

Province: British Columbia
Bankruptcy Division
Vancouver Registry
Court No. B150025
Estate No. 11-1946231



IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY
IN THE MATTER OF THE PROPOSAL OF
CONTECH ENTERPRISES INC.

NOTICE OF APPLICATION

Name of applicants: Deloitte Restructuring Inc. (the "Trustee") in its capacity as trustee in bankruptcy of Contech Enterprises Inc. (the "Company") and the Company (together, the "Applicants")

To: All creditors with a proven claim against the Company's estate

And to: The Office of the Superintendent of Bankruptcy (the "OSB")

TAKE NOTICE that an application will be made by the Company to the presiding judge at the courthouse at 800 Smithe Street, Vancouver, British Columbia on January 15, 2015 at 10:00 a.m. for the order set out in Part 1 below.

Part 1: ORDER SOUGHT

1. The Applicants seek an Order approving the proposal (the "Proposal") of the Company in substantially the form of Order attached hereto as **Schedule "A"**.

Part 2: FACTUAL BASIS

1. All capitalized terms not otherwise defined herein have the same meaning ascribed to them in the Proposal.

Background

2. The Company was founded in 1987 and carries on business as a designer, manufacturer and retailer of environmentally friendly products for the pet and garden industries. The Company has approximately 30 employees in Canada. Through a wholly owned U.S. subsidiary, the Company has an additional 35 employees in the U.S.

3. In recent years the Company has expanded rapidly through its acquisitions of the shares and assets of other companies and/or persons. The details of these acquisitions are outlined at Section 3 of the Trustee's Report on the Proposal, dated December 23, 2014 (the "**Trustee's First Report**").
4. In order to finance these acquisitions the Company took on additional debt which it then struggled to service. The Company also faced significant challenges to its traditional business model moving from a distribution model to also include direct-to-consumer sales which added additional and unexpected costs to the acquisitions. The combination of the foregoing along with other operational and integration-based challenges faced by the Company and the highly seasonal nature of the Company's business resulted in the Company sustaining aggregate losses of approximately \$4.5 million over the last three fiscal years.
5. Throughout 2014, the Company made numerous attempts to refinance its business with several institutional lenders, including asset-based lenders and other speciality financiers. One of the speciality financiers approached by Contech was Siena Lending Group LLC ("**Siena**"), which is the "Funder" under the Proposal.
6. In or around early November 2014, the Company and Siena had reached an agreement on refinancing terms. Ultimately, however, the refinancing transaction did not complete due to difficulties the Company was experiencing with some of its creditors and suppliers including, but not limited to, Vegherb, LLC ("**Vegherb**") which refused to subordinate its security interest in the Company's assets to the security interest of Siena.
7. Once it became clear the refinancing with Siena was not going to complete, the Company was left with no viable options other than a formal restructuring as it does not have the funds needed to service its debt, pay its suppliers and continue to operate its business.
8. On December 23, 2014, the Company filed the Proposal with the OSB. Between December 23 and 24, 2014, the Trustee sent to all Affected Creditors:
 - (a) a Notice of Proposal to Creditors dated December 23, 2014, whereby the Trustee provided all creditors with notice of the creditors' meeting to vote on the Proposal (the "**Meeting**");
 - (b) a copy of the Proposal; and
 - (c) a copy of the Trustee's First Report.

Approval of the Proposal

9. The Meeting was held on January 8, 2015. At the Meeting, the Affected Creditors voted overwhelmingly in favour of the Proposal. In the Unsecured Creditor Class, the Proposal was approved by 96% in number of the voting Unsecured Creditors holding 99% of the Proven Claims of the voting Unsecured Creditors. In the Affected Secured Creditor

Class, the Proposal was approved by 96% in number of the voting Affected Secured Creditors holding 76% of the Proven Claims of the voting Affected Secured Creditors.

10. Only one Affected Secured Creditor - Vegherb - did not vote in favour of the Proposal.
11. The terms of the Proposal are described in detail in the Trustee's First Report. Generally, the Proposal provides that:
 - (a) All Affected Secured Creditors will receive one Common Share of the Company for every \$0.08 cents of their Proven Claim.
 - (b) All Unsecured Creditors with Proven Claims of \$1,500 or less, or who elect to reduce their Proven Claim to that amount, will be paid in full.
 - (c) Unsecured Creditors with Proven Claims greater or equal to \$30,000 may elect to be treated as "Equity Election Creditors" and receive Common Shares of the Company at the rate one Common Share for every \$0.12 cents of their Proven Claim.
 - (d) All other Unsecured Creditors (i.e. those with Proven Claims exceeding \$1,500 who do not make one of the aforementioned elections) will receive \$0.30 for every dollar of their Proven Claim.
 - (e) The cash distributions to the Unsecured Creditors (other than the Key Supplier, as discussed below) shall be completed within 180 days of the Effective Date, and the distribution of Common Shares under the Proposal shall be completed within 14 days of the Effective Date.
12. Under the Proposal, the Key Supplier is to receive \$0.70 for every dollar of its Proven Claim over a longer period of time, provided that it first agrees with the Company to continue to supply product to the Company on terms acceptable to the Company. The Key Supplier voted in favour of the Proposal and has agreed to continue to supply product to the Company on cash-on-shipment payment terms, which is acceptable to the Company.
13. The Key Supplier is receiving additional recovery under the Proposal as it is a critical supplier to the Company. The product the Key Supplier supplies accounts for approximately 25% of the Company's annual sales. If the Key Supplier refused to continue to supply products to the Company, it is unlikely the Company could continue to carry on business. The result of this would be that the Proposal would fail, the Company would be deemed to be assigned into bankruptcy and the Affected Creditors would not recover any part of their Proven Claims.
14. Certain secured creditors of the Company are not affected by the Proposal, including Business Development Bank of Canada, HSBC Bank Canada, First West Credit Union and the Company's equipment lenders. The determination as to which secured creditors

