

COURT FILE NUMBER 25-2251814
25-2251817

COURT COURT OF QUEEN'S BENCH OF ALBERTA
IN BANKRUPTCY AND INSOLVENCY

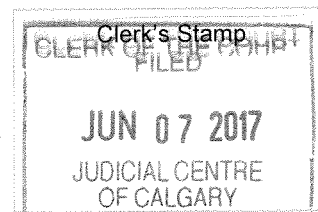
JUDICIAL CENTRE CALGARY

APPLICANT IN THE MATTER OF THE DIVISION I PROPOSAL
PROCEEDINGS OF COMFORTABLE IMAGE INC.
and WATCH IT! INCORPORATED

DOCUMENT **APPLICATION**

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY
FILING THIS DOCUMENT

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NOTICE TO RESPONDENT(S)

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the master/judge.

To do so, you must be in Court when the application is heard as shown below:

Date: June 12, 2017
Time: 2:30 p.m.
Where: Calgary Courts Center
Before Whom: Justice K.M. Eidsvik

Go to the end of this document to see what else you can do and when you must do it.

Remedy Claimed or Sought: Comfortable Image Inc. and Watchit! Incorporated (collectively, the "**Debtors**") apply for an order, substantially in the form attached as Schedule "**A**" hereto:

1. Declaring that the time for service of this application (the "**Application**") and the Affidavit #2 of Darren Bondar, sworn on June 7, 2017 ("**Bondar Affidavit**"), is abridged, if necessary, the Application is properly returnable June 12, 2017, that service of the Application and the Bondar Affidavit on the service list created and maintained in respect of the within proceedings (the "**Service List**") is validated, good, and sufficient and that no persons other than those on the Service List are entitled to service of the materials filed in connection with the within Application.

2. Extending the time within which the Debtors may file a proposal, pursuant to section 50.4(9) the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 ("**BIA**"), by 24 days, up to and including July 7, 2017.

3. Authorizing and empowering the Debtors and A. Farber & Partners Inc., in its capacity as proposal trustee (the "**Proposal Trustee**") in the within proceedings (the "**NOI Proceedings**"), to implement, *nunc pro tunc*, the Sale and Investment Solicitation Procedures attached as Exhibit "B" to the Bondar Affidavit (the "**SISP**") and to proceed, carry out, and implement any corresponding sales, marketing, or tendering processes, including any and all actions related thereto, substantially in accordance with the proposed SISP, along with entering into any resulting agreement(s) or transaction(s) (collectively, the "**SISP Agreements**") which may arise in connection thereto, as the Debtors and the Proposal Trustee determine are necessary or advisable to close any and all transactions or complete any or all of the various steps, as contemplated by the SISP. However, the transfer and vesting of any and all of the Debtors' property, assets, or undertakings subject to any SISP Agreements or the APA (as defined below), will be dealt with by further Order of the Court.

4. Authorizing and empowering the Debtors to enter into the Purchase and Sale Agreement, dated June 6, 2017, between the Debtors, as sellers, and 2048218 Alberta Ltd., as purchaser (the "**Purchaser**"), as attached as Exhibit "C" to the Bondar Affidavit (the "**APA**"), *nunc pro tunc*, as part of and in the manner contemplated by the SISP.

5. Granting the Debtors and the Proposal Trustee leave to apply to this Honourable Court to amend, vary, or seek advice, directions, or the approval of any transactions, in connection with the SISP.

6. Ordering and declaring that service of any orders arising from the Application by email, facsimile, registered mail, courier, regular mail, or personal delivery, shall constitute good and sufficient service of such orders and that no persons other than those in attendance at the Application are entitled to be served with a copy of such orders.

7. Such further and other relief as counsel for the Applicant may advise and this Honourable Court may permit.

Grounds for Making this Application: The grounds for the Application are as follows:

8. On May 15, 2017, the Debtors both filed a Notice of Intention to Make a Proposal (collectively, the “**NOI**”) pursuant to section 50.4 of the BIA. A. Farber & Partners Inc. was named as proposal trustee in the Debtors’ NOI.
9. As a result of the NOI the Debtors must file a proposal on or before June 14, 2017.
10. Pursuant to the Order granted on May 19, 2017 by the Honourable Justice C.M. Jones the proceedings of WII and CII were administratively consolidated into a single proceeding.
11. Prior to commencing the NOI Proceedings the Debtors unsuccessfully completed a sales process. As a result, the Debtors, in consultation with the Proposal Trustee, have developed the SISP in order to recanvas the market and potentially source a Superior Offer (as such term is defined in the SISP).
12. The SISP contemplates an open, fair, and public marketing and solicitation process with respect to the sourcing of a Superior Offer.
13. The Debtors believe that the SISP will derive the maximum value in connection with the sale of the Debtors’ property, in the current circumstances, to the benefit all of the Debtors’ stakeholders.
14. The Debtors’ constrained cash-flows are such that the SISP must be carried out in an expedient and efficient manner, if the Debtors are to successfully restructure and continue as a going concern.
15. In order to provide stability and certainty that the Debtors will successfully restructure, the SISP contemplates that the Debtors will enter into the APA. The APA is binding on the Purchaser, conditional on the approval of this Honourable Court, and will automatically terminate should a Superior Offer close.
16. The approval and entering into of the APA, in conjunction with the commencement of the SISP, provides the Debtors with stability and security during the SISP and, in the event no Superior Offer arises, ensures that there is a binding and definitive sale agreement, as a means by which the Debtors will continue as a going concern.

