

ONTARIO
SUPERIOR COURT OF JUSTICE
(In Bankruptcy and Insolvency)

Court No.: CV-21-00661436-00CL
Estate No. 31-2734289

AND IN THE MATTER OF THE PROPOSAL OF 1776690 ONTARIO INC. COB THE
COUNTRY WAY HEALTH FOOD STORE OF THE CITY OF SAULT STE MARIE IN
THE PROVINCE OF ONTARIO

AND IN THE MATTER OF SECTION 182 AND 186 OF THE BUSINESS
CORPORATIONS ACT, R.S.O. 1990 C. B.16, AS AMENDED, AND IN THE MATTER
OF A PROPOSED ARRANGEMENT OF 2655396 ONTARIO INC. AND INVOLVING
1776690 ONTARIO INC. COB THE COUNTRY WAY HEALTH FOOD STORE

**AMENDED PROPOSAL AND PLAN OF
ARRANGEMENT/REORGANIZATION OF 1776690 ONTARIO INC. COB
THE COUNTRY WAY HEALTH FOOD STORE**

1776690 ONTARIO INC. COB THE COUNTRY WAY HEALTH FOOD STORE hereby submits the following Proposal and Plan of Arrangement/Reorganization to its Creditors pursuant to Part III of the BIA and pursuant to sections 182 of the OBCA.

ARTICLE 1

DEFINITIONS

1.1 Definitions

In this Proposal:

- (a) “**2595 ON**” means 2595418 Ontario Inc.;
- (b) “**Administrative Fees and Expenses**” means the proper fees, expenses, including legal fees and disbursements, of the Trustee and the Debtor, including the fees and disbursements of Gowlings, on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal;
- (c) “**Amended Proposal**” means this proposal;
- (d) “**Approval Order**” means an Order of the Court approving the Proposal pursuant to the BIA and the OBCA;
- (e) “**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended and in force as at the Proposal Date;
- (f) “**Business Day**” means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (g) “**Canada Pension Plan**” means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as amended;

- (h) “**Certificates**” has the meaning ascribed by Article 6.1;
- (i) “**Claim**” means any right of any Person against the Debtor or a Director in connection with any indebtedness, liability or obligation of any kind of the Debtor which indebtedness, liability or obligation is in existence at the Proposal Date, whether or not reduced to judgement, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, 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 based in whole or in part on facts which exist prior to or as of the Proposal Date;
- (j) “**Court**” means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (k) “**Creditor**” means any Person, having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (l) “**Creditors’ Meeting**” means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;
- (m) “**Creditors’ Meeting Date**” means the date and time as may be called by the Trustee for the meeting of creditors to consider this Proposal, but in any event shall be no later than twenty-one (21) days following the Proposal Date, or as otherwise may be extended;
- (n) “**Debtor**” means 1776690 Ontario Inc. c.o.b. The Country Way Health Food Store and, where the context dictates, includes New Country Way;
- (o) “**Directors**” means the Debtor’s current directors;
- (p) “**Employee Creditors**” means employees and former employees of the Debtor, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the BIA if the Debtor became bankrupt on the Proposal Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Debtor’s business during the same period;
- (q) “**Employment Insurance Act**” means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (r) “**Gowlings**” means Gowling WLG (Canada) LLP;
- (s) “**Implementation Date**” means the date upon which the conditions set forth in Article 8.4 have been satisfied;
- (t) “**Income Tax Act**” means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (u) “**Inspectors**” means one or more inspectors appointed pursuant to the BIA as provided for in the Proposal;
- (v) “**Net Income**” means the profit or loss as reported in the unaudited financial statements for the year ending August 31st and is calculated as revenues minus all expenses, including:
- (i) cost of goods sold;

- (ii) all expenses related to the business including operations, selling, general and administrative expenses;
 - (iii) extraordinary items, including write-downs of inventories; and
 - (iv) income taxes
- (w) “**New Country Way**” means the company that will result from the amalgamation of the Debtor with NumCo;
- (x) “**NumCo**” means 2655396 Ontario Inc.;
- (y) “**OBCA**” means the *Business Corporations Act*, R.S.O. 1990, c. B.16 as amended;
- (z) “**Official Receiver**” shall have the meaning ascribed thereto in the BIA;
- (aa) “**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;
- (ab) “**Preferred Creditors**” means Creditors with Proven Claims that are required by the BIA to be paid in priority to all other claims under a proposal made by a debtor save and except for Employee Creditors and Source Deduction Creditors.
- (ac) “**Proof of Claim**” shall mean the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors’ Meeting;
- (ad) “**Proposal**” means the original proposal and plan of arrangement, dated May 1, 2021, together with any amendments or additions thereto;
- (ae) “**Proposal Date**” means the date of the filing of the Proposal with the Official Receiver;
- (af) “**Proven Claim**” of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the BIA;
- (ag) “**Related Creditors**” means any company that is controlled by the Debtor or that controls the Debtor, including 2595 ON;
- (ah) “**Secured Creditor**” means a person, holding a valid and perfected mortgage, hypothec, pledge, charge or lien on or against the property or assets of the Debtor as security for a debt due or accruing due to the person from the Debtor;
- (ai) “**Source Deduction Creditors**” means Her Majesty in Right of Canada or a Province for all amounts that were outstanding on the Proposal Date and are of a kind that could be subject to a demand under,
- (i) subsection 224(1.2) of the *Income Tax Act*;
 - (ii) 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*, 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
 - (iii) 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;
- (A) 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

(B) 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;

(aj) “**Trustee**” means MNP Ltd. or its duly appointed successor or successors;

(ak) “**Unaffected Claims**” means any and all claims of Unaffected Creditors;

(al) “**Unaffected Creditors**” means the Secured Creditors and any amount owing by the Debtor to Royal Bank of Canada, including any amount owing to Royal Bank of Canada pursuant to the Canada Emergency Business Account;

(am) “**Unsecured Creditors**” means the Preferred Creditors and any Creditor who is not a Secured Creditor; and

(an) “**Voting Letter**” shall mean the voting letter required by subsection 51(1) of the BIA to be mailed to each known Creditor prior to the Unsecured Creditors’ Meeting.

1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day. Actions described herein shall occur and be deemed to occur in the order specified.

1.5 Time

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators,

executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

ARTICLE 2

CLASSIFICATION AND TREATMENT OF CREDITORS

2.1 Unaffected Creditors

This Proposal is not being made to Unaffected Creditors and does not impact Unaffected Claims. Unaffected Claims shall be dealt with in accordance with the agreements between the relevant Unaffected Creditor and the Debtor or as otherwise agreed between the relevant Unaffected Creditor and the Debtor.

2.2 Classes of Creditors

For the purposes of voting on the Proposal, only the Unsecured Creditors will be entitled to vote on the Proposal. There shall be one (1) class of Unsecured Creditors.

2.3 Related Creditors

The Related Creditors shall not be entitled to vote on the Proposal or receive a distribution under the Proposal. The Debtor shall, however, release and discharge the obligation owing by 2595 ON.

