

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
COURT NO.:
ESTATE NO.:

SUPERIOR COURT
Commercial Division
(In matters of bankruptcy and insolvency)

IN THE MATTER OF THE PROPOSAL OF:

SOCIABLE LABS INC., a corporation duly constituted, having its principal place of business at 201-145 rue Saint-Pierre Montréal, Québec, H2Y 2L6;

DEBTOR

PROPOSAL

WE, SOCIABLE LABS INC., the above-named Debtor, hereby submit the following proposal pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. (1985) c. B-3:

1. **Definitions**: For all purposes relating to the present proposal proceedings under the *Bankruptcy and Insolvency Act*, the following terms shall have the following meanings:
 - 1.1 **“Accepted Proven Claim”**: Means the portion of any given Proven Claim:
 - 1.1.1 That is accepted by the Trustee, provided that no appeal of the Trustee’s decision has been filed in respect thereto in accordance with the Act; or
 - 1.1.2 In the event that an appeal of the Trustee’s decision with respect to a Proven Claim is filed by the Creditor in accordance with the Act, that is determined by the Court, pursuant to a final and executory judgment.
 - 1.2 **“Act”**: Means the *Bankruptcy and Insolvency Act*, R.S.C. (1985), c. B-3, as amended.
 - 1.3 **“Claim”**: Means any right of any Person against the Debtor in connection with any indebtedness, liability or obligation of any kind of the Debtor to such Person and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, 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 in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts existing prior to the Date of the Proposal, or which would have been claims provable had the Debtor become bankrupt on the Date of the Proposal. Includes Crown Claims, Secured Claims, Employee Claims, Preferred Claims, but excludes the Excluded Claims.

- 1.4 **“Completion Date”**: Means the date on which all the Conditions are satisfied.
- 1.5 **“Conditions”**: Means collectively the conditions listed and described at Paragraph 8 hereto.
- 1.6 **“Court”**: Means the Superior Court of Quebec, district of Montreal.
- 1.7 **“Creditor”**: Means any Person having a Claim.
- 1.8 **“Crown Claims”**: Means only the amounts that could be claimed pursuant to section 60(1.1) of the Act on the Date of the Proposal;
- 1.9 **“Current Employees”**: Means any Person who is an employee of the Debtor as of the Date of the Proposal and still is as of the date of the meeting of creditors to vote on the Proposal.
- 1.10 **“Date of the Proposal”**: Means June 30, 2016.
- 1.11 **“Date of Homologation”**: Means, for all purposes herein, the date on which the Judgment becomes final.
- 1.12 **“Debtor”**: Means *Sociable Labs Inc.*
- 1.13 **“Dividend”**: Means the amount payable by the Debtor to the Trustee for distribution amongst the Creditors in accordance with Paragraph 7 hereto.
- 1.14 **“Employee”**: Means the:
 - 1.14.1 Current Employee; and
 - 1.14.2 Any Person and who, without being a Current Employee, has rendered, in a capacity of employee, services to the Debtor during the period commencing six (6) months before the Date of the Proposal until the Date of the Proposal.
- 1.15 **“Employee Claims”**: Means only the amounts that Employees would be qualified to receive pursuant to section 60(1.3) of the Act if the Debtor became bankrupt on the Date of the Proposal, and for purpose of clarity, excluding any other claim of Employees against the Debtor.
- 1.16 **“Excluded Claims”**: Means:
 - 1.16.1 Unless otherwise provided herein, the Claims arising in respect of goods supplied, services rendered or other consideration given to the Debtor subsequent to the Date of the Proposal, including (without limitation) salaries and other compensation of Employees, which shall be paid in full by the Debtor in the ordinary course of business, and on regular trade terms;

