

ONTARIO
SUPERIOR COURT OF JUSTICE IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF
TAZARMC INC.
OF THE CITY OF TRENTON
IN THE PROVINCE OF ONTARIO

AMENDED PROPOSAL

Tazarmc Inc. (hereinafter referred to as the "**Debtor**") hereby submits the following Proposal pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3.

PART I

Interpretation

Definitions

- 1.1 In this Proposal unless otherwise stated or the context otherwise requires, capitalized 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 proper fees and expenses of the Trustee and the Debtor incidental to the preparation, presentation, consideration and implementation of the Notice of Intention to Make a Proposal, the Proposal, any amendments thereto, and the proceedings, transactions and agreements contemplated thereby or arising therefrom, including all legal fees and disbursements incurred by the Trustee and the Debtor;
 - (c) "**Approval Order**" means an Order of the Court approving this Proposal pursuant to the provisions of the Act;
 - (d) "**Assets**" means the assets, property, and undertakings of the Debtor;
 - (e) "**Business Day**" means a day, other than a Saturday, Sunday or a day observed as a holiday under the laws of the Province of Ontario or the federal laws of Canada applicable therein;
 - (f) "**Claim**" means any right of any person against the Debtor in connection with any indebtedness, liability, or obligation of any nature whatsoever of the Debtor to any person, whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, incurred or arising or relating to the period prior to

the Filing Date, where such claims are proved and allowed, and "Claims" has a corresponding meaning;

- (g) **"Court"** means the Ontario Superior Court of Justice (In Bankruptcy and Insolvency);
- (h) **"Creditor"** means any person who holds one or more Claims, including Secured Creditors and Unsecured Creditors and "Creditors" has a corresponding meaning;
- (i) **"Creditors' Meeting"** means the meeting of the Creditors called for the purpose of considering and voting on the Proposal;
- (j) **"Effective Date"** means the date upon which the Approval Order becomes final and non-appealable;
- (k) **"Equipment Lessor"** means a party with a Secured Claim, secured by a valid security interest over specific leased equipment pursuant to a lease agreement with the Debtor;
- (l) **"Event of Default"** has the meaning given to it in Part X of this Proposal;
- (m) **"Filing Date"** means April 20, 2022, being the date upon which the Debtor filed its Notice of Intention to Make a Proposal under the Act;
- (n) **"Inspector"** means an inspector appointed pursuant to the Proposal in accordance with the provisions of the Act;
- (o) **"KPMG"** means KPMG Inc.;
- (p) **"Ordinary Creditor"** means a Creditor with a Proven Claim, except for those Claims that:
 - (i) the Trustee determines not to be a provable claim in accordance with section 135(1.1) of the Act;
 - (ii) have been finally and conclusively disallowed in accordance with the Act;
 - (iii) are claims by Preferred Creditors; or
 - (iv) are Claims by a Secured Creditor and **"Ordinary Creditors"** has a corresponding meaning;
- (q) **"Post Filing Goods and Services"** means the goods and services purchased by the Debtor subsequent to the Filing Date;
- (r) **"Preferred Creditor"** means a Creditor with a Proven Claim that is required by the Act to be paid in priority to other Claims under a proposal made by a debtor 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 subsection **136(1)(d)** of the Act if the Debtor had become a bankrupt on the Filing Date, as **well** as wages, salaries, commissions or compensation for services rendered after that date and before Court approval of the Proposal;
- (ii) Her Majesty in Right of Canada or a Province for all Source Deductions, and Preferred Creditors has a corresponding meaning;
- (s) "**Proposal**" means this Proposal and any amendments thereto;
- (t) "**Proposal Funds**" means the payments to be made by the Debtor to the Trustee pursuant to the provisions of Part III of this Proposal;
- (u) "**Proof of Claim**" means the proof of claim required by the Act to be provided to each known Creditor prior to the Creditors' Meeting;
- (v) "**Proven Claim**" of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the Act;
- (w) "**Secured Creditor**" means any person holding a mortgage, hypothec, pledge, charge, lien, encumbrance, security interest or privilege on or against the property of the Debtor or any part thereof as security for a Claim, and "Secured Creditors" has a corresponding meaning;
- (x) "**Source Deduction**" means any amount outstanding at the Filing Date of a kind that could be subject to a demand under
 - (A) subsection 244(1.2) of the *Income Tax Act* (Canada);
 - (B) any provision of the Canada Pension Plan or of the *Employment Insurance Act* that refers to subsection 244(2.2) of the *Income Tax Act* (Canada) and provides for the 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
 - (C) any provision of provincial legislation that has a similar purpose to subsection 244(1.2) of the *Income Tax Act* (Canada), 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

