

Court File No. 31-2295766
Estate File No. 31-2295766

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO
THE LAWS OF THE PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA

MOTION RECORD OF PROPOSAL TRUSTEE
RE: APPROVAL OF PROPOSAL
(returnable November 14, 2017)

November 3, 2017

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INDEX

ONTARIO
SUPERIOR COURT OF JUSTICE
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IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO
THE LAWS OF THE PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
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MOTION RECORD OF PROPOSAL TRUSTEE
RE: APPROVAL OF PROPOSAL
(returnable November 14, 2017)

INDEX

TAB	DOCUMENT
1	Notice of Hearing of Application for Court Approval of a Proposal, dated October, 2017 and returnable November 14, 2017
2	Draft Order
A	Appendix "A" to Draft Order – Amended Proposal
3	Report of the Trustee on Proposal, dated November 2, 2017 (the " <u>Report</u> ")
A	Exhibit "A" to the Report – Notice of Intention to make a Proposal (" <u>NOI</u> ")
B	Exhibit "B" to the Report – Proposal Trustee's Consent to Act
C	Exhibit "C" to the Report – Certificate of filing of the NOI, dated September 21, 2017
D	Exhibit "D" to the Report – Order of Justice Hainey, dated September 25, 2017
E	Exhibit "E" to the Report – Proposal, dated September 30, 2017
F	Exhibit "F" to the Report – Certificate of filing of the Proposal, dated October 2, 2017

TAB	DOCUMENT
G	Exhibit "G" to the Report – Affidavit of Mailing, dated October 12, 2017, re: Notice of Proposal to Creditors
H	Exhibit "H" to the Report – Notice of Proposal to Creditors, dated October 6, 2017
I	Exhibit "I" to the Report – Statement of Affairs, dated September 29, 2017
J	Exhibit "J" to the Report – Minutes of Meeting of Creditors held October 19, 2017
K	Exhibit "K" to the Report – Affidavit of Mailing, dated October 30, 2017 with (i) Notice of Amended Proposal to Creditors; (ii) Notice of Hearing of Application for Court Approval of Proposal; and, (iii) the Amended Proposal

TAB 1

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

FORM 40.1
Notice of Hearing of Application for Court Approval of Proposal
(Paragraph 58(b) of the Act)

In the matter of the proposal of
Digital Underground Media Inc.
a Company Incorporated Pursuant to the Laws of the Province of Ontario
with a Head Office in the City of Vancouver, in the Province of British Columbia


In Ontario Superior Court of Justice in Bankruptcy - Toronto

In the matter of the proposal of Digital Underground Media Inc., a debtor.

Take notice that an application will be made to the court, at 330 University Ave. Fir 7, Toronto, Ontario, on the 14th day of November 2017, at 10:00 AM, to approve the proposal of Digital Underground Media Inc., accepted by the creditors at a meeting held on the 19th day of October 2017.

Dated at the City of Toronto in the Province of Ontario, this 26th day of October 2017.

MNP LTD. - Licensed Insolvency Trustee



300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

TAB 2

Court File No. 31-2295766
Estate File No. 31-2295766

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) TUESDAY, THE 14th DAY
)
JUSTICE) OF NOVEMBER, 2017

IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO
THE LAWS OF THE PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA

ORDER APPROVING PROPOSAL

UPON THE APPLICATION of MNP Ltd., the trustee (the “Trustee”) under the Proposal of Digital Underground Media Inc., filed on October 2, 2017, and the amended Proposal of Digital Underground Media Inc., filed on October 20, 2017 (the “Amended Proposal”), and upon reading the *Report of Trustee on Proposal*, dated November 2, 2017, and upon hearing submissions of the Trustee; and, the Court being satisfied that the required majority of creditors duly accepted the Amended Proposal and the terms thereof, a complete copy of which is marked Appendix "A" and 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 Amended Proposal be and is hereby approved.

