

CANADA

SUPERIOR COURT
(Commercial Division)

PROVINCE OF QUEBEC
DISTRICT OF MONTREAL

IN THE MATTER OF THE PROPOSAL
OF:

NO: 500-11-●-●
ESTATE NO.: 41-●

ACCESSOIRES LA BREA
INTERNATIONAL INC.

Debtor

PROPOSAL

ACCESSOIRES LA BREA INTERNATIONAL INC. (the "Debtor"), hereby submits the following Proposal under the *BIA*:

1. Definitions and Interpretation

1.1 In addition to words and terms otherwise defined herein, whenever used herein:

1.1.1 "Approval" means:

(a) acceptance of the Proposal by all Creditors entitled to vote and voting thereon in accordance with the relevant provisions of the *BIA*; and

(b) approval of the Proposal by the Court by judgment rendered by such Court which has become executory as a result of the delay for appeal having expired without there having been an appeal lodged therefrom or, if an appeal is lodged therefrom, such judgment of the Court having been confirmed or such appeal withdrawn;

1.1.2 "Approval Motion" has the meaning set forth in **Section 14.1** hereof;

1.1.3 "*BIA*" means the *Bankruptcy and Insolvency Act*, Canada, RSC 1985, c.B-3, as amended;

1.1.4 "Committee" has the meaning set forth in **Section 9** hereof;

1.1.5 "Court" means the Commercial Division of the Quebec Superior Court for the District of Montreal, sitting as the "court" as envisaged and defined in Section 2(1) *BIA* and includes any Justice thereof or, if applicable, the Registrar or any Deputy Registrar thereof;

1.1.6 "Creditors" mean all the creditors affected by the Proposal, namely the Crown, the Preferred Creditors, the Employee Creditors, and the Ordinary Creditors (including the Electing Creditors) and "Creditor" means any of them. All other creditors of the Debtor (including, without limitation, all Secured

Creditors to the extent of their Secured Claims) shall not be, in any manner whatsoever, affected or bound by the Proposal;

1.1.7 “**Crown**” means Her Majesty in Right of Canada or in right of any Province of Canada;

1.1.8 “**Crown Claims**” mean all Proven claims of the Crown as set forth and described in Section 60(1.1) *BIA*, which were outstanding on the Proposal Date, and “**Crown Claim**” means any of them;

1.1.9 “**Electing Creditor Claims**” mean all Proven Ordinary Claims in respect of which the Ordinary Creditors have elected (as set forth in **Section 7.1** hereof) to receive the lesser of \$500.00 or the amount of their Ordinary Claims or to reduce their respective Ordinary Claims to \$500.00, and “**Electing Creditor Claim**” means any of them;

1.1.10 “**Electing Creditors**” mean Ordinary Creditors having Electing Creditor Claims and “**Electing Creditor**” means any of them;

1.1.11 “**Employee Claims**” mean all Proven amounts which the Debtor’s present or former employees would have been entitled to receive under Section 136(1)(d) *BIA* if the Debtor had become bankrupt on the Proposal Date, together with, in the case of traveling salesmen, disbursements properly incurred by those salesmen in and about the Debtor’s business during the same period, all as envisaged by Section 60(1.3) *BIA*;

1.1.12 “**Employee Creditors**” mean all of the Debtor’s past and present employees having Employee Claims and “**Employee Creditor**” means any of them;

1.1.13 “**Guarantor**” means Marc Létourneau;

1.1.14 “**Official Receiver**” means the “official receiver” as defined in Section 2 *BIA*;

1.1.15 “**Ordinary Claims**” mean all Proven claims other than Crown Claims, Employee Claims, Preferred Claims and Secured Claims, of any nature or source whatsoever, resulting from and/or arising out of any transaction entered into by the Debtor prior to the Proposal Date or any event which occurred prior to the Proposal Date, whether due or not due as of the Proposal Date and includes all such claims which are contingent and unliquidated (once quantified or liquidated) and “**Ordinary Claim**” means any of them. In addition to and notwithstanding the foregoing, “Ordinary Claims” include, under all circumstances:

