

**Court File No. 31-2117956**  
**Estate No. 31-2117956**

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**IN BANKRUPTCY AND INSOLVENCY**  
**(COMMERCIAL LIST)**

**IN THE MATTER OF THE PROPOSAL OF**  
**NEWSTART FINANCIAL INC.**  
**OF THE CITY OF PICKERING**  
**IN THE PROVINCE OF ONTARIO**  
**FIRST REPORT TO COURT OF PROPOSAL TRUSTEE**  
**MOTION RECORD OF THE PROPOSAL TRUSTEE**

November 23, 2016

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Dodick Landau Inc.

Court File No. 31-2117950

Estate No. 31-2117950

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)

IN THE MATTER OF THE PROPOSAL OF  
NEWSTART FINANCIAL INC.  
OF THE CITY OF PICKERING  
IN THE PROVINCE OF ONTARIO  
FIRST REPORT TO COURT OF PROPOSAL TRUSTEE

I N D E X

<b>Tab</b>	<b>Description</b>
1	Notice of Motion of Proposal Trustee returnable November 29, 2016
A	Draft Sale Approval and Vesting Order
B	Draft Proposal Approval Order
2	Report of Proposal Trustee dated November 16, 2016
	<b>Appendices:</b>
A	Newstart Financial Inc. – Proposal and Asset Purchase Agreement
A2	Newstart Acceptance Inc. – Proposal and Asset Purchase Agreement
B	Cash Flow Forecast
C	Cash Flow Variance
D	Minutes of Meeting of Creditors of Newstart Financial Inc. dated November 2, 2016
D2	Minutes of Meeting of Creditors of Newstart Acceptance Inc. dated November 2, 2016

**TAB 1**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE PROPOSAL  
OF NEWSTART FINANCIAL INC. OF THE CITY OF  
PICKERING IN THE PROVINCE OF ONTARIO**

**Applicants**

**NOTICE OF MOTION  
(Returnable November 29, 2016)**

**DODICK LANDAU INC.**, the trustee of the proposal (in such capacity, the “**Proposal Trustee**”) of Newstart Financial Inc. (“**NFI**”), will make a motion to the Ontario Superior Court of Justice (Commercial List) on Tuesday, November 29, 2016 at 10:00 a.m., or as soon thereafter as the motion can be heard, at the Courthouse located at 330 University Avenue, Toronto, Ontario, Canada.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

1. **THE MOTION IS FOR** Orders substantially in the form attached hereto as **Schedule “A”** and **“B”**, *inter alia*,
  - (a) Abridging the time for service of the Notice of Motion and Motion Record, if necessary, and declaring that this motion is properly returnable on Tuesday, November 29, 2016, and dispensing with further service thereof;
  - (b) approving the sale transaction contemplated by an agreement of purchase and sale between the Proposal Trustee and Scott Satov, in trust for a corporation formed or to be formed and subsequently assigned to 9467971 Canada Inc. (the “**Purchaser**”), dated October 14, 2016 (the “**APS**”) and vesting the Purchased Assets (as defined in the APS) of NFI in the Purchaser;

- (c) Approving the Proposal of NFI (the “**Proposal**”) and the release of officers and directors contained therein;
- (d) approving the Report of Trustee on the Proposal dated November 16, 2016 (the “**Report**”) and the activities of the Proposal Trustee as more particularly described in the Report; and
- (e) such further and other relief as this Court deems just and/or equitable.

2. **THE GROUNDS FOR THE MOTION ARE:**

- (a) On May 2, 2016, each of NFI, along with the related entity Newstart Acceptance Inc. (“**NAI**”), filed a Notice of Intention to Make a Proposal under section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”);
- (b) On May 27, 2016 the Honourable Justice Conway issued Sale Process Approval Orders (the “**Sale Process Orders**”) approving a marketing and sale process for the assets of NFI and NAI to be conducted and completed by sale of the assets by the Proposal Trustee on behalf of NFI and NAI, under the enhanced powers granted to the Proposal Trustee under the terms of the Sale Process Orders;
- (c) The Proposal Trustee conducted an extensive marketing process (as described in greater detail in the Report) for the assets of NFI and NAI in accordance with the terms of the Sale Process Orders by:
  - (i) advertising the Property in a series of publications, including the *monitordaily.com* daily e-mail with over 75,000 subscribers and to its own contacts;
  - (ii) sending a Teaser document advertising the sale to approximately 60 potential purchasers;

- (iii) preparing a Confidential Information Memorandum and a virtual data room to provide information to prospective purchasers after they signed appropriate non-disclosure agreements;
  - (iv) receiving enquiries from potential purchasers and providing access to the virtual data room to 19 of these parties;
  - (v) providing to these parties a template agreement of purchase and sale to assist these parties in preparing definitive Agreements of Purchase and Sale.
  - (vi) reviewing 5 offers to purchase some or all of the assets received by the August 2, 2016 offer deadline;
  - (vii) the Receiver negotiated and accepted the amended APS from the Purchaser, conditional upon the conditions in that APS, which include the Proposal Trustee obtaining a Sale Approval and Vesting Order, in a form acceptable to the Purchaser, and that the Creditors approve the Proposals and the transaction contemplated in the APS;
- (d) On October 14, 2016, NFI lodged with the Proposal Trustee the Proposal to a single class of secured, preferred and unsecured creditors (the “**Creditors**”) with distributions to be made in accordance with the terms of the Proposal, which was filed with the Official Receiver on October 14, 2016 and accepted by the Official Receiver;
- (e) On October 21, 2016, the Proposal Trustee gave notice to NFI, the Superintendent of Bankruptcy, and to every known creditor affected by the Proposal of the calling of a meeting of creditors to consider the Proposal to be held on November 2, 2016;
- (f) On November 2, 2016, the meeting of the Creditors of NFI was held and presided over by the Proposal Trustee;
- (g) On the same date, and at the same location, a meeting of Creditors was held for the Proposal made by NAI;

- (h) The businesses of NFI are integrated with the business of NAI and dependant on one another;
- (i) NFI has granted comprehensive valid security over all of its assets to certain of its secured creditors.
- (j) The Proposal of NFI was conditional upon (i) the closing of a transaction and granting of a Sale Approval and Vesting Order selling the assets of NFI and NAI and using the proceeds to fund the Proposal; and (ii) approval of the separate proposal of NAI by the Creditors of NAI;
- (k) At the meeting of Creditors, the Proposal was accepted by 96% in number and 93.7% in value of the Creditors entitled to vote at the meeting of creditors of NFI;
- (l) The proposal made by NAI was also approved by its Creditors at a meeting of creditors held immediately after the meeting of unsecured creditors of NFI;
- (m) The Proposal provides for the priority of the payments required to be made under s.60 of the BIA;
- (n) The terms of the Proposal are reasonable;
- (o) The terms of the Proposal are calculated to benefit the general body of creditors of NFI;
- (p) The Proposal Trustee knows of no proof of claim having been filed in the Proposal against the directors and officers of NFI;
- (q) It is expected that creditors of NFI will derive a greater benefit under the terms of the Proposal than would be realized from a bankruptcy of NFI;
- (r) The Proposal provides for a distribution to the Creditors of NFI that exceeds the dividend that would otherwise be available from the bankruptcy of NFI, after payment of the claims of secured creditors holding valid comprehensive security over all of the assets of NFI;

- (s) The Proposal Trustee is of the view that the Proposal is advantageous to the Creditors of NFI, as it will provide for some recovery which would not otherwise be available in a bankruptcy;
- (t) On November 2<sup>nd</sup>, 2016 the Proposal Trustee applied to the Court for an appointment for the Court Approval of the proposal and was issued the hearing date of November 29, 2016;
- (u) On November 10, 2016, the Proposal Trustee caused to be sent to the Superintendent of Bankruptcy, to NFI, and to every creditor of NFI who has filed a Proof of Claim, a notice of the time and place of the hearing of the application to the Court to approve the Proposal;
- (v) On November 16, 2016, the Proposal Trustee forwarded a copy of the Report to the Superintendent of Bankruptcy;

**General**

- (w) The relief sought is appropriate in the circumstances;
- (x) All statutory requirements for the approval of the Proposal by the Court have been met;
- (y) The provisions of the BIA and this Court's equitable and statutory jurisdiction thereunder, including for the approval of transactions under the provisions of 65.13 of the BIA;
- (z) Rules 1.04, 2.03, 3.02, 16, 37 and 40 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (aa) such further and other grounds as counsel may advise and this Court may permit.



3. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the Motion:

- (a) The Report of Trustee on Proposal dated November 16, 2016; and
- (b) Such further material as counsel may advise and this Court may permit.

**DATE: NOVEMBER 23, 2016**

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in its capacity as Proposal Trustee  
of Newstart Financial Inc.

**SERVICE LIST**  
(as of November 23, 2016)

<http://dodick.ca/newstart-financial-inc-and-newstart-acceptance-inc/>

<b>TO:</b>	<b>This Honourable Court</b>	
<b>AND TO:</b>	<p><b>Lipman, Zener &amp; Waxman LLP</b> Barristers and Solicitors 1220 Eglinton Avenue West Toronto, Ontario M6C 2E3</p> <p><b>Attention: Jason D. Spetter</b> Tel.: 416-789-0652 Fax: 416-789-9015</p> <p><i>Lawyers for Newstart Financial Inc. and Newstart Acceptance Inc.</i></p>	Email: <a href="mailto:jspetter@lzwlaw.com">jspetter@lzwlaw.com</a>
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**IN THE MATTER OF THE PROPOSAL OF NEWSTART FINANCIAL INC.**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)  
  
(PROCEEDING COMMENCED AT TORONTO)**

**NOTICE OF MOTION  
(Returnable November 29, 2016)**

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Lawyers for Dodick Landau Inc.  
in its capacity as Proposal Trustee  
of Newstart Financial Inc.



**TAB 1-A**

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**IN BANKRUPTCY AND INSOLVENCY**  
**(COMMERCIAL LIST)**

THE HONOURABLE JUSTICE

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TUESDAY, THE 29<sup>th</sup>

DAY OF NOVEMBER, 2016

**IN THE MATTER OF THE PROPOSAL OF NEWSTART  
FINANCIAL INC. AND NEWSTART ACCEPTANCE INC.  
OF THE CITY OF PICKERING IN THE PROVINCE OF  
ONTARIO**

**SALE APPROVAL AND VESTING ORDER**

THIS MOTION, made by the Proposal Trustee (“**Trustee**”) in its capacity as the Proposal Trustee of the Debtors, Newstart Financial Inc. (“**NFI**”) and Newstart Acceptance Inc. (“**NAI**”) (collectively, the “**Debtors**”) for an order approving the sale transaction (the “**Transaction**”) contemplated by an agreement of purchase and sale between the Trustee and Scott Satov, in Trust for a corporation to be incorporated, dated October 14, 2016, (the “**APS**”), which was subsequently assigned to 9467971 Canada Inc. (the “**Purchaser**”) and vesting in the Purchaser the right, title and interest of each of NFI and NAI in and to the Purchased Assets described in the APS (the “**Purchased Assets**”), was heard this day at the Court House, 330 University Avenue, Toronto, Ontario.

ON READING the Fourth Report of Dodick Landau Inc., the Proposal Trustee of the Debtors (the “**Trustee**”) dated November 16, 2016, the Proposals of NAI and NFI, the Orders of the Honourable Justice Conway dated May 27, 2016 approving a Sale Process for the sale of the Assets of NFI and NAI by the Proposal Trustee (the “**Sale Process Orders**”), and on hearing the submissions of counsel for the Trustee, for NFI and NAI, as well as from representatives of the Trustee and the parties as listed on the counsel slip, no one appearing for any other person on the service list, although properly served as appears from the Affidavit of Service, filed.

1. THIS COURT ORDERS AND DECLARES that the Transaction is hereby approved, and the execution of the APS by the Trustee is hereby authorized and approved, with such minor amendments as the Trustee may deem necessary. The Trustee is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. THIS COURT ORDERS AND DECLARES that upon the delivery of a Trustee’s certificate to the Purchaser substantially in the form attached as Schedule “A” hereto (the “**Trustee’s Certificate**”), all of the right, title and interest of NFI and NAI in and to the Purchased Assets described in the APS shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the “**Claims**”) including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Sale Process Orders or otherwise created in the proposal proceedings of NFI and NAI; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. THIS COURT ORDERS that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Trustee's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

4. THIS COURT ORDERS AND DIRECTS the Trustee to file with the Court a copy of the Trustee's Certificate, forthwith after delivery thereof.

5. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Trustee is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the records of NFI and NAI pertaining to the past and current employees of NFI and NAI. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by NFI and NAI.

6. THIS COURT ORDERS that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of NFI and NAI and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of NFI and NAI;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of NFI and NAI and shall not be void or voidable by creditors of NFI and NAI, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

7. THIS COURT ORDERS AND DECLARES that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

8. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Trustee and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Trustee and its agents in carrying out the terms of this Order.

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**Schedule A – Form of Trustee’s Certificate**

Court File No. 31-2117950

31-2117956

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE PROPOSAL OF NEWSTART  
FINANCIAL INC. AND NEWSTART ACCEPTANCE INC.  
OF THE CITY OF PICKERING IN THE PROVINCE OF  
ONTARIO**

**TRUSTEE’S CERTIFICATE**

**RECITALS**

A. Pursuant to Orders of the Honourable Justice Conway of the Ontario Superior Court of Justice (the “**Court**”) dated May 27, 2016, Dodick Landau Inc. (the “**Trustee**”) was permitted to market and sell the undertaking, property and assets of Newstart Financial Inc. and Newstart Acceptance Inc. (the “**Debtors**”).

B. Pursuant to an Order of the Court dated November 29, 2016, the Court approved the agreement of purchase and sale made as of October 14, 2016 (the “**APS**”) between the Trustee and Scott Satov, in Trust, subsequently assigned to 9467971 Canada Inc. (the “**Purchaser**”) and provided for the vesting in the Purchaser of the Debtors’ right, title and interest in and to the Purchased Assets as defined in the APS (the “**Purchased Assets**”), which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Trustee to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price (as defined in the APS)(the “**Purchase Price**”) for the Purchased Assets; (ii) that the conditions to Closing as set out in the APS have been satisfied or waived by the Trustee and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Trustee.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the APS.

THE TRUSTEE CERTIFIES the following:

1. The Purchaser has paid and the Trustee has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the APS;
2. The conditions to Closing as set out in the APS have been satisfied or waived by the Trustee and the Purchaser; and
3. The Transaction has been completed to the satisfaction of the Trustee.
4. This Certificate was delivered by the Trustee at \_\_\_\_\_ on \_\_\_\_\_, 2016.

**Dodick Landau Inc., in its capacity as  
Proposal Trustee of Newstart Financial Inc.  
and Newstart Acceptance Inc., and not in its  
personal capacity**

Per: \_\_\_\_\_

Name:

Title:

**IN THE MATTER OF the Proposal of Newstart Financial Inc.  
and Newstart Acceptance Inc. of the City of Pickering, in the  
Province of Ontario**

**Court File No. 31-2117950/31-2117956  
Estate No. 31-2117950/31-2117956**

***ONTARIO*  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

**PROCEEDING COMMENCED AT  
TORONTO**

**SALE APPROVAL AND VESTING ORDER**

**PALLET VALO LLP**  
Lawyers & Trade-Mark Agents  
77 City Centre Drive, West Tower  
Suite 300  
Mississauga, Ontario  
L5B 1M5

**ALEX ILCHENKO (LSUC NO. 33944Q)  
WOJTEK JASKIEWICZ (LSUC NO. 49809L)**

**Tel: (905) 273-3300  
Fax: (905) 273-6920**

Lawyers for the Proposal Trustee,  
Dodick Landau Inc.



**TAB 1-B**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY  
(COMMERCIAL LIST)**

THE HONOURABLE ) TUESDAY, THE 29<sup>TH</sup>  
JUSTICE )  
) DAY OF NOVEMBER, 2016

B E T W E E N:

IN THE MATTER OF THE PROPOSAL OF  
NEWSTART FINANCIAL INC.  
OF THE CITY OF PICKERING, IN THE PROVINCE OF ONTARIO

**ORDER APPROVING PROPOSAL— (Sec. 60(5))**

**THIS MOTION**, made by Dodick Landau Inc., the trustee (in such capacity, the “**Proposal Trustee**”) in the proposal (the “**Proposal**”) of Newstart Financial Inc. (the “**Debtor**”) pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the “**BIA**”) was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Motion, the Report on the Proposal of the Proposal Trustee dated November 16, 2016 (the “**Report**”), and the Appendices thereto, and on hearing the submissions of counsel for the Proposal Trustee, counsel for the Debtor, and counsel for those other parties listed on the Counsel Slip, no one appearing for any other person on the Service List, although properly served as appears from the Affidavit of Service of Maggi Smith, sworn November 23, 2016, filed:

1. **THIS COURT ORDERS** that the time for service of the Motion Record and the Notice of Motion is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that defined terms not otherwise defined herein shall have the meanings attributed to them in the Proposal.

3. **THIS COURT ORDERS** that the Proposal, attached as Schedule "A" to this Order, be and is hereby approved.

4. **THIS COURT ORDERS AND DECLARES** that, on the terms set out in to paragraph 28 of the Proposal, the Creditors will be deemed to have released and discharged all claims that arose prior to the NOI Filing Date against the former and current officers and directors of the Debtor, to the extent that these claims relate to the obligations of the Debtor where the directors and officers of the Debtor are liable in their capacity as directors and/or officers of the Debtor for the payment of such obligations, but shall exclude any such claims as described in s.50(14) of the BIA.

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**SCHEDULE "A"**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE PROPOSAL OF  
NEWSTART FINANCIAL INC.  
OF THE CITY OF PICKERING, IN THE PROVINCE OF ONTARIO

**PROPOSAL**

Newstart Financial Inc. ("NFI" or the "Company") hereby submits the following proposal ("Proposal") pursuant to the provisions of the *Bankruptcy and Insolvency Act*, (Canada), R.S.C. 1985, c. B-3.

**PART I  
Interpretation**

**Definitions**

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 amended;
  - (b) "**Administrative Fees and Expenses**" means the proper fees and expenses of the Trustee and the Company incidental to the NOI preparation, presentation, consideration and implementation of 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 Company before and following execution, acceptance and approval of this Proposal and in connection with the NOI and the preparation of this Proposal;
  - (c) "**Approval Order**" means an Order of the Court approving (i) this Proposal pursuant to the provisions of the Act, and (ii) the Purchase Transaction contemplated by the Purchase Agreement;
  - (d) "**Assets**" means the Purchased Assets;
  - (e) "**Bankruptcy Reserve**" means a reserve amount of \$15,000.00 to be held by the Trustee as security for the administrative costs of the bankruptcy of the Company in the event that this Proposal is annulled and the Company becomes bankrupt;

- (f) **“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 on which banks are generally open for business in Toronto, Ontario;
- (g) **“Claim”** means any right of any person against the Company in connection with any indebtedness, liability, or obligation of any nature whatsoever of the Company 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 Date of Filing, where such claims are proved and allowed, and **“Claims”** has a corresponding meaning;
- (h) **“Court”** means the Ontario Superior Court of Justice [Commercial List]
- (i) **“Creditor”** means any person who holds one or more Claims, including Secured Creditors and Unsecured Creditors and **“Creditors”** has a corresponding meaning;
- (j) **“Creditors’ Meeting”** means a meeting of the Unsecured Creditors or a meeting of the Secured Creditors called for the purpose of considering and voting on the Proposal;
- (k) **“Crown Priority Claims”** means Claims of Her Majesty in right of Canada or any province of all amounts of a kind contemplated by section 60(1.1) of the Act;
- (l) **“Date of Filing”** means the date on which the Company filed the NOI;
- (m) **“Effective Date”** means the date on which the transactions and agreements provided for in this Proposal are to become effective which shall be the date on which the Approval Order is issued;
- (n) **“Event of Default”** has the meaning given to it in Part X of this Proposal;
- (o) **“Inspector”** means an inspector appointed, if any pursuant to the Proposal in accordance with the provisions of the Act;
- (p) **“Levy”** means the levy imposed by the Superintendent of Bankruptcy under the Act;
- (q) **“NOI”** means the Notice of Intention to Make a Proposal filed by the Company on May 2, 2016;
- (r) **“NOI Filing Date”** means the date on which the Company filed the NOI;
- (s) **“Performance of the Proposal”** means full performance of this Proposal as set out in Part IV hereof;

- (t) **“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;
- (u) **“Preferred Claim”** means any Claim that is afforded priority under Section 136(1) of the Act;
- (v) **“Preferred Creditor”** means any Unsecured Creditor holding a Preferred Claim, solely in respect to that Preferred Claim;
- (w) **“Proposal”** means this Proposal and any amendments thereto;
- (x) **“Proof of Claim”** means the proof of claim required by the Act to be provided to each known creditor prior to the Creditors’ Meeting;
- (y) **“Proven Claim”** of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the Act;
- (z) **“Purchase Agreement”** means the agreement of purchase and sale between Dodick Landau Inc., in its capacity as Trustee, and Scott Satov on behalf of a company to be incorporated made as of October 11, 2016, substantively in the form attached to this Proposal, but absent the schedules annexed thereto, collectively as “Schedule “A”;
- (aa) **“Purchase Price”** means the payments to be made to the Trustee pursuant to the provisions of Part III of this Proposal;
- (bb) **“Purchase Transaction”** means the purchase and sale transaction contemplated by the Purchase Agreement;
- (cc) **“Purchased Assets”** means those assets purchased by the Purchaser, as described in the Purchase Agreement;
- (dd) **“Purchaser”** means Scott Satov on behalf of a company to be incorporated;
- (ee) **“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;
- (ff) **“Trustee”** means Dodick Landau Inc. or its duly appointed successor, in its capacity as proposal trustee under the Act;
- (gg) **“Unsecured Creditor”** means, collectively, the Preferred Creditors and the Ordinary Creditors; and

- (hh) **“Voting Letter”** shall mean the voting letter required by subsection 51(1) of the Act to be mailed or sent by electronic transmission to each known Creditor prior to the Creditors’ Meeting.

### **Headings**

2. The division of this Proposal into Parts and Section 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 contest is inconsistent herewith, references herein to Parts and Sections are to Parts and Sections of this Proposal.

### **Extended Meanings**

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**

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 precluded by statute.

## **PART II**

### **Purpose and Effect of This Proposal**

#### **Purpose of Proposal**

5. The purpose of this Proposal is to effect a restructuring of the indebtedness of the Company by completion of the Purchase Transaction in the expectation that all Creditors will derive a greater benefit from the restructuring and the continued operation of the business and affairs of the Company than would result from a bankruptcy of the Company.

#### **Effect of Proposal**

6. This Proposal restructures the indebtedness of the Company and provides the essential terms on which all Claims will be fully and finally resolved and settled. During the Proposal Period, and provided that an Event of Default has not occurred and is continuing hereunder, all Creditors will be stayed from commencing or continuing any proceeding or exercising any remedy against the Company or any of its property or assets in respect of a Claim, including without limitation, any proceeding or remedy to



recover payment of any monies, to recover or enforce any judgment against the Company in respect of a Claim or to commence any formal legal proceeding against it other than as provided for under this Proposal.

### **PART III Classification of Creditors**

7. For the purpose of this Proposal, the Creditors of the Company shall be comprised of a single class consisting of Preferred Creditors, Secured Creditors and Unsecured Creditors. Claims of Her Majesty in right of Canada and any province for all amounts other than Crown Priority Claims shall vote in this class.

#### **Secured Creditors**

8. The Proposal Trustee has not provided an opinion of the security held by any party other than the security held by Newstart Inc. ("Newstart"). Newstart is operated by the Company's principal, Dave Baker. Given the difficulty of assessing the validity and priority of the security of other Secured Creditors within the context of this Proposal, all Creditors, including Newstart, only for the purposes of this Proposal, shall file unsecured Proofs of Claim. In the event of the bankruptcy of the Company, creditors shall be given the opportunity to amend their Proofs of Claim.

#### **Employee Preferred Claims and Wages**

9. Amounts, if any, owing to employees of the Company ("Employee Preferred Claims") shall be paid in the ordinary course by the Company in accordance with section 60(1.3) of the Act and in any event prior to the closing of the Purchase Transaction.

#### **Preferred Claims (in addition to Employee Preferred Claims)**

10. The Proven Claims of Preferred Creditors are to be paid by the Trustee in full in priority to all claims of Unsecured and Secured Creditors in accordance with the scheme of distribution set forth in the Act.

#### **Subordinated Claims**

11. As of the NOI Filing Date, Newstart Acceptance Inc. ("NAI") has a Claim against the Company (the "Subordinated Claim"), which Subordinated Claim shall be subordinated under this Proposal to all other Claims.

### **PART IV Proposal**

#### **Implementation of Proposal**

12. The consideration for the purchase of the Purchased Assets shall be equal to the aggregate sum set out in section 2.4 of the Purchase Agreement, estimated to be in the amount of \$750,000.00 (the "Purchase Price"). The Purchase Price shall include a deposit of \$75,000.00 (the "Deposit") which has been received by the Trustee. The Deposit shall be held in trust pending completion or termination of the Purchase Agreement.
13. Pursuant to section 2.5 of the Purchase Agreement, the Purchase Price shall be allocated between the separate and concurrent proposals filed by the Company and NAI as follows: 3% to NAI and 97% to the Company. The allocation of the Purchase Price to the Company shall be referred to as the "Company's Allocation";
14. The Company's Allocation plus any funds in the Company's account at the time of the closing of the Purchase Transaction (the "Total Allocation") shall be distributed by the Trustee pursuant to Part V of this Proposal and the provisions of the Act.
15. The Purchased Assets will be sold to the Purchaser on an "as is, where is" basis and the Company will not be liable or responsible in any way for the condition of the Purchased Assets or the delivery of such tangible assets to be purchased by the Purchaser.
16. The Company will maintain the fire, public liability and any other customary classes insurance covering the Purchased Assets until closing of the Purchase Agreement.
17. In the event that the Proposal is not accepted by the Creditors or the Court refuses to issue the Approval Order, the Debtor shall become a bankrupt and the Purchase Price shall not be available to the Creditors in accordance with their respective priorities.

**PART V**  
**Treatment of Creditors**

18. The Total Allocation shall be distributed by the Trustee in the following order of priority:
  - (a) First, to any Crown Priority Claims;
  - (b) Second, to the Administrative Fees and Expenses in accordance with section 60(1) of the Act;
  - (c) Third, to establish the Bankruptcy Reserve, to be held in trust by the Trustee, which amount shall be used to fund the administrative costs of the bankruptcy of the Company in the event that this Proposal is annulled and the Company becomes bankrupt, failing which such amount shall be distributed in accordance with subparagraphs (d) and (e);

- (d) Fourth, to Proven Claims of Preferred Creditors (if any); and
- (e) Fifth, the balance of the Company's Allocation shall be distributed *pro rata* amount all the Unsecured Creditors and Secured Creditors on account of Proven Claims without regard to whether the Claims are the Claims of Secured Creditors or Unsecured Creditors.

**PART VI**  
**Procedure for Validation and Valuation of Claims**

- 19. 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.
- 20. The procedure of valuing Claims of Creditors and resolving disputes with respect to such Claims will be as provided for in the Act. The Company and/or Trustee reserves 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 VII**  
**Meeting of Creditors**

**Creditors' Meeting**

- 21. On November 2, 2016, the Company shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

**Notice of Creditors Meeting**

- 22. 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' Meeting.

**Conduct of Meeting**

- 23. The Official Receiver, or any nominee thereof, shall preside as the chair of the Creditors' Meetings and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meetings are those persons (including the holders of proxies) entitled to vote at the Creditors' Meeting and the officers, directors and legal counsel of the Company 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 or with the consent of the Creditors.

### **Adjournment of Meeting**

24. The Creditors' Meeting may be adjourned in accordance with section 52 of the Act.

### **Voting by Creditors**

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

### **Approval by Creditors**

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

### **Appointment of Inspectors**

27. At the Creditors Meeting, the 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 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.

## **PART VIII**

### **Conditions Precedent to Implementation of the Proposal**

28. 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;
- (d) All agreements or instruments necessary to effect the intention and purpose of this Proposal have been received by the Debtor and the Purchaser in a form satisfactory to the Debtor and Purchaser;
- (e) The Purchase Transaction shall have been completed;
- (f) The separate and concurrent Proposal filed by NAI shall have been accepted by the Creditors, approved by the Court and made effective; and
- (g) All and any orders of the Court have been obtained which are required to facilitate the transactions referred to herein.

### **PART IX Release**

29. As at 12:01am on the Effective Date, the Company and each and every present and former officer and director of the Company (collectively, the "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, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Creditor or person may be entitled to assert as of the NOI Filing Date, including without limitation, any and all claims in respect of the potential statutory liabilities of the former, present and future directors and officers of the Company, and any and all claims relating to any obligations of the Company where the present, former or future directors or officers are or may be by law liable in their capacity as directors or officers for the payment of such obligations, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based on whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the NOI Filing Date relating to, arising out of or in connection with the claims, the business and affairs of the Company, this Proposal, and provided that nothing herein shall release or discharge any of the Released Parties from any claims coming within the exceptions set out in section 50(14) of the Act.

