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

FURTHER SUPPLEMENTARY MOTION RECORD OF THE PROPOSAL TRUSTEE

July 12, 2016

PALLETT 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.

TO: SERVICE LIST ATTACHED

SERVICE LIST
(as of July 11, 2016)

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

TO:	**This Honourable Court**	
AND TO:	**Lipman, Zener & Waxman LLP** Barristers and Solicitors 1220 Eglinton Avenue West Toronto, Ontario M6C 2E3 **Attention: Jason D. Spetter** Tel.: 416-789-0652 Fax: 416-789-9015 *Lawyers for Newstart Financial Inc. and Newstart Acceptance Inc.*	Email: jspetter@lzwlaw.com
AND TO:	**Dodick Landau Inc.** 4646 Dufferin Street, Suite 6 Toronto, Ontario M3H 5S4 **Attention: Rahn Dodick** Tel: 416-645-0552 Fax: 416-649-7725 www.dodick.ca *Proposal Trustee*	Email: rahn.dodick@dodick.ca
AND TO:	**Pallett Valo LLP** Lawyers & Trade-Mark Agents 77 City Centre Drive, West Tower Suite 300 Mississauga, Ontario L5M 1M5 **Attention: Alex Ilchenko** **Attention: Wojtek Jaskiewicz** Tel: 905-273-3022 Fax: 905-273-6920 *Lawyers for the Proposal Trustee, Dodick*	Email: ailchenko@pallettvalo.com Email: wjaskiewicz@pallettvalo.com

AND TO:	**Ministry of Finance** Legal Services Branch 777 Bay Street, 11th Floor Toronto, Ontario M5G2C8 **Attention: Kevin O'Hara** Tel: 905-433-6934 Fax: 905-436-4510	E-mail: kevin.ohara@ontario.ca
AND TO:	**Department of Justice** Ontario Regional Office The Exchange Tower 130 King Street West, Suite 3400 Toronto, Ontario M5X 1K6 **Attention: Diane Winters** Tel: 416-973-3172 Fax: 416-973-0810	E-mail: diane.winters@justice.gc.ca
AND TO:	**Blaney McMurtry LLP** Barristers & Solicitors 2 Queen Street East, Suite 1500 Toronto, Ontario M5C 3G5 **Diane P.L. Brooks** Tel: 416-593-1221 Fax: 416-593-5437 *Lawyers for 1455740 Ontario Ltd. and Caroline Taylor*	Email: dbrooks@blaney.com
AND TO:	**7727640 Canada Inc.** 375 Dyson Road Pickering , Ontario L1W 2N2 **Ky Prusse**	Email: ky.pruesse@gmail.com
AND TO:	**Valova Law** 603 ½ Parliament Street, Suite 302 Toronto, Ontario M4X 1P9 **Attention: Alex Valova** *Lawyers for Frank & Ausenda Afonso*	Email: alex@valovalaw.com

AND TO:	**All Credit Auto Ltd.** 710 Windmill Road Dartmouth, Nova Scotia B3B 1R3	Email: info@allcreditauto.ca
AND TO:	**Andrew Reynolds** 709 Merlin Court Manotick, Ontario K4M 0A1	Email: Andrew.reynolds@rogers.com
AND TO:	**Argenco Inc.** 35 Hills Road Ajax, Ontario L1S 2W2	Email: tonylees@sympatico.ca
AND TO:	**Cathy & Roy Jeffery** 56 McLean's Mountain RR #1, Box 60 Little Current, Ontario P0P 1K0	By Courier
AND TO:	**Cecil Li** 2306, 1320 – 1 St SE Calgary, Alberta T2G 0G8	Email: cecil.li@threestreams.com
AND TO:	**Coyote Graphics Inc.** 19 Chestnut Avenue Brampton, Ontario L6X 2A6	Email: dherbert@tdi-imaging.com
AND TO:	**Canada Revenue Agency – Tax** **c/o London Taxes Services Office** **Division Regional Intake Centre for Insolvency** 3 – 451 Talbot Street London, Ontario N6A 4R3 Fax: 519-645-5397	By Courier
AND TO:	**CVC Ardelline Investments Inc.** 8 – 1815 Ironstone Manor Pickering, Ontario L1E 3W9	Email: ardellini@a5capital.ca
AND TO:	**Dealertrack Canada Inc.** 2700 Matheson Blvd. East Tower, Suite 702 Mississauga, Ontario L4W 4V9	Email: jeremy.grafstein@dealertrack.com

AND TO:	**Devry Smith Frank LLP** 100 – 95 Barber Greene Road North York, Ontario M3C 3E9 **Attention: James Satin**	Email: james.satin@devrylaw.ca
AND TO:	**Donna Wheeler** 56 Montgomery Blvd. Kingston, Ontario K7M 3N6	By Courier
AND TO:	**Aitchison Law Office** Oshawa Centre Office Galleria 419 King Street W, Suite 185 Oshawa, Ontario L1J 2K5 **Attention: James Aitchison** *Lawyer for Durham Auto Group Ltd.*	Email: James.Aitchison@alolawyers.com
AND TO:	**Edward Madden** 466 Oakwood Drive Pickering, Ontario L1W 2M7	Email: emadden@rogers.com
AND TO:	**Frank & Maria Damico** 33 Patna Crescent Maple, Ontario L6A 1N6	Email: frank_damico@hotmail.com
AND TO:	**Guy Whitehead** 50 Upton Crescent Markham, Ontario L3R 3T4	By Courier
AND TO:	**Harvey & Lorraine Witty** 14966 Duffy's Lane Caledon, Ontario L7E 3B8	Email: wittylorraine@gmail.com
AND TO:	**Iris Ernst Bieri** 1420 Joanisse Road Clarence Creek, Ontario K0A 1N0	Email: ibieri@ymail.com
AND TO:	**James (Jim) Seeley** 987 Auden Park Drive Kingston, Ontario K7M 7T9	Email: jseeleyking@yahoo.ca
AND TO:	**Jasmine Meng** 92 Treasure Road Maple, Ontario L6A 2Z9	Email: mengjunli@gmail.com

AND TO:	**Phillipe & Jean Louis Gagnon** 1483 Route 133 Grand Barachois, New Brunswick E4P 8C9	Email: 4philgagnon@gmail.com
AND TO:	**John Sweet & Jacqueline Gauthier** 280 Sutherland Drive Toronto, Ontario M4G 1J3	Email: johnsweet@rogers.com
AND TO:	**Jurgen Mack** 1171 Gerrard Street East Toronto, Ontario M4L 1Y3	Email: jurgenmack@yahoo.ca
AND TO:	**Larmar Holdings Inc.** 1730 McPherson Court, Unit 14 Pickering, Ontario L1W 3E6	Email: cleansalesinc@gmail.com
AND TO:	**Lucy Wieland** 811 – 1950 Kennedy Road Toronto, Ontario M1P 4S9	Email: halsey234@gmail.com
AND TO:	**Michael & Marsha Bukata** 14 Doon Drive, Unit 10 London, Ontario N5X 3P2	By Courier
AND TO:	**Modern Para Aluminum Sales Inc.** 419 – 4005 Bayview Avenue Toronto, Ontario M2M 3Z9 **Attention: Milton Nash**	Email: 1313zaide@gmail.com
AND TO:	**Moenes Salib** 606 Amberwood Crescent Pickering, Ontario L1V 3T9	Email: msalib@newstartcanada.ca
AND TO:	**Nelson Christo** 1265 Abbey Road Pickering, Ontario L1X 1W4	Email: nchristo15@hotmail.com
AND TO:	**Ontario Motor Vehicle Industry Council** 65 Overlead Blvd., Suite 300 Toronto, Ontario M4H 1P1 **Attention: Brian Osler**	Email: brian.osler@omvic.on.ca

AND TO:	**Peter J. Larcombe** 75 Ardill Crescent Aurora, Ontario L4G 5S5	Email: peter@carboards.ca
AND TO:	**Petro Canada** **Suncor Energy** 2489 North Sheridan Way Mississauga, Ontario L5K 1A8	By Courier
AND TO:	**Pitney Works** P.O. Box 280 Orangeville, Ontario L9W 2Z7	By Courier
AND TO:	**Robert Fraser** 24 Garden Avenue Brampton, Ontario L6X 1M5	Email: frasermb@rogers.com
AND TO:	**Robert Shortlander** 379 Dyson Road Pickering, Ontario L1W 2N2	Email: bertssolutionsinc@gmail.com
AND TO:	**Robin Korman** 49 Spring Gate Blvd. Thornhill, Ontario L4J 3C9	Email: robinkorman@yahoo.ca
AND TO:	**Shred-It** 6 Curity Avenue Toronto, Ontario M4B 1X2	By Courier
ANDTO:	**Timothy Pompeo** 23A Oak Street North York, Ontario M9N 0A4	Email: t.pompeo@rogers.com
AND TO:	**Workplace Safety and Insurance Board** c/o Collection Services 200 Front Street West Toronto, Ontario M5V 3J1 Fax: 905-521-4203	By Courier

Court File No. 31-2117950
31-2117956
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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

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TAB 1

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

SECOND REPORT TO COURT OF PROPOSAL TRUSTEE

DATED JULY 11, 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 ("**Baker May 19/16 Affidavit**"). A copy of the Baker May 19/16 Affidavit without exhibits is attached as **Appendix "B"**.

3. On May 27, 2016, this Court granted an order (the "**May 27 Order**") which among other things:

   i. approved an extension of time to file a proposal up to and including July

16, 2016;

ii. granted a charge in favour of the Proposal Trustee, counsel to the Proposal Trustee and the Debtors' counsel, the ("**Adminstration Charge**") on the property of the Company in the amount of $150,000, as security for their professional fees and disbursements in respect of these proceedings incurred at the standard rates and charges of the Proposal Trustee and such counsel;

iii. enhanced the powers of the Proposal Trustee. In addition to the powers and duties set out in the BIA, the Proposal Trustee was authorized to carry out the sale and investment solicitation process ("**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; and

iv. approved the SISP attached hereto as **Appendix "C"**.