2.4 Secured Creditors

The Proven Claim of each Secured Creditor shall, at the option of the Secured Creditor, be paid and/or satisfied in accordance with the applicable agreement between the Secured Creditor and the Debtor or in accordance with such other arrangement as may be agreed between the Secured Creditor and the Debtor.

2.5 Administrative Fees and Expenses

The Administrative Fees and Expenses will be paid in full by the Shareholder of the New Country Way.

2.6 Preferred Creditors

The Proven Claims of the Preferred Creditors are to be paid in full in priority to the Proven Claims of the Unsecured Creditors in accordance with the BIA and the Proposal.

2.7 Unsecured Creditors

The Proven Claims of the Unsecured Creditors, other than Preferred Creditors will be paid and satisfied as provided by Article 7.

ARTICLE 3

PROCEDURE FOR VALIDATION OF CLAIMS

3.1 Filing of Proofs of Claim

Each Creditor must file a Proof of Claim as required by the BIA.

3.2 Allowance or Disallowance of Claims by the Trustee

Upon receipt of a completed Proof of Claim, the Trustee shall examine the Proof of Claim and shall deal with each Proof of Claim in accordance with the provisions of the BIA. The procedure for valuing Claims of the Creditors and resolving disputes with respect to such Claims will be as set forth in the BIA.

ARTICLE 4

MEETING OF CREDITORS

4.1 Creditors' Meeting

On the Creditors' Meeting Date, the Debtor shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

4.2 Time and Place of Meeting

Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in the notice of Creditors' Meeting to be mailed to Creditors pursuant to the BIA.

4.3 Conduct of Meetings

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, the Secured Creditors and their respective legal counsel, if any, and the officers, directors, auditors and legal counsel of the Debtor, together with such representatives of the Trustee as the Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Unsecured Creditors.

4.4 Adjournment of Meetings

The Creditors' Meeting may be adjourned in accordance with section 52 of the BIA.

4.5 Voting by Creditors

To the extent provided for herein, each Creditor will be entitled to vote to the extent of the amount that is equal to that Creditor's Claim. Any Proof of Claim in respect of a Claim that is not a Proven Claim as at the Creditors' Meeting Date will be marked as objected to in accordance with subsection 108(3) of the BIA. Related Creditors will not be entitled to vote at the Creditors' Meeting.

4.6 Approval by Creditors

The Proposal will be binding on the Unsecured Creditors and the Related Creditors in accordance with the BIA, if: (a) it is accepted by the class of Unsecured Creditors by a majority in the number of the Unsecured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing two-thirds in value of the Proven Claims of the Unsecured Creditors in each class who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter; and (b) the Approval Order is made.

4.7 Appointment of Inspectors

At the Meeting of Creditors the Unsecured Creditors may appoint up to five (5) Inspectors whose powers will be limited to: (a) advising the Trustee concerning any dispute which may arise as to the validity of Claims; and (b) advising the Trustee from time to time with respect to any other matter that the Trustee may refer to them.

ARTICLE 5

OBCA ARRANGEMENT/REORGANIZATION

5.1 Definitions.

For the purposes of this Article 5, unless otherwise stated or unless the context otherwise requires:

- (A) "ARRANGEMENT" MEANS THE REORGANIZATION AND ARRANGEMENT OF THE DEBTOR AND NUMCO UNDER SECTIONS 182 AND 186 OF THE OBCA AS SET OUT IN THIS ARTICLE 5 AND IN SCHEDULE A TOGETHER WITH ANY AMENDMENTS OR ADDITIONS THERETO;

- (B) “CORPORATIONS” MEANS THE DEBTOR AND NUMCO;
- (a) “Final Order” means an Order of the Court approving the Arrangement pursuant to section 182(5) of the OBCA;
- (C) “INTERIM ORDER” MEANS THE INTERIM ORDER OF THE COURT PURSUANT TO SUBSECTION 182(5) OF THE OBCA PROVIDING, *INTER ALIA*, THAT: (I) THE SHAREHOLDERS SHALL HAVE NO RIGHT TO VOTE ON THE ARRANGEMENT AND NO RIGHT(S) OF DISSENT; (II) THE ARRANGEMENT SHALL BE APPROVED BY THE UNSECURED CREDITORS AT THE CREDITOR MEETING ON THE CREDITOR MEETING DATE; (III) THE UNSECURED CREDITORS SHALL BE IN A SINGLE CLASS FOR THE PURPOSES OF VOTING ON THE ARRANGEMENT; AND (IV) THE ARRANGEMENT SHALL BE ACCEPTED BY THE CLASS OF UNSECURED CREDITORS BY A MAJORITY IN NUMBER OF THE UNSECURED CREDITORS WHO ACTUALLY VOTE UPON THE ARRANGEMENT (IN PERSON OR BY PROXY) AT THE CREDITORS’ MEETING OR BY A VOTING LETTER, REPRESENTING TWO-THIRDS IN VALUE OF THE PROVEN CLAIMS OF THE UNSECURED CREDITORS IN EACH CLASS WHO ACTUALLY VOTE UPON THE ARRANGEMENT (WHETHER IN PERSON OR BY PROXY) AT THE CREDITORS’ MEETING OR BY A VOTING LETTER; AND
- (D) “SHAREHOLDERS” MEANS THE SHAREHOLDERS OF THE CORPORATIONS.

5.2 Interim and Final Order

Not less than fifteen (15) days prior to the Creditor Meeting Date, NumCo shall apply to the Court for the Interim Order. If the Proposal is accepted, NumCo shall apply for the Final Order at the same time as the Trustee applies for an Order approving the Proposal.

5.3 Arrangement and Reorganization

On the Implementation Date, the following shall occur and be deemed to occur in the following order without any further act or formality and, except as otherwise noted in this Article 5.3 and in Schedule A, with each transaction or event being deemed to occur immediately after the occurrence of the transaction or event immediately preceding it:

- (E) THE ARTICLES FOR THE DEBTOR SHALL BE AMENDED PURSUANT TO SECTIONS 168 AND 182(1) OF THE OBCA TO:
- (I) RE-DESIGNATE THE CLASS A COMMON SHARES AS CLASS A REDEEMABLE SHARES, WHICH CLASS A REDEEMABLE SHARES MAY BE REDEEMED ON PAYMENT OF \$0.01 PER SHARE AS MORE FULLY SET OUT IN SCHEDULE A;
- (II) CREATE A NEW CLASS OF SHARES CONSISTING OF AN UNLIMITED NUMBER OF NEW CLASS A COMMON SHARES, WHICH NEW CLASS A COMMON SHARES SHALL HAVE THE RIGHT TO VOTE AT ALL MEETINGS OF SHAREHOLDERS, EXCEPT MEETINGS AT WHICH ONLY HOLDERS OF A SPECIFIED CLASS OF SHARES ARE ENTITLED TO VOTE, THE RIGHT TO RECEIVE DIVIDENDS AND THE RIGHT TO RECEIVE A DISTRIBUTION ON THE WINDING-UP OF THE DEBTOR AS MORE FULLY SET OUT IN SCHEDULE A; AND
- (III) MAKE THE CLASS C SPECIAL SHARES REDEEMABLE AT THE OPTION OF THE DEBTOR ON PAYMENT OF \$0.01 PER SHARE AS MORE FULLY SET OUT IN SCHEDULE A;
- (F) THE NEW CLASS A COMMON SHARES SHALL BE ISSUED BY THE DEBTOR AS FOLLOWS:

(I) RYAN SAARI—100.

