

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

REGISTRAR/ MASTER JEAN)

On the 26TH day
of November, 2013.

**IN THE MATTER OF THE PROPOSAL
OF 761735 ONTARIO LIMITED
OF THE TOWN OR AURORA
PROVINCE OF ONTARIO**

ORDER APPROVING PROPOSAL (Sec. 60(5))

UPON THE APPLICATION of the Trustee and hearing submissions of counsel

AND UPON reading the Report of the Trustee, filed on November 12, 2013 and the Court being satisfied that the required majority of creditors have duly accepted the 2nd amended Proposal dated September 30, 2013, in the terms contained in the paper writing marked "A" annexed hereto

AND BEING satisfied that the said terms are reasonable and calculated to benefit the general body of creditors;

AND THAT no offences or facts have been provided to justify the Court in withholding its approval;

IT IS HEREBY ORDERED that the said 2nd Amended Proposal dated September 30, 2013 be approved.



REGISTRAR

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, as amended

-and-

IN THE MATTER OF THE PROPOSAL OF
761735 ONTARIO LIMITED
OF THE TOWN OF AURORA
PROVINCE OF ONTARIO

2nd AMENDED PROPOSAL DATED
September 30, 2013

761735 Ontario Limited (the "Debtor"), hereby submits the following Proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

ARTICLE 1
DEFINITIONS

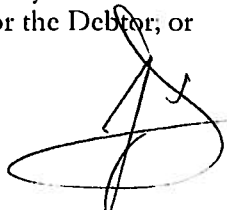
1.1 Definitions

In this Proposal, capitalized terms shall have the meanings set out in the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended, save and except for the terms and definitions set out below:

- (a) "Act" means the *Bankruptcy and Insolvency Act*, S.C. 1992, Chapter 27, as amended;
- (b) "Administrative Fees and Expenses" means:
- (i) the proper fees and expenses of the Proposal Trustee including its legal fees and disbursements; and
 - (ii) The legal and consulting fees and disbursements of the Proposal Trustee incurred on or incidental to negotiations in connection with the preparation of the Proposal and the transactions and agreements contemplated hereby, including discussions with the Debtor, its officers, directors and principals;

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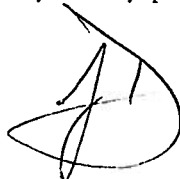
- (c) **“Business Day”** means any day other than a Saturday or Sunday or a day observed as a holiday under the laws of the Province of Ontario or the federal laws of Canada applicable therein.
- (d) **“Canada Pension Plan”** means the *Canada Pension Plan*, R.S.C. 1985, c C-8, as amended;
- (e) **“Claim”** means any right or claim of any Person against the Debtor that may be made in whole or in part against the Debtor or any property or assets of the Debtor, whether or not asserted, in connection with any indebtedness, liability or obligation of any kind, which indebtedness, liability or obligation is in existence at the Filing Date or which is based on an event, act or omission which occurred in whole or in part prior to the Filing Date, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, 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 future based in whole or in part on facts which exist prior to or at the Filing Date;
- (f) **“Court”** means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (g) **“Creditor”** means any Person having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (h) **“Court Approval Date”** means the date on which the Court finally and conclusively approves this Proposal;
- (i) **“Debtor”** means 761735 Ontario Limited.
- (j) **Director(s)** means any person or persons who are, have previously been, or in future may be directors of the Debtor, including but not limited to those persons who, in the past, present or future:
 - (i) have or will act in the capacity of director of the Debtor, with or without being so named, or
 - (ii) have or will perform the functions of a director of the Debtor, with or without being so named; or
 - (iii) have been, are or may in future be deemed, de facto, acting, substitute or effective directors or the Debtor; or

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- (iv) have been, are or will be persons subject to director's statutory liabilities arising from any statute, act or regulation of Canada;
- (k) **"Effective Date"** means the date on which the transactions and agreements provided for in this Proposal become effective, which date shall be 30 days after the Court Approval Date, provided that no appeal has been filed to any Court Order approving the Proposal;
- (l) **"Employment Insurance Act"** means the *Employment Insurance Act*, S.C. 1996, c. 23, as amended;
- (m) **"Filing Date"** means the date on which the Debtor filed its Notice of Intention to Make a Proposal, which date is February 14, 2013.
- (n) **"Final Order"** means an order of the Court approving this Proposal to be granted pursuant to the provisions of the Act, the appeal period having expired and no appeal having been filed, or any appeal therefrom having been dismissed and such dismissal having become final.
- (o) **"Income Tax Act"** means the *Income Tax Act*, R.S.C. 1985, c.1(5th Supp), as amended;
- (p) **"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;
- (q) **"Preferred Creditors"** means Creditors with Proved Unsecured Claims which are required by the Act to be paid in priority to all other Claims under a proposal by a debtor (but only in respect and to the extent of such Proven Unsecured Claims) and including, without limitation:
 - (i) Employees and former employees of the Debtor, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the Act if the Debtor became bankrupt on the Proposal Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salespersons, disbursements properly incurred by those salespersons in and about the Debtor's business during the same period;
 - (ii) Her Majesty in Right of Canada or a Province for all amounts that were outstanding at the Filing Date and are of a kind that could be subject to a demand under,



