

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

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**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**  
**FIRST REPORT TO COURT OF PROPOSAL TRUSTEE**

**SUPPLEMENTARY MOTION RECORD OF THE PROPOSAL TRUSTEE**

May 20, 2016

**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  
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Lawyers for the Proposal Trustee,  
Dodick Landau Inc.

TO: SERVICE LIST ATTACHED

**SERVICE LIST**  
(as of May 20, 2016)

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

<b>TO:</b>	<b>This Honourable Court</b>	
<b>AND TO:</b>	<b>Dodick Landau Inc.</b> 4646 Dufferin Street, Suite 6 Toronto, Ontario M3H 5S4  <b>Attention: Rahn Dodick</b>  Tel: 416-645-0552 Fax: 416-649-7725 <a href="http://www.dodick.ca">www.dodick.ca</a>  <i>Proposal Trustee</i>	Email: <a href="mailto:rahn.dodick@dodick.ca">rahn.dodick@dodick.ca</a>
<b>AND TO:</b>	<b>Pallett Valo LLP</b> Lawyers & Trade-Mark Agents 77 City Centre Drive, West Tower Suite 300 Mississauga, Ontario L5M 1M5  <b>Attention: Alex Ilchenko</b> <b>(LSUC #33944Q)</b>  Tel: 905-273-3022 Fax: 905-273-6920  <i>Lawyers for the Proposal Trustee, Dodick</i>	Email: <a href="mailto:ailchenko@pallettvalo.com">ailchenko@pallettvalo.com</a>
<b>AND TO:</b>	<b>Ministry of Finance</b> Legal Services Branch 777 Bay Street, 11 <sup>th</sup> Floor Toronto, Ontario M5G2C8  <b>Attention: Kevin O'Hara</b>  Tel: 905-433-6934 Fax: 905-436-4510	E-mail: <a href="mailto:kevin.ohara@ontario.ca">kevin.ohara@ontario.ca</a>

<p><b>AND TO:</b></p>	<p><b>Department of Justice</b>  Ontario Regional Office  The Exchange Tower  130 King Street West, Suite 3400  Toronto, Ontario M5X 1K6</p> <p><b>Attention: Diane Winters</b></p> <p>Tel: 416-973-3172  Fax: 416-973-0810</p>	<p>E-mail: <a href="mailto:diane.winters@justice.gc.ca">diane.winters@justice.gc.ca</a></p>
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<p><b>AND TO:</b></p>	<p><b>Valova Law</b>  603 ½ Parliament Street, Suite 302  Toronto, Ontario M4X 1P9</p> <p><b>Attention: Alex Valova</b></p> <p><i>Lawyers for Frank &amp; Ausenda Afonso</i></p>	<p>Email: <a href="mailto:alex@valovalaw.com">alex@valovalaw.com</a></p>
<p><b>AND TO:</b></p>	<p><b>BoyneClarke LLP</b>  99 Wyse Road, Suite 600  Dartmouth, Nova Scotia B3A 4S5</p> <p><b>Attention: Tracy S. Smith</b></p> <p><i>Lawyers for All Credit Auto Ltd.</i></p>	<p>Email: <a href="mailto:tsmith@boyneclarke.ca">tsmith@boyneclarke.ca</a></p>

