

CANADA
PROVINCE OF ALBERTA

ESTATE NO.: 25- _____
COURT NO.: 25- _____

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF
EMBERCLEAR CORP.

PROPOSAL

EmberClear Corp. ("**EmberClear**" and/or the "**Corporation**"), hereby submits the following Proposal pursuant to Part III, Division 1 of the *Bankruptcy and Insolvency Act* (the "**Act**"). This Proposal will: (a) allow EmberClear to wind-up its operations; (b) allow the business conducted by EmberClear's subsidiaries to continue to operate in the ordinary course of business so as to provide them with the opportunity to secure additional funding and potentially realize on the value of a number of ongoing contracts; and (c) provide EmberClear's stakeholders with an option to either: (i) retain an opportunity to participate in the future potential success of EmberClear's subsidiaries, or (ii) monetize their current position for an amount that exceeds what they would otherwise receive on the bankruptcy of EmberClear and its subsidiaries; all on the terms and conditions of the Proposal set out herein.

Definitions

1. In this Proposal, the following capitalized terms shall mean the following:
 - a) "**Archbald**" means Archbald Energy Partners LLC, a limited liability company existing under the laws of the State of Delaware that is a subsidiary of EmberClear, of which EmberClear owns fifty per cent (50%);
 - b) "**Birdsboro**" means Birdsboro Power LLC, a limited liability company existing under the laws of the State of Delaware that is a subsidiary of EmberClear Company;
 - c) "**Cash Option**" means a proven creditor's election (or deemed election) to accept a cash payout of 10% of its proven claim in full and final satisfaction of all of its claims against EmberClear in accordance with paragraphs 3 and 4 hereof;
 - d) "**Cash Pool**" means the amount of money necessary to fund all Creditors who elected the Cash Option;
 - e) "**Court Approval**" means approval of this Proposal by the Court pursuant to section 58 of the Act, which approval shall not be subject to any appeal or application to vary, amend, or set aside;

- f) **"Eagle Point"** means Eagle Point GTL LLC, a limited liability company existing under the laws of the State of Delaware that is a wholly owned subsidiary of EmberClear;
- g) **"EmberClear Company"** means EmberClear Company, a corporation incorporated under the laws of the State of Delaware that: (i) is a wholly owned subsidiary of EmberClear, and (ii) is the 100% shareholder of Birdsboro;
- h) **"EmberClear GTL"** means EmberClear GTL LLC, a limited liability company existing under the laws of the State of Delaware that is a wholly owned subsidiary of EmberClear;
- i) **"EmberClear GTL MS"** means EmberClear GTL MS LLC, a limited liability company existing under the laws of the State of Delaware that is a wholly owned subsidiary of EmberClear;
- j) **"EmberClear Management"** means EmberClear Management Inc., a corporation incorporated under the laws of the State of Delaware, wholly owned by David Anderson and Raj Suri, each a principal of EmberClear, and the general partner of U.S. HoldCo.;
- k) **"EmberClear Reserves"** means EmberClear Reserves Inc., a corporation incorporated under the laws of the State of Delaware that is a wholly owned subsidiary of EmberClear;
- l) **"Financing"** means the funds advanced to U.S. HoldCo by David Anderson (or his designate), on a first secured basis, to fund the Proposal, which funds shall be repaid by U.S. HoldCo to David Anderson on a first priority basis and bear interest at the rate of 25% *per annum*, compounded annually;
- m) **"Note"** means a debt instrument issued by U.S. HoldCo that:
- (1) has a value for distribution purposes hereunder equal to the amount received had the creditor elected the Cash Option (ie. of \$0.10 per \$1.00 of proven claim);
 - (2) is issued to a proven creditor who elects the Note Option in a principal amount equal to \$0.70 per \$1.00 of proven claim of the proven creditor;
 - (3) matures twenty four (24) months after being issued;
 - (4) is unsecured;
 - (5) is non-transferable and non-interest bearing; and

(6) such other terms and conditions that are generally included in a note of this nature and are otherwise acceptable to the Trustee,

and "**Notes**" means all Notes issued by U.S. HoldCo in favour of proven creditors pursuant to their election of the Note Option;

- n) "**Note Option**" means a proven creditor's election to accept a Note in full and final satisfaction of all of its claims against EmberClear in accordance with paragraphs 3 and 4 hereof;
- o) "**Reorganization Costs**" means (i) all amounts payable to the Superintendent of Bankruptcy; (ii) all fees, expenses and costs of legal counsel to EmberClear (on a solicitor and its own client, full indemnity basis); (iii) all fees, expenses and costs of the Trustee (including the Trustee's legal fees and disbursements (on a solicitor and his own client, full indemnity basis)); and, for further clarity, items (ii) and (iii) above include all amounts incidental to the administration of the assets and liabilities of EmberClear, the preparation, approval and implementation of the within Proposal (whether incurred before or after the date herein), and to proceedings arising out of the Proposal and any amendments thereto;
- p) "**Shares**" means: (i) all of the issued and outstanding capital stock of Eagle Point, EmberClear Company, EmberClear GTL, EmberClear GTL MS, and EmberClear Reserves, all of which are currently owned by EmberClear; and (ii) the issued and outstanding capital stock of Archbald currently owned by EmberClear, which represents 50% of the total issued and outstanding capital stock of Archbald;
- q) "**Transaction**" means the transaction of purchase and sale, and the receipt of proceeds and the issuance of Notes in respect thereof, all as described in paragraphs 2 through 5 hereof;
- r) "**Trustee**" means Robert J. Taylor, of Ernst & Young Inc., in its capacity as the Trustee acting in respect of the proposal of EmberClear, and not in its personal capacity;
- s) "**U.S. HoldCo**" means Ember Partners LP, a Delaware limited partnership financed by David Anderson (or his designate), whose general partner is EmberClear Management and whose limited partners are David Anderson, Raj Suri, and Jim Palumbo, each of which is a current or former principal of EmberClear;