### **PART X Miscellaneous**

#### **Effect of Payment**

30. Creditors will accept the payments provided for in this Proposal in complete satisfaction of all of their Claims, and all 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 Company including the Assets. On the Effective Date, any and all such registered liens, certificates of pending litigation, executions or other similar charges or actions will be discharged, dismissed or vacated without cost to the Company.

### **Preferential Payments**

31. Sections 95 to 101 of the Act shall not apply to any dealings by the Company to at time prior to the NOI Filing Date. The releases contemplated in paragraph 27 of this Proposal include releases in favour of the Released Parties from all claims, actions, or remedies available to Creditors or others pursuant to sections 95 to 101 of the Act, provided nothing herein shall release any director of the Company from any claims coming within the exceptions set out in Section 50(14) of the Act.

### **Amendment to Proposal**

32. This Proposal may be amended by the Company 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 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.

### **Performance Certificate**

33. The Trustee will give the Company and the Official Receiver the certificate provided for in section 65.3 of the Act within 5 Business Days following the Trustee being satisfied that all of the conditions set out in the Purchase Agreement have been met or waived.

### **Court Approval**

34. After the Creditors acceptance of the Proposal, the Trustee will proceed to seek approval by the Court, on or about, November 29, 2016 and to have the Court make any ancillary orders that may be necessary or desirable to permit the transfer of the Assets to the Purchaser free and clear from all encumbrances as contemplated by the transaction or agreement including an order releasing any existing encumbrances from the Assets other than the Permitted Encumbrances as referred to in the Purchase Agreement (and continuing such encumbrances in the proceeds of sale only) and an order exempting the transfers from the provisions of the *Bulk Sales Act* (Ontario). Creditors acceptance of the Proposal shall constitute their consent to such ancillary Court orders.

### **Binding Effect**

35. The provisions of this Proposal will be binding on the Creditors, the Company and their respective heirs, executors, administrators, successors, and assigns, upon issuance of the Approval Order.

**PART XI**  
**Event of Default**

36. The failure of the Purchaser to satisfy its obligations under the Purchase Agreement to the Trustee will constitute an Event of Default for purposes of section 63 of the Act and otherwise under this Proposal.

**PART XII**  
**Trustee**

37. Dodick Landau Inc. shall be the Trustee under this Proposal and all monies payable 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.
38. Dodick Landau Inc. is acting in its capacity as Trustee under this Proposal and not in its personal capacity and no officer, director, employee or agent of Dodick Landau Inc. shall incur any obligations or liabilities in connection with this Proposal or in respect of the business or liabilities of the Company.
39. Any payments made by the Trustee to the Creditors hereunder shall be made by the Trustee net of any levies payable or due under the Act.
40. Upon payment by the Trustee of the amounts contemplated in Part V 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 Company 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 wilful or wrongful act or default.

***SIGNATURE PAGE TO FOLLOW***

*SIGNATURE PAGE TO PROPOSAL FILED BY NEWSTART FINANCIAL INC.*

Dated at Toronto this 14<sup>th</sup> day of October, 2016.

NEWSTART FINANCIAL INC.

Per:   
\_\_\_\_\_

Name: Mark Bawick

Title: President

I have authority to bind the corporation.



**SCHEDULE "A" – Purchase Agreement**

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT made the 13th day October, 2016

BETWEEN:

**DODICK LANDAU INC.**, solely in its capacity as the Proposal Trustee ordered to market and sell the property, assets and undertaking of Newstart Financial Inc. and Newstart Acceptance Inc., and not in its personal capacity (the "**Vendor**")

- and -

(the Newco, represented by Scott Satov, CA ("**Purchaser**")

**WHEREAS:**

- A. On May 2, 2016, Newstart Financial Inc. ("**NFI**") and Newstart Acceptance Inc. ("**NAI**") (NAI together with NFI being "**Newstart**") filed Notices of Intent to make a Proposal (the "**NOI**") under the provisions of the *Bankruptcy and Insolvency Act* (the "**BIA**");
- B. the Vendor was appointed as Proposal Trustee of Newstart (the "**Trustee**") and was ordered to implement a Sale and Investment Solicitation Process (the "**SISP**") for all the assets, property and undertaking of Newstart by the Orders of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") each dated May 27, 2016, (the "**SISP Orders**");
- C. Newstart and the Trustee have been administering the wind-down of the business of Newstart, including its inventory of vehicles and portfolio of vehicle leases and consumer loans (the "**Administration Arrangement**");
- D. the SISP Orders provide that the Vendor has the power to sell all or any part of the property, assets and undertaking of Newstart, subject to approval by the creditors of NFI and NAI at meetings of the creditors in the Proposal Proceedings, and the approval of the Court;
- E. following implementation of the SISP by the Trustee, the Vendor wishes to sell to the Purchaser and the Purchaser wishes to purchase from the Vendor substantially all of the assets which make up the Newstart Business, including the Portfolio Assets, Goodwill, Intellectual Property (as such terms are defined below), customers lists and other assets.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that, in consideration of the premises, the mutual covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereby covenant and agree as follows:



**ARTICLE 1 - INTERPRETATION**

**1.1 Definitions.** In this agreement:

(a) **"Accounts Receivable"** means all accounts receivable of Newstart, including, without limitation, the accounts listed on Schedule 1.01(a) hereto;

(b) **"Act"** means the *Ontario Business Corporations Act* as in effect on the date hereof;

(c) **"Administration Arrangement"** has the meaning ascribed thereto in the second recital;

(d) **"Affiliate"** has the meaning ascribed thereto in the Act;

(e) **"Approval and Vesting Order"** means an order (or orders) of the Court in the Proposal Proceedings, in form and substance and on terms (including the contents of the service list) acceptable to the Vendor and the Purchaser and their respective solicitors, acting reasonably, (i) approving this agreement, (ii) authorizing and directing the Vendor to execute and deliver this agreement, (iii) directing the Vendor to complete the Transaction, (iv) vesting in the Purchaser all right, title and interest of Newstart and the Vendor in the Purchased Assets, free and clear of all claims, mortgages, charges, liens, security interests or encumbrances of every nature or kind whatsoever, and (v) approving the Proposals of NFI and NAI in the Proposal Proceedings, after approval by the creditors of NFI and NAI at meeting of creditors held in accordance with the BIA;

(f) **"Assumed Liabilities"** means the liabilities to be assumed by the Purchaser pursuant to section 2.8 hereof;

(g) **"Books and Records"** means all books and records relating to the Purchased Assets (other than (i) those required by law to be retained by the Vendor, copies of which will be made available to Purchaser, and (ii) personnel records), including, without limitation, customer lists, sales records, transaction histories, price lists and catalogues, sales literature, advertising material, manufacturing data, production records, employee manuals, supply records, inventory records and correspondence files (together with, in the case of any such information which is stored electronically, the media on which the same is stored);

(h) **"Business Day"** means any day, other than a

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Saturday or Sunday, on which commercial banks in Toronto, Ontario, are open for business during normal banking hours;

(i) "**Cash**" means all cash on hand, cash equivalents and bank deposits of Newstart in existence on the Closing Date;

(j) "**Closing Certificate**" means the certificate referred to in the Approval and Vesting Order which, when delivered to the Purchaser, gives effect to the vesting provisions contained in the Approval and Vesting Order;

(k) "**Closing Date**" means the Business Day immediately following the day upon which the Approval and Vesting Order is made by the Court, or such other date as may be agreed to by the Parties;

(l) "**Collection Proceeds**" means amounts collected by the Servicer, including by the way of legal proceedings or settlement, on account of Accounts Receivable, Legal Claims, defaulted Lease Payments, partial payment on Leases, catch up payments on Leases, residual guarantee amounts and other amounts owing under a Lease not paid by the Lessee and guarantees thereof in accordance with the terms of the Lease;

(m) "**Commercially Reasonable Efforts**" means, subject to section 1.6 hereof, the efforts that a prudent person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as possible;

(n) "**Consumer Loans**" means the assets listed on Schedule 1.01(n) hereto;

(o) "**Contract**" means any agreements, indenture, contract, lease, deed of trust, license, option, instrument or other commitment, whether written or oral, but excluding any Lease;

(p) "**Court**" has the meaning ascribed thereto in the second recital;

(q) "**Equipment**" means all equipment, furniture, fixtures and other assets used by NFI in its business, but not including the Vehicles, as defined below;

(r) "**Excluded Assets**" means the assets listed on Schedule 1.01(r) hereto, and the Excluded Assets specifically include the Cash;

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(s) "**Goodwill**" means all goodwill, together with the ability of the Purchaser to represent itself as carrying on the Newstart Business in succession to Newstart and the right to use any words indicating that the Newstart Business is so carried on, including the right, if any, to use the name "Newstart" in connection with the words "leasing" or "automobiles" or both or any variation thereof, as part of the name or style under which the Newstart Business or any part thereof is carried on by Purchaser;

(t) "**Gross Proceeds**" means all Lease Payments, Vehicle Proceeds, Collection Proceeds and all other amounts generated in respect of any dealings with the Portfolio Assets, excluding HST or other applicable excise taxes collected, that are the subject matter of the Administration Arrangement, all of which are deposited by the Servicer in the Servicer Account on a daily basis in accordance with the terms of the Administration Arrangement, which, for greater certainty, excludes any amounts received from the Excluded Assets;

(u) "**HST**" means harmonized sales tax imposed under the HST Legislation;

(v) "**HST Legislation**" means Part IX of the *Excise Tax Act* (Canada);

(w) "**Intellectual Property**" means all trade or brand names, business names, trademarks (including logos), trade-mark registrations and applications, service marks, service mark registrations and applications, copyrights, copyright registrations and applications, issued patents and pending applications and other patent rights, industrial design registrations, pending applications and other industrial design rights, trade secrets, proprietary information and know-how, equipment and parts lists and descriptions, instruction manuals, inventions, inventors' notes, research data, blue prints, drawings and designs, formulae, processes, technology and other intellectual property, together with all rights under licences, registered user agreements, technology transfer agreements and other agreements or instruments relating to any of the foregoing;

(x) "**Leases**" means all leases pursuant to which Newstart is the Lessor including, without limitation, the leases listed on Schedule 1.01(x) hereto, and, each, a "Lease";

(y) "**Lease Payments**" means the ordinary course monthly payments made by Lessees under Leases together with the gross

proceeds of all Vehicles bought-out by Lessees under Leases which are in good standing;

(z) "Lessee" means a lessee, co-signor or guarantor in respect of a Lease;

(aa) "Legal Claims" means the legal proceedings commenced by Newstart or the Vendor, as listed on Schedule 1.01(aa) hereto;

(bb) "Licenses and Permits" means all transferable licenses, permits, approvals, consents, registrations, certificates and other authorizations relating to the Purchased Assets;

(cc) "Newstart" has the meaning ascribed thereto in the first recital;

(dd) "NFI" has the meaning ascribed thereto in the first recital;

(ee) "NAI" has the meaning ascribed thereto in the first recital;

(ff) "Newstart Business" means the business carried on by Newstart consisting primarily of providing lease financing to individuals for used vehicles;

(gg) "OMVIC License" means an Ontario Motor Vehicle Industry Council lease finance dealer license;

(hh) "Parties" means, collectively, the Vendor and the Purchaser, and, each, a "Party";

(ii) "Person" has the meaning ascribed thereto in the Act;

(jj) "Portfolio Assets" means the Leases and the Vehicles;

(kk) "Purchased Assets" has the meaning ascribed thereto in section 2.1;

(ll) "Purchase Price" means the amount referred to in section 2.2 and includes a cash deposit (the "Deposit") in the amount of \$75,000 being 10% of the purchase price as required by the SISP;

(mm) **"Proposal Proceeding"** means the proceedings in which the SISP Orders were made;

(nn) **"Servicer"** means NFI and NAI;

(oo) **"Servicer Account"** means the bank account or accounts into which Gross Proceeds have been received during the Proposal Proceeding;

(pp) **"SISP Orders"** has the meaning ascribed thereto in the second recital;

(qq) **"Tax Receivables"** means all accounts receivable for provincial or federal sales taxes connected to leases entered into by Newstart as lessor;

(rr) **"Third Party Collection and Recovery Costs"** means amounts paid to third parties not related to Newstart from funds in the Servicer Account in respect of: bailiff fees; repair and storage lien payments that are properly due and owing; Vehicle transportation costs; Vehicle repairs; legal costs expended in the pursuit of Collection Proceeds and Vehicle recovery; selling and brokers fees; PPSA charges, Equifax reports, Carfax/Carproof reports, and other amounts as have been approved in advance by the Trustee in writing;

(ss) **"Time of Closing"** means 1:00 o'clock in the afternoon on the Closing Date or such other time on the Closing Date as the Parties may agree to in writing;

(tt) **"Transaction"** means the transaction of purchase and sale herein contemplated and provided for;

(uu) **"Transition Period"** means the time period that begins on the Closing Date and terminates on the earlier of: (i) the fifth Business Day immediately following the date on which the Purchaser obtains an OMVIC License; and (ii) the date that is ninety days after the Closing Date;

(vv) **"Trustee"** has the meaning ascribed thereto in the second recital;

(ww) **"Vehicles"** means all motor vehicles and items of equipment owned by or registered in the name of Newstart, including, without limitation, the motor vehicles and/or items of equipment listed on Schedule 1.01(ww) hereto and, each, a "Vehicle";

including all vehicles which are within sixty days of the date of execution of this agreement of being reported stolen, destroyed, seized or otherwise rendered permanently unfit or unavailable for use.

(xx) **"Vehicle Proceeds"** means the gross proceeds of disposition of Vehicles and any insurance proceeds in respect of Vehicles that are lost, stolen (and not recovered within sixty days of being reported stolen), destroyed, seized or otherwise rendered permanently unfit or unavailable for use.

1.2 **Schedules.** The following schedules are attached to and incorporated in this agreement by reference:

**Schedule 1.01(a)** — Accounts Receivable of NFI and NAI;

**Schedule 1.01(aa)** — Legal Claims

**Schedule 1.01(n)** — Consumer Loans;

**Schedule 1.01(r)** — Excluded Assets;

**Schedule 1.01(x)** — Leases;

**Schedule 1.01(aa)** — Legal Claims;

**Schedule 1.01(ww)** — Vehicles;

1.3 **Currency.** All dollar amounts referred to in this agreement are in lawful money of Canada unless otherwise specifically provided.

1.4 **Number and Gender.** Words importing the singular number include the plural and vice versa and words importing gender include all genders.

1.5 **Governing Law.** This agreement is made under the laws of the Province of Ontario and for all purposes, including matters of construction, validity and performance, will be governed by the laws of Ontario and the laws of Canada applicable therein.

1.6 **Commercially Reasonable Efforts.** The Parties acknowledge and agree that, for all purposes of this agreement, an obligation on the part of either Party to use Commercially Reasonable Efforts to obtain any waiver, consent, approval, permit, license or other document shall not require such party to make any material payment to any Person for the purpose of procuring the same, other than payments for amounts due and payable to such Person, payments for incidental expenses incurred by such Person and payments required by any applicable law or regulation.



## ARTICLE 2 PURCHASE AND SALE OF PURCHASED ASSETS

2.1 **Purchase and Sale.** Subject to the terms and conditions hereof, the Vendor will sell to the Purchaser and the Purchaser will purchase from the Vendor, on the Closing Date (defined as November 30, 2016), all of the property and assets used in connection with or otherwise relating to the Newstart Business other than the Excluded Assets and the Cash, whether real or personal, tangible or intangible, of every kind and description and wherever situate (collectively, the "Purchased Assets"), including, without limitation:

- (a) the Leases;
- (b) the Vehicles;
- (c) beneficial interest in Vehicle registrations and insurance, as described in section 2.3;
- (d) the Legal Claims;
- (e) the Licenses and Permits;
- (f) the Intellectual Property;
- (g) the Books and Records;
- (h) the Goodwill;
- (i) the Equipment; and
- (j) all telephone numbers, internet domain names and websites for the Newstart Business.

2.2 **Allocation of Purchased Assets.** The Vendor and the Purchaser agree that the Purchased Assets shall be allocated on or prior to the closing as specified by the Purchaser.

### 2.3 Registered Ownership of Vehicles.

- (a) The Vendor and the Purchaser acknowledge that 135974 Ontario Inc. ("135") is recorded as the owner of the Vehicles on the motor vehicle permits issued by the applicable provincial or territorial motor vehicle registries.
- (b) Notwithstanding that 135 is recorded as the owner of the Vehicles, 135 owns the Vehicles as a bare trustee on behalf of NFI pursuant to a trust agreement dated August 2, 2007 and that NFI is the beneficial owner of the Vehicles.

- (c) So long as 135 remains shown as the registered owner of any Vehicle on its motor vehicle permit, the Vendor agrees that 135 shall not transfer such registration to anyone other than Purchaser and shall hold such registration on behalf of the Purchaser as a nominee and bare trustee and in no other capacity. On or prior to the Closing Date NFI and 135 shall cancel the existing trust agreement (the "Existing Trust Agreement" and shall enter into a new trust agreement with Purchaser (the "Purchaser Trust Agreement")
- (d) Upon the termination of the Transition Period, the Purchaser may cause the transfer of the motor vehicle permits of all Vehicles that have not been sold by the Purchaser during the Transition Period, into the Purchaser's name and at the Purchaser's sole expense, and the Purchaser shall pay for all transfer costs, including all required emissions tests required to be done to transfer the Vehicles.
- (e) The Vendor, on behalf of NFI, hereby nominates, constitutes and appoints the Purchaser, as NFI's agent and true and lawful attorney during the Transition Period to act on its behalf with full power and authority in its name, place and stead to execute, swear to, acknowledge, deliver and record or file as and where required any document that the Purchaser reasonably determines to be necessary or desirable for the sole purpose of effecting the transfer of the motor vehicle permit of any Vehicle from the name of 135 to the name of the Purchaser or into the name of any third party vehicle purchaser, at the written direction of the Purchaser.
- (f) The Vendor, at the written request and expense of the Purchaser, shall execute and deliver all such further documents and do such other acts and things as may be necessary or desirable to affirm, confirm, evidence or effectuate the power of attorney hereinbefore granted to the Purchaser or the transfer of the motor vehicle permit (pursuant to this Section 2.3) of any Vehicle to the Purchaser or to any third party at the written direction of the Purchaser.
- (g) Notwithstanding the fact that 135 shall remain recorded on the motor vehicle permits as the owner of the Vehicles during the Transition Period, (i) the Purchaser shall be the beneficial owner of all of the Vehicles and shall be entitled to all of the incidents and benefits and subject to all of the risks of ownership of the Vehicles, including the sole right to operate, rent, sell and otherwise transfer and dispose of the Vehicles and the licenses, registrations and plates in respect thereof, and (ii) NFI and 135 shall have no direct or indirect ownership or other interest in the Vehicles other than 135 being the nominee and bare trustee as contemplated in this Section 2.3.
- (h) It is acknowledged that, during and following the Transition Period the lessee of any Vehicle is required to insure such Vehicle naming 135 as the registered owner, lessor and additional insured or loss payee. 135 shall hold the benefit of its

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rights under all such insurance policies in trust for the benefit of the Purchaser and shall pay or cause to be paid to the Purchaser any insurance proceeds received by 135 in respect of any Vehicle.

- (i) 135 shall, at the Purchaser's sole cost, maintain, or cause to be maintained, its existing insurance coverages with respect to the Vehicles following the Closing Date and the Purchaser shall reimburse 135 for all premiums paid or to be paid in respect of such insurance for the Transition Period.
- (j) In addition to the assumptions and indemnities contained in sections 2.6 (c) and 2.9, the Purchaser hereby indemnifies and saves harmless the Vendor from and against all manner of claims, demands, liabilities, debts, dues, actions, causes of action, suits, proceedings, judgments, expenses, damages and disbursements of any nature and kind whatsoever arising directly or indirectly as a result of 135's continuing to be recorded on any Vehicle motor vehicle permit as owner of such Vehicle during the Transition Period where not otherwise covered by the insurance maintained pursuant to section 2.3.

**2.4 Purchase Price.** The Purchase Price for the Purchased Assets will be \$750,000 minus any purchase price adjustment as set out in section 2.11 hereof; and the assumption of the Assumed Liabilities.

**2.5 Purchase Price Allocation.** The Vendor and the Purchaser have agreed to an allocation of the Purchase Price among the Purchased Assets, and specifically allocated between the assets purchased from NFI and NAI as follows:

NAI: 3%

NFI 97%

and shall report the sale of the Purchased Assets for all tax purposes in a matter consistent with such allocation.

**2.6 Payment of the Purchase Price.** The Purchaser will satisfy the Purchase Price as follows:

- (a) Application of the Deposit in the amount of \$75,000 to the Purchase Price;
- (b) subject to any adjustment pursuant to section 2.11 hereof, payment on the Closing Date of \$675,000 by certified cheque, bank draft or wire; and
- (c) assumption by the Purchaser of the Assumed Liabilities in accordance with section 2.8 hereof.

**2.7 Taxes and Fees.**

- (a) Save as hereinafter set out, the Purchaser will pay on or before the Closing Date, in addition to the Purchase Price, all applicable federal, provincial and other taxes exigible in connection with the purchase and sale of the Purchased Assets, including, without limitation, HST and any applicable registration fees and license fees. Alternatively, where applicable, the Purchaser will have the option to furnish the Vendor with appropriate exemption certificates, elections or other documentation.
- (b) The Vendor and the Purchaser will use all reasonable efforts to ensure that the purchase and sale of the Purchased Assets does not attract tax under the HST Legislation. In connection therewith, the Purchaser will ensure that it is registered prior to the Closing Date under subdivision d of division V of the HST Legislation. The Purchaser and the Vendor will co-operate and jointly make and execute an election under sub-sections 167(1) and (1.1) of the HST Legislation in the prescribed form and manner. The Purchaser will file such election within the prescribed time as provided for in the said sub-sections 167(1) and (1.1). If any remittance on account of tax under the HST Legislation is required to be made by the Vendor in connection with the purchase and sale of the Purchased Assets and the Purchaser receives an input tax credit (as defined in the HST Legislation) in the amount of such remittance or any part thereof, the Purchaser will refund to the Vendor the amount of any such input tax credit so received.
- (c) The Purchaser will indemnify and save harmless the Vendor from and against all claims and demands for payment of applicable taxes including any liability, costs, expenses or damages incurred or suffered by the Vendor as a result of any failure of the Purchaser either to pay any taxes exigible in accordance with this section, whether arising from reassessment or otherwise, or to file the appropriate exemption certificates, elections or other documentation.

**2.8 Assumption of Liabilities.** Subject to the terms of this agreement, the Purchaser agrees to assume, pay, satisfy, discharge, perform and fulfil, or cause one or more of its Affiliates to assume, pay, satisfy, discharge, perform and fulfil, from and after the Time of Closing, all obligations and liabilities of Newstart as at the Time of Closing under:

- (a) the Licenses and Permits; and
- (b) the Leases, with the exclusion of any liability under any Lease for any overpayment made by a Lessee prior to the date of any Administration Arrangement, where the term of such Lease has expired or where such Lease has been terminated by written agreement between the Lessee and Newstart.

**2.9 General Indemnity.** The Purchaser hereby indemnifies and saves harmless the Vendor from and against all claims and demands arising against the Vendor (which for greater certainty shall not include Newstart) directly or indirectly as a result of the

Purchaser's dealings with the Purchased Assets, the Lessees, and/or the carrying on of the Newstart Business from and after the Closing Date.

2.10 **Insurance.** Notwithstanding the exclusion of policies of insurance from the Purchased Assets pursuant to Schedule 1.01(r), the Purchaser shall have the benefit of:

- (a) any proceeds of Newstart insurance on the Purchase Assets, where such proceeds are received by Newstart on or after the Closing Date, and Newstart shall hold, and shall be deemed to hold, the same in trust for the Purchaser, separate and apart from other proceeds of the estate of Newstart;
- (b) any proceeds of lessee insurance policies on the Vehicles and
- (c) any proceeds of Newstart insurance payable pursuant to section 4.3 hereof unless this agreement is rescinded pursuant to section 4.3(b) hereof.

2.11 **Purchase Price Adjustment.** The Purchase Price (and, in particular, the cash portion of the Purchase Price payable pursuant to sections 2.4 and 2.6(b) hereof) shall be reduced on the Closing Date by an amount equal to 100% of the Gross Proceeds received after November 29, 2016 and up to and including the Closing Date, provided that any delay of the Closing Date is as a result of the Vendor failing to obtain the Approval and Vesting Order by November 29, 2016.

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 **Vendor's Representations and Warranties.** The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying on the accuracy of each of such representations and warranties in entering into and completing this agreement:

- (a) the Vendor has been validly and effectively appointed as Trustee and has full right, power and authority to enter into this agreement and to convey to the Purchaser Newstart's and the Vendor's right, title and interest in and to the Purchased Assets in accordance with the provisions of this agreement and the SISP Orders;
- (b) the Vendor has done no act to encumber or dispose of the Purchased Assets or any part of them;
- (c) the Vendor is not a "non-resident person" for the purposes of section 116 of the *Income Tax Act* (Canada);
- (d) the Vendor has not received any demands for repossession in writing from any third parties in respect of the Purchased Assets;

- (e) to the best of the knowledge of the Vendor, no action or proceeding, at law or in equity, is pending or threatened by any person, government authority, regulatory body or agency to disallow, enjoin or prohibit the Transaction or any part thereof;
- (f) no individual, corporation, partnership, firm, joint venture, syndicate, association, trust, government, governmental agency or board or commission or authority or other form of entity or organization has any agreement, option, undertaking, understanding or commitment, or any right or privilege (whether by law, preemptive or contractual) capable of becoming an agreement, option or commitment, for the purchase from the Vendor of any of the Purchased Assets; and
- (g) other than the Approval and Vesting Order, and the approval by the creditors and by the Court of a proposal made by each of NFI and NAI and the Court in the Proposal Proceedings, in accordance with the BIA and the SISP Orders, the Vendor is not under any obligation, contractual or otherwise, to request or obtain the consent of any person to the Transaction or any part thereof or to the conveyance of any of the Purchased Assets or to notify any person of the Transaction or any part thereof.

3.2 **Purchaser's Representations and Warranties.** The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying on the accuracy of each of such representations and warranties in entering into and completing this agreement:

- (a) the Purchaser is a corporation newly incorporated under the *Canada Business Corporations Act* with full power and authority, to enter into this agreement and to perform its obligations hereunder;
- (b) the Purchaser, has taken all necessary corporate action to authorize the entering into of this agreement and the performance of its obligations hereunder, and this agreement constitutes a legal, valid and binding obligation of the Purchaser enforceable in accordance with its terms; and
- (c) the Purchaser is a "Canadian" for the purposes of the *Investment Canada Act*.

3.3 **"As Is, Where Is".** The Purchaser acknowledges and confirms that the Vendor is selling and the Purchaser is purchasing the Purchased Assets on an "as is, where is" basis as they exists on the date hereof and that, except as expressly provided herein, the Vendor has not made or given and does not make or give any representations, warranties, statements or promises, express, implied, oral, written, legal, equitable, conventional or statutory (including, without limitation, conditions under the *Sale of Goods Act (Ontario)*) or otherwise, as to (a) the Vendor's status or capacity; (b) the existence of or title to the Purchased Assets; (c) the existence of any liens, mortgages, charges, encumbrances or

security interests in, on or against the Purchased Assets or the validity, registration, enforceability or priority of any such liens, mortgages, charges, encumbrances or security interests; (d) the assignability, description, value, cost, fitness for any purpose, merchantability, use, quality, state, condition of the Purchased Assets; or (e) any other matter whatsoever concerning the Purchased Assets; and no representation or warranty or condition of any kind can be implied at law or in equity, by statute or otherwise, with respect to the Purchased Assets. The Purchaser acknowledges that it has inspected the Purchased Assets and has relied entirely upon its own inspections and investigations. The description of the Purchased Assets contained in all schedules hereto is for the purpose of identification only and the Vendor gives no representation or warranty concerning the accuracy of such description. The Vendor will not be liable for, nor will the Purchaser have a remedy for recovery of, any damages, including, but not limited to economic loss of any kind, arising out of any claim that the Purchased Assets infringes the rights of any other person.

#### ARTICLE 4 COVENANTS OF THE PARTIES

4.1 **Covenants of the Vendor.** The Vendor covenants and agrees that it will do or cause to be done the following:

- (a) at or before the Time of Closing,
  - (i) supervise NFI and NAI making proposals to their creditors in the Proposal Proceedings and conducting the meetings of creditors to approve the proposals in accordance with the provisions of the BIA and the SISF Orders;
  - (ii) seek the Approval and Vesting Order and the other Closing deliveries required of the Vendor pursuant to section 6.2 hereof;
  - (iii) furnish the Purchaser at the Time of Closing with evidence satisfactory to the Purchaser that the Vendor is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada); and
  - (iv) to ensure that the representations and warranties of the Vendor set forth in section 3.1 are true and correct and fulfilled at the Time of Closing;
  - (v) promptly pay all Third Party Collection and Recovery Costs relating to the Purchased Assets accrued prior to the Closing Date where invoices or bills in respect of such are presented to the Vendor by the Purchaser within 45 days after the Closing Date and do not relate to costs covered by any Administration Arrangement that are required to be paid by the Servicer;

and

(vi) promptly pay over to the Purchaser any proceeds of insurance to which the Purchaser is to benefit pursuant to section 2.10 hereof.

