

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF
THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN UNION PROMOTIONS INC.

**SECOND REPORT OF CROWE SOBERMAN INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE
October 21, 2020**

(filed in connection with a motion returnable October 22, 2020)

October 21, 2020

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**Court File No. 31-2663507
Estate File No. 31-2663507**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN UNION PROMOTIONS INC.**

**SECOND REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL
TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN UNION PROMOTIONS INC.**

October 21, 2020

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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN UNION PROMOTIONS INC.

SECOND REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL
TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN UNION PROMOTIONS INC.

October 21, 2020

1. This report (the “**Second Report**”) is filed by Crowe Soberman Inc. (“**Crowe**”) in its capacity as proposal trustee (the “**Proposal Trustee**”), in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Canadian Union Promotions Inc. (“**CUP**” or the “**Company**”).
2. CUP was incorporated under the Canada *Business Corporations Act* on November 9, 2007. The Company is in the business of providing customized software solutions, various marketing services, and print and promotional products to union associations. The Company’s head office and operations are located at 17 Belfield Road, Etobicoke, Ontario.
3. On August 8th, 2020 (the “**Filing Date**”), the Company filed an NOI and Crowe was appointed as Proposal Trustee.
4. On September 8, 2020, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued a court order (the “**September 8 Order**”) which, among other things, granted an extension of time within which a Proposal must be filed to October 22, 2020 (the “**First Stay Extension**”). A copy of the September 8 Order is attached hereto as **Appendix “A”**.
5. The Proposal Trustee filed its First Report dated September 4, 2020 (the “**First Report**”) with the Court in support of the Initial Order. A copy of the First Report, without appendices is attached hereto as **Appendix “B”**.

6. The purpose of this Second Report is to provide the Court with information pertaining to the following:
- a. the activities of the Company and the Proposal Trustee since the First Stay Extension was granted;
 - b. various matters concerning the ongoing business and affairs of the Company;
 - c. the proposed charges (the “**Charges**”) sought by the Company;
 - d. information concerning the Company’s request for approval of a sale process to be conducted by the Proposal Trustee, and the stalking horse asset purchase agreement dated October 16, 2020 (the “**Stalking Horse Agreement**”) between CUP, as vendor, and Yunion Travels, Inc. (“**Stalking Horse Bidder**”);
 - e. an overview of the Company’s cash flow projections for the period from the week of October 9, 2020 to the week of January 1, 2021 (the “**Cash Flow Projections**”); and
 - f. the Company’s request for a further extension of time within which to file a Proposal to the stay initiated on the Filing Date (the “**Stay Period**”) to December 7, 2020.

I. **TERMS OF REFERENCE**

7. Unless otherwise noted, all monetary amounts contained in this Second Report are expressed in Canadian dollars.
8. In preparing this Second Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Company’s representatives, the Company’s books and records and discussions with their management and employees (collectively, the “**Information**”). The Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards

(“GAAS”) pursuant to the Chartered Professional Accountant of Canada Handbook (the “CPA Handbook”) and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

II. THE NOI PROCEEDINGS

Overview of CUP’s Activities

9. Since the First Stay Extension was granted, CUP has been engaged in, among other things:
 - a. communicating with the Proposal Trustee and the Company’s legal counsel on various matters in connection with the NOI Proceedings;
 - b. making several efforts to seek debt and equity financing in order to attempt to repay the indebtedness owing to its senior lender, RBC, none of which was successful;
 - c. working with the Proposal Trustee to prepare cash flow projections;
 - d. arranging for a chartered business valuator to provide an opinion on the fair market value of the Company; and
 - e. arranging for a potential stalking horse asset purchase agreement and sale process.

Overview of the Proposal Trustee’s Activities

10. In addition to assisting CUP and its legal counsel in connection with the above, the Proposal Trustee has been engaged in, among other things:
 - i. monitoring the Company’s bank balance, ensuring it approximated the Company’s cash flow projections filed as part of the First Report; and
 - ii. assisting the Company in the preparation of the Cash Flow Projections and reviewing the information and support provided therein.

III. PROPOSED SALE PROCESS

11. In order to provide third parties with an opportunity to consider an acquisition of the Company's business and/or assets, the Company is proposing that the Proposal Trustee market the Company's business and/or assets for sale for a period of approximately one (1) month ("**Sale Process**"). The Company has developed the Sales Process in consultation with the Proposal Trustee, a copy of which is attached as **Appendix "D"** to this Report. The Sales Process is designed to ensure that the marketing process is fair and reasonable and prospective interested parties have the opportunity to make an offer for the business and/or assets of the Company. The Sales Process contemplates approval of a Stalking Horse Agreement between the Company, as vendor, and the Stalking Horse Bidder, as purchaser. Given the Stalking Horse Bidder is a related party to the Company, it is contemplated that the Proposal Trustee will administer all aspects of the Sales Process on behalf of the Company. The principal elements of the Sales Process are as follows (defined terms used in this section and not otherwise defined herein have the meaning ascribed to them in the Sales Process):

- a. Following issuance of an order approving the Sales Process, the Proposal Trustee shall contact parties (the "**Interested Parties**") identified by the Proposal Trustee who may be interested in purchasing the business and/or assets of the Company and will provide those parties with a "teaser" document;
- b. Interested Parties that wish to commence due diligence will be required to execute a non-disclosure agreement ("**NDA**");
- c. Once an NDA has been executed by Interested Parties, the Proposal Trustee will provide access to an electronic data room to be maintained by the Proposal Trustee. The data room will be populated by the Proposal Trustee with the assistance of the Company; and
- d. Bids must be submitted in writing to the Proposal Trustee by no later than 5:00pm (Toronto time) on November 23, 2020, (the "**Bid Deadline**").

12. The Proposal Trustee in its sole discretion shall determine whether any offers are “**Qualified Bids**”. A Qualified Bid shall mean an offer to purchase substantially all of the Purchased Assets which is substantially the same or better than the Agreement, provided that no offer shall qualify as a Qualified Bid unless it meets, among other things, the following minimum criteria:

- a. the Prospective Purchaser and the representatives thereof who are authorized to appear and act on its behalf must be sufficiently identified and written evidence of the offeror’s chief officer or other appropriate senior executive’s approval of the contemplated transaction must be submitted with the offer;
- b. the offer must be submitted in writing and include a blackline of the offer to the Stalking Horse Agreement, reflecting the Prospective Purchaser’s proposed changes and a written commitment to close on the terms and conditions set forth therein;
- c. the offer must be accompanied by a deposit in the form of certified cheque payable to the Proposal Trustee which is equal to at least 10% of the aggregate purchase price payable under the offer;
- d. the offer must be open for acceptance by the Vendor until five (5) Business Days after the Auction (as hereinafter defined) or later;
- e. the offer must be on terms no less favorable and no more burdensome than the Stalking Horse Agreement and shall not contain any provisions for a break fee or expense reimbursement;
- f. the offer must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the offeror’s obligation to complete the transaction that are not otherwise contained in the Stalking Horse Agreement;
- g. the offer must contain written evidence of a commitment for financing or

other evidence of the ability to consummate the sale with appropriate contact information for such financing sources; and

- h. the offer must be for a price equal to or greater than the sum of the Purchase Price, the Break Fee and \$5,000.
13. Only if the Proposal Trustee receives one or more Qualified Bids by the Bid Deadline, the Trustee shall extend invitations by phone, fax and/or email by 10:00 a.m. (Toronto time) on the third (3rd) Business Day after the Bid Deadline to all bidders who submitted Qualified Bids and to the Purchaser to attend an auction (the “**Auction**”). The Auction shall be held at 10:00 a.m. on the fifth (5th) Business Day after the Bid Deadline (or such other date and time as the Proposal Trustee may in its sole discretion designate) at the offices of the Proposal Trustee or virtually by videoconference facility established by the Proposal Trustee.
14. The Proposal Trustee shall conduct the Auction. At the Auction, the bidding shall begin initially with the highest Qualified Bid and subsequently continue in multiples of \$10,000, or such other amount as the Trustee determines to facilitate the Auction (the “**Incremental Amount**”). Additional consideration in excess of the amount set forth in the highest Qualified Bid must be comprised only of cash consideration. The format and procedure for the Auction shall be determined by the Proposal Trustee in its sole discretion.
15. In its sole discretion and based, *inter alia*, on the conduct of the Auction, the total financial and contractual terms of the Qualified Bids and various factors relevant to the speed and certainty of completing the sale of the Purchased Assets, the Proposal Trustee shall determine and accept the highest and/or best bid with respect to the Purchased Assets (the “**Winning Bid**”), subject to Court approval.
16. The Vendor shall make a motion to the Court to obtain approval of the Winning Bid and the Approval and Vesting Order as expeditiously as possible after the Auction, but in no event longer than ten (10) Business Days following the Auction.
17. If no Qualified Bid is received by the Bid Deadline (other than the Stalking Horse

Agreement), the auction will not be held. In such case, the Stalking Horse Agreement will be the Winning Bid and the Vendor shall seek, as expeditiously as possible, approval of the Court to consummate the Transaction contemplated by the Stalking Horse Agreement, but in no event longer than ten (10) Business Days following the expiry of the Bid Deadline.

18. The deposits submitted with all Qualified Bids (except the Winning Bid), shall be held in escrow by the Trustee until five (5) Business Days after the date of the completion of the Auction and returned to those Prospective Purchasers thereafter. If the Winning Bid terminates pursuant to its terms or fails to close because of the Vendor's breach or failure to perform under the terms of the Winning Bid, the Trustee shall return the deposit submitted with such bid to the bidder that submitted the Winning Bid (the "**Winning Bidder**") forthwith. If the Winning Bidder fails to complete the approved sale because of its breach or failure to perform under the terms of the Winning Bid, the Proposal Trustee shall not have any obligation to return the deposit submitted with the Winning Bid and such deposit shall be retained by the Trustee as liquidated damages and the Purchaser shall be entitled to submit a new bid for the Purchased Assets, which the Proposal Trustee shall be at liberty to but not obligated to, accept on terms to be agreed upon between the Parties.
19. Subject to the Sale Process Order, the Trustee shall have the right to adopt such other rules for the Sale Process, that, in its sole discretion, will better promote the goals of the Sale Process.
20. The Proposal Trustee notes that the proposed timeframe set out above is condensed, but with the full cooperation of the Company and with the Stalking Horse Agreement in hand, the Proposed Monitor believes that the deadlines proposed in the Sales Process are reasonable in the circumstances.
21. The Proposal Trustee is of the view that, in the circumstances, the proposed Sales Process represents the best opportunity to identify a potential going concern sale for the Company's business and/or assets and the best potential to maximize

value for the benefit of its stakeholders.

IV. STALKING HORSE AGREEMENT

22. The Company has negotiated the Stalking Horse Agreement with the Stalking Horse Bidder which provides that, unless an offer is received through the Sale Process that, among other things, provides for a break fee and consideration that is at least \$5,000 in excess of the aggregate of the purchase price contemplated by the Stalking Horse Agreement, then the transaction contemplated by the Stalking Horse Agreement would be completed. A copy of the Stalking Horse Agreement is attached hereto as **Appendix “E”**.
23. The Stalking Horse Agreement contemplates the purchase of the business and substantially all of the assets of the Company and offers employment (or cause employment to be offered) to select employees of the Company on substantially the same terms as their current employment.
24. The Stalking Horse purchaser is related to the Company and controlled by the current management of the Company. As noted above, the Sale Process is proposed to be carried out by the Proposal Trustee and the successful offer – whether the Stalking Horse offer or another offer – shall be subject to final Court approval.
25. The salient terms of the Stalking Horse Agreement are as follows (defined terms used in this section and not otherwise defined herein have the meaning ascribed to them in the Stalking Horse Agreement):
- a. The purchase price shall be the sum of **Two hundred and fifty Thousand Dollars (\$250,000)** comprised of:
 - i. **Twenty-Five Thousand-dollar (\$25,000)** deposit to be paid to the Proposal Trustee upon acceptance of the Stalking Horse Agreement by the Vendor; and
 - ii. balance to be paid on closing.