would be treated as unaffected was based on the determination by the Trustee as to which secured creditors would be likely to make any recovery in a liquidation scenario.

15. The terms of the Proposal are reasonable and the Proposal is calculated to benefit the general body of creditors. The recovery for the Affected Creditors under the Proposal is significantly better than it would be in a bankruptcy or other liquidation scenario where it is expected the Affected Creditors would recover nothing.
16. The Proposal is made by the Company in good faith and is supported by the Trustee.
17. Approval of the Proposal is being sought on an expedited basis. This is due to the seasonal nature of the Company's business, and the Company's urgent need to place orders for products with suppliers by the start of February 2015 in order to ensure it has sufficient product in stock for the start of the spring gardening season. The Company's funding needs are known to Siena, and it is a term of the Loan Agreement that it closes before January 31, 2015. Approval and implementation of the Proposal is a pre-condition to the closing of the Loan Agreement, and the credit facilities thereunder being made available to the Company.

Part 3: LEGAL BASIS

1. The Applicants rely on the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "BIA"), the legal authorities cited herein, the inherent jurisdiction of this Honourable Court and such further and other legal authority as the Applicants may advise.

Approval of the Proposal

2. Before it can approve a proposal the Court must be satisfied that:
 - (a) the terms of the proposal are reasonable;
 - (b) the terms are calculated to benefit the general body of creditors; and
 - (c) the proposal is made in good faith.

Kitchener Frame Ltd. (Re), 2012 ONSC 234 ("*Kitchener Frame*"), at 19.

Magnus One Energy Corp. (Re), 2009 ABQB 200 ("*Magnus One*"), at 10.

3. The terms of the Proposal are reasonable and are calculated to benefit the general body of creditors. In determining whether a proposal has met these branches of the test for approving a proposal, the Court should consider the payment terms of the proposal and whether the distributions provided for in the proposal are "adequate to meet the requirements of commercial morality and maintaining the integrity of the bankruptcy system."

Kitchener Frame, at 22.

4. The payment terms under the Proposal are reasonable and calculated to benefit the general body of creditors as they provide meaningful recovery for the Affected Creditors and also provide for significantly greater recovery than the Affected Creditors would achieve if the Company made an assignment into bankruptcy.
5. Although the Key Supplier is receiving additional recovery under the Proposal the Proposal is fair and reasonable and provides for equitable treatment of all Affected Creditors. Without the agreement of the Key Supplier to continue supplying product to the Company, the Company would not be able to continue its operations and the Proposal would fail. In circumstances such as this, it is permissible that the Key Supplier be treated more favourably than other Unsecured Creditors.

Uniforêt inc. (Arrangement relatif à), [2003] Q.J. No. 9328, 43 C.B.R. (4th) 254, at 20-22.

6. If the Proposal is approved by the Court all cash distributions are to be paid within one year of the Effective Date and all Common Shares will be issued to the Affected Secured Creditors and Equity Election Creditors within two weeks of the Effective Date. Subject to the Court approving the Proposal and granting certain other Orders sought by the Company, it is expected that the Company and Siena will shortly thereafter close on the Loan Agreement and the Company will have access to the funds necessary to continue its operations and carry out the distributions and share issuances as set forth in the Proposal.
7. The Proposal is made in good faith. In determining whether a proposal is made in good faith, the debtor must satisfy the court that it has provided full disclosure to its creditors of its assets and encumbrances against such assets.

Kitchener Frame, at 35.

8. The Company has made such disclosure and information packages regarding the Company's assets and liabilities have been sent by the Trustee to the Affected Creditors. The Proposal is supported by the Trustee and there is no evidence to suggest that the Company has not acted in good faith or that its conduct is subject to any censure.
9. The Proposal represents the best offer the Company can make to its Affected Creditors while still retaining the support of Siena and ensuring that Contech has sufficient funds to carry on business going forward.
10. As set forth above, the Proposal was overwhelmingly approved by the Affected Creditors. This is a factor which should be given substantial deference by the Court.

Kitchener Frame, at 21.

Magnus One, at 11.

11. The Proposal meets the necessary statutory requires of the BIA and the test for approval of a proposal as developed by common law. Accordingly, the Proposal should be approved by the Court.