- (G) THE CLASS A REDEEMABLE SHARES AND THE CLASS C SPECIAL SHARES SHALL BE REDEEMED AND CANCELLED BY THE DEBTOR SUCH THAT: (I) THE EXISTING SHAREHOLDERS OF THE DEBTOR SHALL NO LONGER BE SHAREHOLDERS OF THE DEBTOR AND SHALL HAVE NO RIGHTS AS SHAREHOLDERS EXCEPT THE RIGHT TO RECEIVE THE AMOUNT PAYABLE BY THE DEBTORS TO REDEEM THE CLASS A REDEEMABLE SHARES AND CLASS C SPECIAL SHARES, AND (II) THERE SHALL BE NO REMAINING ISSUED AND OUTSTANDING SHARES OF ANY CLASS OTHER THAN THE NEW CLASS A COMMON SHARES ISSUED PURSUANT TO PARAGRAPH (B);
- (H) THE ARTICLES FOR THE DEBTOR SHALL BE AMENDED TO DELETE ALL REFERENCE TO THE CLASS A REDEEMABLE SHARES;
- (I) THE DEBTOR AND NUMCO SHALL BE AMALGAMATED TO CREATE NEW COUNTRY WAY AS FOLLOWS:
- (I) THE NAME OF NEW COUNTRY WAY SHALL BE ITS NUMBERED NAME, BUT IT SHALL CARRY ON BUSINESS AS THE COUNTRY WAY HEALTH FOOD STORE;
- (II) THE BY-LAWS AND ARTICLES FOR NEW COUNTRY WAY SHALL BE THE SAME AS THE AMENDED ARTICLES FOR NUMCO; AND
- (III) THE ISSUED AND OUTSTANDING CLASS A COMMON SHARES OF THE DEBTOR SHALL BE CANCELLED WITHOUT ANY REPAYMENT OF CAPITAL IN RESPECT THEREOF;
- (IV) THE STATED CAPITAL OF THE DEBTOR SHALL BE ADDED TO THE STATED CAPITAL OF THE NUMCO; AND
- (J) THE CERTIFICATES SHALL BE ISSUED TO THE UNSECURED CREDITORS AS PROVIDED FOR BY ARTICLE 6.1.

5.4 Binding Effect

This Arrangement will become effective at, and be binding at and after, the Implementation Date without further act or formality required on the part of any Person except as expressly provided herein.

ARTICLE 6

CREDITOR CERTIFICATES

6.1 Certificates

On the Implementation Date, immediately following the steps described in Article 5.3(a) to (e), each Unsecured Creditor will receive from the Debtor, in full and final satisfaction of their Claims, certificates (the "Certificates") with a face value equal to that Creditor's Claim as set forth in the Creditor's Proof of Claim or the Statement of Affairs, whichever is greater, subject to that Creditor's Claim being determined in accordance with Article 3. Once a Creditor's Claim becomes a Proven Claim a new Certificate shall be issued with a face value equal to that Creditor's Proven Claim if that Proven Claim is different from the amount set out on the Certificate originally issued to the Creditor.

ARTICLE 7

DISTRIBUTION

7.1 Secured Creditors

The Proven Claims of the Secured Creditor shall be dealt with as provided for in Article 2.4.

7.2 Payment of Employee Creditors

The Claims, if any, of the Employee Creditors shall be paid immediately after the making of the Approval Order using proceeds from the operation of the Debtor's business.

7.3 Payment of Source Deduction Creditors

Unless Her Majesty agrees otherwise, the Proven Claims, if any, of the Source Deduction Creditors shall be paid within six (6) months after the making of the Approval Order.

7.4 Payment of Certain Claims

Within sixty (60) days of the Implementation Date, the Debtor shall pay to each Preferred Creditor its Proven Claim in the priority established by the BIA.

7.5 Payment of Certificates

For each fiscal year ending August 31 for the five (5) years beginning for the year ended August 31, 2021, the Debtor will pay the greater of: (i) 20% of the aggregate value of the Certificates; or (ii) 40% per cent of the Net Income of the Debtor pro rata to Creditors based on and to reduce the amount owing under the Certificates, provided that no creditor is entitled to receive more than 100% of that Creditor's Proven Claim. Distributions will be made no later than 90 days after each of the five year-ends by November 30th of the following fiscal year, commencing November 30, 2022.

The Certificates will be fully paid and satisfied by the distribution of the amounts contemplated by this Article 7.5.

7.6 Levy

Payments to each Creditor made pursuant to Article 7.5 shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA, which amount shall be paid by the Debtor to the Office of the Superintendent of Bankruptcy. The Office of the Superintendent of Bankruptcy will receive a Certificate in respect of the amount payable in respect of levy.

ARTICLE 8

MISCELLANEOUS

8.1 Compromise Effective for all Purposes

The provisions of this Proposal will be binding upon each Unsecured Creditor and Related Creditor, their heirs, executors, administrators, successors and assigns, for all purposes. Subject to the limitations in section 50(14) of the BIA, the Claims against the Directors that arose before the Proposal Date and that relate to the obligations of the Debtor where the directors are by law liable in their capacity as directors for the payment of such obligations will be satisfied and released.

8.2 Modification of Proposal

The Debtor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal.

8.3 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, each Unsecured Creditor and Related Creditor will be deemed:

- (a) to have executed and delivered to the Debtor all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Debtor in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor that has occurred on or prior to the Implementation Date;

- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor as at the Implementation Date (other than those entered into by the Debtor on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) to have released the Debtor, and all of its, employees, agents, Directors, officers, shareholders, and current advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein; provided that nothing herein shall release the Debtor of its obligation to make the distributions to Unsecured Creditors contemplated in this Proposal; and
- (e) to have released the Trustee and all of its affiliates, employees, agents, directors, officers, shareholders, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein.

8.4 Conditions to Proposal Implementation

The implementation of the Proposal by the Debtor will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) The making of the Interim Order;
- (b) The acceptance of the Proposal by the Unsecured Creditors; and
- (c) The making of the Approval Order and the Final Order, and the expiry of all applicable appeal periods.

8.5 Full Implementation

This Proposal will be fully implemented by the Debtor on delivery of the Certificates as provided by Article 6.

8.6 Effect of Proposal Generally

As at 12:01 a.m. on the date of the Approval Order becomes final and binding:

- (a) The treatment of all Claims under the Proposal shall be final and binding on the Debtor and all Unsecured Creditors (along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns); and
- (b) The Proposal shall constitute: (i) a full, final and absolute settlement of all rights of the holders of the Claims affected hereby; and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Debtor and the Directors of or in respect of the Claims.

8.7 Further Actions.

Notwithstanding that the transactions and events set out in this Proposal shall occur and be deemed to occur in the order set out herein without any other additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by them in order to document or evidence any of the transactions or events set out herein.