- b. the Purchaser agrees to assume the Assumed Liabilities as per the Schedule “D” included in the Stalking Horse Agreement (Appendix “E”).
 - c. The Stalking Horse Bidder will seek to obtain assignments of certain contracts of the Company, either consensually or through a court order; and
 - d. The Stalking Horse Bidder will be entitled to an expense reimbursement fee up to \$7,500 should a purchaser other than the Stalking Horse Bidder close a transaction through the Sale Process.
26. The value of the Stalking Horse Bid exceeds the value attributed to the business by the report included in the Company’s motion materials, prepared by the chartered business valuator retained by the Company.
27. In addition, the Proposal Trustee engaged Corporate and General Appraisers (“C&G”) to prepare an expedited forced liquidation valuation report of the Company’s assets on October 20, 2020 (the “FLV Report”). C&G attended on site to evaluate the Company’s hard assets and reviewed the books and records of the Company. A copy of the FLV Report, which sets out forced liquidation value of the Company’s equipment and inventory, is attached hereto as confidential Appendix “F”, which appendix is to be filed confidentially with the Court and a sealing order in respect of the same sought.
28. The Proposal Trustee notes that the FLV Report did not ascribe a value to the Company’s accounts receivable. Based on a discussion with the Company’s management and a review of the Company’s aging of accounts receivable as at September 30, 2020, \$103,471 of the total balance of accounts receivable outstanding (\$1,544,015) is current and collectible. The remaining accounts receivable balance consists of \$220,251 which we understand is not collectible and will ultimately be written off, and the accounts receivable balance owing from the Power Workers Union in the amount of \$1,220,293 (the “**PWU Receivable**”). The PWU Receivable is overdue and is headed for litigation. The realizable value of the PWU Receivable is unknown. It is possible that the realizable value of this

PWU Receivable would, when added to the value of the other assets, come within the range of, or less than, the value of Stalking Horse offer. Nonetheless, the Sales Process would expose the same to the market and any potential purchaser would, presumably, attribute a value of the same and/or exclude the PWU Receivable from any offer. In the latter case, the PWU Receivable would remain as an asset the Company could pursue (possibly as part of a proposal to creditors).

V. ADMINISTRATION CHARGE

29. The Company is seeking an order granting, among other things, a charge against all of the assets of the Company, to secure the fees and disbursements of the Proposal Trustee and its counsel. The amount of the charge sought is the maximum aggregate amount of \$50,000 against all the assets of the Company (**“Administration Charge”**).
30. The Administration Charge is proposed to rank ahead of all secured and unsecured creditors.
31. The quantum of the Administration Charge sought by the Company was determined in consultation with the Proposal Trustee. The creation of the Administration Charge is typical in similar proceedings as is the proposed priority of the Administration Charge. Without the Administration Charge, the Proposal Trustee will not be funded to, and is not prepared to, implement the Sales Process.

VI. EXTENSION OF THE STAY PERIOD TO DECEMBER 7, 2020

32. The current stay of proceedings will expire on October 22, 2020. Accordingly, the Company is seeking a 45-day extension of time pursuant to Section 50.4(9) of the BIA to December 7, 2020 (the “**Stay Extension**”).
33. The Company with the assistance of the Proposal Trustee has prepared Cash Flow Projections. A copy of the Cash Flow Projections is attached hereto as Appendix “C”, which is summarized below:

Canadian Union Promotions Inc. Cash Flow Projections

For the Period October 9, 2020 to January 1, 2021

Cash-in

Accounts Receivable Collections	1,031,777
CRA Covid-19 wage subsidy	91,933
A	<u>1,123,710</u>

Cash-out

Advertising and promotion	4,500
Legal & Trustee	45,874
Insurance	38,646
Interest and bank charges	51,482
HST	10,445
WSIB and EHT	4,200
Occupancy costs	45,313
Office and general	42,188
Professional fees	3,193
Salaries and benefits	462,985
A/P Vendor payments	38,589
Leases	169,692
Loan Payment	52,500
Cost of goods sold	171,568
B	<u>1,141,175</u>

Net Cash Flow

C=A-B (17,466)

Opening Cash Balance

D 18,839

Closing Cash Balance

C+D 1,375

34. The Cash Flow Projections indicate that the Company will have sufficient liquidity to fund both operating costs and the costs of these Proposal proceedings, for the duration of the Stay Extension, if granted.
35. Since preparation of the Cash Flow Projections, RBC has filed materials which indicate that certain post-filing obligations in respect of RBC leases should have but have not been met. The Proposal Trustee was not aware of the same, as the Cash Flow Projections prepared by the Company contemplated payment of these lease amounts. The Proposal Trustee has made inquiries on this point and is advised by the Company that the Company assumed RBC would automatically have debited the Company account on the appointed date to satisfy these obligations. That did not happen and the Proposal Trustee has advised the Company that these post-filing obligations will need to be met. The Company advised, through counsel, that in the worst case, all such post-filing lease obligations – including those to RBC – will be paid as “cure costs” in respect of the assumption of the leases by the Stalking Horse transaction or otherwise paid by a superior bid, should be submitted. This fact, notwithstanding, the Company advised the Proposal Trustee that it was looking to issuing payment sooner.

VII. CONCLUSION

36. In the event that the Sales Process and Stalking Horse Bid are approved, the Proposal Trustee supports the Company’s request for the Stay Extension and Administration Charge for the following reasons:
- a. the Stay Extension to December 7, 2020 is necessary to provide the Company sufficient time to implement the Sale Process and complete the sale of the Assets;
 - b. the Company appears, based on anticipated value, to be acting in good faith and with due diligence in taking steps to monetize its assets for the benefit of their stakeholders; and

- c. the Administration Charge is necessary to ensure the Proposal Trustee is adequately funded to implement the Sales Process.

All of which is respectfully submitted this 21st day of October 2020.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal of
Canadian Union Promotions Inc.

Per 

Hans Rizarri, CIRP, LIT

Appendix “A”

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR.)	TUESDAY, THE 8 TH
)	
JUSTICE HAINEY)	DAY OF SEPTEMBER, 2020

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF CANADIAN UNION
PROMOTIONS INC., A CORPORATION
INCORPORATED UNDER THE CANADIAN
BUSINESS CORPORATIONS ACT**

**ORDER
(Extension of Time to File a Proposal)**

THIS MOTION by Canadian Union Promotions Inc. (“CUP”) for an order extending from September 7, 2020 (effectively September 8, 2020 on account of the Labour Day holiday) to October 22, 2020 the time for Crowe Soberman Inc. in its capacity as proposal trustee (the “**Trustee**”) to file with the Official Receiver, on behalf of CUP, a proposal to creditors pursuant to the *Bankruptcy and Insolvency Act* (the “**BIA**”), was heard this day at 330 University Avenue, Toronto, Ontario, via Zoom teleconference.

ON READING the affidavit of Shy Jacoby sworn September 4, 2020 and the First Report of the Trustee dated September 4, 2020 (the “**First Report**”) and upon hearing the submissions of counsel for CUP, Royal Bank of Canada, and those other parties present, if any, as indicated in the counsel slip, no other parties being present although duly served as appears from the affidavit of service of Karen Jones sworn September 4, 2020.

NOTICE AND SERVICE

1. **THIS COURT ORDERS** that the time for service of the First Report and the motion record in respect of this motion is hereby abridged and validated so that the motion is properly returnable today, and that further service thereof is hereby dispensed with.

EXTENSION OF TIME TO FILE A PROPOSAL

2. **THIS COURT ORDERS** that, pursuant to Section 50.4(9) of the BIA, the period within which CUP may file a proposal be and is hereby extended to October 22, 2020.

3. **THIS COURT ORDERS** that this Order is effective from today's date and is not required to be entered.

A handwritten signature in cursive script, reading "Hainey J.", is written over a horizontal line. The signature is fluid and stylized, with a large loop at the end of the last name.

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF CANADIAN UNION PROMOTIONS INC., A CORPORATION
INCORPORATED UNDER THE CANADIAN BUSINESS CORPORATIONS ACT

Estate No. 31-2663507

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

ORDER
(Extension of Time to File a Proposal)
(returnable September 8, 2020)

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**Joël Turgeon (Member of the Bar of Quebec;
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Lawyers for Canadian Union Promotions Inc.

Appendix “B”

**Court File No. 31-2663507
Estate File No. 31-2663507**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN UNION PROMOTIONS INC.**

**FIRST REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL
TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN UNION PROMOTIONS INC.**

September 4, 2020

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APPENDICES

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APPENDIX "B"- 2019 FINANCIAL STATEMENTS

APPENDIX "C"- CASH FLOW PROJECTIONS

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN UNION PROMOTIONS INC.

FIRST REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL
TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
CANADIAN UNION PROMOTIONS INC.

September 4, 2020

1. This report (the “**First Report**”) is filed by Crowe Soberman Inc. (“**Crowe**”) in its capacity as proposal trustee (the “**Proposal Trustee**”), in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Canadian Union Promotions Inc. (“**CUP**” or the “**Company**”).
2. On August 8th, 2020 (the “**Filing Date**”), the Company filed an NOI and Crowe was appointed as Proposal Trustee. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy for the Company is attached hereto as **Appendix “A”**.
3. The purpose of this First Report is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) and stakeholders with information pertaining to the following:
 - a. a limited summary of certain background information about the Company;
 - b. the restructuring steps to be undertaken by the Company during these proceedings; and
 - c. the Company’s request for an extension of the stay initiated on the Filing Date (the “**Stay Period**”) to October 22, 2020.

I. TERMS OF REFERENCE

4. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.
5. In preparing this First Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Company's representatives, the Company's books and records and discussions with their management and employees (collectively, the "**Information**"). The Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountant of Canada Handbook (the "**CPA Handbook**") and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

II. GENERAL BACKGROUND INFORMATION ON THE COMPANY

6. CUP was incorporated under the Canada Business Corporations Act on November 9, 2007. The Company is in the business of providing customized software solutions, various marketing services, and print and promotional products to union associations. The Company's head office and operations are located at 17 Belfield Road, Etobicoke, Ontario.
7. The directors of CUP consist of Kevin Flynn, Cosmo Manella, Rosario Marchese, Shy Jacoby, Ken Georgetti, Elena Jacoby, and David Gibbins.
8. CUP is a private company and is primarily owned by Shy Jacoby (and family members).

Overview of Operations

9. CUP has approximately 50 clients, ranging from small, local unions (representing from 250 to 50,000 workers) to provincial unions (representing from 20,000 to 150,000 workers). Currently the Company has 17 employees and 3 contractors.

10. We understand that in 2014 CUP developed a comprehensive software platform specifically tailored to address the special needs of unions and their members with regard to management, duties, and communications. This platform enabled the Company to service larger, national-level union clients, as well as smaller and medium size union clients who operate regionally or as a union local.
11. We understand that from the years 2014 to 2018, CUP experienced sizeable growth which resulted in the Company hiring more people and acquiring new clients.

The Company's Financial Position

12. Sales, gross profit and net income significantly declined in fiscal 2019. Overall, there was an operating loss in the amount of \$810,850 in fiscal 2019, compared to an operating gain in the amount of \$167,756 in fiscal 2018.
13. The Company's financial statements for the fiscal year ending December 31, 2019 were issued by Ernst & Young LLP. A copy of the Financial Statements is attached hereto as **Appendix "B"**.

Causes of Insolvency

14. The Proposal Trustee has been advised that in 2019, CUP experienced financial difficulty as a result of the loss of a major client, the Power Workers Union. As well, we were advised that the Company has an overdue accounts receivable balance outstanding from the Power Workers Union of more than \$1.2 million. The Company's inability to collect on the accounts receivable balance has had a detrimental effect on the Company's cash flow.
15. Additional details of the Company's causes of insolvency are detailed in the affidavit of Shy Jacoby sworn September 3, 2020 in support of the Company's September 7, 2020 motion (the "**Jacoby Affidavit**") and are, therefore, not repeated herein.