- I subsection 224(1.2) of the Income Tax Act;
 - II any provisions of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act and provides for collection of a contribution, as defined in the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts; or
 - III any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Income Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum;
 - (1) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act; or
 - (2) is of the same nature as a contribution under the Canada Pension Plan if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the Canada Pension Plan and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;
- (r) **"Post Filing Harmonized Sales Tax"** means in respect of the Proposal, the goods supplied, services rendered and other consideration given to the Debtor subsequent to the Filing Date;
- (s) **"Proposal"** means this 2nd Amended Proposal dated September 30, 2013 made pursuant to the Act, as further amended or supplemented from time to time;
- (t) **"Proposal Trustee"** or **"Trustee"** means Russo Corp, the Trustee acting in this Proposal.
- (u) **"Proven Unsecured Claim"** of a Creditor means the amount of the Claim of such Creditor finally determined and admitted in accordance with the provisions of the Act;
- (v) **"Secured Creditor"** means any person or persons holding a valid and enforceable mortgage, hypothec, security interest, pledge, charge, lien, privilege or encumbrance on or against any property of any person or persons as security for a Claim or a



person whose Claim is based upon, or secured by a negotiable instrument held as collateral security.

- (w) **“Unsecured Creditors”** means, collectively, the Creditors who are not Secured Creditors or Preferred Creditors.

1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the 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 the Proposal.

1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

1.5 Time

All times expressed herein are local time in Aurora, Ontario, Canada unless otherwise stipulated. Where the time for anything to be done pursuant to the Proposal on a particular date is unspecified, the time shall be deemed to be 5:00p.m. local time in Aurora, Ontario, Canada.

1.6 Context

In the 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.

1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.



1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

1.9 Successor and Assigns

The Proposal will be binding on 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 the Proposal.

ARTICLE 2 GENERAL INTENT

2.1 Purpose of Proposal

The purpose of this to affect a compromise of the Claims of the Unsecured Creditors of the Debtor, including statutory claims against Directors, strictly in accordance with subsections 50(13) to 50(15) of the Act, in the expectation that all Creditors will derive a greater benefit from a Proposal to Creditors than would result from a forced liquidation of the Debtor's assets or a bankruptcy.

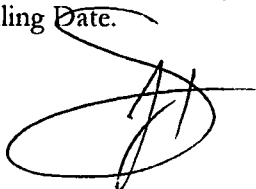
Notwithstanding the terms and conditions of all arrangements or other arrangements with creditors entered into before the Filing Date, for so long as an event of default in the Proposal has not occurred, or if it has occurred, has been waived or cured, all such agreements or other arrangements will be deemed to be amended to the extent necessary to give effect to all the terms and conditions of this Proposal. In the event of any conflict or inconsistency between the terms of such agreements or arrangements and the terms of this Proposal, the terms of this Proposal will govern.

2.2 Persons Affected

This Proposal will, as of the Effective Date, be binding on the Debtor and on all creditors, including the Crown, to whom this Proposal is made.

2.3 Assets Remain Vested in Debtor

The assets of the Debtor shall not vest in the Proposal Trustee, but shall remain vested in the Debtor, and the Trustee shall have no liability whatsoever for the Claims of Creditors arising before, on or after the Filing Date.

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ARTICLE 3
CLASSIFICATION AND TREATMENT OF CREDITORS

3.1 Secured Creditors

Secured Creditors acknowledge that their security is subordinate to the trust claims of Her Majesty in this Proposal and in any ensuing bankruptcy, unless it is supported by a mortgage on real property or otherwise entitled to be classified as a *prescribed security instrument* in accordance with the Income Tax Act.

Secured creditors will sit outside the proposal and will be paid in accordance with their existing payment/loan arrangements and or as agreed between themselves and the Debtor.

3.2 Preferred Creditors

There are no Preferred Creditors

3.3 Proven Unsecured Claims

Shall be satisfied in accordance with Article 7 herein.