4. In connection with the Debtors' last appearance before the Court, the Proposal Trustee prepared and filed with the Court its first report dated May 19, 2016 (the "**First Report**"). Enclosed herein as **Appendix "D"** and **Appendix "E"** are copies of the First Report (without appendices) and the May 27 Order, respectively.

5. This second report (the "**Report**") of the Proposal Trustee is made in connection with the motion of the Debtors returnable July 14, 2016 ("**July 14/16 Motion**") to:

i. extend the time for filing a proposal, and further extend the stay of proceedings granted in the May 27 Order, for a period of 45-days to, and including, August 30, 2016; and

ii. report on the status of the SISP.

6. Served and filed with the Court in support of the Debtors' motion for the relief set out herein is an affidavit sworn by David Baker on July 11, 2016 ("**July 11/16 Baker Affidavit**"). A copy of the July 11/16 Baker Affidavit without exhibits is attached hereto as **Appendix "F"**.

7. All capitalized terms used in this Report but not otherwise defined shall have the meaning ascribed to such terms in the July 11/16 Baker Affidavit.

DISCLAIMER

8. In preparing this Report, the Proposal Trustee has relied upon certain unaudited, draft and/or internal financial information, the Debtors books and records, discussions with the management of the Debtors ("**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 for purposes of the

Company's motion returnable July14, 2016. Parties using this Report, other than for the purpose of the motion, are cautioned that it may not be appropriate for their purposes.

9. 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.

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

THE SISP

11. As described in the First Report, the goal of Debtors' proposal proceeding is 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 the approval of the SISP which would allow the Debtors to explore all restructuring alternatives.

12. The terms of the SISP were set out in the First Report and attached hereto as **Appendix "C"**. The more significant milestones in the SISP are:

Sale Process Procedures	Date
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

13. To date, the Proposal Trustee, with the assistance of Management, has carried out various SISP activities which included:

i. identifying prospective strategic and financial purchasers/investors;

ii. preparing and distributing a "teaser" document (the "**Teaser**") to 55 recipients. Enclosed herein as **Appendix "G"** is a copy of the Teaser;

iii. creating a Confidential Information Memorandum;

iv. establishing a virtual data room and placing 22 documents on the site for review by interested parties who have executed a confidentiality agreement;

v. placing calls to certain prospective purchasers/investors who have been identified as strong acquisition or investment candidates; and

vi. answering due diligence questions from interested parties.

OVERVIEW OF THE DEBTORS' WEEKLY CASH FLOW FORECAST

14. The Debtors, with the assistance of the Proposal Trustee, have prepared a cash flow forecast for the period of July 2, 2016 to September 2, 2016 ("**Cash Flow Forecast**"). A copy of the Cash Flow Forecast is attached hereto as **Appendix "H"** 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 nine week forecast period in Canadian dollars.

15. 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 to August 30, 2016.

16. 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.

17. The Cash Flow Variance includes a positive net cash flow variance of $84,000 for the period of May 2, 2016 to July 1, 2016. This positive net cash flow variance is primarily a result of:

    i. permanent differences of approximately $52,000 of receipts composed of twelve early buy-outs of leases, and two insurance claim payouts, not forecast in the Cash Flow Statement;

    ii. approximately $9,000 of lower HST remittances due to timing; and

    iii. approximately $16,000 of lower professional fees due to timing.

18. 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.

19. 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.

20. 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.

21. 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.

EXTENSION OF THE TIME TO FILE A PROPOSAL

22. The Debtors are seeking an extension of the time to file a proposal to and including August 30, 2016 for a total of 45 days.

23. The stay extension is required to provide the Debtors with the necessary time to implement the SISP and successfully complete their reorganization.

24. 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 its business for the benefit of its stakeholders. If the extension applied for is granted, the Debtors would likely be able to make a viable proposal to its

creditors following the completion of the SISP and any resulting transaction. 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.

CONCLUSION AND RECOMMENDATION

25. 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.

26. 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 11th day of July, 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: 

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. 31-2117956
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

Date of the Notice of Intention: May 02, 2016

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 aforenamed 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 aforenamed 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

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

Date of the Notice of Intention: May 02, 2016

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 aforenamed 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 aforenamed insolvent person are stayed as of the date of filing of the Notice of Intention.

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

TAB B

Court File No. 31-2117956

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

AFFIDAVIT OF DAVID BAKER

I, **DAVID BAKER**, of the City of Pickering, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President, sole director and shareholder of Newstart Financial Inc. (**"NFI"**) and Newstart Acceptance Inc. (**"NAI"**) (NFI and NAI shall collectively be referred to as **"Newstart"**). Where I do not have personal knowledge, I have indicated the source of my information and do verily believe such information to be true. Where correspondence is adopted as an exhibit, I do verily believe the information contained therein and that it was sent and received on the date(s) indicated.

2. As NFI and NAI are related entities, I am filing one affidavit that relates to both matters. As there are a number of companies connected to the business of Newstart, I have attached as **Exhibit "A"** hereto an organizational chart which sets out an overview of the various companies.

I. Relief Sought

3. This Affidavit is sworn in support of a motion for an Order:

(a) If necessary, abridging the time for service and filing of the Notice of Motion, the Motion Record and the First Report of Dodick Landau Inc. (the **"Proposal Trustee"**) dated May 19, 2016 (the **"First Report"**) and dispensing with service

on any other person other than those served;

(b) Approving and adopting by reference the e-service protocol of the Commercial List (the **"Protocol"**) such that service of court documents by email in accordance with the Protocol shall be deemed valid and effective service in these proceedings;

(c) Extending the time for filing a proposal, and extending the stay of proceedings granting upon the filing on May 2, 2016 (the **"Filing Date"**) of a Notice of Intention to Make a Proposal (the **"NOI"**), for a period of forty-five (45) days, to and including July 16, 2016;

(d) Granting the Administration Charge (defined below);

(e) Approving a Sale and Investment Solicitation Process (the **"SISP"**) to be undertaken by the Proposal Trustee with the assistance of Newstart; and

(f) Granting the Proposal Trustee expanded powers to implement the SISP and close any transaction under the SISP approved by the Court.

II. Overview and Business Operations

A. Overview of the Businesses:

NFI:

4. NFI is an Ontario corporation that was incorporated on December 11, 2006. Attached hereto as **Exhibit "B"** is a copy of a Corporation Profile Report dated October 28, 2015.

5. NFI provides automobile financing to customers in the subprime market. The vehicles are leased through NFI and NFI manages all aspects of the leasing process.

6. At the date of filing of the NOI, NFI employed six (6) people. Two of the employees were terminated after the NOI was filed. The remaining employees include our bookkeeper, two collectors and me.

7. NFI currently has approximately 678 vehicles under lease.

NAI:

8. NAI is an Ontario corporation that was incorporated on April 2, 2009. Attached hereto as **Exhibit "C"** is a copy of a Corporation Profile Report dated October 28, 2015.

9. 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 other third parties. In most cases, there will be a shortfall on the lease or financing contract and that receivable is sold to NAI on a percentage basis. NAI had also purchased two small distressed portfolios of consumer receivables.

10. NAI does not have any employees. Prior to the filing of the NOI, it outsourced its collection function to third parties on a commission basis. There are no current engagements to collect NAI's outstanding receivables.

11. Newstart operates out of leased facilities at 963 Brock Road, Units 10-11, Pickering, Ontario, L1W 3A4. As of May 1, 2016, Newstart renewed the lease of Unit 10 and relinquished the lease of Unit 11.

B. Assets:

NFI:

12. NFI's primary assets are its lease receivables from its customers as well as the vehicles that are the subject of those leases. Title to the vehicles are held in trust by 1353974 Ontario Inc. (**"135"**) for NFI and NFI provides all funding for the vehicles. 135 is wholly owned by NFI and holds a vehicle dealer license. A copy of Trust Agreement dated August 2, 2007 is attached hereto as **Exhibit "D".**

NAI:

13. NAI's only assets are the distressed leases and loan receivables it purchased from NFI and two third parties. The amounts owing under those leases and loans aggregate in the range of $22-million ranging from current to dating back 15 years. According to NAI's balance sheet, the total net book value of these receivables is approximately $121,000.00 as at July 31, 2015.

C. Secured Indebtedness:

NFI:

14. Attached hereto as **Exhibit "E"** to this my Affidavit is a chart setting out the list of secured creditors of NFI in order of registration under the PPSA.

15. Search results from the Ontario Personal Property Registration System conducted against Newstart as at May 15, 2016 are attached hereto as **Exhibit "F"**.

16. NFI raised funds from a group of approximately 30 sophisticated investors. As security for their investments, the investors received promissory notes as well as security over a specific list of vehicles. Many of the investors have been investing in NFI for 5 to 7 years.

17. Attached hereto as **Exhibit "G"** is a copy of NFI's Creditor List which is attached to the NOI. The total amount owing to all creditors is $6,693,172.75 as at the Filing Date but the breakdown of secured versus unsecured debt has yet to be finalized.

18. My company, Austin J. Mack (1980) Inc. (**"AJM"**), has loaned $615,003.75 (the **"AJM Loan"**). As consideration for the for AJM Loan, NFI executed and delivered a Promissory Note in favour of AJM dated September 5, 2007 (the **"AJM Promissory Note"**), a copy of which is attached hereto as **Exhibit "H"**. Furthermore, NFI executed and delivered a General Security Agreement in favour of AJM dated September 5, 2007 (the **"AJM GSA"**), a copy of which is attached hereto as **Exhibit "I"** (the AJM Promissory Note and the AJM GSA shall collectively be referred to as the **"AJM Security"**).

19. AJM has never received any payment or dividend from NFI in connection to the AJM Loan.

20. On April 27, 2016, AJM assigned the AJM Security to Newstart Inc. (**"NSI"**) pursuant to an Assignment Agreement dated April 27, 2016, a copy of which is attached hereto as **Exhibit "J"**.

21. 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

Bankruptcy and Insolvency Act. Attached hereto and marked as **Exhibit "K"** are copies of the demand and NITES, including the aforementioned waiver.