<b>AND TO:</b>	<b>Andrew Reynolds</b> 709 Merlin Court Manotick, Ontario K4M 0A1	Email: <a href="mailto:Andrew.reynolds@rogers.com">Andrew.reynolds@rogers.com</a>
<b>AND TO:</b>	<b>Argenco Inc.</b> 35 Hills Road Ajax, Ontario L1S 2W2	Email: <a href="mailto:tonylees@sympatico.ca">tonylees@sympatico.ca</a>
<b>AND TO:</b>	<b>Cathy &amp; Roy Jeffery</b> 56 McLean's Mountain RR #1, Box 60 Little Current, Ontario P0P 1K0	Email: <a href="mailto:Jeffery_07@sympatico.ca">Jeffery_07@sympatico.ca</a>
<b>AND TO:</b>	<b>Cecil Li</b> 735-215 86 Avenue SE Calgary, Alberta T2H 2K5	Email: <a href="mailto:cecil.li@threestreams.com">cecil.li@threestreams.com</a>
<b>AND TO:</b>	<b>Coyote Graphics Inc.</b> 19 Chestnut Avenue Brampton, Ontario L6X 2A6	Email: <a href="mailto:dherbert@td-imaging.com">dherbert@td-imaging.com</a>
<b>AND TO:</b>	<b>Canada Revenue Agency – Tax c/o London Taxes Services Office Division Regional Intake Centre for Insolvency</b> 3 – 451 Talbot Street London, Ontario N6A 4R3  Fax: 519-645-5397	By Courier
<b>AND TO:</b>	<b>CVC Ardelline Investments Inc.</b> 8 – 1815 Ironstone Manor Pickering, Ontario L1E 3W9	Email: <a href="mailto:dardellini@ardelliniholdings.com">dardellini@ardelliniholdings.com</a>
<b>AND TO:</b>	<b>Dealertrack Canada Inc.</b> 2700 Matheson Blvd. East Tower, Suite 702 Mississauga, Ontario L4W 4V9	By Courier
<b>AND TO:</b>	<b>Devry Smith Frank LLP</b> 100 – 95 Barber Greene Road North York, Ontario M3C 3E9  <b>Attention: James Satin</b>	Email: <a href="mailto:james.satin@devrylaw.ca">james.satin@devrylaw.ca</a>

<b>AND TO:</b>	<b>Donna Wheeler</b> 56 Montgomery Blvd. Kingston, Ontario K7M 3N6	By Courier
<b>AND TO:</b>	<b>Aitchison Law Office</b> Oshawa Centre Office Galleria 419 King Street West, Suite 185 Oshawa, Ontario L1J 2K5  Attention: James Aitchison  Lawyers for Durham Auto Group Ltd.	Email: <a href="mailto:james@alolawyers.com">james@alolawyers.com</a>
<b>AND TO:</b>	<b>Edward Madden</b> 466 Oakwood Drive Pickering, Ontario L1W 2M7	Email: <a href="mailto:emadden@rogers.com">emadden@rogers.com</a>
<b>AND TO:</b>	<b>Frank &amp; Maria Damico</b> 33 Patna Crescent Maple, Ontario L6A 1N6	Email: <a href="mailto:frank_damico@hotmail.com">frank_damico@hotmail.com</a>
<b>AND TO:</b>	<b>Grant Thornton</b> 200 King Street West Box 11 Toronto, Ontario M5H 3T4  Attention: Steven Aprile  Tel: (416) 607-2750	Email: <a href="mailto:Steven.Aprile@ca.gt.com">Steven.Aprile@ca.gt.com</a>
<b>AND TO:</b>	<b>Guy Whitehead</b> 50 Upton Crescent Markham, Ontario L3R 3T4	By Courier
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<b>AND TO:</b>	<b>Iris Ernst Bieri</b> 1420 Joannis Road Clarence Creek, Ontario K0A 1N0	Email: <a href="mailto:ibieri@ymail.com">ibieri@ymail.com</a>
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<b>AND TO:</b>	<b>Phillipe &amp; Jean Louis Gagnon</b> 1483 Route 133 Grand Barachois, New Brunswick E4P 8C9	Email: <a href="mailto:4philgagnon@gmail.com">4philgagnon@gmail.com</a>
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<b>AND TO:</b>	<b>Robert Fraser</b> 24 Garden Avenue Brampton, Ontario L6X 1M5	Email: <a href="mailto:frasermf@rogers.com">frasermf@rogers.com</a>
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<b>AND TO:</b>	<b>Shred-It</b> 6 Curity Avenue Toronto, Ontario M4B 1X2	By Courier
<b>AND TO:</b>	<b>Timothy Pompeo</b> 23A Oak Street North York, Ontario M9N 0A4	Email: <a href="mailto:t.pompeo@rogers.com">t.pompeo@rogers.com</a>
<b>AND TO:</b>	<b>Workplace Safety and Insurance Board</b> c/o Collection Services 200 Front Street West Toronto, Ontario M5V 3J1  Fax: 905-521-4203	By Courier

# INDEX



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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(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  
FIRST REPORT TO COURT OF PROPOSAL TRUSTEE**