8.8 Conduct of Debtor's Business

Subject to any Order made by the Court, the Debtor shall remain in possession and control of their property and assets at all times, both before and after implementation of this Proposal.

ARTICLE 9

ADVOIDANCE OF TRANSACTION

9.1 Avoidance Proceedings

Section 95 to 101 of the BIA will not apply in respect of the Debtor and this Proposal.

ARTICLE 10

GENERAL

10.1 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier (except for Proofs of Claim which may only be sent by personal delivery, telecopier or registered mail) addressed to the respective parties as follows:

(a) if to the Debtor:

1776690 Ontario Inc.
79 Brock Street
Sault Ste. Marie, Ontario P6A 3B4

Attention: Ryan Saari

E-mail : ryansaari@me.com

(b) if to an Unsecured Creditor, to the address or telecopier number for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contacted; and

(c) if to the Trustee:

MNP Ltd.
300-111 Richmond Street West
Toronto ON M5G 2H4

Attention: Sheldon Title

Telecopier: 416-596-7894

E-mail : sheldon.title@mnp.ca

or to such other address, e-mail address or telecopier number as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by e-mail or telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to

have been received, in the case of notice by e-mail or telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

10.2 Foreign Currency Obligations

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Proposal Date.

10.3 Applicable Law

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

10.4 Non Severability

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect

10.5 Amendment.

Any amendment, modification, supplement or restatement to this Proposal may be proposed prior to or at the Creditor Meeting and if accepted at the Creditor Meeting a shall become part of this Proposal.

10.6 Deeming Provisions

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

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EXECUTION PAGE

DATED at Sault Ste Marie, this 29th day of January, 2022.

1776690 ONTARIO INC.

Per: *Shonna Saari*
Name: *Shonna Saari*
Title: *President*

I have authority to bind the corporation.

SCHEDULE A

1. **Definitions.**

Defined Terms in this Schedule have the meaning assigned by the Proposal dated [Date] April 2021.

10.7 Arrangement

On the Implementation Date, the following shall occur and be deemed to occur in the following order without any further act or formality with each transaction or event being deemed to occur immediately after the occurrence of the transaction or event immediately preceding it:

(K) THE ARTICLES FOR THE DEBTOR SHALL BE AMENDED PURSUANT TO SECTIONS [168 AND 182(1)] OF THE OBCA TO:

(I) RE-DESIGNATE THE CLASS A COMMON SHARES OF THE DEBTOR AS CLASS A REDEEMABLE SHARES, WHICH CLASS A REDEEMABLE SHARES MAY BE REDEEMED ON PAYMENT OF \$0.01 PER SHARE AS FOLLOWS:

1. CLASS A REDEEMABLE SHARES

(a) The Class A Redeemable Shares shall as a class have attached thereto the following rights, privileges, restrictions, and conditions;

(i) the holders of Class A Redeemable Shares shall have the right to vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;

(ii) the Class A Redeemable shares are redeemable at the option of the Debtor on payment of \$0.01 per share.

(II) CREATE A NEW CLASS OF SHARES CONSISTING OF AN UNLIMITED NUMBER OF NEW CLASS A COMMON SHARES AS FOLLOWS:

1.A. CLASS A COMMON SHARES

(a) The holders of Class A common shares shall be entitled, among other things;

(i) to vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;

(ii) to receive dividends as and when declared by the Board of Directors of the Corporation out of the monies of the Corporation properly applicable to the payment of dividends;

(iii) subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution;

(III) MAKE THE CLASS C SPECIAL SHARES REDEEMABLE AT THE OPTION OF THE DEBTOR ON PAYMENT OF \$0.01 PER SHARE AS MORE FULLY SET OUT IN SCHEDULE A AS FOLLOWS:

4. CLASS C SPECIAL SHARES

(a) Definitions

In these share conditions the following words and phrases shall have meaning as follows:

(i) "Redemption Amount" of each Class C Special Share means the sum of \$0.01;

(ii) "Redemption Price" of each Class C Special Share means the redemption amount; and

(b) Voting Rights

The holders of Class C Special Shares shall not be entitled to receive notice of or to vote at any meetings of shareholders.

(c) Redemption by Corporation

Subject to the Act, the Corporation may redeem the whole or any part of the issued Class C Special Shares on payment for each share to be redeemed of the Redemption Price.

(L) THE NEW CLASS A COMMON SHARES SHALL BE ISSUED BY THE DEBTOR AS FOLLOWS:

(I) RYAN SAARI—100.

(M) THE CLASS A REDEEMABLE SHARES AND THE CLASS C SPECIAL SHARES SHALL BE REDEEMED AND CANCELLED BY THE DEBTOR SUCH THAT: (I) THE EXISTING SHAREHOLDERS OF THE DEBTOR SHALL NO LONGER BE A SHAREHOLDERS OF THE DEBTOR AND SHALL HAVE NO RIGHTS AS A SHAREHOLDERS EXCEPT THE RIGHT TO RECEIVE THE AMOUNT PAYABLE BY THE DEBTORS TO REDEEM THE CLASS A REDEEMABLE SHARES AND CLASS C SPECIAL SHARES, AND (II) THERE SHALL BE NO REMAINING ISSUED AND OUTSTANDING SHARES OF ANY CLASS OTHER THAN THE NEW CLASS A COMMON SHARES ISSUED PURSUANT TO PARAGRAPH (B);

(N) THE ARTICLES FOR THE DEBTOR SHALL BE AMENDED TO DELETE ALL REFERENCE TO: (I) THE CLASS A REDEEMABLE SHARES;

(O) THE DEBTOR AND NUMCO SHALL BE AMALGAMATED TO CREATE NEW COUNTRY WAY AS FOLLOWS:

(I) THE NAME OF NEW COUNTRY WAY SHALL BE "2655396 ONTARIO INC." AND SHALL CARRY ON BUSINESS AS THE COUNTRY WAY HEALTH FOOD STORE;

(II) THE BY-LAWS AND ARTICLES FOR NEW COUNTRY WAY SHALL BE THE SAME AS THE AMENDED ARTICLES FOR NUMCO; AND

(III) THE ISSUED AND OUTSTANDING CLASS A COMMON SHARES OF THE DEBTOR SHALL BE CANCELLED WITHOUT ANY REPAYMENT OF CAPITAL IN RESPECT THEREOF;

(IV) THE STATED CAPITAL OF THE DEBTOR SHALL BE ADDED TO THE STATED CAPITAL OF THE NUMCO; AND

(P) THE CERTIFICATES SHALL BE ISSUED TO THE UNSECURED CREDITORS AS PROVIDED FOR BY ARTICLE 6.1.

10.8 Binding Effect

This Arrangement will become effective at, and be binding at and after, the Implementation Date without further act or formality required on the part of a Person except as expressly provided herein.

