

**IN THE MATTER OF THE PROPOSAL OF
VALIANT CREATIVE AGENCY INC.
OF THE TOWN OF CARLISLE, IN THE PROVINCE OF ONTARIO**

PROPOSAL

Valiant Creative Agency Inc. (“Valiant” or the “Debtor”), the above-named debtor, hereby submits the following Proposal under the *Bankruptcy and Insolvency Act*:

**PART 1
INTERPRETATION**

1. In this Proposal, capitalized terms have the following meanings:
 - (a) “Act” means the *Bankruptcy and Insolvency Act*, as it may be amended from time to time;
 - (b) “Assets” means the furniture, non-leased equipment and accounts receivable of the Debtor
 - (c) “Business Day” means any day other than a Saturday or a Sunday or a day observed as a holiday under the laws of the Province of Ontario or the federal laws of Canada applicable therein;
 - (d) “Claim” means any indebtedness, liability, action, cause of action, suit, debt, due, account, bond, covenant, contract, counterclaim, demand, claim, right and obligation of any nature whatsoever of Valiant to any person whether liquidated, unliquidated, fixed contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, incurred or arising or relating to the period prior to the Filing Date;
 - (e) “Court” means Superior Court of Justice, in Bankruptcy and Insolvency;
 - (f) “Court Approval Date” means the date on which the Court makes the Final Order;
 - (g) “CRA” means Canada Revenue Agency
 - (h) “Creditor” means any person who holds one or more Claims;
 - (i) “Creditors’ Meeting” means the special meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;

- (j) “Effective Date” means the date on which all conditions contained in Part X hereof have been satisfied;
- (k) “Employees” means all of the employees of Valiant;
- (l) “Event of Default” has the meaning given to it in Part VII;
- (m) “Filing Date” means the date on which Valiant filed its Notice of Intention to Make a Proposal under the Act- July 31, 2020;
- (n) “Final Order” means an order of the Court approving this Proposal to be granted pursuant to the provisions of the Act, the appeal period having expired and no appeal having been filed, or any appeal therefrom having been dismissed and such dismissal having become final;
- (o) “Inspectors” means any inspectors appointed pursuant to the Act as provided for in the Proposal;
- (p) “Maturity Date” means the date on which all payments to the Proposal Trustee have been made, provided that no event of default has occurred that has not been cured or waived;
- (q) “Post Filing Goods and Services” means in respect of the Proposal the goods supplied, services rendered and other consideration given to Valiant subsequent to the Filing Date;
- (r) “Preferred Creditor” means any Creditor entitled to receive payment of any amount owed to it in priority to other Creditors as provided in section 136 of the Act;
- (s) “Proposal” means this Proposal made pursuant to the Act, as further amended or supplemented from time to time;
- (t) “Proposal Period” means the period between the Final Order and the Maturity Date;
- (u) “Proposal Trustee” means Rosen Goldberg Inc., the Licensed Insolvency Trustee acting in this Proposal;
- (v) “Secured Creditor” means any Creditor who has valid security against various assets of the Debtor with respect to its Claim;
- (w) “Unsecured Creditor” means those Creditors with Claims, except for those Claims:

- (i) that have been finally and conclusively disallowed;
- (ii) that may be contingent or unliquidated and found by the Trustee or the Court (as may be applicable), not to be provable;
- (iii) that are Claims by Secured Creditors; or
- (iv) that are Claims by Preferred Creditors.

Headings

- 2. The divisions of this Proposal into parts, paragraphs and subparagraphs, and the insertion of headings herein, is for convenience of reference only and is not to affect the construction or interpretation of this Proposal.

Number, etc.

- 3. In this Proposal, where the context requires, a word importing the singular includes the plural and vice versa, and a word importing gender includes the masculine, feminine and neuter genders.

Date for Action

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

Successors and Assigns

- 5. This Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, personal representatives, successors and assigns of all persons named or referred to herein including, without limitation, all Creditors.

Accounting Principles

- 6. Accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted Canadian accounting principles.

PART II PURPOSE AND EFFECT OF THIS PROPOSAL

Purpose of Proposal

- 7. The purpose of this Proposal is to effect a restructuring of the balance sheet of the Debtor by effecting a compromise of the Claims of the Unsecured Creditors to allow the Debtor to continue operations so that all Creditors, including Unsecured Creditors, will derive a greater benefit from the continued operation of the business of the Debtor than would

result from a forced liquidation of the Assets. This proposal is being made to the Unsecured Creditors only. As set out below the Claims of the Secured Creditors will be dealt with in accordance with the arrangements made between Valiant and the Secured Creditors. The compromise of the Claims of the Unsecured Creditors as provided for in this Proposal, will enable Valiant to continue in operations which will result in greater benefit to the Unsecured Creditors, Employees and suppliers of Post Filing Goods and Services than would result from a forced liquidation.