The Company's Creditors

16. As detailed in the Jacoby Affidavit, CUP has a banking relationship with Royal Bank of Canada ("**RBC**") and maintain their operating accounts at RBC. In 2018, CUP secured a comprehensive loan facility with RBC. We understand the loan structure includes a revolving demand facility that was initially \$650,000 and later increased to \$850,000, a Visa facility, and the execution by the Company of a general security agreement in favour of RBC.
17. In the fall of 2019, RBC placed CUP into special loans. In July 2020, CUP was notified by RBC that they were in default under the RBC loan facility as a result of borrowing ratios exceeding those allowed as of December 31, 2019, CUP's last financial year-end. RBC also advised that the Company's Visa cards had exceeded their maximum balances.
18. On July 29, 2020, RBC served CUP with a demand letter and a notice pursuant to section 244 of the BIA Notice of Intention to Enforce Security, as it related to the Company's indebtedness currently estimated in the amount of approximately \$850,000.
19. In addition to the indebtedness owing to RBC, the Company has a secured loan owing to a related company in the amount of approximately \$120,000, equipment leases outstanding in the amount of approximately \$750,000 and unsecured obligations totaling approximately \$1.25 million to various service providers.

III. THE NOI PROCEEDINGS

20. Due to the financial challenges experienced by the Company, it was determined that it is in the best interest of all stakeholders for the Company to explore restructuring options. CUP continues to operate as a going concern. It is CUP's intention to repay its secured debt to RBC through refinancing and/or investment and to continue its operations in the normal course with the assistance of the Company's advisors, and under the supervision of the Proposal Trustee.

IV. EXTENSION OF THE STAY PERIOD TO OCTOBER 22, 2020

21. The current stay of proceedings will expire on September 7, 2020 (effectively September 8, 2020 on account of the Labour Day holiday). Accordingly, the Company is seeking a 45-day extension of time pursuant to Section 50.4(9) of the BIA to October 22, 2020 (the “**Stay Extension**”).
22. The Company with the assistance of the Proposal Trustee has prepared Cash Flow Projections. A copy of the Cash Flow Projections is attached hereto as **Appendix “C”**, which is summarized below:

**Canadian Union Promotions Inc.
Cash Flow Projections
For the Period September 4 to December 4, 2020**

Cash-in

Accounts Receivable Collections	1,146,178
CRA Covid-19 wage subsidy	135,000
A	<u>1,281,178</u>

Cash-out

Advertising and promotion	12,000
Legal & Trustee	18,800
Insurance	46,125
Interest and bank charges	63,971
HST	14,297
WSIB and EHT	5,600
Occupancy costs	72,188
Office and general	43,811
Professional fees	3,193
Salaries and benefits	521,495
A/P Vendor payments	43,295
Leases	147,260
Loan Payment	40,000
Cost of goods sold	267,138
B	<u>1,299,171</u>

Net Cash Flow	C=A-B	<u><u>(17,993)</u></u>
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Opening Cash Balance	D	46,329
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Closing Cash Balance	C+D	28,336
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23. The Cash Flow Projections indicate that the Company will have sufficient liquidity to fund both operating costs and the costs of these Proposal proceedings, for the duration of the Stay Extension, if granted.

24. The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:

- a. More time is required to finalize and execute a restructuring plan and to refinance RBC;
- b. The Company is acting in good faith and with due diligence;
- c. It is the Proposal Trustee's view that the Stay Extension will not materially prejudice any creditors; and
- d. The Company will likely be able to make a viable proposal to their creditors if their request for an extension is granted.

V. CONCLUSION AND RECOMMENDATIONS

25. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the Order sought by the Company, extending the Stay Period to October 22, 2020.

All of which is respectfully submitted this 4th day of September 2020.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal of
Canadian Union Promotions Inc.

Per


Hans Rizari, CIRP, LIT

Appendix “C”

Canadian Union Promotions 13 Week Frst

Opening Balance	18,839	7,467	19,785	37,131	4,668	43,054	91,602	5,328	(1,268)	15,425	11,969	15,693	79,360	18,839
Closing Balance	7,467	19,785	37,131	4,668	43,054	91,602	5,328	(1,268)	15,425	11,969	15,693	79,360	1,375	1,375
Week Ending	09-Oct-20	16-Oct-20	23-Oct-20	30-Oct-20	06-Nov-20	13-Nov-20	20-Nov-20	27-Nov-20	04-Dec-20	11-Dec-20	18-Dec-20	25-Dec-20	01-Jan-21	Total
Recievables:														
Accounts Receivable Collections	27,485	202,082	57,500	50,000	114,211	61,774	52,799	50,000	129,632	45,030	131,264	110,000	-	1,031,776
Other Cash-in	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment tax credits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CRA Covid-19 wage subsidy	46,933	-	-	-	-	45,000	-	-	-	-	-	-	-	91,933
Total Receivable	74,418	202,082	57,500	50,000	114,211	106,774	52,799	50,000	129,632	45,030	131,264	110,000	-	1,123,710
Payables:														
Advertising and promotion	-	-	-	1,500	-	-	-	1,500	-	-	-	1,500	-	4,500
Automobile	806	2,007	-	2,207	-	-	2,007	2,207	-	-	2,007	-	2,207	13,446
Computer	-	-	-	1,000	-	-	-	1,000	-	-	-	-	1,000	3,000
Legal & Trustee	5,000	7,500	7,374	5,000	2,500	2,500	5,000	5,000	3,500	2,500	-	-	-	45,874
Insurance	5,552	-	48	-	11,619	-	-	48	11,619	-	-	48	9,712	38,646
Interest and bank charges	626	13,924	-	3,000	3,500	-	13,924	3,000	2,900	609	4,500	3,000	2,500	51,482
HST	445	1,000	-	1,000	2,500	-	1,000	-	2,500	-	1,000	-	1,000	10,445
WSIB and EHT	-	-	-	1,400	-	-	-	1,400	-	-	-	1,400	-	4,200
Occupancy costs	-	24,063	-	(26,875)	-	-	24,063	-	-	-	24,063	-	-	45,313
Office and general	-	-	4,326	300	119	-	3,867	300	62	-	3,867	300	-	13,142
Professional fees	-	1,232	1,960	-	-	-	-	-	-	-	-	-	-	3,193
Salaries and benefits	32,960	80,610	-	69,883	-	22,603	47,280	22,603	47,280	22,603	47,280	22,603	47,280	462,985
Telephone	-	3,200	-	-	-	-	3,200	-	-	-	3,200	-	-	9,600
Travel	-	500	-	500	-	-	500	-	500	-	500	-	500	3,000
A/P Vendor payments	918	2,642	5,231	499	5,717	1,783	9,849	468	941	1,166	3,640	-	5,738	38,589
Leases	33,700	29,803	6,214	8,050	29,872	1,339	5,885	9,070	18,636	11,608	4,984	2,481	8,050	169,692
Loan Payment	-	17,500	-	-	-	-	17,500	-	-	-	17,500	-	-	52,500
COGS	5,784	5,784	15,000	15,000	20,000	30,000	5,000	10,000	25,000	10,000	15,000	15,000	-	171,568
Total Payable	(85,790)	(189,764)	(40,154)	(82,463)	(75,826)	(58,225)	(139,074)	(56,596)	(112,938)	(48,486)	(127,540)	(46,333)	(77,986)	(1,141,174)
Net Cash	(11,373)	12,318	17,346	(32,463)	38,386	48,548	(86,275)	(6,596)	16,693	(3,456)	3,723	63,667	(77,986)	(17,465)
Closing Bank Balance	7,467	19,785	37,131	4,668	43,054	91,602	5,328	(1,268)	15,425	11,969	15,693	79,360	1,375	1,375

Appendix “D”

Schedule “A” – Sale Process

1. Definitions. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Stalking Horse APA.
2. Advertisement. Not later than five (5) Business Days after the Sale Process Order is granted, the Trustee shall advertise for sale the Purchased Assets in The **National Post (National Edition)** and distribute a teaser document to potential interested parties.
3. Due Diligence. Not later than five (5) Business Days after the Sale Process Order is granted, the Trustee shall make available to prospective purchasers (collectively, the “**Prospective Purchasers**”), upon receipt of an executed confidentiality agreement from a Prospective Purchaser, access to a data room containing information reasonably required by Prospective Purchasers to consider submitting an offer for the Purchased Assets and facilitate the conduct of due diligence by the Prospective Purchasers. The Purchaser may have access to the data room.
4. Bid Deadline. Any offers to purchase the Purchased Assets must be submitted in writing to and received by the Proposal Trustee at Crowe Soberman Inc., 2 St. Clair Ave. East, Suite 1100 Toronto, ON M4T 2T5, attention: Hans Rizarri, or by email at hans.rizarri@crowesoberman.com, by 5:00pm (Toronto time) on November 23, 2020 (the “**Bid Deadline**”).
5. Qualified Bid. The Trustee in its sole discretion shall determine whether any offers are “**Qualified Bids**”. A Qualified Bid shall mean an offer to purchase substantially all of the Purchased Assets which is substantially the same or better than the Agreement, provided that no offer shall qualify as a Qualified Bid unless it meets, among other things, the following minimum criteria:
 - i. the Prospective Purchaser and the representatives thereof who are authorized to appear and act on its behalf must be sufficiently identified and written evidence of the offeror’s chief officer or other appropriate senior executive’s approval of the contemplated transaction must be submitted with the offer;
 - ii. the offer must be submitted in writing and include a blackline of the offer to the Agreement, reflecting the Prospective Purchaser’s proposed changes and a written commitment to close on the terms and conditions set forth therein;
 - iii. the offer must be accompanied by a deposit in the form of certified cheque payable to the Proposal Trustee which is equal to at least 10% of the aggregate purchase price payable under the offer;
 - iv. the offer must be open for acceptance by the Vendor until five (5) Business Days after the Auction (as hereinafter defined) or later;

- v. the offer must be on terms no less favourable and no more burdensome or conditional than the Agreement and shall not contain any provisions for a break fee or expense reimbursement;
 - vi. the offer must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the offeror's obligation to complete the transaction that are not otherwise contained in the Agreement;
 - vii. the offer must contain written evidence of a commitment for financing or other evidence of the ability to consummate the sale with appropriate contact information for such financing sources; and
 - viii. the offer must be for a price equal to or greater than the sum of the Purchase Price, the Break Fee and **\$5,000**.
6. Auction. Only if the Trustee receives one or more Qualified Bids by the Bid Deadline, the Trustee shall extend invitations by phone, fax and/or email by 10:00 a.m. (Toronto time) on the third (3rd) Business Day after the Bid Deadline to all bidders who submitted Qualified Bids and to the Purchaser to attend an auction (the "**Auction**"). The Auction shall be held at 10:00 a.m. on the fifth (5th) Business Day after the Bid Deadline (or such other date and time as the Proposal Trustee may in its sole discretion designate) at the offices of the Trustee or virtually by videoconference facility established by the Trustee.
 7. Conduct of the Auction. The Trustee shall conduct the Auction. At the Auction, the bidding shall begin initially with the highest Qualified Bid and subsequently continue in multiples of \$10,000, or such other amount as the Trustee determines to facilitate the Auction (the "**Incremental Amount**"). Additional consideration in excess of the amount set forth in the highest Qualified Bid must be comprised only of cash consideration. The format and procedure for the Auction shall be determined by the Trustee in its sole discretion.
 8. Winning Bid. In its sole discretion and based, *inter alia*, on the conduct of the Auction, the total financial and contractual terms of the Qualified Bids and various factors relevant to the speed and certainty of completing the sale of the Purchased Assets, the Trustee shall determine and accept the highest and/or best bid with respect to the Purchased Assets (the "**Winning Bid**"), subject to Court approval.
 9. Court Approval of the Winning Bid. The Vendor shall make a motion to the Court to obtain approval of the Winning Bid and the Approval and Vesting Order as expeditiously as possible after the Auction, but in no event longer than ten (10) Business Days following the Auction.
 10. Court Approval of Agreement if no Qualified Bid. If no Qualified Bid is received by the Bid Deadline (other than the Agreement), the Auction will not be held. Accordingly, the Agreement will be the Winning Bid and the Vendor shall seek, as expeditiously as possible, approval of the Court to consummate the Transaction contemplated by the Agreement, but in no event longer than ten (10) Business Days following the expiry of the Bid Deadline.