22. As of the date of this Affidavit, Newstart is current in paying employee source deductions and HST remittances.

NAI:

23. NAI has no secured creditors. Attached hereto as **Exhibit "L"** is a search from the Ontario Personal Property Registration System which confirms that there are no registrations against the said company.

D. Unsecured Creditors:

NFI:

24. As noted above the breakdown of secured versus unsecured indebtedness is in the process of being finalized.

NAI:

25. NAI's only unsecured creditor is Phillip Gagnon. A copy of NAI's Creditor List attached to the NOI is attached hereto as **Exhibit "M"**.

III. Current Status of the Companies

A. Factors Leading to Insolvency:

26. A number of factors have led to Newstart's insolvency including but not limited to the inability of Newstart 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 and a number of investors requesting the return of their invested capital.

27. As a result of the above noted issues, Newstart has faced a liquidity crisis which has made it impossible to maintain its obligations to its creditors.

B. Liquidity Crisis and Filing of NOI:

(a) demand from 1455740 Ontario Ltd.

28. On or about March 11, 2016, NFI received a demand from 1455740 Ontario Ltd. for payment of $108,333.30, a copy of which is attached hereto as **Exhibit "N"**.

(b) demand from Caroline Taylor

29. On or about March 11, 2016, NFI received a demand from Caroline Taylor for payment of $97,500.00, a copy of which is attached hereto as **Exhibit "O"**.

(c) claim from the Afonsos

30. On or about April 12, 2016, Newstart was served with a Statement of Claim as Defendant listing Frank Afonso and Ausenda Afonso as Plaintiffs, seeking (among other things) payment by Newstart to the Plaintiff of $270,000.00. Attached hereto as **Exhibit "P"** is a true copy of the Statement of Claim dated April 12, 2016.

31. In response to the above referenced liquidity crisis, the aforementioned demands, and the issuance of the Statement of Claim by the Afonsos, Newstart determined that it had no other readily available options but to file the NOIs on the Filing Date to prevent irreparable harm to the business of Newstart and the erosion of the capital of its investors.

32. To date, Newstart has not filed a proposal. A copy of the Certificates of Filing of the NOIs are attached hereto as **Exhibits "Q" and "R"** respectively.

33. Newstart filed the NOIs in order to preserve the status quo and to preserve its business operations.

IV. Overview of Restructing Plan and SISP

34. The paramount goal of Newstart is to preserve, maximize and realize value for the benefit of all stakeholders. Newstart is of the view that the restructuring of Newstart to be undertaken under the BIA will likely involve a sale of its business. Newstart will explore all options to maximize value for stakeholders.

35. The purpose of the SISP is to identify one or more financiers, purchasers or investors in Newstart's business with a projected completion date of a transaction or transactions by the end of September 2016.

36. The SISP will include broad marketing to all potential financiers and investors, including those that have already expressed interest in purchasing the business. The SISP will accommodate offers for the purchase of Newstarts assets. It will be a fair and transparent process that will be implemented by the Proposal Trustee.

37. The SISP, implemented and completed by the Proposal Trustee, would formalize this process and ensure that there will be no complications to completing a transaction resulting from the complex structure of Newstart's business.

38. A chart summarizing the important dates for the SISP is set out below:

Sale Process Procedures	Date
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

39. Newstart approves the SISP being proposed by the Proposal Trustee and I am advised that the Proposal Trustee is agreeable to implementing and completing the SISP on behalf of Newstart.

40. Given the complexity involved in the sale of Newstart's assets and the fact that a related entity may make an offer or be part of a group that makes an offer for Newstart's assets, the Proposal Trustee requires enhanced powers to close the transaction that may arise out of the SISP on behalf of Newstart.

41. The Proposal Trustee has approved Newstart obtaining the form of draft Order being requested, approving the SISP and the expanded powers of the Proposal Trustee described in the draft Order.

V. Cash Flow Forecast

42. Newstart has worked with the Proposal Trustee to prepare a Cash Flow Statement and Report on Cash Flow for Newstart which was filed by Newstart in accordance with the BIA (the **"Cash Flow Forecast"**).

43. Newstart has also prepared as Cash Flow Forecast for the extension period request (the **"Second Cash Flow Forecast"**). Attached hereto as **Exhibit "S"** is a copy of the Cash Flow Forecast and the Second Cash Flow Forecast. Based on my knowledge of the financial position of Newstart and the assumptions set out in the Cash Flow Forecast and the Second Cash Flow Forecast, both of these are fair and reasonable.

VI. Administration Charge

44. Newstart is also requesting that the Court grant a charge in favour of Newstart's counsel and in favour of the Proposal Trustee and its counsel (the **"Professional Advisors"**) to secure payment of fees and expenses incurred in connection with this proceeding (the "Administration Charge").

45. Newstart seeks an Administration Charge in the amount of $150,000.00 to secure payment of the fees and expenses of Newstart's counsel and the Proposal Trustee and its counsel.

46. The Professional Advisors have been and will continue to be actively involved in providing Newstart support, advice and assistance through these proceedings and their ongoing support is necessary to maximize value for all stakeholders. The Proposal Trustee will ensure that the business and affairs of Newstart will be properly managed by existing management of Newstart during these proceedings.

VII. Extension of Stay

47. In order to allow Newstart sufficient time to implement the SISP and to complete its

reorganization successfully, Newstart is seeking an extension of the time for filing of the Proposal to and including July 16, 2016 for a total of 45 days.

48. I verily believe that Newstart has acted in good faith and with diligence and has made best efforts in seeking to restructure the affairs of Newstart after the date of filing the NOI. In order to maximize return for all stakeholders, it would not be possible to complete the restructuring process and prepare a viable Proposal to creditors within the initial stay provided for under the BIA.

49. I verily believe that the requested extension will substantially enhance the likelihood of Newstart making a viable Proposal to its creditors, and will not cause any undue prejudice to any party.

50. An extension of stay proceedings is essential to preserve Newstart's business and to maintain its value. A stay would also provide Newstart with the necessary time to undertake and implement the SISP and complete a transaction with a view to making a successful proposal to creditors.

51. Without the benefit of a stay of proceedings, Newstart would be deemed bankrupt and there would be a fast and significant erosion of value of Newstart's assets.

52. I swear this Affidavit in support of Newstart's motion for the relief requested and for no other or improper purpose.

SWORN BEFORE ME)
at the City of Toronto)
in the Province of Ontario,)
this **19th** day of **May, 2016**)
)
)

DAVID BAKER

A Commissioner for taking oaths, etc.

J. SPETTER

Court File No. 31-2117950

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

AFFIDAVIT OF DAVID BAKER

I, **DAVID BAKER**, of the City of Pickering, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President, sole director and shareholder of Newstart Financial Inc. (**"NFI"**) and Newstart Acceptance Inc. (**"NAI"**) (NFI and NAI shall collectively be referred to as "**Newstart**"). Where I do not have personal knowledge, I have indicated the source of my information and do verily believe such information to be true. Where correspondence is adopted as an exhibit, I do verily believe the information contained therein and that it was sent and received on the date(s) indicated.

2. As NFI and NAI are related entities, I am filing one affidavit that relates to both matters. As there are a number of companies connected to the business of Newstart, I have attached as **Exhibit "A"** hereto an organizational chart which sets out an overview of the various companies.

I. Relief Sought

3. This Affidavit is sworn in support of a motion for an Order:

(a) If necessary, abridging the time for service and filing of the Notice of Motion, the Motion Record and the First Report of Dodick Landau Inc. (the **"Proposal Trustee"**) dated May 19, 2016 (the **"First Report"**) and dispensing with service

on any other person other than those served;

(b) Approving and adopting by reference the e-service protocol of the Commercial List (the **"Protocol"**) such that service of court documents by email in accordance with the Protocol shall be deemed valid and effective service in these proceedings;

(c) Extending the time for filing a proposal, and extending the stay of proceedings granting upon the filing on May 2, 2016 (the **"Filing Date"**) of a Notice of Intention to Make a Proposal (the **"NOI"**), for a period of forty-five (45) days, to and including July 16, 2016;

(d) Granting the Administration Charge (defined below);

(e) Approving a Sale and Investment Solicitation Process (the **"SISP"**) to be undertaken by the Proposal Trustee with the assistance of Newstart; and

(f) Granting the Proposal Trustee expanded powers to implement the SISP and close any transaction under the SISP approved by the Court.

II. Overview and Business Operations

A. Overview of the Businesses:

NFI:

4. NFI is an Ontario corporation that was incorporated on December 11, 2006. Attached hereto as **Exhibit "B"** is a copy of a Corporation Profile Report dated October 28, 2015.

5. NFI provides automobile financing to customers in the subprime market. The vehicles are leased through NFI and NFI manages all aspects of the leasing process.

6. At the date of filing of the NOI, NFI employed six (6) people. Two of the employees were terminated after the NOI was filed. The remaining employees include our bookkeeper, two collectors and me.

7. NFI currently has approximately 678 vehicles under lease.

NAI:

8. NAI is an Ontario corporation that was incorporated on April 2, 2009. Attached hereto as **Exhibit "C"** is a copy of a Corporation Profile Report dated October 28, 2015.

9. 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 other third parties. In most cases, there will be a shortfall on the lease or financing contract and that receivable is sold to NAI on a percentage basis. NAI had also purchased two small distressed portfolios of consumer receivables.

10. NAI does not have any employees. Prior to the filing of the NOI, it outsourced its collection function to third parties on a commission basis. There are no current engagements to collect NAI's outstanding receivables.

11. Newstart operates out of leased facilities at 963 Brock Road, Units 10-11, Pickering, Ontario, L1W 3A4. As of May 1, 2016, Newstart renewed the lease of Unit 10 and relinquished the lease of Unit 11.

B. Assets:

NFI:

12. NFI's primary assets are its lease receivables from its customers as well as the vehicles that are the subject of those leases. Title to the vehicles are held in trust by 1353974 Ontario Inc. (**"135"**) for NFI and NFI provides all funding for the vehicles. 135 is wholly owned by NFI and holds a vehicle dealer license. A copy of Trust Agreement dated August 2, 2007 is attached hereto as **Exhibit "D"**.