(a) all Electing Creditor Claims; and

(b) all claims resulting from or arising out of any breaches of any obligations contracted by the Debtor prior to the Proposal Date where

such breaches occurred (i) at any time prior to the Proposal Date, or (ii) at any time between the Proposal Date and the date hereof;

1.1.16 “**Ordinary Creditors**” mean all persons having Ordinary Claims and “**Ordinary Creditor**” means any of them;

1.1.17 “**Létourneau**” means Marc Létourneau;

1.1.18 “**Létourneau Security**” means all security held by Létourneau;

1.1.19 “**Létourneau Claim**” means all Ordinary Claims and Secured Claims of Létourneau;

1.1.20 “**Preferred Claims**” mean all Proven claims, other than Employee Claims, as set forth and described in Sections 136(1)(a) through 136(1)(c) *BIA* and in Sections 136(1)(d.01), (d.02), (d.1) and (e) through 136(1)(j) *BIA*, being such claims directed by the *BIA* to be paid in priority to all other claims in the distribution of the property of a bankrupt to the extent applicable to the Proposal and “**Preferred Claim**” means any of them;

1.1.21 “**Preferred Creditors**” mean all persons having Preferred Claims and “**Preferred Creditor**” means any of them;

1.1.22 “**Proposal**” means the present proposal and any and all future amendments hereto, which amendments may be made:

(a) at any time prior to a vote by the Creditors hereon; or

(b) by the Court at the time of Approval;

1.1.23 “**Proposal Date**” means the date of this Proposal;

1.1.24 “**Proven**” means, with reference to any Crown Claims, Employee Claims, Preferred Claims and Ordinary Claims, all such claims that have been the object of a proof of claim in accordance with Section 124 *BIA*, filed with the Trustee in due time and allowed by the Trustee. With respect to all such claims:

(a) contingent and unliquidated claims and claims payable at a future time shall be governed by Sections 121(2) and 121(3) *BIA*;

(b) every provision of the *BIA* dealing with the right to vote a claim shall apply to the Proposal; and

(c) Proven Ordinary Claims under successive performance contracts which have not been repudiated or terminated by the Debtor shall be limited to amounts owing by the Debtor thereunder accruing only up to (but not after) the Proposal Date;

1.1.25 “**Related Persons**” mean any persons who are related to any other persons as defined and described in Section 4 *B/A* and “**Related Person**” means any of them;

1.1.26 “**Secured Claims**” mean the claims of all Secured Creditors, to the extent of the Value of the security held by each Secured Creditor;

1.1.27 “**Secured Creditors**” mean all persons falling within the definition of “secured creditor” as set forth in Section 2(1) *B/A* and “**Secured Creditor**” means any of them;

1.1.28 “**Trustee**” means Richter Advisory Group Inc., the trustee named herein; and

1.1.29 “**Value**” means, with respect to any claim filed by a Secured Creditor, the value of such Secured Creditor’s security as assessed by the Secured Creditor and accepted by the Trustee or as determined by the Court.

1.2 The paragraph headings herein contained are for ease of reference only, shall not form of the Proposal and shall not be utilized, in any manner whatsoever, in the interpretation of the Proposal.

1.3 Whenever the context so provides, all references to the masculine shall include the feminine and *vice versa* and all references to the singular shall include the plural and *vice versa*.

1.4 All annexes to this document shall be deemed to form part of the Proposal.

1.5 In the event of any inconsistencies or discrepancies between the English language version of the Proposal and the French language version of the Proposal, the English language version of the Proposal shall govern and prevail under all circumstances.

2. Employee Claims

2.1 Subject to **Paragraphs 2.2** and **2.3** hereof, all Employee Claims will be paid in full, within 60 days following Approval.

