

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3**

– and –

**IN THE MATTER OF THE PROPOSAL OF
STAR NAVIGATION SYSTEMS GROUP LTD.**

PROPOSAL

Star Navigation Systems Group Ltd. (the “**Debtor**”) submits the following Proposal to its Unsecured Creditors pursuant to Part III of the BIA.

ARTICLE 1 - INTERPRETATION

1.1 Definitions

In this Proposal, capitalized terms shall have the following meanings:

- (a) “**BIA**” means the *Bankruptcy and Insolvency Act* (Canada);
- (b) “**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;
- (c) “**Canada Pension Plan**” means the *Canada Pension Plan*, R.S.C. 1985, c. C-8;
- (d) “**Certificate of Full Performance**” means the certificate that the Proposal Trustee shall provide to the Debtor and the Official Receiver upon performance of the Proposal, as set out in Section 7.1, pursuant to the provisions of the Act
- (e) “**Claim**” means any claim of a Creditor against the Debtor that is a “provable claim in bankruptcy” (as such term is defined in the BIA) including 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 the Debtor to any Person, whether liquidated, unliquidated, fixed, contingent, matured, legal, equitable, secured, unsecured, present, future, known or unknown, and whether by guarantee, surety or otherwise, incurred or arising or relating to the period prior to the Filing Date;
- (f) “**Conditions Precedent**” means the conditions precedent to the implementation of the Proposal set out in Article 6;
- (g) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (h) “**Creditor**” means any Person holding one or more Claims;

- (i) **“Creditors’ Meeting”** means the meeting of the Creditors held for the purpose of considering and voting upon the Proposal in accordance with the provisions of the BIA including, for greater certainty, any adjournments of such meeting;
- (j) **“Crown Claims”** means claims of Her Majesty in Right of Canada or a Province for all amounts that were outstanding as at the Filing Date and are of a kind that could be subject to a demand under,
 - (i) subsection 224(1.2) of the Income Tax Act;
 - (ii) 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, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts; or
 - (iii) 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,
 - (A) 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
 - (B) 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;
- (k) **“Directors”** means the board of directors of the Debtor elected at the special meeting of shareholders held on December 11, 2019;
- (l) **“Employee Claims”** means claims of employees and former employees of the Debtor, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the BIA if the Debtor became bankrupt on the Filing Date, as well as wages, salaries, commissions or compensation for services rendered after the Filing Date and before the date of the Proposal Approval Order, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Debtor's business during the same period;
- (m) **“Employment Insurance Act”** means the *Employment Insurance Act*, SC 1996, c 23;
- (n) **“Filing Date”** means December 11, 2019, being the date the Debtor filed its Notice of Intention to Make a Proposal under the BIA;
- (o) **“Implementation Date”** means the date two that is (2) Business Days following the date upon which the Conditions Precedent have been satisfied;
- (p) **“Income Tax Act”** means *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.);

- (q) **“Lump Sum Payment”** has the meaning ascribed to such term in Article 2;
- (r) **“Person”** means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (s) **“Preferred Creditor”** means any Creditor entitled to receive payment of any amount owed to it in priority to other Creditors as provided in s. 136 of the BIA;
- (t) **“Proposal”** means this Proposal made pursuant to the BIA, as further amended or supplemented from time to time;
- (u) **“Proposal Approval Order”** means an order of the Court approving this Proposal to be granted pursuant to the provisions of the BIA, the appeal period having expired and no appeal having been filed, or any appeal therefrom having been dismissed and such dismissal having become final;
- (v) **“Proposal Proceedings”** means the proposal proceedings commenced by the Debtor on the Filing Date bearing Estate/Court File No. 32-2594575;
- (w) **“Proposal Sponsor”** means Barney Lassche, as agent for a syndicate of shareholders of the Debtor;
- (x) **“Proposal Trustee Expenses”** means the proper fees, expenses and disbursements of the Proposal Trustee and its counsel incurred in connection with the Proposal and the Proposal Proceedings;
- (y) **“Proposal Trustee”** means A. Farber & Partners Inc.;
- (z) **“Proven Claim”** or **“Proven Claims”** means all or any portion of a Claim that is accepted by the Proposal Trustee for voting and distribution purposes in accordance with the procedure set out in section 135 of the BIA or pursuant to an order of the Court;
- (aa) **“Required Majority”** means a majority in number representing two-thirds in value of all Proven Claims of Creditors entitled to vote, who are present and voting at the Creditors’ Meeting (whether in person, by proxy or by voting letter) in accordance with the voting procedures set out in the BIA;
- (bb) **“Secured Creditor”** has the meaning ascribed to the term “secured creditors” under Section 2 of the BIA;
- (cc) **“Superintendent’s Levy”** has the meaning attributed to it in section 147 of the BIA and is payable to the Superintendent in Bankruptcy;
- (dd) **“Unsecured Creditor”** means any Creditor other than Preferred Creditors and Secured Creditors whose Claims arose prior to the Filing Date.