NAI:

13. NAI's only assets are the distressed leases and loan receivables it purchased from NFI and two third parties. The amounts owing under those leases and loans aggregate in the range of $22-million ranging from current to dating back 15 years. According to NAI's balance sheet, the total net book value of these receivables is approximately $121,000.00 as at July 31, 2015.

C. Secured Indebtedness:

NFI:

14. Attached hereto as **Exhibit "E"** to this my Affidavit is a chart setting out the list of secured creditors of NFI in order of registration under the PPSA.

15. Search results from the Ontario Personal Property Registration System conducted against Newstart as at May 15, 2016 are attached hereto as **Exhibit "F"**.

16. NFI raised funds from a group of approximately 30 sophisticated investors. As security for their investments, the investors received promissory notes as well as security over a specific list of vehicles. Many of the investors have been investing in NFI for 5 to 7 years.

17. Attached hereto as **Exhibit "G"** is a copy of NFI's Creditor List which is attached to the NOI. The total amount owing to all creditors is $6,693,172.75 as at the Filing Date but the breakdown of secured versus unsecured debt has yet to be finalized.

18. My company, Austin J. Mack (1980) Inc. (**"AJM"**), has loaned $615,003.75 (the **"AJM Loan"**). As consideration for the for AJM Loan, NFI executed and delivered a Promissory Note in favour of AJM dated September 5, 2007 (the **"AJM Promissory Note"**), a copy of which is attached hereto as **Exhibit "H"**. Furthermore, NFI executed and delivered a General Security Agreement in favour of AJM dated September 5, 2007 (the **"AJM GSA"**), a copy of which is attached hereto as **Exhibit "I"** (the AJM Promissory Note and the AJM GSA shall collectively be referred to as the **"AJM Security"**).

19. AJM has never received any payment or dividend from NFI in connection to the AJM Loan.

20. On April 27, 2016, AJM assigned the AJM Security to Newstart Inc. (**"NSI"**) pursuant to an Assignment Agreement dated April 27, 2016, a copy of which is attached hereto as **Exhibit "J"**.

21. 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

Bankruptcy and Insolvency Act. Attached hereto and marked as **Exhibit "K"** are copies of the demand and NITES, including the aforementioned waiver.

22. As of the date of this Affidavit, Newstart is current in paying employee source deductions and HST remittances.

NAI:

23. NAI has no secured creditors. Attached hereto as **Exhibit "L"** is a search from the Ontario Personal Property Registration System which confirms that there are no registrations against the said company.

D. Unsecured Creditors:

NFI:

24. As noted above the breakdown of secured versus unsecured indebtedness is in the process of being finalized.

NAI:

25. NAI's only unsecured creditor is Phillip Gagnon. A copy of NAI's Creditor List attached to the NOI is attached hereto as **Exhibit "M"**.

III. Current Status of the Companies

A. Factors Leading to Insolvency:

26. A number of factors have led to Newstart's insolvency including but not limited to the inability of Newstart 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 and a number of investors requesting the return of their invested capital.

27. As a result of the above noted issues, Newstart has faced a liquidity crisis which has made it impossible to maintain its obligations to its creditors.

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(a) demand from 1455740 Ontario Ltd.

28. On or about March 11, 2016, NFI received a demand from 1455740 Ontario Ltd. for payment of $108,333.30, a copy of which is attached hereto as **Exhibit "N"**.

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29. On or about March 11, 2016, NFI received a demand from Caroline Taylor for payment of $97,500.00, a copy of which is attached hereto as **Exhibit "O"**.

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30. On or about April 12, 2016, Newstart was served with a Statement of Claim as Defendant listing Frank Afonso and Ausenda Afonso as Plaintiffs, seeking (among other things) payment by Newstart to the Plaintiff of $270,000.00. Attached hereto as **Exhibit "P"** is a true copy of the Statement of Claim dated April 12, 2016.

31. In response to the above referenced liquidity crisis, the aforementioned demands, and the issuance of the Statement of Claim by the Afonsos, Newstart determined that it had no other readily available options but to file the NOIs on the Filing Date to prevent irreparable harm to the business of Newstart and the erosion of the capital of its investors.

32. To date, Newstart has not filed a proposal. A copy of the Certificates of Filing of the NOIs are attached hereto as **Exhibits "Q" and "R"** respectively.

33. Newstart filed the NOIs in order to preserve the status quo and to preserve its business operations.

IV. Overview of Restructing Plan and SISP

34. The paramount goal of Newstart is to preserve, maximize and realize value for the benefit of all stakeholders. Newstart is of the view that the restructuring of Newstart to be undertaken under the BIA will likely involve a sale of its business. Newstart will explore all options to maximize value for stakeholders.

35. The purpose of the SISP is to identify one or more financiers, purchasers or investors in Newstart's business with a projected completion date of a transaction or transactions by the end of September 2016.

36. The SISP will include broad marketing to all potential financiers and investors, including those that have already expressed interest in purchasing the business. The SISP will accommodate offers for the purchase of Newstarts assets. It will be a fair and transparent process that will be implemented by the Proposal Trustee.

37. The SISP, implemented and completed by the Proposal Trustee, would formalize this process and ensure that there will be no complications to completing a transaction resulting from the complex structure of Newstart's business.

38. A chart summarizing the important dates for the SISP is set out below:

Sale Process Procedures	Date
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Closing(s) by	September 30, 2016

39. Newstart approves the SISP being proposed by the Proposal Trustee and I am advised that the Proposal Trustee is agreeable to implementing and completing the SISP on behalf of Newstart.

40. Given the complexity involved in the sale of Newstart's assets and the fact that a related entity may make an offer or be part of a group that makes an offer for Newstart's assets, the Proposal Trustee requires enhanced powers to close the transaction that may arise out of the SISP on behalf of Newstart.

41. The Proposal Trustee has approved Newstart obtaining the form of draft Order being requested, approving the SISP and the expanded powers of the Proposal Trustee described in the draft Order.

V. Cash Flow Forecast

42. Newstart has worked with the Proposal Trustee to prepare a Cash Flow Statement and Report on Cash Flow for Newstart which was filed by Newstart in accordance with the BIA (the **"Cash Flow Forecast"**).

43. Newstart has also prepared as Cash Flow Forecast for the extension period request (the **"Second Cash Flow Forecast"**). Attached hereto as **Exhibit "S"** is a copy of the Cash Flow Forecast and the Second Cash Flow Forecast. Based on my knowledge of the financial position of Newstart and the assumptions set out in the Cash Flow Forecast and the Second Cash Flow Forecast, both of these are fair and reasonable.

VI. Administration Charge

44. Newstart is also requesting that the Court grant a charge in favour of Newstart's counsel and in favour of the Proposal Trustee and its counsel (the **"Professional Advisors"**) to secure payment of fees and expenses incurred in connection with this proceeding (the "Administration Charge").

45. Newstart seeks an Administration Charge in the amount of $150,000.00 to secure payment of the fees and expenses of Newstart's counsel and the Proposal Trustee and its counsel.

46. The Professional Advisors have been and will continue to be actively involved in providing Newstart support, advice and assistance through these proceedings and their ongoing support is necessary to maximize value for all stakeholders. The Proposal Trustee will ensure that the business and affairs of Newstart will be properly managed by existing management of Newstart during these proceedings.

VII. Extension of Stay

47. In order to allow Newstart sufficient time to implement the SISP and to complete its

reorganization successfully, Newstart is seeking an extension of the time for filing of the Proposal to and including July 16, 2016 for a total of 45 days.

48. I verily believe that Newstart has acted in good faith and with diligence and has made best efforts in seeking to restructure the affairs of Newstart after the date of filing the NOI. In order to maximize return for all stakeholders, it would not be possible to complete the restructuring process and prepare a viable Proposal to creditors within the initial stay provided for under the BIA.

49. I verily believe that the requested extension will substantially enhance the likelihood of Newstart making a viable Proposal to its creditors, and will not cause any undue prejudice to any party.

50. An extension of stay proceedings is essential to preserve Newstart's business and to maintain its value. A stay would also provide Newstart with the necessary time to undertake and implement the SISP and complete a transaction with a view to making a successful proposal to creditors.

51. Without the benefit of a stay of proceedings, Newstart would be deemed bankrupt and there would be a fast and significant erosion of value of Newstart's assets.

52. I swear this Affidavit in support of Newstart's motion for the relief requested and for no other or improper purpose.

SWORN BEFORE ME)
at the City of Toronto)
in the Province of Ontario,)
this **19th** day of **May, 2016**)
)
)

A Commissioner for taking oaths, etc.
J. SPETTER

DAVID BAKER

TAB C

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 27, 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

Sale Process Procedures	Date
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 D

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

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 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:

Activity	**Timeline**
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 19th 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:

Rahn Dodick, CA, CPA, CIRP, LIT
President

TAB E

Court File No. 31-2117956

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 27th DAY OF
	)	
JUSTICE CONWAY	)	MAY, 2016

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

ORDER

THIS MOTION, made by Newstart Financial Inc. ("**NFI**") and Newstart Acceptance Inc. ("**NAI**") (NFI and NAI shall collectively be referred to as "**Newstart**"), pursuant to the *Bankruptcy and Insolvency Act*, R.S.C 1985, c B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of David Baker sworn May 19, 2016 and the Exhibits thereto (the "**Baker Affidavit**"), the First Report of Dodick Landau Inc. (the "**Proposal Trustee**") dated May 19, 2016 (the "**First Report**") and on being advised that the creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for Newstart, the Proposal Trustee and any other parties who signed the counsel slip;

Service:

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

2. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at: http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/ shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL <[www.dodick.ca]>.

3. **THIS COURT ORDERS** that the E-Service List Keeper and the WebHost (as such terms are defined in the Protocol) for the purpose of this proceeding shall be the Proposal Trustee.

Extension of Time to File Proposal:

4. **THIS COURT ORDERS** that the time for filing of the Proposal, and the stay of proceedings herein, are extended in accordance with Section 50.4(9) of the BIA for a period of 45 days, to and including July 16, 2016.

