

Estate No: 33-1884683  
33-1884684  
33-1884686

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

MASTER CALUM MACLEOD ) ON MONDAY, THE 8<sup>TH</sup> DAY  
 )  
REGISTRAR IN BANKRUPTCY ) OF DECEMBER, 2014

**IN THE MATTER OF THE PROPOSAL OF K.F.S. LIMITED,  
2726556 CANADA INC. AND NATHAR LIMITED  
OF THE CITY OF CORNWALL  
IN THE PROVINCE OF ONTARIO**

**Applicants**

**ORDER APPROVING PROPOSAL**

THIS MOTION made by K.F.S. Limited, 2726556 Canada Inc. and Nathar Limited, for an Order approving the Proposal of K.F.S. Limited, 2726556 Canada Inc. and Nathar Limited, was heard this day, at the Court House, 161 Elgin Street, Ottawa, Ontario.

ON READING the materials from the Trustee, as set out in the Notice of Motion, and upon hearing submissions of counsel for the Applicants and the Court being satisfied that the required majority of creditors have duly accepted the terms of the Proposal as set out in Schedule "A" hereto, and being satisfied that the terms are reasonable and calculated to benefit the general body of creditors and that no offences or facts have been proved to justify the Court in withholding its approval, the said Proposal is hereby approved.

  
Master Calum MacLeod  
Registrar in Bankruptcy

# Schedule "A"

CANADA  
PROVINCE OF ONTARIO  
DISTRICT OF ONTARIO

COURT NOS.: 33-1884683  
33-1884684  
33-1884686  
ESTATE NOS.: 33-1884683  
33-1884684  
33-1884686

SUPERIOR COURT OF JUSTICE  
Commercial Division  
"In Matters of Bankruptcy and Insolvency"

IN THE MATTER OF THE PROPOSAL OF K. F. S. LIMITED, 2726556 CANADA INC. and NATHAR LIMITED insolvent corporations duly incorporated according to law, having their head offices and principal places of business at 27 First Street, in the City of Cornwall, Province of Ontario, K6H 5V4.

## PROPOSAL

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We, K. F. S. LIMITED, 2726556 CANADA INC. and NATHAR LIMITED (collectively, the "Debtor") hereby submit the following proposal under the *Bankruptcy and Insolvency Act*:

1. **Definitions:** For all purposes relating to the present proposal, the following terms shall have the following meanings:
  - 1.1 "Act": The *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;
  - 1.2 "Cash Consideration": means a total amount of \$425,000.00 to be paid to the Trustee by the Debtor at the latest on February 24, 2015;
  - 1.3 "Creditors' Committee": A committee of up to five individuals to be named by the creditors at the general meeting of creditors called to consider the Proposal;
  - 1.4 "Crown Claims": For all purposes herein, Crown Claims shall be limited to the claims of Her Majesty in right of Canada or a province described in subsection 60(1.1) of the Act that were outstanding on the Date of the Proposal;
  - 1.5 "Date of the Proposal": For all purposes herein, the Date of the Proposal shall be deemed to be the date of the Notice of Intention, namely June 24, 2014;
  - 1.6 "Employee Claims": All amounts that employees or former employees would be qualified to receive under paragraph 136(1)(d) of the Act if the Debtor became bankrupt on the Date of the Proposal;
  - 1.7 "Landlords": All persons of whom the Debtor was a commercial tenant under a lease of real property, as acknowledged by the Debtor;
  - 1.8 "Landlord Claims": The Ordinary Unsecured Claims of the Landlords for the actual losses resulting from the disclaimers of leases in accordance with section 65.2(4)b) of the Act, which claims shall be treated as Ordinary Unsecured Claims in accordance with section 65.2(5) of the Act;