Part 4: MATERIAL TO BE RELIED ON

1. Trustee's Report on the Proposal, dated December 23, 2014.
2. Trustee's Report on the Proposal, dated January 13, 2015.
3. Affidavit #1 of Mark Grambart, sworn January 12, 2015.
4. Such other materials as the Applicants may advise.

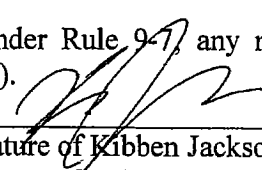
The Applicants estimate that the application will take one day.

This matter is not within the jurisdiction of a master.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this Notice of Application, you must, within 5 business days after service of this Notice of Application or, if this application is brought under Rule 9-7, within 8 business days after service of this Notice of Application,

- (a) file an Application Response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) service on the applicant 2 copies of the following, and on every other party of record one copy of the following:
 - (i) a copy of the filed Application Response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Dated: 14-Jan-2015



Signature of Kibben Jackson
 Lawyer for Applicants

To be completed by the court only:

Order made

in the terms requested in paragraphs of Part 1 of this Notice of Application

with the following variations and additional terms:
.....
.....
.....

Date:

.....
Signature of Judge Master

The Solicitors for Contech Enterprises Inc. are Fasken Martineau DuMoulin LLP, whose office address and address for delivery is 2900 - 550 Burrard Street, Vancouver, BC V6C 0A3 Telephone: +1 604 631 3131 (Reference: Kibben Jackson/249389.00008)

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- other matters concerning document discovery
- extend oral discovery
- other matter concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial
- case plan orders: amend
- case plan orders: other
- experts

SCHEDULE "A" - DRAFT ORDER FOR APPLICATION TO APPROVE PROPOSAL

Province: British Columbia
Bankruptcy Division
Vancouver Registry
Court No. B150025
Estate No. 11-1946231

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
CONTECH ENTERPRISES INC.**

ORDER MADE AFTER APPLICATION

BEFORE))
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ON THE APPLICATION OF Deloitte Restructuring Inc. (the "**Trustee**") in its capacity as trustee in bankruptcy of Contech Enterprises Inc. (the "**Company**") and the Company coming on for hearing at Vancouver, British Columbia on this date and on hearing Kibben Jackson and Danielle Toigo, counsel for the Company and, with respect to this application, as agent for the Trustee, and those counsel listed in **Schedule "A"** attached hereto;

THIS COURT ORDERS AND DECLARES that:

Abridgment and waiver

1. The time for service of the Notice of Application herein and all materials relied on in support of the Notice of Application (collectively, the "**Application Materials**") is hereby abridged for the purposes of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and the *British Columbia Supreme Court Civil Rules*. Service of the Application Materials is deemed to have been duly effected, the Notice of

Application is properly returnable today and the need for further service of the Application Materials is hereby dispensed with.

2. The notice and service requirements and timelines as set forth in section 58 of the BIA are hereby waived.

Approval of the Proposal

3. The proposal (the “**Proposal**”) of the Company, a copy of which is attached hereto as **Schedule “B”**, is hereby sanctioned and approved in accordance with the provisions of the BIA. All capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Proposal.
4. The Proposal is hereby declared to have been approved by the requisite percentages of creditors in conformity with the BIA.
5. The Proposal and the transactions contemplated thereby are hereby declared to be fair and reasonable and are in the best interests of the Company, the Affected Creditors and the other stakeholders of the Company.
6. The Proposal is hereby deemed to be effective as at the Effective Date and at that date will enure to the benefit of and will be binding upon the Company and all other persons affected by the Proposal.
7. The Company and the Trustee, as applicable, are hereby authorized to file, issue, execute and deliver the agreements, documents, securities and instruments contemplated by the Proposal, in the name of and on behalf of the Company, in order to effect all corporate actions contemplated by the Proposal.
8. The releases set forth in Section 2.4 of the Proposal are hereby confirmed and, subject to the Company meeting its obligations under the Proposal, the Company and its directors and officers are hereby released and discharged from all claims of any Affected Creditor pursuant to the terms of the Proposal.
9. Upon the Company issuing the Common Shares to the Affected Secured Creditors in accordance with Section 3.1 of the Proposal, all charges, security interests or claims of

the Affected Secured Creditors with respect to the personal property of the Company will immediately be discharged and the Company or its solicitors shall be authorized to file financing change statements in the British Columbia Personal Property Registry, or any other registry where personal property security interests are registered, to effect the discharge of any filings relating to the Affected Secured Creditors' registered security interests in the personal property of the Company.