Proposal Trustee's Fees and Administration Charge:

5. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to Newstart shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by Newstart as part of the costs of these proceedings. Newstart is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and counsel for Newstart on a weekly basis.

6. **THIS COURT ORDERS** that the Proposal Trustee and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Proposal Trustee and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

7. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, and Newstart's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, in the amount of $150,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 8 to 11 hereof.

Validity and Priority of Administration Charge:

8. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

9. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on Newstart's current and future properties, assets and undertakings of every nature and kind whatsoever and wheresoever situated including all proceeds thereof (the "**Property**") and such Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any individual, firm, corporation, governmental body or agency (except statutory deemed trusts that, at law, rank in priority to all other charges), or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**").

10. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, Newstart shall not grant any Encumbrances over any Property that rank in priority to, or pari passu with, the Administration Charge, unless Newstart also obtains the prior written consent of the Proposal Trustee and the beneficiaries of the Administration Charge, or further Order of this Court.

11. **THIS COURT ORDERS** that the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Administration Charge (collectively, the "**Chargees**") shall not otherwise be limited or impaired

in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing or deemed filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds Newstart, and notwithstanding any provision to the contrary in any Agreement:

(a) the creation of the Administration Charge shall not create or be deemed to constitute a breach by Newstart of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting the creation of the Administration Charge; and

(c) the payments made by Newstart pursuant to this Order and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

Enhanced Powers of the Proposal Trustee:

12. **THIS COURT ORDERS** that, in addition to the powers and duties set out in the BIA and this Order (or any other Order of this Court in these proceedings), the Proposal Trustee is hereby fully and exclusively authorized and empowered, but not required, to take any and all actions and steps, and execute any and all documents and writings, on behalf, and in the name of, and binding upon Newstart, in order to carry out its duties under this Order or any other Order of the Court, including to execute all documents relating to the SISP (as defined below) as well as to execute and deliver any documents on behalf of, and binding upon, Newstart in order to implement transactions under the SISP approved by the Court.

13. **THIS COURT ORDERS** that the Proposal Trustee is authorized and empowered, but not required, to operate on behalf of Newstart any of Newstart's existing accounts at any financial institution ("**Newstart's Accounts**"), in such manner as the Proposal Trustee, in its sole discretion, deems necessary or appropriate to assist with the exercise of the Proposal Trustee's powers and duties set out herein, including the ability to add or remove persons having signing authority with respect to any of Newstart's Accounts.

14. **THIS COURT ORDERS** that all employees of Newstart shall remain the employees of Newstart until such time as the Proposal Trustee, on Newstart's behalf, may terminate the employment of such employees. Nothing in this Order shall, in and of itself, cause the Proposal Trustee to be liable for any employee-related liabilities or duties, including, without limitation, wages, severance pay, termination pay, vacation pay and pension or benefit amounts.

15. **THIS COURT ORDERS** that the enhancement of the Proposal Trustee's powers as set forth herein, the exercise by the Proposal Trustee of any of its powers, the performance by the Proposal Trustee of any of its duties, or the use or employment by the Proposal Trustee of any person in connection with its appointment and the performance of its powers and duties shall not constitute the Proposal Trustee the employer, successor employer or related employer of the employees of Newstart within the meaning of any provincial, federal or municipal legislation or common law governing employment, pensions or labour standards or any other statute, regulation or rule of law or equity for any purpose whatsoever or expose the Proposal Trustee to liability to any individuals arising from or relating to their previous employment by Newstart.

16. **THIS COURT ORDERS** that the Proposal Trustee is not, and shall not be or be deemed to be, a director, officer or employee of Newstart.

17. **THIS COURT ORDERS** that Newstart shall continue to have the benefit of all of the protections and priorities as set out in the BIA, or this Order, and any such protections and priorities shall apply to the Proposal Trustee in fulfilling its duties and exercising any of its powers under this Order or any other Order of this Court.

18. **THIS COURT ORDERS** that Newstart its management and advisors shall cooperate fully with the Proposal Trustee and any directions it may provide pursuant to this Order or any other Order of this Court and shall provide the Proposal Trustee with such assistance as the

Proposal Trustee may request from time to time to enable the Proposal Trustee to carry out its duties and powers as set out in this Order or any other Order of this Court.

19. **THIS COURT ORDERS** that nothing in this Order shall constitute or be deemed to constitute the Proposal Trustee as a receiver, assignee, liquidator, administrator, receiver manager, agent of the creditors or legal representative of Newstart within the meaning of any relevant legislation and that any distribution made to creditors of Newstart by the Proposal Trustee will be deemed to have been made by Newstart itself.

20. **THIS COURT ORDERS** that the Proposal Trustee shall not take possession of the Property, and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the business or Property of Newstart, or any part thereof.

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the Canadian Environmental Protection Act, the Ontario Environmental Protection Act, the Ontario Water Resources Act, or the Ontario Occupational Health and Safety Act and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

22. **THIS COURT ORDERS** that the Proposal Trustee shall provide any creditor of Newstart with information provided by Newstart in response to reasonable requests for information made in writing by such creditor addressed to the Proposal Trustee. The Proposal Trustee shall not have any responsibility or liability with respect to the information disseminated

by it pursuant to this paragraph. In the case of information that the Proposal Trustee has been advised by Newstart is confidential, the Proposal Trustee shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Proposal Trustee and Newstart may agree.

23. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Proposal Trustee under the BIA or as an officer of this Court, the Proposal Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Proposal Trustee by the BIA or any applicable legislation.

Sale and Investment Solicitation Process:

24. **THIS COURT ORDERS** that the Sale and Investment Solicitation Process (the "**SISP**"), attached as **Schedule "A"** to this Order, is approved.

25. **THIS COURT ORDERS** that Newstart and the Proposal Trustee are authorized and directed to perform their obligations under and take such steps as they consider necessary or desirable in carrying out the SISP.

26. **THIS COURT ORDERS** that the Proposal Trustee shall have no personal or corporate liability in connection with the SISP, including, without limitation:

(a) by advertising the SISP;

(b) by exposing the Property to any and all parties;

(c) by responding to any and all requests or inquiries regarding due diligence conducted in respect of Newstart or the Property;

(d) through the disclosure of any and all information regarding Newstart or the Property arising from, incidental to or in connection with the SISP; and

(e) pursuant to any and all offers received by Newstart in accordance with the SISP.

27. **THIS COURT ORDERS** that, in connection with the SISP and pursuant to clause7(3)(c) of the *Personal Information Protection and Electronic Documents Act (Canada),* Newstart and the Proposal Trustee are authorized and permitted to disclose personal information of identifiable individuals to prospective investors, financiers, purchasers or offerors and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more investment, finance or sale transactions (each, a **"Transaction"**). Each prospective investor, financier, purchaser, or offeror to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall: (i) return all such information to Newstart or the Proposal Trustee, as applicable; (ii) destroy all such information; or (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by Newstart, and shall return all other personal information to Newstart or the Proposal Trustee, as applicable, or ensure that all other personal information is destroyed.

General:

28. **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 Newstart, the Proposal Trustee and their respective 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 Newstart and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist Newstart and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

29. **THIS COURT ORDERS** that each of Newstart and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered

to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

30. **THIS COURT ORDERS** that any interested party (including Newstart and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

Schedule "A"

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 •, 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

Sale Process Procedures	Date
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

Schedule "A"

Obtain Court approval of Proposal by	September 16, 2016
Closing(s) by	September 30, 2016

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at

TORONTO

ORDER

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Newstart Acceptance Inc.

Court File No. 31-2117950

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	FRIDAY, THE 27th DAY OF
	)	
JUSTICE CONWAY	)	MAY, 2016

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

ORDER

THIS MOTION, made by Newstart Financial Inc. ("**NFI**") and Newstart Acceptance Inc. ("**NAI**") (NFI and NAI shall collectively be referred to as "**Newstart**"), pursuant to the *Bankruptcy and Insolvency Act*, R.S.C 1985, c B-3, as amended (the "**BIA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of David Baker sworn May 19, 2016 and the Exhibits thereto (the "**Baker Affidavit**"), the First Report of Dodick Landau Inc. (the "**Proposal Trustee**") dated May 19, 2016 (the "**First Report**") and on being advised that the creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for Newstart, the Proposal Trustee and any other parties who signed the counsel slip;

Service:

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

2. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at: http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/ shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL <[www.dodick.ca]>.

3. **THIS COURT ORDERS** that the E-Service List Keeper and the WebHost (as such terms are defined in the Protocol) for the purpose of this proceeding shall be the Proposal Trustee.

Extension of Time to File Proposal:

4. **THIS COURT ORDERS** that the time for filing of the Proposal, and the stay of proceedings herein, are extended in accordance with Section 50.4(9) of the BIA for a period of 45 days, to and including July 16, 2016.

Proposal Trustee's Fees and Administration Charge:

5. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to Newstart shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by Newstart as part of the costs of these proceedings. Newstart is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and counsel for Newstart on a weekly basis.

6. **THIS COURT ORDERS** that the Proposal Trustee and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Proposal Trustee and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

7. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, and Newstart's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, in the amount of $150,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 8 to 11 hereof.

Validity and Priority of Administration Charge:

8. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

9. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on Newstart's current and future properties, assets and undertakings of every nature and kind whatsoever and wheresoever situated including all proceeds thereof (the "**Property**") and such Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any individual, firm, corporation, governmental body or agency (except statutory deemed trusts that, at law, rank in priority to all other charges), or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**").

10. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, Newstart shall not grant any Encumbrances over any Property that rank in priority to, or pari passu with, the Administration Charge, unless Newstart also obtains the prior written consent of the Proposal Trustee and the beneficiaries of the Administration Charge, or further Order of this Court.