Terms not otherwise defined in this Proposal shall have the meaning ascribed to them in the BIA.

The Proposal

2. EmberClear shall sell the Shares to U.S. Holdco in consideration of the following proceeds received from U.S. Holdco:
 - (a) cash in an amount necessary to fund the Cash Pool and the Reorganization Costs; and
 - (b) the issuance of the Notes.

3. Creditors, as defined below, will be given the option between:
 - (a) accepting payment of \$0.10 per \$1.00 of proven claim in cash (the "**Cash Option**"); or
 - (b) choosing to receive a Note issued in an amount equal to \$0.70 per \$1.00 of proven claim (the "**Note Option**"),

in full and final satisfaction of all claims against EmberClear.

4. Creditors who do not make an election between the Cash Option and the Note Option shall be deemed to have elected the Cash Option.

5. Cash proceeds will be delivered to the Trustee by U.S. HoldCo and Notes will be issued by U.S. HoldCo at the direction of the Trustee pursuant to the provisions of Paragraph 8 hereof.

Classes of Creditors

6. There will be one (1) class of creditors comprising all unsecured creditors of EmberClear.

Conditions Precedents to the Implementation of the Proposal

7. The following are conditions precedent to the implementation of the Proposal:
 - (a) the required majority of creditors accepting this Proposal;
 - (b) the Proposal receives Court Approval; and

- (c) within 60 days from Court Approval, the Transaction is closed into escrow pending only the payments and distributions being made pursuant to paragraph 8 hereof by, or at the direction of, the Trustee.

Distribution to Creditors

8. Upon the Proposal being implemented in accordance with Paragraph 7 hereof, payments and distributions will be made:
- a) to the preferred creditors of EmberClear, if any, in full; and
 - b) out of the consideration received from U.S. HoldCo. as follows:
 - i) first, in payment of all Reorganization Costs; and
 - ii) second, distributions to all proven creditors in accordance with their election, or deemed election, as follows:
 - 1. if they elected (or are deemed to have elected) to receive the Cash Option, a cash payment equal to \$0.10 per \$1.00 of their proven claim, or
 - 2. if they elected to receive the Note Option, a Note issued in an amount equal to \$0.70 per \$1.00 of their proven claim,

the said distributions will be made:

- A. as soon as practicable after the Implementation Date;
- B. without any interest, penalty, or bonus;
- C. subject to any applicable securities law requirements; and
- D. in full and final satisfaction of the proven claim.

Miscellaneous

9. Ernst & Young Inc. shall be the Trustee acting under the Proposal. The distribution of funds by the Trustee and the distribution of Notes by U.S. Holdco at the direction of the Trustee, all as set forth herein, shall operate as payment in full and final satisfaction of creditors' claims and each creditor receiving payment hereunder will be deemed to have forever released EmberClear, its officers, directors, employees and agents of any and all debts, liabilities, suits, claims and causes

of action that has, had, or may have for any matter, cause or anything existing as of the date of the Proposal.

10. All distributions made pursuant to this Proposal shall be subject to the Superintendent of Bankruptcy levy.
11. EmberClear covenants and agrees that during the course of the Proposal, it will remit to Canada Revenue Agency ("CRA"), all amounts associated with payroll deductions (income tax deductions, Canada Pension Plan contributions and Employment Insurance premiums) if applicable and will file income tax returns and pay income taxes as required by the Income Tax Act.
12. EmberClear acknowledges and agrees that CRA will, during the course of the Proposal, exercise the rights of setoff to which it is entitled to by law and will apply income tax refunds pertaining to the taxation year ended December 31, 2015 or prior years, to the debtor's income tax arrears.
13. That the eventual provable claim of CRA shall be deemed to include all liabilities presently due, accrued and outstanding as calculated and assessed in the tax returns for all years prior to and including the year 2015.
14. This Proposal may be amended by EmberClear prior to or at the creditors meeting called to consider and vote upon the Proposal.
15. At the statutory meeting of creditors to be held to consider the Proposal, creditors may appoint one (1) or more but not exceeding five (5) inspectors under the Proposal, whose duties shall be those as set out in the Act as well as:
 - a) approving or disapproving any extension of time reasonably required by the Trustee or EmberClear to do anything required under the terms of this Proposal; and
 - b) approving or disapproving any other action the Trustee may wish to take with respect to the Proposal as the Trustee may from time to time refer to said inspectors.

Dated at the City of Calgary in the Province of Alberta this 5 day of May, 2016.

EMBERCLEAR CORP.

Per: _____