General

10. The commencement or prosecution, whether directly, derivatively or otherwise, of any demands, claims, actions, causes of action, counterclaims, suits, or any indebtedness, liability, obligation or cause of action released and discharged pursuant to the Proposal are hereby enjoined.
11. No individuals, firms, corporations, governmental bodies or agencies, or other entities (all of the foregoing, collectively, being "Persons" and each being a "Person") shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Company, except with written consent of the Company and the Trustee or with leave of this Court.
12. All Persons having oral or written agreements with the Company for the supply of goods and/or services to the Company are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Company.
13. Notwithstanding any provision of this Order, no Person shall be prohibited from requiring immediate payment for goods, services use of leased or licensed property or other valuable consideration provided on or after the Filing Date, nor shall any Person be under any obligation to advance or re-advance any monies or otherwise extend any creditor the Company after the Filing Date.
14. THIS COURT REQUESTS the aid and recognition of other Canadian and foreign Courts, tribunals, regulatory or administrative bodies, including any Court or administrative tribunal of any Federal or State Court or administrative body in the United

States of America (including, without limitation, the United States Bankruptcy Court), to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to (i) make such orders and to provide such assistance to the Company and the Trustee, an officer of this Court, as may be necessary or desirable to give effect to this Order, (ii) grant representative status to the Company in any foreign proceeding, and (iii) assist the Company and the Trustee and their respective agents in carrying out the terms of this Order.

15. The Company, the Trustee and any other interested party shall have liberty to apply for such other directions or relief as may be necessary or desirable to give effect to this Order.
16. Approval of the form of this Order by counsel other than counsel for the Company and agent for the Trustee is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of Kibben Jackson

Party Lawyer for Contech Enterprises Inc.

BY THE COURT

REGISTRAR

SCHEDULE "A"
LIST OF COUNSEL

Name		Party

SCHEDULE "B"

PROPOSAL OF CONTECH ENTERPRISES INC.

Province: British Columbia
Bankruptcy Division
Registry
Court No. B _____
Estate No. _____

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
CONTECH ENTERPRISES INC.**

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

In this Proposal:

"Affected Creditor" means any Affected Secured Creditor and any Unsecured Creditor having a Proven Claim.

"Affected Secured Creditor" means those creditors having a Security Interest in any assets of the Company which ranks in priority subordinate to the Security Interest of FWCU in the assets of the Company and includes the Secured Debenture Holders and Vegherb, but for clarity does not include the Unaffected Creditors.

"Affected Secured Creditor Class" means the class comprising all Affected Secured Creditors each having a Proven Claim.

"Affected Secured Creditor Conversion Rate" means the deemed rate of conversion of the Proven Claims of the Affected Secured Creditors, which rate shall be calculated as follows:

Every eight cents (\$0.08) of Proven Claim of an Affected Secured Creditor = one Common Share.

"Approval Order" means the Court order approving this Proposal and directing the implementation of this Proposal.

"BIA" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

"Business Day" means any day which is not a Saturday or Sunday, or a provincial or federal holiday in the province of British Columbia.

"Claim" means any right or claim of any person against the Company whether or not asserted in connection with any indebtedness, liability, or obligation of any kind whatsoever owed to such

person, including any indebtedness, liability or obligation owed to such person as a result of any breach of duty (including, without limitation, any legal, statutory, equitable, or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of the Company, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose of action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to the Filing Date and, for certainty, includes Priority Claims.

"Claimant" means a person that has a Claim which is not yet a Proven Claim.

"Classes" means the Affected Secured Creditor Class and the Unsecured Creditor Class.

"Common Shares" means the commons shares in the capital of the Company to be issued and allocated to the Affected Secured Creditors and Equity Election Creditors having Proven Claims in accordance with the terms of this Proposal.

"Company" means Contech Enterprises Inc.

"Completion Date" means that date on which all of the Company's obligations under this Proposal have been met and the Trustee has been discharged.

"Convenience Creditor" means an Unsecured Creditor with a Proven Claim of \$1,500 or less or who elects on their Proof of Claim form to reduce their Proven Claim to \$1,500 for distribution purposes.

"Conversion Date" means a date to be determined by the Company which shall, in any event, be no later than two weeks after the Effective Date.

"Court" means the Supreme Court of British Columbia.

"Crown" means Her Majesty in the right of Canada or a province.

"Crown Claim" means a Claim of the Crown for amounts that are outstanding as at the Filing Date and are subject to a demand under:

- (a) subsection 224(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or

- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
- (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
 - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection.

“Distribution Dates” means, collectively, the First Distribution Date, the Second Distribution Date and the Third Distribution Date.

“Effective Date” means the date on which all conditions precedent to this Proposal have been satisfied.

“Election Creditors” means, together, Convenience Creditors and Equity Election Creditors.

“Equipment Lenders” means those persons or entities that have leased equipment to the Company or who have financed the acquisition of specific equipment by the Company and have a Security Interest in such equipment.

“Equity Election Creditor” means an Unsecured Creditor with a Proven Claim greater than or equal to \$30,000 who elects on their Proof of Claim form to receive Common Shares based on the Equity Election Creditor Conversion Rate.

“Equity Election Creditor Conversion Rate” means the deemed rate of conversion of the Proven Claims of the Equity Election Creditors, which rate shall be calculated as follows:

Every twelve cents (\$0.12) of Proven Claim of an Equity Election Creditor = one Common Share.