TAB 2-A

APPENDIX "A"

(see attached)

District of Ontario
Division No. 09 -Toronto
Court File No. 31-2295766
Estate No. 31-2295766

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA**

AMENDED PROPOSAL

Digital Underground Media Inc. (the "Company") hereby submits the following Amended Proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

Definitions

1. In this Proposal, capitalized terms 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) the proper fees and expenses of the Trustee incidental to the preparation and facilitation of the Proposal and any amendments thereto, including, without limitation, its legal fees and disbursements; and
 - (ii) the legal fees and disbursements of the Company on and incidental to negotiations in connection with the approval of the Proposal, court

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proceedings relating to the Proposal and the transactions and agreements contemplated hereby, including, without limitation, advice to the Company.

- (c) **"Amended Proposal"** means this Proposal;
- (d) **"Approval"** means the approval of the Proposal by the statutory majorities of the creditors under the Act and by the Court by way of the Approval Order pursuant to a final and enforceable order which has become final as a result of the appeal period having expired without there having been an appeal, or an appeal having been lodged and the order approving the Proposal having been confirmed or the appeal withdrawn or dismissed.
- (e) **"Approval Date"** means the date upon which the Approval occurs.
- (f) **"Approval Order"** means the Court order(s) made under this Proposal approving the Proposal and directing the implementation of the Proposal, which orders may, without limitation, authorize the filing by the Company of the articles of reorganization, the cancellation of issued and outstanding shares in the capital of the Company, the issuance of the New Common Shares and the appointment of a new board of directors of the Company.
- (g) **"Business Day"** means a day other than a Saturday or a Sunday on which banks are generally open for business in Toronto, Ontario.
- (h) **"Claim"** means any right of any Person against the Company in connection with any indebtedness, liability or obligation of any kind owed by the Company at the Filing Date, and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, not matured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including, without



limitation, the right or ability of any Person to advance a claim of 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, and any indebtedness, liability or obligation of any kind arising out of the repudiation, restructuring or termination of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, or any claims that may arise under any contract, lease, license, equipment lease, employment relationship or other agreement which may arise as a result of the insolvency of the Company, including, without limitation, any other indebtedness, liability or obligation of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the Act, and “**Claims**” means all of them.

- (i) “**Common Shares**” means the existing authorized, issued and outstanding common shares of the Company, including both Class A shares and Class B shares.
- (j) “**Consideration**” means the aggregate of: (i) the Share Consideration; and (ii) the Loan Consideration.
- (k) “**Court**” means the Ontario Superior Court of Justice.
- (l) “**Creditor**” means any Person having a Claim, and “**Creditors**” means all of them.
- (m) “**DIP Lender**” means J.D. Craig Holdings Inc.
- (n) “**DIP Loan Agreement**” means the agreement between the DIP Lender and the Company dated September 22, 2017, pursuant to which the DIP Lender will provide financing to the Company in the maximum amount of \$750,000 in order to finance the Company’s working capital requirements and other general corporate purposes and capital expenditures during the period of its

restructuring, which agreement was approved by the Court by way of the Order of the Honourable Justice Hainey dated September 25, 2017.

- (o) **"Distribution Date"** means a date selected by the Trustee in consultation with the Inspectors.
- (p) **"Filing Date"** means September 21, 2017, being the date upon which the Company filed its Notice of Intention to File a Proposal under the Act.
- (q) **"Forbearance Agreement"** means the agreement between the DIP Lender, DUM Holdings Inc., and the Company dated September 15, 2017, pursuant to which the DIP Lender and DUM Holdings Inc. have agreed to forbear from enforcement of their security, and to provide continued support to the Company through its restructuring, in accordance with the terms of that agreement.
- (r) **"Implementation Date"** means immediately following the Approval Date or the date the conditions are met as set out in paragraph 26 hereof.
- (s) **"Inspectors"** means the Inspectors described in paragraph 35 hereof.
- (t) **"Investor"** means 7677189 Canada Ltd.
- (u) **"Loan"** means the loan made by the Investor to the Company in the principal amount of \$76,000, pursuant to the Loan Agreement.
- (v) **"Loan Agreement"** means the agreement between the Investor and the Company dated as of or before the Meeting of Creditors whereby the Investor agrees to advance the Loan to the Company pursuant to the terms and conditions of the Loan Agreement.
- (w) **"Loan Consideration"** means proceeds payable to the Company under the Loan Agreement.