- I. 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* (Canada), or
 - II. 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.
- (y) **"Trustee"** means KPMG, or its duly appointed successor;
 - (z) **"Unsecured Creditors"** means, collectively, the Preferred Creditors and the Ordinary Creditors; and
 - (aa) **"Voting Letter"** shall mean the voting letter required by subsection 51(1) of the Act to be mailed to each known Creditor prior to the Creditors' Meeting.

Headings

- 1.2 The division of this Proposal into Parts and Sections and the insertion of headings are for the convenience of reference only and do not affect the construction or interpretation of this Proposal. The terms "this Proposal", "hereof", "hereunder" and similar expressions refer to this entire Proposal and not to any particular Part, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent herewith, references herein to Parts and Sections are to Parts and Sections of this Proposal.

Extended Meanings

- 1.3 In this Proposal words importing the singular number only include the plural and vice versa, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

Date for Any Action

- 1.4 If any date on which any action required to be taken hereunder by any of the parties is not a Business Day, such action must be taken on the next succeeding day which is a Business Day unless precluded by statute.

Stay of Proceedings

- 1.5 During the Proposal, and provided an Event of Default has not occurred and the Proposal is continuing, each Creditor will be stayed from commencing or continuing any proceeding or remedy against the Debtor or its property, including the Assets, based upon a Claim existing on or before the Filing Date.

Purpose of Proposal

- 1.6 The Purpose of this Proposal is to provide Creditors with greater recovery of their Claims than would result from a forced liquidation of the Assets in a bankruptcy or receivership.

Persons Affected

- 1.7 This Proposal will, as of the Effective Date, be binding on all Creditors of the Debtor.

PART II

Classification of Creditors

Classes of Creditors

- 2.1 For the purposes of voting on the Proposal, the Creditors of the Debtor shall be composed of the following four (4) classes: (a) National Bank of Canada (“**National Bank**”), the first-ranking Secured Creditor of the Debtor; (b) BDC Capital Inc. (“**BDC**”), the second-ranking Secured Creditor of the Debtor; (c) Equipment Lessors; and (d) Unsecured Creditors.

PART III

Proposal

Source Deductions

- 3.1 Unless Her Majesty consents, the Debtor will pay all Source Deductions within six (6) months after the Effective Date.

Secured Creditors

3.2 National Bank

The indebtedness to National Bank of Canada under loan account numbers 060023542976 and 5258 8192 2383 6751 will remain secured by the same security under the existing credit agreements between the Debtor and National Bank, with interest accruing on the outstanding balance at the same rate of interest as applicable under the existing credit agreements between the Debtor and National Bank, and will be repaid in accordance with the terms agreed upon between National Bank of Canada and the Debtor.

BDC

The indebtedness to BDC will be converted to a term loan secured by the same security provided for under the existing credit agreement between the Debtor and BDC and repaid in accordance with the terms agreed upon between the Debtor and BDC.

Equipment Lessors

The Debtor will continue to make regular monthly payments in the amount provided for under the existing agreements between each Equipment Lessor and the Debtor, with any arrears owing as at the Filing Date to be paid within 4 months after the Effective Date.

Unsecured Creditors

- 3.3 The Debtor will pay to the Trustee an amount equal to the lesser of \$1,015,000 and 35 % of the Proven Claims of Ordinary Unsecured Creditors(the “**Maximum Amount**”), to be distributed by the Trustee to Ordinary Unsecured Creditors, no later than thirty-six (36) months after the Effective Date. The Debtor will provide its annual financial statements for the three years following the Effective Date to the Trustee, and pay to the Trustee, for the benefit of the Unsecured Creditors, at least 50% of any cash in excess of \$500,000 on hand at year end, up to the Maximum Amount. The Trustee will distribute funds to Unsecured Creditors pursuant to the provisions of Part VI of this Proposal and the provisions of the Act.
- 3.4 Payments to Preferred Creditors and Ordinary Unsecured Creditors will be net of any applicable levy payable to the office of the Superintendent of Bankruptcy as required by the Act.

