

Estate no. 31-1535741

ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL OF  
INTIMELLE INC.  
OF THE CITY OF MARKHAM,  
IN THE PROVINCE OF ONTARIO

**PROPOSAL**

**Intimelle Inc.**, of the City of Toronto, in the Province of Ontario, submits the following Proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

**Definitions**

1. In this Proposal:

- (a) **"Act"** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.
- (b) **"Admissible Claims"** means claims against the Debtor, which have been proved, to the satisfaction of the Proposal Trustee or the Court.
- (c) **"Approval Date"** means the date upon which the Order of the Court approving this Proposal becomes final and is no longer subject to appeal.
- (d) **"Claims"** means claims that are proved and allowed for any and all debts and liabilities, actions, causes of action, suits, due or accruing due, demand, claim, present and future, including contingent and unliquidated claims and obligations of any other nature whatsoever of the Debtor to which it was subject at the Filing Date as defined herein, and "Claim" has a corresponding meaning. For greater certainty, the Claim of Her Majesty the Queen in Right of Canada with respect to the *Income Tax Act* (Canada) will include:
  - (i) liabilities under the *Income Tax Act* (Canada) that arise as a result of this Proposal and the implementation of its provisions; and
  - (ii) the Debtor's liability under the *Income Tax Act* (Canada) for the period up to and including the filing date, for tax, interest and penalty;
- (e) **"Corporation"** means Intimelle Inc.
- (f) **"Creditors"** means Secured Creditors and Unsecured Creditors.

- 2 -

- (g) **"Court"** means the Ontario Superior Court of Justice in Bankruptcy and Insolvency.
- (h) **"Debtor"** means Intimelle Inc. including any of its former, current or future directors.
- (i) **"Deferred Creditors"** means Harvey and Linda Silver in respect of their Claims which otherwise are a Claim of an Unsecured Creditor but will not participate in any dividend distribution under this Proposal due to the provision of a dividend Waiver, and any other creditor which has provided a dividend Waiver to the Proposal Trustee.
- (j) **"Filing Date"** means the date upon which the Debtor filed its Notice of Intention to File a Proposal under the Act with the office of the Official Receiver.
- (k) **"Final Order"** means an Order of the Court approving this Proposal pursuant to the provisions of the Act, the appeal period having expired and no appeal having been filed, or any appeal having been dismissed and such dismissal having become final.
- (l) **"Inspectors"** means the individuals selected by the Unsecured Creditors to carry out the duties described in the Proposal pursuant to the Act and described in paragraph 20 hereof.
- (m) **"Levy"** means the levy payable to the Superintendent of Bankruptcy pursuant to Section 147 of the Act.
- (n) **"Performance of the Proposal"** means the payment of the money pursuant to the provisions of paragraphs 6 to 8, inclusive.
- (o) **"Post Filing Goods and Services"** means the goods supplied, services rendered and other consideration given to the Debtor subsequent to the Filing Date.
- (p) **"Preferred Creditors"** means Unsecured Creditors whose claims the Act directs be paid in priority to all other claims on a proposal made by a debtor after payment of the proper fees and expenses of the Proposal Trustee and its counsel.
- (q) **"Proposal"** means the Proposal dated September 29, 2011.
- (r) **"Proposal Trustee"** means **Schonfeld Inc.**, or its duly appointed successor or successors.
- (s) **"Professional Fees and Costs"** means the proper fees and expenses of the Proposal Trustee and the legal costs of the Proposal Trustee and of the Debtor on and incidental to the proceedings and administration arising out of the

- 3 -

Proposal, and any amendments thereto, including the preparation of the Proposal and legal fees incurred by the Proposal Trustee and of the Debtor in connection therewith.

- (t) **“Secured Creditors”** means the person(s) holding a valid mortgage, hypothec, pledge, charge, lien, interest or privilege or security on or against the property of the Debtor or any part thereof as security for a Claim.
- (u) **“Third Party”** means all directors or former directors of the Debtor.
- (v) **“Unsecured Creditors”** means those persons whose Claims arose by reason of the supply of goods and services to or for the account of the Debtor prior to the Filing Date, or whose Claims arose by reason of the loaning of money to the Debtor on an unsecured basis or which Claims arose by any other reason prior to the Filing Date except for those Claims:
  - (i) that have been finally and conclusively disallowed by the Proposal Trustee;
  - (ii) that may be contingent or unliquidated and found by the Court not to be a claim provable;
  - (iii) that are Claims by Secured Creditors;

### **Headings**

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

### **Effect of Proposal**

- 3. This Proposal restructures the affairs of the Debtor and provides the essential terms on which all Claims of the Unsecured Creditors and Secured Creditors will be fully and finally resolved and settled.