**I N D E X**

<b>Tab</b>	<b>Description</b>
1	First Report of the Proposal Trustee dated May 19, 2016
	<b>Appendices:</b>
A	Certificates of Filing of the Notice of Intention to Make a Proposal of Newstart Financial Inc. and Newstart Acceptance Inc.
B	Sale and Investment Solicitation Process of Newstart Financial Inc. and Newstart Acceptance Inc.
C	Cash Flow Forecast

# TAB 1

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ONTARIO  
SUPERIOR COURT OF JUSTICE  
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

FIRST REPORT TO COURT OF PROPOSAL TRUSTEE

DATED MAY 19, 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**") 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**"). Attached as **Appendix "A"** are the Certificates of Filing of the NOI for the Debtors.
2. A detailed overview of the Debtors business operations, corporate structure and financial difficulties which led to the filing of the NOI is set out in the Affidavit of David Baker sworn May 19, 2016 (the "**Baker Affidavit**"), served and filed with the Court in support of the Debtors' motion for the relief set out herein.
3. All capitalized terms used in this Report but not otherwise defined shall have the meaning ascribed to such terms in the Baker Affidavit.

4. This first report (the "**Report**") of the Proposal Trustee is made in connection with the motion of the Debtors to:
  - i. abridge the time for service of the Notice of Motion, the Motion Record and this Report and dispensing with service on any other person other than those served;
  - ii. seek approval to adopt the e-service protocol of the Commercial List;
  - iii. extend the time for filing a proposal, and extend the stay of proceedings granted upon the filing of the NOI, for a period of 45-days to, and including, July 16, 2016;
  - iv. seek an order granting an administration charge (as hereinafter defined);
  - v. approving a Sale and Investment Solicitation Process ("**SISP**") to be undertaken by the Proposal Trustee with the assistance of the Debtors' management and granting the Proposal Trustee with expanded powers to implement the SISP and close any transactions under the SISP approved by the Court; and
  - vi. approving the activities of the Proposal Trustee as set out in this Report.

#### **DISCLAIMER**

5. 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 management of the Company ("**Management**") and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report:
  - i. 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;

- ii. 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
  - iii. 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 the Proposal Trustee's website at [www.dodick.ca](http://www.dodick.ca) for purposes of the Company's motion returnable May 27, 2016. Parties using this Report, other than for the purpose of the motion, are cautioned that it may not be appropriate for their purposes.
6. 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.
7. Unless otherwise stated, all monetary amounts contained herein are in Canadian dollars.

## **THE SISP**

8. The goal of the Debtors' proposal proceedings is to preserve their business for the benefit of all stakeholders through either a sale, recapitalization or refinancing of the Debtors' business. To achieve this goal, the Debtors' seek the approval of the proposed SISP which would allow the Debtors to explore all restructuring alternatives.

9. The purpose of the SISP is to identify one or more purchasers of the Debtors' assets, or investors in the Debtors' businesses, with a projected completion date of a transaction by the end of September 2016.
10. The terms of the SISP are set out in **Appendix "B"**. The more significant milestones in the SISP are:

<b>Activity</b>	<b>Timeline</b>
Solicitation of potential purchasers/investors	by June 24, 2016
Due diligence completed	by July 22, 2016
Deadline for submission of binding offers	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 of transaction(s)	by September 30, 2016

11. The Proposal Trustee has assisted the Debtors in the development of the proposed SISP. The Proposal Trustee is of the view that the SISP will provide it with the ability to reasonably canvass the market, having regard to the current circumstances and limited funding available, in an attempt to find a buyer or an investor for the Debtors' business.
12. Under the proposed Court order, in addition to the powers and duties set out in the BIA, the Debtors are seeking to have the Proposal Trustee carry out the SISP and to execute any and all documents on behalf and in the name of the Debtors necessary to complete any transactions under the SISP approved by the Court. As a result, the Debtors seek an order expanding the Proposal Trustee's powers as contemplated by the Debtors' motion.
13. The reason these additional powers are required is primarily due to the possibility that Management, or a party related to Management, wish to make an offer, or join

a group, making an offer in the SISP. The concern is that Management would find itself in conflict if it was both the seller and participating directly, or indirectly, as a buyer in the SISP. However, it is contemplated that Management will assist the Proposal Trustee in carrying out its SISP responsibilities.