17. In order for the Debtors' to continue with their financial restructuring and to properly carry out and conduct the SISP, the Debtors require an extension of the time within which the Debtors may file a proposal (the "**Filing Period**"), pursuant to section 50.4(9) of the BIA, by 24 days up to and including July 7, 2017.

18. The extension of the Filing Period is appropriate as: (i) the Debtors have acted and continue to act in good faith and with due diligence; (ii) the businesses of the Debtors will likely be able to restructure and emerge as viable businesses, if, among other relief sought as part of the Application, the extension of the Filing Period is granted; and, (iii) the extension of the Filing Period will not materially prejudice any of the Debtors' creditors.

19. Such further and other grounds as counsel for the Debtors may advise and this Honourable Court may permit.

Material or Evidence to be Relied On: The Debtors will rely on the following evidence:

20. The Affidavit #2 of Darren Bondar, sworn on June 7, 2017, filed;

21. The Second Report of the Proposal Trustee, to be filed; and

22. Such further and other evidence as counsel for the Applicants may advise.

Applicable Rules:

23. Rules 6.3(1), 6.9, 6.28, 11.27 of the *Alberta Rules of Court*.

24. Such further and other rules as counsel for the Applicants may advise and this Honourable Court may permit.

Applicable Acts and Regulations:

25. The *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, sections 43(4), 50.4(9), 65.13, and 66(1).

26. Such further and other acts and regulations as counsel for the Applicants may advise and this Honourable Court may permit.

Any Irregularity Complained of or Objection Relied On:

27. There are no irregularities complained of, or objections relied on.

How the Application is Proposed to be Heard or Considered:

28. The Applicants propose that the Application be heard in person with one, some, or all of the parties present.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicants.

SCHEDULE "A"

COURT FILE NUMBER	25-2251814 25-2251817
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF COMFORTABLE IMAGE INC. and WATCH IT! INCORPORATED
DOCUMENT	ORDER (Extension, SISP, APA)
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	McCARTHY TÉTRAULT LLP Barristers & Solicitors Sean Collins / Walker MacLeod Suite 4000, 421 - 7 Avenue S.W. Calgary, AB T2P 4K9 Phone: 403-260-3531 Fax: 403-260-3501 Email: scollins@mccarthy.ca

Clerk's Stamp

DATE ON WHICH ORDER WAS PRONOUNCED: June 12, 2017
LOCATION OF HEARING OR TRIAL: Calgary, Alberta
NAME OF MASTER/JUDGE WHO MADE THIS ORDER: Justice K.M. Eidsvik

UPON THE APPLICATION of Comfortable Image Inc. and WatchIt! Incorporated (collectively, the "**Debtors**"), **AND UPON** having read the Affidavit #2 of Darren Bondar, sworn on June 7, 2017 (the "**Bondar Affidavit**"), filed; **AND UPON** having read the Second Report of the Proposal Trustee, •; **AND UPON** having read the Affidavit of Service of Katie Doran, sworn June •, 2017 (the "**Service Affidavit**"), filed; **AND UPON** hearing counsel to the Debtors, counsel to the Proposal Trustee, and counsel present for other parties;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. The time for service of the corresponding Application and the Bondar Affidavit is abridged to the date parties were served, the Application is properly returnable today, service of the Application and the Bondar Affidavit on the service list prepared by the Debtors and maintained in these proceedings (the "**Service List**"), in the manner described in the Affidavit of

Service, is validated, good, and sufficient, and no other persons are entitled to service of the Bondar Affidavit or the Application.

DEFINED TERMS

2. Any and all capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Sale and Investment Solicitation Procedures attached as Exhibit “B” to the Bondar Affidavit (the “**SISP**”).

FILING EXTENSION

3. The period of time within which the Debtors are required to file a proposal to their creditors, under section 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”), shall be and is hereby extended up to and including July 7, 2017.

SISP AND APA APPROVAL

4. The Debtors and the Proposal Trustee are hereby authorized and empowered, *nunc pro tunc*, to implement the SISP and to proceed, carry out, and implement any corresponding sales, marketing, or tendering processes, including any and all actions related thereto, substantially in accordance with the proposed SISP, and, furthermore, the Debtors are hereby authorized to enter into any resulting agreement(s) or transaction(s) (collectively, the “**SISP Agreements**”) which may arise in connection thereto, as the Debtors and the Proposal Trustee determine are necessary or advisable in connection with or in order to complete any or all of the various steps, as contemplated by the SISP.

5. The Debtors are hereby authorized and empowered, *nunc pro tunc*, to enter into the Asset Purchase Agreement, dated June 6, 2017, between the Debtors, as sellers, and 2048218 Alberta Ltd., as purchaser, as attached as Exhibit “C” to the Bondar Affidavit (the “**APA**”), as part of and in the manner contemplated by the SISP.

6. Nothing herein shall act as authorization or approval of the transfer or vesting of any or all of the Debtors’ property, assets, or undertakings under any SISP Agreements, the APA, or otherwise. Such transfer and vesting shall be dealt with and subject to further Order of this Honourable Court.

MISCELLANEOUS MATTERS

7. The Debtors and the Proposal Trustee are hereby authorized and empowered to apply to this Honourable Court to amend, vary, or seek any advice, directions, or the approval or vesting of any transactions, in connection with the SISP.

8. Service of this Order by email, facsimile, registered mail, courier or personal delivery to the persons listed on the Service List shall constitute good and sufficient service of this Order, and no persons other than those listed on the Service List are entitled to be served with a copy of this Order.

J.C.Q.B.A.