

Court No. 31-2447514



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

THE HONOURABLE

MR. JUSTICE *HAINES*

*FRIDAY*, THE 21<sup>ST</sup> DAY

OF DECEMBER, 2018

In the matter of the proposal of  
Yappn Canada Inc.  
of the City of Markham, in the Province of Ontario

**ORDER**

UPON THE APPLICATION of Albert Gelman Inc., Trustee (the “Trustee”) *in re* the Proposal of Yappn Canada Inc., filed on ; and upon reading the Report of the Trustee on Proposal dated November 23, 2018; and upon hearing counsel for the Trustee; and the Court being satisfied that the required majority of creditors duly accepted the Proposal dated November 23, 2018 (the “Proposal”) in the terms contained in the paper writing marked Schedule “A” annexed hereto, and being satisfied that the said terms are reasonable and calculated to benefit the general body of creditors and that no offences or facts have been proved to justify the Court in withholding its approval;

1. THIS COURT HEREBY ORDERS that the Proposal is approved.

  
The Honourable Justice

Schedule "A"

Court File No.  
Estate File No.

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

**IN THE MATTER OF THE PROPOSAL OF  
YAPPN CANADA INC.  
OF THE CITY OF TORONTO  
IN THE PROVINCE OF ONTARIO**

**PROPOSAL**

Yappn Canada Inc. (the "Debtor") hereby submits the following Proposal pursuant to the *Bankruptcy and Insolvency Act* (Canada).

The purpose of this Proposal is to restructure the business and affairs of the Debtor with the expectation that all Creditors will derive a greater benefit from the continued operation of the Debtor's enterprise in conjunction with a merger with 7299362 Canada Inc. ("Alexa") than would result from a bankruptcy and liquidation of its assets.

2649699 Ontario Inc. ("699") currently holds 100% of the issued and outstanding shares in Alexa. 699 holds 51 common shares directly and 49 common shares through its wholly-owned subsidiary, 2249951 Ontario Inc. ("224"). 699 is currently held 51% by 7575742 Canada Inc. ("757") and 49% by 2649596 Ontario Limited ("596").

The merger contemplates that all of the shares of the Debtor will be transferred by its parent company, Yappn Corp. to 699. Completion of the merger will only occur if all of the Debtor's liabilities are exchanged for non-voting, equity participating shares in 596 and this Proposal is approved by the Creditors and the Court.

## 1. DEFINITIONS

For the purposes of this Proposal, the following terms shall have the following meanings:

- a) "Act" means *The Bankruptcy and Insolvency Act* R.S.C. 1985, c.B.3, as amended;
- b) "Administrative Fees and Expenses" means:
  - i. All proper fees and expenses of the Trustee; and
  - ii. All reasonable legal fees and disbursements of the Trustee on and incidental to any proceedings relating to or arising out of the Proposal;
- c) "Claims" means all claims for any and all debts and liabilities, present and future, including, without limitation, contingent and unliquidated claims to which the Debtor is subject at the Filing Date;
- d) "Court" means the Ontario Superior Court of Justice (In Bankruptcy and Insolvency);
- e) "Creditors" means all Persons with Claims against the Debtor, and for greater certainty, includes Unsecured Creditors, Preferred Creditors and Secured Creditors;
- f) "Debtor" means Yappn Canada Inc.;
- g) "Disputed Claims" means claims that have been disallowed or objected to;
- h) "Distribution Date" means a date selected by the Trustee which shall not be later than thirty (30) days following the later of:
  - i. The date on which all Disputed Claims, if any, have been finally determined; or
  - ii. The Effective Date;
- i) "Effective Date" shall mean the later of thirty (30) days following:
  - i. The date on which the Proposal is approved by the Court and is final and non-appealable; and

- ii. The date on which all other conditions precedent set out in paragraph 15 have been fulfilled.
- j) "Employee Claim" means, in respect of any employee or former employee of the Debtor, a Claim in an amount equal to the amount such employee or former employee would be qualified to receive under paragraph 136 (1) (d) of the Act if the Debtor became bankrupt on the date of Court approval of the Proposal;
- k) "Filing Date" means the date upon which this Proposal was lodged by the Debtor with the Official Receiver;
- l) "Inspector" means an Inspector appointed pursuant to paragraph 14 hereof;
- m) "Meeting of Creditors" means the meeting of creditors scheduled to consider and vote on the Proposal;
- n) "New Shares" means a new unlimited class of non-voting, equity participating shares in 2649596 Ontario Ltd.;
- o) "Performance of the Proposal" means satisfaction of the conditions prescribed at paragraph 15 hereof;
- p) "Person" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- q) "Proposal" means this Proposal of the Debtor, as the same may be amended or altered in accordance with the terms hereof;
- r) "Preferred Claim" means a Claim, which is not a Secured Claim or an Employee Claim, the payment of which the Act directs to be paid after payment of Administrative Fees and Expenses but in priority to all unsecured claims on a proposal made by the Debtor;