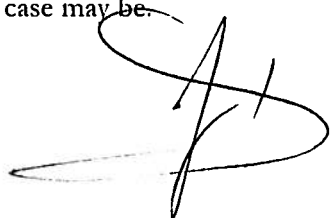
ARTICLE 4
PROCEDURE FOR VALIDATION OF CLAIMS

4.1 Filing of Proofs of Claim

Unsecured Creditors must file a Proof of Claim to vote on, or to receive a distribution under the Proposal.

4.2 Classes of Creditors

Upon receipt of a completed Proof of Claim, the Trustee shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the Act. The procedure for valuing Claims of Creditors and resolving disputes with respect to such Claims will be as set forth in the Act. The Debtor and/or Trustee reserve the right to seek the assistance of the Court in valuing the Claim of any Creditor, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Creditor under the Proposal, as the case may be.

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ARTICLE 5
MEETING OF CREDITORS

5.1 Meeting of Creditors

The Proposal Trustee shall hold a meeting of the unsecured creditors in order for them to consider and vote upon the Proposal.

5.2 Time and Place of Meeting

Unless otherwise ordered by the Court, the meeting of creditors shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in the Proposal Trustee's notice of meeting to be mailed pursuant to the Act.

5.3 Conduct of Meetings

The Official Receiver, or the nominee thereof, shall preside as the chair of the meeting of creditors and will decide all matters relating to the conduct of the meeting. The only Persons entitled to attend the meeting of creditors are those Persons, including the holders of proxies, entitled to vote at the meeting, their respective legal counsel, if any, and the officers, directors, auditors and legal counsel of the Debtor, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other Person may be admitted on invitation of the chair of the meeting or with the consent of the Creditors.

5.4 Adjournment of Meetings

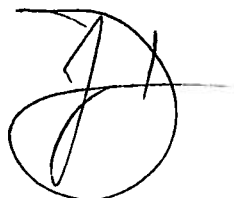
The meeting of creditors may be adjourned in accordance with Section 52 of the Act.

5.5 Voting by Creditors

To the extent provided for herein, each Class of Creditor will be entitled to vote, to the extent of the amount that is equal to their respective Proven Claim, in accordance with the provisions of the Act.

5.6 Approval by Creditors

In order that the Proposal be binding, and in accordance with the Act, the Proposal must first be accepted by the unsecured creditors, represented by a majority in number who actually vote upon the Proposal (in person or by proxy or by voting letter) at the Meeting of Creditors, and representing two-thirds in value of the Proven Claims of each class, who actually vote upon the Proposal (in person or by proxy or by voting letter) at the Meeting of Creditors.



5.7 Appointment of Inspectors

At the Meeting of Creditors the Creditors may appoint up to five (5) Inspector(s) whose powers will be limited to:

- (a) advising the Proposal Trustee concerning any dispute which may arise as to the validity of Claims, and
- (b) advising the Proposal Trustee from time to time with respect to any other matter that the Proposal Trustee may refer to them.

Any decision, direction or act of the Inspector(s) may be referred to the Court by the Proposal Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it thinks just.

The authority and term of office of the Inspector(s) will terminate upon the discharge of the Trustee.

ARTICLE 6 PAYMENT OF ADMINISTRATIVE FEES AND EXPENSES

- 6.0 Trustee's Administrative Fees and Expenses shall be paid from the funds deposited with the Trustee in accordance with the terms herein. The Trustee's fees and disbursements shall not exceed \$40,000.00 inclusive of HST and disbursement.

ARTICLE 7 - PROPOSAL

- 7.1 The Debtor shall cause to be paid to the Trustee, the sum of \$78,000.00 as follows:
- a) Trustee is currently holding in trust, by way of third party funding the sum \$50,000;
 - b) Immediately upon court approval \$32,000.00 shall be applied towards Trustee fees and expenses;
 - c) The remaining balance held in trust being \$ 18,000.00 shall be made available to creditors immediately after the Effective Date;
 - d) The Debtor shall pay the remaining balance under the proposal, being \$28,000 in monthly payments of at least \$1,000.00 per month for a period of 28 months, payments to commence within the same month in which the Effective Date falls;



- c) The remaining balance held in trust being \$ 18,000.00 shall be made available to creditors immediately after the Effective Date;
- d) The Debtor shall pay the remaining balance under the proposal, being \$28,000 in monthly payments of at least \$1,000.00 per month for a period of 28 months, payments to commence within the same month in which the Effective Date falls;
- e) After satisfying all trustee fees and expenses, as per section 6.0 above, distribution will be made to creditors on a quarterly basis until the full proposal amount has been fully satisfied.

The Debtor shall be at liberty to pay any or all of its obligations herein, at any time.