“Filing Date” means December 23, 2014, the date this Proposal was filed by the Company with the official receiver.

“Filing Date Exchange Rate” means the Bank of Canada noon spot rate of exchange for exchanging currency to Canadian dollars on the Filing Date.

“Final Key Supplier Distribution Date” means that date to be determined by the Company which shall be no more than 365 days after the Effective Date.

“First Distribution Date” means the date which is 10 days after the Effective Date.

“FWCU” means First West Credit Union.

“Funder” means Siena Lending Group LLC.

“Inspectors” has the meaning ascribed to it in Section 7.3 of this Proposal.

“Key Supplier” means, together, the related companies Huidong Meixin Plastic Lumber Products Co. Ltd. and Eastern Reach Co. Ltd.

“Loan Agreement” means the agreement between the Funder and the Company pursuant to which, and subject to the fulfilment of the conditions precedent to such agreement, the Funder shall make funds available to the Company to the maximum amount of \$6 million.

“Meeting” means the meeting of the Classes to be held pursuant to section 51.(1) of the BIA for the purpose of considering, and if thought fit, voting to approve this Proposal, as same may be amended at any such Meeting, and agreeing to the compromise and arrangement constituted thereby, and includes any subsequent reconvened meeting should a meeting be adjourned.

“Post Filing Claim” means a claim arising from the supply of goods or services to the Company after the Filing Date or a claim for sales or excise taxes, source deductions or assessments and premiums arising in relation to such claims. Post Filing Claims do not include claims in respect of an obligation incurred prior to the Filing Date but which is payable after the Filing Date.

“Post Filing Creditor” means a creditor having a Post Filing Claim.

“Priority Claim” means a Crown Claim that is a Proven Claim or a Proven Claim of an employee for amounts it would be entitled to receive under subsections 60(1.3) and 136(1)(d) of the BIA if the Company had become bankrupt on the Filing Date.

“Priority Creditor” means a creditor of the Company having a Priority Claim.

“Proof of Claim” means the prescribed form of document required under the BIA to evidence the Claim of a creditor of the Company.

“Proposal” means this proposal among the Company and the Affected Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Company and Affected Creditors or Classes as provided for herein or at any Meeting.

“Proven Claim” means a Claim which:

- (a) after the delivery of a Proof of Claim to the Trustee, has been admitted by the Trustee in whole or in part; or

- (b) after the delivery of a Proof of Claim to the Trustee, has been disallowed by the Trustee, which disallowance has subsequently been set aside in whole or in part by the Court,

provided that a Proven Claim shall not include the amount due to a Post Filing Creditor in respect of a Post Filing Claim. Proven Claims shall not include any interest for the period subsequent to the Filing Date.

“Second Distribution Date” means that date to be determined by the Company which shall be no more than 90 days after the Effective Date.

“Secured Debenture Holders” means those persons or entities to whom secured debentures were issued by the Company pursuant to certain agreements between the Company and the other signatories thereto including (i) Loan Agreement dated for reference as of the 1st day of August, 2012; (ii) Loan Agreement dated for reference as of the 31st day of January, 2012; (iii) Loan Agreement dated for reference as of the 23rd day of October 2012; and (iv) Amended and Restated Loan Agreement dated for reference the 7th day of March, 2014, and each other party that subsequently agreed to be bound by the terms of the foregoing agreements.

“Security Interest” means a valid and enforceable mortgage, charge or encumbrance in the Company’s assets that is in existence pursuant to the British Columbia *Personal Property Security Act*, R.S.B.C., 1996 c. 359, the British Columbia *Securities Transfer Act*, S.B.C., 2007 c. 10, or other applicable British Columbia legislation, as at the Filing Date.

“Third Distribution Date” means that date to be determined by the Company which shall be no more than 180 days after the Effective Date.

“Trustee” means Deloitte Restructuring Inc. in its appointed capacity as Trustee of this Proposal.

“Trustee’s Fees” means all proper fees, expenses and legal costs of the Trustee on and incidental to the proceedings arising out of this Proposal and all proper fees, expenses and legal costs of the Trustee arising in relation to this Proposal.

“Unaffected Creditors” means Post Filing Creditors, Equipment Lenders and those creditors having a Security Interest in any assets of the Company ranking even with or in priority to the Security Interest of FWCU in the assets of the Company, and includes those creditors enumerated in **Schedule “A”** to this Proposal.

“Unsecured Creditor” means a creditor of the Company who has a Proven Claim but did not have a Security Interest in the assets of the Company as at the Filing Date.

“Unsecured Creditor Class” means the class comprising all Unsecured Creditors each having a Proven Claim.

“Vegherb” means Vegherb, LLC.