11. **THIS COURT ORDERS** that the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Administration Charge (collectively, the "**Chargees**") shall not otherwise be limited or impaired

in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing or deemed filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds Newstart, and notwithstanding any provision to the contrary in any Agreement:

(a) the creation of the Administration Charge shall not create or be deemed to constitute a breach by Newstart of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting the creation of the Administration Charge; and

(c) the payments made by Newstart pursuant to this Order and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

Enhanced Powers of the Proposal Trustee:

12. **THIS COURT ORDERS** that, in addition to the powers and duties set out in the BIA and this Order (or any other Order of this Court in these proceedings), the Proposal Trustee is hereby fully and exclusively authorized and empowered, but not required, to take any and all actions and steps, and execute any and all documents and writings, on behalf, and in the name of, and binding upon Newstart, in order to carry out its duties under this Order or any other Order of the Court, including to execute all documents relating to the SISP (as defined below) as well as to execute and deliver any documents on behalf of, and binding upon, Newstart in order to implement transactions under the SISP approved by the Court.

13. **THIS COURT ORDERS** that the Proposal Trustee is authorized and empowered, but not required, to operate on behalf of Newstart any of Newstart's existing accounts at any financial institution ("**Newstart's Accounts**"), in such manner as the Proposal Trustee, in its sole discretion, deems necessary or appropriate to assist with the exercise of the Proposal Trustee's powers and duties set out herein, including the ability to add or remove persons having signing authority with respect to any of Newstart's Accounts.

14. **THIS COURT ORDERS** that all employees of Newstart shall remain the employees of Newstart until such time as the Proposal Trustee, on Newstart's behalf, may terminate the employment of such employees. Nothing in this Order shall, in and of itself, cause the Proposal Trustee to be liable for any employee-related liabilities or duties, including, without limitation, wages, severance pay, termination pay, vacation pay and pension or benefit amounts.

15. **THIS COURT ORDERS** that the enhancement of the Proposal Trustee's powers as set forth herein, the exercise by the Proposal Trustee of any of its powers, the performance by the Proposal Trustee of any of its duties, or the use or employment by the Proposal Trustee of any person in connection with its appointment and the performance of its powers and duties shall not constitute the Proposal Trustee the employer, successor employer or related employer of the employees of Newstart within the meaning of any provincial, federal or municipal legislation or common law governing employment, pensions or labour standards or any other statute, regulation or rule of law or equity for any purpose whatsoever or expose the Proposal Trustee to liability to any individuals arising from or relating to their previous employment by Newstart.

16. **THIS COURT ORDERS** that the Proposal Trustee is not, and shall not be or be deemed to be, a director, officer or employee of Newstart.

17. **THIS COURT ORDERS** that Newstart shall continue to have the benefit of all of the protections and priorities as set out in the BIA, or this Order, and any such protections and priorities shall apply to the Proposal Trustee in fulfilling its duties and exercising any of its powers under this Order or any other Order of this Court.

18. **THIS COURT ORDERS** that Newstart its management and advisors shall cooperate fully with the Proposal Trustee and any directions it may provide pursuant to this Order or any other Order of this Court and shall provide the Proposal Trustee with such assistance as the

Proposal Trustee may request from time to time to enable the Proposal Trustee to carry out its duties and powers as set out in this Order or any other Order of this Court.

19. **THIS COURT ORDERS** that nothing in this Order shall constitute or be deemed to constitute the Proposal Trustee as a receiver, assignee, liquidator, administrator, receiver manager, agent of the creditors or legal representative of Newstart within the meaning of any relevant legislation and that any distribution made to creditors of Newstart by the Proposal Trustee will be deemed to have been made by Newstart itself.

20. **THIS COURT ORDERS** that the Proposal Trustee shall not take possession of the Property, and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the business or Property of Newstart, or any part thereof.

21. **THIS COURT ORDERS** that nothing herein contained shall require the Proposal Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the Canadian Environmental Protection Act, the Ontario Environmental Protection Act, the Ontario Water Resources Act, or the Ontario Occupational Health and Safety Act and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Proposal Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Proposal Trustee shall not, as a result of this Order or anything done in pursuance of the Proposal Trustee's duties and powers under this Order, be deemed to be in possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

22. **THIS COURT ORDERS** that the Proposal Trustee shall provide any creditor of Newstart with information provided by Newstart in response to reasonable requests for information made in writing by such creditor addressed to the Proposal Trustee. The Proposal Trustee shall not have any responsibility or liability with respect to the information disseminated

by it pursuant to this paragraph. In the case of information that the Proposal Trustee has been advised by Newstart is confidential, the Proposal Trustee shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Proposal Trustee and Newstart may agree.

23. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Proposal Trustee under the BIA or as an officer of this Court, the Proposal Trustee shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Proposal Trustee by the BIA or any applicable legislation.

Sale and Investment Solicitation Process:

24. **THIS COURT ORDERS** that the Sale and Investment Solicitation Process (the "**SISP**"), attached as **Schedule "A"** to this Order, is approved.

25. **THIS COURT ORDERS** that Newstart and the Proposal Trustee are authorized and directed to perform their obligations under and take such steps as they consider necessary or desirable in carrying out the SISP.

26. **THIS COURT ORDERS** that the Proposal Trustee shall have no personal or corporate liability in connection with the SISP, including, without limitation:

(a) by advertising the SISP;

(b) by exposing the Property to any and all parties;

(c) by responding to any and all requests or inquiries regarding due diligence conducted in respect of Newstart or the Property;

(d) through the disclosure of any and all information regarding Newstart or the Property arising from, incidental to or in connection with the SISP; and

(e) pursuant to any and all offers received by Newstart in accordance with the SISP.

27. **THIS COURT ORDERS** that, in connection with the SISP and pursuant to clause7(3)(c) of the *Personal Information Protection and Electronic Documents Act (Canada),* Newstart and the Proposal Trustee are authorized and permitted to disclose personal information of identifiable individuals to prospective investors, financiers, purchasers or offerors and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more investment, finance or sale transactions (each, a "**Transaction**"). Each prospective investor, financier, purchaser, or offeror to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall: (i) return all such information to Newstart or the Proposal Trustee, as applicable; (ii) destroy all such information; or (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by Newstart, and shall return all other personal information to Newstart or the Proposal Trustee, as applicable, or ensure that all other personal information is destroyed.

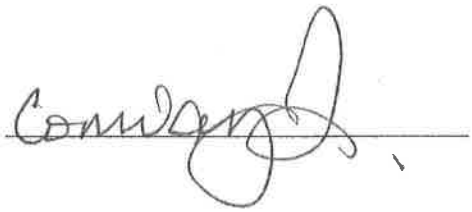
General:

28. **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 Newstart, the Proposal Trustee and their respective 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 Newstart and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist Newstart and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

29. **THIS COURT ORDERS** that each of Newstart and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered

to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

30. **THIS COURT ORDERS** that any interested party (including Newstart and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



Schedule "A"

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 •, 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

Sale Process Procedures	Date
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

Schedule "A"

Obtain Court approval of Proposal by	September 16, 2016
Closing(s) by	September 30, 2016

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

Court File No. 31-2117950

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at

TORONTO

ORDER

LIPMAN, ZENER & WAXMAN LLP
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Lawyers for Newstart Financial Inc. and
Newstart Acceptance Inc.

TAB F

Court File No. 31-2117956

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

AFFIDAVIT OF DAVID BAKER

I, **DAVID BAKER**, of the City of Pickering, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President, sole director and shareholder of Newstart Financial Inc. (**"NFI"**) and Newstart Acceptance Inc. (**"NAI"**) (NFI and NAI shall collectively be referred to as **"Newstart"**). Where I do not have personal knowledge, I have indicated the source of my information and do verily believe such information to be true. Where correspondence is adopted as an exhibit, I do verily believe the information contained therein and that it was sent and received on the date(s) indicated.

I. Relief Sought

2. This Affidavit is sworn in support of a motion for an Order:

(a) abridging the time for service and filing of the Notice of Motion, the Motion Record and the Second Report of Dodick Landau Inc. (the **"Proposal Trustee"**) dated July 8, 2016 (the **"Second Report"**) and dispensing with service on any other person other than those served; and

(b) extending the time for filing a proposal, and extending the stay of proceedings granted upon the filing on May 2, 2016 (the **"Filing Date"**) of a Notice of Intention to Make a Proposal (the **"NOI"**), and extended by the Order of the

Honourable Justice Conway dated May 27, 2016 (the "**First Extension and Sale Process Approval Order**"), for a period of forty-five (45) days, to and including August 30, 2016.

II. Overview, Business Operations and Corporate Structure

A. Overview of the Businesses:

NFI:

3. NFI provides automobile financing to customers in the subprime market. The vehicles are leased through NFI and NFI manages all aspects of the leasing process.

4. NFI currently employs four people, including our bookkeeper, two collectors and me. NFI currently has approximately 636 vehicles under lease and 42 leases have been terminated since the NOI was filed. Of the leases that were terminated, 22 were at the end of term, 19 were early buyouts and 1 was repossessed.

NAI:

5. 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 other third parties. In most cases, there will be a shortfall on the lease or financing contract and that receivable is sold to NAI on a percentage basis. NAI had also purchased two small distressed portfolios of consumer receivables.

6. NAI does not have any employees. Prior to the filing of the NOI, it outsourced its collection function to third parties on a commission basis. There are no current engagements to collect NAI's outstanding receivables.

B. Assets:

NFI:

7. NFI's primary assets are its lease receivables from its customers as well as the vehicles that are the subject of those leases. Title to the vehicles are held in trust by 1353974 Ontario Inc.

("**135**") for NFI and NFI provides all funding for the vehicles. 135 is wholly owned by NFI and holds a vehicle dealer license. A copy of Trust Agreement dated August 2, 2007 is attached hereto as **Exhibit "A"**.

NAI:

8. NAI's only assets are the distressed leases and loan receivables it purchased from NFI and two third parties. The amounts owing under those leases and loans aggregate in the range of $22-million ranging from current to dating back 15 years. According to NAI's balance sheet, the total net book value of these receivables is approximately $121,000.00 as at July 31, 2015.

C. Secured Indebtedness:

NFI:

9. Attached hereto as **Exhibit "B"** to this my Affidavit is a chart setting out the list of secured creditors of NFI in order of registration under the PPSA.

10. NFI raised funds from a group of approximately 30 sophisticated investors. As security for their investments, the investors received promissory notes as well as security over a specific list of vehicles. Many of the investors have been investing in NFI for 5 to 7 years.