ARTICLE 8 **RELEASE OF CLAIMS AGAINST DIRECTORS**

- 8.1 Upon implementation of this Proposal on the Effective Date, each and every Director (as herein defined) of the Debtor shall be released from any and all demands, claims, debts, judgments, liens and other recoveries on account of any potential, contingent or actual statutory liability of whatsoever nature which any person may be entitled to assert against such Director(s) as at the Filing Date, including without limitation, any and all Claims howsoever related to any obligations of the Debtor where the Director(s) are or may be liable at law in their capacity as Director(s) for the payment of such obligations, whether known or unknown, existing or hereafter arising, based in whole or in part on any act of omission, transaction, dealing or other occurrence existing or taking place prior to the Filing Date.
- 8.2 Notwithstanding Article 8.1, nothing in this Proposal shall release or discharge any of the Directors from the exceptions set out in Section 50(14) of the Act and Article 8.1 shall be strictly interpreted so that it complies with Section 50(13) of the Act.
- 8.3 Any release contemplated in Article 8.1 shall not be obtained or be valid until the Certificate of Full Performance has been issued.

ARTICLE 9 **PROPOSAL TRUSTEE**

- 9.1 Russo Corp., corporate trustee of the Town of Aurora, in the Province of Ontario, and not in its personal or corporate capacity, shall be the Proposal Trustee under this Proposal and all monies payable under this proposal shall be paid over to the Proposal Trustee who shall make payment of all distributions in accordance with the terms of this Proposal.

- 9.2 Any payments made by the Proposal Trustee to creditors hereunder shall be made by the Proposal Trustee net of any levies payable or due under the Act.
- 9.3 The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal or corporate capacity and no officer, director, employee or agent of the Proposal Trustee shall incur any obligations or liabilities in connection with this Proposal or in respect of the business activities or liabilities of the Debtor.
- 9.4 The Proposal Trustee shall have no liability whatsoever for the Claims arising before, on or after the Filing Date.

ARTICLE 10
FULL PERFORMANCE OF PROPOSAL

- 10.1 All obligations of the Debtor under this Proposal will commence as of the Effective Date. This Proposal will be fully performed upon the payment to the Proposal Trustee of the amounts referred to in Articles 7.1 and when all other obligations of the Debtor set out herein have been satisfied, including payment of the Trustee's Administrative Fees and Expenses.
- 10.2 When the Proposal has been fully performed by the Debtor, the Proposal Trustee will issue to the Debtor and the Official Receiver the Certificate of Full Performance as provided for in Section 65.3 of the Act.
- 10.3 During the duration of this Proposal and until the Certificate of Full Performance referred to in Article 10.2 is issued by the Proposal Trustee, the Debtor shall not merge, amalgamate, rollover or otherwise change or reorganize its corporate structure without the prior approval of the Inspectors and unless the new or successor entity agrees to be bound by all terms and conditions of this Proposal.
- 10.4 The provisions of this Proposal will be binding on all Creditors of the Debtor, and their respective heirs, executors, administrators, successors and assigns.

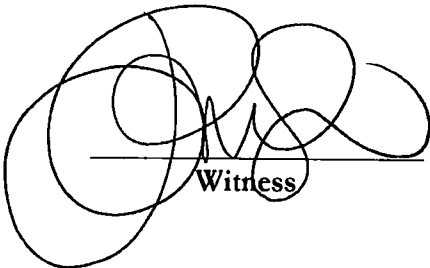
ARTICLE 11
AMENDMENT OF PROPOSAL

- 11.1 At any and all meetings of Creditors, the Debtor may at any time and from time to time, vary, amend, modify or supplement this Proposal.

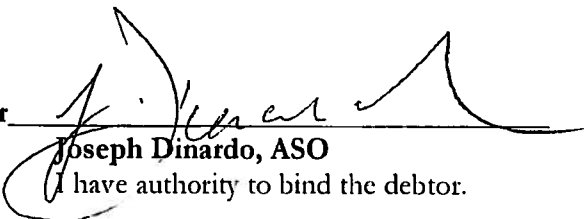
have not, to the time the variations, amendments, modifications or supplements are made, been changed, as “yes” votes and “no” votes for the amended or supplemental Proposal.

DATED at the Town of Aurora, in the Province of Ontario this 30th day of September, 2013

761735 Ontario Limited, a Debtor



Witness

Per 
Joseph Dinardo, ASO
I have authority to bind the debtor.

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF
761735 ONTARIO LIMITED
OF THE TOWN OF AURORA
IN THE PROVINCE OF ONTARIO

ORDER APPROVING PROPOSAL

Russo Corp.
78 Wellington Street E.
Aurora, Ontario L4G 1H8

P: 905-503-3328