1.2 Interpretation etc.

For the purposes of this Proposal:

- (a) the division of this Proposal into Sections and the insertion of headings are for convenience only and do not form part of this Proposal and will not be used to interpret, define or limit the scope, extent or intent of this Proposal;
- (b) all references to amounts of money mean lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Affected Creditors in any other currency will be converted to Canadian dollars at the Filing Date Exchange Rate;
- (c) unless otherwise specified, the words "hereof", "herein", "hereunder", and "hereto" refer to this Proposal in its entirety rather than to any particular portion of this Proposal;
- (d) where the context requires, a word or words importing the singular shall include the plural and vice versa and a word or words importing one gender shall include all genders;
- (e) the deeming provisions are not rebuttable and are conclusive and irrevocable;
- (f) the words "includes" and "including" are not limiting; and
- (g) the word "or" is not exclusive.

1.3 Statutory Reference

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

1.4 Date for any Action

In the event that any date on which any action is required to be taken under this Proposal by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day that is a Business Day.

**ARTICLE 2
PURPOSE AND EFFECT OF THIS PROPOSAL**

2.1 Purpose of this Proposal

The purpose of this Proposal is to permit the Company to settle payment of its liabilities as at the Filing Date and to compromise the indebtedness owed to Affected Creditors of the Company on a fair and equitable basis so as to enable the Company to carry on business in the ordinary course.

2.2 Trustee Under this Proposal

Subject to the provisions of the BIA, the Trustee shall act as the administrator for certain purposes connected with this Proposal, including management of the claims process, administration of the Meeting, distributions of dividends to Unsecured Creditors that are not Equity Election Creditors.

2.3 Treatment of Unaffected Creditors

Unaffected Creditors are not included under or in any way affected by this Proposal and will be paid in accordance with existing agreements between such creditors and the Company or in accordance with alternative arrangements to be negotiated concurrently with the filing and implementation of this Proposal.

2.4 Effect of this Proposal on Affected Creditors

Effect on Affected Secured Creditors and Equity Election Creditors

Upon the Conversion Date, and subject to the Company meeting its obligations to creditors under this Proposal, each Affected Secured Creditor and Equity Election Creditor shall:

- (a) release the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims; and
- (b) release the directors and officers of the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims, where the directors or officers are, by law, liable in their capacity as directors or officers.

Effect on Convenience Creditors

Upon the First Distribution Date, and subject to the Company meeting its obligations to creditors under this Proposal, each Convenience Creditor shall:

- (c) release the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims; and
- (d) release the directors and officers of the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims, where the directors or officers are, by law, liable in their capacity as directors or officers.

Effect on Unsecured Creditors that are not Election Creditors or the Key Supplier

Upon the Third Distribution Date, and subject to the Company meeting its obligations to creditors under this Proposal, each Unsecured Creditor that is not an Election Creditor or the Key Supplier shall:

- (e) release the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims; and
- (f) release the directors and officers of the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims, where the directors or officers are, by law, liable in their capacity as directors or officers.

Effect on Key Supplier

Subject to the Company meeting its obligations to creditors under this Proposal and upon the final distribution being made to the Key Supplier in accordance with this Proposal, the Key Supplier shall:

- (g) release the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims; and
- (h) release the directors and officers of the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims, where the directors or officers are, by law, liable in their capacity as directors or officers.

2.5 Funding of Payments Under this Proposal

Payments under this Proposal shall be made from the funds made available to the Company by the Funder under the Loan Agreement and from the Company's general revenue.

**ARTICLE 3
TREATMENT OF AFFECTED CREDITORS**

3.1 Treatment of Affected Secured Creditors

If the Classes vote in favour of this Proposal, then, on the Conversion Date, the Company will issue to each Affected Secured Creditor with a Proven Claim the applicable number of Common Shares based on the Affected Secured Creditor Conversion Rate, and the Company will subsequently cause the central securities register of the Company to be updated to account for the issuance and allocation of such Common Shares to the Affected Secured Creditors.

3.2 Treatment of Unsecured Creditors

Treatment of Unsecured Creditors with Proven Claims

If the Classes vote in favour of this Proposal then Unsecured Creditors with Proven Claims will be treated as follows:

(a) Convenience Creditors

Convenience Creditors with Proven Claims will be paid the full amount of their Proven Claim (as reduced, if applicable).

(b) Equity Election Creditors

Equity Election Creditors with Proven Claims will receive their entitlement of Common Shares at the Equity Election Creditor Conversion Rate.

(c) Unsecured Creditors that are not Election Creditors or the Key Supplier

Unsecured Creditors that are not Election Creditors or the Key Supplier shall receive thirty cents (\$0.30) for every dollar of their Proven Claims.

(d) Key Supplier

Subject to the Key Supplier agreeing in writing to continue to supply product to the Company on terms acceptable to the Company including with respect to terms of payment, the Key Supplier shall receive seventy cents (\$0.70) for every dollar of its Proven Claim. If the Key Supplier fails to agree to continue to supply product on terms acceptable to the Company, the Key Supplier shall be treated the same as other Unsecured Creditors under this Proposal, including with respect to election rights.