1.2 Headings

The division of the Proposal into parts, paragraphs and sub-paragraphs, and the insertion of headings herein, is for convenience of reference only and is not to affect the construction or interpretation of this Proposal. Unless otherwise provided in this Proposal, references herein to

parts, paragraphs and subparagraphs are references to parts, paragraphs and subparagraphs of this Proposal.

1.3 Number, etc.

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. The term “including” means “including, without limitation”.

1.4 Date for Action

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.

1.5 Time

All times expressed in this Proposal are local time in Toronto, Ontario.

1.6 Section References

In this Proposal, a reference to a section, clause or paragraph shall, unless otherwise stated, refer to a section, clause or paragraph of this Proposal.

1.7 Statutory References

Any reference in this Proposal to a statute includes all regulations made thereunder and all amendments to such statutes or regulations in force from time to time.

1.8 Monetary References

All references to currency and to “\$” are to Canadian dollars, unless otherwise indicated.

1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

ARTICLE 2 – PURPOSE OF THE PROPOSAL

The purpose of this Proposal is to effect a compromise of the Claims of Unsecured Creditors against the Debtor with the expectation that Unsecured Creditors will derive a greater benefit from this Proposal than they would recover in a bankruptcy. This Proposal is not being made to Secured Creditors.

In order to make this Proposal, the Debtor has secured funding in the amount of \$90,000 (the “**Lump Sum Payment**”) from the Proposal Sponsor, which will be distributed by the Trustee in accordance with the terms of this Proposal.

The Lump Sum Payment will provide Unsecured Creditors a greater recovery than a bankruptcy and will not otherwise be available to Creditors for recovery if the Proposal is not accepted by the Required Majority of Unsecured Creditors.

ARTICLE 3 – CLASSIFICATION

3.1 Classes of Creditors

For the purpose of voting on the Proposal, Unsecured Creditors shall vote as a single class. Secured Creditors and Preferred Creditors shall not be entitled to vote on the Proposal.

ARTICLE 4 – TREATMENT OF CREDITORS

4.1 Secured Creditors

Proven Claims of Secured Creditors shall be paid in accordance with the respective agreement(s) between each Secured Creditor and the Debtor or as otherwise agreed between a Secured Creditor and the Debtor.

4.2 Preferred Creditors

Proven Claims of Preferred Creditors are to be paid from the Lump Sum Payment in full, without interest, in priority to all Claims of Unsecured Creditors in satisfaction of such claims.

4.3 Unsecured Creditors

After payment of the Preferred Claims that are Proven Claims, the Proposal Trustee shall distribute the balance of the Lump Sum Payment rateably among Unsecured Creditors with Proven Claims in full and final satisfaction of such claims.

ARTICLE 5 – DISTRIBUTION OF PROCEEDS

5.1 Payment of Lump Sum Payment by Proposal Sponsor

The Proposal Sponsor shall pay to the Proposal Trustee, in trust, by wire transfer, an amount equal to the Lump Sum Payment at least two (2) Business Days prior to the date of the Creditors' Meeting. The Lump Sum Payment is not, and shall not be deemed to be, property of the Debtor.

If any of the Conditions Precedent are not satisfied, the Proposal Trustee shall immediately return to the Proposal Sponsor the Lump Sum Payment by wire transfer of immediately available funds, and the Lump Sum Payment shall not be available to Creditors for distribution.

5.2 Payment of Proposal Trustee Expenses

The Proposal Trustee Expenses shall be paid as follows:

- (a) the Debtor shall pay the Proposal Trustee Expenses until the Implementation Date and such Proposal Trustee Expenses shall not be deducted from the Lump Sum Payment; and
- (b) on and after the Implementation Date, the Proposal Trustee Expenses shall be deducted from the Lump Sum Payment in priority to all other Claims in accordance with Subsection 60(1) of the BIA.

The Proposal Trustee Expenses will be subject to Court approval upon completion of the Proposal.