ONTARIO
SUPERIOR COURT OF JUSTICE
(In Bankruptcy and Insolvency)

Court No.: CV-21-00661436-00CL
Estate No. 31-2734289

AND IN THE MATTER OF THE PROPOSAL OF 1776690 ONTARIO INC. COB THE
COUNTRY WAY HEALTH FOOD STORE OF THE CITY OF SAULT STE MARIE IN
THE PROVINCE OF ONTARIO

AND IN THE MATTER OF SECTION 182 AND 186 OF THE BUSINESS
CORPORATIONS ACT, R.S.O. 1990 C. B.16, AS AMENDED, AND IN THE MATTER
OF A PROPOSED ARRANGEMENT OF 2655396 ONTARIO INC. AND INVOLVING
1776690 ONTARIO INC. COB THE COUNTRY WAY HEALTH FOOD STORE

**AMENDED PROPOSAL AND PLAN OF
ARRANGEMENT/REORGANIZATION OF 1776690 ONTARIO INC. COB
THE COUNTRY WAY HEALTH FOOD STORE**

1776690 ONTARIO INC. COB THE COUNTRY WAY HEALTH FOOD STORE hereby submits the following Proposal and Plan of Arrangement/Reorganization to its Creditors pursuant to Part III of the BIA and pursuant to sections 182 of the OBCA.

ARTICLE 1

DEFINITIONS

1.1 Definitions

In this Proposal:

- (a) "2595 ON" means 2595418 Ontario Inc.;
- (b) "Administrative Fees and Expenses" means the proper fees, expenses, including legal fees and disbursements, of the Trustee and the Debtor, including the fees and disbursements of Gowlings, on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal;
- (c) "Amended Proposal" means this proposal;
- (d) "Approval Order" means an Order of the Court approving the Proposal pursuant to the BIA and the OBCA;
- (e) "BIA" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended and in force as at the Proposal Date;
- (f) "Business Day" means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;
- (g) "Canada Pension Plan" means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as amended;
- (h) "Certificates" has the meaning ascribed by Article 6.1;

- (i) **"Claim"** means any right of any Person against the Debtor or a Director in connection with any indebtedness, liability or obligation of any kind of the Debtor which indebtedness, liability or obligation is in existence at the Proposal Date, whether or not reduced to judgement, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, 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 based in whole or in part on facts which exist prior to or as of the Proposal Date;
- (j) **"Court"** means the Ontario Superior Court of Justice (in Bankruptcy and Insolvency);
- (k) **"Creditor"** means any Person, having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (l) **"Creditors' Meeting"** means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon the Proposal;
- (m) **"Creditors' Meeting Date"** means the date and time as may be called by the Trustee for the meeting of creditors to consider this Proposal, but in any event shall be no later than twenty-one (21) days following the Proposal Date, or as otherwise may be extended;
- (n) **"Debtor"** means 1776690 Ontario Inc. c.o.b. The Country Way Health Food Store and, where the context dictates, includes New Country Way;
- (o) **"Directors"** means the Debtor's current directors;
- (p) **"Employee Creditors"** means employees and former employees of the Debtor, not to include independent commissioned sales agents or contractors, for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the BIA if the Debtor became bankrupt on the Proposal Date, as well as wages, salaries, commissions or compensation for services rendered after that date and before the Court approval of the Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Debtor's business during the same period;
- (q) **"Employment Insurance Act"** means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (r) **"Gowlings"** means Gowling WLG (Canada) LLP;
- (s) **"Implementation Date"** means the date upon which the conditions set forth in Article 8.4 have been satisfied;
- (t) **"Income Tax Act"** means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (u) **"Inspectors"** means one or more inspectors appointed pursuant to the BIA as provided for in the Proposal;
- (v) **"Net Income"** means the profit or loss as reported in the unaudited financial statements for the year ending August 31st and is calculated as revenues minus all expenses, including:
- (i) cost of goods sold;
 - (ii) all expenses related to the business including operations, selling, general and administrative expenses;
 - (iii) extraordinary items, including write-downs of inventories; and

(iv) income taxes

- (w) “**New Country Way**” means the company that will result from the amalgamation of the Debtor with NumCo;
- (x) “**NumCo**” means 2655396 Ontario Inc.;
- (y) “**OBCA**” means the *Business Corporations Act*, R.S.O. 1990, c. B.16 as amended;
- (z) “**Official Receiver**” shall have the meaning ascribed thereto in the BIA;
- (aa) “**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;
- (ab) “**Preferred Creditors**” means Creditors with Proven Claims that are required by the BIA to be paid in priority to all other claims under a proposal made by a debtor save and except for Employee Creditors and Source Deduction Creditors.
- (ac) “**Proof of Claim**” shall mean the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors’ Meeting;
- (ad) “**Proposal**” means the original proposal and plan of arrangement, dated May 1, 2021, together with any amendments or additions thereto;
- (ae) “**Proposal Date**” means the date of the filing of the Proposal with the Official Receiver;
- (af) “**Proven Claim**” of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the BIA;
- (ag) “**Related Creditors**” means any company that is controlled by the Debtor or that controls the Debtor, including 2595 ON;
- (ah) “**Secured Creditor**” means a person, holding a valid and perfected mortgage, hypothec, pledge, charge or lien on or against the property or assets of the Debtor as security for a debt due or accruing due to the person from the Debtor;
- (ai) “**Source Deduction Creditors**” means Her Majesty in Right of Canada or a Province for all amounts that were outstanding on the Proposal Date and are of a kind that could be subject to a demand under,
- (i) subsection 224(1.2) of the *Income Tax Act*;
 - (ii) 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*, 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
 - (iii) 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;
 - (A) 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
 - (B) 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;

- (aj) “**Trustee**” means MNP Ltd. or its duly appointed successor or successors;
- (ak) “**Unaffected Claims**” means any and all claims of Unaffected Creditors;
- (al) “**Unaffected Creditors**” means the Secured Creditors and any amount owing by the Debtor to Royal Bank of Canada, including any amount owing to Royal Bank of Canada pursuant to the Canada Emergency Business Account;
- (am) “**Unsecured Creditors**” means the Preferred Creditors and any Creditor who is not a Secured Creditor; and
- (an) “**Voting Letter**” shall mean the voting letter required by subsection 51(1) of the BIA to be mailed to each known Creditor prior to the Unsecured Creditors’ Meeting.

1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day. Actions described herein shall occur and be deemed to occur in the order specified.

1.5 Time

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

1.6 Numbers

In the Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

1.7 Currency

Unless otherwise stated herein, all references to currency in the Proposal are to lawful money of Canada.

1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

ARTICLE 2

CLASSIFICATION AND TREATMENT OF CREDITORS

2.1 Unaffected Creditors

This Proposal is not being made to Unaffected Creditors and does not impact Unaffected Claims. Unaffected Claims shall be dealt with in accordance with the agreements between the relevant Unaffected Creditor and the Debtor or as otherwise agreed between the relevant Unaffected Creditor and the Debtor.

2.2 Classes of Creditors

For the purposes of voting on the Proposal, only the Unsecured Creditors will be entitled to vote on the Proposal. There shall be one (1) class of Unsecured Creditors.

2.3 Related Creditors

The Related Creditors shall not be entitled to vote on the Proposal or receive a distribution under the Proposal. The Debtor shall, however, release and discharge the obligation owing by 2595 ON.