- (x) **"Meeting of Creditors"** means the meeting of Creditors to consider this Proposal prescribed by section 51(1) of the Act.
- (y) **"New Common Shares"** means all the new common shares to be issued in the share capital of the Company, as described in **Schedule "A"** hereto.
- (z) **"OBCA"** means the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended.
- (aa) **"Performance of the Proposal"** means the payment of all amounts to be paid to the Trustee for the distribution to Creditors in respect of Claims, including, without limitation, the implementation of the provisions of the Proposal as described in paragraph 27 hereof.
- (bb) **"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.
- (cc) **"Post-Filing Claim"** means any Claim resulting from an obligation incurred by the Company in the normal course of business of the Company in respect of goods or services supplied to the Company after the Filing Date and extends to the following:
 - (i) amounts owing to the Trustee and its solicitors and the Company's solicitors; and
 - (ii) Her Majesty the Queen in right of Canada and in right of Ontario for amounts owed in respect of federal, provincial or state sales or excise taxes collected subsequent to the Filing Date, or amounts owing in respect of source deductions on account of employee income tax, *Canada Pension Plan* contributions and Employment Insurance premiums arising subsequent to the Filing Date,

but does not include Claims under any contract, lease, equipment lease, license, employment arrangement or other agreement which may arise as a result of the insolvency of the Company.

- (dd) **“Preferred Claim”** means any Claim for which Section 136 of the Act prescribes payment in priority to an unsecured Claim, and **“Preferred Claims”** means all of them.
- (ee) **“Preferred Creditor”** means a Creditor of the Company having a Preferred Claim, and **“Preferred Creditors”** means all of them.
- (ff) **“Priority Payment”** has the meaning ascribed to it in paragraph 18 of this Proposal.
- (gg) **“Proposal”** means the proposal dated September 30, 2017, as the whole may be amended from time to time.
- (hh) **“Proposal Fund”** means the aggregate of: (i) the Share Consideration; (ii) the Loan Consideration; and (ii) the amount payable, if any, by the Investor to the Company pursuant to the Addendum hereto.
- (ii) **“Proposal Period”** means the period between the Filing Date and the Performance of the Proposal.
- (jj) **“Proven Claim”** means any Claim in respect of which a proof of claim:
 - (i) has been filed with and allowed by the Trustee; or
 - (ii) has been filed with the Trustee and valued or determined in accordance with the provisions of the Act,

provided, however, that a Proven Claim shall not include a Claim:

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- (i) by any Person who has received written notification from the Trustee that the Claim has not been filed on a timely basis or has been disallowed; or
 - (ii) in respect of which a proof of claim has not been filed within 30 days of the date on which the Trustee mailed to the Creditor having such Claim a notice pursuant to Section 149 of the Act.
- (kk) **“Reorganization”** means the creation and issuance of the New Common Shares, the cancellation of the Common Shares and the other amendments to the Company’s articles of incorporation described in sections 28 to 33 of this Proposal.
- (ll) **“Secured Creditor”** means any Person holding a mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Company or any part thereof as security for a Claim, and **“Secured Creditors”** means all of them.
- (mm) **“Secured Creditor Claims”** means all Claims of Secured Creditors.
- (nn) **“Shareholders”** means those Person(s) who are holders of Common Shares, or any other equity of any kind of the Company.
- (oo) **“Share Consideration”** means proceeds payable to the Company under the Subscription Agreements.
- (pp) **“Subscription Agreements”** means:
- (i) the agreement dated as of or before the Meeting of Creditors between the Company and the Investor, as the same may be amended from time to time, regarding the subscription by the Investor for the New Common Shares for the aggregate consideration of \$10.00; and
 - (ii) the agreement dated as of or before the Meeting of Creditors between the Company and the DIP Lender as the same may be amended from time to time, regarding the subscription by the DIP Lender for the New Common Shares for the aggregate consideration of \$10.00.