- 1.16.2 The Professional Fees.
- 1.17 **“Excluded Creditors”**: Means those Creditors having an Excluded Claims, for the Excluded Claims portion of their Claims.
- 1.18 **“IQ”**: Means *Investissement Québec* or any entity it designates.
- 1.19 **“IQ Notes Claim”**: Means any Claims, including Secured Claims if any, of IQ with respect to any convertible promissory notes purchased by IQ from the Debtor pursuant to a Note Purchase Agreement dated March 1, 2016, including without limiting the foregoing such notes investment dated March 12, 2016, March 31, 2016 and April 2016;
- 1.20 **“IQ Proposal Agreement”**: Means an agreement to intervene with IQ at IQ’s, the Debtor’s and the Investors’ satisfaction, with respect to, notably (i) the investment of the Investors to be made regarding the Debtor’s business within five (5) business days following the Date of Homologation, (ii) the undertaking of IQ with respect to the contemplated assignment of its rank on part of its security interest regarding its Secured Claims in favour of future investors or with respect to future financing of the Debtor on terms to be agreed upon and (iii) the capitalisation of the interest to be paid on IQ’s Secured Claim.
- 1.21 **“Investors”**: Means collectively Nisan Gabbay, Sébastien Brault, and any other Person they designate.
- 1.22 **“Judgment”**: Judgment to be rendered by the Court providing for the following:
- 1.22.1 Homologation of the Proposal, as accepted by the statutory required majority of the Creditors; and
- 1.22.2 Authorization of the reorganization of the share capital of the Debtor pursuant to section 191 of the *Canada Business Corporation Act*, R.S.C. (1985) c. C-44, in a manner providing for the cancellation of the existing share capital of the Debtor and providing for the issuance of new equity in a manner satisfactory to each of Nisan Gabbay, Sébastien Brault, IQ, Rho and VLL.
- 1.23 **“Lease”**: Means, collectively, (i) a lease agreement dated March 11, 2013 between *Canada - St-Nicolas Holdings, ULC* (“**St-Nicolas Holdings**”) and *ViralNinjas, Inc.* with respect to premises located at 145, St-Pierre, Montreal (Quebec), a lease extension agreement in that respect dated January 20, 2014, a lease extension agreement dated June 26, 2015 between St-Nicolas Holdings, *ViralNinjas, Inc.* and the Debtor, as well as a lease amendment agreement dated May 16, 2016 between St-Nicolas Holdings and the Debtor, and (ii) the rights and obligations of the Debtor and St-Nicolas Holdings with respect to said agreements.
- 1.24 **“Lease Claim”**: Means, collectively, any Claim and Preferred Claim of St-Nicolas Holdings with respect to the obligations of the Debtor under the Lease as well as, if

and as applicable, the resiliation of the Lease that may occur concurrently to this Proposal.

- 1.25 **“Notes Claim”**: Means the IQ Notes Claims and the Rho Notes Claims.
- 1.26 **“Ordinary Unsecured Creditors”**: Means those Creditors other than the Excluded Creditors, the Secured Creditors and excluding the Creditors having Crown Claims, Employee Claims and Preferred Claims against the Debtor, unless otherwise specified herein.
- 1.27 **“Person”**: Means any individual, corporation, limited or unlimited liability company, general or limited partnership, association, trust, unincorporated organization, joint venture, governmental body or agency, or any other entity.
- 1.28 **“Preferred Claims”**: Means the claims described in Section 136 (1) (a) through 136 (1) (j) of the Act, being such claims directed by the Act to be paid in priority in the distribution of the property of a bankrupt, but excluding the Employee Claims, and it being understood that with respect to the portion of the Lease Claim, if and as applicable, that may be part of the Preferred Claims, the realization value of the property on the premises under lease represents an amount of \$2,500, in accordance with section 136(1)(f) of the Act.
- 1.29 **“Preferred Creditors”**: Means a Person having a Preferred Claim.
- 1.30 **“Professional Fees”**: Means all proper fees, expenses, liabilities and obligations of the Trustee, including legal fees, accounting fees and consulting fees on and incidental to the proceedings arising out of the Proposal, including, without limitation, advice to the Debtor in connection with the Proposal. Additionally, and for greater certainty, the legal fees incurred by the Debtor for the advice sought and work done in connection with the Proposal and any proceedings arising thereto are included in the definition of “Professional Fees”.
- 1.31 **“Proposal”**: Means this proposal or any amendment thereto, which amendments may be made at any time prior to a vote by the creditors on the Proposal or by the Court at the time of Homologation of the Proposal.
- 1.32 **“Proven Claim”**: Means a Claim that was submitted in accordance with the Act to the Trustee before the distribution of the Dividend.
- 1.33 **“Rho”**: Means collectively (i) *Rho Canada Ventures II L.P./ Rho Canada Capital de risque II S.E.C.*, and (ii) *Rho Investment Partners Canada II L.P.*, or any entity they designate.
- 1.34 **“Rho Notes Claim”**: Means any Claims of Rho with respect to any convertible promissory notes purchased by Rho from the Debtor pursuant to a Note Purchase Agreement dated March 1, 2016, including without limiting the foregoing such notes investment dated March 9, 2016, March 30, 2016 and April 2016.