2.4 Secured Creditors

The Proven Claim of each Secured Creditor shall, at the option of the Secured Creditor, be paid and/or satisfied in accordance with the applicable agreement between the Secured Creditor and the Debtor or in accordance with such other arrangement as may be agreed between the Secured Creditor and the Debtor.

2.5 Administrative Fees and Expenses

The Administrative Fees and Expenses will be paid in full by the Shareholder of the New Country Way.

2.6 Preferred Creditors

The Proven Claims of the Preferred Creditors are to be paid in full in priority to the Proven Claims of the Unsecured Creditors in accordance with the BIA and the Proposal.

2.7 Unsecured Creditors

The Proven Claims of the Unsecured Creditors, other than Preferred Creditors will be paid and satisfied as provided by Article 7.

ARTICLE 3

PROCEDURE FOR VALIDATION OF CLAIMS

3.1 Filing of Proofs of Claim

Each Creditor must file a Proof of Claim as required by the BIA.

3.2 Allowance or Disallowance of Claims by the Trustee

Upon receipt of a completed Proof of Claim, the Trustee shall examine the Proof of Claim and shall deal with each Proof of Claim in accordance with the provisions of the BIA. The procedure for valuing Claims of the Creditors and resolving disputes with respect to such Claims will be as set forth in the BIA.

ARTICLE 4

MEETING OF CREDITORS

4.1 Creditors' Meeting

On the Creditors' Meeting Date, the Debtor shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon the Proposal.

4.2 Time and Place of Meeting

Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in the notice of Creditors' Meeting to be mailed to Creditors pursuant to the BIA.

4.3 Conduct of Meetings

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting, the Secured Creditors and their respective legal counsel, if any, and the officers, directors, auditors and legal counsel of the Debtor, together with such representatives of the Trustee as the Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Unsecured Creditors.

4.4 Adjournment of Meetings

The Creditors' Meeting may be adjourned in accordance with section 52 of the BIA.

4.5 Voting by Creditors

To the extent provided for herein, each Creditor will be entitled to vote to the extent of the amount that is equal to that Creditor's Claim. Any Proof of Claim in respect of a Claim that is not a Proven Claim as at the Creditors' Meeting Date will be marked as objected to in accordance with subsection 108(3) of the BIA. Related Creditors will not be entitled to vote at the Creditors' Meeting.

4.6 Approval by Creditors

The Proposal will be binding on the Unsecured Creditors and the Related Creditors in accordance with the BIA, if: (a) it is accepted by the class of Unsecured Creditors by a majority in the number of the Unsecured Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing two-thirds in value of the Proven Claims of the Unsecured Creditors in each class who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter; and (b) the Approval Order is made.

4.7 Appointment of Inspectors

At the Meeting of Creditors the Unsecured Creditors may appoint up to five (5) Inspectors whose powers will be limited to: (a) advising the Trustee concerning any dispute which may arise as to the validity of Claims; and (b) advising the Trustee from time to time with respect to any other matter that the Trustee may refer to them.

ARTICLE 5

OBCA ARRANGEMENT/REORGANIZATION

5.1 Definitions.

For the purposes of this Article 5, unless otherwise stated or unless the context otherwise requires:

- (A) "ARRANGEMENT" MEANS THE REORGANIZATION AND ARRANGEMENT OF THE DEBTOR AND NUMCO UNDER SECTIONS 182 AND 186 OF THE OBCA AS SET OUT IN THIS ARTICLE 5 AND IN SCHEDULE A TOGETHER WITH ANY AMENDMENTS OR ADDITIONS THERETO;
- (B) "CORPORATIONS" MEANS THE DEBTOR AND NUMCO;
- (a) "Final Order" means an Order of the Court approving the Arrangement pursuant to section 182(5) of the OBCA;
- (C) "INTERIM ORDER" MEANS THE INTERIM ORDER OF THE COURT PURSUANT TO SUBSECTION 182(5) OF THE OBCA PROVIDING, *INTER ALIA*, THAT: (I) THE SHAREHOLDERS SHALL HAVE NO RIGHT TO VOTE ON THE ARRANGEMENT AND NO RIGHT(S) OF DISSENT; (II) THE ARRANGEMENT SHALL BE APPROVED BY THE UNSECURED CREDITORS AT THE CREDITOR MEETING ON THE CREDITOR

MEETING DATE; (III) THE UNSECURED CREDITORS SHALL BE IN A SINGLE CLASS FOR THE PURPOSES OF VOTING ON THE ARRANGEMENT; AND (IV) THE ARRANGEMENT SHALL BE ACCEPTED BY THE CLASS OF UNSECURED CREDITORS BY A MAJORITY IN NUMBER OF THE UNSECURED CREDITORS WHO ACTUALLY VOTE UPON THE ARRANGEMENT (IN PERSON OR BY PROXY) AT THE CREDITORS' MEETING OR BY A VOTING LETTER, REPRESENTING TWO-THIRDS IN VALUE OF THE PROVEN CLAIMS OF THE UNSECURED CREDITORS IN EACH CLASS WHO ACTUALLY VOTE UPON THE ARRANGEMENT (WHETHER IN PERSON OR BY PROXY) AT THE CREDITORS' MEETING OR BY A VOTING LETTER; AND

- (D) "SHAREHOLDERS" MEANS THE SHAREHOLDERS OF THE CORPORATIONS.

5.2 Interim and Final Order

Not less than fifteen (15) days prior to the Creditor Meeting Date, NumCo shall apply to the Court for the Interim Order. If the Proposal is accepted, NumCo shall apply for the Final Order at the same time as the Trustee applies for an Order approving the Proposal.

5.3 Arrangement and Reorganization

On the Implementation Date, the following shall occur and be deemed to occur in the following order without any further act or formality and, except as otherwise noted in this Article 5.3 and in Schedule A, with each transaction or event being deemed to occur immediately after the occurrence of the transaction or event immediately preceding it:

- (E) THE ARTICLES FOR THE DEBTOR SHALL BE AMENDED PURSUANT TO SECTIONS 168 AND 182(1) OF THE OBCA TO:
- (I) RE-DESIGNATE THE CLASS A COMMON SHARES AS CLASS A REDEEMABLE SHARES, WHICH CLASS A REDEEMABLE SHARES MAY BE REDEEMED ON PAYMENT OF \$0.01 PER SHARE AS MORE FULLY SET OUT IN SCHEDULE A;
 - (II) CREATE A NEW CLASS OF SHARES CONSISTING OF AN UNLIMITED NUMBER OF NEW CLASS A COMMON SHARES, WHICH NEW CLASS A COMMON SHARES SHALL HAVE THE RIGHT TO VOTE AT ALL MEETINGS OF SHAREHOLDERS, EXCEPT MEETINGS AT WHICH ONLY HOLDERS OF A SPECIFIED CLASS OF SHARES ARE ENTITLED TO VOTE, THE RIGHT TO RECEIVE DIVIDENDS AND THE RIGHT TO RECEIVE A DISTRIBUTION ON THE WINDING-UP OF THE DEBTOR AS MORE FULLY SET OUT IN SCHEDULE A; AND
 - (III) MAKE THE CLASS C SPECIAL SHARES REDEEMABLE AT THE OPTION OF THE DEBTOR ON PAYMENT OF \$0.01 PER SHARE AS MORE FULLY SET OUT IN SCHEDULE A;
- (F) THE NEW CLASS A COMMON SHARES SHALL BE ISSUED BY THE DEBTOR AS FOLLOWS:
- (I) RYAN SAARI—100.
- (G) THE CLASS A REDEEMABLE SHARES AND THE CLASS C SPECIAL SHARES SHALL BE REDEEMED AND CANCELLED BY THE DEBTOR SUCH THAT: (I) THE EXISTING SHAREHOLDERS OF THE DEBTOR SHALL NO LONGER BE SHAREHOLDERS OF THE DEBTOR AND SHALL HAVE NO RIGHTS AS SHAREHOLDERS EXCEPT THE RIGHT TO RECEIVE THE AMOUNT PAYABLE BY THE DEBTORS TO REDEEM THE CLASS A REDEEMABLE SHARES AND CLASS C SPECIAL SHARES, AND (II) THERE SHALL BE NO REMAINING ISSUED AND OUTSTANDING SHARES OF ANY CLASS OTHER THAN THE NEW CLASS A COMMON SHARES ISSUED PURSUANT TO PARAGRAPH (B);

