

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

S U P E R I O R C O U R T
(Commercial Division)
(Sitting as a court designated pursuant to the
Bankruptcy and Insolvency Act,
R.S.C. 1985, c. B-3)

No.: 500-11-031719-079
Superintendent No: 41-1008035

IN THE MATTER OF THE PROPOSAL OF:

PRIVA INC.

Debtor/Petitioner

- and -

RSM RICHTER INC.

Trustee/Interim Receiver

<p>PROPOSAL</p>

Priva Inc., the above noted debtor, hereby submits the following proposal under the *Bankruptcy and Insolvency Act*.

1. DEFINITIONS

For purposes hereof:

- 1.1** "ACT" means the *Bankruptcy and Insolvency Act*;
- 1.2** "AFFECTED ORDINARY CREDITOR" means an ORDINARY CREDITOR with a PROVEN CLAIM;
- 1.3** "CLAIM" means a debt or liability, present or future, of any nature whatsoever, and whether matured or not, liquidated or not, contingent or not, to which the CORPORATION was subject on the NOTICE OF INTENTION DATE or to which the CORPORATION may become subject by reason of any obligation incurred before the NOTICE OF INTENTION DATE, pursuant to Section 121 of the ACT;
- 1.4** "CORPORATION" means Priva Inc.;
- 1.5** "COURT" means the Superior Court of the district of Montréal sitting in Commercial Division;

- 1.6 “CREDITOR” means any PERSON having a CLAIM;
- 1.7 “INTERIM RECEIVER” means RSM Richter Inc. in its capacity of interim receiver with respect to the CORPORATION, having been so named on October 26, 2007;
- 1.8 “NOTICE OF INTENTION DATE” means the date the CORPORATION filed its “notice of intention to make a proposal to its creditors” namely, October 26, 2007;
- 1.9 “ORDINARY CLAIM” means a provable CLAIM other than a SECURED CLAIM or PREFERRED CLAIM;
- 1.10 “ORDINARY CREDITOR” means a CREDITOR having an ORDINARY CLAIM;
- 1.11 “MIP” means Med-I-Pant Inc., a CREDITOR having a SECURED CLAIM;
- 1.12 “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
- 1.13 “POST-FILING OBLIGATIONS” means the indebtedness and expenses of the COMAPNY incurred for goods supplied or services rendered, guarantees issued or other consideration given, as and from the NOTICE OF INTENTION DATE, other than the PROPOSAL EXPENSES;
- 1.14 “PREFERRED CREDITORS” means CREDITORS with PROVEN CLAIMS directed by the ACT to be paid in priority to ORDINARY CLAIMS, in accordance with Section 136 of the ACT;
- 1.15 “PROPOSAL” means this proposal, together with any additions or amendments thereto;
- 1.16 “PROPOSAL APPROVAL” means the situation arising from the PROPOSAL having been accepted by the statutory majorities of CREDITORS as required by the ACT and having been approved by the COURT in a final and enforceable 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 having been confirmed or the appeal withdrawn;
- 1.17 “PROPOSAL EXPENSES” means all reasonable fees, costs, undertakings and obligations of the TRUSTEE or the INTERIM RECEIVER and all reasonable legal fees and accounting fees of the CORPORATION, TRUSTEE OR INTERIM RECEIVER incurred in connection with the exercising by the CORPORATION of its rights under the ACT;
- 1.18 “PROPOSAL FUND” means the aggregate sum of ONE HUNDRED AND FIFTY THOUSAND DOLLARS (\$150,000.00) to be deposited by the CORPORATION with the TRUSTEE, and subsequently distributed by the TRUSTEE in accordance with the terms of this PROPOSAL;

- 1.19** “PROVEN CLAIM” means any CLAIM in respect of which a valid proof of claim was filed with the TRUSTEE in accordance with the ACT and determined to be admissible by the TRUSTEE or the COURT;
- 1.20** “SECURED CLAIMS” means CLAIMS of the “secured creditors” as such term is defined in the ACT, including the CLAIMS of the Toronto Dominion Bank and MIP;
- 1.21** “TRUSTEE” means RSM Richter Inc., as trustee to the PROPOSAL of the CORPORATION; and
- 1.22** “UNSECURED CREDITORS’ MEETING” means the meeting of the UNSECURED CREDITORS called for the purpose of considering and voting upon this PROPOSAL.

2. SECURED CLAIMS

- 2.1** The SECURED CLAIMS, shall be paid in accordance with arrangements existing between the CORPORATION and the holders of SECURED CLAIMS or as may be arranged between the CORPORATION and the holders of SECURED CLAIMS. For greater certainty, the CORPORATION agrees that nothing herein contained will in any way affect the right of the holders of the SECURED CLAIMS, if any.