Distributions to Unsecured Creditors

If the Classes vote in favour of this Proposal:

(e) on the Conversion Date the Company will issue to each Equity Election Creditor with a Proven Claim the applicable number of Common Shares based on the Equity Election Creditor Conversion Rate, and the Company will subsequently cause the central securities register of the Company to be updated to account for the issuance and allocation of such Common Shares to the Equity Election Creditors; and

(f) distributions will be paid to the Unsecured Creditors with Proven Claims, who are not Equity Election Creditors, as follows:

(i) to the Convenience Creditors, on the First Distribution Date;

- (ii) to the Key Supplier on each of the Distribution Dates and, subject to the Key Supplier agreeing in writing to continue to supply product to the Company on acceptable terms including with respect to terms of payment, on the Final Key Supplier Distribution Date; and
- (iii) to the remaining Unsecured Creditors, *pro rata* and in equal installments on each of the Distribution Dates.

3.3 Corporate Action

On the Conversation Date (i) all corporate actions contemplated by this Proposal shall be deemed to have been authorized and approved in all respects (subject to the provisions of this Proposal) (ii) all matters provided for in this Proposal shall be deemed to have timely occurred and in accordance with all applicable laws, and (iii) the directors and officers of the Company shall be authorized and directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by this Proposal, in the name of and on behalf of the Company.

3.4 BIA Sections 91 to 101

It is a term of this Proposal that sections 91 to 101, inclusive, of the BIA shall not apply with respect to this Proposal and the Company.

ARTICLE 4 PRIORITY PAYMENTS

4.1 Trustee Fees

The Trustee Fees will be paid by the Company in accordance with the provisions of the BIA from the general revenue of the Company or from funds made available to the Company by the Funder and in priority to payment of all Proven Claims.

4.2 Payments to Priority Creditors

The Company shall make payments to Priority Creditors have Proven Claims in accordance with the provisions of the BIA.

ARTICLE 5 CONDITIONS PRECEDENT

5.1 Conditions Precedent to Implementation of this Proposal

The implementation of this Proposal by the Company is subject to the satisfaction of the following conditions precedent:

- (a) This Proposal having been approved by the Classes by the requisite percentages in relation both to numbers of the Affected Creditors voting in each of the Classes

and to dollar amounts of Proven Claims of the Affected Creditors voting in each of the Classes in accordance with the provisions of the BIA.

- (b) The Approval Order has been issued and has not been stayed.
- (c) All conditions precedent to the Loan Agreement shall have been satisfied or waived by the Funder and the Loan Agreement shall have closed in accordance with its terms such that the new credit facility thereunder has been made available to the Company.
- (d) All other actions, documents and agreements necessary to implement this Proposal shall have been effected and executed.

ARTICLE 6

DELIVERY OF NOTICES AND DISTRIBUTIONS UNDER THIS PROPOSAL

6.1 Notices and Payments to Affected Creditors

Any notices, correspondence and distributions to Affected Creditors under or in relation to this Proposal shall be delivered to the address provided by each Affected Creditor unless the Company and the Trustee are notified by an Affected Creditor in writing of an alternative address for delivery.

6.2 Undeliverable Distributions

If any distribution to an Unsecured Creditor under this Proposal is returned to the Trustee as undeliverable, no further distributions to that Unsecured Creditor shall be made unless and until the Trustee is notified by such Unsecured Creditor, in writing, of their current address, at which time all missed distributions shall be delivered to such Unsecured Creditor without interest. Undeliverable distributions shall be retained by the Trustee until they are claimed or until the Completion Date, after which they shall revert to the Company free of any restrictions or claims thereon.

6.3 Withholding Taxes and Superintendent's Levy

All distributions made by the Trustee pursuant to this Proposal shall be made net of all applicable levies in accordance with the BIA and regulations thereto, including the levy imposed by the Superintendent of Bankruptcy under the BIA.

Notwithstanding any other provision of this Proposal, each Affected Creditor with a Proven Claim that is to receive a distribution pursuant to this Proposal shall have the sole and exclusive responsibility for the satisfaction and payment of any taxes or tax obligations imposed by any governmental entity (including income, withholding and other tax obligations on account of such distribution).

**ARTICLE 7
MEETING OF AFFECTED CREDITORS**

7.1 Meeting

There will be one Meeting for all Affected Creditors to consider and vote on this Proposal which will be held on January 8, 2015 at 2:00 PM (PT) at the office of the Trustee which is located at 2800 - 1055 Dunsmuir Street, Vancouver, British Columbia.

The Meeting shall be conducted in accordance with Division 1 – General Scheme for Proposals of the BIA.

7.2 Participation in Meeting

In order to be eligible to vote at the Meeting an Affected Creditor must have delivered to the Trustee prior to the commencement of the Meeting a Proof of Claim which has not been disallowed by the Trustee.

The procedure dealing with the disallowance of Proofs of Claim will be as set out in section 135 of the BIA.

7.3 Inspectors

At the Meeting, the Affected Creditors may appoint one or more, but not exceeding five, inspectors (the “**Inspectors**”). The Inspectors shall have only the following powers:

- (a) the power to extend the dates of payments provided for under this Proposal;
- (b) the power to waive any default in the performance of any provision of this Proposal;
- (c) the power to approve interim and final statements of receipts and disbursements of the Trustee, including the power to approve proposed dividends and reasonable fees and disbursements of the Trustee;
- (d) the power to advise the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee; and
- (e) the power to advise the Trustee concerning any dispute that may arise to the validity of a Proof of Claim filed by a Claimant.