- 1.9 **"Ordinary Unsecured Claims"**: The claims other than Secured Claims, Employee Claims, Crown Claims and Preferred Claims. For greater certainty, but without limiting the generality of the foregoing, the Ordinary Unsecured Claims shall include claims of any kind whatsoever, whether due or not for payment as at the Date of the Proposal, including contingent and unliquidated claims (once quantified) arising out of any transaction entered into by the Debtor prior to the Date of the Proposal as well as any Restructuring Claim. Furthermore, the Ordinary Unsecured Claims shall include claims for a breach of an obligation contracted before the Date of the Proposal, regardless of the date of the breach, to the extent that such breach occurred prior to the Date of the Proposal;
- 1.10 **"Ordinary Unsecured Creditors"**: All persons having an Ordinary Unsecured Claim;
- 1.11 **"Preferred Claims"**: The claims described in paragraphs 136(1)(a) to 136(1)(j) of the Act, being such claims directed by the Act to be paid in priority to all other claims in the distribution of the property of a bankrupt, excluding Employee Claims;
- 1.12 **"Preferred Creditor"**: A person having a Preferred Claim;
- 1.13 **"Professional Fees"**: The proper fees, expenses, liabilities and obligations of the Trustee and all legal fees, accounting fees and consulting fees pertaining to the Debtor incurred since the filing of the Notice of Intention;
- 1.14 **"Proposal"**: This proposal or any amendment thereto, which amendments may be made at any time prior to a vote by the creditors on the Proposal, or by the Court at the time of approval of the Proposal;
- 1.15 **"Proven Claim"**: Any claim for which a proof of claim is filed with the Trustee in accordance with section 124 of the Act and that is proven in accordance with section 135 of the Act;
- 1.16 **"Restructuring Claim"**: Any right of any person against the Debtor 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, collective agreement or any other agreement, whether written or oral, after the Date of the Proposal, including any right of any person who receives a notice of repudiation or termination from the Debtor. Without limiting the generality of the foregoing, a Restructuring Claim shall include the claim of a landlord whose lease has been disclaimed or terminated, the claim of an employee whose employment has been terminated after the Date of the Proposal and the claim of any tax authority related directly or indirectly to the acceptance or the approval of the Proposal."
- 1.17 **"Secured Claims"**: The claims of the Secured Creditors;
- 1.18 **"Secured Creditors"**: As defined in section 2 of the Act;
- 1.19 **"Trustee"**: Richter Advisory Group Inc., a licensed trustee, having a place of business at 1981, McGill College Avenue, 11<sup>th</sup> floor, in the City of Montréal, Province of Québec, H3A 0G6;
- 1.20 **"Unaffected Creditors"**: Lang Investment Corporation, Jaymore Stores Limited, Magshar Holdings Inc. and 3528626 Canada Inc.



2. **Employee Claims:** Employee Claims, if any, will be paid in full, immediately after the approval by the Court of the Proposal.
3. **Crown Claims:** Crown Claims shall be paid in full, within six months of approval of the Proposal by the Court, or as may otherwise be arranged with the Crown.
4. **Professional Fees:** Professional Fees shall be paid in full by the Debtor in the normal course of business.
5. **Secured Claims:** Secured Creditors shall be paid in accordance with existing contracts, or as may otherwise be arranged with the Secured Creditors. For greater certainty, the Proposal is not addressed to the Secured Creditors and they shall not be bound by the Proposal in respect of their Secured Claim.
6. **Subsequent Claims:** The claims arising in respect of goods supplied, services rendered or other consideration given to the Debtor subsequent to the Date of the Proposal, if any, shall be paid in full by the Debtor in the normal course of business, and on regular trade terms.
7. **Preferred Claims:** Preferred Claims shall be paid, without interest or penalty, in full, in priority to all claims of Ordinary Unsecured Creditors upon approval of the Proposal by the Court or as may be otherwise arranged with the Preferred Creditors or in accordance with clause 2 hereof if such Preferred Claim is also an Employee Claim.
8. **Ordinary Unsecured Creditors:** The Cash Consideration received by the Trustee shall be distributed as follows:
  - 8.1 In payment of the amounts provided in paragraphs 2, 3 and 7 above, if any;
  - 8.2 The excess in payment of:
    - i. Each of the Ordinary Unsecured Creditors having a Proven Claim of less than \$500 will be paid the full amount of its Ordinary Unsecured Claim without interest or penalty, within 30 days after the payment by the Debtor of the Cash Consideration;
    - ii. Each of the Ordinary Unsecured Creditors having a Proven Claim of at least \$500 shall receive a minimum payment of \$500. For the balance of its Proven Claim, after the distribution mentioned in paragraph 8.1, 8.2i) herein and within 30 days after the payment by the Debtor of the Cash Consideration, each of the Ordinary Unsecured Creditors shall also receive, in full and final payment of its Ordinary Unsecured Claim, without interest or penalty, its *pro rata* share of any amount remaining from the Cash Consideration.
9. **Unaffected Creditors:** the Proposal is not addressed to the Unaffected Creditors and they shall not be bound by its terms and conditions.
10. **Release:** Upon the payment described in section 8 herein and the payment of the Professional Fees, the Debtor shall be released of any and all claims from the Ordinary Unsecured Creditors.