11. Return of Deposits. The deposits submitted with all Qualified Bids (except the Winning Bid), shall be held in escrow by the Trustee until five (5) Business Days after the date of the completion of the Auction and returned to those Prospective Purchasers thereafter. If the Winning Bid terminates pursuant to its terms or fails to close because of the Vendor's breach or failure to perform under the terms of the Winning Bid, the Trustee shall return the deposit submitted with such bid to the bidder that submitted the Winning Bid (the "**Winning Bidder**") forthwith. If the Winning Bidder fails to complete the approved sale because of its breach or failure to perform under the terms of the Winning Bid, the Trustee shall not have any obligation to return the deposit submitted with the Winning Bid and such deposit shall be retained by the Trustee as liquidated damages and the Purchaser shall be entitled to submit a new bid for the Purchased Assets, which the Trustee shall be at liberty to but not obligated to, accept on terms to be agreed upon between the Parties.
12. Modifications. Subject to the Sale Process Order, the Trustee shall have the right to adopt such other rules for the Sale Process, that, in its sole discretion, will better promote the goals of the Sale Process.

Appendix “E”

ASSET PURCHASE AGREEMENT

This Agreement is made as of the 16th day of October, 2020.

BETWEEN:

**CANADIAN UNION PROMOTIONS INC. (the
“Vendor”)**

and

YOUNION TRAVELS, INC., a company incorporated
under the laws of the Province of Ontario

(the “**Purchaser**”)

RECITALS

A. On August 3, 2020, the Vendor filed a Notice of Intention to Make a Proposal pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) and appointed Crowe Soberman Inc. as proposal trustee (the “**Trustee**”);

B. Subject to the approval of a Judge of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), the Vendor wishes to sell and the Purchaser wishes to purchase on an “as is, where is basis” all of the right, title and interest, if any, of the Vendor in the Purchased Assets (as defined below) pursuant to the terms and conditions of this Agreement;

C. As part of the sales procedure contemplated herein, the Vendor shall obtain an Order of the Court (the “**Sale Process Order**”), substantially in the form attached as Schedule “A” hereto, approving this Agreement as a stalking horse bid and approving the procedures set out herein for marketing and selling the Vendor’s assets (the “**Stalking Horse Approval Terms**”).

FOR VALUE RECEIVED, the parties agree as follows:

SECTION 1 – INTERPRETATION

1.1 Definitions

In this Agreement:

- (1) **Alternative Transaction** has the meaning set forth in Section 6.4(1);
- (2) **Agreement** means this agreement including any recitals and schedules to this agreement, as amended, supplemented or restated from time to time; provided that this agreement shall constitute an offer, as set out in Section 2.1, until accepted by the Vendor;
- (3) **Approval and Vesting Order** means an Order of the Court, substantially in the form attached as Schedule “B” hereto, providing for, among other things, the vesting in and to the

Purchaser of all of the right, title and interest, if any, of the Vendor in and to the Purchased Assets, free and clear of all liens, charges and encumbrances, except Permitted Encumbrances;

- (4) ***Assumed Contracts*** means those Contracts listed in Schedule “C” hereto;
- (5) ***Assumed Liabilities*** means those Assumed Liabilities listed in Schedule “D” hereto;
- (6) ***BIA*** has the meaning set forth in Recital A;
- (7) ***Break Fee*** has the meaning set forth in Section 6.4(1);
- (8) ***Business Day*** means any day of the year, other than a Saturday, Sunday or any day on which Canadian chartered banks are closed in Toronto, Ontario, Canada;
- (9) ***Contracts*** means any written, but not oral, contracts, personal property leases, real property leases, licenses from any Person, service contracts, distributor agreements and any other similar written agreement between any of the Vendor and any Person relating in any way to the Purchased Assets;
- (10) ***Court*** has the meaning set forth in Recital B;
- (11) ***Closing*** means the completion of the Transaction;
- (12) ***Closing Date*** means the second (2nd) Business Day following the date on which the Approval and Vesting Order is granted or such later or earlier date as agreed to by the parties or if there is a separate order required to assign any of the Assumed Contracts then the Closing Date shall mean the second (2nd) Business Day following the date on which such subsequent assignment order is granted;
- (13) ***Continuing Employees*** has the meaning set forth in Section 3.7;
- (14) ***Cure Costs*** means the amount of all monetary defaults, if any, existing in respect of any Assumed Contracts that are required to be paid in order to obtain the consent necessary to permit an assignment under Section 3.2 of this Agreement or pursuant to section 84.1 of the BIA;
- (15) ***Encumbrances*** means all mortgages, pledges, charges, liens, debentures, hypothecs, trust deeds, assignments by way of security, security interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging or creating a security interest in the Purchased Assets or any part thereof or interest therein, and any agreements, leases, options, easements, rights-of-way, restrictions, executions or other encumbrances, including notices or other registrations in respect of any of the foregoing, affecting title to the Purchased Assets or any part thereof or interest therein.;
- (16) ***ETA*** means the *Excise Tax Act* (Canada);
- (17) ***Excluded Liabilities*** means any liabilities not expressly assumed under the terms of this Agreement and, for greater certainty but without in any way limiting the generality of the foregoing, includes any liabilities in respect of employees of any of the Vendor other than Continuing Employees who accept offers of employment from the Purchaser;

- (18) **Governmental Authority** means any Canadian federal, provincial, state, municipal or local, or other government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial or arbitral body, or any comparable body to the foregoing in the United States of America, having jurisdiction over the Purchased Assets;
- (19) **GST/HST** means taxes, interest, penalties and fines imposed under Part IX of the ETA;
- (20) **Inventory** means all inventories relating to each Vendor's business including, without limitation, work-in-progress, samples, goods-in-transit, finished goods, raw materials and equipment replacement parts;
- (21) **Permitted Encumbrances** means those encumbrances set out on Schedule "E" hereto;
- (22) **Person** means a natural person, partnership, limited liability partnership, corporation, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Authority, and pronouns have a similarly extended meaning;
- (23) **Purchased Assets** has the meaning set forth in Section 3.1(1);
- (24) **Purchase Price** has the meaning set forth in Section 3.3;
- (25) **Sale Process** has the meaning set forth in Section 5.1(1);
- (26) **Sale Process Order** has the meaning set forth in Recital E;
- (27) **Stalking Horse Approval Terms** has the meaning set forth in Recital E;
- (28) **Time of Closing or Closing Time** means 2:00 p.m. Toronto time on the Closing Date or as otherwise determined by mutual agreement of the parties in writing;
- (29) **Transaction** means the transaction of purchase and sale contemplated by this Agreement; and
- (30) **Transfer Taxes** has the meaning set forth in Section 3.6(2);

1.2 Headings and References

The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement," "hereof," "hereunder" and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to "Sections" are to sections, subsections and further subdivisions of sections of this Agreement.

1.3 Extended Meanings

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including without limitation."

1.4 Statutory References

Each reference to an enactment is deemed to be a reference to that enactment, and to the regulations made under that enactment, as amended or re-enacted from time to time.

1.5 Schedules

The following are the Schedules to this Agreement:

Schedule “A” – Draft Sale Process Order

Schedule “B” – Draft Approval and Vesting Order

Schedule “C” – Assumed Contracts

Schedule “D” – Assumed Liabilities

Schedule “E” – Permitted Encumbrances

Schedule “F” – Allocation of Purchase Price

Schedule “G” – Sale Process

SECTION 2 – OFFER

2.1 Offer

Subject to satisfaction of the conditions set out in Sections 6.1, 6.2 and 6.3 hereof, this Agreement, once executed by the Purchaser, shall constitute a valid and binding offer to purchase by the Purchaser.

SECTION 3 – SALE AND PURCHASE

3.1 Sale and Purchase of Purchased Assets

(1) Subject to the terms and conditions of this Agreement, on the Closing Date, the Vendor shall sell, assign and transfer to the Purchaser, and the Purchaser shall purchase from the Vendor, all of the right, title and interest of the Vendor, if any, in and to all of the properties, assets and undertakings of the Vendor (collectively, the “**Purchased Assets**”) including, but not limited to:

- (a) all accounts receivable, trade accounts, book debts and insurance claims relating to the Vendor’s business, recorded as receivable in the books and records and all other amounts due to the Vendor, including refunds and rebates;
- (b) any claim, right or interest of the Vendor in or to any refund, rebate, abatement or other recovery for taxes paid by or on behalf of the Vendor, together with any interest due thereon or penalty rebate arising therefrom, for any tax period (or portion thereof);
- (c) all deposits and prepaid charges and expenses of the Vendor;

- 5 -

- (d) all Inventory;
- (e) all machinery and equipment, including all computer equipment;
- (f) all furniture, trade fixtures and other chattels owned by the Vendor, including those in possession of third parties;
- (g) all books and records, in electronic form or otherwise, used in connection with the Vendor's business;
- (h) all intangible personal property of the Vendor, including, without limitation, the following:
 - (i) business and trade names, corporate names, brand names and slogans;
 - (ii) all mobile applications, servers and related software;
 - (iii) all inventions, patents, patent rights, patent applications, utility models and all equivalent or similar rights anywhere in the world;
 - (iv) all registered and unregistered trade-marks (including the goodwill attaching to such trade-marks), service marks, trade names, trade dress, logos, business, corporate and product names and slogans and registrations and applications for trade-marks;
 - (v) all copyrights in copyrightable works, all non-copyrightable works, and all other rights of authorship, worldwide, and all applications, registrations and renewals in connection therewith; and
 - (vi) all licenses (end-user or otherwise) of the intellectual property listed in items (i) to (v) above;
- (i) all software licences;
- (j) the goodwill associated with the Vendor's business, if any, including the exclusive right of the Purchaser to represent itself as carrying on the business in continuation of and in succession to the Vendor and all rights to use any words indicating that the business is so carried on;
- (k) all right, title and interest of the Vendor in, to and under, and the full benefit of, the Assumed Contracts;
- (l) all choses in action belonging to any Vendor; and
- (m) all other rights, properties and assets of the Vendor, of whatever nature or kind and wherever situated.

3.2 Assumed Contracts

- (1) Subject to the approval of the Court, the Assumed Contracts where consent to such assignment is necessary but has not been obtained beforehand shall be assigned to the Purchaser pursuant to the terms of the Approval and Vesting Order or subsequent order before Closing.
- (2) The Purchaser shall be responsible for all Cure Costs in respect of any Assumed Contracts.
- (3) The Purchaser shall indemnify and hold harmless the Vendor from and against any claims or liabilities arising under or in connection with any of the Assumed Contracts for matters occurring on or after, and which relate to the period on or after the Closing Date.
- (4) Nothing in this Agreement will constitute an agreement to assign or an attempted assignment of any non-assignable rights or any Contracts for which any requisite consent or approval has not been obtained or which as a matter of law or by its terms is not assignable.

3.3 Purchase Price

- (1) The consideration payable by the Purchaser to the Vendor for the Purchased Assets (the “**Purchase Price**”) shall be the sum of **Two Hundred and Fifty Thousand dollars (\$250,000)**, comprised of:
 - (a) **Twenty-Five Thousand dollar (\$25,000)** deposit to be paid to the Trustee upon acceptance of this Agreement by the Vender, and
 - (b) balance to be paid on closing.

3.4 Payment of Purchase Price.

- (1) The Purchase Price will be satisfied by the Purchaser on Closing as follows:
 - (a) Bank draft or wire transfer to the Trustee or Trustee’s solicitor, in trust.

3.5 Allocation of Purchase Price

The Purchase Price will be allocated among the Purchased Assets by the parties in accordance in the allocation set out in Schedule “F” hereto, and the Vendor and the Purchaser shall each file their respective income tax returns in accordance with that allocation.

3.6 Taxes

- (1) The Vendor and the Purchaser may jointly elect under Subsection 167(1) of the ETA in connection with the purchase and sale of the Purchased Assets. The Purchaser shall file that joint election with the relevant Government Authority in accordance with the requirements of the ETA, and the Vendor hereby authorize the Purchaser and its accountants to file that joint election on behalf of the Vendor.
- (2) The Purchaser will be liable for and shall pay, directly to the relevant government authority, as required, all federal and provincial or state sales taxes, duties or other taxes or

charges payable in connection with the conveyance and transfer of the Purchased Assets to the Purchaser, including GST/HST (if applicable), but excluding any income taxes payable by the Vendor or any other person as a result of the completion of the Transaction (collectively, the “**Transfer Taxes**”), and the Vendor hereby directs the Purchaser to make those payments directly to the relevant government authorities. To the extent any Transfer Taxes are required to be paid by or are imposed upon any of the Vendor, the Purchaser will reimburse to the Vendor such taxes within five Business Days of payment of such taxes by the Vendor. The Purchaser will indemnify and hold the Vendor harmless in respect of any Transfer Taxes, penalties, interest and other amounts that may be assessed against any of the Vendor as a result of the sale of the Purchased Assets.