- (qq) **“Trustee”** means MNP LTD., in its capacity as trustee under the Proposal, and not in its personal capacity, and without any personal or corporate liability.
- (rr) **“Unsecured Creditor”** means any Creditor other than a Preferred Creditor and a Secured Creditor whose Claim arose:
- (i) by reason of the supply of goods or services to or for the account of the Company prior to the Filing Date;
 - (ii) by reason of loaning of money to the Company on an unsecured basis;
 - (iii) in the case of executory contracts in existence prior to the Filing Date, by reason of the restructuring, repudiation or termination of such contracts subsequent to the Filing Date;
 - (iv) which Claims arose by any other reason prior to the Filing Date; or
 - (v) the unsecured portion of any Claim, the balance of which is secured against all or any of the assets of the Company,
- and **“Unsecured Creditors”** means all of them.
- (ss) **“Unsecured Creditor Claims”** means all Claims of Unsecured Creditors.
- (tt) **“Unsecured Creditor Payment”** has the meaning ascribed to it in section 15 of this Proposal.
- (uu) **“Warrants”** means the existing authorized, issued and outstanding warrants to purchase Common Shares of the Company.



Purpose of Proposal

2. The purpose of this Proposal is to effect a restructuring of the business and affairs of the Company in the expectation that all Creditors will derive a greater benefit from the continued operation of the business and affairs of the Company than would result from a forced liquidation of its assets. The Company is being supported through this process by the DIP Lender, which has provided financing to the Company prior to the Filing Date, and will continue to provide ongoing financing to the Company through the Proposal proceedings by way of the credit facility provided for in the DIP Loan Agreement. It is also being supported by the Investor, which is advancing to the Company the funds that will form the Proposal Fund to be distributed to creditors in accordance with the provisions of this Proposal.

3. An integral part of the Proposal is the cancellation of the existing and outstanding share capital of the Company, in light of the lack of value of the share capital due to the Company's insolvency. Upon the implementation of the Proposal, and in consideration of their support for the Company through the Proposal proceedings, the DIP Lender and the Investor have agreed to acquire the New Common Shares pursuant to the Subscription Agreements.

4. This Proposal is intended to provide a fair recovery to all Creditors and to provide the Company with the financial stability to continue its business operating from and after the Implementation Date.

Effect of Proposal

5. This Proposal restructures the affairs of the Company and amends the terms of any and all agreements between the Company and the Creditors or the Shareholders existing as at the Implementation Date to the extent affected by this Proposal, and provides the essential terms on which all Claims and the interests of the Shareholders will be fully and finally resolved and settled. During the Proposal Period, the provisions of Sections 65.1 and 69.1 of the Act shall be in effect. Without limiting the generality of the foregoing, during the Proposal Period all Creditors will be stayed from commencing or continuing any proceeding or remedy against the Company, as further described in paragraph 34 hereof.

Persons Affected

6. This Proposal will, as of the Implementation Date, be binding on the Company and all Creditors (except Secured Creditors), Shareholders and other persons named or referred to herein in the manner provided for in this Proposal and the Act.

Restructuring of the Company

7. Prior to the Meeting of Creditors, the Company and the Investor will have entered into the Loan Agreement, pursuant to which the Loan Consideration will be advanced by the Investor to the Company following the Approval Date. The Company will, in turn, advance the Loan Consideration to the Trustee.

8. Prior to the Meeting of Creditors, each of the Company and the Investor, and the Company and the DIP Lender, will have entered into the Subscription Agreements, pursuant to which the Share Consideration will be fully advanced to the Company following the Approval Date. The Company will, in turn, advance the Share Consideration to the Trustee.