4.2 **Covenants of the Purchaser.** The Purchaser agrees that it will do or cause to be done the following:

- (a) at or before the Time of Closing,
  - (i) use its Commercially Reasonable Efforts to provide the Closing deliveries required of the Vendor pursuant to section 6.3 hereof;
  - (ii) furnish the Vendor at the Time of Closing with evidence satisfactory to the Vendor that the Purchaser is a "recently incorporated corporation" as defined under the *Investment Canada Act*;
  - (iii) use its Commercially Reasonable Efforts to ensure that the representations and warranties of the Purchaser set forth in section 3.2 are true and correct and fulfilled at the Time of Closing;
  - (iv) be registered pursuant to the *Excise Tax Act* (Canada) with an HST registration number; and
  - (v) preserve or cause to be preserved the Books and Records delivered to Purchaser on Closing for a period of seven years from the Closing Date, or for such longer period as is required by any applicable law, and permit the Vendor or its authorized representatives reasonable access thereto in connection with the affairs of the Vendor relating to its duties as Trustee, but the Purchaser shall not be responsible or liable to Newstart or the Vendor for or as a result of any accidental loss or destruction of or damage to any such Books and Records.

4.3 **Risk of Loss.** Until the Time of Closing, the Purchased Assets will be and remain at the risk of Newstart. If, before the Time of Closing, the Purchased Assets or any part thereof is destroyed or damaged by fire or any other casualty or is expropriated or seized by governmental or other lawful authority, the Vendor will promptly give the Purchaser written notice of such destruction, damage, expropriation or seizure, and the Purchaser will have the option, exercisable by notice in writing given to the Vendor within four Business Days after the Purchaser receives the first-mentioned notice from the Vendor:

- (a) to complete the Transaction without reduction of the Purchase Price, in which event all proceeds of insurance or compensation for expropriation or seizure will be payable to the Purchaser and all right and claim of the Vendor and Newstart to any such amounts not paid by the Closing Date will be assigned to the Purchaser;



or

- (b) in the event of substantial damage to the Purchased Assets (meaning physical damage in excess of \$250,000), to rescind this agreement, in which event the Parties will have no further rights and remedies against each other, except that the Vendor shall be responsible for returning the \$75,000 deposit to the Purchaser.

## ARTICLE 5 CONDITIONS OF CLOSING

5.1 **Conditions in Favour of Purchaser.** The obligation of the Purchaser to complete the Transaction is subject to the satisfaction, fulfillment or performance, on or before the Closing Date, of the following conditions which are included herein for its exclusive benefit and which may be waived, in whole or in part, only by the Purchaser:

- (a) that the Vendor has performed each of its obligations under this agreement to the extent required to be performed on or before the Closing Date;
- (b) that the Purchaser, acting reasonably, is satisfied that the Vendor's representations and warranties set forth herein are true and correct on and as of the Closing Date
- (c) that the Purchaser, acting reasonably, is satisfied with the terms and conditions of the Approval and Vesting Order.

5.2 **Termination.** If any condition set out in section 5.1 has not been satisfied, fulfilled or performed on or before the Closing Date to the satisfaction of the Purchaser, acting reasonably, or otherwise waived in writing by the Purchaser, the Purchaser may terminate this agreement by notice in writing to the Vendor and thereupon the obligations of the Parties hereunder, other than the obligations of the Purchaser under section 7.3, shall be terminated, except that the Vendor shall be responsible for returning the \$75,000 deposit to the Purchaser.

5.3 **Conditions in Favour of Vendor.** The obligation of the Vendor to complete the Transaction of is subject to the satisfaction, fulfillment or performance, on or before the Closing Date, of the following conditions which are included herein for its exclusive benefit and which may be waived, in whole or in part, only by the Vendor:

- (a) that the Purchaser has performed each of its obligations under this agreement to the extent required to be performed on or before the Closing Date;
- (b) that the Vendor, acting reasonably, is satisfied that the Purchaser's representations and warranties set forth herein are true and correct on and as of the Closing Date; and
- (c) that the Administration Arrangement has been terminated on terms acceptable to

the Vendor at its sole discretion, acting reasonably, which, for greater certainty shall include (i) the deposit of all cash and cheques received by the Servicer as of the Closing Date into the Servicer Account, (ii) the payment by the Servicer of all amounts due to the Vendor under the Administration Arrangement; (iii) the return of all books and records relating to the Excluded Assets and Excluded Leases, Newstart personnel records and any records required by law to be retained by the Vendor as Trustee.

5.4 **Termination.** If the conditions set out in section 5.3(a) and (b) have not been satisfied, fulfilled or performed on or before the Closing Date to the satisfaction of the Vendor, acting reasonably, or otherwise waived in writing by the Vendor, the Vendor may terminate this agreement by notice in writing to the Purchaser and thereupon the obligations of the Parties hereunder, other than the obligations of the Purchaser under section 7.3, shall be terminated, and the Deposit shall be forfeited to the Vendor without prejudice to any other claims the Vendor may have against the Purchaser.

5.5 **Conditions in Favour of Purchaser and Vendor.** The obligation of each of the Purchaser and the Vendor to complete the Transaction is subject to the satisfaction, fulfillment or performance, on or before the Closing Date, of the following conditions which are included herein for the benefit of both Parties and which may be waived, in whole or in part, only by both Parties:

- (a) no order, decision or ruling of any court, tribunal or regulatory authority having jurisdiction has been made, and no action or proceeding has been instigated which remains pending before any such court, tribunal or regulatory authority, and no action or proceeding is pending or threatened that, in the opinion of the solicitors acting for the Purchaser or the Vendor, as the case may be, acting reasonably, is likely to result in an order, decision or ruling, to disallow, enjoin, restrain or prohibit the completion of the Transaction; and
- (b) the Vendor has obtained the Approval and Vesting Order, on terms acceptable to the Purchaser and the Vendor, each acting reasonably.

5.6 **Termination.** If any condition set out in section 5.5 has not been satisfied, fulfilled or performed on or before the Closing Date to the satisfaction of each Party, acting reasonably, either Party may terminate this agreement by notice in writing to the other Party and thereupon the obligations of the Parties hereunder, other than the obligations of the Purchaser under section 7.3, shall be terminated, except that the Vendor shall be responsible for returning the \$75,000 deposit to the Purchaser.

## ARTICLE 6 CLOSING ARRANGEMENTS

6.1 **Time and Place.** The closing of the Transaction will take place at the office of Pallett Valo LLP at the Time of Closing, or at such other place or time as the Parties may

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mutually agree upon in writing.

6.2 **Vendor Deliveries.** At the Time of Closing, the Vendor will tender or deliver to the Purchaser the following:

- (a) the Purchased Assets, to the extent they are not already in the possession of the Purchaser and can be physically delivered;
- (b) a copy of the Approval and Vesting Order;
- (c) such other documents as are necessary, in the opinion of the Vendor and Purchaser, both acting reasonably, to transfer and convey to the Purchaser Newstart's and the Vendor's right, title and interest in and to the Purchased Assets, executed by the Vendor;
- (d) a certificate of an officer of the Vendor that the representations and warranties of the Vendor herein contained are true and accurate as of and on the Closing Date;
- (e) the Closing Certificate; and
- (f) all other documents contemplated by this agreement for delivery by the Vendor to the Purchaser.

6.3 **Purchaser Deliveries.** At the Time of Closing, the Purchaser will tender or deliver to the Vendor the following:

- (a) a bank draft, wire transfer or a certified cheque in payment of the balance of the Purchase Price;
- (b) evidence satisfactory to the Vendor of the payment by the Purchaser of all applicable taxes and/or the filing of appropriate exemption certificates, elections or other documentation, in accordance with section 2.7 hereof;
- (c) an indemnification agreement providing for the indemnities in section 2.7 and 2.9;
- (d) cancellation of the Existing Trust Agreement and a copy of the executed Purchaser Trust agreement;
- (e) a certificate of an officer of the Purchaser that the representations and warranties of the Purchaser herein contained are true and accurate as of and on the Closing Date; and
- (f) all other documents contemplated by this agreement for delivery by the Purchaser to the Vendor.

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**ARTICLE 7 MISCELLANEOUS**

7.1 **Tender of Documents.** Any tender of documents or money hereunder may be made upon the Vendor or the Purchaser or their respective solicitors on the Closing Date. Money may be tendered by bank draft or cheque certified by a chartered bank or trust company, and made payable to the Vendor.

7.2 **Notices.** Any notice or other communication required or permitted to be given hereunder will be deemed to be made or given:

- (a) if personally served upon the party or upon any director, officer, servant, employee or partner of such party, in which case it will be conclusively deemed to have been made or given at the time of such personal service; or
- (b) if sent prepaid to the party by telecopier, email or other similar means of electronic communication to the telecopier number or email address set out below for such party (and if confirmed on the same day by prepaid ordinary mail), in which case it will be conclusively deemed to have been made or given at the time of such sending.

For the purpose of making or giving any notice or other communication hereunder, the address, telecopier number and contact email address of the Vendor are:

**Dodick Landau Inc.**  
4646 Dufferin St.  
Suite 6  
Toronto, ON M3H 5S4

Attention: Rahn Dodick  
Facsimile: (416) 649-7725  
Email: rahn.dodick@dodick.ca

with a copy to:

**Pallett Valo LLP**  
77 City Centre Drive, West Tower  
Suite 300  
Mississauga, Ontario L5B 1M5

Attention: Alex Ilchenko  
Facsimile: 905.273.6920  
Email: [ailchenko@pallettvalo.com](mailto:ailchenko@pallettvalo.com)

and the address, telecopier number and contact email address of the Purchaser are:

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**NewCO**  
1 Yonge St.  
Suite 1801  
Toronto, ON M5E 1W7

Attention: Scott Satov  
Facsimile: 1-877-995-6269  
Email: [scott@loanscanada.ca](mailto:scott@loanscanada.ca)

with a copy to:

Attention: Cris Ravazzano  
Facsimile: 1-877-995-6269  
Email: [info@loanscanada.ca](mailto:info@loanscanada.ca)

And with a copy to:

**De Grandpré Chait S.E.N.C.R.L./LLP**  
1000, rue De La Gauchetière O.,  
Bureau 2900,  
Montréal (Québec)  
H3B 4W5 Canada

Attention: Aubie J. Herscovitch

Facsimile 514.878.5772  
Email: [aherscovitch@dgclex.com](mailto:aherscovitch@dgclex.com)

7.3 **Confidentiality.** Without the Vendor's written consent, the Purchaser will not disclose or divulge to any person, including government ministries, newspapers, radio stations and television stations, the contents of this agreement or any information or documents respecting this agreement that is not a matter of public knowledge or record, unless such disclosure is reasonably necessary in connection with the performance of this agreement or is required by law. In the event of termination of this agreement, the Purchaser will forthwith return to the Vendor all information or documents provided by the Vendor to the Purchaser.

7.4 **Severability.** If any provision of this agreement is determined to be illegal or unenforceable, such provision will be considered separate and severable from this

agreement and the remaining provisions thereof will remain in full force and effect as though the illegal or unenforceable provision had never been included.

**7.5 Further Assurances.** At any time and from time to time after the Closing Date, the Vendor will execute and deliver to the Purchaser at the expense of the Purchaser, and the Purchaser will execute and deliver to the Vendor at the expense of the Vendor, such further instruments and other written assurances as the Purchaser or Vendor, respectively, may reasonably request in order to carry out the Transaction.

**7.6 Time.** Time is of the essence of this agreement. However, the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors who are hereby expressly appointed in that regard.

**7.7 Headings.** All headings appearing in this agreement have been inserted as a matter of convenience and reference only and in no way define, limit or enlarge the scope or meaning of this agreement or any provision hereof.

**7.8 Counterparts and Facsimile Delivery.** This agreement may be executed in two counterparts, each of which will be deemed to be an original and both of which taken together will be deemed to constitute one and the same instrument. Counterparts may be delivered by facsimile or emailed PDF, provided that the party so delivering forthwith delivers an original executed counterpart by courier or personal delivery to the address of the other party set out in section 7.2.

**7.9 Assignment.** Neither party to this agreement will be permitted to assign this agreement without the prior written consent of the other party, which consent may be arbitrarily or unreasonably withheld. Notwithstanding the forgoing, the Purchaser may assign its rights and obligations under this agreement to one or more of its Affiliates.

**7.10 Entire Agreement.** This agreement constitutes the entire agreement between the Parties with respect to its subject matter, and supersedes any and all prior negotiations, understandings and agreements between the Parties.

**7.11 Amendment.** This agreement may not be varied, amended or modified in any respect except by written instrument dated subsequent to the date hereof and signed by the Parties or their duly authorized representatives.

**7.12 Vendor's Capacity.** The Parties hereto agree that Dodick Landau Inc. acts solely in its capacity as Trustee, and that Dodick Landau Inc. and its agents, officers and employees will have no personal or corporate liability under or as a result of this agreement or otherwise in connection herewith.

7.13 **Successors and Assigns.** The terms and provisions of this agreement will be binding upon and will enure to the benefit of the Parties and their respective permitted successors and assigns.


7.14 **Obligations to Survive.** Notwithstanding the completion of the Transaction or the delivery of documents pursuant to this agreement, the obligations, covenants, representations and warranties of the Parties hereto will survive the completion of the Transaction and will remain in full force and effect and will not merge as a result thereof.

**IN WITNESS WHEREOF** the Parties have executed this agreement as of the date first above written.

**DODICK LANDAU INC.**

solely in its capacity as the Trustee under the terms of the SISP Orders, and not in its corporate or personal capacity

Per:

  
Name: Rahn Dodick  
Title: President

**Newco**

Per:

  
Name: Scott Satov  
Title: Director

Schedule 1.01(r) – Excluded Assets

1. All shares of 135 which are in fact owned by NFI; and
2. 135's outstanding receivable owing to NFI.

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**TAB 2**



**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**IN BANKRUPTCY AND INSOLVENCY**  
**IN THE MATTER OF THE PROPOSALS OF**  
**NEWSTART FINANCIAL INC. AND NEWSTART ACCEPTANCE INC.**  
**OF THE CITY OF PICKERING**  
**IN THE PROVINCE OF ONTARIO**  
**REPORT TO COURT ON PROPOSAL**  
**FOURTH REPORT OF PROPOSAL TRUSTEE**  
**DATED NOVEMBER 16 2016**

**INTRODUCTION**

1. On May 2, 2016 (the "**Filing Date**"), Newstart Financial Inc. ("**NFI**") and Newstart Acceptance Inc. ("**NAI**", and together with NFI, the "**Debtors**" or the "**Company**") filed with the Official Receiver Notices of Intention to Make a Proposal ("**NOI**") to its creditors and named Dodick Landau Inc. ("**DLI**") as Proposal Trustee (the "**Proposal Trustee**"). On October 14, 2016, pursuant to section 62 of the Bankruptcy and Insolvency Act (the "**BIA**" or the "**Act**"), the Debtors each filed with the Official Receiver a proposal (the "**Proposal**").
2. The Proposal has been developed to effect a restructuring by way of sale of the business and affairs of the Debtors with the expectation that all existing creditors will derive a greater benefit from the completion of the Purchase Transaction (as defined herein) than would result from a run-off liquidation of the existing portfolio of vehicle leases and consumer loans in a bankruptcy proceeding.
3. The purpose of this fourth report (the "**Report**") is to support the Trustee's request for the Ontario Superior Court of Justice (the "**Court**") to grant orders:
  - a) approving the Proposal, copies of which is attached as **Appendix "A"** to this Report;
  - b) authorizing the Trustee to take all steps necessary to implement the Proposal;
  - c) approving the Trustee entering into the agreement of purchase and sale with Scott Satov, on behalf 9467971 Canada Inc (the "**Purchaser**"); and
  - d) issuing an order vesting the purchased assets (the "**Purchased Assets**") in favour of the Purchaser.

## DISCLAIMER

4. In preparing this Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with the Company's management ("**Management**"), Creditors and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report:
  - a) the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance in respect of the Information;
  - b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants handbook, has not been performed; and
  - c) the Proposal Trustee has prepared this Report in its capacity as a Court appointed officer and has made a copy of this Report available on DLI's website at [www.dodick.ca](http://www.dodick.ca). Also available on DLI's website are copies of the first and second and third court reports of the Proposal Trustee. Parties using this Report, other than for the purpose of evaluating the Proposal, are cautioned that it may not be appropriate for their purposes. DLI will continue to maintain on its website copies of any court orders, reports and other material public filings it considers relevant to this proceeding.
5. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
6. The capitalized terms not defined in this report are defined in the Proposal and this Report should only be read in conjunction with the Proposal. While this Report summarizes key aspects of the Proposal, Creditors are advised to carefully read the Proposal in full. Should

there be any discrepancy between the summary contained in this Report and the Proposal, the Proposal shall govern.

7. Unless otherwise stated, all monetary amounts contained herein are in Canadian dollars.

## **BACKGROUND**

### *Operations*

#### NFI

8. Since its inception, NFI has provided financing to consumers with challenged credit. NFI's primary business is subprime auto leasing. The vehicles are leased through NFI and NFI manages all aspects of the leasing process. NFI also has a portfolio of consumer loans.
9. NFI operates from leased premises at 963 Brock Road, Units 10-11 Pickering, Ontario, L1W 3A4 and currently employs four full time staff. Since filing its NOI, NFI has not underwritten any new vehicle leases or consumer loans; it is only servicing its existing portfolio of leases and loans.
10. NFI was founded by Mr. David Baker and was incorporated under the Ontario *Business Corporations Act* on December 11, 2006.

#### NAI

11. NAI is in the business of collecting distressed receivables. When vehicles subject to lease contracts through NFI are repossessed, the vehicles are sold to independent dealers or third parties. In most cases, there will be a shortfall on the lease or financing contract and that receivable was sold to NAI on a percentage basis. NAI also purchased two small distressed portfolios of consumer receivables. NAI does not have any employees. NFI staff pursued collection of NAI receivables.
12. NAI was founded by Mr. David Baker and was incorporated under the Ontario *Business Corporations Act* on April 2, 2009.

### *Financial Results*

13. NFI's internally prepared unaudited financial statements indicate that for its fiscal years ended April 30, 2014, April 30, 2015 and April 30, 2016, it:

- a) incurred operating losses of approximately \$277,000, \$541,000, and \$99,000, respectively, or total accumulated operating losses of approximately \$917,000 over these periods;
  - b) had total debt at the end of each period of approximately \$6.2 million, \$6.2 million, and \$6.0 million, respectively; and
  - c) had a shareholder deficiency of approximately \$653,000, \$1.2 million, and \$1.3 million, respectively.
14. NAI's internally prepared unaudited financial statements indicate that for its fiscal year-ended July 31, 2015 it incurred an operating loss of approximately \$69,000, had total debt of approximately \$272,000 and a shareholder deficiency of approximately \$81,000.

#### *Secured and Unsecured Debt*

##### *AJM*

15. According to the Company's records, Dave Baker's company, Austin J. Mack (1980) Inc. ("**AJM**"), loaned \$610,503 to NFI (the "**AJM Loan**"). As consideration for the AJM Loan, NFI executed and delivered a Promissory Note in favour of AJM dated September 5, 2007 (the "**AJM Promissory Note**"). Furthermore, NFI executed and delivered a General Security Agreement in favour of AJM dated September 5, 2007 and perfected its security against NFI by registering under the Ontario Personal Property Security Registry (the "**AJM Security**").
16. According to Management, AJM has never received any payment or dividend from NFI in connection to the AJM Loan.
17. On April 27, 2016, AJM assigned the AJM Security to Newstart Inc. ("**NSI**") pursuant to an Assignment Agreement dated April 27, 2016 (the "**NSI Security**"). On April 27, 2016, NSI issued a demand and a Notice of Intention to Enforce Security ("**NITES**") on NFI. On April 27, 2016, NFI executed the waiver pursuant to s. 244(2) of the BIA.
18. On June 16, 2016, the Proposal Trustee's independent legal counsel completed a security review as to the validity and enforceability of the NSI Security and concluded, subject to certain assumptions and qualifications, that the NSI Security granted pursuant to the AJM Loan and AJM Promissory Note are valid and enforceable against NFI in accordance with their respective terms. Independent legal counsel did not express an opinion as to the ranking or priority of the security interests granted to NSI or the value of the indebtedness.

*Newstart Capital Inc.*

19. According to the Company's records, Newstart Capital Inc. ("**NCI**") is owned 40% by NSI and 60% by Target Capital Inc., a Calgary, Alberta based public company. NCI loaned approximately \$318,000 to NFI (the "**NCI Loan**"). As consideration for the NCI Loan, NFI executed and delivered a Loan Agreement in favour of NCI dated September 25, 2009 (the "**NCI Loan Agreement**"). Furthermore, NFI executed and delivered a General Security Agreement in favour of NCI dated September 25, 2009 and perfected its security by registering under the Ontario Personal Property Security Registry (the "**NCI Security**").
20. According to Management, NCI has received interest payments from NFI in connection to the NCI Loan Agreement.
21. On June 16, 2016, the Proposal Trustee's independent legal counsel completed a security review as to the validity and enforceability of the NCI Security and concluded, subject to certain assumptions and qualifications, that the NCI Security granted pursuant to the NCI Loan Agreement is valid and enforceable against NFI in accordance with their respective terms. Independent legal counsel did not express an opinion as to the ranking or priority of the security interests granted to NCI or the value of the indebtedness.

*Investors*

22. In addition, NFI raised approximately \$5.2 million from a group of approximately 30 accredited investors (the "**Investors**"). According to Management, in return for their investments, the Investors received promissory notes, and, at times, were granted security over specific vehicles. NFI made registrations on behalf of certain Investors and these registrations were renewed from time to time with the final renewals occurring in mid-2015 ("**Investor Security**").
23. To date the Proposal Trustee has not undertaken a review of the validity, enforceability or priority of the Investor Security due to the cost of doing so and the nature of the Proposal filed by the Debtors, as described below, which if approved by the Creditors, will not require the considerable expense of conducting over 30 individual security reviews. In addition, according to Management, since NFI carried out its final renewals of the Investor Security in mid-2015, the portfolio of vehicle leases has changed as a result of the completion of lease contracts, buy-outs and bad debts, which is expected to have made any security interests granted under the Investor Security unperfected and each alleged secured claim, as

subsequent registrations with respect to "inventory", would be inferior in priority to the NSI security and the NCI security even if perfected.

#### *Crown Claims*

24. As of the date of this Report, Newstart is current in remitting employee source deductions and HST.

#### *Unsecured Trade Creditors*

25. According to Management, NFI's unsecured trade debt totaled approximately \$600,000 at the date the NOI was filed. The unsecured indebtedness is owed to approximately fourteen known unsecured trade creditors.

### **CAUSES OF FINANCIAL DIFFICULTIES**

26. According to Management, reasons for the Company's operating losses include, the inability of the Company to attract capital at a lower cost, not having sufficient funding to grow the receivables portfolio to a large enough size to cover the basic operating costs of the business, a number of investors requesting the return of their invested capital at a point in time when it was not possible for management to replace the retiring debt with new debt; and at times not taking action, and/or enforcement steps, at an earlier stage of default.
27. As a result of the above, the Company faced a liquidity crisis which made it unable to maintain its obligations to its creditors.
28. On or about March 11, 2016, the Company received a demand from 1455740 Ontario Ltd. for payment of \$108,333.30 and a demand from Caroline Taylor for payment of \$97,500. On or about April 12, 2016, the Company was served with a Statement of Claim as Defendant listing Frank Afonso and Ausenda Afonso as Plaintiffs, seeking (among other things) payment by the Company to the Plaintiff of \$270,000.
29. In response to the above referenced liquidity crisis, the aforementioned demands, and the issuance of the Statement of Claim, the Company had no other readily available options but to file the NOI on the Filing Date to prevent irreparable harm to its business and any further erosion of the capital of its investors.

## SALE AND INVESTOR SOLICITATION PROCESS

30. The objective of the Debtors' proposal proceedings was to preserve its business for the benefit of all stakeholders through a recapitalization, refinancing or a sale of the Debtors' business. To achieve this goal, the Debtors sought and obtained court approval on May 27, 2016 of a Sale and Investor Solicitation Process ("**SISP**") carried out by the Proposal Trustee which would allow the Debtors to explore all restructuring alternatives.

31. The more significant milestones in the SISP were:

<b>Sale Process Procedures</b>	<b>Date</b>
Complete solicitation of potential purchasers/investors by	June 24, 2016
Due diligence completed by	July 22, 2016
Offer deadline	August 2, 2016
Identification of successful offer	August 5, 2016
Hold meeting of creditors to vote on Proposal by	August 31, 2016
Obtain Court approval of Proposal by	September 16, 2016
Closing(s) by	September 30, 2016

32. Since filing its NOI, and in order to complete the SISP, the Company applied for and was granted by the Court three extensions of the initial stay of proceedings for the period-ended October 14, 2016 (the "**NOI Period**").

33. During the SISP, the Proposal Trustee, with the assistance of Management, carried out various SISP activities which included:

- a) identifying prospective strategic and financial purchasers/investors;
- b) preparing and distributing a "teaser" document (the "**Teaser**") to approximately 60 recipients;
- c) creating a Confidential Information Memorandum;
- d) placing 8 insertions on the monitordaily.com's daily e-blast (an equipment finance website with 75,000 subscribers);
- e) establishing a virtual data room and placing 43 documents on the site for review by interested parties who have executed a confidentiality agreement;
- f) placing calls to certain prospective purchasers/investors who have been identified as strong acquisition or investment candidates;

- g) coordinating in person and by phone meetings with the Debtors' management; and
  - h) answering due diligence questions from a number of interested parties by phone and in person throughout the due diligence process.
34. As a result of its various solicitation efforts, the Proposal Trustee received 11 executed confidentiality agreements from interested parties and granted access to its virtual data room to 19 individuals who represent these interested parties. On 72 different occasions these individuals logged on to the virtual data room to review and download the due diligence documents.
35. Three offers to purchase the assets of the Debtors' business were received by the Proposal Trustee by August 2, 2016 (the "**Offer Deadline**"). As well, two additional offers were received for a selection of NFIs assets by the Offer Deadline. All five offers were reviewed in detail by the Proposal Trustee and none of the offers were deemed to be acceptable. As a result the Company began preparing a run-off proposal.
36. Subsequent to the Company's application for a final stay of proceedings extension on August 23, 2016, one of the parties that submitted an offer by the Offer Deadline amended and resubmitted an offer to the Proposal Trustee for all the assets of the Debtors. The amended offer referred to herein as the Purchase Agreement was acceptable to the Trustee and an agreement of purchase and sale ("**APA**") was entered between DLI and the Purchaser on October 11, 2016. This purchase transaction (the "**Purchase Transaction**") remains subject to Court approval.
37. At the meetings of Creditors of the Debtors, which took place on November 2, 2016, the Debtor's legal counsel informed the Meeting that Mr. Baker entered an agreement with the Purchaser, whereby he, or a party related to him, will be a minority shareholder of the Purchaser. Due to the minority position, the Purchaser is not "related" to the Debtors as set out in section 4, and for purposes of subsection 65.13(5), of the BIA.
38. The consideration to be paid by the Purchaser for the Debtors' assets purchased is equal to the aggregate sum set out in section 2.4 of the Purchase Agreement, to be in the amount of \$750,000 (the "**Purchase Price**") if the Purchase Transaction closes by November 29, 2016. Should Court approval and closing of the Purchase Transaction occur after November 29, 2016, the Purchase Price may be subject to adjustment in favour of the Purchaser. The consideration also includes the assumption by the Purchaser of certain of the obligations of



the Debtors. The Purchase Transaction included a deposit of \$75,000 which was received by the Proposal Trustee. A copy of the APA is appended to the Proposal.

## THE PROPOSAL

### *Class*

39. For the purpose of this Proposal, the Creditors of the Company are comprised of a single class, consisting of Creditors having secured, preferred and unsecured claims ("**Class 1**").
40. The Proposal Trustee has not provided any opinions relating to the validity and enforceability of any Investor Security for the reasons described above. In the Proposal, all Creditors, including secured creditors, if any, are treated as unsecured creditors in one creditor class. In addition, while the Proposal does not treat NCI as an unsecured creditor in one creditor class, legal counsel of NFI advised that NCI's exclusion as an unsecured creditor in the Proposal was an oversight and the intention of NCI is to submit an unsecured claim in the Proposal which will have the same effect as if it were treated as an unsecured creditor in the Proposal. As such, in the case of this Proposal, a legal opinion will not have to be obtained relating to the Investor Security held by each of the more than 30 Investors since none of the creditors are being ranked on the basis of whether they hold any valid and enforceable security interests. This will save the Creditors, including the Investors, significant professional fees. Consequently, none of the Investors have filed valid secured claims, and do not require notice to secured creditors of the purchase pursuant to subsection 65.13(3) of the BIA. These creditors have been sent notices of the Creditors' Meetings for the Proposals, attaching the APA.
41. For greater certainty, the Creditors entitled to vote in Class 1 consist of Investors, unsecured trade creditors (i.e., holding claims without priority under the BIA), Preferred Creditors pursuant to the BIA, NSI and NCI and claims of Her Majesty in right of Canada and any province for all amounts other than Crown Priority Claims.
42. Crown Priority Claims are all proven pre-filing claims of CRA, or any province, contemplated by section 60(1.1) of the BIA, consisting of unremitted source deductions. Crown Priority Claims will be paid in full, and shall be paid by the Company from operating funds paid to the Proposal Trustee and remitted by the Proposal Trustee to CRA, or the province, as applicable, within six (6) months of the Court Approval Date. As described above, Crown Priority Claims are current.