11. **Claims against directors:** In accordance with section 50(13) of the Act, the acceptance of the Proposal by the creditors shall definitively, without further payment release the directors in office as at the Date of the Proposal from any and all liability or obligation for which they may be liable by law in their capacity as directors, respecting any claim that arose before the Date of the Proposal as provided for by section 50(13) of the Act or otherwise. It is understood however, that nothing herein shall be interpreted as an acknowledgement of any liability or obligation whatsoever on the part of the directors in office as at the Date of the Proposal, any such liability or obligation being specifically denied.
12. **Creditors' Committee:** The powers of the Creditors' Committee contemplated herein, shall be limited to the following:
  - 11.1 To advise the Trustee in connection with the actions under the Proposal, as the Trustee may from time to time request;
  - 11.2 To advise the Trustee concerning any dispute which may arise as to the validity of claims under the Proposal; and
  - 11.3 To authorize the deferment of any payment under the terms of paragraphs 7 and 8 herein, either in whole or in part, and entirely at its discretion, providing that any such deferment is deemed by the Creditors' Committee to be in the interest of the Ordinary Unsecured Creditors and the Debtor.
13. **Reviewable Transactions, Preferential Payments, etc.:** The provisions of section 95 to 101 of the Act and any provision of provincial legislation having a similar objective shall not apply to the Proposal.
14. **Headings:** The headings or titles herein are provided solely for the convenience of the reader. They do not form part of the Proposal and have no authoritative meaning in interpreting the Proposal.

DATED AT MONTRÉAL, this 31<sup>st</sup> day of October 2014

K. F. S. LIMITED

NATHAR LIMITED

  
Per: Glenn Langburt

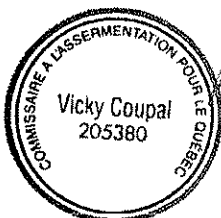
  
Per: Glenn Langburt


2726556 CANADA INC.

  
Per: Glenn Langburt



Julien Bélisle  
WITNESS







Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of Ontario  
Division No. 12 - Ottawa  
Court No. 33-1884683  
Estate No. 33-1884683

In the Matter of the Proposal of:

**K. F. S. Limited**  
Debtor

**RICHTER ADVISORY GROUP INC / RICHTER GROUPE  
CONSEIL INC.**  
Trustee

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Date of Proposal:	October 31, 2014	Security:	\$
Meeting of Creditors:	November 21, 2014, 10:30 Ramada Cornwall 805 Brookdale Ave Cornwall, Ontario Canada,		
Chair:	Syndic		

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CERTIFICATE OF FILING OF A PROPOSAL - Section 62

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that:

- a proposal in respect of the aforementioned debtor was filed under section 62 of the *Bankruptcy and Insolvency Act*.

The aforementioned trustee is required:

- to provide to me, without delay, security in the aforementioned amount; and
- to send to all creditors, at least ten days prior to the meeting, a notice of a meeting of creditors, which will be held at the aforementioned time and place.

Date: November 03, 2014, 10:40

E-File/Dépôt Electronique

Official Receiver

Place Bell Canada, 160 Elgin Street, 11th Floor, Suite B-100, Ottawa, Ontario, Canada, K2P2P7, (877)376-9902

**Canada**

**IN THE MATTER OF THE PROPOSAL OF K.F.S. LIMITED, 2726556 CANADA INC. and NATHAR LIMITED**

Applicants

Estate No. 33-1884683

33-1884684, 33-1884686

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SUPERIOR COURT OF JUSTICE  
Proceeding commenced at Ottawa

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ORDER

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**KELLY SANTINI LLP**

Barristers & Solicitors  
2401-160 Elgin Street  
Ottawa, Ontario  
K2P 2P7  
(613) 238-6321  
(613) 233-4553 Fax

Rick Brooks

Agent for Davies Ward Phillips &  
Vineberg LLP, solicitors for the Applicant  
Law Society No. 19072K

Box No. 201

Our File No: 017-67116