(3) The Purchaser’s obligations under this Section 3.6 shall survive closing.

3.7 Legal Fees and Costs

The Purchaser shall pay its own legal costs and fees payable in connection with the Transaction, if any.

3.8 Employees of the Vendor

The Purchaser shall provide the Vendor with a list of employees it wishes to offer employment to ten (10) Business Days before Closing (the “**Continuing Employees**”). The employment by the Vendor of all employees other than the Continuing Employees who choose to accept the offer of employment from the Purchaser shall be terminated prior to Closing and the Purchaser shall have no obligations with respect to any employees other than the Continuing Employees who choose to accept the offer of employment.

3.9 Liabilities

Subject to the terms and conditions of this Agreement, on the Closing Date, the Purchaser agrees to assume the Assumed Liabilities. For the avoidance of any doubt, the Vendor and the Purchaser acknowledge that the Purchaser is not assuming any Excluded Liabilities.

SECTION 4 – REPRESENTATIONS AND WARRANTIES

4.1 Vendor’s Representations.

The Vendor represents and warrants to the Purchaser that:

- (a) the Vendor is not aware of any action or proceeding pending or threatened against it which may affect its right to convey any of the Purchased Assets or in any way restrain or prohibit the completion of the Transaction;
- (b) the Company is not, and at the time of Closing will not be, a non-resident of Canada within the meaning of that term as used in the *Income Tax Act* (Canada);
- (c) subject to the approval of the Court, the Vendor has right, power and authority to market any or all of the Purchased Assets for sale and to sell, convey, transfer,

lease or assign the Purchased Assets in accordance with and subject to the terms and conditions of this Agreement; and

- (d) the Vendor is registered under Part IX of the ETA and the Vendor's HST number is 834153355RT0001.

4.2 Purchaser's Representations.

The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser is a corporation existing under the laws of the Province of Ontario, and has full corporate power and authority to enter into and carry out this Agreement and the Transaction;
- (b) the entering into of this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party and the consummation of the Transaction have been duly authorized by all requisite corporate action;
- (c) other than the Approval and Vesting Order, no approval or consent of and no filing with or application to any Governmental Authority is required for the Purchaser to enter into this Agreement or to complete the Transaction, other than such approvals, consents, filings and applications that have been obtained or made as at the date hereof, copies of which have been provided to the Vendor;
- (d) this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party have been or will be, as at the Closing Time, duly and validly executed and delivered by the Purchaser and constitute or will, as at the Closing Time, constitute legal, valid and binding obligations of the Purchaser, as the case may be, enforceable in accordance with the terms hereof or thereof;
- (e) the Purchaser has entered into this Agreement and will be completing the Transaction on its own account, not as an agent; and
- (f) the Purchaser is registered under Part IX of the ETA and the Purchaser's HST number is 760529511RT0001.

4.3 "As is, Where is"

(1) The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an "as is, where is" basis as the Purchased Assets shall exist on the Closing Date and no adjustments shall be made for any changes in the condition of the Purchased Assets. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Purchaser has conducted such inspections of the condition of and title to the Purchased Assets, as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for any particular use or purpose, merchantability, condition, assignability, value or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell same. Without limiting the generality of the foregoing: (1) any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or

similar legislation in any other jurisdiction do not apply hereto and have been waived by the Purchaser and (2) no representation or warranty is made with respect to the accuracy or completeness of any information provided by the Vendor and their respective officers, directors, employees, and agents, to the Purchaser in connection with this Transaction. The description of the Purchased Assets contained herein is for the purpose of identification only. No representation, warranty or condition has or will be given by the Vendor concerning completeness or the accuracy of such descriptions.

(2) The Purchaser shall have reasonable access to the Purchased Assets on reasonable notice to the Vendor for the purposes of conducting inspections prior to the Closing Date.

(3) The Vendor agrees to provide any authorization required to allow the Purchaser's solicitor to perform searches for the purposes of conducting reviews prior to the Closing Date.

4.4 Survival.

The representations and warranties of the parties shall not survive Closing.

SECTION 5– SALE PROCESS

5.1 The Sale Process

(1) On or before October 22, 2020 (or such later date as may be agreed to by the Purchaser), the Vendor shall obtain the Sale Process Order, which shall set out the terms and conditions of and a timetable for a bidding and sale process with respect to the Purchased Assets (the “**Sale Process**”), substantially in the form attached as Schedule “G” hereto.

(2) The Sale Process Order shall recognize this Agreement, and in particular the Purchase Price, as a baseline or “stalking horse bid” (the “**Stalking Horse Bid**”), and shall also provide for a marketing process of the Purchased Assets by the Vendor and a competitive bidding procedure, to be administered by the Trustee. The Purchaser acknowledges and agrees that the aforementioned Sale Process is in contemplation of determining whether a materially higher price than that contemplated in the Stalking Horse Bid can be obtained for the Purchased Assets.

5.2 Court-Specified Time Periods

(1) Where any of the time periods specified in Schedule “G” hereof are subject to be established by Court Order, and in the event that the Court establishes a date different than the date set out in this Agreement, then the corresponding date established by such provisions of this Agreement shall be deemed to be amended to accord with the Court established date, provided that no such amendment shall be deemed to have occurred without the express written consent of the Purchaser if the effect of such amendment is to delay the Closing Date by any period greater than 15 days or later than November 30, 2020.

SECTION 6 – CONDITIONS TO CLOSING

6.1 Conditions - Purchaser.

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) the Approval and Vesting Order shall have been issued in a form satisfactory to the Purchaser including, where necessary, the assignment of the Assumed Contracts (or such assignment occurs by separate order following the granting of the Approval and Vesting Order);
- (b) the Vendor shall have performed its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and
- (c) the Vendor shall have delivered or caused to be delivered to the Purchaser each of the items listed in Section 7.2.

The foregoing conditions are for the exclusive benefit of the Purchaser.

6.2 Conditions - Vendor.

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Purchaser contained in this Agreement shall be true as of the Time of Closing with the same effect as though made as of that time and the Purchaser shall deliver to the Vendor a certificate signed by a representative of the Purchaser to that effect (provided that acceptance of such evidence and the completion of the transaction contemplated hereunder shall not be a waiver of such representations and warranties);
- (b) the Purchaser shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date; and
- (c) the Purchaser shall have delivered or caused to be delivered to the Vendor each of the items listed in Section 7.3.

The foregoing conditions are for the exclusive benefit of the Vendor.

6.3 Conditions – Vendor and Purchaser.

(1) Neither party shall be obligated to complete the transactions contemplated by this Agreement unless the following conditions have been fulfilled:

- (a) the Vendor shall have sought and obtained the Sale Process Order and the Approval and Vesting Order;

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- (b) all necessary corporate steps and proceedings shall have been taken by the parties to permit the execution of this Agreement and performance of each of the parties' obligations hereunder.
- (c) as of the Closing Time, no order shall have been made and no motion, action or proceeding shall be pending, threatened or commenced by any person, government, Governmental Authority, regulatory body or agency in any jurisdiction which restrains or prevents the sale of the Purchased Assets under this Agreement or restricts, prohibits or directs the Vendor not to complete the transaction contemplated by this Agreement and no Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other governmental order (whether temporary, preliminary or permanent) which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions or which would otherwise materially adversely affect or interfere with the prosecution of the Purchased Assets following Closing.
- (d) as at the Closing Time, the Purchased Assets shall not have been removed from the control of the Vendor, or any one of them as the case may be, by any means or process (the Purchaser and the Vendor acknowledging and agreeing that if, prior to the Closing Time, the Purchased Assets are removed from the Vendor's control by government action, civil commotion or by order of the Court, or any other cause beyond the Vendor's control, then this Agreement shall automatically be terminated and the provisions of Section 6.6 hereof shall apply *mutatis mutandis*).

The foregoing conditions are for the mutual benefit of both parties and may not be waived by either party.

- (2) The Purchaser acknowledges and agrees that the Sale Process is in contemplation of determining whether one or more qualified bids can be obtained for the Purchased Assets.
- (3) The Vendor covenants that it will use commercially reasonable efforts to fulfil or cause to be fulfilled the conditions contained in Section 6.1 and Section 6.3 hereof and the Purchaser covenants to use commercially reasonable efforts to fulfil or cause to be fulfilled the conditions contained in Sections 6.2 and 6.3 hereof prior to the times specified therefor.

6.4 Break Fee

- (1) In consideration for the Purchaser's expenditure of time and money in acting as the initial bidder in the stalking horse bid and the preparation and negotiation of this Agreement and subject to the terms and conditions of this Agreement and of the Stalking Horse Approval Terms, upon the closing of a sale and transfer, or a series of sales and transfers, of substantially all of the Purchased Assets to one or more third parties other than the Purchaser (an "**Alternative Transaction**"), or upon the Vendor committing a breach of Section 6.1 entitling the Purchaser to terminate this Agreement, then the Vendor shall pay to the Purchaser a break fee (the "**Break Fee**") of **Seven Thousand, Five Hundred Dollars (\$7,500)**.

(2) Payment of the Break Fee shall be made by the Vendor out of the proceeds of the Alternative Transaction or, if the Agreement is terminated due to a breach of Section 6.1, on the second business day after termination. Upon payment of the Break Fee to the Purchaser, the parties shall have no further obligations to the other under this Agreement.

(3) No Break Fee shall be payable in the event the Vendor terminates this Agreement due to the Purchaser's breach of Section 6.2.

6.5 Non-Satisfaction of Conditions.

(1) If any condition set out in Section 6.1 or Section 6.2 is not satisfied or performed prior to the time specified therefor, the party for whose benefit the condition is inserted may in writing:

- (a) waive compliance with the condition in whole or in part in its sole discretion by written notice to the other party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect on written notice to the other party to terminate this Agreement before Closing.

(2) If any condition set out in Section 6.3 is not satisfied or performed prior to the time specified therefor, either the Vendor or the Purchaser may elect on written notice to the other party to terminate this Agreement before Closing.

6.6 Termination Obligations.

(1) If either the Purchaser or the Vendor validly terminates this Agreement in accordance with Section 6.5, then:

- (a) all the obligations of both the Vendor and the Purchaser pursuant to this Agreement shall be at an end; and
- (b) none of the parties shall have any right to specific performance or other remedy against, or any right to recover damages or expenses from the other, except in respect of the Break Fee.

SECTION 7– CLOSING

7.1 Closing.

The completion of the Transaction shall take place at the offices of Clark Farb Fiksel, LLP, 188 Avenue Road, Toronto, ON, solicitors for the Purchaser, in Toronto, Ontario at the Time of Closing or at such other location(s) as are agreed upon by the parties.

7.2 Vendor's Deliveries on Closing.

At or before the Closing Time, upon fulfilment by the Purchaser of all the conditions herein in favour of the Vendor which have not been waived in writing by the Vendor, the Vendor

shall deliver the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) a copy of the issued and entered Approval and Vesting Order;
- (b) a bill of sale, executed by Vendor, conveying to the Purchaser all of the right, title and interest of the Company, if any, in and to the Purchased Assets;
- (c) any assignments of any of the Vendor's rights under the Assumed Contracts required pursuant to this Agreement or the Approval and Vesting Order;
- (d) such notice or notices as the Purchaser may reasonably require to be given to other parties under the Assumed Contracts of the assignment of such Assumed Contracts to the Purchaser, together with directions relating to the performance of obligations under such Assumed Contracts all in such form as the Purchaser may reasonably require;
- (e) executed assignments in respect of the intellectual property of the Vendor, and any other documentation necessary to register or record the assignment of the Vendor's intellectual property to the Purchaser;
- (f) the tax election contemplated by Section 3.6(1), executed by the Vendor;
- (g) all documents and instruments, executed by the Vendor as may be necessary or desirable to convey and transfer title to any of the Purchased Assets located outside of Canada to the Purchaser; and
- (h) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement and convey title to the Purchased Assets to the Purchaser.