14. The Proposal Trustee consents to the expansion of its powers as contemplated by the Debtors' motion.

#### **EXTENSION OF STAY OF PROCEEDINGS**

15. The Debtors are seeking an extension of the time for the filing of the proposal to and including July 16, 2016, for a total of 45 days.
16. The stay extension is required to provide the Debtors with the necessary time to commence the SISP. It is understood that in order to complete the SISP a further extension to the stay of proceedings will be required beyond July 16, 2016.
17. The Proposal Trustee is of the view that the Debtors are acting in good faith and with due diligence in formulating and implementing a restructuring plan that would preserve their business and assets for the benefit of their stakeholders. Without the extension, the Debtors are not in a position to make a viable proposal to their creditors and will become bankrupt to the detriment of their stakeholders. In contrast, no creditor will be materially prejudiced if the extension applied for is granted. If the extension applied for is granted, the Debtors would likely be able to make a viable proposal to their creditors following the completion of the SISP and any resulting transaction.

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

18. The Debtors, with the assistance of the Proposal Trustee, have prepared a consolidated thirteen-week cash flow forecast for the period of May 2, 2016 to July 29, 2016 ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "C"** 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 13-week forecast period in Canadian dollars.

19. The Cash Flow Forecast projects that the Debtors will have sufficient liquidity to fund their expenses and the Proposal proceeding throughout the proposed extension of the stay of proceedings.
20. 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.
21. 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.
22. 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.

23. 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.
24. 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.

#### **INFORMAL MEETING OF NOTEHOLDERS**

25. Following the filings of the NOIs, a number of noteholders contacted the Proposal Trustee requesting additional information about the Proposal proceedings. Due to the number of calls received by the Proposal Trustee, the Proposal Trustee in consultation with the Debtors, decided to hold on May 18, 2016 at the office of the Proposal Trustee an informal meeting of the noteholders ("**Informal Meeting**").
26. Notices of the Informal Meeting were sent to thirty-four noteholders, representing approximately \$6.1 million of debt, by regular mail on May 11, 2016. The notice of the Informal Meeting was also sent to noteholders by electronic mail on May 12, 2016 if the Proposal Trustee had the noteholders' electronic mail addresses. Twelve noteholders attended the Informal Meeting representing approximately \$3.8 million of debt. The Informal Meeting was chaired by Rahn Dodick of the office of the Proposal Trustee. In addition, representatives of the Debtors, the Debtors'

legal counsel and the Proposal Trustee's legal counsel, were also present at the Informal Meeting to answer noteholder questions.

27. At the Informal Meeting, the Proposal Trustee and the Debtors described the sales process being planned and advised the group present that there will be a motion heard by the Court on May 27, 2016 which includes seeking the Court's approval of the sales process, an extension of the stay of proceedings and an administration charge of \$150,000.
28. The Debtors' counsel explained that following completion of the sales process, a proposal will be made to the creditors that is likely to be comprised of a sale to a successful bidder. The Debtors' counsel further explained that proceeds from a sale will then be available for distribution to creditors and that the Proposal will likely pool all the creditors into one class regardless of priority of the claims. Debtors' counsel then asked whether, on a without prejudice basis, any of the noteholders present objected to this proposed approach. None of the noteholders that were present objected to the proposed approach, as described at the Informal Meeting.
29. Other topics discussed at the Informal Meeting included the cash flow forecast, the current run-off of the portfolio, monitoring procedures in place, operating costs being incurred, forecast professional fees, timing of the sales process and issuance of the Proposal, among other topics. The meeting lasted approximately 1.5 hours.

#### **COURT ORDERED CHARGE**

30. The Debtors are seeking a charge (the "**Administration Charge**"), in a maximum amount of \$150,000, in favour of the Debtors' legal counsel, the Proposal Trustee and its legal counsel, which shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise in favour of any person.

31. The Proposal Trustee is of the view that the Administration Charge is necessary and reasonable in the circumstances in order to carry out the proposed SISP and complete the administration of the Proposal.

#### **CONCLUSION AND RECOMMENDATION**

32. The Proposal Trustee is of the view that the SISP, as described above, will allow a reasonable canvassing of the market with a view to identifying parties to purchase or invest in the Debtors' businesses.