2.2 With respect to all of the Employee Creditors who are currently employed by the Debtor, all of their Employee Claims have been or shall have been fully paid by the Debtor to such Employees, in the normal course of the Debtor’s business.

2.3 With respect to the Employee Creditors who are not currently employed by the Debtor (being, for greater certainty, all of the Employee Creditors other than those referred to in **Paragraph 2.2** hereof), all of their Employee Claims will be paid in full on the latest of the following dates, namely:

2.3.1 5 days after acceptance of a valid proof of claim from such Employee

Creditor or the Court's definitively determining such proof of claim to be valid;

2.3.2 the date of Approval; or

2.3.3 the date of receipt of the relevant certificates required in virtue of Section 46 of the *Employment Insurance Act*, Canada.

2.4 The Debtor undertakes to request all relevant certificates required in virtue of Section 46 of the *Employment Insurance Act*, Canada upon acceptance of each Employee Claim.

3. Crown Claims

3.1 All Crown Claims, to the extent not already paid by the Debtor in the ordinary course of the Debtor's business, shall be paid in full, within 60 days following Approval.

4. Secured Claims

4.1 All Secured Claims other than the Létourneau Claim shall be paid in accordance with existing agreements or as may be otherwise arranged with each of the Secured Creditors.

4.2 For greater certainty:

4.2.1 the Proposal is not addressed to Secured Creditors to the extent of their Secured Claims;

4.2.2 all Secured Creditors and their Secured Claims shall not be, in any manner whatsoever, affected or bound by the Proposal to the extent of their Secured Claims; and

4.2.3 if a Secured Creditor chooses to file a proof of claim and values its security in order to be considered as an Ordinary Creditor, then the Proven claim of such Secured Creditor in excess of the Value of its security shall be included in the class of Ordinary Creditors under the Proposal unless the Secured Creditor and the Debtor have agreed otherwise in writing.

4.3 Notwithstanding anything contained in **Section 4.2** hereof, the Létourneau Claim and the Létourneau Security shall be governed by the provisions of **Section 11** hereof.

5. Subsequent Claims

5.1 All claims arising in respect of property supplied, services rendered or other consideration given to the Debtor subsequent to the Proposal Date, including, without limitation, all salaries, remuneration and other compensation of the Debtor's employees for current services, have been or shall be paid in full by the Debtor in the ordinary course of the Debtor's business.

6. Preferred Claims

6.1 Within 60 days following Approval, all Preferred Claims of Preferred Creditors, without any interest whatsoever thereon, shall be paid prior to payment of all Ordinary Claims and after payment of all Crown Claims and Employee Claims.

7. Ordinary Claims

7.1 At any time prior to the 15th day immediately following Approval, any Ordinary Creditor may elect in writing (as provided for in its proof of claim or in any other manner acceptable to the Trustee) to receive the lesser of \$500.00 or the amount of its Ordinary Claim or to irrevocably and unconditionally reduce such Ordinary Claim to \$500.00, whereupon:

7.1.1 any such Ordinary Claim in excess of \$500.00 shall be deemed, for all purposes, to have been irrevocably and unconditionally reduced to \$500.00 and the Ordinary Creditor having an Ordinary Claim in excess of \$500.00 shall be deemed to have irrevocably and unconditionally waived and renounced to any rights to file a proof of claim in the Proposal in excess of \$500.00 or to participate in any further Dividends; and

7.1.2 any such Ordinary Creditor shall be treated as an Electing Creditor and such Ordinary Creditor's Ordinary Claim shall be treated as an Electing Creditor Claim under the Proposal.

7.2 The following shall be paid by the Debtor without any interest thereon whatsoever, in full and final settlement, release and discharge of all Ordinary Claims, within the following time periods (collectively the "**Dividends**"), namely:

7.2.1 the full amount of all Electing Creditor Claims shall be paid to the Trustee within 90 days following the granting of the Approval Motion (as hereafter defined) for distribution to all Electing Creditors as herein set forth, in full and final settlement, release and discharge of all Electing Creditor Claims; and

7.2.2 an amount of \$100,000.00, less:

- i) all Crown Claims, Employee Claims and Preferred Claims; and
- ii) amounts set forth in **Section 7.2.1** hereof,

shall be paid by the Debtor to the Trustee within 90 days following the granting of the Approval Motion (as hereafter defined), for distribution to all Ordinary Creditors (other than Electing Creditors) as herein set forth.