43. Employee Preferred Claims, being Preferred Claims of current or former employees of the Company shall be paid in the ordinary course by the Company in accordance with section 60(1.3) of the Act and in any event prior to the closing of the purchase transaction.
44. Preferred Claims, if any, other than Employee Preferred Claims, shall be paid in full, without interest, in priority to Unsecured Claims and Security Creditors in accordance with the scheme of distribution set forth in the Act.
45. As of the NOI Filing Date, according to Management, NAI has a Claim against NFI for up to approximately \$386,000, which was subordinated ("**the Subordinated Claim**") under this Proposal to all other Claims and for greater certainty will not be entitled to vote in Class 1.

#### *Funding the Proposal*

46. The Proposal contemplates affecting a restructuring of the indebtedness of the Company by completion of the purchase and sale transaction contemplated by the Purchase Agreement (the "**Purchase Transaction**").
47. Pursuant to section 2.5 of the Purchase Agreement, the Purchase Price shall be allocated between the separate and concurrent proposals filed by NFI and NAI as follows: 3% to NAI and 97% NFI, which approximates the proportionate distribution of creditor claims in the Debtors' Statements of Affairs and which approximates a similar anticipated dividend payable to the creditors of each of NFI and NAI. The allocation of the Purchase Price to the Debtors shall be referred to as the "**Purchase Price Allocation**".
48. The Purchase Price Allocation under the Purchase Agreement plus any funds in each of the Debtors' accounts at the time of the closing of the Purchase Transaction (the "**Total Allocation**") shall be distributed by the Trustee to each of NFI and NAI's creditors as outlined below.

#### **OVERVIEW OF THE DEBTORS' WEEKLY CASH FLOW FORECAST**

49. The Debtors, with the assistance of the Proposal Trustee, have prepared a cash flow forecast for the period from October 15, 2016 to December 2, 2016 ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "B"** to this Report. The Cash Flow Forecast has been prepared by Management of the Debtors for the purpose of this motion, using probable and hypothetical assumptions set out in notes 1 to 13 attached to the Cash Flow Forecast. The Cash Flow Forecast reflects receipts

and disbursements to be received or paid over the seven week forecast period in Canadian dollars.

50. The Cash Flow Forecast projects that the Debtors will have sufficient liquidity to fund their expenses and the Proposal proceeding through to the close of the Purchase Transaction scheduled to close on November 29, 2016.
51. A critical assumption made in the Cash Flow Forecast is that NFI will not underwrite any new vehicle leases and consumer loans during the forecast period which includes purchasing vehicles for purposes of leasing. Without having to incur underwriting costs NFI is expected to be able to operate within its available cash flow throughout the Proposal proceeding and not require interim financing.
52. Since the filing of the NOI the debtors have experienced a positive net cash flow variance. A copy of Cash Flow Variance is attached hereto as **Appendix "C"**. The Cash Flow Variance of approximately \$94,810 for the period of May 2, 2016 to October 14, 2016. This positive net cash flow variance is primarily a result of:
  - i. permanent differences of approximately \$61,000 of higher other receipts partially offset by \$27,000 of lower net lease receipts. The higher other receipts, and lower net lease receipts, categories are attributed to thirty-six early buy-outs of leases, and four insurance claim payouts, not forecast in the Cash Flow Statement; and .
  - ii. approximately \$31,000 of lower professional fees due to timing.
53. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussion related to information supplied to the Proposal Trustee by certain of the Management and employees of the Debtors. Since hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee has also reviewed the support provided by Management of the Debtors for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.
54. Based on the Proposal Trustee's review, nothing has come to its attention to cause it to believe that, in all material respects:

- i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
- ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
- iii. the Cash Flow Forecast does not reflect the probable and hypothetical Assumptions.

55. As described in the Disclaimer above, since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved. In addition, the Proposal Trustee expresses no opinion or other form of assurance with respect to the accuracy of financial information presented in the Cash Flow Forecast.

56. The Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

## **LIQUIDATION ANALYSIS / ESTIMATED RECOVERY IN BANKRUPTCY**

### *Liquidation Analysis*

57. The following table summarizes the status of NFI's portfolio of lease and loan contracts at mid-September 2016 as compared to the portfolio at the Filing Date:

	As of Filing Date	As of September 13, 2016
Type/Status	Contract Count	Contract Count
Lease - active	484	324
Loan - active	109	81
Legal - inactive	104	104
Significant past dues - inactive	-	98
Closed - end of term	-	49
Closed - deceased	-	1
Closed - insurance write off	-	4
Closed - early payouts	-	36
<b>Total</b>	<b>697</b>	<b>697</b>

**Active** - Company continues to receive payments in the normal course

**Inactive** - NFI is no longer pursuing collection for those accounts classified as "legal". Significant past dues are defined as a lease or loan account with 13 or more payments past due. NFI is still continuing to pursue collection of these accounts.

58. As illustrated in the table above, the number of contracts for which payment continues to be pursued has reduced from 697 contracts at the Filing Date to 503 contracts at mid-September 2016, or by 194 contracts. In addition, of the remaining 503 contracts, 98 contracts have 13 or more payments past-due and the majority are likely uncollectible. As there are no new contracts being underwritten, by the end of November 2016, when the Purchase Transaction is scheduled to close, it is expected that the number of active contracts will reduce further due to contract closures, buyouts and new uncollectible accounts.
59. In the event that the Proposal is not accepted by the Creditors and the Debtors are deemed bankrupt, the following liquidation analysis represents the estimated value of the Debtors assets should the existing portfolio be run-off.
60. The Proposal Trustee has relied on representations of the Company in determining the estimated liquidation value of the assets. The liquidation analysis was prepared at a point in time, being November 29, 2016. However, the value of the cash-on-hand and accounts receivable are changing daily as receipts are collected and payments are made. Accordingly, in the event that the Company were to become bankrupt and a run-off of the existing portfolio was conducted, the realizable value of the assets at that time may be different than presented below.

**Summary of Estimated Liquidation Value – NFI**  
**As at November 29, 2016**  
(000's)

	Notes	Total
<b>Receipts</b>		
Gross Receipts	1	1,481
Less: Forecast bad debts	1	(357)
<i>Net Lease Receipts</i>	1	1,125
Other Receipts	2	105
<b>Total Receipts</b>		<b>1,230</b>
<b>Disbursements</b>		
Administrative Costs	3	127
Repossession Expenses	4	40
HST Remittances	5	103
Insurance	6	38
Bank charges and vehicle licensing costs	7	64
<b>Total Disbursements</b>		<b>373</b>
<b>Net Cash Flow from Operations</b>		<b>857</b>
Professional Fees	8	48
<b>Net Cash Flow</b>		<b>809</b>
Present Value of Net Cash Flow generated by portfolio run-off	9	\$749
Forecast Cash on Hand as at November 29, 2016		\$290
<b>Liquidation Value of Assets</b>		<b>\$1,039</b>

*Notes:*

1. *Net lease receipts are comprised of:*
  - a. pre-authorized debits due from outstanding leases and loans at mid-September 2016. Includes only those accounts currently considered in good standing. All accounts with 13 or more payments past due as well as those classified by Management as legal were assumed to no longer be collectable for the purposes of the forecast;
  - b. deductions for provision for pre-authorized debits that are returned by the bank for insufficient funds or any other reason. The provision is calculated based on a percentage of accounts that are anticipated to default each month.
  - c. payments received from customers by other payment methods - e.g. email transfer, wire transfer, certified cheque, bank draft.
  
2. *Other receipts consist of:*
  - a. *proceeds of sale of repossessed vehicles sold on an "as is" basis;*

- b. *proceeds of insurance relating to leases where the car has been in an accident and is written off by the insurer; and*
  - c. *receipts from the NAI portfolio, which would be allocated only to NAI creditors in a bankruptcy.*
3. *Represents costs to run-off the remaining portfolio including the following costs:*
- a. *costs to employ one full time collector;*
  - b. *rent and overhead costs; and*
  - c. *professional fees to monitor collections.*

*In July 2018 it is anticipated that a full time collector will no longer be needed. It is assumed that pre-authorized debits at this time that are returned to the bank for insufficient funds or any other reason will be turned over to a collection agency. It is assumed that a collection agency will collect 50% of the remaining accounts and will charge a 30% collection fee.*

- 4. *Includes the average \$400 cost/car to effect a repossession (based on historical average cost) plus cost of maintaining a tow truck used for repossession.*
- 5. *Monthly HST remittance payable in the last week of the month based on the net amount owing from immediately preceding month.*
- 6. *Monthly cost of all insurance coverages based on current coverages and premiums charged. Insurance costs are assumed to decline as the portfolio winds down.*
- 7. *Portfolio servicing costs are comprised of:*
  - a. *bank charges for processing pre-authorized debits and costs of dishonored payments; and*
  - b. *licensing charges on transfer of leased vehicles.*
- 8. *Professional Fees represent costs for a Bankruptcy Trustee to do periodic dividend distributions to creditors. Professional fee costs are anticipated to increase in July 2018 once the full time collector is no longer required and a Bankruptcy Trustee will monitor the pre-authorized debits due from remaining leases and loans.*
- 9. *A 10% discount factor is used to calculate the present value of the stream of future cash flows generated by a run-off of the portfolio.*

#### **Estimated Recovery – Bankruptcy vs. Proposal Scenario**

61. The following chart (which is rounded to the nearest thousands' of dollars) sets out the expected recovery to CRA (Crown Priority Claims), the Preferred Creditors and the Unsecured Creditors under a Bankruptcy scenario and the Proposal scenario. As can be seen below, the net estimated recovery to:
- i) CRA for Crown Priority Claims and Preferred Creditors; if any, in a bankruptcy scenario is 100% and in the Proposal scenario is 100%;
  - ii) the Unsecured Creditors in a bankruptcy scenario is approximately 1% versus approximately 15% under the Proposal scenario; and

iii) NSI and NCI as Secured Creditors is 100% in a Bankruptcy Scenario and 15% in the Proposal Scenario, as these Secured Creditors are classified as Unsecured Creditors in the Proposal.

The analysis under the Proposal scenario assumes that the Purchase Transaction successfully closes by November 29, 2016.

<u>Estimated Recovery in a Run-Off Bankruptcy Scenario</u>		<u>Estimated Recovery in a Proposal Scenario</u>	
Liquidation Value of Assets (based on a run-off of the portfolio as calculated above)	1,039	Estimated Proposal Payments (note 1)	1,020
Less: Crown Priority Claims - Deemed Trust Portion (note 2)	(2)	Less: Crown Priority Claims - Deemed Trust Portion (note 2)	(2)
Less: Secured Claim to be filed by NSI and NCI (note 3)	<u>(927)</u>	Less: Secured Claim to be filed by NSI and NCI (note 3)	<u>NIL</u>
Gross amount available for Preferred and Unsecured Creditors	110	Gross amount available for Preferred and Unsecured Creditors	1,018
Less: Estimated Professional fees and expenses (note 4)	(76)	Less: Estimated Professional fees and expenses (note 4)	(40)
Less: Superintendent's Levy (note 5)	<u>(2)</u>	Less: Superintendent's Levy (note 5)	<u>(49)</u>
Net amount available for Preferred and Unsecured Creditors	32	Net amount available for Preferred and Unsecured Creditors	929
Estimated Claims of Preferred Creditors (note 6)	<u>(6)</u>	Estimated Claims of Preferred Creditors (note 6)	<u>(6)</u>
Net amount available for Unsecured Creditors	26	Net amount available for Unsecured Creditors	923
Estimated Claims of Unsecured Creditors	5,099	Estimated Claims of Unsecured Creditors	6,026
Estimated Recovery to Unsecured Creditors	<u>1%</u>	Estimated Recovery to Unsecured Creditors	<u>15%</u>
Estimated Recovery to Preferred Creditors	<u>100%</u>	Estimated Recovery to Preferred Creditors	<u>100%</u>
Estimated Recovery to Secured Creditors	<u>100%</u>	Estimated Recovery to Secured Creditors	<u>n/a</u>

**Notes:**

1. *The estimated Funded Proposal Payments amount is based on NFI's Allocation of the Purchase Price plus the funds forecast to be in NFI's bank account on or about November 29, 2016. The calculation of the amount assumes the Claims actually filed by the Creditors are equal to the value as recorded in the Company's records. Should the actual value of the Claims be different, the actual estimated recovery to the Creditors will be different.*
2. *In a bankruptcy scenario, CRA's deemed trust for Crown Priority Claims only extends over the employee portion of deductions, not the employer contributions or the interest and*



penalties. In a bankruptcy scenario the liability for employer contributions and the interest and penalties would be an Unsecured Claim. The Proposal Trustee estimates the employee portion of deductions to be equivalent to one payroll as wages are paid one week in arrears. In the proposal scenario, CRA will receive the same deemed trust entitlement as it would receive in the bankruptcy scenario.

3. In accordance with the terms of the Proposal, NSI and NCI shall forgo its entitlement to a secured claim and shall file as an unsecured creditor sharing pro rata with all the other unsecured creditors and resulting in an increased dividend distribution to the Unsecured Creditors in the proposal scenario. In exchange for NSI forgoing its entitlement to a secured claim it maintains its security over the assets of 1353974 Ontario Inc. ("135"), NFI's subsidiary, which assets are not being sold to the Purchaser and, according to Management, have a net estimated realizable value of \$120,000. In a bankruptcy scenario NSI and NCI would file a secured claim, thereby decreasing the dividend distributions available to the Unsecured Creditors, and NSI would continue to maintain security over the assets of 135.
4. This amount represents a provision for the estimated professional fees triggered by the bankruptcy proceedings plus the legal fees to be incurred to provide a legal opinion for each promissory note held by any of the Investors. This security review would not be required in the case of a proposal, and professional fees are limited to administering the proposal after Court approval.
5. The Superintendent's Levy is applicable to payments made to Preferred and Unsecured Creditors and is calculated as 5% of each payment. It is not applicable to payments made to satisfy deemed trust claims.
6. Currently, it is assumed that there will be three Employee Preferred claims of \$2,000 each. The proposal scenario assumes that should there be any Preferred Creditors, they will be paid 100% in accordance with the terms of the Proposal. In a run-off scenario they also reduce the realizable value to the unsecured creditors.

#### NAI

62. In a Proposal Scenario NAI's estimated Proposal payments would be equal to NAI's Allocation of the Purchase Price plus the funds forecast to be in NAI's bank account on or about November 29, 2016. In a run-off Bankruptcy Scenario, NAI would file an unsecured claim in the estate of NFI and would participate in dividend distributions to Unsecured Creditors of NFI on a pro-rata basis. Should the actual value of NAI's Claim be different than that recorded in NFI's books and records, the actual recovery to the NAI's Creditors will be different.

### ***Meetings of Creditors***

63. Meetings of the Creditors ("**Creditor's Meetings**") to consider the Proposals of NFI and NAI, and to approve the terms of the purchase transaction, were held at the office of the Proposal Trustee, 4646 Dufferin St., Suite 6, Toronto, Ontario, on November 2, 2016 at 11:00a.m. and 12:30p.m., respectively. Details relating to the filing of claims, and other documents, were outlined in the Report of Trustee on Proposal included in the Creditor Packages and were mailed to each known creditor of the Debtors, or their duly appointed representative on October 21, 2016. The Creditor Packages were also available on DLI's website ([www.dodick.ca](http://www.dodick.ca)) and emailed to those creditors for whom the Proposal Trustee had email addresses.
64. Mr. Rahn Dodick of Dodick Landau Inc. acted as the chair (the "**Chair**") of the Creditors' Meetings, Naomi Lieberman and Talya Psek, of Dodick Landau Inc., acted as secretary and scrutineer (the "**Scrutineer**"), respectively, of the Creditors' Meetings.
65. The Scrutineer reported that a quorum was present at the Creditors' Meetings and accordingly, the Chair declared that the Creditors Meetings were properly constituted.

### ***Results of the Vote on Acceptance of the Proposals***

66. A motion to consider a resolution to approve the Proposals was proposed at the Creditor's Meetings (the "**Resolution**"). The following resolution (the "**Resolution**") was tabled at each of the meetings:

"Be and it is hereby resolved to accept the Proposal of [NFI or NAI] dated October 14, 2016, and, if approved, the Trustee and [NFI or NAI] take all necessary steps to implement the terms of the Proposal."
67. The Scrutineer tabulated the results of the vote at each meeting, and the Chair reported the results at the meetings. The Creditors, or their proxy holders, at both Creditors' Meetings voted on the Resolution to approve the Proposals as follows:

NFI Creditors' Meeting:

	For		Against	
	#	\$	#	\$
Creditors having a voting claim voting in person, by proxy or by voting letter	24	\$3,797,624	1	\$254,704
Percentage of the total votes	96%	93.7%	4%	6.3%

NAI Creditors' Meeting:

	For		Against	
	#	\$	#	\$
Creditors having a voting claim voting in person, by proxy or by voting letter	1	\$160,000	0	\$0
Percentage of the total votes	100%	100%	0%	0%

68. In summary, a majority in number representing in excess of two-thirds in value of the Creditors by class holding proven claims and voting in person or by proxy at the Creditors' Meetings for each of NAI and NFI, or by voting letter, voted in favour of the Resolution to approve the Proposals. Related persons as defined in the BIA were not eligible to vote in favour of the Resolution. Copies of the minutes of the Creditors' Meetings are attached as **Appendix "D"**.

***Approval and Implementation of the Proposal***

69. The BIA requires the Proposal be approved by the Court following approval by the requisite majorities of Creditors. Subject to this Court's approval of the Proposal, the Trustee and the Purchaser believe that the closing date for the Purchase Transaction will be November 29, 2016.
70. As such, the Trustee requests that the Court ratify and approve the Trustee entering into the Purchase Transaction and approve the Proposal. Provided the foregoing relief is granted, then the Trustee believes it appropriate that the Court issue an order vesting the right, title

and interest in the assets of each of NFI and NAI in, and to, the Purchaser upon the closing of the Purchase Transaction. The Trustee is not aware of the Company having committed any of the offences set out in sections 198-200 of the BIA. To the date of this Report, and in fulfillment of the requirements of section 58 of the BIA, the Trustee applied to Court on November 3, 2016 to obtain a hearing date of November 29, 2016, and sent notice of the November 29, 2016 hearing date to the Creditors on November 10, 2016.

### ***Distributions Pursuant to the Proposal***

71. All distributions are subject to the Superintendent's Levy in accordance with the BIA.
72. The Total Allocation will be distributed by the Proposal Trustee in the following order of priority and in fulfillment of the requirements of S.60 of the BIA:
  - a) Crown Priority Claims, if any.
  - b) *Administrative Fees and Expenses* - To fund all administrative fees and expenses of the Proposal Trustee, including the legal fees of the Trustee and the Debtors.
  - c) *Bankruptcy Reserve* - To establish a reserve of \$15,000 to be held in trust by the Proposal Trustee, which amount shall be used to fund the administrative costs of the bankruptcy of the Company in the event that the Proposal is annulled and the Company becomes bankrupt, failing which such amount shall be distributed to the Creditors.
  - d) *Proven Claims of Preferred Creditors* – To pay all Proven Preferred Claims, if any, other than the Employee Preferred Claims, which would have been paid immediately following Court approval.
  - e) *Proven Claims of Unsecured Creditors* – The remainder will be distributed among all the Unsecured Creditors and Secured Creditors, without regard to whether the Claims are the Claims of Secured Creditors or Unsecured Creditors, who will share *pro rata* out of the funds available after payment of the foregoing.
73. A notice requiring creditors of each of NFI and NAI to prove their claims within 30-days will be mailed after closing of the Purchase Transaction to all known Creditors who, to date, have not filed a claim. Distributions to Unsecured Creditors will be made following the expiry of the thirty-days without regard to claims which have not been filed.

74. To date, the Trustee has received 29 proofs of claim from Creditors in connection with the estate of NFI and two proofs of claim from Creditors in connection with the estate of NAI. Based on known Creditors included in the Debtor's Statement of Affairs, the Trustee understands that there are approximately 20 additional known Creditors who, to date, have not submitted a proof of claim to the Trustee for NFI and that there are no additional known Creditors who, to date, have not submitted a proof of claim to the Trustee for NAI.

#### **ALTERNATIVES TO THE PROPOSAL**

75. At the Creditors' Meeting, the Creditors were asked by the Proposal Trustee to choose between two alternatives, namely accepting the Proposal and implementing the related Purchase Transaction as the source of funding for the Proposal, or rejecting the Proposal.
76. The Proposal Trustee believes that, through the SISP, it broadly canvassed the market to obtain the most favourable offer for the Company and that approval of the Purchase Transaction will yield a greater net result for the Unsecured Creditors sooner. If the Proposal is not approved by the Court, the most likely alternative would be a run-off of the existing portfolio by the Trustee in Bankruptcy, and a distribution over approximately two to three years to the Creditors in accordance with their respective priorities. In a bankruptcy scenario the NSI Security and the NCI Security could have priority over the claims of the Investors and Unsecured Creditors. The validity and enforceability of the security of Investors would have to be determined on a case by case basis by legal counsel carrying out a legal review of each Investors security at a considerable cost. As a result, a run-off of the portfolio in a bankruptcy would be fraught with considerable execution risk and cost.

#### **SUMMARY COMMENTS/RECOMMENDATION**

77. For the reasons set out in this Report it is the Proposal Trustee's view that the Proposal will allow for a greater recovery to the Creditors of the Debtors than they would receive in a run-off liquidation of the existing portfolio in a bankruptcy proceeding, and therefore, the Proposal Trustee respectfully recommends that the Court grant orders:
- a. approving the Proposals;
  - b. authorizing the Trustee to take all steps necessary to implement the Proposals;
  - c. ratifying, and approving the Trustee entering into, the Purchase Transaction; and
  - d. vesting the Purchased Assets in favour of the Purchaser.

Yours very truly,

**DODICK LANDAU INC.**

Trustee *re* the Proposal of Newstart Financial Inc. and Newstart Acceptance Inc.  
and not in its personal or corporate capacity.

Per:



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Rahn Dodick, CPA, CA, CIRP; LIT

# APPENDIX A

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE PROPOSAL OF  
NEWSTART FINANCIAL INC.  
OF THE CITY OF PICKERING, IN THE PROVINCE OF ONTARIO

**PROPOSAL**

Newstart Financial Inc. ("NFI" or the "Company") hereby submits the following proposal ("Proposal") pursuant to the provisions of the *Bankruptcy and Insolvency Act*, (Canada), R.S.C. 1985, c. B-3.

**PART I  
Interpretation**

**Definitions**

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 amended;
  - (b) "**Administrative Fees and Expenses**" means the proper fees and expenses of the Trustee and the Company incidental to the NOI preparation, presentation, consideration and implementation of 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 Company before and following execution, acceptance and approval of this Proposal and in connection with the NOI and the preparation of this Proposal;
  - (c) "**Approval Order**" means an Order of the Court approving (i) this Proposal pursuant to the provisions of the Act, and (ii) the Purchase Transaction contemplated by the Purchase Agreement;
  - (d) "**Assets**" means the Purchased Assets;
  - (e) "**Bankruptcy Reserve**" means a reserve amount of \$15,000.00 to be held by the Trustee as security for the administrative costs of the bankruptcy of the Company in the event that this Proposal is annulled and the Company becomes bankrupt;



- (f) “**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 on which banks are generally open for business in Toronto, Ontario;
- (g) “**Claim**” means any right of any person against the Company in connection with any indebtedness, liability, or obligation of any nature whatsoever of the Company 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 Date of Filing, where such claims are proved and allowed, and “**Claims**” has a corresponding meaning;
- (h) “**Court**” means the Ontario Superior Court of Justice [Commercial List]
- (i) “**Creditor**” means any person who holds one or more Claims, including Secured Creditors and Unsecured Creditors and “**Creditors**” has a corresponding meaning;
- (j) “**Creditors’ Meeting**” means a meeting of the Unsecured Creditors or a meeting of the Secured Creditors called for the purpose of considering and voting on the Proposal;
- (k) “**Crown Priority Claims**” means Claims of Her Majesty in right of Canada or any province of all amounts of a kind contemplated by section 60(1.1) of the Act;
- (l) “**Date of Filing**” means the date on which the Company filed the NOI;
- (m) “**Effective Date**” means the date on which the transactions and agreements provided for in this Proposal are to become effective which shall be the date on which the Approval Order is issued;
- (n) “**Event of Default**” has the meaning given to it in Part X of this Proposal;
- (o) “**Inspector**” means an inspector appointed, if any pursuant to the Proposal in accordance with the provisions of the Act;
- (p) “**Levy**” means the levy imposed by the Superintendent of Bankruptcy under the Act;
- (q) “**NOI**” means the Notice of Intention to Make a Proposal filed by the Company on May 2, 2016;
- (r) “**NOI Filing Date**” means the date on which the Company filed the NOI;
- (s) “**Performance of the Proposal**” means full performance of this Proposal as set out in Part IV hereof;

- (t) **"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;
- (u) **"Preferred Claim"** means any Claim that is afforded priority under Section 136(1) of the Act;
- (v) **"Preferred Creditor"** means any Unsecured Creditor holding a Preferred Claim, solely in respect to that Preferred Claim;
- (w) **"Proposal"** means this Proposal and any amendments thereto;
- (x) **"Proof of Claim"** means the proof of claim required by the Act to be provided to each known creditor prior to the Creditors' Meeting;
- (y) **"Proven Claim"** of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the Act;
- (z) **"Purchase Agreement"** means the agreement of purchase and sale between Dodick Landau Inc., in its capacity as Trustee, and Scott Satov on behalf of a company to be incorporated made as of October 11, 2016, substantively in the form attached to this Proposal, but absent the schedules annexed thereto, collectively as "Schedule "A";
- (aa) **"Purchase Price"** means the payments to be made to the Trustee pursuant to the provisions of Part III of this Proposal;
- (bb) **"Purchase Transaction"** means the purchase and sale transaction contemplated by the Purchase Agreement;
- (cc) **"Purchased Assets"** means those assets purchased by the Purchaser, as described in the Purchase Agreement;
- (dd) **"Purchaser"** means Scott Satov on behalf of a company to be incorporated;
- (ee) **"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;
- (ff) **"Trustee"** means Dodick Landau Inc. or its duly appointed successor, in its capacity as proposal trustee under the Act;
- (gg) **"Unsecured Creditor"** means, collectively, the Preferred Creditors and the Ordinary Creditors; and

- (hh) **“Voting Letter”** shall mean the voting letter required by subsection 51(1) of the Act to be mailed or sent by electronic transmission to each known Creditor prior to the Creditors’ Meeting.

### **Headings**

2. The division of this Proposal into Parts and Section 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 contest is inconsistent herewith, references herein to Parts and Sections are to Parts and Sections of this Proposal.

### **Extended Meanings**

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**

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 precluded by statute.

## **PART II Purpose and Effect of This Proposal**

### **Purpose of Proposal**

5. The purpose of this Proposal is to effect a restructuring of the indebtedness of the Company by completion of the Purchase Transaction in the expectation that all Creditors will derive a greater benefit from the restructuring and the continued operation of the business and affairs of the Company than would result from a bankruptcy of the Company.

### **Effect of Proposal**

6. This Proposal restructures the indebtedness of the Company and provides the essential terms on which all Claims will be fully and finally resolved and settled. During the Proposal Period, and provided that an Event of Default has not occurred and is continuing hereunder, all Creditors will be stayed from commencing or continuing any proceeding or exercising any remedy against the Company or any of its property or assets in respect of a Claim, including without limitation, any proceeding or remedy to

recover payment of any monies, to recover or enforce any judgment against the Company in respect of a Claim or to commence any formal legal proceeding against it other than as provided for under this Proposal.

### **PART III Classification of Creditors**

7. For the purpose of this Proposal, the Creditors of the Company shall be comprised of a single class consisting of Preferred Creditors, Secured Creditors and Unsecured Creditors. Claims of Her Majesty in right of Canada and any province for all amounts other than Crown Priority Claims shall vote in this class.

#### **Secured Creditors**

8. The Proposal Trustee has not provided an opinion of the security held by any party other than the security held by Newstart Inc. ("Newstart"). Newstart is operated by the Company's principal, Dave Baker. Given the difficulty of assessing the validity and priority of the security of other Secured Creditors within the context of this Proposal, all Creditors, including Newstart, only for the purposes of this Proposal, shall file unsecured Proofs of Claim. In the event of the bankruptcy of the Company, creditors shall be given the opportunity to amend their Proofs of Claim.

#### **Employee Preferred Claims and Wages**

9. Amounts, if any, owing to employees of the Company ("Employee Preferred Claims") shall be paid in the ordinary course by the Company in accordance with section 60(1.3) of the Act and in any event prior to the closing of the Purchase Transaction.