33. The Proposal Trustee further is of the view that the Administration Charge is reasonable and appropriate in these circumstances.

34. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief being requested by the Debtors pursuant to the BIA.

All of which is respectfully submitted this 19<sup>th</sup> day of May, 2016.

#### **DODICK LANDAU INC.**

In its capacity as the Proposal Trustee of  
Newstart Financial Inc. and Newstart Acceptance  
Inc. and not in its personal capacity.

Per:



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Rahn Dodick, CA, CPA, CIRP, LIT  
President

# TAB A



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

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

In the Matter of the Notice of Intention to make a  
proposal of:

**Newstart Acceptance Inc.**  
Insolvent Person

**DODICK LANDAU INC.**  
Licensed Insolvency Trustee

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Date of the Notice of Intention: May 02, 2016

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CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL  
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

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Date: May 02, 2016, 12:02

E-File/Dépôt Electronique

Official Receiver

25 St. Clair Avenue East, 6th floor, Toronto, Ontario, Canada, M4T1M2, (877)376-9902

Canada



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

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

In the Matter of the Notice of Intention to make a  
proposal of:

**Newstart Financial Inc.**  
Insolvent Person

**DODICK LANDAU INC.**  
Licensed Insolvency Trustee

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Date of the Notice of Intention: May 02, 2016

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CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL  
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: May 02, 2016, 11:59

E-File/Dépôt Electronique

Official Receiver

25 St. Clair Avenue East, 6th floor, Toronto, Ontario, Canada, M4T1M2, (877)376-9902

Canada

# TAB B

**Newstart Financial Inc. and Newstart Acceptance Inc. (collectively, “Newstart”)  
Sale and Investment Solicitation Process Summary**

The purpose of the Sale and Investment Solicitation Process (the “SISP”) is to identify one or more purchasers of, or investors in, the business and assets of Newstart with a projected completion date of a transaction or transactions by September 2016.

All capitalized terms used but not otherwise defined herein have the meaning given to them in the Order granted by the Ontario Superior Court of Justice (the “Court”) on May 9, 2016 (the “May Order”) in respect of the proposal proceedings commenced by Newstart under the *Bankruptcy and Insolvency Act* (the “BIA”).

The SISP details are provided below.

- Newstart has compiled, and with the assistance of the Proposal Trustee, may continue to compile, a list of interested parties (“Interested Parties”) and will distribute to them an interest solicitation letter detailing this opportunity. The Proposal Trustee will contact all parties identified as well as any additional parties that come to its attention. A confidentiality agreement (“CA”) will be attached to the interest solicitation letter;
- Newstart, with the assistance of the Proposal Trustee, will prepare a confidential information memorandum (“CIM”) which will be made available to Interested Parties that execute the CA. The CIM will provide an overview of Newstart’s business, property and financial results;
- Interested Parties who execute the CA will have an opportunity to perform diligence, including reviewing information in a virtual data room;
- A notice will be published in the national edition of *The Globe and Mail* newspaper and, at the discretion of the Proposal Trustee, in trade publications;
- The Proposal Trustee, with the assistance of Newstart, will facilitate diligence efforts by, among other things, responding to questions and coordinating meetings between Interested Parties and Newstart’s management and such other parties as the Proposal Trustee may arrange. All meetings with management will be convened in the presence of a representative of the Proposal Trustee;
- Prospective investors shall be required to identify all material terms of their proposed investment to permit evaluation of such proposal but will not be required to submit the terms and structure of their proposed investment in a predetermined prescribed format;
- Parties interested in acquiring assets will be able to refer to a template asset purchase agreement (“APA”) that will be posted in the data room. Interested Parties who wish



to acquire assets will be encouraged to submit offers substantially in the form of the APA, with any changes black-lined against the APA;