11. Attached hereto as **Exhibit "C"** is a copy of NFI's Creditor List which is attached to the NOI. The total amount owing to all creditors is $6,693,172.75 as at the Filing Date but the breakdown of secured versus unsecured debt has yet to be finalized.

NAI:

12. NAI has no secured creditors. Attached hereto as **Exhibit "D"** is a search from the Ontario Personal Property Registration System which confirms that there are no registrations against the said company.

III. Overview of Restructing Plan and SISP

13. The paramount goal of Newstart is to preserve, maximize and realize value for the benefit of all stakeholders through a refinancing, recapitalization or sale of Newstart's business.

14. On May 27, 2016 this Court granted the First Extension and Sale Process Approval Order approving among other things:

(a) An extension of time for filing a proposal up to and including July 16, 2016;

(b) Approving a sale and investment solicitation process (the "**SISP**") to be undertaken by the Proposal Trustee with the assistance of Newstart's management.

A copy of the First Extension and Sale Process Approval Order is attached hereto as **Exhibit "E".**

15. The purpose of the SISP is to identify one or more financiers, purchasers or investors in Newstart's business with a projected completion date of a transaction or transactions by the end of September 2016.

16. A chart summarizing the important dates for the SISP is set out below:

Sale Process Procedures	Date
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

17. In accordance with the SISP the Proposal Trustee, with Newstart's assistance, has taken the following steps subsequent to the date of the First Extension and Sale Process Approval Order:

(a) Identified prospective strategic and financial purchasers/investors;

(b) Prepared and distributed a "teaser" documents to 55 recipients;

(c) Created a Confidential Information Memorandum;

(d) Established a virtual data room and placed 22 documents on the site for review by interested parties who have executed a confidentiality agreement;

(e) Placed calls to certain prospective purchasers/inventors who have been identified

as strong acquisition or investment candidates; and

(f) Answered due diligence from interested parties.

IV. Cash Flow Forecast

18. Newstart has worked with the Proposal Trustee to prepare a Cash Flow Statement and Report on Cash Flow for Newstart (the **"Second Extension Cash Flow Forecast"**) for the second extension period requested to August 30, 2016 (the "Second Extension Period") which is attached hereto as **Exhibit "F"**.

19. Based on my knowledge of the financial position of Newstart and the assumptions set out in the Second Extension Cash Flow Forecast, I believe that this cash flow forecast is fair and reasonable. The Second Extension Cash Flow Forecast projects that Newstart has sufficient funds to fund expenditures until September 2, 2016.

V. Extension of Stay

20. In order to allow Newstart sufficient time to implement the SISP and to complete its reorganization successfully, Newstart is seeking an extension of the time for filing of the Proposal to and including August 30, 2016.

21. I verily believe that Newstart has acted in good faith and with diligence and has been making its best efforts in seeking to restructure the affairs of Newstart after the date of filing the NOI.

22. Given the efforts expended by Newstart in assisting the Proposal Trustee in implementing the SISP, it was not possible to complete a restructuring process and to prepare a viable proposal to creditors within the stay period provided for in the First Extension and Sale Process Approval Order.

23. I verily believe that the requested extension will substantially enhance the likelihood of Newstart making a viable proposal to its creditors, and will not cause any undue prejudice to any party.

24. An extension of stay proceedings is essential to preserve Newstart's business and to maintain its enterprise value. A stay would also provide Newstart with the necessary time to assist the Proposal Trustee in the undertaking and implementation of the SISP and to complete a transaction with a view to making a successful proposal to creditors.

25. Without the benefit of a stay of proceedings, Newstart would be deemed bankrupt and there would be a fast and significant erosion of value of Newstart's assets.

26. I swear this Affidavit in support of Newstart's motion for the relief requested, and for no other or improper purpose.

SWORN BEFORE ME)
at the City of Toronto)
in the Province of Ontario,)
this 11TH day of **July, 2016**)
)
)

A Commissioner for taking oaths, etc.
J. SPETTEL

DAVID BAKER

Court File No. 31-2117950

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

AFFIDAVIT OF DAVID BAKER

I, **DAVID BAKER**, of the City of Pickering, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

1. I am the President, sole director and shareholder of Newstart Financial Inc. (**"NFI"**) and Newstart Acceptance Inc. (**"NAI"**) (NFI and NAI shall collectively be referred to as **"Newstart"**). Where I do not have personal knowledge, I have indicated the source of my information and do verily believe such information to be true. Where correspondence is adopted as an exhibit, I do verily believe the information contained therein and that it was sent and received on the date(s) indicated.

I. Relief Sought

2. This Affidavit is sworn in support of a motion for an Order:

(a) abridging the time for service and filing of the Notice of Motion, the Motion Record and the Second Report of Dodick Landau Inc. (the **"Proposal Trustee"**) dated July 8, 2016 (the **"Second Report"**) and dispensing with service on any other person other than those served; and

(b) extending the time for filing a proposal, and extending the stay of proceedings granted upon the filing on May 2, 2016 (the **"Filing Date"**) of a Notice of Intention to Make a Proposal (the **"NOI"**), and extended by the Order of the

Honourable Justice Conway dated May 27, 2016 (the "**First Extension and Sale Process Approval Order**"), for a period of forty-five (45) days, to and including August 30, 2016.

II. Overview, Business Operations and Corporate Structure

A. Overview of the Businesses:

NFI:

3. NFI provides automobile financing to customers in the subprime market. The vehicles are leased through NFI and NFI manages all aspects of the leasing process.

4. NFI currently employs four people, including our bookkeeper, two collectors and me. NFI currently has approximately 636 vehicles under lease and 42 leases have been terminated since the NOI was filed. Of the leases that were terminated, 22 were at the end of term, 19 were early buyouts and 1 was repossessed.

NAI:

5. 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 other third parties. In most cases, there will be a shortfall on the lease or financing contract and that receivable is sold to NAI on a percentage basis. NAI had also purchased two small distressed portfolios of consumer receivables.

6. NAI does not have any employees. Prior to the filing of the NOI, it outsourced its collection function to third parties on a commission basis. There are no current engagements to collect NAI's outstanding receivables.

B. Assets:

NFI:

7. NFI's primary assets are its lease receivables from its customers as well as the vehicles that are the subject of those leases. Title to the vehicles are held in trust by 1353974 Ontario Inc.

(**"135"**) for NFI and NFI provides all funding for the vehicles. 135 is wholly owned by NFI and holds a vehicle dealer license. A copy of Trust Agreement dated August 2, 2007 is attached hereto as **Exhibit "A".**

NAI:

8. NAI's only assets are the distressed leases and loan receivables it purchased from NFI and two third parties. The amounts owing under those leases and loans aggregate in the range of $22-million ranging from current to dating back 15 years. According to NAI's balance sheet, the total net book value of these receivables is approximately $121,000.00 as at July 31, 2015.

C. Secured Indebtedness:

NFI:

9. Attached hereto as **Exhibit "B"** to this my Affidavit is a chart setting out the list of secured creditors of NFI in order of registration under the PPSA.

10. NFI raised funds from a group of approximately 30 sophisticated investors. As security for their investments, the investors received promissory notes as well as security over a specific list of vehicles. Many of the investors have been investing in NFI for 5 to 7 years.

11. Attached hereto as **Exhibit "C"** is a copy of NFI's Creditor List which is attached to the NOI. The total amount owing to all creditors is $6,693,172.75 as at the Filing Date but the breakdown of secured versus unsecured debt has yet to be finalized.

NAI:

12. NAI has no secured creditors. Attached hereto as **Exhibit "D"** is a search from the Ontario Personal Property Registration System which confirms that there are no registrations against the said company.

III. Overview of Restructing Plan and SISP

13. The paramount goal of Newstart is to preserve, maximize and realize value for the benefit of all stakeholders through a refinancing, recapitalization or sale of Newstart's business.

14. On May 27, 2016 this Court granted the First Extension and Sale Process Approval Order approving among other things:

(a) An extension of time for filing a proposal up to and including July 16, 2016;

(b) Approving a sale and investment solicitation process (the "**SISP**") to be undertaken by the Proposal Trustee with the assistance of Newstart's management.

A copy of the First Extension and Sale Process Approval Order is attached hereto as **Exhibit "E".**

15. The purpose of the SISP is to identify one or more financiers, purchasers or investors in Newstart's business with a projected completion date of a transaction or transactions by the end of September 2016.

16. A chart summarizing the important dates for the SISP is set out below:

Sale Process Procedures	Date
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

17. In accordance with the SISP the Proposal Trustee, with Newstart's assistance, has taken the following steps subsequent to the date of the First Extension and Sale Process Approval Order:

(a) Identified prospective strategic and financial purchasers/investors;

(b) Prepared and distributed a "teaser" documents to 55 recipients;

(c) Created a Confidential Information Memorandum;

(d) Established a virtual data room and placed 22 documents on the site for review by interested parties who have executed a confidentiality agreement;

(e) Placed calls to certain prospective purchasers/inventors who have been identified

as strong acquisition or investment candidates; and

(f) Answered due diligence from interested parties.

IV. Cash Flow Forecast

18. Newstart has worked with the Proposal Trustee to prepare a Cash Flow Statement and Report on Cash Flow for Newstart (the **"Second Extension Cash Flow Forecast"**) for the second extension period requested to August 30, 2016 (the "Second Extension Period") which is attached hereto as **Exhibit "F".**

19. Based on my knowledge of the financial position of Newstart and the assumptions set out in the Second Extension Cash Flow Forecast, I believe that this cash flow forecast is fair and reasonable. The Second Extension Cash Flow Forecast projects that Newstart has sufficient funds to fund expenditures until September 2, 2016.

V. Extension of Stay

20. In order to allow Newstart sufficient time to implement the SISP and to complete its reorganization successfully, Newstart is seeking an extension of the time for filing of the Proposal to and including August 30, 2016.

21. I verily believe that Newstart has acted in good faith and with diligence and has been making its best efforts in seeking to restructure the affairs of Newstart after the date of filing the NOI.