#### **Preferred Claims (in addition to Employee Preferred Claims)**

10. The Proven Claims of Preferred Creditors are to be paid by the Trustee in full in priority to all claims of Unsecured and Secured Creditors in accordance with the scheme of distribution set forth in the Act.

#### **Subordinated Claims**

11. As of the NOI Filing Date, Newstart Acceptance Inc. ("NAI") has a Claim against the Company (the "Subordinated Claim"), which Subordinated Claim shall be subordinated under this Proposal to all other Claims.

### **PART IV Proposal**

#### **Implementation of Proposal**

12. The consideration for the purchase of the Purchased Assets shall be equal to the aggregate sum set out in section 2.4 of the Purchase Agreement, estimated to be in the amount of \$750,000.00 (the "Purchase Price"). The Purchase Price shall include a deposit of \$75,000.00 (the "Deposit") which has been received by the Trustee. The Deposit shall be held in trust pending completion or termination of the Purchase Agreement.
13. Pursuant to section 2.5 of the Purchase Agreement, the Purchase Price shall be allocated between the separate and concurrent proposals filed by the Company and NAI as follows: 3% to NAI and 97% to the Company. The allocation of the Purchase Price to the Company shall be referred to as the "Company's Allocation";
14. The Company's Allocation plus any funds in the Company's account at the time of the closing of the Purchase Transaction (the "Total Allocation") shall be distributed by the Trustee pursuant to Part V of this Proposal and the provisions of the Act.
15. The Purchased Assets will be sold to the Purchaser on an "as is, where is" basis and the Company will not be liable or responsible in any way for the condition of the Purchased Assets or the delivery of such tangible assets to be purchased by the Purchaser.
16. The Company will maintain the fire, public liability and any other customary classes insurance covering the Purchased Assets until closing of the Purchase Agreement.
17. In the event that the Proposal is not accepted by the Creditors or the Court refuses to issue the Approval Order, the Debtor shall become a bankrupt and the Purchase Price shall not be available to the Creditors in accordance with their respective priorities.

#### **PART V Treatment of Creditors**

18. The Total Allocation shall be distributed by the Trustee in the following order of priority:
  - (a) First, to any Crown Priority Claims;
  - (b) Second, to the Administrative Fees and Expenses in accordance with section 60(1) of the Act;
  - (c) Third, to establish the Bankruptcy Reserve, to be held in trust by the Trustee, which amount shall be used to fund the administrative costs of the bankruptcy of the Company in the event that this Proposal is annulled and the Company becomes bankrupt, failing which such amount shall be distributed in accordance with subparagraphs (d) and (e);

- (d) Fourth, to Proven Claims of Preferred Creditors (if any); and
- (e) Fifth, the balance of the Company's Allocation shall be distributed *pro rata* amount all the Unsecured Creditors and Secured Creditors on account of Proven Claims without regard to whether the Claims are the Claims of Secured Creditors or Unsecured Creditors.

**PART VI**  
**Procedure for Validation and Valuation of Claims**

- 19. 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.
- 20. The procedure of valuing Claims of Creditors and resolving disputes with respect to such Claims will be as provided for in the Act. The Company and/or Trustee reserves 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 VII**  
**Meeting of Creditors**

**Creditors' Meeting**

- 21. On November 2, 2016, the Company shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

**Notice of Creditors Meeting**

- 22. 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' Meeting.

**Conduct of Meeting**

- 23. The Official Receiver, or any nominee thereof, shall preside as the chair of the Creditors' Meetings and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meetings are those persons (including the holders of proxies) entitled to vote at the Creditors' Meeting and the officers, directors and legal counsel of the Company 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 or with the consent of the Creditors.

### **Adjournment of Meeting**

24. The Creditors' Meeting may be adjourned in accordance with section 52 of the Act.

### **Voting by Creditors**

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

### **Approval by Creditors**

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

### **Appointment of Inspectors**

27. At the Creditors Meeting, the 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 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.

## **PART VIII**

### **Conditions Precedent to Implementation of the Proposal**

28. 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;
- (d) All agreements or instruments necessary to effect the intention and purpose of this Proposal have been received by the Debtor and the Purchaser in a form satisfactory to the Debtor and Purchaser;
- (e) The Purchase Transaction shall have been completed;
- (f) The separate and concurrent Proposal filed by NAI shall have been accepted by the Creditors, approved by the Court and made effective; and
- (g) All and any orders of the Court have been obtained which are required to facilitate the transactions referred to herein.

### **PART IX Release**

29. As at 12:01am on the Effective Date, the Company and each and every present and former officer and director of the Company (collectively, the "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, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Creditor or person may be entitled to assert as of the NOI Filing Date, including without limitation, any and all claims in respect of the potential statutory liabilities of the former, present and future directors and officers of the Company, and any and all claims relating to any obligations of the Company where the present, former or future directors or officers are or may be by law liable in their capacity as directors or officers for the payment of such obligations, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based on whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the NOI Filing Date relating to, arising out of or in connection with the claims, the business and affairs of the Company, this Proposal, and provided that nothing herein shall release or discharge any of the Released Parties from any claims coming within the exceptions set out in section 50(14) of the Act.

### **PART X Miscellaneous**

#### **Effect of Payment**

30. Creditors will accept the payments provided for in this Proposal in complete satisfaction of all of their Claims, and all 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 Company including the Assets. On the Effective Date, any and all such registered liens, certificates of pending litigation, executions or other similar charges or actions will be discharged, dismissed or vacated without cost to the Company.

### **Preferential Payments**

31. Sections 95 to 101 of the Act shall not apply to any dealings by the Company to at time prior to the NOI Filing Date. The releases contemplated in paragraph 27 of this Proposal include releases in favour of the Released Parties from all claims, actions, or remedies available to Creditors or others pursuant to sections 95 to 101 of the Act, provided nothing herein shall release any director of the Company from any claims coming within the exceptions set out in Section 50(14) of the Act.

### **Amendment to Proposal**

32. This Proposal may be amended by the Company 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 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.

### **Performance Certificate**

33. The Trustee will give the Company and the Official Receiver the certificate provided for in section 65.3 of the Act within 5 Business Days following the Trustee being satisfied that all of the conditions set out in the Purchase Agreement have been met or waived.

### **Court Approval**

34. After the Creditors acceptance of the Proposal, the Trustee will proceed to seek approval by the Court, on or about, November 29, 2016 and to have the Court make any ancillary orders that may be necessary or desirable to permit the transfer of the Assets to the Purchaser free and clear from all encumbrances as contemplated by the transaction or agreement including an order releasing any existing encumbrances from the Assets other than the Permitted Encumbrances as referred to in the Purchase Agreement (and continuing such encumbrances in the proceeds of sale only) and an order exempting the transfers from the provisions of the *Bulk Sales Act* (Ontario). Creditors acceptance of the Proposal shall constitute their consent to such ancillary Court orders.

### **Binding Effect**

35. The provisions of this Proposal will be binding on the Creditors, the Company and their respective heirs, executors, administrators, successors, and assigns, upon issuance of the Approval Order.

**PART XI**  
**Event of Default**

36. The failure of the Purchaser to satisfy its obligations under the Purchase Agreement to the Trustee will constitute an Event of Default for purposes of section 63 of the Act and otherwise under this Proposal.

**PART XII**  
**Trustee**

37. Dodick Landau Inc. shall be the Trustee under this Proposal and all monies payable 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.
38. Dodick Landau Inc. is acting in its capacity as Trustee under this Proposal and not in its personal capacity and no officer, director, employee or agent of Dodick Landau Inc. shall incur any obligations or liabilities in connection with this Proposal or in respect of the business or liabilities of the Company.
39. Any payments made by the Trustee to the Creditors hereunder shall be made by the Trustee net of any levies payable or due under the Act.
40. Upon payment by the Trustee of the amounts contemplated in Part V 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 Company 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 wilful or wrongful act or default.

***SIGNATURE PAGE TO FOLLOW***

***SIGNATURE PAGE TO PROPOSAL FILED BY NEWSTART FINANCIAL INC.***

Dated at Toronto this 14<sup>th</sup> day of October, 2016.

NEWSTART FINANCIAL INC.

Per: 

Name: MAURICE BAROUC

Title: PRESIDENT

I have authority to bind the corporation.

**SCHEDULE "A" – Purchase Agreement**

AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT made the 13th day October, 2016

BETWEEN:

**DODICK LANDAU INC.**, solely in its capacity as the Proposal Trustee ordered to market and sell the property, assets and undertaking of Newstart Financial Inc. and Newstart Acceptance Inc., and not in its personal capacity (the "**Vendor**")

- and -

(the Newco, represented by Scott Satov, CA ("**Purchaser**")

**WHEREAS:**

- A. On May 2, 2016, Newstart Financial Inc. ("**NFI**") and Newstart Acceptance Inc. ("**NAI**") (NAI together with NFI being "**Newstart**") filed Notices of Intent to make a Proposal (the "**NOI**") under the provisions of the *Bankruptcy and Insolvency Act* (the "**BIA**");
- B. the Vendor was appointed as Proposal Trustee of Newstart (the "**Trustee**") and was ordered to implement a Sale and Investment Solicitation Process (the "**SISP**") for all the assets, property and undertaking of Newstart by the Orders of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") each dated May 27, 2016, (the "**SISP Orders**");
- C. Newstart and the Trustee have been administering the wind-down of the business of Newstart, including its inventory of vehicles and portfolio of vehicle leases and consumer loans (the "**Administration Arrangement**");
- D. the SISP Orders provide that the Vendor has the power to sell all or any part of the property, assets and undertaking of Newstart, subject to approval by the creditors of NFI and NAI at meetings of the creditors in the Proposal Proceedings, and the approval of the Court;
- E. following implementation of the SISP by the Trustee, the Vendor wishes to sell to the Purchaser and the Purchaser wishes to purchase from the Vendor substantially all of the assets which make up the Newstart Business, including the Portfolio Assets, Goodwill, Intellectual Property (as such terms are defined below), customers lists and other assets.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that, in consideration of the premises, the mutual covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereby covenant and agree as follows:



**ARTICLE 1 - INTERPRETATION****1.1 Definitions.** In this agreement:

(a) "**Accounts Receivable**" means all accounts receivable of Newstart, including, without limitation, the accounts listed on Schedule 1.01(a) hereto;

(b) "**Act**" means the *Ontario Business Corporations Act* as in effect on the date hereof;

(c) "**Administration Arrangement**" has the meaning ascribed thereto in the second recital;

(d) "**Affiliate**" has the meaning ascribed thereto in the Act;

(e) "**Approval and Vesting Order**" means an order (or orders) of the Court in the Proposal Proceedings, in form and substance and on terms (including the contents of the service list) acceptable to the Vendor and the Purchaser and their respective solicitors, acting reasonably, (i) approving this agreement, (ii) authorizing and directing the Vendor to execute and deliver this agreement, (iii) directing the Vendor to complete the Transaction, (iv) vesting in the Purchaser all right, title and interest of Newstart and the Vendor in the Purchased Assets, free and clear of all claims, mortgages, charges, liens, security interests or encumbrances of every nature or kind whatsoever, and (v) approving the Proposals of NFI and NAI in the Proposal Proceedings, after approval by the creditors of NFI and NAI at meeting of creditors held in accordance with the BIA;

(f) "**Assumed Liabilities**" means the liabilities to be assumed by the Purchaser pursuant to section 2.8 hereof;

(g) "**Books and Records**" means all books and records relating to the Purchased Assets (other than (i) those required by law to be retained by the Vendor, copies of which will be made available to Purchaser, and (ii) personnel records), including, without limitation, customer lists, sales records, transaction histories, price lists and catalogues, sales literature, advertising material, manufacturing data, production records, employee manuals, supply records, inventory records, and correspondence files (together with, in the case of any such information which is stored electronically, the media on which the same is stored);

(h) "**Business Day**" means any day, other than a

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Saturday or Sunday, on which commercial banks in Toronto, Ontario, are open for business during normal banking hours;

(i) "**Cash**" means all cash on hand, cash equivalents and bank deposits of Newstart in existence on the Closing Date;

(j) "**Closing Certificate**" means the certificate referred to in the Approval and Vesting Order which, when delivered to the Purchaser, gives effect to the vesting provisions contained in the Approval and Vesting Order;

(k) "**Closing Date**" means the Business Day immediately following the day upon which the Approval and Vesting Order is made by the Court, or such other date as may be agreed to by the Parties;

(l) "**Collection Proceeds**" means amounts collected by the Servicer, including by the way of legal proceedings or settlement, on account of Accounts Receivable, Legal Claims, defaulted Lease Payments, partial payment on Leases, catch up payments on Leases, residual guarantee amounts and other amounts owing under a Lease not paid by the Lessee and guarantees thereof in accordance with the terms of the Lease;

(m) "**Commercially Reasonable Efforts**" means, subject to section 1.6 hereof, the efforts that a prudent person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as possible;

(n) "**Consumer Loans**" means the assets listed on Schedule 1.01(n) hereto;

(o) "**Contract**" means any agreements, indenture, contract, lease, deed of trust, license, option, instrument or other commitment, whether written or oral, but excluding any Lease;

(p) "**Court**" has the meaning ascribed thereto in the second recital;

(q) "**Equipment**" means all equipment, furniture, fixtures and other assets used by NFI in its business, but not including the Vehicles, as defined below;

(r) "**Excluded Assets**" means the assets listed on Schedule 1.01(r) hereto, and the Excluded Assets specifically include the Cash;

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(s) "**Goodwill**" means all goodwill, together with the ability of the Purchaser to represent itself as carrying on the Newstart Business in succession to Newstart and the right to use any words indicating that the Newstart Business is so carried on, including the right, if any, to use the name "Newstart" in connection with the words "leasing" or "automobiles" or both or any variation thereof, as part of the name or style under which the Newstart Business or any part thereof is carried on by Purchaser;

(t) "**Gross Proceeds**" means all Lease Payments, Vehicle Proceeds, Collection Proceeds and all other amounts generated in respect of any dealings with the Portfolio Assets, excluding HST or other applicable excise taxes collected, that are the subject matter of the Administration Arrangement, all of which are deposited by the Servicer in the Servicer Account on a daily basis in accordance with the terms of the Administration Arrangement, which, for greater certainty, excludes any amounts received from the Excluded Assets;

(u) "**HST**" means harmonized sales tax imposed under the HST Legislation;

(v) "**HST Legislation**" means Part IX of the *Excise Tax Act* (Canada);

(w) "**Intellectual Property**" means all trade or brand names, business names, trademarks (including logos), trade-mark registrations and applications, service marks, service mark registrations and applications, copyrights, copyright registrations and applications, issued patents and pending applications and other patent rights, industrial design registrations, pending applications and other industrial design rights, trade secrets, proprietary information and know-how, equipment and parts lists and descriptions, instruction manuals, inventions, inventors' notes, research data, blue prints, drawings and designs, formulae, processes, technology and other intellectual property, together with all rights under licences, registered user agreements, technology transfer agreements and other agreements or instruments relating to any of the foregoing;

(x) "**Leases**" means all leases pursuant to which Newstart is the Lessor including, without limitation, the leases listed on Schedule 1.01(x) hereto, and, each, a "Lease";

(y) "**Lease Payments**" means the ordinary course monthly payments made by Lessees under Leases together with the gross



proceeds of all Vehicles bought-out by Lessees under Leases which are in good standing;

(z) "**Lessee**" means a lessee, co-signor or guarantor in respect of a Lease;

(aa) "**Legal Claims**" means the legal proceedings commenced by Newstart or the Vendor, as listed on Schedule 1.01(aa) hereto;

(bb) "**Licenses and Permits**" means all transferable licenses, permits, approvals, consents, registrations, certificates and other authorizations relating to the Purchased Assets;

(cc) "**Newstart**" has the meaning ascribed thereto in the first recital;

(dd) "**NFI**" has the meaning ascribed thereto in the first recital;

(ee) "**NAI**" has the meaning ascribed thereto in the first recital;

(ff) "**Newstart Business**" means the business carried on by Newstart consisting primarily of providing lease financing to individuals for used vehicles;

(gg) "**OMVIC License**" means an Ontario Motor Vehicle Industry Council lease finance dealer license;

(hh) "**Parties**" means, collectively, the Vendor and the Purchaser, and, each, a "Party";

(ii) "**Person**" has the meaning ascribed thereto in the Act;

(jj) "**Portfolio Assets**" means the Leases and the Vehicles;

(kk) "**Purchased Assets**" has the meaning ascribed thereto in section 2.1;

(ll) "**Purchase Price**" means the amount referred to in section 2.2 and includes a cash deposit (the "**Deposit**") in the amount of \$75,000 being 10% of the purchase price as required by the SISP;

(mm) **"Proposal Proceeding"** means the proceedings in which the SISP Orders were made;

(nn) **"Servicer"** means NFI and NAI;

(oo) **"Servicer Account"** means the bank account or accounts into which Gross Proceeds have been received during the Proposal Proceeding;

(pp) **"SISP Orders"** has the meaning ascribed thereto in the second recital;

(qq) **"Tax Receivables"** means all accounts receivable for provincial or federal sales taxes connected to leases entered into by Newstart as lessor;

(rr) **"Third Party Collection and Recovery Costs"** means amounts paid to third parties not related to Newstart from funds in the Servicer Account in respect of: bailiff fees; repair and storage lien payments that are properly due and owing; Vehicle transportation costs; Vehicle repairs; legal costs expended in the pursuit of Collection Proceeds and Vehicle recovery; selling and brokers fees; PPSA charges, Equifax reports, Carfax/Carproof reports, and other amounts as have been approved in advance by the Trustee in writing;

(ss) **"Time of Closing"** means 1:00 o'clock in the afternoon on the Closing Date or such other time on the Closing Date as the Parties may agree to in writing;

(tt) **"Transaction"** means the transaction of purchase and sale herein contemplated and provided for;

(uu) **"Transition Period"** means the time period that begins on the Closing Date and terminates on the earlier of: (i) the fifth Business Day immediately following the date on which the Purchaser obtains an OMVIC License; and (ii) the date that is ninety days after the Closing Date;

(vv) **"Trustee"** has the meaning ascribed thereto in the second recital;

(ww) **"Vehicles"** means all motor vehicles and items of equipment owned by or registered in the name of Newstart, including, without limitation, the motor vehicles and/or items of equipment listed on Schedule 1.01(ww) hereto and, each, a "Vehicle";

including all vehicles which are within sixty days of the date of execution of this agreement of being reported stolen, destroyed, seized or otherwise rendered permanently unfit or unavailable for use.

(xx) "Vehicle Proceeds" means the gross proceeds of disposition of Vehicles and any insurance proceeds in respect of Vehicles that are lost, stolen (and not recovered within sixty days of being reported stolen), destroyed, seized or otherwise rendered permanently unfit or unavailable for use.

1.2 **Schedules.** The following schedules are attached to and incorporated in this agreement by reference:

**Schedule 1.01(a)** — Accounts Receivable of NFI and NAI;

**Schedule 1.01(aa)** — Legal Claims

**Schedule 1.01(n)** — Consumer Loans;

**Schedule 1.01(r)** — Excluded Assets;

**Schedule 1.01(x)** — Leases;

**Schedule 1.01(aa)** — Legal Claims;

**Schedule 1.01(ww)** — Vehicles;

1.3 **Currency.** All dollar amounts referred to in this agreement are in lawful money of Canada unless otherwise specifically provided.

1.4 **Number and Gender.** Words importing the singular number include the plural and vice versa and words importing gender include all genders.

1.5 **Governing Law.** This agreement is made under the laws of the Province of Ontario and for all purposes, including matters of construction, validity and performance, will be governed by the laws of Ontario and the laws of Canada applicable therein.

1.6 **Commercially Reasonable Efforts.** The Parties acknowledge and agree that, for all purposes of this agreement, an obligation on the part of either Party to use Commercially Reasonable Efforts to obtain any waiver, consent, approval, permit, license or other document shall not require such party to make any material payment to any Person for the purpose of procuring the same, other than payments for amounts due and payable to such Person, payments for incidental expenses incurred by such Person and payments required by any applicable law or regulation.

## ARTICLE 2 PURCHASE AND SALE OF PURCHASED ASSETS

2.1 **Purchase and Sale.** Subject to the terms and conditions hereof, the Vendor will sell to the Purchaser and the Purchaser will purchase from the Vendor, on the Closing Date (defined as November 30, 2016), all of the property and assets used in connection with or otherwise relating to the Newstart Business other than the Excluded Assets and the Cash, whether real or personal, tangible or intangible, of every kind and description and wherever situate (collectively, the "Purchased Assets"), including, without limitation:

- (a) the Leases;
- (b) the Vehicles;
- (c) beneficial interest in Vehicle registrations and insurance, as described in section 2.3;
- (d) the Legal Claims;
- (e) the Licenses and Permits;
- (f) the Intellectual Property;
- (g) the Books and Records;
- (h) the Goodwill;
- (i) the Equipment; and
- (j) all telephone numbers, internet domain names and websites for the Newstart Business.

2.2 **Allocation of Purchased Assets.** The Vendor and the Purchaser agree that the Purchased Assets shall be allocated on or prior to the closing as specified by the Purchaser.

### 2.3 Registered Ownership of Vehicles.

- (a) The Vendor and the Purchaser acknowledge that 135974 Ontario Inc. ("135") is recorded as the owner of the Vehicles on the motor vehicle permits issued by the applicable provincial or territorial motor vehicle registries;
- (b) Notwithstanding that 135 is recorded as the owner of the Vehicles, 135 owns the Vehicles as a bare trustee on behalf of NFI pursuant to a trust agreement dated August 2, 2007 and that NFI is the beneficial owner of the Vehicles.

- (c) So long as 135 remains shown as the registered owner of any Vehicle on its motor vehicle permit, the Vendor agrees that 135 shall not transfer such registration to anyone other than Purchaser and shall hold such registration on behalf of the Purchaser as a nominee and bare trustee and in no other capacity. On or prior to the Closing Date NFI and 135 shall cancel the existing trust agreement (the "Existing Trust Agreement" and shall enter into a new trust agreement with Purchaser (the "**Purchaser Trust Agreement**")
- (d) Upon the termination of the Transition Period, the Purchaser may cause the transfer of the motor vehicle permits of all Vehicles that have not been sold by the Purchaser during the Transition Period, into the Purchaser's name and at the Purchaser's sole expense, and the Purchaser shall pay for all transfer costs, including all required emissions tests required to be done to transfer the Vehicles.
- (e) The Vendor, on behalf of NFI, hereby nominates, constitutes and appoints the Purchaser, as NFI's agent and true and lawful attorney during the Transition Period to act on its behalf with full power and authority in its name, place and stead to execute, swear to, acknowledge, deliver and record or file as and where required any document that the Purchaser reasonably determines to be necessary or desirable for the sole purpose of effecting the transfer of the motor vehicle permit of any Vehicle from the name of 135 to the name of the Purchaser or into the name of any third party vehicle purchaser, at the written direction of the Purchaser.
- (f) The Vendor, at the written request and expense of the Purchaser, shall execute and deliver all such further documents and do such other acts and things as may be necessary or desirable to affirm, confirm, evidence or effectuate the power of attorney hereinbefore granted to the Purchaser or the transfer of the motor vehicle permit (pursuant to this Section 2.3) of any Vehicle to the Purchaser or to any third party at the written direction of the Purchaser.
- (g) Notwithstanding the fact that 135 shall remain recorded on the motor vehicle permits as the owner of the Vehicles during the Transition Period, (i) the Purchaser shall be the beneficial owner of all of the Vehicles and shall be entitled to all of the incidents and benefits and subject to all of the risks of ownership of the Vehicles, including the sole right to operate, rent, sell and otherwise transfer and dispose of the Vehicles and the licenses, registrations and plates in respect thereof, and (ii) NFI and 135 shall have no direct or indirect ownership or other interest in the Vehicles other than 135 being the nominee and bare trustee as contemplated in this Section 2.3.
- (h) It is acknowledged that, during and following the Transition Period the lessee of any Vehicle is required to insure such Vehicle naming 135 as the registered owner, lessor and additional insured or loss payee. 135 shall hold the benefit of its

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rights under all such insurance policies in trust for the benefit of the Purchaser and shall pay or cause to be paid to the Purchaser any insurance proceeds received by 135 in respect of any Vehicle.

- (i) 135 shall, at the Purchaser's sole cost, maintain, or cause to be maintained, its existing insurance coverages with respect to the Vehicles following the Closing Date and the Purchaser shall reimburse 135 for all premiums paid or to be paid in respect of such insurance for the Transition Period.
- (j) In addition to the assumptions and indemnities contained in sections 2.6 (c) and 2.9, the Purchaser hereby indemnifies and saves harmless the Vendor from and against all manner of claims, demands, liabilities, debts, dues, actions, causes of action, suits, proceedings, judgments, expenses, damages and disbursements of any nature and kind whatsoever arising directly or indirectly as a result of 135's continuing to be recorded on any Vehicle motor vehicle permit as owner of such Vehicle during the Transition Period where not otherwise covered by the insurance maintained pursuant to section 2.3.

**2.4 Purchase Price.** The Purchase Price for the Purchased Assets will be \$750,000 minus any purchase price adjustment as set out in section 2.11 hereof; and the assumption of the Assumed Liabilities.

**2.5 Purchase Price Allocation.** The Vendor and the Purchaser have agreed to an allocation of the Purchase Price among the Purchased Assets, and specifically allocated between the assets purchased from NFI and NAI as follows:

NAI: 3%

NFI 97%

and shall report the sale of the Purchased Assets for all tax purposes in a matter consistent with such allocation.

**2.6 Payment of the Purchase Price.** The Purchaser will satisfy the Purchase Price as follows:

- (a) Application of the Deposit in the amount of \$75,000 to the Purchase Price;
- (b) subject to any adjustment pursuant to section 2.11 hereof, payment on the Closing Date of \$675,000 by certified cheque, bank draft or wire; and
- (c) assumption by the Purchaser of the Assumed Liabilities in accordance with section 2.8 hereof.

**2.7 Taxes and Fees.**

- (a) Save as hereinafter set out, the Purchaser will pay on or before the Closing Date, in addition to the Purchase Price, all applicable federal, provincial and other taxes exigible in connection with the purchase and sale of the Purchased Assets, including, without limitation, HST and any applicable registration fees and license fees. Alternatively, where applicable, the Purchaser will have the option to furnish the Vendor with appropriate exemption certificates, elections or other documentation.
- (b) The Vendor and the Purchaser will use all reasonable efforts to ensure that the purchase and sale of the Purchased Assets does not attract tax under the HST Legislation. In connection therewith, the Purchaser will ensure that it is registered prior to the Closing Date under subdivision d of division V of the HST Legislation. The Purchaser and the Vendor will co-operate and jointly make and execute an election under sub-sections 167(1) and (1.1) of the HST Legislation in the prescribed form and manner. The Purchaser will file such election within the prescribed time as provided for in the said sub-sections 167(1) and (1.1). If any remittance on account of tax under the HST Legislation is required to be made by the Vendor in connection with the purchase and sale of the Purchased Assets and the Purchaser receives an input tax credit (as defined in the HST Legislation) in the amount of such remittance or any part thereof, the Purchaser will refund to the Vendor the amount of any such input tax credit so received.
- (c) The Purchaser will indemnify and save harmless the Vendor from and against all claims and demands for payment of applicable taxes including any liability, costs, expenses or damages incurred or suffered by the Vendor as a result of any failure of the Purchaser either to pay any taxes exigible in accordance with this section, whether arising from reassessment or otherwise, or to file the appropriate exemption certificates, elections or other documentation.

**2.8 Assumption of Liabilities.** Subject to the terms of this agreement, the Purchaser agrees to assume, pay, satisfy, discharge, perform and fulfil, or cause one or more of its Affiliates to assume, pay, satisfy, discharge, perform and fulfil, from and after the Time of Closing, all obligations and liabilities of Newstart as at the Time of Closing under:

- (a) the Licenses and Permits; and
- (b) the Leases, with the exclusion of any liability under any Lease for any overpayment made by a Lessee prior to the date of any Administration Arrangement, where the term of such Lease has expired or where such Lease has been terminated by written agreement between the Lessee and Newstart.

**2.9 General Indemnity.** The Purchaser hereby indemnifies and saves harmless the Vendor from and against all claims and demands arising against the Vendor (which for greater certainty shall not include Newstart) directly or indirectly as a result of the

Purchaser's dealings with the Purchased Assets, the Lessees, and/or the carrying on of the Newstart Business from and after the Closing Date.

2.10 **Insurance.** Notwithstanding the exclusion of policies of insurance from the Purchased Assets pursuant to Schedule 1.01(r), the Purchaser shall have the benefit of:

- (a) any proceeds of Newstart insurance on the Purchase Assets, where such proceeds are received by Newstart on or after the Closing Date, and Newstart shall hold, and shall be deemed to hold, the same in trust for the Purchaser, separate and apart from other proceeds of the estate of Newstart;
- (b) any proceeds of lessee insurance policies on the Vehicles and
- (c) any proceeds of Newstart insurance payable pursuant to section 4.3 hereof unless this agreement is rescinded pursuant to section 4.3(b) hereof.