- 1.35 **“Secured Claim”**: Means a Claim of a Secured Creditor, to the extent of the value of the security held by the Secured Creditor, as assessed by the Secured Creditor and accepted by the Trustee or as determined by the Court.
- 1.1 **“Secured Creditor”**: As defined in section 2 of the Act, provided that the security is valid and would be opposable to a bankruptcy trustee if the Debtor had become bankrupt at the Date of the Proposal, including IQ and VLL for their Secured Claim.
- 1.2 **“Trustee”**: Means *Deloitte Restructuring Inc.*, a licensed trustee, having a place of business at 1190, Avenue des Canadiens-de-Montréal, Suite 500, Montreal, Quebec, H3B 0M7.
- 1.3 **“VLL”**: Means collectively *Venture Lending & Leasing VI, Inc.* and *Venture & Leasing VII, Inc.* or any entity they designate.
2. **Crown Claims**: The Crown Claims, if any, shall be paid in full within six (6) months from the Date of Homologation, or as may otherwise be arranged with the Crown.
3. **Professional Fees**: The Debtor shall pay the Professional Fees in full in the ordinary course of business.
4. **Secured Claims**: The Secured Claims will be dealt with by the Debtor in the following manner:
- 4.1 **IQ**: IQ’s Secured Claim will be dealt with in accordance with existing agreements, as modified by the IQ Proposal Agreement to intervene;
- 4.2 **VLL**: a payment of CAD \$100,000 will be remitted to the Trustee within fifteen (15) business days of the Date of Homologation, to be paid to VLL in full settlement of VLL’s Secured Claim. VLL undertakes to strike out and cancel its security registrations with respect to the Secured Claim upon receipt of such payment.
5. **Employee Claims**: The Employee Claims shall be paid in full by the Debtor in the ordinary course of business.
6. **Lease Claims**: With respect to the resiliation of the Lease that may occur concurrently to this Proposal pursuant to section 65.2 of the Act, the lessor St-Nicolas Holdings may file, if and as applicable, a proof of Claim as an Ordinary Unsecured Creditor for the portion of the Lease Claim that is not a Preferred Claim and that represents actual losses resulting from said resiliation, the whole in accordance with section 65.2(4)(b) of the Act, and in that respect, St-Nicolas Holdings may vote as an Ordinary Unsecured Creditor and share in the Dividend for said portion of the Lease Claim, if such a resiliation has occurred.
7. **Dividend**: Subject to the Conditions set forth in Paragraph 8 hereof, the Debtor offers to pay, in full and final settlement of all of their Claims, except the Excluded Claims, an amount of **CAD \$23,000** to the Trustee at the Completion Date, to be distributed amongst the Creditors in the following manner and in the following order :

- 7.1 The Preferred Claims, excluding the Employee Claims, for the amount of the Accepted Proven Claims resulting thereto;
- 7.2 The remainder, if any, amongst the Ordinary Unsecured Creditors, for the payment of their respective Accepted Proven Claim, in the following manner:
 - 7.2.1 The lesser between the Accepted Proven Claim and the first **\$1,000** of each of the Ordinary Unsecured Creditors' Accepted Proven Claim shall be paid in full;
 - 7.2.2 The remainder, if any, of each of the Ordinary Unsecured Creditors' Accepted Proven Claim shall be paid on a *pro rata* basis of their Claims.