Effect of Proposal

8. This Proposal amends the terms of agreements between Valiant and the Unsecured Creditors existing as at the Filing Date and provides the essential terms on which all Claims of Unsecured Creditors will be fully and finally resolved and settled. During the Proposal Period, and provided that an Event of Default has not occurred and is continuing hereunder, all Creditors, other than Secured Creditors, will be stayed from commencing or continuing any proceeding or remedy against Valiant or any of its property or assets in respect of their Claims including, without limitation, any proceeding or remedy to recover payment of such claims to recover or enforce any judgment against Valiant in respect of such Claims or to commence any formal proceedings against Valiant under applicable bankruptcy, insolvency or other laws in respect of such Claims other than a proceeding in connection with this Proposal.

Persons Affected

9. This Proposal will, as of the Effective Date, be binding on Valiant and all Preferred Creditors and Unsecured Creditors of Valiant.

PART III SECURED CREDITOR CLAIMS

10. The Claims of the Secured Creditors of Valiant shall be dealt with in accordance with the arrangements presently existing or hereafter made between Valiant and its Secured Creditors.
11. No Secured Creditor will have a claim for all or part of its indebtedness as an Unsecured Creditor and no Secured Creditor will be entitled to participate in the distributions to be made to Unsecured Creditors under this Proposal.

PART IV UNSECURED CREDITOR CLAIMS

Payment of Unsecured Claims

12. Valiant will cause to be paid to the Proposal Trustee the sum of two hundred and forty thousand dollars (\$240,000) hereinafter referred to as (the “Proposal Funds”) to be paid, as follows:
- Commencing thirty (30) days after the Court Approval date, for a period of twelve (12) months, the sum of \$2,000/month;
 - For the next twelve (12) months the sum of \$3,000/month;
 - For the next twelve (12) months the sum of \$4,000/month;
 - For the next twelve (12) months the sum of \$5,000/month; and
 - For the final twelve (12) months the sum of \$6,000/month.
13. The Proposal Funds shall be distributed by the Proposal Trustee as follows:
- (i) first, to pay the fees and costs, including legal fees and disbursements, of the Proposal Trustee;
 - (ii) second, to pay the claims of the Preferred Creditors and mandatory payments as set out in Part VI of this Proposal; and
 - (iii) third, the remaining funds to be distributed to the Unsecured Creditors with admitted claims in full satisfaction of the Claims of the Unsecured Creditors.

Effect of Payment

14. Unsecured Creditors will accept the payments provided in Part IV of this Proposal, in complete satisfaction of all their Claims and all liens, certificates of pending litigation, executions or any other similar charges or actions or proceedings in respect of such Claims will have no effect in law or in equity against the property, assets and undertaking of Valiant. Upon the making of the Final Order, any and all such liens, certificates of pending litigation, executions or other similar charges or actions will be discharged, dismissed or vacated without costs to Valiant.
15. Notwithstanding the terms and conditions of all agreements or other arrangements between the corporation and Unsecured Creditors entered into before the Filing Date, all such agreements or other arrangements will be deemed to be amended to the extent necessary to give effect to the terms and conditions of this Proposal. In the event of any conflict or inconsistency between the terms of such agreements or arrangements and the terms of this Proposal, the terms of this Proposal will govern. All Unsecured Creditors

will provide such acknowledgements, agreements, discharges or other documentation as may be necessary to give effect to the intent of this Proposal.

PART V POST FILINGS

16. Valiant covenants and agrees to keep all filings, remittances and instalments, if any, to CRA current for the post filing returns.

PART VI PREFERRED CLAIMS AND MANDATORY PAYMENTS

CRA Trust Claim

17. Unless Her Majesty consents, Valiant shall pay in full, within six months after the Court Approval Date, all amounts that were outstanding at the Filing Date that are of a kind that could be subject to a demand under the CRA Trust Claim (“**CRA Trust Claim**”):
- (a) Subsection 224(1.2) of the *Income Tax Act*;
 - (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that statute, and of any related interest, penalties or other amounts; or
 - (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
 - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection 224(1.2) of the *Income Tax Act* or any substantially similar provision of Ontario legislation,

Set Off

18. The Debtor acknowledges and agrees that CRA will have the right to exercise its right of set off to which it is entitled to by law and will apply:
 - (a) Income tax refunds pertaining to the year of the Proposal or prior years to the Debtor's income tax arrears;
 - (b) HST refunds or rebates to all periods for which the HST liability is due; and
 - (c) Any other tax refund, to which the Debtor may be entitled, to the payroll deductions liability.

Preferred Claims

19. Preferred Claims, without interest, are to be paid in full in priority to all Claims of Unsecured Creditors including, without limitation, any entitlement of Unsecured Creditors to the payments to be made under Part IV of this Proposal.

Payment of Fees

20. All proper fees and expenses of the Proposal Trustee and reasonable legal and other professional fees of and incidental to the proceedings and transactions arising out of this Proposal and in connection with the preparation of this Proposal, and the administration of this Proposal, including advice to Valiant in connection therewith, will be paid in full from the Proposal Funds. The Proposal Trustee will be at liberty to withdraw and pay such fees from time to time subject to final approval by the Registrar in Bankruptcy upon completion of the Proposal.