- Interested Parties will be entitled to submit offers for Newstart's business and assets on an individual basis or *en bloc*. Subject to the value of the consideration to be paid, preference will be given to *en bloc* offers;
- The deadline for submission of offers ("Offer Deadline") will be 5:00 pm EST on August 2, 2016;
- Offers are to be submitted to the Proposal Trustee with a refundable cash deposit in the form of a wire transfer (to a bank account specified by the Proposal Trustee) or such other form of deposit as is acceptable to the Proposal Trustee, in an amount equal to 10% of the purchase price or investment amount. Offers are to be supported by evidence, satisfactory to the Proposal Trustee, of financing sufficient to close a transaction within the timelines detailed in these procedures. All offers are to be irrevocable until 10 days after Court approval of the Proposal;
- The Proposal Trustee will evaluate the offers and may seek clarification and/or a re-bidding of certain offers;
- Newstart's management, along with their respective legal counsel, will be consulted on a timely basis during the different phases of the SISP, provided that they confirm to the Proposal Trustee that they are not bidders in the SISP;
- Any offer submitted must be subject to the approval of the creditors of Newstart and the Court;
- Upon completion of definitive documentation, Newstart will make a Proposal to its creditors in which it will propose a sale of the assets to the successful bidder(s) and the Proposal Trustee will call a meeting of the creditors of Newstart to vote on Newstart's Proposal; and
- Following receipt of creditor approval of Newstart's Proposal, Newstart will apply to the Court for an order approving the Proposal including one or more offers ("Transaction"), with the Transaction projected to be completed as soon as possible following approval of the Proposal by the Court. The Proposal Trustee will provide its recommendation to the Court with respect to the Proposal and the Transaction.

Other attributes of the SISP:

- The Proposal Trustee shall have the right to extend by up to two-weeks any deadline in the SISP in order to facilitate the SISP. Further extensions will require Court approval;

- Newstart’s management and employees are required to assist and support the efforts of the Proposal Trustee as provided for herein;
- Any transaction will be consistent with insolvency principles, including without material representations and warranties and shall be on an “as is, where is” basis;
- The Proposal Trustee reserves the right to accept one or more offers, in consultation with Newstart management, and to take such steps as are necessary to finalize and complete an APA or investment agreement or to continue negotiations with a selected number of Interested Parties with a view to finalizing an agreement(s) with one or more of them;
- The Proposal Trustee shall be under no obligation to accept the highest offer, the best offer, or any offer, and the selection of any offer(s) shall be at the discretion of the Proposal Trustee after consultation with Newstart Management;
- The Proposal Trustee shall not be bound by the terms of any transaction(s) until approval of the Court is obtained;
- The Proposal Trustee may consider transactions involving a restructuring or investment in Newstart if, in the opinion of the Proposal Trustee, the resulting transaction is in the best interests of Newstart and maximizes value for the benefit of its stakeholders; and
- The Proposal Trustee reserves the right to apply to the Court at any time to modify or terminate the SISP if it considers it appropriate in the circumstances or to apply to the Court for advice and directions.

#### **SUMMARY TIMELINE OF IMPORTANT DATES**

<b>Sale Process Procedures</b>	<b>Date</b>
Court approval of Sale Process by	May 31, 2016
Begin marketing to Interested Parties	June 1, 2016
Begin distributing CIM and access to on-line data room	June 6, 2016
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