PART IV

Treatment of Creditors

Payment of Administrative Fees and Expenses

- 4.1 The Administrative Fees and Expenses shall be paid in full prior to distribution to the Unsecured Creditors.

Distribution to Preferred Creditors

- 4.2 The Proven Claims of Preferred Creditors are to be paid by the Trustee in full in priority to all claims of Ordinary Creditors in accordance with the scheme of distribution set forth in the Act.

Distribution to Ordinary Creditors

- 4.3 The Proven Claims of Ordinary Creditors shall be paid on a pro rata basis, after payment of the Administrative Fees and Expenses, and the Claims of Preferred Creditors.

Claims Against Directors

- 4.4 Any Claims against the Debtor by any Creditor that are also Claims against the directors and officers of the Debtor that relate to obligations of the Debtor where directors are under any law liable in their capacity as directors for the payment of such obligations shall be, upon acceptance of this Proposal by the Creditors and approval by the Court and upon completion of the Proposal and issuance by the Trustee of a certificate under section 65.3 of the BIA, to the extent permitted by the Act, compromised and released and forever discharged as against the directors of the Debtor.

PART V Procedure for Validation and Valuation of Claims

Allowance or Disallowance of Claims by the Trustee

- 5.1 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.

Valuation of Claims

- 5.2 The procedure for valuing Claims of Creditors and resolving disputes with respect to such Claims will be as provided for in the Act. The Debtor and/or the Trustee reserve the right to seek the assistance of the Court in valuing any Claim of a Creditor and in respect of any other matter as may be required.

PART VI Meeting of Creditors

Creditors' Meeting

- 6.1 On or before July 15, 2022, the Debtor shall hold the reconvened Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

Notice of Creditors' Meeting

- 6.2 The Trustee shall provide the Creditors with notice of the time and place of the Creditors' Meeting by mail pursuant to the Act. All Proofs of Claim shall be delivered in accordance with the provisions of the Proposal, the Act and any order which may be issued by the Court in respect of the procedure governing the Creditors' Meetings.

Conduct of Meetings

- 6.3 The Official Receiver, or any nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons (including the holders of proxies) entitled to vote at the Creditors' Meeting, their respective legal counsel, if any, and the officers, directors and legal counsel of the Debtor, together with such representatives of the Trustee as the Trustee may appoint in its discretion. Any other

persons may be admitted on invitation of the chair of the Creditors' Meeting.

Adjournment of Meetings

6.4 The Creditors' Meetings may be adjourned in accordance with section 52 of the Act.

Voting by Creditors

6.5 To the extent provided for herein, each Unsecured Creditor will be entitled to vote to the extent of the amount which is equal to the Proven Claim of such Unsecured Creditor.

Approval by Creditors

6.6 In order for the Proposal to be binding on all of the Creditors, it must first be accepted by a majority in number of the Creditors in each class who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing two-thirds in value of the Proven Claims of Creditors in each class who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

6.7 In the event that the Proposal is not accepted by the requisite majority in number and two-thirds in value of each class of Creditors, or the Court refuses to issue the Approval Order, the Debtor shall become a bankrupt.

Appointment of Inspectors

6.8 At the Creditors' Meeting, the Unsecured Creditors may appoint up to five (5) inspectors whose powers will include, but not be limited to, the following:

- (a) advising the Trustee concerning any dispute which may arise as to the validity of Claims;
- (b) the power to waive any default in the performance of any provisions of the Proposal; and
- (c) Advising the Trustee from time to time with respect to any other matter that the Trustee may refer to them.

Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it deems just.

The authority and term of office of the Inspectors will terminate upon the Performance of the Proposal.

PART VII

Post Filing Date Payments

Payment of Post Filing Goods and Services

- 7.1 All Post Filing Goods and Services shall be paid in full in the ordinary course of the Debtor's business and on terms agreed to between the Debtor and its respective creditors. The Debtor agrees that the Trustee shall not in any case be responsible for ensuring that payment is duly made to any person supplying Post Filing Goods and Services.