In the event Affected Creditors do not elect to appoint Inspectors under this Proposal, the Trustee shall be entitled to be paid by the Company for services rendered by it pursuant and in relation to this Proposal.

The Trustee and the Inspectors, should any be appointed, shall be exempt from all personal liability for any wrongful act, default or neglect (other than fraud, wilful misconduct or gross

negligence) in fulfilling any duties or exercising any powers conferred upon them by this Proposal, the BIA or generally in carrying out of the terms of this Proposal.

7.4 Voting

This Proposal is to be voted on by the Classes at the Meeting.

For the purposes of voting as a member of the Affected Secured Creditor Class, each Affected Secured Creditor shall have one vote for the purposes of determining a majority in number and each Affected Secured Creditor shall be entitled to one vote for each \$1.00 of its Proven Claim for the purposes of determining a majority in value.

For the purpose of voting as a member of the Unsecured Creditor Class, each Unsecured Creditor, who is not an Election Creditor, shall have one vote for the purposes of determining a majority in number and each Unsecured Creditor shall be entitled to one vote for each \$1.00 of its Proven Claim for the purposes of determining a majority in value.

All Election Creditors will be deemed to have voted in favour of this Proposal. Any proxy filed by or on behalf of any such creditors shall be of no force and effect, and no such creditors shall be entitled to vote at the Meeting.

7.5 Proxies and Voting Letters

Affected Creditors that are not Election Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim package and will be binding upon all Affected Creditors.

ARTICLE 8 AMENDMENTS AND MODIFICATIONS

8.1 Amendment of Proposal

The Company reserves the right, with the consent of the Trustee, to amend this Proposal at any time prior to the Meeting, and after the Meeting to amend any approved Proposal and re-submit it to Affected Creditors, or to either of the Classes, and an amended Proposal may be amended among the Company and the Classes at any meeting of the Classes.

8.2 Modification of Proposal

After the Meeting, this Proposal may be modified from time to time:

- (a) if the amendment is considered by the Trustee and the Inspectors to be non-substantive in nature, with the approval of the Trustee and the majority of the Inspectors;
- (b) upon a vote conducted by the Trustee at a further meeting of the Classes and upon the Court granting the Approval Order; and

- (c) by the Court at any time on application of the Company or the Trustee and upon notice to those determined by the Company to be directly affected by the proposed modification, whether an Affected Creditor or not.

8.3 Waivers

Any provision of this Proposal may be waived with the consent of the Trustee, by the Class affected by the provision, or by an Affected Creditor affected by the provision.

ARTICLE 9 APPLICATION FOR APPROVAL ORDER

9.1 Application for Approval Order

Upon the conclusion of the Meeting the Trustee will forthwith apply to the Court for the Approval Order if this Proposal has been approved by the Classes by the requisite percentages in relation both to numbers of Affected Creditors to dollar amounts of Proven Claims.

9.2 Stay of Proceedings

The stay of proceedings provided for in section 69.1(1) of the BIA shall continue in full force and effect from the Filing Date until the Completion Date or, if the Company becomes bankrupt, the date of bankruptcy.

ARTICLE 10 GENERAL

10.1 Further Actions

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of this Proposal to give effect to the transactions contemplated hereby.

10.2 Notices to Company or Trustee

All notices, Proofs of Claim, and other correspondence relating to this Proposal and to be delivered to the Company or the Trustee shall be in writing and shall be delivered either personally, by email, by telecopy, by regular mail, by registered mail or by certified mail, return receipt requested, at the following address:

c/o Deloitte Restructuring Inc.
Trustee under the proposal of
Contech Enterprises Inc.
2800 – 1055 Dunsmuir Street,
Vancouver, BC V7X 1P4

Attention: Rayne Boutcher
Telephone: 604-539-3657
Facsimile: 604-534-7429
Email: rboutcher@deloitte.ca

10.3 Successors and Assigns

This Proposal is binding upon the Company, the Affected Creditors and their respective heirs, executors, administrators, successors and assigns.

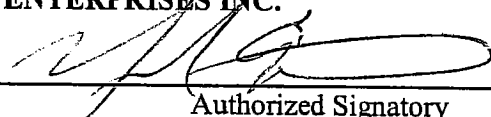
10.4 Date and Reference

This Proposal may be referred to as being the Proposal of the Company dated for reference the 23rd day of December 2014.

DATED at the City of Vancouver, Province of British Columbia this 23rd day of December 2014

CONTECH ENTERPRISES INC.

Per: _____



Authorized Signatory

SCHEDULE "A"
UNAFFECTED CREDITORS

Business Development Bank of Canada

First West Credit Union

HSBC Bank Canada

Dell Financial Services Canada Limited

K'(Prime) Technologies Inc.

Roynat Inc.

Wells Fargo Equipment Finance Company

Perth Andover Capital Lease