22. Given the efforts expended by Newstart in assisting the Proposal Trustee in implementing the SISP, it was not possible to complete a restructuring process and to prepare a viable proposal to creditors within the stay period provided for in the First Extension and Sale Process Approval Order.

23. I verily believe that the requested extension will substantially enhance the likelihood of Newstart making a viable proposal to its creditors, and will not cause any undue prejudice to any party.

24. An extension of stay proceedings is essential to preserve Newstart's business and to maintain its enterprise value. A stay would also provide Newstart with the necessary time to assist the Proposal Trustee in the undertaking and implementation of the SISP and to complete a transaction with a view to making a successful proposal to creditors.

25. Without the benefit of a stay of proceedings, Newstart would be deemed bankrupt and there would be a fast and significant erosion of value of Newstart's assets.

26. I swear this Affidavit in support of Newstart's motion for the relief requested, and for no other or improper purpose.

SWORN BEFORE ME)
at the City of Toronto)
in the Province of Ontario,)
this 1st day of **July, 2016**)
)
)

A Commissioner for taking oaths, etc.
J. SPETTER

DAVID BAKER

TAB G

DODICK
LANDAU

Newstart Financial Inc. and Newstart Acceptance Inc.

Consumer Auto Finance Acquisition and Investment Opportunity

June 1, 2016

CONSUMER AUTO FINANCE

On May 2, 2016, Dodick Landau Inc. ("DLI") was appointed Proposal Trustee of Newstart Financial Inc. ("NFI") and Newstart Acceptance Inc. ("NAI", and together with NFI, "Newstart"). NFI leases automobiles to consumers with subprime credit. NFI also has a small portfolio of unsecured consumer micro-loans. NAI purchases distressed accounts from NFI and also owns two small portfolios of consumer loans that it purchased from third parties. Newstart's office is located in Pickering, Ontario, Canada.

The Proposal Trustee is soliciting offers from one or more purchasers of, or investors in, the business and assets of Newstart from qualified parties with a projected closing date of September 30, 2016. Offers will be accepted for consideration until 5:00 p.m. E.S.T. on August 2, 2016. Offers acceptable to the Proposal Trustee will be subject to the approval of the Ontario Superior Court of Justice.

Description of Business

From its inception in 2007, Newstart's primary business has been leasing automobiles to consumers with subprime credit. The leases were originated through a network of used car dealers, located primarily in Ontario, as well as some in Nova Scotia. At the time each lease is underwritten, the customer must be approved in accordance with Newstart's credit criteria. Customers are all local to the originating dealerships, but there are a small number of customers who have since relocated to other Provinces. Newstart conducts all its business from its office in Pickering, Ontario, which is in close proximity to several used car dealers and subprime customers in Scarborough, Pickering and Ajax.

Newstart is a Certified B Corporation and conducts its business in accordance with its stated mission: to be a socially responsible lender helping the segment of the market with low income, those with challenged credit, those that have declared bankruptcy or filed a consumer proposal. Newstart's target customer requires a vehicle to get to and from work. Newstart adheres to underwriting guidelines that it developed from years of experience. In addition to the traditional credit criteria around payment history, derogatory items and utilization. NFI's credit guidelines also include a telephone or in-person interview with each credit applicant and a maximum payment to disposable income ratio. Newstart reports account activity monthly to Equifax.

A number of factors have led to Newstart's insolvency, including but not limited to: the inability of Newstart to attract capital at a lower cost, lack of sufficient capital to grow the lease/loan portfolio to a large enough size to cover the basic operating costs of the business, and several debt holders requesting the return of their invested capital at a point when it would not have been possible for management to replace the retiring debt with new debt.

Highlights

NFI's current portfolio consists of:

Type	Contract Count	Orig. Amt Financed	Payments Rec'd	Current Net Balance	Remaining Payments	Residual**
Lease	484	3,324	2,821	2,333	2,962	278
Loan	109	333	157	406	452	0
Collections*	104	654	532	663	788	22
Total	**697**	**4,311**	**3,510**	**3,402**	**4,202**	**300**

All amounts are in $000's, except for Contract Count.

* Collection status accounts are those in payment default that have not been deemed uncollectable.

** Many leases have end of term purchase options. The purchase option amount has not been factored into the calculation of periodic rent and is not included in any of the other balances.

- During the period from August 2010 – October 2015, NFI originated $14 million of leases and loans at an average amount financed of $5,716. Average contract yield was 30.1% and average term was 29 months.
- NFI typically reserves 15% against future losses for vehicle leases and consumer loans and 65% for accounts in legal status.
- From its inception, NFI transferred approximately $22 million of net receivables to NAI.
- Key employees of Newstart continue to be available.
- There exists tax losses which may be available for carry-forward and offset against profits in future years.

Interested parties who wish to pursue this opportunity should contact one of the following DLI representatives for additional information on the sales process, detailed information on the business and descriptions of the assets available:

Rahn Dodick, CPA, CA, CIRP, LIT
President
Telephone: (416) 645-0552
Facsimile: (416) 649-7725
E-mail: rahn.dodick@dodick.ca

Naomi Lieberman, CPA, CA, CIRP, LIT
Senior Manager
Telephone: (416) 525-4212
Facsimile: (416) 649-7725
E-mail: naomi.lieberman@dodick.ca

In developing this document, DLI has relied upon unaudited information, Newstart's records, and discussions with management of Newstart. DLI has not performed an audit or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants has not been performed. Future oriented financial information relied upon in this document is based on assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

TAB H

Newstart Financial Inc.
Cash Flow Statement - Variance Analysis
Period of April 30, 2016 to July 1, 2016

		ACTUAL										PLAN										VARIANCE
		1	2	3	4	5	6	7	8	9		1	2	3	4	5	6	7	8	9		
Week Ending	Notes	06-May-16 Actual	13-May-16 Actual	20-May-16 Actual	27-May-16 Actual	03-Jun-16 Actual	10-Jun-16 Actual	17-Jun-16 Actual	24-Jun-16 Actual	01-Jul-16 Actual	Total	06-May-16 Forecast	13-May-16 Forecast	20-May-16 Forecast	27-May-16 Forecast	03-Jun-16 Forecast	10-Jun-16 Forecast	17-Jun-16 Forecast	24-Jun-16 Forecast	01-Jul-16 Forecast	Total	
Receipts																						
Net Lease Receipts	2	29,905	11,201	55,233	11,611	30,847	14,417	17,200	35,423	21,998	227,836	27,066	23,439	39,144	23,439	25,973	17,871	22,994	28,118	17,871	225,916	1,921
Other Receipts	3	25,682	5,314	-	4,292	19,544	5,064	14,665	428	6,825	81,814	3,000	3,000	3,000	3,500	2,200	2,200	4,700	2,200	5,200	29,000	52,814
Total Receipts		55,587	16,515	55,233	15,903	50,392	19,481	31,866	35,851	28,823	309,650	30,066	26,439	42,144	26,939	28,173	20,071	27,694	30,318	23,071	254,916	54,734
Disbursements																						
Warranty and VIP Program Costs	4										-	1,344	1,344	1,344	1,344	1,020	1,020	1,020	1,020	1,020	10,475	-10,475
Repo Expenses	5		696	821	634	-	3,846		2,673	989	9,659	932	932	932	932	750	750	750	750	750	7,476	2,183
HST	6								-		-	-	-	1,254	-	-	-	8,128	-	-	9,382	-9,382
Portfolio Servicing Expenses:		2,177	16,559	5,215	10,223	2,661	9,937	3,964	14,250	2,158	67,144	4,432	15,006	989	10,926	4,204	14,778	761	10,699	761	62,554	4,589
Headcount	7		11,264		8,366	223	8,254		8,151	177	36,435	-	10,600	-	9,938	-	10,600	-	9,938	-	41,076	-4,640
Premises	8		1,775					203			1,978	1,700	100	100	100	1,680	80	80	80	80	4,000	-2,022
Computer	9		2,866	204			604	2,852	281	500	7,307	-	3,417	-	-	-	3,417	-	-	-	6,834	473
Insurance	10	1,843		474		1,843					4,159	1,843	-	-	-	1,843	-	-	-	-	3,686	473
Office and Other Expenses	11	334	654	4,537	1,858	595	1,080	909	5,817	1,481	17,264	889	689	889	889	681	681	681	681	681	6,959	10,306
Total Disbursements		2,177	17,255	6,035	10,857	2,661	13,783	3,964	16,933	3,147	76,802	6,707	17,281	4,519	13,202	5,973	16,547	10,659	12,468	2,530	89,888	-13,085
Net Cash Flow from Operations		53,411	(740)	49,198	5,046	47,731	5,697	27,902	18,918	25,675	232,848	23,359	9,158	37,625	13,737	22,200	3,523	17,036	17,850	20,540	165,028	67,820
Professional Fees	12	5,000		13,221	2,500	5,000	10,360	5,414	10,000	5,000	56,495	7,260	7,910	2,260	17,515	2,260	7,310	7,910	11,865	7,910	72,800	-16,305
Net Cash Flow		48,411	(740)	35,977	2,546	42,731	(4,663)	22,488	8,928	20,675	176,353	16,099	1,248	35,365	(3,778)	19,940	(4,387)	9,126	5,985	12,630	92,228	84,125
Cash position																						
Opening cash position	1	(3,376)	45,035	44,295	80,272	82,818	125,548	120,886	143,374	152,301	(3,376)	4,192	20,291	21,539	56,904	53,126	73,066	68,680	77,805	83,790	4,192	
Net cash flow		48,411	(740)	35,977	2,546	42,731	(4,663)	22,488	8,928	20,675	176,353	16,099	1,248	35,365	(3,778)	19,940	(4,387)	9,126	5,985	12,630	92,228	
Closing cash position		45,035	44,295	80,272	82,818	125,548	120,886	143,374	152,301	172,977	172,977	20,291	21,539	56,904	53,126	73,066	68,680	77,805	83,790	96,420	96,420	

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

FURTHER SUPPLEMENTARY MOTION RECORD OF THE PROPOSAL TRUSTEE

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