7.3 Purchaser's Deliveries on Closing

At or before the Closing Time, upon fulfilment by the Vendor of all the conditions herein in favour of the Purchaser which have not been waived by the Purchaser, the Purchaser shall execute and deliver the following, each of which shall be in form and substance satisfactory to the Vendor, acting reasonably:

- (a) payment of cash consideration contemplated by Section 3.3(1)(b);
- (b) payment or evidence of the payment of the Transfer Taxes, if any;
- (c) an instrument or instruments evidencing the credit bid portion of the Purchase Price;
- (d) an assumption of the Assumed Liabilities;
- (e) the certificate of the Purchaser referenced in Section 6.2(a); and
- (f) the tax election contemplated by Section 3.6(1), executed by the Purchaser;

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- (g) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

7.4 Risk

Until completion of this Agreement on the Closing Date, the Purchased Assets shall be and remain at the risk of the Vendor, except as otherwise provided in this Section 7.4. In the event of any damage to the Purchased Assets on or before the Closing Date, the Purchaser may elect (i) to require the Vendor to repair the Purchased Assets to the same state and condition as it was in at the time this Agreement was entered into in which event the Purchaser will complete the Transaction without an abatement in the Purchase Price; or (ii) to reduce the Purchase Price by an amount equal to the cost required to complete the repair as estimated by an independent qualified architect or engineer retained by the Vendor in which event the Purchaser will complete the Transaction and accept the price reduction equal to such cost; or (iii) if such damage is in excess of \$50,000, to terminate this Agreement and neither party shall have any further rights or obligations under this Agreement.

7.5 Possession of Purchased Assets.

On Closing the Purchaser shall acquire ownership of the Purchased Assets where situate at the Time of Closing provided that in no event shall title to the Purchased Assets pass to the Purchaser until the Approval and Vesting Order is effective.

7.6 Tender.

Any tender of documents or money hereunder may be made upon the Vendor or the Purchaser or their respective solicitors on the Closing Date.

SECTION 8– GENERAL

8.1 Capacity of the Trustee

The Purchaser acknowledges and agrees that Crowe Soberman Inc. is solely signing this agreement in its capacity as the trustee of the proposal of the Vendor and not in any personal capacity whatsoever.

8.2 Notices.

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery (in which case it shall be left with a responsible officer of the recipient) or by electronic communication addressed to the recipients as follows:

in the case of the Purchaser:

Younion Travels Inc.
17 Belfield Road
Etobicoke, ON M9W 1E8

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Attention: Shy Jacoby
E-mail: shy@unionmarketing.ca

with a copy to:

Clark Farb Fiksel, LLP
Baristers & Solicitors
188 Avenue Road
Toronto, ON •M5J 2R1

Attention: Ephraim Fiksel
E-mail: efiksel@cfflaw.com

in the case of the Vendor::

Canadian Union Promotions Inc.
17 Belfield Road
Etobicoke, ON M9W 1E8

Attention: Shy Jacoby
E-mail: shy@unionmarketing.ca

with a copies to:

Goldman Sloan Nash and Haber LLP
480 University Avenue, Suite 1600
Toronto, ON M5G 1V2

Attention: Brendan Bissell
Email: bissell@gsnh.com

Crowe Soberman Inc.
Licensed Insolvency Trustee
2 St. Clair Avenue East, Suite 1100
Toronto, ON M4T 2T5

Attention: Hans Rizarri
hans.rizarri@crowesoberman.com

Loopstra Nixon LLP
135 Queens Plate Drive, Suite 600
Toronto, ON M9W 6V7

Attention: R. Graham Phoenix
gphoenix@loonix.com

or to such other address, individual or electronic communication number as may be designated by notice given by either party to the other. Any demand, notice or other communication shall be conclusively deemed to have been given, if given by personal delivery, on the day of actual delivery thereof if delivered during normal business hours of the recipient on a Business Day and, if given by electronic communication, on the day following the transmittal thereof if transmitted during normal business hours of the recipient on a Business Day and on the second Business Day following the delivery or transmittal thereof if not so delivered or transmitted.

8.3 Time of Essence.

Time shall be of the essence for every provision hereof.

8.4 Expenses.

Except as otherwise expressly provided herein, all costs and expenses (including the fees and disbursements of legal counsel, investment advisers and auditors) incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses, subject to any rights either party may have to have any such fees included in any security held by that party against the assets of the Vendor.

8.5 Third Party Beneficiaries.

Each party hereto intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any person other than the parties hereto and their successors and permitted assigns, and no person, other than the parties hereto and their successors and their permitted assigns shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

8.6 Further Assurances.

During the thirty (30) day period after the Closing Date, each party shall from time to time execute and deliver, or cause to be executed and delivered, all such documents and instruments and do, or cause to be done, all such acts and things as the other party may, either before or after the Closing, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

8.7 Entire Agreement.

This Agreement constitutes the only agreement between the parties with respect to the subject matter hereof and supersedes any and all prior negotiations, provisions, covenants, agreements, understandings and representations on that subject, all of which have become merged and finally integrated into this Agreement.

8.8 Amendments.

This Agreement may only be amended, modified or supplemented by a written agreement signed by the parties.

8.9 Waiver.

No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless otherwise expressly provided in writing duly executed by the party to be bound thereby.

8.10 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the parties hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

8.11 Benefit of Agreement.

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

8.12 Severability.

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provision's validity or enforceability in any other jurisdiction.

8.13 Counterparts.

This Agreement may be executed and delivered in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument.

8.14 Assignment and Enurement

No party may assign its rights or obligations under this Agreement without the prior written consent of the other party. Notwithstanding the forgoing, the Purchaser shall have the right to assign, in whole or in part, its rights to acquire the Purchased Assets hereunder to any affiliate of the Purchaser provided that such assignment shall not release the Purchaser from its obligations under this Agreement.

[signature page follows]

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Dated as of the date first set out above.

YOUNION TRAVELS INC.

Per: _____



Name: Shy Jacoby

Title: President

I have the authority to bind the corporation

Accepted this 16th day of October, 2020.

CANADIAN UNION PROMOTIONS INC.

Per: _____



Name: Tim Hirasawa

Title: Chief Financial Officer

I have the authority to bind the corporation

**CROWE SOBERMAN INC. in its capacity as
the trustee of the proposal of Canadian Union
Promotions Inc. and not in its personal capacity**

Per: _____

Name: Hans Rizarri

Title: President

I have the authority to bind the corporation

**Schedule “A”
[Draft Sale Process Order]**

Estate No. 31-2663507

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE MR.)	THURSDAY, THE 22 ND
)	
JUSTICE McEWEN)	DAY OF OCTOBER, 2020

**IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF CANADIAN UNION
PROMOTIONS INC., A CORPORATION INCORPORATED
UNDER THE *CANADIAN BUSINESS CORPORATIONS ACT***

**ORDER
(Approval of Sale Process)**

THIS MOTION, made by Canadian Union Promotions Inc. (“CUP”), pursuant to Section 65.13 of the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”), for an order, among other things, **(i)** approving a “stalking horse” sale process substantially on the terms set out in Schedule “A” hereto (the “**Sale Process**”), **(ii)** approving the “stalking horse” asset purchase agreement (the “**Stalking Horse APA**”) entered into on October 16, 2020 between the CUP and Younion Travel, Inc., (the “**Purchaser**”), for the purpose of constituting a stalking horse bid under the Sale Process, and **(iii)** approving the break fee (the “**Break Fee**”) set out in Section 6.4 of the Stalking Horse APA, was heard this day via Zoom videoconference due to the COVID-19 pandemic.

ON READING the Motion Record of CUP, the second report of Crowe Soberman Inc., in its capacity as proposal trustee of CUP (the “**Trustee**”), dated October ■, 2020 (the “**Second Report**”) and the Appendices thereto, as well as the affidavits of Shy sworn September 4 and October 16, 2020 and the Exhibits thereto, and on hearing the submissions of counsel for CUP,

counsel for the Proposal Trustee and counsel for Royal Bank of Canada, no one else appearing although duly served as appears from the Affidavit of Service of ■ sworn October ■, 2020, filed:

SERVICE

1. **THIS COURT ORDERS** that the timing and method of service of the Notice of Motion, the Motion Record and the Second Report is hereby abridged and validated and this Motion is properly returnable today.

2. **THIS COURT ORDERS** that CUP, the Trustee and/or their lawyers are at liberty to serve or distribute this Order and any other materials and orders as may be reasonably required in these proceedings, including any notices or other correspondence, by forwarding true copies thereof by electronic message to CUP' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation and notice requirements within the meaning of section 3(c) of the *Electronic Commerce Protection Regulations*, SOR/2013-221.

APPROVAL OF SALE PROCESS AND STALKING HORSE APA

3. **THIS COURT ORDERS** that the Sale Process is hereby approved and the Trustee is hereby authorized and directed to take such steps as it deems necessary or advisable (subject to the terms of the Sale Process) to carry out the Sale Process, subject to prior approval of this Court being obtained before completion of any transaction(s) under the Sale Process.

4. **THIS COURT ORDERS** that the execution, delivery, entry into, compliance with, and performance by CUP of the Stalking Horse APA be and is hereby ratified, authorized and approved.

5. **THIS COURT ORDERS** that the Break Fee set out in Section 6.4 of the Stalking Horse APA is approved and that the Stalking Horse APA is hereby approved solely for the purposes of standing as the Stalking Horse Bid in the Sale Process, provided that if the Purchaser is the successful bidder under the Sale Process, implementation of the transaction contemplated by the Stalking Horse APA will be subject to the Court's approval upon further motion by CUP.

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6. **THIS COURT ORDERS** that CUP and the Trustee their respective employees, advisors, agents or other representatives (“**Representatives**”) shall have no personal or corporate liability in connection with the Sale Process.

7. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Trustee, CUP and their Representatives are hereby authorized and permitted to disclose and transfer to each potential bidder (the “**Bidders**”) and to their Representatives, if requested by such Bidders, personal information of identifiable individuals, including, without limitation, all human resources and payroll information in CUP’s records pertaining to CUP’s past and current employees, but only to the extent desirable or required to negotiate or attempt to complete a sale pursuant to the Sale Process (a “**Sale**”). Each Bidder or Representative to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation for the purpose of effecting a Sale, and if it does not complete a Sale, shall return all such information to the Trustee, or in the alternative destroy all such information and provide confirmation of its destruction if requested by the Trustee. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the transaction(s) contemplated in the Winning Bid(s) (as defined in the Sale Process), shall be entitled to use the personal information provided to it that is related to the assets acquired pursuant to the Sale Process in a manner that is in all material respects identical to the prior use of such information by CUP, and shall return all other personal information to the Trustee, or ensure that all other personal information is destroyed and provide confirmation of its destruction if requested by the Trustee.

EXTENSION OF TIME TO FILE A PROPOSAL

8. **THIS COURT ORDERS** that, pursuant to Section 50.4(9) of the BIA, the period within which CUP may file a proposal be and is hereby extended to October 22, 2020.

ADMINISTRATION CHARGE

9. **THIS COURT ORDERS** that an Administration Charge over the property of CUP securing the professional fees and disbursements of the Proposal Trustee and its counsel, in the amount of \$50,000 be and hereby is granted and approved.

10. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on the property and such Administration Charge shall rank first in priority on the property of CUP.

GENERAL

11. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or the United States, to give effect to this Order and to assist CUP, the Trustee, the Purchaser 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 CUP and to the 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 Trustee in any foreign proceeding, or to assist CUP and the Trustee and their respective agents in carrying out the terms of this Order.

12. **THIS COURT ORDERS** that each of CUP, the Trustee and the Purchaser shall be at liberty and are 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.

13. **THIS COURT ORDERS** that this Order is effective from today's date and is not required to be entered.