- s) "Preferred Creditor" means the holder of a Preferred Claim, in such capacity, but excludes holders of Employee Claims;
- t) "Secured Claim" means the Claim of a Secured Creditor to the extent of the valuation of its security;
- u) "Secured Creditor" means a secured creditor of the Debtor as defined in Section 2 of the Act;
- v) "Secured Equity Distribution Basket" has the meaning ascribed thereto in paragraph 10 (a) hereof;
- w) "Trustee" means Albert Gelman Inc. or its duly-appointed successor;
- x) "Unsecured Claim" means any Claim, other than a Claim that:
  - i. Has been disallowed by the Trustee or expunged by the Court;
  - ii. Is a Secured Claim;
  - iii. Is a Preferred Claim; or
  - iv. Is an Employee Claim;

For greater certainty, an Unsecured Claim includes the portion of the Secured Creditor's Claim to the extent that it exceeds the valuation of its security.
- y) "Unsecured Creditor" is a Creditor with an Unsecured Claim;
- z) "'Unsecured Equity Distribution Basket" has the meaning ascribed thereto in paragraph 10 (b) hereof.

## 2. CLASSES OF CREDITORS

The classes of creditors of the Debtor established pursuant to the provisions of the Act for the purposes of voting on the Proposal are as follows:

- a) Class 1 – Unsecured Creditors and Preferred Creditors: All Unsecured Creditors and all Preferred Creditors of the Debtor to the extent of their Unsecured Claims and Preferred Claims.
- b) Class 2 – Secured Creditors: All Secured Creditors with proven Secured Claims, to the extent of the valuation of their security.

### **3. PROPOSAL TO SECURED CREDITORS**

The Proposal shall apply to Secured Creditors as follows:

- a) Secured Creditors with Secured Claims shall prove the Secured Claims with the Trustee. Where the security interest held by the Secured Creditor is unperfected or invalid for any reason whatsoever, the Trustee shall disallow the Secured Claim;
- b) On the Distribution Date, Secured Creditors of the Debtor, with proven Claims, shall receive their proportionate share of the Secured Equity Distribution Basket in accordance with paragraph 10 (a) hereof; and
- c) Secured Creditors of the Debtor with proven Claims, shall accept the new shares distributed pursuant to paragraph 3 (b) hereof in full and complete satisfaction of their Secured Claims and hereby release the Debtor from any and all claims therefrom.

### **4. ADMINISTRATIVE FEES AND EXPENSES**

Payment of the Administrative Fees and Expenses will be made in priority to all other Claims.

### **5. CROWN CLAIMS**

All claims of Her Majesty in right of Canada or a province of a kind that could be subject to a demand under,

- a) subsection 224 (1.2) of *The Income Tax Act* (Canada);

- b) any provision of the Canada Pension Plan or 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, or an employee's premium, or employer's premium, as defined in the *Employment Insurance 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 as 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;
- and that were outstanding on the Filing Date shall be paid in full within six (6) months of the date of Court approval of this Proposal.

## 6. POST-FILING GOODS AND SERVICES

All persons who advance money or provide goods, services or credit to the Debtor after the Filing Date shall be paid by the Debtor in the ordinary course, but subsequent to Administration Fees and Expenses. The Debtor shall dispose of no assets other than as contemplated by this Proposal, or other than in the normal and regular course of its ongoing business. The Debtor agrees that the Trustee shall not in any case be responsible for ensuring that payment is duly made pursuant to this Proposal and to all those persons supplying post-filing goods or services.

**7. PREFERRED CLAIMS**

All proven Preferred Claims, if any, without interest from the Filing Date, will be paid in full in cash and in priority to all Unsecured Claims.

**8. EMPLOYEE CLAIMS**

All proven Employee Claims, if any, shall be paid in full immediately following the Effective Date, in accordance with the Act.