- (H) THE ARTICLES FOR THE DEBTOR SHALL BE AMENDED TO DELETE ALL REFERENCE TO THE CLASS A REDEEMABLE SHARES;
- (I) THE DEBTOR AND NUMCO SHALL BE AMALGAMATED TO CREATE NEW COUNTRY WAY AS FOLLOWS:
 - (I) THE NAME OF NEW COUNTRY WAY SHALL BE ITS NUMBERED NAME, BUT IT SHALL CARRY ON BUSINESS AS THE COUNTRY WAY HEALTH FOOD STORE;
 - (II) THE BY-LAWS AND ARTICLES FOR NEW COUNTRY WAY SHALL BE THE SAME AS THE AMENDED ARTICLES FOR NUMCO; AND
 - (III) THE ISSUED AND OUTSTANDING CLASS A COMMON SHARES OF THE DEBTOR SHALL BE CANCELLED WITHOUT ANY REPAYMENT OF CAPITAL IN RESPECT THEREOF;
 - (IV) THE STATED CAPITAL OF THE DEBTOR SHALL BE ADDED TO THE STATED CAPITAL OF THE NUMCO; AND
- (J) THE CERTIFICATES SHALL BE ISSUED TO THE UNSECURED CREDITORS AS PROVIDED FOR BY ARTICLE 6.1.

5.4 Binding Effect

This Arrangement will become effective at, and be binding at and after, the Implementation Date without further act or formality required on the part of any Person except as expressly provided herein.

ARTICLE 6

CREDITOR CERTIFICATES

6.1 Certificates

On the Implementation Date, immediately following the steps described in Article 5.3(a) to (e), each Unsecured Creditor will receive from the Debtor, in full and final satisfaction of their Claims, certificates (the "Certificates") with a face value equal to that Creditor's Claim as set forth in the Creditor's Proof of Claim or the Statement of Affairs, whichever is greater, subject to that Creditor's Claim being determined in accordance with Article 3. Once a Creditor's Claim becomes a Proven Claim a new Certificate shall be issued with a face value equal to that Creditor's Proven Claim if that Proven Claim is different from the amount set out on the Certificate originally issued to the Creditor.

ARTICLE 7

DISTRIBUTION

7.1 Secured Creditors

The Proven Claims of the Secured Creditor shall be dealt with as provided for in Article 2.4.

7.2 Payment of Employee Creditors

The Claims, if any, of the Employee Creditors shall be paid immediately after the making of the Approval Order using proceeds from the operation of the Debtor's business.

7.3 Payment of Source Deduction Creditors

Unless Her Majesty agrees otherwise, the Proven Claims, if any, of the Source Deduction Creditors shall be paid within six (6) months after the making of the Approval Order.

7.4 Payment of Certain Claims

Within sixty (60) days of the Implementation Date, the Debtor shall pay to each Preferred Creditor its Proven Claim in the priority established by the BIA.

7.5 Payment of Certificates

For each fiscal year ending August 31 for the five (5) years beginning for the year ended August 31, 2021, the Debtor will pay the greater of: (i) 20% of the aggregate value of the Certificates; or (ii) 40% per cent of the Net Income of the Debtor pro rata to Creditors based on and to reduce the amount owing under the Certificates, provided that no creditor is entitled to receive more than 100% of that Creditor's Proven Claim. Distributions will be made no later than 90 days after each of the five year-ends by November 30th of the following fiscal year, commencing November 30, 2022.

The Certificates will be fully paid and satisfied by the distribution of the amounts contemplated by this Article 7.5.

7.6 Levy

Payments to each Creditor made pursuant to Article 7.5 shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA, which amount shall be paid by the Debtor to the Office of the Superintendent of Bankruptcy. The Office of the Superintendent of Bankruptcy will receive a Certificate in respect of the amount payable in respect of levy.

ARTICLE 8

MISCELLANEOUS

8.1 Compromise Effective for all Purposes

The provisions of this Proposal will be binding upon each Unsecured Creditor and Related Creditor, their heirs, executors, administrators, successors and assigns, for all purposes. Subject to the limitations in section 50(14) of the BIA, the Claims against the Directors that arose before the Proposal Date and that relate to the obligations of the Debtor where the directors are by law liable in their capacity as directors for the payment of such obligations will be satisfied and released.

8.2 Modification of Proposal

The Debtor may propose an alteration or modification to the Proposal prior to the vote taking place on the Proposal.

8.3 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, each Unsecured Creditor and Related Creditor will be deemed:

- (a) to have executed and delivered to the Debtor all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Debtor in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor that has occurred on or prior to the Implementation Date;
- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Debtor as at the Implementation Date (other than those entered into by the Debtor on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) to have released the Debtor, and all of its, employees, agents, Directors, officers, shareholders, and current advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the

Implementation Date, relating to or arising out of or in connection with the matters herein; provided that nothing herein shall release the Debtor of its obligation to make the distributions to Unsecured Creditors contemplated in this Proposal; and

- (e) to have released the Trustee and all of its affiliates, employees, agents, directors, officers, shareholders, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein.

8.4 Conditions to Proposal Implementation

The implementation of the Proposal by the Debtor will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) The making of the Interim Order;
- (b) The acceptance of the Proposal by the Unsecured Creditors; and
- (c) The making of the Approval Order and the Final Order, and the expiry of all applicable appeal periods.

8.5 Full Implementation

This Proposal will be fully implemented by the Debtor on delivery of the Certificates as provided by Article 6.

8.6 Effect of Proposal Generally

As at 12:01 a.m. on the date of the Approval Order becomes final and binding:

- (a) The treatment of all Claims under the Proposal shall be final and binding on the Debtor and all Unsecured Creditors (along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns); and
- (b) The Proposal shall constitute: (i) a full, final and absolute settlement of all rights of the holders of the Claims affected hereby; and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Debtor and the Directors of or in respect of the Claims.