2.11 **Purchase Price Adjustment.** The Purchase Price (and, in particular, the cash portion of the Purchase Price payable pursuant to sections 2.4 and 2.6(b) hereof) shall be reduced on the Closing Date by an amount equal to 100% of the Gross Proceeds received after November 29, 2016 and up to and including the Closing Date, provided that any delay of the Closing Date is as a result of the Vendor failing to obtain the Approval and Vesting Order by November 29, 2016.

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 **Vendor's Representations and Warranties.** The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying on the accuracy of each of such representations and warranties in entering into and completing this agreement:

- (a) the Vendor has been validly and effectively appointed as Trustee and has full right, power and authority to enter into this agreement and to convey to the Purchaser Newstart's and the Vendor's right, title and interest in and to the Purchased Assets in accordance with the provisions of this agreement and the SISP Orders;
- (b) the Vendor has done no act to encumber or dispose of the Purchased Assets or any part of them;
- (c) the Vendor is not a "non-resident person" for the purposes of section 116 of the *Income Tax Act* (Canada);
- (d) the Vendor has not received any demands for repossession in writing from any third parties in respect of the Purchased Assets;



- (e) to the best of the knowledge of the Vendor, no action or proceeding, at law or in equity, is pending or threatened by any person, government authority, regulatory body or agency to disallow, enjoin or prohibit the Transaction or any part thereof;
- (f) no individual, corporation, partnership, firm, joint venture, syndicate, association, trust, government, governmental agency or board or commission or authority or other form of entity or organization has any agreement, option, undertaking, understanding or commitment, or any right or privilege (whether by law, preemptive or contractual) capable of becoming an agreement, option or commitment, for the purchase from the Vendor of any of the Purchased Assets; and
- (g) other than the Approval and Vesting Order, and the approval by the creditors and by the Court of a proposal made by each of NFI and NAI and the Court in the Proposal Proceedings, in accordance with the BIA and the SISP Orders, the Vendor is not under any obligation, contractual or otherwise, to request or obtain the consent of any person to the Transaction or any part thereof or to the conveyance of any of the Purchased Assets or to notify any person of the Transaction or any part thereof.

3.2 **Purchaser's Representations and Warranties.** The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying on the accuracy of each of such representations and warranties in entering into and completing this agreement:

- (a) the Purchaser is a corporation newly incorporated under the *Canada Business Corporations Act* with full power and authority, to enter into this agreement and to perform its obligations hereunder;
- (b) the Purchaser, has taken all necessary corporate action to authorize the entering into of this agreement and the performance of its obligations hereunder, and this agreement constitutes a legal, valid and binding obligation of the Purchaser enforceable in accordance with its terms; and
- (c) the Purchaser is a "Canadian" for the purposes of the *Investment Canada Act*.

3.3 **"As Is, Where Is".** The Purchaser acknowledges and confirms that the Vendor is selling and the Purchaser is purchasing the Purchased Assets on an "as is, where is" basis as they exists on the date hereof and that, except as expressly provided herein, the Vendor has not made or given and does not make or give any representations, warranties, statements or promises, express, implied, oral, written, legal, equitable, conventional or statutory (including, without limitation, conditions under the *Sale of Goods Act (Ontario)*) or otherwise, as to (a) the Vendor's status or capacity; (b) the existence of or title to the Purchased Assets; (c) the existence of any liens, mortgages, charges, encumbrances or

security interests in, on or against the Purchased Assets or the validity, registration, enforceability or priority of any such liens, mortgages, charges, encumbrances or security interests; (d) the assignability, description, value, cost, fitness for any purpose, merchantability, use, quality, state, condition of the Purchased Assets; or (e) any other matter whatsoever concerning the Purchased Assets; and no representation or warranty or condition of any kind can be implied at law or in equity, by statute or otherwise, with respect to the Purchased Assets. The Purchaser acknowledges that it has inspected the Purchased Assets and has relied entirely upon its own inspections and investigations. The description of the Purchased Assets contained in all schedules hereto is for the purpose of identification only and the Vendor gives no representation or warranty concerning the accuracy of such description. The Vendor will not be liable for, nor will the Purchaser have a remedy for recovery of, any damages, including, but not limited to economic loss of any kind, arising out of any claim that the Purchased Assets infringes the rights of any other person.

#### ARTICLE 4 COVENANTS OF THE PARTIES

4.1 **Covenants of the Vendor.** The Vendor covenants and agrees that it will do or cause to be done the following:

- (a) at or before the Time of Closing,
  - (i) supervise NFI and NAI making proposals to their creditors in the Proposal Proceedings and conducting the meetings of creditors to approve the proposals in accordance with the provisions of the BIA and the SISP Orders;
  - (ii) seek the Approval and Vesting Order and the other Closing deliveries required of the Vendor pursuant to section 6.2 hereof;
  - (iii) furnish the Purchaser at the Time of Closing with evidence satisfactory to the Purchaser that the Vendor is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada); and
  - (iv) to ensure that the representations and warranties of the Vendor set forth in section 3.1 are true and correct and fulfilled at the Time of Closing;
  - (v) promptly pay all Third Party Collection and Recovery Costs relating to the Purchased Assets accrued prior to the Closing Date where invoices or bills in respect of such are presented to the Vendor by the Purchaser within 45 days after the Closing Date and do not relate to costs covered by any Administration Arrangement that are required to be paid by the Servicer;

and

(vi) promptly pay over to the Purchaser any proceeds of insurance to which the Purchaser is to benefit pursuant to section 2.10 hereof.

**4.2 Covenants of the Purchaser.** The Purchaser agrees that it will do or cause to be done the following:

- (a) at or before the Time of Closing,
  - (i) use its Commercially Reasonable Efforts to provide the Closing deliveries required of the Vendor pursuant to section 6.3 hereof;
  - (ii) furnish the Vendor at the Time of Closing with evidence satisfactory to the Vendor that the Purchaser is a "recently incorporated corporation" as defined under the *Investment Canada Act*;
  - (iii) use its Commercially Reasonable Efforts to ensure that the representations and warranties of the Purchaser set forth in section 3.2 are true and correct and fulfilled at the Time of Closing;
  - (iv) be registered pursuant to the *Excise Tax Act* (Canada) with an HST registration number; and
  - (v) preserve or cause to be preserved the Books and Records delivered to Purchaser on Closing for a period of seven years from the Closing Date, or for such longer period as is required by any applicable law, and permit the Vendor or its authorized representatives reasonable access thereto in connection with the affairs of the Vendor relating to its duties as Trustee, but the Purchaser shall not be responsible or liable to Newstart or the Vendor for or as a result of any accidental loss or destruction of or damage to any such Books and Records.

**4.3 Risk of Loss.** Until the Time of Closing, the Purchased Assets will be and remain at the risk of Newstart. If, before the Time of Closing, the Purchased Assets or any part thereof is destroyed or damaged by fire or any other casualty or is expropriated or seized by governmental or other lawful authority, the Vendor will promptly give the Purchaser written notice of such destruction, damage, expropriation or seizure, and the Purchaser will have the option, exercisable by notice in writing given to the Vendor within four Business Days after the Purchaser receives the first-mentioned notice from the Vendor;

- (a) to complete the Transaction without reduction of the Purchase Price, in which event all proceeds of insurance or compensation for expropriation or seizure will be payable to the Purchaser and all right and claim of the Vendor and Newstart to any such amounts not paid by the Closing Date will be assigned to the Purchaser;

or

- (b) in the event of substantial damage to the Purchased Assets (meaning physical damage in excess of \$250,000), to rescind this agreement, in which event the Parties will have no further rights and remedies against each other, except that the Vendor shall be responsible for returning the \$75,000 deposit to the Purchaser.

## ARTICLE 5 . CONDITIONS OF CLOSING

5.1 **Conditions in Favour of Purchaser.** The obligation of the Purchaser to complete the Transaction is subject to the satisfaction, fulfillment or performance, on or before the Closing Date, of the following conditions which are included herein for its exclusive benefit and which may be waived, in whole or in part, only by the Purchaser:

- (a) that the Vendor has performed each of its obligations under this agreement to the extent required to be performed on or before the Closing Date;
- (b) that the Purchaser, acting reasonably, is satisfied that the Vendor's representations and warranties set forth herein are true and correct on and as of the Closing Date
- (c) that the Purchaser, acting reasonably, is satisfied with the terms and conditions of the Approval and Vesting Order.

5.2 **Termination.** If any condition set out in section 5.1 has not been satisfied, fulfilled or performed on or before the Closing Date to the satisfaction of the Purchaser, acting reasonably, or otherwise waived in writing by the Purchaser, the Purchaser may terminate this agreement by notice in writing to the Vendor and thereupon the obligations of the Parties hereunder, other than the obligations of the Purchaser under section 7.3, shall be terminated, except that the Vendor shall be responsible for returning the \$75,000 deposit to the Purchaser.

5.3 **Conditions in Favour of Vendor.** The obligation of the Vendor to complete the Transaction of is subject to the satisfaction, fulfillment or performance, on or before the Closing Date, of the following conditions which are included herein for its exclusive benefit and which may be waived, in whole or in part, only by the Vendor:

- (a) that the Purchaser has performed each of its obligations under this agreement to the extent required to be performed on or before the Closing Date;
- (b) that the Vendor, acting reasonably, is satisfied that the Purchaser's representations and warranties set forth herein are true and correct on and as of the Closing Date; and
- (c) that the Administration Arrangement has been terminated on terms acceptable to

the Vendor at its sole discretion, acting reasonably, which, for greater certainty shall include (i) the deposit of all cash and cheques received by the Servicer as of the Closing Date into the Servicer Account, (ii) the payment by the Servicer of all amounts due to the Vendor under the Administration Arrangement; (iii) the return of all books and records relating to the Excluded Assets and Excluded Leases, Newstart personnel records and any records required by law to be retained by the Vendor as Trustée.

**5.4 Termination.** If the conditions set out in section 5.3(a) and (b) have not been satisfied, fulfilled or performed on or before the Closing Date to the satisfaction of the Vendor, acting reasonably, or otherwise waived in writing by the Vendor, the Vendor may terminate this agreement by notice in writing to the Purchaser and thereupon the obligations of the Parties hereunder, other than the obligations of the Purchaser under section 7.3, shall be terminated, and the Deposit shall be forfeited to the Vendor without prejudice to any other claims the Vendor may have against the Purchaser.

**5.5 Conditions in Favour of Purchaser and Vendor.** The obligation of each of the Purchaser and the Vendor to complete the Transaction is subject to the satisfaction, fulfillment or performance, on or before the Closing Date, of the following conditions which are included herein for the benefit of both Parties and which may be waived, in whole or in part, only by both Parties:

- (a) no order, decision or ruling of any court, tribunal or regulatory authority having jurisdiction has been made, and no action or proceeding has been instigated which remains pending before any such court, tribunal or regulatory authority, and no action or proceeding is pending or threatened that, in the opinion of the solicitors acting for the Purchaser or the Vendor, as the case may be, acting reasonably, is likely to result in an order, decision or ruling, to disallow, enjoin, restrain or prohibit the completion of the Transaction; and
- (b) the Vendor has obtained the Approval and Vesting Order, on terms acceptable to the Purchaser and the Vendor, each acting reasonably.

**5.6 Termination.** If any condition set out in section 5.5 has not been satisfied, fulfilled or performed on or before the Closing Date to the satisfaction of each Party, acting reasonably, either Party may terminate this agreement by notice in writing to the other Party and thereupon the obligations of the Parties hereunder, other than the obligations of the Purchaser under section 7.3, shall be terminated, except that the Vendor shall be responsible for returning the \$75,000 deposit to the Purchaser.

## ARTICLE 6 CLOSING ARRANGEMENTS

**6.1 Time and Place.** The closing of the Transaction will take place at the office of Pallett Valo LLP at the Time of Closing, or at such other place or time as the Parties may

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mutually agree upon in writing.

**6.2 Vendor Deliveries.** At the Time of Closing, the Vendor will tender or deliver to the Purchaser the following:

- (a) the Purchased Assets, to the extent they are not already in the possession of the Purchaser and can be physically delivered;
- (b) a copy of the Approval and Vesting Order;
- (c) such other documents as are necessary, in the opinion of the Vendor and Purchaser, both acting reasonably, to transfer and convey to the Purchaser Newstart's and the Vendor's right, title and interest in and to the Purchased Assets, executed by the Vendor;
- (d) a certificate of an officer of the Vendor that the representations and warranties of the Vendor herein contained are true and accurate as of and on the Closing Date;
- (e) the Closing Certificate; and
- (f) all other documents contemplated by this agreement for delivery by the Vendor to the Purchaser.

**6.3 Purchaser Deliveries.** At the Time of Closing, the Purchaser will tender or deliver to the Vendor the following:

- (a) a bank draft, wire transfer or a certified cheque in payment of the balance of the Purchase Price;
- (b) evidence satisfactory to the Vendor of the payment by the Purchaser of all applicable taxes and/or the filing of appropriate exemption certificates, elections or other documentation, in accordance with section 2.7 hereof;
- (c) an indemnification agreement providing for the indemnities in section 2.7 and 2.9;
- (d) cancellation of the Existing Trust Agreement and a copy of the executed Purchaser Trust agreement;
- (e) a certificate of an officer of the Purchaser that the representations and warranties of the Purchaser herein contained are true and accurate as of and on the Closing Date; and
- (f) all other documents contemplated by this agreement for delivery by the Purchaser to the Vendor.

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**ARTICLE 7 MISCELLANEOUS**

7.1 **Tender of Documents.** Any tender of documents or money hereunder may be made upon the Vendor or the Purchaser or their respective solicitors on the Closing Date. Money may be tendered by bank draft or cheque certified by a chartered bank or trust company, and made payable to the Vendor.

7.2 **Notices.** Any notice or other communication required or permitted to be given hereunder will be deemed to be made or given:

- (a) if personally served upon the party or upon any director, officer, servant, employee or partner of such party, in which case it will be conclusively deemed to have been made or given at the time of such personal service; or
- (b) if sent prepaid to the party by telecopier, email or other similar means of electronic communication to the telecopier number or email address set out below for such party (and if confirmed on the same day by prepaid ordinary mail), in which case it will be conclusively deemed to have been made or given at the time of such sending.

For the purpose of making or giving any notice or other communication hereunder, the address, telecopier number and contact email address of the Vendor are:

**Dodick Landau Inc.**  
4646 Dufferin St.  
Suite 6  
Toronto, ON M3H 5S4

Attention: Rahn Dodick  
Facsimile: (416) 649-7725  
Email: rahn.dodick@dodick.ca

with a copy to:

**Pallett Valo LLP**  
77 City Centre Drive, West Tower  
Suite 300  
Mississauga, Ontario L5B 1M5

Attention: Alex Ilchenko  
Facsimile: 905.273.6920  
Email: [ailchenko@pallettvalo.com](mailto:ailchenko@pallettvalo.com)

and the address, telecopier number and contact email address of the Purchaser are:

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**NewCO**  
1 Yonge St.  
Suite 1801  
Toronto, ON M5E 1W7

Attention: Scott Satov  
Facsimile: 1-877-995-6269  
Email: [scott@loanscanada.ca](mailto:scott@loanscanada.ca)

with a copy to:

Attention: Cris Ravazzano  
Facsimile: 1-877-995-6269  
Email: [info@loanscanada.ca](mailto:info@loanscanada.ca)

And with a copy to:

**De Grandpré Chait S.E.N.C.R.L./LLP**  
1000, rue De La Gauchetière O.,  
Bureau 2900,  
Montréal (Québec)  
H3B 4W5 Canada

Attention: Aubie J. Herscovitch

Facsimile 514.878.5772  
Email: [aherscovitch@dgclex.com](mailto:aherscovitch@dgclex.com)

**7.3 Confidentiality.** Without the Vendor's written consent, the Purchaser will not disclose or divulge to any person, including government ministries, newspapers, radio stations and television stations, the contents of this agreement or any information or documents respecting this agreement that is not a matter of public knowledge or record, unless such disclosure is reasonably necessary in connection with the performance of this agreement or is required by law. In the event of termination of this agreement, the Purchaser will forthwith return to the Vendor all information or documents provided by the Vendor to the Purchaser.

**7.4 Severability.** If any provision of this agreement is determined to be illegal or unenforceable, such provision will be considered separate and severable from this



agreement and the remaining provisions thereof will remain in full force and effect as though the illegal or unenforceable provision had never been included.

**7.5 Further Assurances.** At any time and from time to time after the Closing Date, the Vendor will execute and deliver to the Purchaser at the expense of the Purchaser, and the Purchaser will execute and deliver to the Vendor at the expense of the Vendor, such further instruments and other written assurances as the Purchaser or Vendor, respectively, may reasonably request in order to carry out the Transaction.

**7.6 Time.** Time is of the essence of this agreement. However, the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors who are hereby expressly appointed in that regard.

**7.7 Headings.** All headings appearing in this agreement have been inserted as a matter of convenience and reference only and in no way define, limit or enlarge the scope or meaning of this agreement or any provision hereof.

**7.8 Counterparts and Facsimile Delivery.** This agreement may be executed in two counterparts, each of which will be deemed to be an original and both of which taken together will be deemed to constitute one and the same instrument. Counterparts may be delivered by facsimile or emailed PDF, provided that the party so delivering forthwith delivers an original executed counterpart by courier or personal delivery to the address of the other party set out in section 7.2.

**7.9 Assignment.** Neither party to this agreement will be permitted to assign this agreement without the prior written consent of the other party, which consent may be arbitrarily or unreasonably withheld. Notwithstanding the forgoing, the Purchaser may assign its rights and obligations under this agreement to one or more of its Affiliates.

**7.10 Entire Agreement.** This agreement constitutes the entire agreement between the Parties with respect to its subject matter, and supersedes any and all prior negotiations, understandings and agreements between the Parties.

**7.11 Amendment.** This agreement may not be varied, amended or modified in any respect except by written instrument dated subsequent to the date hereof and signed by the Parties or their duly authorized representatives.

**7.12 Vendor's Capacity.** The Parties hereto agree that Dodick Landau Inc. acts solely in its capacity as Trustee, and that Dodick Landau Inc. and its agents, officers and employees will have no personal or corporate liability under or as a result of this agreement or otherwise in connection herewith.

7.13 **Successors and Assigns.** The terms and provisions of this agreement will be binding upon and will enure to the benefit of the Parties and their respective permitted successors and assigns.


7.14 **Obligations to Survive.** Notwithstanding the completion of the Transaction or the delivery of documents pursuant to this agreement, the obligations, covenants, representations and warranties of the Parties hereto will survive the completion of the Transaction and will remain in full force and effect and will not merge as a result thereof.

**IN WITNESS WHEREOF** the Parties have executed this agreement as of the date first above written.

**DODICK LANDAU INC.**

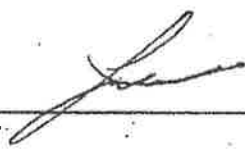
solely in its capacity as the Trustee under the terms of the SISP Orders, and not in its corporate or personal capacity

Per:

  
Name: Rahn Dodick  
Title: President

Newco

Per:

  
Name: Scott Satov  
Title: Director

Schedule 1.01(r) – Excluded Assets

1. All shares of 135 which are in fact owned by NFI; and
2. 135's outstanding receivable owing to NFI.

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# APPENDIX A-2

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

IN THE MATTER OF THE PROPOSAL OF  
NEWSTART ACCEPTANCE INC.  
OF THE CITY OF PICKERING, IN THE PROVINCE OF ONTARIO

**PROPOSAL**

Newstart Acceptance Inc. (“NAI” or the “Company”) hereby submits the following proposal (“Proposal”) pursuant to the provisions of the *Bankruptcy and Insolvency Act*, (Canada), R.S.C. 1985, c. B-3.

**PART I  
Interpretation**

**Definitions**

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 amended;
  - (b) “**Administrative Fees and Expenses**” means the proper fees and expenses of the Trustee and the Company incidental to the NOI preparation, presentation, consideration and implementation of 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 Company before and following execution, acceptance and approval of this Proposal and in connection with the NOI and the preparation of this Proposal;
  - (c) “**Approval Order**” means an Order of the Court approving (i) this Proposal pursuant to the provisions of the Act, and (ii) the Purchase Transaction contemplated by the Purchase Agreement;
  - (d) “**Assets**” means the Purchased Assets;
  - (e) “**Bankruptcy Reserve**” means a reserve amount of \$15,000.00 to be held by the Trustee as security for the administrative costs of the bankruptcy of the Company in the event that this Proposal is annulled and the Company becomes bankrupt;
  - (f) “**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 on which banks are generally open for business in Toronto, Ontario;

- (g) “**Claim**” means any right of any person against the Company in connection with any indebtedness, liability, or obligation of any nature whatsoever of the Company 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 Date of Filing, where such claims are proved and allowed, and “**Claims**” has a corresponding meaning;
- (h) “**Court**” means the Ontario Superior Court of Justice [Commercial List]
- (i) “**Creditor**” means any person who holds one or more Claims, including Secured Creditors and Unsecured Creditors and “**Creditors**” has a corresponding meaning;
- (j) “**Creditors’ Meeting**” means a meeting of the Unsecured Creditors or a meeting of the Secured Creditors called for the purpose of considering and voting on the Proposal;
- (k) “**Crown Priority Claims**” means Claims of Her Majesty in right of Canada or any province of all amounts of a kind contemplated by section 60(1.1) of the Act;
- (l) “**Date of Filing**” means the date on which the Company filed the NOI;
- (m) “**Effective Date**” means the date on which the transactions and agreements provided for in this Proposal are to become effective which shall be the date on which the Approval Order is issued;
- (n) “**Event of Default**” has the meaning given to it in Part XI of this Proposal;
- (o) “**Inspector**” means an inspector appointed, if any pursuant to the Proposal in accordance with the provisions of the Act;
- (p) “**Levy**” means the levy imposed by the Superintendent of Bankruptcy under the Act;
- (q) “**NOI**” means the Notice of Intention to Make a Proposal filed by the Company on May 2, 2016;
- (r) “**NOI Filing Date**” means the date on which the Company filed the NOI;
- (s) “**Performance of the Proposal**” means full performance of this Proposal as set out in Part IV hereof;

- (t) **“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;
- (u) **“Preferred Claim”** means any Claim that is afforded priority under Section 136(1) of the Act;
- (v) **“Preferred Creditor”** means any Unsecured Creditor holding a Preferred Claim, solely in respect to that Preferred Claim;
- (w) **“Proposal”** means this Proposal and any amendments thereto;
- (x) **“Proof of Claim”** means the proof of claim required by the Act to be provided to each known creditor prior to the Creditors’ Meeting;
- (y) **“Proven Claim”** of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the Act;
- (z) **“Purchase Agreement”** means the agreement of purchase and sale between Dodick Landau Inc., in its capacity as Trustee, and Scott Satov on behalf of a company to be incorporated made as of October 11, 2016, substantively in the form attached to this Proposal, but absent the schedules annexed thereto, collectively as “Schedule “A””;
- (aa) **“Purchase Price”** means the payments to be made to the Trustee pursuant to the provisions of Part III of this Proposal;
- (bb) **“Purchase Transaction”** means the purchase and sale transaction contemplated by the Purchase Agreement;
- (cc) **“Purchased Assets”** means those assets purchased by the Purchaser, as described in the Purchase Agreement;
- (dd) **“Purchaser”** means Scott Satov on behalf of a company to be incorporated;
- (ee) **“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;
- (ff) **“Trustee”** means Dodick Landau Inc. or its duly appointed successor, in its capacity as proposal trustee under the Act;
- (gg) **“Unsecured Creditor”** means, collectively, the Preferred Creditors and the Ordinary Creditors; and

- (hh) **“Voting Letter”** shall mean the voting letter required by subsection 51(1) of the Act to be mailed or sent by electronic transmission to each known Creditor prior to the Creditors’ Meeting.

### **Headings**

2. The division of this Proposal into Parts and Section 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 contest is inconsistent herewith, references herein to Parts and Sections are to Parts and Sections of this Proposal.

### **Extended Meanings**

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**

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 precluded by statute.

## **PART II Purpose and Effect of This Proposal**

### **Purpose of Proposal**

5. The purpose of this Proposal is to effect a restructuring of the indebtedness of the Company by completion of the Purchase Transaction in the expectation that all Creditors will derive a greater benefit from the restructuring and the continued operation of the business and affairs of the Company than would result from a bankruptcy of the Company.

### **Effect of Proposal**

6. This Proposal restructures the indebtedness of the Company and provides the essential terms on which all Claims will be fully and finally resolved and settled. During the Proposal Period, and provided that an Event of Default has not occurred and is continuing hereunder, all Creditors will be stayed from commencing or continuing any proceeding or exercising any remedy against the Company or any of its property or assets in respect of a Claim, including without limitation, any proceeding or remedy to

recover payment of any monies, to recover or enforce any judgment against the Company in respect of a Claim or to commence any formal legal proceeding against it other than as provided for under this Proposal.

### **PART III Classification of Creditors**

7. For the purpose of this Proposal, the Creditors of the Company shall be compromised of a single class consisting of Preferred Creditors, Secured Creditors and Unsecured Creditors. Claims of Her Majesty in right of Canada and any province for all amounts other than Crown Priority Claims shall vote in this class.

#### **Secured Creditors**

8. There are no known Secured Creditors.

#### **Employee Preferred Claims and Wages**

9. Amounts, if any, owing to employees of the Company ("Employee Preferred Claims") shall be paid in the ordinary course by the Company in accordance with section 60(1.3) of the Act and in any event prior to the closing of the Purchase Transaction.

#### **Preferred Claims (in addition to Employee Preferred Claims)**

10. The Proven Claims of Preferred Creditors are to be paid by the Trustee in full in priority to all claims of Unsecured and Secured Creditors in accordance with the scheme of distribution set forth in the Act.

### **PART IV Proposal**

#### **Implementation of Proposal**

11. The consideration for the purchase of the Purchased Assets shall be equal to the aggregate sum set out in section 2.4 of the Purchase Agreement, estimated to be in the amount of \$750,000.00 (the "Purchase Price"). The Purchase Price shall include a deposit of \$75,000.00 (the "Deposit") which has been received by the Trustee. The Deposit shall be held in trust pending completion or termination of the Purchase Agreement.
12. Pursuant to section 2.5 of the Purchase Agreement, the Purchase Price shall be allocated between the separate and concurrent proposals filed by the Company and Newstart Financial Inc. ("NFI") as follows: 3% to the Company and 97% to NFI. The allocation



of the Purchase Price to the Company shall be referred to as the "Company's Allocation";

13. The Company's Allocation plus any funds in the Company's account at the time of the closing of the Purchase Transaction (the "Total Allocation") shall be distributed by the Trustee pursuant to Part V of this Proposal and the provisions of the Act.
14. The Purchased Assets will be sold to the Purchaser on an "as is, where is" basis and the Company will not be liable or responsible in any way for the condition of the Purchased Assets or the delivery of such tangible assets to be purchased by the Purchaser.
15. The Company will maintain the fire, public liability and any other customary classes insurance covering the Purchased Assets until closing of the Purchase Agreement.
16. In the event that the Proposal is not accepted by the Creditors or the Court refuses to issue the Approval Order, the Debtor shall become a bankrupt and the Purchase Price shall not be available to the Creditors in accordance with their respective priorities.

#### **PART V Treatment of Creditors**

17. The Total Allocation shall be distributed by the Trustee in the following order of priority:
  - (a) First, to any Crown Priority Claims;
  - (b) Second, to the Administrative Fees and Expenses in accordance with section 60(1) of the Act;
  - (c) Third, to establish the Bankruptcy Reserve, to be held in trust by the Trustee, which amount shall be used to fund the administrative costs of the bankruptcy of the Company in the event that this Proposal is annulled and the Company becomes bankrupt, failing which such amount shall be distributed in accordance with subparagraphs (d) and (e);
  - (d) Fourth, to Proven Claims of Preferred Creditors (if any); and
  - (e) Fifth, the balance of the Company's Allocation shall be distributed *pro rata* amount all the Unsecured Creditors on account of Proven Claims

#### **PART VI Procedure for Validation and Valuation of Claims**

18. 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.

19. The procedure of valuing Claims of Creditors and resolving disputes with respect to such Claims will be as provided for in the Act. The Company and/or Trustee reserves 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 VII Meeting of Creditors**

### **Creditors' Meeting**

20. On November 2, 2016, the Company shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

### **Notice of Creditors Meeting**

21. 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' Meeting.

### **Conduct of Meeting**

22. The Official Receiver, or any nominee thereof, shall preside as the chair of the Creditors' Meetings and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meetings are those persons (including the holders of proxies) entitled to vote at the Creditors' Meeting and the officers, directors and legal counsel of the Company 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 or with the consent of the Creditors.

### **Adjournment of Meeting**

23. The Creditors' Meeting may be adjourned in accordance with section 52 of the Act.

### **Voting by Creditors**

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

### **Approval by Creditors**

25. In order for the Proposal to be binding on all Creditors, it must first be accepted by the Creditors by a majority in number of the Creditors who actually vote upon the Proposal (whether in person or by Proxy) at the relevant Creditors' Meeting or by a Voting Letter,

representing two-thirds in value of the Proven Claims of the Creditors who actually vote upon the Proposal (whether in person or by Proxy) at the relevant Creditors' Meeting or by a Voting Letter.