5.3 Crown Claims

In accordance with the BIA, the Debtor shall, within six months after the Implementation Date, pay in full all Crown Claims. The payment of Crown Claims, if any, will not be deducted from the Lump Sum Payment and will be paid in addition to the Lump Sum Payment.

5.4 Employee Claims

In accordance with the BIA, the Debtor shall pay Employee Claims, if any, immediately following the issuance of the Proposal Approval Order. The payment of Employee Claims, if any, will not be deducted from the Lump Sum Payment and will be paid in addition to the Lump Sum Payment.

5.5 Superintendent's Levy

The Superintendent's Levy shall be deducted and paid from all amounts payable from Lump Sum Payment in respect of the Preferred Claims and Unsecured Claims that are Proven Claims.

5.6 Distribution to Preferred Creditors

Following payment of the Proposal Trustee Expenses, the Proposal Trustee shall distribute an amount from the Lump Sum Payments sufficient to satisfy in full the Proven Claims of Preferred Creditors in accordance with Section 4.2 on or before any applicable deadlines set out in the BIA.

5.7 Distribution to Unsecured Creditors

After the payments under Sections 5.2 and 5.6 are made, the Proposal Trustee shall distribute the balance of the Lump Sum Payment on account of, and following the final determination of all of, the Proven Claims of Unsecured Creditors.

ARTICLE 6 – CONDITIONS PRECEDENT TO PROPOSAL

The Proposal shall be deemed to have been implemented upon the satisfaction of the following Conditions Precedent:

- (a) Acceptance of the Proposal by the Required Majority of Unsecured Creditors; and
- (b) Issuance of the Proposal Approval Order.

ARTICLE 7 – MISCELLANEOUS

7.1 Performance of the Proposal

Upon (i) payment to the Proposal Trustee by the Proposal Sponsor of the Lump Sum Payment, (ii) payment by the Debtor of the Employee Claims and Crown Claims (if any), and (iv) payment by the Debtor of the Proposal Trustee Expenses up to the Implementation Date, the Debtor, its successors and assigns and its directors and officers, shall be deemed to have satisfied the terms of the Proposal and the Proposal Trustee shall provide the Certificate of Full Performance.

7.2 Compromise Effective for All Purposes

The distributions contemplated hereunder will be binding upon each Creditor, other than Secured Creditors, its heirs, executors, administrators, successors and assigns, for all purposes.

7.3 Goods or Services Provided After Filing Date

All post-filing claims shall be paid in full in the ordinary course of business by the Debtor. The Debtor agrees that the Trustee shall not in any case be responsible for ensuring that payment is duly made to all those persons supplying goods or services to the Debtor on or after the Filing Date. All creditors hereby release and forever discharge the Trustee from any and all liability relating to the Debtor's non-payment of any liabilities under this paragraph.

7.4 Amendment

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

7.5 Consents, Waivers, Agreements and Release

As at 12:01 a.m. on the Implementation Date, all Creditors, other than Secured Creditors, will be deemed:

- (a) to have executed and delivered to the Debtor all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Debtor in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor that has occurred on or prior to the Filing Date;
- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor as at the Implementation Date (other than those entered into by the Debtor on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement; and
- (d) to have released the Debtor, the Trustee and all of their respective affiliates, employees, agents, officers, Directors, partners, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein.

7.6 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by electronic transmission, addressed to the respective parties as follows:

(a) if to the Debtor:

Star Navigation Systems Group Ltd.
2970 Lakeshore Blvd. W.
Toronto, ON M8V 1J7

Attention: Peter Clausi

Telephone: (416) 890-1232
Email: pclausi@star-navigation.com

with a copy to:

Miller Thomson LLP
40 King Street West, Suite 5800
Toronto, ON M5H 3S1

Attention: Bobby Sachdeva

Telephone: (905) 532-6670
Email: bsachdeva@millerthomson.com

(b) if to the Proposal Trustee:

A. Farber & Partners Inc.
150 York Street, Suite 1600
Toronto, ON M5H 3S5

Attention: John Hendriks

Telephone: (416) 496-3701
Email: jhendriks@farbergroup.com

or to such other address or electronic mail address as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by electronic mail, and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in the case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

7.7 Governing Law

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

7.8 Severability

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect

7.9 Deeming Provisions

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

IN WITNESS WHEREOF the Debtor agrees to the terms of this Proposal:

Debtor:

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**STAR NAVIGATION SYSTEMS GROUP
LTD.**

Per:

Name: Peter Clausi

Authorized Signing Officer

I have the authority to bind the corporation