### **Purpose of Proposal**

- 4. The purpose of this Proposal is to effect a compromise of the Claims of the Unsecured Creditors of the Debtor, including without limitation, any Claims that an Unsecured Creditor may have against a Third Party that arose before the commencement of proceedings under this Act and the Claims of Secured Creditors and that relate to the obligations of the Debtor where the directors are by law liable in their capacity as directors for the payment of such obligations, in the expectation that all Unsecured Creditors will derive a greater benefit from a Proposal than a bankruptcy.

- 4 -

#### **Proposal Affecting Secured Creditors**

5. The Debtor agrees to repay its Secured Creditors on January 31, 2012 or on other such other arrangements as they may mutually agree.

#### **Proposal for Preferred Claims**

6. Preferred Claims, if any, without interest, will be paid in priority to all Claims of Unsecured Creditors.

#### **Proposal for Unsecured Creditors**

7. Unsecured Creditors who have filed valid proofs of claim admitted by the Trustee or the Court, for Claims existing as of the Filing Date will receive a *pro rata* share of the Funds paid to the Proposal Trustee.
8. The Proposal Trustee shall distribute dividends to the Unsecured Creditors based on their *pro rata* share of the Funds paid to the Proposal Trustee. The Proposal Trustee shall pay a dividend no more than 30 days following the payment of funds by the Debtor to the Trustee set out in paragraphs 18, 19 and 20.
9. The Unsecured Creditors will accept the payment made pursuant to this paragraph in full and complete satisfaction of their Claims.

#### **Deferred Creditors**

10. The Deferred Creditors will postpone their Claims against the Debtor conditional upon creditor and court approval of this Proposal. If this Proposal is defeated or if Debtor is subsequently placed into bankruptcy, the Deferred Creditors shall be entitled to submit their Claims in the bankruptcy.

#### **Professional Fees and Costs**

11. The Debtor shall pay all Professional Fees and Costs of the Proposal Trustee and the legal costs of the Debtor and/or the Proposal Trustee on and incidental to the proceedings arising out of the Proposal, including preparation of the Proposal. There shall be no deduction from the Funds for the payment of Professional Fees and Costs.

#### **Effect of Payment**

12. Unsecured Creditors will accept the payments provided for in this Proposal in complete satisfaction of all their Claims, whether against the Debtor, its directors, officers or shareholders or against Third Parties, and all liens, certificates of pending litigation, executions or any other similar charges or actions or proceedings in respect of such Claims will have not effect in law or in equity against the property, assets and undertaking of the Debtor or Third Parties. Upon the making of all payments provided for in this part, any and all such liens, certificates of pending litigation, executions or other similar charges or actions will be discharged, dismissed or vacated without costs to

the Debtor, or any Third Parties. From the payment to the Unsecured Creditors, the Superintendent's Levy will be withheld when amounts are paid.

#### **Proof of Claim**

13. Unsecured Creditors who do not file valid proofs of claim will not be entitled to receive payment under this Proposal and their Claims will be forever barred.

#### **Crown Claims**

14. During the period between the Filing Date and the Effective Date, the Debtor shall pay and keep current Her Majesty in right of Canada and in right of Ontario all amounts of a kind that could be subject to a demand under subsection 224(1.2) of the Income Tax Act (Canada) or otherwise as provided for in subsection 60(1.1) of the Act or any substantially similar provision of Ontario legislation.
15. All claims of Her Majesty in right of Canada or a province of a kind that are referenced in subsection 60(1.1) of the Act ("**Crown Claims**"), and that were outstanding at the Filing Date, will be paid in full from the Funds within six months after the date of the Final Order.

#### **Claims of Landlords**

16. Claims of Landlords who are Unsecured Creditors of the Debtor by virtue of a disclaimer of a commercial lease of real property may file a proof of claim for an amount equal to the lesser of:
  - (i) the aggregate of:
    - (A) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer becomes effective; and
    - (B) fifteen per cent of the rent for the remainder of the term of the lease after that year; and
  - (ii) three years' rent.

#### **Employees**

17. The Debtor shall pay to its employees and former employees any amount that would be payable under Section 136(1)(d) of the Act if the Debtor became bankrupt; such payment to be made 10 days after the Approval Date.

#### **Funds Payable Under the Proposal**

18. The Debtor shall pay to the Proposal Trustee the sum of **\$25,000** no later than 8 months following the Approval Date.
19. The Debtor shall pay to the Proposal Trustee the further sum of **\$25,000** no later than 20

- 6 -

months following the Approval Date.

20. The Debtor shall pay to the Proposal Trustee the further sum of **\$25,000** no later than 30 months following the Approval Date.
21. As security for the payments above, Harvey Silver shall deliver a guarantee to the Proposal Trustee on or before the hearing for Court approval of this Proposal.