Schedule “A” – Sale Process

1. Definitions. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Stalking Horse APA.
2. Advertisement. Not later than five (5) Business Days after the Sale Process Order is granted, the Trustee shall advertise for sale the Purchased Assets in The **National Post (National Edition)** and distribute a teaser document to potential interested parties.
3. Due Diligence. Not later than five (5) Business Days after the Sale Process Order is granted, the Trustee shall make available to prospective purchasers (collectively, the “**Prospective Purchasers**”), upon receipt of an executed confidentiality agreement from a Prospective Purchaser, access to a data room containing information reasonably required by Prospective Purchasers to consider submitting an offer for the Purchased Assets and facilitate the conduct of due diligence by the Prospective Purchasers. The Purchaser may have access to the data room.
4. Bid Deadline. Any offers to purchase the Purchased Assets must be submitted in writing to and received by the Proposal Trustee at Crowe Soberman Inc., 2 St. Clair Ave. East, Suite 1100 Toronto, ON M4T 2T5, attention: Hans Rizarri, or by email at hans.rizarri@crowesoberman.com, by 5:00pm (Toronto time) on November 23, 2020 (the “**Bid Deadline**”).
5. Qualified Bid. The Trustee in its sole discretion shall determine whether any offers are “**Qualified Bids**”. A Qualified Bid shall mean an offer to purchase substantially all of the Purchased Assets which is substantially the same or better than the Agreement, provided that no offer shall qualify as a Qualified Bid unless it meets, among other things, the following minimum criteria:
 - i. the Prospective Purchaser and the representatives thereof who are authorized to appear and act on its behalf must be sufficiently identified and written evidence of the offeror’s chief officer or other appropriate senior executive’s approval of the contemplated transaction must be submitted with the offer;
 - ii. the offer must be submitted in writing and include a blackline of the offer to the Agreement, reflecting the Prospective Purchaser’s proposed changes and a written commitment to close on the terms and conditions set forth therein;
 - iii. the offer must be accompanied by a deposit in the form of certified cheque payable to the Proposal Trustee which is equal to at least 10% of the aggregate purchase price payable under the offer;
 - iv. the offer must be open for acceptance by the Vendor until five (5) Business Days after the Auction (as hereinafter defined) or later;

-2-

- v. the offer must be on terms no less favourable and no more burdensome or conditional than the Agreement and shall not contain any provisions for a break fee or expense reimbursement;
 - vi. the offer must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the offeror's obligation to complete the transaction that are not otherwise contained in the Agreement;
 - vii. the offer must contain written evidence of a commitment for financing or other evidence of the ability to consummate the sale with appropriate contact information for such financing sources; and
 - viii. the offer must be for a price equal to or greater than the sum of the Purchase Price, the Break Fee and **\$5,000**.
6. Auction. Only if the Trustee receives one or more Qualified Bids by the Bid Deadline, the Trustee shall extend invitations by phone, fax and/or email by 10:00 a.m. (Toronto time) on the third (3rd) Business Day after the Bid Deadline to all bidders who submitted Qualified Bids and to the Purchaser to attend an auction (the "**Auction**"). The Auction shall be held at 10:00 a.m. on the fifth (5th) Business Day after the Bid Deadline (or such other date and time as the Proposal Trustee may in its sole discretion designate) at the offices of the Trustee or virtually by videoconference facility established by the Trustee.
 7. Conduct of the Auction. The Trustee shall conduct the Auction. At the Auction, the bidding shall begin initially with the highest Qualified Bid and subsequently continue in multiples of \$10,000, or such other amount as the Trustee determines to facilitate the Auction (the "**Incremental Amount**"). Additional consideration in excess of the amount set forth in the highest Qualified Bid must be comprised only of cash consideration. The format and procedure for the Auction shall be determined by the Trustee in its sole discretion.
 8. Winning Bid. In its sole discretion and based, *inter alia*, on the conduct of the Auction, the total financial and contractual terms of the Qualified Bids and various factors relevant to the speed and certainty of completing the sale of the Purchased Assets, the Trustee shall determine and accept the highest and/or best bid with respect to the Purchased Assets (the "**Winning Bid**"), subject to Court approval.
 9. Court Approval of the Winning Bid. The Vendor shall make a motion to the Court to obtain approval of the Winning Bid and the Approval and Vesting Order as expeditiously as possible after the Auction, but in no event longer than ten (10) Business Days following the Auction.
 10. Court Approval of Agreement if no Qualified Bid. If no Qualified Bid is received by the Bid Deadline (other than the Agreement), the Auction will not be held. Accordingly, the Agreement will be the Winning Bid and the Vendor shall seek, as expeditiously as possible, approval of the Court to consummate the Transaction contemplated by the Agreement, but in no event longer than ten (10) Business Days following the expiry of the Bid Deadline.

11. Return of Deposits. The deposits submitted with all Qualified Bids (except the Winning Bid), shall be held in escrow by the Trustee until five (5) Business Days after the date of the completion of the Auction and returned to those Prospective Purchasers thereafter. If the Winning Bid terminates pursuant to its terms or fails to close because of the Vendor's breach or failure to perform under the terms of the Winning Bid, the Trustee shall return the deposit submitted with such bid to the bidder that submitted the Winning Bid (the "**Winning Bidder**") forthwith. If the Winning Bidder fails to complete the approved sale because of its breach or failure to perform under the terms of the Winning Bid, the Trustee shall not have any obligation to return the deposit submitted with the Winning Bid and such deposit shall be retained by the Trustee as liquidated damages and the Purchaser shall be entitled to submit a new bid for the Purchased Assets, which the Trustee shall be at liberty to but not obligated to, accept on terms to be agreed upon between the Parties.
12. Modifications. Subject to the Sale Process Order, the Trustee shall have the right to adopt such other rules for the Sale Process, that, in its sole discretion, will better promote the goals of the Sale Process.

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF CANADIAN UNION PROMOTIONS INC., A
CORPORATION INCORPORATED UNDER THE CANADIAN
BUSINESS CORPORATIONS ACT**

Estate No. 31-2663507

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced in TORONTO

ORDER
(Approval of Sale Process)

GOLDMAN SLOAN NASH & HABER LLP
480 University Avenue, Suite 1600
Toronto (ON) M5G 1V2

R. Brendan Bissell – LSUC #: 40354V
Tel: (416) 597-6489
Fax: (416) 597-3370

Joël Turgeon (Member of the Bar of Quebec;
Ontario Student-at-Law)

Lawyers for Canadian Union Promotions Inc

Schedule "B"
[Draft Approval and Vesting Order]

Estate No. 31-2663507

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE)	■DAY, THE ■
)	
JUSTICE)	DAY OF NOVEMBER, 2020

**IN THE MATTER OF THE NOTICE OF INTENTION TO
 MAKE A PROPOSAL OF CANADIAN UNION
 PROMOTIONS INC., A CORPORATION INCORPORATED
 UNDER THE *CANADIAN BUSINESS CORPORATIONS ACT***

APPROVAL AND VESTING ORDER

THIS MOTION, made by Canadian Union Promotions Inc. ("**CUP**") for an order approving the sale transaction (the "**Transaction**") contemplated by an asset purchase agreement (the "**APA**") between CUP and Yunion Travel Inc. (the "**Purchaser**"), dated October 16, 2020 and appended to the report (the "**Report**") of Crowe Soberman Inc. in its capacity as proposal trustee (the "**Trustee**") dated [DATE], and vesting in the Purchaser CUP's right, title and interest in and to the Purchased Assets (as defined in the APA) was heard this day at 330 via Zoom videoconference due to the COVID-19 pandemic..

ON READING the Motion Record of CUP and the Report and on hearing the submissions of counsel for CUP, counsel for the Purchaser and counsel for the Trustee, no one appearing for any other person on the service list, although properly served as appears from the affidavit of [NAME] sworn [DATE], filed:

14. **THIS COURT ORDERS** that unless otherwise indicated or defined herein, capitalized terms used in this Order shall have the meaning given to them in the APA.

15. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the APA by CUP is hereby ratified, with such minor amendments as CUP and the Trustee may deem necessary. CUP and the Trustee are hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

16. **THIS COURT ORDERS** that CUP is hereby authorized and directed to perform its obligations under the APA and any ancillary documents related thereto.

17. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a certificate to the Purchaser substantially in the form attached as Schedule "A" hereto (the "**Trustee's Certificate**"), all of CUP's right, title and interest in and to the Purchased Assets described in the APA (including those assets listed in Schedule "B" hereto) and the proceeds thereof (including for greater certainty, any funds received by the Purchaser on account of any Accounts Receivable but not the Purchase Price proceeds) shall vest in the Purchaser free and clear of and from any and all ownership claims, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts, constructive trusts, deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, claims (including, without limitation, any claim based on any theory that the Purchaser is a successor or continuation of CUP or CUP's business), demands, guarantees, restrictions, contractual commitments, right or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured, legal, equitable, possessory or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice McEwen dated October 22, 2020 and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system (all of which are collectively referred to as the "**Encumbrances**" which term shall not include the Permitted Encumbrances) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets..

18. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Trustee's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

19. **THIS COURT ORDERS AND DIRECTS** the Trustee to file with the Court a copy of the Trustee's Certificate, forthwith after delivery thereof.

20. **THIS COURT ORDERS** that the Trustee may rely on the written notice from CUP regarding fulfillment of conditions to closing under the APA and shall incur no liability with respect to the delivery of the Trustee's Certificate.

21. **THIS COURT ORDERS** that, provided that the APA has not been terminated, any proposal filed by CUP pursuant to Section 50.4(9) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") shall not derogate or otherwise affect any right or obligation of CUP or the Purchaser under the APA unless otherwise agreed by CUP and the Purchaser.

22. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, CUP is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in CUP's records pertaining to CUP's past and current employees. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by CUP.

23. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;

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- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of CUP and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of CUP;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of CUP and shall not be void or voidable by creditors of CUP, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

ASSIGNMENT OF CONTRACTS

24. **THIS COURT ORDERS** that upon delivery of the Trustee's Certificate, (i) all of the rights and obligations of CUP under the Contracts listed in Schedule "C" hereto (collectively, the "**Assigned Contracts**") shall be assigned to the Purchaser pursuant to Section 84.1 of the APA and pursuant to Section 84.1 of the BIA; and (ii) CUP's right, title and interest in the Assigned Contracts shall vest absolutely in the Purchaser free and clear of all Encumbrances.

25. **THIS COURT ORDERS** that each counterparty to the Assigned Contracts is prohibited from exercising any right or remedy under the Assigned Contracts by reason of any defaults thereunder arising from the assignment of the Assigned Contracts, the insolvency of CUP, the commencement of these proceedings under the BIA or any failure of CUP to perform a non-monetary obligation under the Assigned Contracts.

26. **THIS COURT ORDERS** that the Cure Costs for the Assigned Contracts, if any, shall be in the amounts set out in Schedule "C" hereto and that upon Closing, the Purchaser shall pay any Cure Costs as set out therein with respect to each applicable Assigned Contract, in full and final satisfaction of any Cure Costs owing to the counterparty to the applicable Assigned Contract, by no later than the day that is ten (10) business days from the date that the Purchaser receives wire remittance instructions or other payment instructions from such counterparty.

27. **THIS COURT ORDERS AND DIRECTS** CUP to send a copy of this Order to all of the counterparties to the Assigned Contracts.

SEALING

28. **THIS COURT ORDERS** that the Appendix “■” to the Second Report be sealed from the public record until the closing of the Transaction or further Order of this Court.

GENERAL

29. **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 the Trustee and its 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 the Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Trustee and its agents in carrying out the terms of this Order.

Schedule A – Form of Trustee’s Certificate

Estate No. 31-2663507

ONTARIO

SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

**IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF CANADIAN UNION
PROMOTIONS INC., A CORPORATION INCORPORATED
UNDER THE *CANADIAN BUSINESS CORPORATIONS ACT***

PROPOSAL TRUSTEE’S CERTIFICATE

RECITALS

- A. Canadian Union Promotions commenced these proceedings by filing a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), on August 8, 2020 (the “**NOI**”).
- B. Crowe Soberman Inc. was named proposal trustee (the “**Proposal Trustee**”) under the NOI.
- C. Pursuant to an Order of the Court dated November ●, 2020, the Court approved the asset purchase agreement made as of ●, 2019 (the “**APA**”) between CUP and Yunion Travel, Inc. (the “**Purchaser**”) and provided for the vesting in the Purchaser of CUP’s right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Proposal Trustee to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the cash consideration under Section 3.3 of the APA; (ii) that the conditions to Closing as set out in the APA been satisfied or waived by CUP and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Proposal Trustee.
- D. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the APA.

