

**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 forebear 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 9th 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.

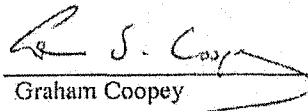
Dated at _____ this 9th day of September, 2016.

ELLEWAY PROPERTIES LIMITED

Per:

Name:

Title:



Graham Coopey

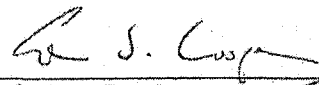
**ACKNOWLEDGEMENT AND AGREEMENT OF
ALDENHAM CANADA ACQUISITION CORPORATION**

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 9th day of September, 2016.

ALDENHAM CANADA ACQUISITION CORPORATION

Per:
Name:
Title:



Graham Coopey