### **Appointment of Inspectors**

26. At the Creditors Meeting, the 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 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.

## **PART VIII**

### **Conditions Precedent to Implementation of the Proposal**

27. 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;
  - (d) All agreements or instruments necessary to effect the intention and purpose of this Proposal have been received by the Debtor and the Purchaser in a form satisfactory to the Debtor and Purchaser;
  - (e) The Purchase Transaction shall have been completed;
  - (f) The separate and concurrent Proposal filed by NFI shall have been accepted by the Creditors, approved by the Court and made effective; and
  - (g) All and any orders of the Court have been obtained which are required to facilitate the transactions referred to herein

**PART IX**  
**Release**

28. As at 12:01am on the Effective Date, the Company and each and every present and former officer and director of the Company (collectively, the "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, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Creditor or person may be entitled to assert as of the NOI Filing Date, including without limitation, any and all claims in respect of the potential statutory liabilities of the former, present and future directors and officers of the Company, and any and all claims relating to any obligations of the Company where the present, former or future directors or officers are or may be by law liable in their capacity as directors or officers for the payment of such obligations, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based on whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the NOI Filing Date relating to, arising out of or in connection with the claims, the business and affairs of the Company, this Proposal, and provided that nothing herein shall release or discharge any of the Released Parties from any claims coming within the exceptions set out in section 50(14) of the Act.

**PART X**  
**Miscellaneous**

**Effect of Payment**

29. Creditors will accept the payments provided for in this Proposal in complete satisfaction of all of their Claims, and all 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 Company including the Assets. On the Effective Date, any and all such registered liens, certificates of pending litigation, executions or other similar charges or actions will be discharged, dismissed or vacated without cost to the Company.

**Preferential Payments**

30. Sections 95 to 101 of the Act shall not apply to any dealings by the Company to at time prior to the NOI Filing Date. The releases contemplated in paragraph 27 of this Proposal include releases in favour of the Released Parties from all claims, actions, or remedies available to Creditors or others pursuant to sections 95 to 101 of the Act, provided nothing herein shall release any director of the Company from any claims coming within the exceptions set out in Section 50(14) of the Act.

**Amendment to Proposal**

31. This Proposal may be amended by the Company 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 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.

### **Performance Certificate**

32. The Trustee will give the Company and the Official Receiver the certificate provided for in section 65.3 of the Act within 5 Business Days following the Trustee being satisfied that all of the conditions set out in the Purchase Agreement have been met or waived.

### **Court Approval**

33. After the Creditors acceptance of the Proposal, the Trustee will proceed to seek approval by the Court, on or about, November 29, 2016 and to have the Court make any ancillary orders that may be necessary or desirable to permit the transfer of the Assets to the Purchaser free and clear from all encumbrances as contemplated by the transaction or agreement including an order releasing any existing encumbrances from the Assets other than the Permitted Encumbrances as referred to in the Purchase Agreement (and continuing such encumbrances in the proceeds of sale only) and an order exempting the transfers from the provisions of the *Bulk Sales Act* (Ontario). Creditors acceptance of the Proposal shall constitute their consent to such ancillary Court orders.

### **Binding Effect**

34. The provisions of this Proposal will be binding on the Creditors, the Company and their respective heirs, executors, administrators, successors, and assigns, upon issuance of the Approval Order.

### **PART XI Event of Default**

35. The failure of the Purchaser to satisfy its obligations under the Purchase Agreement to the Trustee will constitute an Event of Default for purposes of section 63 of the Act and otherwise under this Proposal.

### **PART XII Trustee**

36. Dodick Landau Inc. shall be the Trustee under this Proposal and all monies payable 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.

37. Dodick Landau Inc. is acting in its capacity as Trustee under this Proposal and not in its personal capacity and no officer, director, employee or agent of Dodick Landau Inc. shall incur any obligations or liabilities in connection with this Proposal or in respect of the business or liabilities of the Company.
38. Any payments made by the Trustee to the Creditors hereunder shall be made by the Trustee net of any levies payable or due under the Act.
39. Upon payment by the Trustee of the amounts contemplated in Part V 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 Company 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 wilful or wrongful act or default.

***SIGNATURE PAGE TO FOLLOW***

***SIGNATURE PAGE TO PROPOSAL FILED BY NEWSTART ACCEPTANCE INC.***

Dated at Toronto this 14<sup>th</sup> day of October, 2016.

NEWSTART ACCEPTANCE INC.

Per: \_\_\_\_\_

Name: DAVID BAKER

Title: PRESIDENT.

I have authority to bind the corporation.

## Schedule "A" – Purchase Agreement



AGREEMENT OF PURCHASE AND SALE

THIS AGREEMENT made the 13th day October, 2016

BETWEEN:

**DODICK LANDAU INC.**, solely in its capacity as the Proposal Trustee ordered to market and sell the property, assets and undertaking of Newstart Financial Inc. and Newstart Acceptance Inc., and not in its personal capacity (the "Vendor")

- and -

(the Newco, represented by Scott Satov, CA ("Purchaser"))

**WHEREAS:**

- A. On May 2, 2016, Newstart Financial Inc. ("NFI") and Newstart Acceptance Inc. ("NAI") (NAI together with NFI being "Newstart") filed Notices of Intent to make a Proposal (the "NOI") under the provisions of the *Bankruptcy and Insolvency Act* (the "BIA");
- B. the Vendor was appointed as Proposal Trustee of Newstart (the "Trustee") and was ordered to implement a Sale and Investment Solicitation Process (the "SISP") for all the assets, property and undertaking of Newstart by the Orders of the Ontario Superior Court of Justice (Commercial List) (the "Court") each dated May 27, 2016, (the "SISP Orders");
- C. Newstart and the Trustee have been administering the wind-down of the business of Newstart, including its inventory of vehicles and portfolio of vehicle leases and consumer loans (the "Administration Arrangement");
- D. the SISP Orders provide that the Vendor has the power to sell all or any part of the property, assets and undertaking of Newstart, subject to approval by the creditors of NFI and NAI at meetings of the creditors in the Proposal Proceedings, and the approval of the Court;
- E. following implementation of the SISP by the Trustee, the Vendor wishes to sell to the Purchaser and the Purchaser wishes to purchase from the Vendor substantially all of the assets which make up the Newstart Business, including the Portfolio Assets, Goodwill, Intellectual Property (as such terms are defined below), customers lists and other assets.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that, in consideration of the premises, the mutual covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereby covenant and agree as follows:



**ARTICLE 1 - INTERPRETATION**

**1.1 Definitions.** In this agreement:

(a) "Accounts Receivable" means all accounts receivable of Newstart, including, without limitation, the accounts listed on Schedule 1.01(a) hereto;

(b) "Act" means the *Ontario Business Corporations Act* as in effect on the date hereof;

(c) "Administration Arrangement" has the meaning ascribed thereto in the second recital;

(d) "Affiliate" has the meaning ascribed thereto in the Act;

(e) "Approval and Vesting Order" means an order (or orders) of the Court in the Proposal Proceedings, in form and substance and on terms (including the contents of the service list) acceptable to the Vendor and the Purchaser and their respective solicitors, acting reasonably, (i) approving this agreement, (ii) authorizing and directing the Vendor to execute and deliver this agreement, (iii) directing the Vendor to complete the Transaction, (iv) vesting in the Purchaser all right, title and interest of Newstart and the Vendor in the Purchased Assets, free and clear of all claims, mortgages, charges, liens, security interests or encumbrances of every nature or kind whatsoever, and (v) approving the Proposals of NFI and NAI in the Proposal Proceedings, after approval by the creditors of NFI and NAI at meeting of creditors held in accordance with the BIA;

(f) "Assumed Liabilities" means the liabilities to be assumed by the Purchaser pursuant to section 2.8 hereof;

(g) "Books and Records" means all books and records relating to the Purchased Assets (other than (i) those required by law to be retained by the Vendor, copies of which will be made available to Purchaser, and (ii) personnel records), including, without limitation, customer lists, sales records, transaction histories, price lists and catalogues, sales literature, advertising material, manufacturing data, production records, employee manuals, supply records, inventory records and correspondence files (together with, in the case of any such information which is stored electronically, the media on which the same is stored);

(h) "Business Day" means any day, other than a

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Saturday or Sunday, on which commercial banks in Toronto, Ontario, are open for business during normal banking hours;

(i) "**Cash**" means all cash on hand, cash equivalents and bank deposits of Newstart in existence on the Closing Date;

(j) "**Closing Certificate**" means the certificate referred to in the Approval and Vesting Order which, when delivered to the Purchaser, gives effect to the vesting provisions contained in the Approval and Vesting Order;

(k) "**Closing Date**" means the Business Day immediately following the day upon which the Approval and Vesting Order is made by the Court, or such other date as may be agreed to by the Parties;

(l) "**Collection Proceeds**" means amounts collected by the Servicer, including by the way of legal proceedings or settlement, on account of Accounts Receivable, Legal Claims, defaulted Lease Payments, partial payment on Leases, catch up payments on Leases, residual guarantee amounts and other amounts owing under a Lease not paid by the Lessee and guarantees thereof in accordance with the terms of the Lease;

(m) "**Commercially Reasonable Efforts**" means, subject to section 1.6 hereof, the efforts that a prudent person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as possible;

(n) "**Consumer Loans**" means the assets listed on Schedule 1.01(n) hereto;

(o) "**Contract**" means any agreements, indenture, contract, lease, deed of trust, license, option, instrument or other commitment, whether written or oral, but excluding any Lease;

(p) "**Court**" has the meaning ascribed thereto in the second recital;

(q) "**Equipment**" means all equipment, furniture, fixtures and other assets used by NFI in its business, but not including the Vehicles, as defined below;

(r) "**Excluded Assets**" means the assets listed on Schedule 1.01(r) hereto, and the Excluded Assets specifically include the Cash;

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(s) **"Goodwill"** means all goodwill, together with the ability of the Purchaser to represent itself as carrying on the Newstart Business in succession to Newstart and the right to use any words indicating that the Newstart Business is so carried on, including the right, if any, to use the name "Newstart" in connection with the words "leasing" or "automobiles" or both or any variation thereof, as part of the name or style under which the Newstart Business or any part thereof is carried on by Purchaser;

(t) **"Gross Proceeds"** means all Lease Payments, Vehicle Proceeds, Collection Proceeds and all other amounts generated in respect of any dealings with the Portfolio Assets, excluding HST or other applicable excise taxes collected, that are the subject matter of the Administration Arrangement, all of which are deposited by the Servicer in the Servicer Account on a daily basis in accordance with the terms of the Administration Arrangement, which, for greater certainty, excludes any amounts received from the Excluded Assets;

(u) **"HST"** means harmonized sales tax imposed under the HST Legislation;

(v) **"HST Legislation"** means Part IX of the *Excise Tax Act* (Canada);

(w) **"Intellectual Property"** means all trade or brand names, business names, trademarks (including logos), trade-mark registrations and applications, service marks, service mark registrations and applications, copyrights, copyright registrations and applications, issued patents and pending applications and other patent rights, industrial design registrations, pending applications and other industrial design rights, trade secrets, proprietary information and know-how, equipment and parts lists and descriptions, instruction manuals, inventions, inventors' notes, research data, blue prints, drawings and designs, formulae, processes, technology and other intellectual property, together with all rights under licences, registered user agreements, technology transfer agreements and other agreements or instruments relating to any of the foregoing;

(x) **"Leases"** means all leases pursuant to which Newstart is the Lessor including, without limitation, the leases listed on Schedule 1.01(x) hereto, and, each, a "Lease";

(y) **"Lease Payments"** means the ordinary course monthly payments made by Lessees under Leases together with the gross

proceeds of all Vehicles bought-out by Lessees under Leases which are in good standing;

(z) "Lessee" means a lessee, co-signor or guarantor in respect of a Lease;

(aa) "Legal Claims" means the legal proceedings commenced by Newstart or the Vendor, as listed on Schedule 1.01(aa) hereto;

(bb) "Licenses and Permits" means all transferable licenses, permits, approvals, consents, registrations, certificates and other authorizations relating to the Purchased Assets;

(cc) "Newstart" has the meaning ascribed thereto in the first recital;

(dd) "NFI" has the meaning ascribed thereto in the first recital;

(ee) "NAI" has the meaning ascribed thereto in the first recital;

(ff) "Newstart Business" means the business carried on by Newstart consisting primarily of providing lease financing to individuals for used vehicles;

(gg) "OMVIC License" means an Ontario Motor Vehicle Industry Council lease finance dealer license;

(hh) "Parties" means, collectively, the Vendor and the Purchaser, and, each, a "Party";

(ii) "Person" has the meaning ascribed thereto in the Act;

(jj) "Portfolio Assets" means the Leases and the Vehicles;

(kk) "Purchased Assets" has the meaning ascribed thereto in section 2.1;

(ll) "Purchase Price" means the amount referred to in section 2.2 and includes a cash deposit (the "Deposit") in the amount of \$75,000 being 10% of the purchase price as required by the SISP;

(mm) **"Proposal Proceeding"** means the proceedings in which the SISP Orders were made;

(nn) **"Servicer"** means NFI and NAI;

(oo) **"Servicer Account"** means the bank account or accounts into which Gross Proceeds have been received during the Proposal Proceeding;

(pp) **"SISP Orders"** has the meaning ascribed thereto in the second recital;

(qq) **"Tax Receivables"** means all accounts receivable for provincial or federal sales taxes connected to leases entered into by Newstart as lessor;

(rr) **"Third Party Collection and Recovery Costs"** means amounts paid to third parties not related to Newstart from funds in the Servicer Account in respect of: bailiff fees; repair and storage lien payments that are properly due and owing; Vehicle transportation costs; Vehicle repairs; legal costs expended in the pursuit of Collection Proceeds and Vehicle recovery; selling and brokers fees; PPSA charges, Equifax reports, Carfax/Carproof reports, and other amounts as have been approved in advance by the Trustee in writing;

(ss) **"Time of Closing"** means 1:00 o'clock in the afternoon on the Closing Date or such other time on the Closing Date as the Parties may agree to in writing;

(tt) **"Transaction"** means the transaction of purchase and sale herein contemplated and provided for;

(uu) **"Transition Period"** means the time period that begins on the Closing Date and terminates on the earlier of: (i) the fifth Business Day immediately following the date on which the Purchaser obtains an OMVIC License; and (ii) the date that is ninety days after the Closing Date;

(vv) **"Trustee"** has the meaning ascribed thereto in the second recital;

(ww) **"Vehicles"** means all motor vehicles and items of equipment owned by or registered in the name of Newstart, including, without limitation, the motor vehicles and/or items of equipment listed on Schedule 1.01(ww) hereto and, each, a "Vehicle";

including all vehicles which are within sixty days of the date of execution of this agreement of being reported stolen, destroyed, seized or otherwise rendered permanently unfit or unavailable for use.

(xx) "Vehicle Proceeds" means the gross proceeds of disposition of Vehicles and any insurance proceeds in respect of Vehicles that are lost, stolen (and not recovered within sixty days of being reported stolen), destroyed, seized or otherwise rendered permanently unfit or unavailable for use.

1.2 **Schedules.** The following schedules are attached to and incorporated in this agreement by reference:

Schedule 1.01(a) — Accounts Receivable of NFI and NAI;

Schedule 1.01(aa) — Legal Claims

Schedule 1.01(n) — Consumer Loans;

Schedule 1.01(r) — Excluded Assets;

Schedule 1.01(x) — Leases;

Schedule 1.01(aa) — Legal Claims;

Schedule 1.01(ww) — Vehicles;

1.3 **Currency.** All dollar amounts referred to in this agreement are in lawful money of Canada unless otherwise specifically provided.

1.4 **Number and Gender.** Words importing the singular number include the plural and vice versa and words importing gender include all genders.

1.5 **Governing Law.** This agreement is made under the laws of the Province of Ontario and for all purposes, including matters of construction, validity and performance, will be governed by the laws of Ontario and the laws of Canada applicable therein.

1.6 **Commercially Reasonable Efforts.** The Parties acknowledge and agree that, for all purposes of this agreement, an obligation on the part of either Party to use Commercially Reasonable Efforts to obtain any waiver, consent, approval, permit, license or other document shall not require such party to make any material payment to any Person for the purpose of procuring the same, other than payments for amounts due and payable to such Person, payments for incidental expenses incurred by such Person and payments required by any applicable law or regulation.

## ARTICLE 2 PURCHASE AND SALE OF PURCHASED ASSETS

2.1 **Purchase and Sale.** Subject to the terms and conditions hereof, the Vendor will sell to the Purchaser and the Purchaser will purchase from the Vendor, on the Closing Date (defined as November 30, 2016), all of the property and assets used in connection with or otherwise relating to the Newstart Business other than the Excluded Assets and the Cash, whether real or personal, tangible or intangible, of every kind and description and wherever situate (collectively, the "Purchased Assets"), including, without limitation:

- (a) the Leases;
- (b) the Vehicles;
- (c) beneficial interest in Vehicle registrations and insurance, as described in section 2.3;
- (d) the Legal Claims;
- (e) the Licenses and Permits;
- (f) the Intellectual Property;
- (g) the Books and Records;
- (h) the Goodwill;
- (i) the Equipment; and
- (j) all telephone numbers, internet domain names and websites for the Newstart Business.

2.2 **Allocation of Purchased Assets.** The Vendor and the Purchaser agree that the Purchased Assets shall be allocated on or prior to the closing as specified by the Purchaser.

### 2.3 Registered Ownership of Vehicles.

- (a) The Vendor and the Purchaser acknowledge that 135974 Ontario Inc. ("135") is recorded as the owner of the Vehicles on the motor vehicle permits issued by the applicable provincial or territorial motor vehicle registries.
- (b) Notwithstanding that 135 is recorded as the owner of the Vehicles, 135 owns the Vehicles as a bare trustee on behalf of NFI pursuant to a trust agreement dated August 2, 2007 and that NFI is the beneficial owner of the Vehicles.



- (c) So long as 135 remains shown as the registered owner of any Vehicle on its motor vehicle permit, the Vendor agrees that 135 shall not transfer such registration to anyone other than Purchaser and shall hold such registration on behalf of the Purchaser as a nominee and bare trustee and in no other capacity. On or prior to the Closing Date NFI and 135 shall cancel the existing trust agreement (the "Existing Trust Agreement" and shall enter into a new trust agreement with Purchaser (the "**Purchaser Trust Agreement**")
- (d) Upon the termination of the Transition Period, the Purchaser may cause the transfer of the motor vehicle permits of all Vehicles that have not been sold by the Purchaser during the Transition Period, into the Purchaser's name and at the Purchaser's sole expense, and the Purchaser shall pay for all transfer costs, including all required emissions tests required to be done to transfer the Vehicles.
- (e) The Vendor, on behalf of NFI, hereby nominates, constitutes and appoints the Purchaser, as NFI's agent and true and lawful attorney during the Transition Period to act on its behalf with full power and authority in its name, place and stead to execute, swear to, acknowledge, deliver and record or file as and where required any document that the Purchaser reasonably determines to be necessary or desirable for the sole purpose of effecting the transfer of the motor vehicle permit of any Vehicle from the name of 135 to the name of the Purchaser or into the name of any third party vehicle purchaser, at the written direction of the Purchaser.
- (f) The Vendor, at the written request and expense of the Purchaser, shall execute and deliver all such further documents and do such other acts and things as may be necessary or desirable to affirm, confirm, evidence or effectuate the power of attorney hereinbefore granted to the Purchaser or the transfer of the motor vehicle permit (pursuant to this Section 2.3) of any Vehicle to the Purchaser or to any third party at the written direction of the Purchaser.
- (g) Notwithstanding the fact that 135 shall remain recorded on the motor vehicle permits as the owner of the Vehicles during the Transition Period, (i) the Purchaser shall be the beneficial owner of all of the Vehicles and shall be entitled to all of the incidents and benefits and subject to all of the risks of ownership of the Vehicles, including the sole right to operate, rent, sell and otherwise transfer and dispose of the Vehicles and the licenses, registrations and plates in respect thereof, and (ii) NFI and 135 shall have no direct or indirect ownership or other interest in the Vehicles other than 135 being the nominee and bare trustee as contemplated in this Section 2.3.
- (h) It is acknowledged that, during and following the Transition Period the lessee of any Vehicle is required to insure such Vehicle naming 135 as the registered owner, lessor and additional insured or loss payee. 135 shall hold the benefit of its

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- (a) Save as hereinafter set out, the Purchaser will pay on or before the Closing Date, in addition to the Purchase Price, all applicable federal, provincial and other taxes exigible in connection with the purchase and sale of the Purchased Assets, including, without limitation, HST and any applicable registration fees and license fees. Alternatively, where applicable, the Purchaser will have the option to furnish the Vendor with appropriate exemption certificates, elections or other documentation.
- (b) The Vendor and the Purchaser will use all reasonable efforts to ensure that the purchase and sale of the Purchased Assets does not attract tax under the HST Legislation. In connection therewith, the Purchaser will ensure that it is registered prior to the Closing Date under subdivision d of division V of the HST Legislation. The Purchaser and the Vendor will co-operate and jointly make and execute an election under sub-sections 167(1) and (1.1) of the HST Legislation in the prescribed form and manner. The Purchaser will file such election within the prescribed time as provided for in the said sub-sections 167(1) and (1.1). If any remittance on account of tax under the HST Legislation is required to be made by the Vendor in connection with the purchase and sale of the Purchased Assets and the Purchaser receives an input tax credit (as defined in the HST Legislation) in the amount of such remittance or any part thereof, the Purchaser will refund to the Vendor the amount of any such input tax credit so received.
- (c) The Purchaser will indemnify and save harmless the Vendor from and against all claims and demands for payment of applicable taxes including any liability, costs, expenses or damages incurred or suffered by the Vendor as a result of any failure of the Purchaser either to pay any taxes exigible in accordance with this section, whether arising from reassessment or otherwise, or to file the appropriate exemption certificates, elections or other documentation.

**2.8 Assumption of Liabilities.** Subject to the terms of this agreement, the Purchaser agrees to assume, pay, satisfy, discharge, perform and fulfil, or cause one or more of its Affiliates to assume, pay, satisfy, discharge, perform and fulfil, from and after the Time of Closing, all obligations and liabilities of Newstart as at the Time of Closing under:

- (a) the Licenses and Permits; and
- (b) the Leases, with the exclusion of any liability under any Lease for any overpayment made by a Lessee prior to the date of any Administration Arrangement, where the term of such Lease has expired or where such Lease has been terminated by written agreement between the Lessee and Newstart.

**2.9 General Indemnity.** The Purchaser hereby indemnifies and saves harmless the Vendor from and against all claims and demands arising against the Vendor (which for greater certainty shall not include Newstart) directly or indirectly as a result of the

Purchaser's dealings with the Purchased Assets, the Lessees, and/or the carrying on of the Newstart Business from and after the Closing Date.

2.10 **Insurance.** Notwithstanding the exclusion of policies of insurance from the Purchased Assets pursuant to Schedule 1.01(r), the Purchaser shall have the benefit of:

- (a) any proceeds of Newstart insurance on the Purchase Assets, where such proceeds are received by Newstart on or after the Closing Date, and Newstart shall hold, and shall be deemed to hold, the same in trust for the Purchaser, separate and apart from other proceeds of the estate of Newstart;
- (b) any proceeds of lessee insurance policies on the Vehicles and
- (c) any proceeds of Newstart insurance payable pursuant to section 4.3 hereof unless this agreement is rescinded pursuant to section 4.3(b) hereof.

2.11 **Purchase Price Adjustment.** The Purchase Price (and, in particular, the cash portion of the Purchase Price payable pursuant to sections 2.4 and 2.6(b) hereof) shall be reduced on the Closing Date by an amount equal to 100% of the Gross Proceeds received after November 29, 2016 and up to and including the Closing Date, provided that any delay of the Closing Date is as a result of the Vendor failing to obtain the Approval and Vesting Order by November 29, 2016.

### **ARTICLE 3 REPRESENTATIONS AND WARRANTIES**

3.1 **Vendor's Representations and Warranties.** The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying on the accuracy of each of such representations and warranties in entering into and completing this agreement:

- (a) the Vendor has been validly and effectively appointed as Trustee and has full right, power and authority to enter into this agreement and to convey to the Purchaser Newstart's and the Vendor's right, title and interest in and to the Purchased Assets in accordance with the provisions of this agreement and the SISF Orders;
- (b) the Vendor has done no act to encumber or dispose of the Purchased Assets or any part of them;
- (c) the Vendor is not a "non-resident person" for the purposes of section 116 of the *Income Tax Act* (Canada);
- (d) the Vendor has not received any demands for repossession in writing from any third parties in respect of the Purchased Assets;

- (e) to the best of the knowledge of the Vendor, no action or proceeding, at law or in equity, is pending or threatened by any person, government authority, regulatory body or agency to disallow, enjoin or prohibit the Transaction or any part thereof;
- (f) no individual, corporation, partnership, firm, joint venture, syndicate, association, trust, government, governmental agency or board or commission or authority or other form of entity or organization has any agreement, option, undertaking, understanding or commitment, or any right or privilege (whether by law, preemptive or contractual) capable of becoming an agreement, option or commitment, for the purchase from the Vendor of any of the Purchased Assets; and
- (g) other than the Approval and Vesting Order, and the approval by the creditors and by the Court of a proposal made by each of NFI and NAI and the Court in the Proposal Proceedings, in accordance with the BIA and the SISP Orders, the Vendor is not under any obligation, contractual or otherwise, to request or obtain the consent of any person to the Transaction or any part thereof or to the conveyance of any of the Purchased Assets or to notify any person of the Transaction or any part thereof.

3.2 **Purchaser's Representations and Warranties.** The Purchaser represents and warrants to the Vendor as follows and acknowledges that the Vendor is relying on the accuracy of each of such representations and warranties in entering into and completing this agreement:

- (a) the Purchaser is a corporation newly incorporated under the *Canada Business Corporations Act* with full power and authority, to enter into this agreement and to perform its obligations hereunder;
- (b) the Purchaser, has taken all necessary corporate action to authorize the entering into of this agreement and the performance of its obligations hereunder, and this agreement constitutes a legal, valid and binding obligation of the Purchaser enforceable in accordance with its terms; and
- (c) the Purchaser is a "Canadian" for the purposes of the *Investment Canada Act*.

3.3 **"As Is, Where Is".** The Purchaser acknowledges and confirms that the Vendor is selling and the Purchaser is purchasing the Purchased Assets on an "as is, where is" basis as they exists on the date hereof and that, except as expressly provided herein, the Vendor has not made or given and does not make or give any representations, warranties, statements or promises, express, implied, oral, written, legal, equitable, conventional or statutory (including, without limitation, conditions under the *Sale of Goods Act (Ontario)*) or otherwise, as to (a) the Vendor's status or capacity; (b) the existence of or title to the Purchased Assets; (c) the existence of any liens, mortgages, charges, encumbrances or

security interests in, on or against the Purchased Assets or the validity, registration, enforceability or priority of any such liens, mortgages, charges, encumbrances or security interests; (d) the assignability, description, value, cost, fitness for any purpose, merchantability, use, quality, state, condition of the Purchased Assets; or (e) any other matter whatsoever concerning the Purchased Assets; and no representation or warranty or condition of any kind can be implied at law or in equity, by statute or otherwise, with respect to the Purchased Assets. The Purchaser acknowledges that it has inspected the Purchased Assets and has relied entirely upon its own inspections and investigations. The description of the Purchased Assets contained in all schedules hereto is for the purpose of identification only and the Vendor gives no representation or warranty concerning the accuracy of such description. The Vendor will not be liable for, nor will the Purchaser have a remedy for recovery of, any damages, including, but not limited to economic loss of any kind, arising out of any claim that the Purchased Assets infringes the rights of any other person.

#### ARTICLE 4 COVENANTS OF THE PARTIES

4.1 **Covenants of the Vendor.** The Vendor covenants and agrees that it will do or cause to be done the following:

- (a) at or before the Time of Closing,
  - (i) supervise NFI and NAI making proposals to their creditors in the Proposal Proceedings and conducting the meetings of creditors to approve the proposals in accordance with the provisions of the BIA and the SISP Orders;
  - (ii) seek the Approval and Vesting Order and the other Closing deliveries required of the Vendor pursuant to section 6.2 hereof;
  - (iii) furnish the Purchaser at the Time of Closing with evidence satisfactory to the Purchaser that the Vendor is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada); and
  - (iv) to ensure that the representations and warranties of the Vendor set forth in section 3.1 are true and correct and fulfilled at the Time of Closing;
  - (v) promptly pay all Third Party Collection and Recovery Costs relating to the Purchased Assets accrued prior to the Closing Date where invoices or bills in respect of such are presented to the Vendor by the Purchaser within 45 days after the Closing Date and do not relate to costs covered by any Administration Arrangement that are required to be paid by the Servicer;

and

(vi) promptly pay over to the Purchaser any proceeds of insurance to which the Purchaser is to benefit pursuant to section 2.10 hereof.