**9. PROPOSAL TO UNSECURED CREDITORS**

Unsecured Creditors shall receive the following:

- a) On the Distribution Date, Unsecured Creditors with proven Claims shall receive their proportionate share of the Unsecured Equity Distribution Basket in accordance with paragraph 10 (b) hereof; and
- b) Unsecured Creditors with proven Claims shall accept the New Shares distributed pursuant to paragraph 9 (a) hereof in full and complete satisfaction of their Unsecured Claims, and hereby release the Debtor from any and all claims therefrom.

**10. CORPORATE REORGANIZATION**

As at the Effective Date, the following will occur:

- a) 625,000 New Shares shall be issued and shall comprise the Secured Equity Distribution Basket which shall be available for distribution among the Secured Creditors in accordance with paragraph 3 hereof;
- b) 149,106 New Shares shall be issued and shall comprise the Unsecured Equity Distribution Basket which shall be available for distribution among the Unsecured Creditors in accordance with paragraph 9 hereof; and

- c) The Debtor will cause certificates to be issued to the Secured Creditors and the Unsecured Creditors in respect of the New Shares to be issued to each of them pursuant to the terms of the Proposal, on the Distribution Date.

**11. [INTENTIONALLY DELETED]**

**12. TRANSFER OF ALL YAPPN SHARES TO 2649699 ONTARIO INC.**

Contemporaneously with the issuance and distribution of the New Shares referred to in paragraph 10 of this Proposal to Secured Creditors and to Unsecured Creditors under the Proposal, Yappn Corp. will transfer all of its shares in Yappn to 699.

**13. DISCHARGE OF TRUSTEE**

Following Performance of this Proposal, the Trustee's obligations under this Proposal shall be fully performed and the Trustee shall be entitled to apply for its discharge as Trustee hereunder.

The Trustee is acting in its capacity as Trustee under this Proposal, and not in its personal capacity and shall not be responsible or liable for any obligations of the Debtor.

**14. INSPECTORS**

At the meeting of Creditors held to consider the Proposal, the Creditors may appoint one or more, but not exceeding five, inspectors who shall have all the powers conferred on inspectors by the Act.

**15. CONDITIONS FOR IMPLEMENTATION OF THE PROPOSAL**

Implementation of the Proposal shall be subject to the following conditions precedent:

- a) A resolution of the creditors to accept the Proposal (as made or as altered) at the Meeting of Creditors or any adjournment thereof;
- b) An Order of the Court approving the Proposal;

- c) The taking of all necessary corporate actions and proceedings to approve the Proposal, including the capital reorganization provided for herein;
- d) The issuance and distribution of the New Shares of 2649596 Ontario Ltd. pursuant to paragraphs 10 (a) and (b) and paragraphs 3 and 9 hereof; and;
- e) The performance by the Debtor of all its obligations pursuant to the Proposal.

Once all of the above conditions have been fulfilled or satisfied, when possible, the Proposal shall be deemed to be fully performed and the Trustee will deliver and file with the Court a certificate pursuant to Section 65.3 of the Act.

#### **16. VALUATION OF CLAIMS, VOTING AND APPLICABLE DATES**

- a) Claims of all proven creditors shall be valued as at the Filing Date by the creditors, at or before the Meeting of Creditors.
- b) Proofs of claim, proxies and voting letters intended to be used at the meeting of Creditors must be lodged with the Trustee prior to the Meeting of Creditors.
- c) Creditors must vote their Claims by either returning a properly completed voting letter to the Trustee prior to the Meeting of Creditors, or by attending at the Meeting of Creditors and voting in person or by proxy.

#### **17. AMENDMENT**

This Proposal may be amended by the Debtor with the consent of the Trustee (i) at the meeting of Creditors called to consider the same or any adjournment thereof, or (ii) at any time prior to and/or thereafter, including after voting and approval by the Creditors but prior to the granting of an Order of the Court approving the Proposal, provided that any such amendment shall not reduce the rights and benefits given to the Creditors under the Proposal before any such amendment. Any and all

amendments made in accordance with the terms hereof shall be deemed to be effective as of the date of the Proposal.

Signed at Toronto, Ontario, this 23<sup>rd</sup> day of November, 2018.

**YAPPN CANADA INC.**

Per:

  
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David Berry, Director

(I have authority to bind the Corporation)

IN THE MATTER OF THE PROPOSAL OF  
YAPPN CANADA INC.  
OF THE CITY OF TORONTO, PROVINCE OF ONTARIO

Court File No. 31-2447514

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

PROCEEDING COMMENCED AT  
TORONTO

**ORDER**

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