Employees' Claims

21. All payments payable to former or current Employees, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(l)(d) of the BIA if Valiant became bankrupt on the Filing Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of traveling salesmen, disbursements properly incurred by those salesmen during the same period, shall be paid immediately after the Final Order is obtained.

PART VII EVENTS OF DEFAULT

22. The following events will constitute Events of Default for the purpose of section 63 of

the Act and otherwise under this Proposal:

- (a) the non-payment of the amounts to the Proposal Trustee pursuant to paragraph 12;
or
- (b) the enforcement by any Secured Creditor of its security over all or substantially all of the assets of Valiant.

PART VIII TRUSTEE

Confirmation of Appointment

- 23. The Proposal Trustee shall be the trustee under this Proposal and all monies payable under this Proposal, unless otherwise provided herein, shall be paid over to the Proposal Trustee who shall make the payment of all dividends in accordance with the terms of this Proposal.
- 24. The Proposal Trustee is acting in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of the Proposal Trustee shall incur any obligations or liabilities in connection with this Proposal or in connection with the business or liabilities of Valiant.
- 25. Any payments made by the Proposal Trustee to Creditors hereunder shall be made by the Proposal Trustee net of any levies payable or due under the Act.

PART IX INSPECTORS

Appointment of Inspectors

- 26. At the Creditors' Meeting, the Unsecured Creditors will be entitled to appoint one or more, but not exceeding five (5) inspectors in total. The inspectors will have the following powers, but will have no personal liability to Valiant or other Creditors:
 - (a) the power to extend the dates of payments provided under this Proposal;
 - (b) the power to waive any default in the performance of any provision of this Proposal;
 - (c) the power to advise the Proposal Trustee in respect of such matters as may be referred to the inspectors by the Proposal Trustee; and
 - (d) the power to advise the Proposal Trustee concerning any dispute that may arise to

the validity of Claims of Preferred Creditors and Unsecured Creditors under this Proposal.

PART X CONDITIONS PRECEDENT

27. The performance of this Proposal by Valiant shall be conditional upon the fulfillment or satisfaction of the following conditions within thirty (30) Business Days following the issuance of the Final Order:
- (a) all approvals and consents to the Proposal that may be required have been obtained;
 - (b) the Final Order has been issued and the time for bringing any appeal therefrom has expired;
 - (c) no order or decree restraining or enjoining the consummation of the transactions contemplated by this Proposal has been issued; and
 - (d) all agreements or instruments necessary to effect the intention and purpose of this Proposal have been received by Valiant in a form satisfactory to the Debtor and the Proposal Trustee.

PART XI MISCELLANEOUS

Consents, Waivers and Agreements

28. On the Effective Date, all Unsecured Creditors will be deemed to have consented and agreed to all of the provisions of this Proposal in its entirety. For greater certainty, each such Unsecured Creditor will be deemed to have waived any default by Valiant in any provision, express or implied, in any agreement existing between the Unsecured Creditor and Valiant that has occurred on or prior to the Filing Date, and to have agreed that, to the extent that there is any conflict between the provisions of any such agreement and the provisions of the Proposal, the provisions of this Proposal take precedence and priority and the provisions of any such agreement are amended accordingly.

Further Actions

29. Valiant and the Creditors will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal and to give effect to the transactions contemplated hereby.

Performance

30. All obligations of Valiant under this Proposal will commence as of the Effective Date. All obligations of Valiant under this Proposal will be fully performed for the purposes only of section 65.3 of the Act upon Valiant having made the payments to the Proposal Trustee provided for herein.

Binding Effect

31. The provisions of this Proposal will be binding on the Creditors and Valiant, and their respective heirs, executors, administrators, successors and assigns, upon issuance of the Final Order after all appeal periods have expired.

PART XII RELEASE

32. Upon the Effective Date, each and every present and former director of Valiant (the “**Released Party**”), shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action that arose before the commencement of the proceedings under the Act, in respect of the potential statutory liabilities of the former, present and future directors, but provided that nothing herein shall release or discharge any Released Party from claims that:
- (a) relate to contractual rights of one or more creditors arising from contracts with one or more directors;
 - (b) are based on allegations or misrepresentations made by directors to creditors or of wrongful or oppressive conduct by directors.

PART XII ANNULMENT OF PROPOSAL

Annulment

33. If this Proposal is annulled by an order of the Court, all payments on account of Claims made pursuant to the terms of this Proposal will reduce the Claims of Creditors.

PART XIII MODIFICATION

34. Valiant may propose amendments to the Proposal at any time prior to the conclusion of the Creditors’ Meeting provided that any such amendment does not reduce the rights and

benefits given to the Unsecured Creditors pursuant to the Proposal before such amendment and that any and all amendments shall be deemed to be a part of and incorporated into the Proposal.

Dated at Toronto, Ontario, this 28th day of August, 2020.

A large, bold, black handwritten signature, likely of Todd Nielsen, is written over a horizontal line. The signature is stylized and somewhat abstract, with a long horizontal stroke extending to the right.

Valiant Creative Agency Inc.
Per: Todd Nielsen