8.7 Further Actions.

Notwithstanding that the transactions and events set out in this Proposal shall occur and be deemed to occur in the order set out herein without any other additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done and executed all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by them in order to document or evidence any of the transactions or events set out herein.

8.8 Conduct of Debtor's Business

Subject to any Order made by the Court, the Debtor shall remain in possession and control of their property and assets at all times, both before and after implementation of this Proposal.

ARTICLE 9

ADVOIDANCE OF TRANSACTION

9.1 Avoidance Proceedings

Section 95 to 101 of the BIA will not apply in respect of the Debtor and this Proposal.

ARTICLE 10

GENERAL

10.1 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail or by telecopier (except for Proofs of Claim which may only be sent by personal delivery, telecopier or registered mail) addressed to the respective parties as follows:

(a) if to the Debtor:

1776690 Ontario Inc.
79 Brock Street
Sault Ste. Marie, Ontario P6A 3B4

Attention: Ryan Saari

E-mail : ryansaari@me.com

(b) if to an Unsecured Creditor, to the address or telecopier number for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contacted; and

(c) if to the Trustee:

MNP Ltd.
300-111 Richmond Street West
Toronto ON M5G 2H4

Attention: Sheldon Title

Telecopier: 416-596-7894

E-mail : sheldon.title@mnp.ca

or to such other address, e-mail address or telecopier number as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by e-mail or telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by e-mail or telecopier or by delivery prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and in to case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

10.2 Foreign Currency Obligations

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Proposal Date.

10.3 Applicable Law

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

10.4 Non Severability

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect

10.5 Amendment.

Any amendment, modification, supplement or restatement to this Proposal may be proposed prior to or at the Creditor Meeting and if accepted at the Creditor Meeting shall become part of this Proposal.

10.6 Deeming Provisions

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

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EXECUTION PAGE

DATED at Sault Ste Marie, this 29th day of January, 2022.

1776690 ONTARIO INC.

Per:
Name:
Title:

I have authority to bind the corporation.

SCHEDULE A

1. Definitions.

Defined Terms in this Schedule have the meaning assigned by the Proposal dated [Date] April 2021.

10.7 Arrangement

On the Implementation Date, the following shall occur and be deemed to occur in the following order without any further act or formality with each transaction or event being deemed to occur immediately after the occurrence of the transaction or event immediately preceding it:

(K) THE ARTICLES FOR THE DEBTOR SHALL BE AMENDED PURSUANT TO SECTIONS [168 AND 182(1)] OF THE OBCA TO:

(I) RE-DESIGNATE THE CLASS A COMMON SHARES OF THE DEBTOR AS CLASS A REDEEMABLE SHARES, WHICH CLASS A REDEEMABLE SHARES MAY BE REDEEMED ON PAYMENT OF \$0.01 PER SHARE AS FOLLOWS:

1. CLASS A REDEEMABLE SHARES

(a) The Class A Redeemable Shares shall as a class have attached thereto the

following rights, privileges, restrictions, and conditions;

- (i) the holders of Class A Redeemable Shares shall have the right to vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;
- (ii) the Class A Redeemable shares are redeemable at the option of the Debtor on payment of \$0.01 per share.

(II) CREATE A NEW CLASS OF SHARES CONSISTING OF AN UNLIMITED NUMBER OF NEW CLASS A COMMON SHARES AS FOLLOWS:

1.A. CLASS A COMMON SHARES

- (a) The holders of Class A common shares shall be entitled, among other things:
 - (i) to vote at all meetings of shareholders, except meetings at which only holders of a specified class of shares are entitled to vote;
 - (ii) to receive dividends as and when declared by the Board of Directors of the Corporation out of the monies of the Corporation properly applicable to the payment of dividends;
 - (iii) subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, to receive the remaining property of the Corporation upon dissolution;

(III) MAKE THE CLASS C SPECIAL SHARES REDEEMABLE AT THE OPTION OF THE DEBTOR ON PAYMENT OF \$0.01 PER SHARE AS MORE FULLY SET OUT IN SCHEDULE A AS FOLLOWS:

4. CLASS C SPECIAL SHARES

(a) Definitions

In these share conditions the following words and phrases shall have meaning as follows:

- (i) "Redemption Amount" of each Class C Special Share means the sum of \$0.01;
- (ii) "Redemption Price" of each Class C Special Share means the redemption amount; and

(b) Voting Rights

The holders of Class C Special Shares shall not be entitled to receive notice of or to vote at any meetings of shareholders.

(c) Redemption by Corporation

Subject to the Act, the Corporation may redeem the whole or any part of the issued Class C Special Shares on payment for each share to be redeemed of the Redemption Price.

(L) THE NEW CLASS A COMMON SHARES SHALL BE ISSUED BY THE DEBTOR AS FOLLOWS:

(I) RYAN SAARI—100.

(M) THE CLASS A REDEEMABLE SHARES AND THE CLASS C SPECIAL SHARES SHALL BE REDEEMED AND CANCELLED BY THE DEBTOR SUCH THAT: (I) THE EXISTING SHAREHOLDERS OF THE DEBTOR SHALL NO LONGER BE A SHAREHOLDERS OF THE DEBTOR AND SHALL HAVE NO RIGHTS AS A SHAREHOLDERS EXCEPT THE RIGHT TO RECEIVE THE AMOUNT PAYABLE BY THE DEBTORS TO REDEEM THE CLASS A REDEEMABLE SHARES AND CLASS C SPECIAL SHARES, AND (II) THERE SHALL BE NO REMAINING ISSUED AND OUTSTANDING SHARES OF ANY CLASS OTHER THAN THE NEW CLASS A COMMON SHARES ISSUED PURSUANT TO PARAGRAPH (B);

(N) THE ARTICLES FOR THE DEBTOR SHALL BE AMENDED TO DELETE ALL REFERENCE TO: (I) THE CLASS A REDEEMABLE SHARES;

(O) THE DEBTOR AND NUMCO SHALL BE AMALGAMATED TO CREATE NEW COUNTRY WAY AS FOLLOWS:

(I) THE NAME OF NEW COUNTRY WAY SHALL BE “2655396 ONTARIO INC.” AND SHALL CARRY ON BUSINESS AS THE COUNTRY WAY HEALTH FOOD STORE;

(II) THE BY-LAWS AND ARTICLES FOR NEW COUNTRY WAY SHALL BE THE SAME AS THE AMENDED ARTICLES FOR NUMCO; AND

(III) THE ISSUED AND OUTSTANDING CLASS A COMMON SHARES OF THE DEBTOR SHALL BE CANCELLED WITHOUT ANY REPAYMENT OF CAPITAL IN RESPECT THEREOF;

(IV) THE STATED CAPITAL OF THE DEBTOR SHALL BE ADDED TO THE STATED CAPITAL OF THE NUMCO; AND

(P) THE CERTIFICATES SHALL BE ISSUED TO THE UNSECURED CREDITORS AS PROVIDED FOR BY ARTICLE 6.1.

10.8 Binding Effect

This Arrangement will become effective at, and be binding at and after, the Implementation Date without further act or formality required on the part of a Person except as expressly provided herein.