7.3 All amounts referred to in **Section 7.2** hereof shall be paid by the Debtor to the Trustee on or before each of the respective time periods therein set forth and shall thereafter be distributed by the Trustee to the Ordinary Creditors, according to the

amount of their respective Proven Ordinary Claims, as follows:

7.3.1 the amount set forth in **Section 7.2.1** hereof shall be distributed by the Trustee to the Electing Creditors as set forth in **Section 7.2.1** hereof; and

7.3.2 the amount set forth in **Section 7.2.2** hereof shall be distributed by the Trustee to the Ordinary Creditors (other than the Electing Creditors) on a *pro rata* basis, according to the amounts of their respective Proven Ordinary Claims.

7.4 Subject to the occurrence of Approval, the payment of the Dividends is hereby guaranteed by the Guarantor.

7.5 The Debtor shall be entitled, at any time whatsoever, to prepay the Dividends, in whole or in part, without any indemnity or penalty whatsoever.

7.6 The Dividends, without any interest whatsoever thereon, once paid by the Debtor to the Trustee in accordance with the provisions of this Proposal, shall constitute full and final settlement of and shall operate as a complete release and discharge of all Ordinary Claims.

8. Claims Against Directors

8.1 In accordance with Section 50(13) *BIA*, Approval of the Proposal shall be deemed, for all purposes whatsoever, to constitute the complete release and discharge of all claims, of any nature or source whatsoever, of all Creditors and any other persons against all of the Debtor's past and present directors which arose before the Proposal Date and which relate to obligations of the Debtor where such directors are by law liable in their capacity as directors for payment of such obligations.

8.2 Nothing in the Proposal shall be deemed, in any manner whatsoever, to constitute any acknowledgement of any liability or obligations of any of the Debtor's past or present directors.

9. Committee

9.1 A committee (the "**Committee**") of up to 3 individuals shall be appointed by the Ordinary Creditors at a meeting of the Creditors called to consider the Proposal. Such Committee shall be thereafter deemed to have been formed and constituted for the purposes hereafter set forth.

9.2 The powers of the Committee shall be limited to the following:

9.2.1 to advise the Trustee in connection with the administration of the Proposal;

9.2.2 to waive any default in the execution of the Proposal;

9.2.3 to confirm that the Debtor has satisfied all of the terms and conditions of

the Proposal; and

9.2.4 to adjourn the payment of Dividends to Ordinary Creditors provided for in the Proposal.

10. Preferences, Transfers at Under Value, etc.

10.1 All of the provisions of and all rights, remedies and recourses under and/or pursuant to:

10.1.1 Sections 95 through 101 *BIA*;

10.1.2 Articles 1631 through 1636 of the *Civil Code of Québec*; and

10.1.3 all other provisions of law, rights, remedies and recourses similar to the provisions of law, rights, remedies and recourses set forth in **Sections 10.1.1** and/or **10.1.2** hereof in any province of Canada other than the Province of Québec,

shall not, in any manner whatsoever, apply to this Proposal, such that:

10.1.4 all of such provisions, rights, remedies and recourses and any claims based thereon shall be completely unavailable to the Trustee or any Creditors against the Debtor, any of the Debtor's property, any other Creditor or any other person whatsoever; and

10.1.5 the Trustee and all of the Creditors shall be deemed, for all purposes whatsoever, to have irrevocably and unconditionally waived and renounced to such provisions, rights, remedies and recourses and any claims based thereon against the Debtor, the Debtor's property, any other Creditor or any other persons,

arising from and/or as a result of any matter whatsoever which occurred at any time prior to the Proposal Date.