# TAB C

Newstark Financial Inc. and Newstark Acceptance Inc.  
 Statement of Projected Cash Flow  
 For the Period May 21, 2015 to July 25, 2015  
 (Prepared by management of Newstark Financial Inc. and Newstark Acceptance Inc.)  
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Notes	05-May-15	12-May-15	19-May-15	26-May-15	02-Jun-15	09-Jun-15	16-Jun-15	23-Jun-15	30-Jun-15	07-Jul-15	14-Jul-15	21-Jul-15	28-Jul-15	Total
<b>Needs Ending</b>														
<b>Receipts</b>														
Net Lease Receipts	27,065	22,459	39,344	25,973	17,971	22,924	28,116	17,871	25,287	22,459	27,878	21,429	21,429	230,217
Other Receipts	3,000	1,700	3,000	2,300	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	45,500
<b>Total Receipts</b>	<b>30,065</b>	<b>24,159</b>	<b>42,344</b>	<b>28,273</b>	<b>20,171</b>	<b>25,124</b>	<b>30,316</b>	<b>20,071</b>	<b>27,487</b>	<b>24,659</b>	<b>29,078</b>	<b>23,629</b>	<b>23,629</b>	<b>275,717</b>
<b>Disbursements</b>														
Warranty and vif Programs Costs	3,244	4,344	1,544	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	1,020	12,100
Reposition Expenses	922	922	922	750	750	750	750	750	750	750	750	750	750	8,400
MST Remittances	-	-	1,754	-	-	8,118	-	-	-	-	-	-	-	9,872
Portfolio Servicing Expenses	4,432	15,076	509	4,334	14,712	761	10,699	761	14,371	5,069	10,928	989	989	60,934
Payroll	-	10,604	-	-	16,600	-	9,816	-	9,816	562	9,816	-	-	51,511
Provision	3,700	100	100	100	80	80	80	80	1,760	800	100	100	100	6,000
Computer	-	3,417	-	-	3,417	-	-	-	-	-	-	-	-	10,251
Insurance	1,843	-	-	1,243	-	-	-	-	1,843	-	-	-	-	5,929
Office and other expenses	835	835	835	835	835	835	835	835	835	835	835	835	835	10,520
<b>Total Disbursements</b>	<b>6,707</b>	<b>27,283</b>	<b>4,514</b>	<b>5,973</b>	<b>18,547</b>	<b>20,623</b>	<b>12,468</b>	<b>2,530</b>	<b>15,381</b>	<b>7,279</b>	<b>20,617</b>	<b>3,100</b>	<b>3,100</b>	<b>127,334</b>
<b>Net Cash Flow From Operations</b>	<b>23,358</b>	<b>-3,124</b>	<b>37,830</b>	<b>22,300</b>	<b>1,624</b>	<b>4,502</b>	<b>17,848</b>	<b>17,541</b>	<b>12,106</b>	<b>10,208</b>	<b>8,461</b>	<b>20,529</b>	<b>20,529</b>	<b>148,383</b>
Professional Fees	2,250	7,910	2,250	2,910	2,910	2,910	2,910	2,910	2,910	2,910	2,910	2,910	2,910	32,800
Net Cash Flow	21,108	-11,020	35,580	19,390	-1,286	1,592	14,938	14,631	9,196	7,298	5,551	17,619	17,619	115,583
<b>Cash position</b>														
Opening cash position	4,192	20,291	21,039	53,317	71,067	68,680	77,806	53,250	96,421	59,947	142,637	114,702	114,702	4,192
Net cash flow	15,098	1,259	13,705	13,718	14,381	9,126	5,985	12,570	3,325	13,465	11,589	11,589	11,589	115,583
Closing cash position	19,290	21,550	34,744	67,035	85,448	77,806	83,791	65,820	99,746	73,412	154,226	126,291	137,811	120,775

This Statement of Projected Cash Flow of Newstark Financial Inc. and Newstark Acceptance Inc. is prepared in accordance with Section 501(c)(17) of the Internal Revenue Code and is not intended to be used for any other purpose. It is prepared in connection with the report by the Proprietary Trustee on the Statement of Projected Cash Flow together with the notes attached hereto.

Dated this 10th day of May 2015

Newstark Financial Inc. and Newstark Acceptance Inc.

The

David Baker

President & CEO

Boothell Landolt Inc.  
 the Trustee of the Protocol of Newstark Financial Inc. and  
 Newstark Acceptance Inc.

Per: 

Boothell, PA, DA 239 417



**Newstart Financial Inc. and Newstart Acceptance Inc.**

**Notes to Cash Flow Statement**

**For the period of May 2, 2016 to July 29, 2016 (the "Period")**

**(Prepared by management of Newstart Financial Inc. and Newstart Acceptance Inc.)**

- 1 Opening cash position represents the book balance at the close of business on April 29, 2016.
- 2 Net lease receipts are comprised of:
  - a. pre-authorized debits due from outstanding leases and loans. Includes accounts currently in good standing as well as delinquent accounts that have not been deemed 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 35% of the pre-authorized debits based on recent experience; and
  - 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 vehicles in inventory sold on an "as is" basis as at the date of filing the NOI;
  - 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 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 (to be approved by the Court) 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 seek the Court's approval to carry-out a sales process.

**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  
COMMERCIAL LIST**

**PROCEEDING COMMENCED AT  
TORONTO**

**SUPPLEMENTARY MOTION RECORD OF  
THE PROPOSAL TRUSTEE**

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