The whole without interest, in full and final satisfaction of all of the Claims against the Debtor.

8. **Conditions:** The Proposal, and the payment of the Dividend is subject to the accomplishment of all of the following conditions, each being precedent and essential to the Debtor's ability to effectuate such payment of the Dividend:
 - 8.1 The closing or completion of an investment and the disbursement by the Investors of any funds in accordance thereto, notably by way of loans or promissory notes, in an amount of no less than **\$250,000** from the Investors between the date of the Proposal and the date that is no later than **five (5) business days** following the Date of Homologation;
 - 8.2 The execution of the IQ Proposal Agreement;
 - 8.3 The acceptance of the Proposal by IQ, VLL and Rho;
 - 8.4 The acceptance of the Proposal by the statutory required majority of the Creditors;
 - 8.5 The reorganization of the share capital of the Debtor in a in a manner providing for the cancellation of the existing share capital of the Debtor and providing for the issuance of new equity in a manner satisfactory to each of Nisan Gabbay, Sébastien Brault, IQ, Rho and VLL;
 - 8.6 The renunciation by IQ and Rho to the payment of the Dividend with respect to the Notes Claim;
 - 8.7 The rendering of the Judgment by no later than **August 10, 2016**.
9. **Subordination.** All Claims of any and all shareholders of the Debtor and related persons to the Debtor, other than Secured Claims and the Notes Claim, will be subordinated to the payment of the Dividend.
10. **Claims against directors:** In accordance with Subsection 50(13) of the Act, the acceptance of the Proposal by the Creditors shall release definitively the Debtor's directors

and officers in office as at the Date of the Proposal and any directors, officers or individuals who have acted in such capacity, including on a *de facto basis*, over the last six (6) months from any and all liability or obligation for which they may be liable by law in their capacity as directors and officers, in respect of any Claim against the Debtor which arose at or before the Date of the Proposal. It is understood however that nothing herein shall be interpreted as an acknowledgment of any liability or obligation on the part of the Debtor's directors and officers in office as at the Date of the Proposal, or of an acknowledgement of the fact that an individual have acted as a *de facto* director or officer over the period of six (6) months prior to the Date of the Proposal, any such liability or obligation, or any such capacity with respect to a *de facto* director or officer, being specifically denied.

11. **Inspectors:** The creditors may be entitled to appoint between one (1) and three (3) inspectors.
12. **Reviewable Transactions, Preferential Payments, etc.:** The provisions of sections 95 to 101 of the Act, and any provision of provincial legislation having a similar objective (including but not limited to Articles 1631 to 1636 of the *Civil Code of Quebec*) shall not apply to the Proposal, the whole pursuant to section 101.1 of the Act.
13. **Trustee:** All monies payable to the Creditors under the Proposal shall be paid by the Debtor to the Trustee who shall distribute the Dividend, in full and final payment and settlement of the Claims, the whole in accordance with the terms of the Proposal.
14. **Titles:** The headings or titles herein are provided solely for the convenience of the reader, and shall have no authoritative meaning in interpreting the Proposal.

DATED IN MONTREAL, this 30th day of June 2016.

SOCIABLE LABS INC.

DocuSigned by:

ACE2BA080A724FA...

Per: Sebastien Brault, President

DocuSigned by:

CA065A8B192545B...

Per: Nisan Gabbay, Chief Executive Officer