11. Létourneau Claim

11.1 Conditional upon Approval of the Proposal, Létourneau hereby unconditionally and irrevocably:

11.1.1 subordinates and postpones the entire Létourneau Claim to and in favour of full payment of the Dividends, such that Létourneau shall not be entitled to receive any payment from the Debtor of any principal or interest on the Létourneau Claim unless and until all of the Dividends shall have been fully paid to the Ordinary Creditors as set forth in the Proposal; and

11.1.2 waives and renounces to any right to prove the whole or any portion of the Létourneau Claim as an Ordinary Claim under the Proposal.

11.2 The provisions of **Section 11.1** hereof shall survive:

11.2.1 any annulment of the Proposal; or

11.2.2 any bankruptcy of the Debtor occurring after Approval but prior to satisfaction of the Proposal.

11.3 The provisions of **Sections 7.4, 11.1 and 11.2** hereof are subject to the suspensive condition of Approval, such that the failure of Approval shall automatically render the provisions of **Sections 7.4, 11.1 and 11.2** hereof null, void and inoperative for all purposes.

11.4 Except to the extent affected by the subordination, postponement, waiver and renunciation set forth in **Section 11.1** hereof, the Létourneau Claim and the Létourneau Security will be and remain unaffected by the Proposal.

12. Powers of the Trustee

12.1 Subject to the rights of the Secured Creditors, the Trustee shall have the following rights, powers and authority, namely:

12.1.1 to receive periodic reports from the Debtor on its business operations and activities;

12.1.2 to have full access to the Debtor's premises as well as the Debtor's books, records and documents in order to obtain such information on the Debtor's activities as the Trustee may consider appropriate, in its sole discretion; and

12.1.3 to examine, accept or contest any security or alleged security of any Secured Creditor or the evaluation thereof.

12.2 The rights, powers and authority set forth and enumerated in **Section 12.1** hereof are in addition to and not in lieu of all of the Trustee's rights, powers and authorities under the *BIA* and any other applicable laws.

13. Trustee

13.1 The Trustee will be the trustee under the Proposal. All monies payable to the Creditors affected by the Proposal shall be paid over to the Trustee which shall make all payments provided for hereunder (including, without limitation, payment of all Dividends), in accordance with the provisions of the Proposal.

14. Notice of Presentation of Approval Motion

14.1 Each of the Creditors and the Official Receiver are hereby given notice that, after acceptance of this Proposal by the Creditors entitled to vote and voting thereon in

accordance with the relevant provisions of the *BIA*, the Trustee and/or the Debtor will present an application to the Court (the "**Approval Motion**") for Approval;

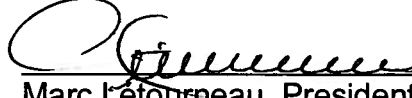
14.2 The Approval Motion will be presented before the Court in **Room 16.10** of the Palais de Justice, 1 Notre Dame Street, East, City of Montreal, Province of Québec, on **December 3, 2014 at 9 o'clock a.m.** or so soon thereafter as counsel may be heard.

14.3 The forwarding of this Proposal to the Creditors and the Official Receiver shall avail, for all purposes, as valid and proper signification and service of the Approval Motion on all of the Creditors and the Official Receiver.

Montreal, Province of Québec, Canada
this 6th day of November, 2014.

**ACCESSOIRES LA BREA INTERNATIONAL
INC.**

Per:



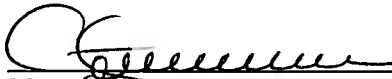
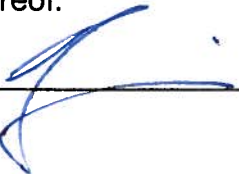
Marc Létourneau, President

WITNESS



MARC LÉTOURNEAU, hereby agrees to be bound by the provisions of **Sections 7.4** and **11** hereof.

WITNESS



Marc Létourneau