claims of secured creditors within the meaning of the Act;

1.21 “**Trustee**” means RSM Richter Inc., in its capacity as trustee to the Proposal of the Company.

2. **PROPOSAL CONDITIONS:** For the purpose of fulfilling the Proposal:

(a) the Company will use its best efforts to arrange for Sale Approval and upon conclusion of the Sale will remit the proceeds of sale of the IP and Contractual Rights to the Trustee;

(b) the Company will, under the supervision of the Trustee, realize on any remaining other assets of the Company (other than the Bank’s Secured Assets) and remit the proceeds thereof (net of any Proposal Expenses it has incurred) to the Trustee as quickly and efficiently as commercially reasonable; and


- (c) the Company will refrain from carrying on any business activity other than the above-described matters and activities accessory thereto until such time as the Trustee has so confirmed by means of issuance of the Satisfaction Certificate.
3. **SECURED CLAIMS:** The Secured Claims shall be paid in accordance with arrangements existing between the Company and the holders of Secured Claims or as may be arranged between the Trustee and the holders of Secured Claims. The Company declares that this Proposal is not made in respect of the security of the secured creditors.
 4. **CROWN CLAIMS:** Amounts owing to Her Majesty in right of Canada or a Province that could be subject to a demand under Section 224 (1.2) of the Income Tax Act, or under any substantially similar provision of provincial legislation, outstanding at the time of the filing of the Proposal, will be paid in full within six (6) months after Approval.
 5. **EMPLOYEES CLAIMS:** Amounts owing to employees and former employees, that they would have been entitled to receive under Paragraph 136(1)(d) of the Act if the employer became bankrupt on the date of filing of the Proposal, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Approval, will be paid in full immediately after Approval.
 6. **PROPOSAL EXPENSES:** The Proposal Expenses will be paid in priority to all Preferred Claims and claims of Ordinary Creditors.
 7. **PREFERRED CLAIMS:** Preferred Claims, other than the claims referred to in section 5 of the Proposal, without interest, will be paid in full in priority to all claims of Ordinary Creditors, within sixty (60) days of Approval.
 8. **SUBSEQUENT CLAIMS:** Post-Filing Goods and Services will be paid in full in the ordinary course of business and on regular trade terms or as may have been arranged by the Company.
 9. **DISCLAIMED LEASES:** Concurrently with the filing of notice of this Proposal, the Company issued a disclaimer of lease for each of the leased immovable premises (located at 9600 rue Meilleur, suite #925, Montreal, Qc H2N 2E3 and Fairview-Pointe-Claire, local B-004, 6801 Trans Canada Hwy, Pointe-Claire, Qc H9R 5J2) pursuant to section 65.2(1) of the Act. Each of the landlords affected by such disclaimers shall be entitled to a claim as, and in the same class as, an Ordinary Creditor. In each case, the landlords' respective claim shall be for an amount representing the aggregate of: (A) the rent provided for in their lease with the Company for the first year of such lease following the date on which the disclaimer became effective, plus (B) fifteen percent (15%) of the rent for the remainder of the term of such lease after the above-described first year.

10. **ORDINARY CREDITORS:** The Trustee will remit to each Ordinary Creditor, in full and final settlement of its Ordinary Claim, without interest, the following amounts from the Ordinary Creditors' Total Distribution Amount:
 - (a) the lesser of: (i) the amount of the proven claim of such Ordinary Creditor and (ii) CAD\$1,000 (the "**First Level Distribution**") (pro-rated in the event of any shortfall); plus
 - (b) an amount equal to such Ordinary Creditor's pro-rata share, based on the remaining amount of its proven claim, of any amount remaining from the Ordinary Creditors' Total Distribution Amount after the distribution of all of the First Level Distribution amounts to all Ordinary Creditors.
11. **PAYMENT OF DIVIDENDS:** The Trustee will distribute one or more interim dividends as soon as practicable, withholding such reserves as it, in its discretion, deems appropriate and will distribute a final dividend at such time as the amount thereof can be definitively quantified.
12. **CLAIMS AGAINST DIRECTORS:** In accordance with section 50(13) of the Act, the Proposal will constitute a compromise of claims against the present and past directors of the Company that arose before the filing of this Proposal and that relate to the obligations of the Company where the directors are by law liable in their capacity as directors for the payment of such obligations, and the Proposal, upon Approval, will operate a discharge in favour of such present and past directors with respect to such obligations. Nothing herein shall be interpreted as an acknowledgment of any liability or obligation of the directors of the Company.
13. **CERTAIN TRANSACTIONS:** Conditionally upon Approval, the statutory terms of Sections 95 to 101 of the Act (preferences, transfers at undervalue, etc.) shall not apply, the whole pursuant to Section 101.1 of the Act.
14. **SUBORDINATED CLAIMS:** The claims of each of Steven Lawee and Franco Di Zazzo (in the amount of \$33,000 each) will be subordinated to payment in full of the amounts payable hereunder to the Ordinary Creditors. The subordinations will provide that they will survive any annulment of the Proposal or any bankruptcy occurring after the Proposal has been approved by the Court but before it has been satisfied. Except as regards such subordinations, the said claims will be unaffected by, and will not benefit from, the Proposal.
15. **TRUSTEE:** RSM Richter Inc., Licensed Trustee, will be the Trustee under the Proposal and all monies payable under the Proposal will be paid over to the Trustee which will remit the dividends in accordance with the terms of the Proposal.
16. **TITLES:** The headings or titles herein are provided solely for the convenience of the reader, and shall have no authoritative meaning in interpreting the Proposal.

IN THE EVENT OF ANY DISCREPANCY BETWEEN THE ENGLISH AND FRENCH VERSION OF THIS PROPOSAL, THE ENGLISH VERSION WILL TAKE PRECEDENCE.

DATED AT MONTREAL as of the 4th day of April, 2012.


4021568 CANADA INC.




Per: Steven Lawee
Duly Authorized



Witness



Per: Franco Di Zazzo
Duly Authorized



Witness