3. CROWN CLAIMS AND EMPLOYEE CLAIMS

3.1 Amounts, if any:

- a) Owing to her Majesty in Right of Canada or a province, as enumerated in Section 60(1.1) of the ACT, shall be paid in full immediately following PROPOSAL APPROVAL; and
- b) Owing to employees and former employees, that they would have been entitled to receive under Section 136(1)d) of the ACT if the CORPORATION became bankrupt on the date of the PROPOSAL APPROVAL, will be paid in full immediately following PROPOSAL APPROVAL.

- 3.2** Amounts, if any, payable pursuant to Section 3.1, shall be paid out of the PROPOSAL FUND.

4. POST-FILING OBLIGATIONS

- 4.1** The POST-FILING OBLIGATIONS will be paid by the CORPORATION in the ordinary course of business and on regular trade terms, or as may be arranged by the CORPORATION.

5. PROPOSAL FUND

- 5.1** Conditionally upon PROPOSAL APPROVAL, the CORPORATION will deposit the PROPOSAL FUND with the TRUSTEE on the date of PROPOSAL APPROVAL.

6. PROPOSAL EXPENSES

6.1 The PROPOSAL EXPENSES will be paid by the CORPORATION in the ordinary course of business and on regular trade terms, or as may be arranged by the CORPORATION.

7. PREFERRED CLAIMS

7.1 The PROVEN CLAIMS of the PREFERRED CREDITORS, without interest, will be paid in full and in priority to the ORDINARY CLAIMS out of the PROPOSAL FUND, in full and final settlement of such PROVEN CLAIMS.

8. ORDINARY CLAIMS

8.1 The TRUSTEE will pay to each of the AFFECTED ORDINARY CREDITORS, in full and final settlement of its PROVEN CLAIMS, without interest or penalty, an amount equal to:

- a) the lesser of \$1,000 or the amount of its ORDINARY CLAIM, payable out of the PROPOSAL FUND within THIRTY (30) days of PROPOSAL APPROVAL; and
- b) with respect to the balance of its ORDINARY CLAIM, if any, its *pro rata* share of the balance of the PROPOSAL FUND, as soon as reasonably possible, as determined by the TRUSTEE, after the final determination of all of the known CLAIMS of the ORDINARY CREDITORS and the PREFERRED CREDITORS.

9. NAME CHANGE

9.1 The CORPORATION will change its name and will file articles of reorganization with the relevant corporate authorities to reflect this change. Accordingly, to the extent required, PROPOSAL APPROVAL will constitute an order for reorganization within the meaning of the *Business Corporations Act*, R.S.A. 2000, c. B-9.

10. GENERAL

10.1 The TRUSTEE shall not be deemed to be the assignee of the rights of the creditors pursuant to Sections 91 and following of the Act and Article 1631 of the *Civil Code of Quebec*, these provisions being expressly excluded from the PROPOSAL pursuant to Section 101.1 of the Act.

10.2 Upon PROPOSAL APPROVAL and the remittance of the PROPOSAL FUND to the TRUSTEE, the present PROPOSAL shall constitute a transaction in favour of the CORPORATION and the CREDITORS shall thereupon be deemed to forever discharge the CORPORATION with regards to any CLAIMS.

10.3 Upon PROPOSAL APPROVAL and the remittance of the PROPOSAL FUND to the TRUSTEE, the present PROPOSAL shall constitute a transaction in favour of the directors and/or officers of the CORPORATION in accordance with Section 50(13) of the ACT and said directors and officers shall thereupon be deemed to be forever

discharged with regards to any CLAIMS for which the directors and/or officers may, *ès qualités*, be liable for at law.

- 10.4** As a condition of PROPOSAL APPROVAL, and conditional upon PROPOSAL APPROVAL, MIP shall consent to the deposit of the PROPOSAL FUND with the TRUSTEE for distribution amongst the ORDINARY CREDITORS and PREFERRED CREDITORS as provided for herein, which PROPOSAL FUND would otherwise be subject to MIP's security, and shall waive its right to receive any dividend to which it would otherwise be entitled to as an ORDINARY CREDITOR under the PROPOSAL.
- 10.5** RSM Richter Inc., licensed trustee, will be the TRUSTEE under the PROPOSAL, and all monies payable under the PROPOSAL by the TRUSTEE in accordance with Sections 3, 6 and 7, will be REMITTED to the TRUSTEE which will remit dividends in accordance with the terms of the PROPOSAL.

Dated at Montreal, this 23rd day of November, 2007


PRIVA INC.

By: 
Name: Danielle Lefort
Title: Chief Financial Officer

INTERVENTION

Conditionally upon PROPOSAL APPROVAL, Med-I-Pant Inc. hereby intervenes in the present PROPOSAL to confirm its agreement to be bound by the terms set forth in Section 10.4 hereof.

MED-I-PANT INC.

By: 
Name: David Arditi
Title: President and Chief Executive Officer