Crown Claims

- 7.2 During the period between the Filing Date and the Effective Date, the Debtor shall pay and keep current Her Majesty in Right of Canada and in Right of Ontario all amounts of a kind that could be subject to a demand under subsection 224(1.2) of the Income Tax Act (Canada) or otherwise as provided for in subsection 60(1.1) of the Act or any substantially similar provision of Ontario legislation.

PART VIII

Conditions Precedent to Implementation of the Proposal

- 8.1 As provided for in the Act, the arrangements set out in this Proposal will not take effect unless the conditions set forth below are satisfied:
- (a) all approvals and consents to the Proposal that may be required have been obtained;
 - (b) the Approval Order has been issued and the Effective Date has passed;
 - (c) no order or decree restraining or enjoining the consummation of the transactions contemplated by this Proposal has been issued ;and
 - (d) all agreements or instruments necessary to effect the intention and purpose of this Proposal have been received by the Debtor.

PART IX

Miscellaneous

Effect of Payment of Proposal Fund

- 9.1 All Creditors will accept the payments and security provided for in this Proposal in complete satisfaction of all of their Claims, and all other liens, certificates of pending litigation, executions or any other similar charges or actions or proceedings in respect of such Claims will have no effect in law or in equity against the property, assets and undertaking of the Debtor including the Assets.

Amendment to Proposal

- 9.2 This Proposal may be amended by the Debtor with the consent of the Trustee at any time prior to the conclusion of the Creditors' Meeting called to consider the Proposal, provided that any amendment made pursuant to this section shall not reduce the rights and benefits given to the Unsecured Creditors under the Proposal before any such amendment, and provided further that any and all amendments shall be deemed to be effective as of the filing date of the Proposal.

Good Faith

- 9.3 During the period from the Effective Date until the performance and satisfaction by the Debtor of its obligations to Creditors under the Proposal, the Debtor will not pay any management bonuses or shareholder dividends, and will keep and preserve all records relating to its business.

Court Approval

- 9.3 After the Creditors' acceptance of the Proposal, the Debtor will proceed to seek approval by the Court.

Binding Effect

- 9.4 The provisions of this Proposal will be binding on the Creditors, the Debtor, and their respective heirs, executors, administrators, successors and assigns, upon issuance of the Approval Order.
- 9.5 Throughout the period of the performance of the Proposal, the Debtor shall preserve and keep all records relating to the Debtor's business and projects, including all banking records.

PART X

Event of Default

- 10.1 The failure of the Debtor to pay the amounts required pursuant to the Proposal will constitute an Event of Default for purposes of section 63 of the Act and otherwise under this Proposal.

PART XI

Trustee

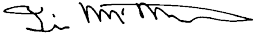
- 11.1 KPMG, of the City of Toronto, in the Province of Ontario, shall be the Trustee under this Proposal and all monies payable to Ordinary Unsecured Creditors under this Proposal shall be paid over to the Trustee who shall make the payment of all dividends in accordance with the terms of this Proposal.

- 11.2 KPMG is acting in its capacity as Trustee under this Proposal and not in its personal capacity and no officer, director, employee or agent of KPMG shall incur any obligations or liabilities in connection with this Proposal or in respect of the business or liabilities of the Debtor.
- 11.3 Any payments made by the Trustee to the Unsecured Creditors hereunder shall be made by the Trustee net of any levies payable or due under the Act.
- 11.4 Upon payment by the Trustee of the amounts contemplated in Part IV of this Proposal, the Trustee shall have discharged its duties as Trustee, and the Trustee shall be entitled to apply for its discharge as Trustee hereunder. For greater certainty, the Trustee will not be responsible or liable for any obligations of the Debtor and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by the Proposal unless such acts have been carried out in bad faith and constitute a willful or wrongful act or default.

[SIGNATURE PAGE FOLLOWS]

Dated at TORONTO, ONTARIO this 15th day of July, 2022.

TAZARMC INC.

By: 

Name: Tim McMurter

Title: Director

I have authority to bind the corporation.