THE PROPOSAL TRUSTEE CERTIFIES the following:

- 2 -

1. CUP and the Purchaser have each delivered written notice to the Proposal Trustee that all applicable conditions under the APA have been satisfied and/or waived, as applicable;
 2. The Proposal Trustee has received the cash consideration under Section 3.3 of the APA;
and
 3. The Transaction has been completed to the satisfaction of the Proposal Trustee.
- This Certificate was delivered by the Proposal Trustee at _____ on _____, 2020.

**Crowe Soberman Inc. in its capacity
as Proposal Trustee in the proposal
proceedings of Canadian Union
Promotions Inc., and not in its
personal or corporate capacity**

Per: _____

Name:

Title:

Schedule B – Purchased Assets**CLIENT CONTRACTS**

- Service Contracts

Client Name

1. CUPE 4400
2. CUPE 1734
3. CUPE 1750
4. CUPE 3903
5. CUPE 4156
6. CUPE 2361
7. CUPE 2730
8. CUPE 2191
9. CUPE AC Component
10. CUPE AT Component
11. CUPE 218
12. ETFO Toronto
13. ETFO Peel
14. ETFO OT
15. UNIFOR 707
16. ERFPP
17. CFLPA
18. CFAU
19. CUASA
20. OECTASA
21. USW 5296
22. NSGEU

Schedule C – Assigned Contracts

OBLIGATIONS

- Leases:

Add Capital	27057 · Lease Payable - Add Capital Corp#16739
Add Capital	27058 · Lease payable-Add Capital#16755
AXIOM	27062 · Lease Payable-AXIOM # CAUNI 1
RBC	27034 · Lease Payable-RBC-Lease#35636
RBC	27035 · Lease Payable-RBC-Lease#36647
RBC	27036 · Lease Payable-RBC-Lease#37511
RBC	27042 · Lease Payable-RBC-Lease#39760
Dell	27033 · Lease Payable--Dell-Lease#6030244-006
Dell	27044 · Lease Payable- Dell-Lease#6030244-007
Dell	27050 · Lease Payable- - Dell #6030244-008
Dell	27054 · Lease Payable- - Dell #6030244-009
Grenke	27031 · Lease Payable--Grenke Lease#151-564
Grenke	27041 · Lease Payable--Grenke #151-001541
Grenke	27045 · Lease Payable-- Grenke #151-002178
Grenke	27049 · Lease Payable- - Grenke #151002298
Grenke	27052 · Lease Payable-Grenke#151002624
Grenke	27053 · Lease Payable-Grenke#151-002941
Grenke	27059 · Lease Payable--Grenke#151-003229
Grenke	27060 · Lease Payable--Grenke#151-03157
Indcom	27056 · Lease Payable-Indcom#14826
Gould	27055 · Lease Payable-Gould#09369
National	27040 · Lease Payable--National #2864851
LBC Capital	27061 · Lease Payable- - LBC Capital #53399
LBC Capital	27063 · Lease Payable- -LBC Capital #54923

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF CANADIAN UNION PROMOTIONS INC., A
CORPORATION INCORPORATED UNDER THE CANADIAN
BUSINESS CORPORATIONS ACT**

Estate No. 31-2663507

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced in TORONTO

APPROVAL AND VESTING ORDER

GOLDMAN SLOAN NASH & HABER LLP
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Toronto (ON) M5G 1V2

R. Brendan Bissell – LSUC #: 40354V
Tel: (416) 597-6489
Fax: (416) 597-3370

Joël Turgeon (Member of the Bar of Quebec;
Ontario Student-at-Law)

Lawyers for Canadian Union Promotions Inc

**Schedule “C”
Assumed Contracts**

[Purchaser to advise if any by no later than ■, 2020.]

CLIENT CONTRACTS

- **Service Contracts**

Client Name

1. CUPE 4400
2. CUPE 1734
3. CUPE 1750
4. CUPE 3903
5. CUPE 4156
6. CUPE 2361
7. CUPE 2730
8. CUPE 2191
9. CUPE AC Component
10. CUPE AT Component
11. CUPE 218
12. ETFO Toronto
13. ETFO Peel
14. ETFO OT
15. UNIFOR 707
16. ERF
17. CFLPA
18. CFAU
19. CUASA
20. OECTASA
21. USW 5296
22. NSGEU

**Schedule “D”
Assumed Liabilities**

[Purchaser to advise if any by no later than ■, 2020.]

OBLIGATIONS

• Leases:

Add Capital	27057 · Lease Payable - Add Capital Corp#16739
Add Capital	27058 · Lease payable-Add Capital#16755
AXIOM	27062 · Lease Payable-AXIOM # CAUNI 1
RBC	27034 · Lease Payable-RBC-Lease#35636
RBC	27035 · Lease Payable-RBC-Lease#36647
RBC	27036 · Lease Payable-RBC-Lease#37511
RBC	27042 · Lease Payable-RBC-Lease#39760
Dell	27033 · Lease Payable--Dell-Lease#6030244-006
Dell	27044 · Lease Payable- Dell-Lease#6030244-007
Dell	27050 · Lease Payable- - Dell #6030244-008
Dell	27054 · Lease Payable- - Dell #6030244-009
Grenke	27031 · Lease Payable--Grenke Lease#151-564
Grenke	27041 · Lease Payable--Grenke #151-001541
Grenke	27045 · Lease Payable-- Grenke #151-002178
Grenke	27049 · Lease Payable- - Grenke #151002298
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Grenke	27053 · Lease Payable-Grenke#151-002941
Grenke	27059 · Lease Payable--Grenke#151-003229
Grenke	27060 · Lease Payable--Grenke#151-03157
Indcom	27056 · Lease Payable-Indcom#14826
Gould	27055 · Lease Payable-Gould#09369
National	27040 · Lease Payable--National #2864851
LBC Capital	27061 · Lease Payable- - LBC Capital #53399
LBC Capital	27063 · Lease Payable- -LBC Capital #54923

**Schedule “E”
Permitted Encumbrances**

None.

Schedule “F”
Allocation of Purchase Price

Exact allocation of Purchase Price subject to further discussion
among the Vendor and, the Purchaser.

Schedule "G"

Sale Process

1. Definitions. All capitalized terms used but not defined herein shall have the meaning ascribed to them in the Agreement.
2. Advertisement. Not later than five (5) Business Days after the Sale Process Order is granted, the Trustee shall advertise for sale the Purchased Assets in The **National Post (National Edition)** and distribute a teaser document to potential interested parties.
3. Due Diligence. Not later than five (5) Business Days after the Sale Process Order is granted, the Trustee shall make available to prospective purchasers (collectively, the "**Prospective Purchasers**"), upon receipt of an executed confidentiality agreement from a Prospective Purchaser, access to a data room containing information reasonably required by Prospective Purchasers to consider submitting an offer for the Purchased Assets and facilitate the conduct of due diligence by the Prospective Purchasers. The Purchaser may have access to the data room.
4. Bid Deadline. Any offers to purchase the Purchased Assets must be submitted in writing to and received by the Proposal Trustee at Crowe Soberman Inc., 2 St. Clair Ave. East, Suite 1100 Toronto, ON M4T 2T5, attention: Hans Rizarri, or by email at hans.rizarri@crowesoberman.com, by 5:00pm (Toronto time) on November 23, 2020 (the "**Bid Deadline**").
5. Qualified Bid. The Trustee in its sole discretion shall determine whether any offers are "**Qualified Bids**". A Qualified Bid shall mean an offer to purchase substantially all of the Purchased Assets which is substantially the same or better than the Agreement, provided that no offer shall qualify as a Qualified Bid unless it meets, among other things, the following minimum criteria:
 - i. the Prospective Purchaser and the representatives thereof who are authorized to appear and act on its behalf must be sufficiently identified and written evidence of the offeror's chief officer or other appropriate senior executive's approval of the contemplated transaction must be submitted with the offer;
 - ii. the offer must be submitted in writing and include a blackline of the offer to the Agreement, reflecting the Prospective Purchaser's proposed changes and a written commitment to close on the terms and conditions set forth therein;
 - iii. the offer must be accompanied by a deposit in the form of certified cheque payable to the Proposal Trustee which is equal to at least 10% of the aggregate purchase price payable under the offer;
 - iv. the offer must be open for acceptance by the Vendor until five (5) Business Days after the Auction (as hereinafter defined) or later;

- v. the offer must be on terms no less favourable and no more burdensome or conditional than the Agreement and shall not contain any provisions for a break fee or expense reimbursement;
 - vi. the offer must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the offeror's obligation to complete the transaction that are not otherwise contained in the Agreement;
 - vii. the offer must contain written evidence of a commitment for financing or other evidence of the ability to consummate the sale with appropriate contact information for such financing sources; and
 - viii. the offer must be for a price equal to or greater than the sum of the Purchase Price, the Break Fee and **\$5,000**.
6. Auction. Only if the Trustee receives one or more Qualified Bids by the Bid Deadline, the Trustee shall extend invitations by phone, fax and/or email by 10:00 a.m. (Toronto time) on the third (3rd) Business Day after the Bid Deadline to all bidders who submitted Qualified Bids and to the Purchaser to attend an auction (the "**Auction**"). The Auction shall be held at 10:00 a.m. on the fifth (5th) Business Day after the Bid Deadline (or such other date and time as the Proposal Trustee may in its sole discretion designate) at the offices of the Trustee or virtually by videoconference facility established by the Trustee.
 7. Conduct of the Auction. The Trustee shall conduct the Auction. At the Auction, the bidding shall begin initially with the highest Qualified Bid and subsequently continue in multiples of \$10,000, or such other amount as the Trustee determines to facilitate the Auction (the "**Incremental Amount**"). Additional consideration in excess of the amount set forth in the highest Qualified Bid must be comprised only of cash consideration. The format and procedure for the Auction shall be determined by the Trustee in its sole discretion.
 8. Winning Bid. In its sole discretion and based, *inter alia*, on the conduct of the Auction, the total financial and contractual terms of the Qualified Bids and various factors relevant to the speed and certainty of completing the sale of the Purchased Assets, the Trustee shall determine and accept the highest and/or best bid with respect to the Purchased Assets (the "**Winning Bid**"), subject to Court approval.
 9. Court Approval of the Winning Bid. The Vendor shall make a motion to the Court to obtain approval of the Winning Bid and the Approval and Vesting Order as expeditiously as possible after the Auction, but in no event longer than ten (10) Business Days following the Auction.
 10. Court Approval of Agreement if no Qualified Bid. If no Qualified Bid is received by the Bid Deadline (other than the Agreement), the Auction will not be held. Accordingly, the Agreement will be the Winning Bid and the Vendor shall seek, as expeditiously as possible, approval of the Court to consummate the Transaction contemplated by the Agreement, but in no event longer than ten (10) Business Days following the expiry of the Bid Deadline.

11. Return of Deposits. The deposits submitted with all Qualified Bids (except the Winning Bid), shall be held in escrow by the Trustee until five (5) Business Days after the date of the completion of the Auction and returned to those Prospective Purchasers thereafter. If the Winning Bid terminates pursuant to its terms or fails to close because of the Vendor's breach or failure to perform under the terms of the Winning Bid, the Trustee shall return the deposit submitted with such bid to the bidder that submitted the Winning Bid (the "**Winning Bidder**") forthwith. If the Winning Bidder fails to complete the approved sale because of its breach or failure to perform under the terms of the Winning Bid, the Trustee shall not have any obligation to return the deposit submitted with the Winning Bid and such deposit shall be retained by the Trustee as liquidated damages and the Purchaser shall be entitled to submit a new bid for the Purchased Assets, which the Trustee shall be at liberty to but not obligated to, accept on terms to be agreed upon between the Parties.
12. Modifications. Subject to the Sale Process Order, the Trustee shall have the right to adopt such other rules for the Sale Process, that, in its sole discretion, will better promote the goals of the Sale Process.

APPENDIX

“F”

TO BE FILED SEPARATELY WITH THE COURT

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF CANADIAN UNION PROMOTIONS INC.**

Court File No. 31-2663507
Estate File No. 31-2663507

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at **TORONTO**

**SECOND REPORT OF THE PROPOSAL
TRUSTEE DATED OCTOBER 21, 2020**

LOOPSRA NIXON LLP

135 Queen's Plate Drive – Suite 600
Toronto, ON M9W 6V7

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Trustee*