**4.2 Covenants of the Purchaser.** The Purchaser agrees that it will do or cause to be done the following:

- (a) at or before the Time of Closing,
  - (i) use its Commercially Reasonable Efforts to provide the Closing deliveries required of the Vendor pursuant to section 6.3 hereof;
  - (ii) furnish the Vendor at the Time of Closing with evidence satisfactory to the Vendor that the Purchaser is a "recently incorporated corporation" as defined under the *Investment Canada Act*;
  - (iii) use its Commercially Reasonable Efforts to ensure that the representations and warranties of the Purchaser set forth in section 3.2 are true and correct and fulfilled at the Time of Closing;
  - (iv) be registered pursuant to the *Excise Tax Act* (Canada) with an HST registration number; and
  - (v) preserve or cause to be preserved the Books and Records delivered to Purchaser on Closing for a period of seven years from the Closing Date, or for such longer period as is required by any applicable law, and permit the Vendor or its authorized representatives reasonable access thereto in connection with the affairs of the Vendor relating to its duties as Trustee, but the Purchaser shall not be responsible or liable to Newstart or the Vendor for or as a result of any accidental loss or destruction of or damage to any such Books and Records.

**4.3 Risk of Loss.** Until the Time of Closing, the Purchased Assets will be and remain at the risk of Newstart. If, before the Time of Closing, the Purchased Assets or any part thereof is destroyed or damaged by fire or any other casualty or is expropriated or seized by governmental or other lawful authority, the Vendor will promptly give the Purchaser written notice of such destruction, damage, expropriation or seizure, and the Purchaser will have the option, exercisable by notice in writing given to the Vendor within four Business Days after the Purchaser receives the first-mentioned notice from the Vendor:

- (a) to complete the Transaction without reduction of the Purchase Price, in which event all proceeds of insurance or compensation for expropriation or seizure will be payable to the Purchaser and all right and claim of the Vendor and Newstart to any such amounts not paid by the Closing Date will be assigned to the Purchaser;

or

- (b) in the event of substantial damage to the Purchased Assets (meaning physical damage in excess of \$250,000), to rescind this agreement, in which event the Parties will have no further rights and remedies against each other, except that the Vendor shall be responsible for returning the \$75,000 deposit to the Purchaser.

## ARTICLE 5      CONDITIONS OF CLOSING

**5.1 Conditions in Favour of Purchaser.** The obligation of the Purchaser to complete the Transaction is subject to the satisfaction, fulfillment or performance, on or before the Closing Date, of the following conditions which are included herein for its exclusive benefit and which may be waived, in whole or in part, only by the Purchaser:

- (a) that the Vendor has performed each of its obligations under this agreement to the extent required to be performed on or before the Closing Date;
- (b) that the Purchaser, acting reasonably, is satisfied that the Vendor's representations and warranties set forth herein are true and correct on and as of the Closing Date
- (c) that the Purchaser, acting reasonably, is satisfied with the terms and conditions of the Approval and Vesting Order.

**5.2 Termination.** If any condition set out in section 5.1 has not been satisfied, fulfilled or performed on or before the Closing Date to the satisfaction of the Purchaser, acting reasonably, or otherwise waived in writing by the Purchaser, the Purchaser may terminate this agreement by notice in writing to the Vendor and thereupon the obligations of the Parties hereunder, other than the obligations of the Purchaser under section 7.3, shall be terminated, except that the Vendor shall be responsible for returning the \$75,000 deposit to the Purchaser.

**5.3 Conditions in Favour of Vendor.** The obligation of the Vendor to complete the Transaction of is subject to the satisfaction, fulfillment or performance, on or before the Closing Date, of the following conditions which are included herein for its exclusive benefit and which may be waived, in whole or in part, only by the Vendor:

- (a) that the Purchaser has performed each of its obligations under this agreement to the extent required to be performed on or before the Closing Date;
- (b) that the Vendor, acting reasonably, is satisfied that the Purchaser's representations and warranties set forth herein are true and correct on and as of the Closing Date; and
- (c) that the Administration Arrangement has been terminated on terms acceptable to



the Vendor at its sole discretion, acting reasonably, which, for greater certainty shall include (i) the deposit of all cash and cheques received by the Servicer as of the Closing Date into the Servicer Account, (ii) the payment by the Servicer of all amounts due to the Vendor under the Administration Arrangement; (iii) the return of all books and records relating to the Excluded Assets and Excluded Leases, Newstart personnel records and any records required by law to be retained by the Vendor as Trustee.

**5.4 Termination.** If the conditions set out in section 5.3(a) and (b) have not been satisfied, fulfilled or performed on or before the Closing Date to the satisfaction of the Vendor, acting reasonably, or otherwise waived in writing by the Vendor, the Vendor may terminate this agreement by notice in writing to the Purchaser and thereupon the obligations of the Parties hereunder, other than the obligations of the Purchaser under section 7.3, shall be terminated, and the Deposit shall be forfeited to the Vendor without prejudice to any other claims the Vendor may have against the Purchaser.

**5.5 Conditions in Favour of Purchaser and Vendor.** The obligation of each of the Purchaser and the Vendor to complete the Transaction is subject to the satisfaction, fulfillment or performance, on or before the Closing Date, of the following conditions which are included herein for the benefit of both Parties and which may be waived, in whole or in part, only by both Parties:

- (a) no order, decision or ruling of any court, tribunal or regulatory authority having jurisdiction has been made, and no action or proceeding has been instigated which remains pending before any such court, tribunal or regulatory authority, and no action or proceeding is pending or threatened that, in the opinion of the solicitors acting for the Purchaser or the Vendor, as the case may be, acting reasonably, is likely to result in an order, decision or ruling, to disallow, enjoin, restrain or prohibit the completion of the Transaction; and
- (b) the Vendor has obtained the Approval and Vesting Order, on terms acceptable to the Purchaser and the Vendor, each acting reasonably.

**5.6 Termination.** If any condition set out in section 5.5 has not been satisfied, fulfilled or performed on or before the Closing Date to the satisfaction of each Party, acting reasonably, either Party may terminate this agreement by notice in writing to the other Party and thereupon the obligations of the Parties hereunder, other than the obligations of the Purchaser under section 7.3, shall be terminated, except that the Vendor shall be responsible for returning the \$75,000 deposit to the Purchaser.

## ARTICLE 6 CLOSING ARRANGEMENTS

**6.1 Time and Place.** The closing of the Transaction will take place at the office of Pallett Valo LLP at the Time of Closing, or at such other place or time as the Parties may

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mutually agree upon in writing.

6.2 **Vendor Deliveries.** At the Time of Closing, the Vendor will tender or deliver to the Purchaser the following:

- (a) the Purchased Assets, to the extent they are not already in the possession of the Purchaser and can be physically delivered;
- (b) a copy of the Approval and Vesting Order;
- (c) such other documents as are necessary, in the opinion of the Vendor and Purchaser, both acting reasonably, to transfer and convey to the Purchaser Newstart's and the Vendor's right, title and interest in and to the Purchased Assets, executed by the Vendor;
- (d) a certificate of an officer of the Vendor that the representations and warranties of the Vendor herein contained are true and accurate as of and on the Closing Date;
- (e) the Closing Certificate; and
- (f) all other documents contemplated by this agreement for delivery by the Vendor to the Purchaser.

6.3 **Purchaser Deliveries.** At the Time of Closing, the Purchaser will tender or deliver to the Vendor the following:

- (a) a bank draft, wire transfer or a certified cheque in payment of the balance of the Purchase Price;
- (b) evidence satisfactory to the Vendor of the payment by the Purchaser of all applicable taxes and/or the filing of appropriate exemption certificates, elections or other documentation, in accordance with section 2.7 hereof;
- (c) an indemnification agreement providing for the indemnities in section 2.7 and 2.9;
- (d) cancellation of the Existing Trust Agreement and a copy of the executed Purchaser Trust agreement;
- (e) a certificate of an officer of the Purchaser that the representations and warranties of the Purchaser herein contained are true and accurate as of and on the Closing Date; and
- (f) all other documents contemplated by this agreement for delivery by the Purchaser to the Vendor.

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**ARTICLE 7 MISCELLANEOUS**

7.1 **Tender of Documents.** Any tender of documents or money hereunder may be made upon the Vendor or the Purchaser or their respective solicitors on the Closing Date. Money may be tendered by bank draft or cheque certified by a chartered bank or trust company, and made payable to the Vendor.

7.2 **Notices.** Any notice or other communication required or permitted to be given hereunder will be deemed to be made or given:

- (a) if personally served upon the party or upon any director, officer, servant, employee or partner of such party, in which case it will be conclusively deemed to have been made or given at the time of such personal service; or
- (b) if sent prepaid to the party by telecopier, email or other similar means of electronic communication to the telecopier number or email address set out below for such party (and if confirmed on the same day by prepaid ordinary mail), in which case it will be conclusively deemed to have been made or given at the time of such sending.

For the purpose of making or giving any notice or other communication hereunder, the address, telecopier number and contact email address of the Vendor are:

**Dodick Landau Inc.**  
4646 Dufferin St.  
Suite 6  
Toronto, ON M3H 5S4

Attention: Rahn Dodick  
Facsimile: (416) 649-7725  
Email: rahn.dodick@dodick.ca

with a copy to:

**Pallett Valo LLP**  
77 City Centre Drive, West Tower  
Suite 300  
Mississauga, Ontario L5B 1M5

Attention: Alex Ilchenko  
Facsimile: 905.273.6920  
Email: [ailchenko@pallettvalo.com](mailto:ailchenko@pallettvalo.com)

and the address, telecopier number and contact email address of the Purchaser are:

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**NewCO**  
1 Yonge St.  
Suite 1801  
Toronto, ON M5E 1W7

Attention: Scott Satov  
Facsimile: 1-877-995-6269  
Email: [scott@loanscanada.ca](mailto:scott@loanscanada.ca)

with a copy to:

Attention: Cris Ravazzano  
Facsimile: 1-877-995-6269  
Email: [info@loanscanada.ca](mailto:info@loanscanada.ca)

And with a copy to:

**De Grandpré Chait S.E.N.C.R.L./LLP**  
1000, rue De La Gauchetière O.,  
Bureau 2900,  
Montréal (Québec)  
H3B 4W5 Canada

Attention: Aubie J. Herscovitch

Facsimile 514.878.5772  
Email: [aherscovitch@dgclcx.com](mailto:aherscovitch@dgclcx.com)

7.3 **Confidentiality.** Without the Vendor's written consent, the Purchaser will not disclose or divulge to any person, including government ministries, newspapers, radio stations and television stations, the contents of this agreement or any information or documents respecting this agreement that is not a matter of public knowledge or record, unless such disclosure is reasonably necessary in connection with the performance of this agreement or is required by law. In the event of termination of this agreement, the Purchaser will forthwith return to the Vendor all information or documents provided by the Vendor to the Purchaser.

7.4 **Severability.** If any provision of this agreement is determined to be illegal or unenforceable, such provision will be considered separate and severable from this



agreement and the remaining provisions thereof will remain in full force and effect as though the illegal or unenforceable provision had never been included.

**7.5 Further Assurances.** At any time and from time to time after the Closing Date, the Vendor will execute and deliver to the Purchaser at the expense of the Purchaser, and the Purchaser will execute and deliver to the Vendor at the expense of the Vendor, such further instruments and other written assurances as the Purchaser or Vendor, respectively, may reasonably request in order to carry out the Transaction.

**7.6 Time.** Time is of the essence of this agreement. However, the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors who are hereby expressly appointed in that regard.

**7.7 Headings.** All headings appearing in this agreement have been inserted as a matter of convenience and reference only and in no way define, limit or enlarge the scope or meaning of this agreement or any provision hereof.

**7.8 Counterparts and Facsimile Delivery.** This agreement may be executed in two counterparts, each of which will be deemed to be an original and both of which taken together will be deemed to constitute one and the same instrument. Counterparts may be delivered by facsimile or emailed PDF, provided that the party so delivering forthwith delivers an original executed counterpart by courier or personal delivery to the address of the other party set out in section 7.2.

**7.9 Assignment.** Neither party to this agreement will be permitted to assign this agreement without the prior written consent of the other party, which consent may be arbitrarily or unreasonably withheld. Notwithstanding the forgoing, the Purchaser may assign its rights and obligations under this agreement to one or more of its Affiliates.

**7.10 Entire Agreement.** This agreement constitutes the entire agreement between the Parties with respect to its subject matter, and supersedes any and all prior negotiations, understandings and agreements between the Parties.

**7.11 Amendment.** This agreement may not be varied, amended or modified in any respect except by written instrument dated subsequent to the date hereof and signed by the Parties or their duly authorized representatives.

**7.12 Vendor's Capacity.** The Parties hereto agree that Dodick Landau Inc. acts solely in its capacity as Trustee, and that Dodick Landau Inc. and its agents, officers and employees will have no personal or corporate liability under or as a result of this agreement or otherwise in connection herewith.

7.13 **Successors and Assigns.** The terms and provisions of this agreement will be binding upon and will enure to the benefit of the Parties and their respective permitted successors and assigns.

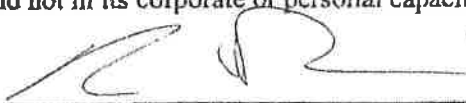
7.14 **Obligations to Survive.** Notwithstanding the completion of the Transaction or the delivery of documents pursuant to this agreement, the obligations, covenants, representations and warranties of the Parties hereto will survive the completion of the Transaction and will remain in full force and effect and will not merge as a result thereof.

**IN WITNESS WHEREOF** the Parties have executed this agreement as of the date first above written.

**DODICK LANDAU INC.**

solely in its capacity as the Trustee under the terms of the SISP Orders, and not in its corporate or personal capacity

Per:



Name: Rahn Dodick  
Title: President

**Newco**

Per:



Name: Scott Satov  
Title: Director

Schedule 1.01(r) – Excluded Assets

1. All shares of 135 which are in fact owned by NFI; and
2. 135's outstanding receivable owing to NFI.



# APPENDIX B

Newstart Financial Inc. and Newstart Acceptance Inc.  
Statement of Projected Cash Flow  
For the Period October 15, 2016 to December 2, 2016 (the "Period")  
(Prepared by management of Newstart Financial Inc. and Newstart Acceptance Inc.)  
\$Cdn

Weeks-Ending	2016							Total
	1	2	3	4	5	6	7	
	21-Oct-16	28-Oct-16	04-Nov-16	11-Nov-16	18-Nov-16	25-Nov-16	02-Dec-16	
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
<b>Receipts</b>								
Net Lease Receipts	30,618	17,764	21,107	17,011	29,300	17,011	19,876	152,687
Other Receipts	1,094	5,656	1,094	4,656	1,094	5,656	875	20,125
<b>Total Receipts</b>	<b>31,711</b>	<b>23,420</b>	<b>22,201</b>	<b>21,667</b>	<b>30,394</b>	<b>22,667</b>	<b>20,751</b>	<b>172,812</b>
<b>Disbursements</b>								
Warranty and VIP Program Costs	1,143	1,143	1,093	1,093	1,093	1,093	1,093	7,748
Repossession Expenses	666	666	629	629	629	629	505	4,354
HST Remittances	4,066	-	-	-	5,740	-	-	9,805
<i>Portfolio Servicing Expenses:</i>								
Payroll	1,005	10,943	4,420	14,994	977	10,915	2,693	45,948
Premises	100	100	1,700	100	100	100	100	30,476
Computer	-	-	-	3,417	-	-	-	2,300
Insurance	-	-	1,843	-	-	-	1,843	3,686
Office and other Expenses	905	905	877	877	877	877	750	6,069
<b>Total Disbursements</b>	<b>6,880</b>	<b>12,752</b>	<b>6,142</b>	<b>16,716</b>	<b>8,439</b>	<b>12,637</b>	<b>4,290</b>	<b>67,856</b>
<b>Net Cash Flow from Operations</b>	<b>24,831</b>	<b>10,668</b>	<b>16,059</b>	<b>4,951</b>	<b>21,956</b>	<b>10,030</b>	<b>16,461</b>	<b>104,956</b>
Professional Fees	7,450	7,450	5,750	5,750	5,750	5,750	2,800	40,700
<b>Net Cash Flow</b>	<b>17,381</b>	<b>3,218</b>	<b>10,309</b>	<b>(799)</b>	<b>16,206</b>	<b>4,280</b>	<b>13,661</b>	<b>64,256</b>
Cash position								
Opening cash position	241,504	258,885	262,103	272,412	271,614	287,819	292,100	241,504
Net cash flow	17,381	3,218	10,309	(799)	16,206	4,280	13,661	64,256
<b>Closing cash position</b>	<b>258,885</b>	<b>262,103</b>	<b>272,412</b>	<b>271,614</b>	<b>287,819</b>	<b>292,100</b>	<b>305,760</b>	<b>305,760</b>

This Statement of Projected Cash Flow of Newstart Financial Inc. and Newstart Acceptance Inc. should be read in conjunction with the Fourth Report by the Proposal Trustee and the notes attached hereto.



Newstart Financial Inc. and Newstart Acceptance Inc.  
Notes to Cash Flow Statement  
For the Period October 15, 2016 to December 2, 2016 (the "Period")  
(Prepared by management of Newstart Financial Inc. and Newstart Acceptance Inc.)

- 1 Opening cash position represents the estimated book balance at the close of business on October 14, 2016.
- 2 Net lease receipts are comprised of:
  - a. pre-authorized debits due from outstanding leases and loans. The forecast includes only those accounts currently considered in good standing. All accounts with 13 or more payments past due were assumed to be uncollectable;
  - b. deductions for provision for pre-authorized debits that are returned by the bank for insufficient funds or any other reason. The provision is calculated based on a percentage of accounts that are anticipated to default each month.
  - c. payments received from customers by other payment methods - e.g. email transfer, wire transfer, certified cheque, bank draft.
- 3 Other receipts consist of:
  - a. proceeds of sale of repossessed vehicles sold on an "as is" basis unless small repairs will result in obvious increase in sales proceeds;
  - b. proceeds of sale of remaining vehicles in inventory sold on an "as is" basis;
  - c. proceeds of insurance relating to leases where the car has been in an accident and is written off by the insurer; and
  - d. receipts from Newstart Acceptance Inc. ("NAI") portfolio. NAI's portfolio consists of defaulted leases transferred to NAI by Newstart Financial Inc. ("NFI") as well as 2 small portfolios purchased by NAI.

The Cash Flow Statement excludes proceeds collected from early buy-outs of leases. From time to time, a customer will prepay the remainder of his/her lease and take ownership of the vehicle. The lease agreements permit a buy-out at the principal balance then owing under the lease.

- 4 Represents costs to fulfill obligations under Customer Warranty Program and VIP Program calculated as follows:
  - a. The average annual historical warranty cost per car is \$140. Warranty is limited to 12 month powertrain coverage and is subject to mileage maximums. We have assumed that warranty cost is equal on monthly basis and only includes expense for the remainder of the 12 month coverage period.
  - b. Cost per car per month for VIP Coverage averaged \$7/month and includes cost for CAA and complimentary oil changes. Covers entire term of the lease.
- 5 Includes the average \$400 cost/car to effect a repossession (based on historical average cost) plus cost of maintaining a tow truck used for repossession.
- 6 Monthly HST remittance payable in last week of the month based on net amount owing from immediately preceding month.
- 7 Headcount was reduced by 50% by May 1, 2016. Remaining headcount required to service portfolio and assist with a sales process consists of four people.
- 8 The premises' space was reduced by 50% on May 1, 2016. NFI is charged 50% of the remaining rent and utilities beginning May 1, 2016.
- 9 Monthly software license and maintenance expense and IT support.
- 10 Monthly cost of all insurance coverages based on current coverages and premiums charged.
- 11 Office and other expenses are comprised of:
  - a. office expenses for supplies and sundry requirements;
  - b. bank charges for processing pre-authorized debits and costs of dishonoured payments. Historical avg monthly cost per contract is \$4.69; and
  - c. licensing charges on transfer of leased vehicles.
- 12 Professional Fees are the costs of legal counsels and the Proposal Trustee during the Period.
- 13 It is assumed that during the Period NFI will not underwrite new leases, will operate in run-off and will assist in the closing of the sale transaction.

# APPENDIX C

Newstart Financial Inc.  
Cash Flow Statement - Variance Analysis  
Period of May 2, 2016 to October 14, 2016

	Actual	Plan	Variance
Week Ending	May 2, 2016 to October 14, 2016	May 2, 2016 to October 14, 2016	
<b>Receipts</b>			
Net Lease Receipts	553,668	580,281	(26,613)
Other Receipts	136,822	75,906	60,916
<b>Total Receipts</b>	<b>690,490</b>	<b>656,187</b>	<b>34,303</b>
<b>Disbursements</b>			
Warranty and VIP Program Costs	1,486	26,917	(25,431)
Repo Expenses	25,300	21,523	3,777
HST	10,714	27,058	(16,344)
<i>Portfolio Servicing:</i>	194,949	185,969	8,980
Headcount	103,087	123,227	(20,140)
Premises	13,086	11,800	1,286
Computer	22,353	20,503	1,850
Insurance	12,612	11,058	1,554
Office & Other Expenses	43,811	19,381	24,430
<b>Total Disbursements</b>	<b>232,449</b>	<b>261,467</b>	<b>(29,018)</b>
<b>Net Cash Flow from Operations</b>	<b>458,041</b>	<b>394,720</b>	<b>63,321</b>
Professional Fees	213,161	244,650	(31,489)
<b>Net Cash Flow</b>	<b>244,880</b>	<b>150,070</b>	<b>94,810</b>
Cash position			
Opening cash position	(3,376)	4,192	
Net cash flow	244,880	150,070	
<b>Closing cash position</b>	<b>241,504</b>	<b>154,262</b>	

# APPENDIX D

**District of: Ontario**  
**Division No.: 09 - Toronto**  
**Court No.: 31-2117956**  
**Estate No.: 31-2117956**

**IN THE MATTER OF THE PROPOSAL OF:  
NEWSTART FINANCIAL INC. ("NFI")  
DODICK LANDAU INC. – PROPOSAL TRUSTEE  
MINUTES OF MEETING OF CREDITORS OF NFI  
HELD ON NOVEMBER 2, 2016, AT 11:00A.M. AT 4646 DUFFERIN ST, SUITE 6,  
TORONTO, ONTARIO**


1. The chair, RAHN DODICK called the meeting to order at 11:00a.m. Mr. Dodick explained that he was the President of Dodick Landau Inc., the proposal trustee of NFI. Mr. Dodick further advised the meeting that Naomi Lieberman and Talya Psek, of Dodick Landau Inc., would act as secretary and scrutineer, respectively, for the meeting.
2. Mr. Dodick informed the meeting that the scrutineer reported that a quorum was present and that the meeting was duly constituted.
3. Mr. Dodick informed the meeting that notice of the meeting, the proposal, the trustee's report, a statement of affairs, proof of claim form, proxy and voting letter were mailed to all known creditors on October 21, 2016. Copies of all of these documents were also posted on the Proposal Trustee's website on October 24, 2016 and emailed on October 27, 2016, to those creditors for whom email addresses were available.
4. After reviewing the key terms of the proposal Mr. Dodick explained that if the proposal is not approved by the requisite majorities of creditors, the proposal will not be implemented, and then there will be an automatic bankruptcy of the company and that the most likely

alternative is that there would be a run-off of the existing portfolio by the Trustee in Bankruptcy. Mr. Dodick advised that based on the assumptions described in the Proposal Trustee's report, it is estimated that the creditors would receive approximately 15 cents on the unsecured dollar in the proposal as compared to 1 cent on the unsecured dollar in a bankruptcy.

5. Next, Mr. Dodick, explained the voting procedure and that the proposal is required to be approved by a majority in number of creditors representing two-thirds in value of claims for purposes of voting held by such creditors who are present and voting either in person or by proxy at this meeting.
6. Mr. Dodick then opened the floor to questions and a discussion ensued. Questions were asked about how creditors would be treated in a proposal, expected timing for a distribution, and estimated recoveries. The Proposal Trustee responded to all questions to the satisfaction of the creditors present.
7. The Chair then advised that voting on the proposal will be conducted by ballot and that the meeting will now proceed with the vote in respect of the resolution approving the proposal.
8. The Chair read the text of the resolution (the "**Resolution**") to the meeting:

**BE AND IT IS HEREBY RESOLVED TO ACCEPT THE PROPOSAL OF NEWSTART FINANCIAL INC. DATED OCTOBER 14, 2016, IF APPROVED, THE TRUSTEE AND NEWSTART FINANCIAL INC. WILL TAKE ALL NECESSARY STEPS TO IMPLEMENT THE TERMS OF THE PROPOSAL.**

9. Mr. Dodick advised that the scrutineer's report shows that of the 25 votes received, 24 in number of the unsecured creditors, representing \$3,797,624.70 in claims, (or 96% in number and 94% in value), voted in favour of the Resolution and 1 in number of the unsecured creditors, representing \$254,704.06 in claim, (or 4% in number and 6% in value), voted against the Resolution. As such the Chair announced that the resolution has been duly carried by a majority of the votes cast at the meeting comprising more than two-thirds in value of the unsecured claims.
10. The Chair then explained that the Proposal provided for the appointment of up to five inspectors and the role and duties of the inspectors under the Proposal. Harvey Korman, Sherry Townsend and Scott Taylor were appointed to serve as inspectors.
11. The Chair explained that the trustee shall seek court approval of the proposal on or about November 29, 2016.
12. There being no further business the meeting terminated at 12:15 p.m.



Rahn Dodick  
Chairperson





# APPENDIX D-2

**District of: Ontario**  
**Division No.: 09 - Toronto**  
**Court No.: 31-2117950**  
**Estate No.: 31-2117950**

**IN THE MATTER OF THE PROPOSAL OF:  
NEWSTART ACCEPTANCE INC. ("NAI")  
DODICK LANDAU INC. – PROPOSAL TRUSTEE  
MINUTES OF MEETING OF CREDITORS OF NAI  
HELD ON NOVEMBER 2, 2016, AT 12:30P.M. AT 4646 DUFFERIN ST, SUITE 6,  
TORONTO, ONTARIO**

1. The chair, RAHN DODICK called the meeting to order at 12:30 p.m. Mr. Dodick explained that he was the President of Dodick Landau Inc., and the proposal trustee of NAI. Mr. Dodick further advised the meeting that Naomi Lieberman and Talya Psek, of Dodick Landau Inc., would act as secretary and scrutineer, respectively, for the meeting.
2. Mr. Dodick informed the meeting that the scrutineer reported that a quorum was present and that the meeting was duly constituted.
3. Mr. Dodick informed the meeting that notice of the meeting, the proposal, the trustee's report, a statement of affairs, proof of claim form, proxy and voting letter were mailed to all known creditors on October 21, 2016. Copies of all of these documents were also posted on the Proposal Trustee's website on October 24, 2016 and emailed on October 27, 2016, to those creditors for whom email addresses were available.
4. After reviewing the key terms of the proposal Mr. Dodick explained that if the proposal is not approved by the requisite majorities of creditors, the proposal will not be implemented,

and then there will be an automatic bankruptcy of the company and the assets will be liquidated by the Trustee in Bankruptcy.

5. Next, Mr. Dodick, explained the voting procedure and that the proposal is required to be approved by a majority in number of creditors representing two-thirds in value of claims for purposes of voting held by such creditors who are present and voting either in person or by proxy at this meeting.
6. Mr. Dodick then opened the floor to questions. A question was asked as to the estimated recovery to unsecured creditors should the proposal be accepted by the creditors and the Trustee advised that the recovery is estimated at 14 cents on the unsecured dollar.
7. The Chair then advised that voting on the proposal will be conducted by ballot and that the meeting will now proceed with the vote in respect of the resolution approving the proposal.
8. The Chair read the text of the resolution (the "**Resolution**") to the meeting:

**BE AND IT IS HEREBY RESOLVED TO ACCEPT THE PROPOSAL OF NEWSTART ACCEPTANCE INC. DATED OCTOBER 14, 2016. IF APPROVED, THE TRUSTEE AND NEWSTART ACCEPTANCE INC. WILL TAKE ALL NECESSARY STEPS TO IMPLEMENT THE TERMS OF THE PROPOSAL.**

9. Mr. Dodick advised that the scrutineer's report shows that of the 2 votes received, 2 in number of the unsecured creditors, representing \$160,000 in claims, (or 100% in number and 100% in value), voted in favour of the Resolution. As such the Chair announced that the resolution has been duly carried by a majority of the votes cast at the meeting comprising more than two-thirds in value of the unsecured claims.

10. The Chair then explained that the Proposal provided for the appointment of up to five inspectors and the role and duties of the inspectors under the Proposal. No person was nominated to serve as an inspector.

11. The Chair explained that the trustee shall seek court approval of the proposal on or about November 26, 2016.

12. There being no further business the meeting terminated at 12:45p.m.

A handwritten signature in black ink, appearing to read 'RD', is written over a horizontal line.

Rahn Dodick  
Chairperson



**IN THE MATTER OF THE PROPOSAL OF  
NEWSTART FINANCIAL INC. OF THE CITY OF  
PICKERING, IN THE PROVINCE OF ONTARIO**

**Court File No. 31-2117956  
Estate No. 31-2117956**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**PROCEEDING COMMENCED AT  
TORONTO**

**MOTION RECORD OF  
THE PROPOSAL TRUSTEE**

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Dodick Landau Inc.