### **Inspectors**

22. (a) At the meeting of the Unsecured Creditors and Secured Creditors to be held to consider the Proposal, the said Unsecured Creditors may appoint one or more but not exceeding 3 persons to act as Inspectors whose powers will be limited to:
  - (i) advising the Proposal Trustee from time to time with respect to any matter that the Proposal Trustee may refer to them;
  - (ii) advising the Proposal Trustee concerning any dispute which may arise as to the validity of Claims of Unsecured Creditors;
  - (iii) authorizing an extension of the time for payments due from the Debtor to the Proposal Trustee or for payments due from the Proposal Trustee to the Unsecured Creditors; and
  - (iv) the power to waive any defaults in the performance of any provisions of this Proposal.
- (b) Any decision, direction or act of the Inspectors may be referred to the Court by the Proposal Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it thinks just.
- (c) The authority and term of office of the Inspectors will terminate upon the Performance of the Proposal by the Debtor.

### **Goods or Services Given After Filing Date**

23. Claims arising in respect of goods supplied, services rendered or other consideration given after the Filing Date will be paid by the Debtor in full in the ordinary course of business, and on regular trade terms, in priority to the claims of Unsecured Creditors. The Debtor agrees that the Proposal Trustee shall not in any case be responsible for ensuring that payment is duly made to all those persons supplying post filing goods and services. All Creditors hereby release and forever discharge the Proposal Trustee from any and all liability relating to the Debtor's non-payment of any liabilities under this paragraph.

### **Proposal Trustee**

24. The Proposal Trustee is acting in its capacity as Trustee under the Proposal and is not acting in its personal capacity and will not be responsible or liable for any obligations of the Debtor. All monies payable under this Proposal shall be paid over to the Proposal Trustee who shall make the payment of all dividends in accordance with the terms of this Proposal. The Proposal Trustee shall at all time have the authority and powers of a Trustee under the Act, as they may be applicable, including the power to disallow claims. Schonfeld Inc. is acting in its capacity as Proposal Trustee and not in its personal capacity and no officer, director, employee or agent of Schonfeld Inc. shall incur any obligations or liabilities in connection with this Proposal or in respect of the business or liabilities of the Debtor. Any payments made by the Proposal Trustee under the terms of this Proposal hereunder shall be made by the Proposal Trustee net of any levies payable or due under the Act. The assets of the Debtor shall not vest in the Trustee, but shall remain vested in the Debtor.

### **Other**

25. This Proposal will be fully performed for the purposes only of section 65.3 of the Act upon the payment to the Trustee of the Funds. The Trustee shall be entitled to, and may apply for, its discharge after having made the payments to the Creditors provided for herein.
26. After the Creditors' acceptance of the Proposal, the Debtor will proceed to have the Proposal approved by the Court and to have the Court make any ancillary orders that may be necessary or desirable. Creditors' acceptance of the Proposal shall constitute their consent to such ancillary Court Orders.

### **Binding Effect**

27. The provisions of this Proposal will be binding on the Unsecured Creditors, Secured Creditors and the Debtor, and their respective heirs, executors, administrators, successors and assigns, upon the Approval Date.

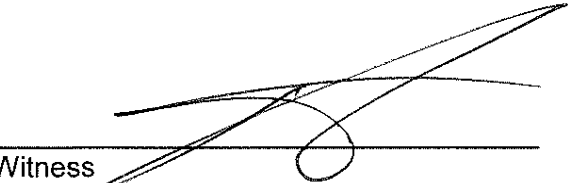
### **Amendment of Proposal**


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

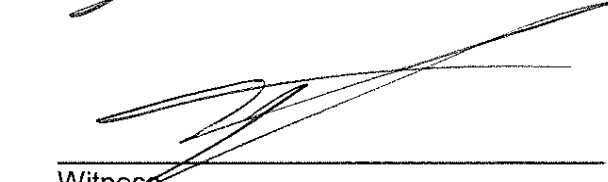
### **Performance Certificate**

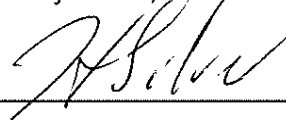
29. The Proposal Trustee will give the Debtor and the Official Receiver the certificate provided for in section 65.3 of the Act when all payments required under the Proposal have been made.

DATED at the City of Markham, in the Province of Ontario, this 29<sup>th</sup> day of September, 2011.

  
\_\_\_\_\_  
Witness

**Intimelle Inc.**  
Per: Harvey Silver  
  
\_\_\_\_\_

  
\_\_\_\_\_  
Witness

Harvey Silver, as Guarantor  
  
\_\_\_\_\_

District of Ontario  
Division No. 9 - Toronto  
Court File No. 31-1535741  
Estate File No. 31-1535741

**IN THE MATTER OF THE PROPOSAL OF INTIMELLE INC.**

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

**PROPOSAL**

**IN THE MATTER OF THE PROPOSAL OF  
INTIMELLE INC.  
OF THE CITY OF MARKHAM,  
PROVINCE OF ONTARIO**

**SCHONFELD INC.  
Receivers + Trustees  
438 University Avenue  
21<sup>st</sup> Floor  
Toronto, Ontario M5G 2K8**

**Robert G. Link, CIRP  
Tel: (416) 862-7785  
Fax: (416) 862-2136**