9. A condition to each of the Subscription Agreements is that the Company implement this Proposal to its Creditors, including the Reorganization, pursuant to the Act and authorized by the OBCA.

10. Pursuant to the terms of the Subscription Agreements and the Loan Agreement, and upon the successful implementation thereof in accordance with their terms, the Investor and the DIP Lender will pay the Consideration to the Company, and in turn, the Company will pay the Consideration to the Trustee for distribution to the Creditors.

11. Subject to the satisfaction or waiver of the conditions precedent set out in paragraph 26 of this Proposal, the following steps will occur, and be deemed to occur, sequentially in the following order, on the Implementation Date:

- (a) the Company shall be released from all the Claims of Creditors (except Secured Creditors), which shall be fully and finally compromised in accordance with the provisions of the Act and this Proposal;
- (b) articles of reorganization causing the Reorganization, as more fully described in paragraph 28 of this Proposal, will be filed by the Company;
- (c) a certificate of amendment reflecting the amendments to the articles of incorporation of the Company caused by the articles of reorganization shall be issued by the Director under the OBCA;
- (d) the Subscription Agreements will be completed in accordance with their terms, provided that all conditions thereto have been satisfied or (when waivable) waived, whereupon, among other things, the New Common Shares shall be acquired by, and share certificates in respect thereof shall be issued by the Company to, the Investor and the DIP Lender against payment of the Share Consideration to the Trustee; and
- (e) upon Approval and completion of the Loan Agreement and of the Subscription Agreements, the Investor shall remit the Loan Consideration to the Company which will, in turn, remit the Loan Consideration to the Trustee, and the Investor and the DIP Lender shall remit the Share Consideration to the Company which will, in turn, remit the Share Consideration to the Trustee. The Company shall remit the Consideration to the Trustee within five days of the Implementation Date.

Proposal Affecting Secured Creditors

12. This Proposal is not being made to the Secured Creditors and accordingly, Secured Creditors shall not be entitled to vote on the Proposal.

13. Claims of Secured Creditors, if any, shall be paid by the Company in accordance with agreements between the Company and the Secured Creditor including, without limitation, the

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Forbearance Agreement and the DIP Loan Agreement, as those agreements may be amended or supplemented from time to time.

Proposal for Unsecured Creditors

14. All Unsecured Creditors shall form part of a single class of Unsecured Creditors for voting and distribution purposes.

15. Each Unsecured Creditor who has a Proven Claim shall receive a payment representing each such Unsecured Creditor's *pro rata* share of the Proposal Fund, less any amounts to be paid as Priority Payments and any amounts payable to the Office of the Superintendent in Bankruptcy in accordance with paragraph 22 hereof (the "Unsecured Creditor Payment").

16. Unsecured Creditors will accept the payments provided for in this Proposal in complete satisfaction of all their Claims and all liens, certificates of pending litigation, executions, security interests or any other similar charges or actions or proceedings in respect of such Claims will have no effect in law or in equity against the property, assets and undertaking of the Company, all of which shall be released upon payment of the amounts provided for in this Proposal. The Unsecured Creditors shall take such actions and do such other things as are necessary, at their sole cost, to file or record any required discharges of any of the foregoing.

17. Landlords of premises that have been terminated, disclaimed or repudiated shall be entitled to file a proof of claim as Unsecured Creditors for an amount equal to the lesser of: (i) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer becomes effective plus fifteen percent (15%) of the rent for the remainder of the term of the lease after that year; and (ii) three (3) years of rent. Landlords of disclaimed premises shall not be entitled to claim for accelerated rent pursuant to Section 65.2(4)(a) of the Act.

27-13

Crown Claims, Preferred Claims and Employee Claims

18. Amounts, if any (collectively, the "Priority Payments"):
- (a) owing to Her Majesty in Right of Canada or a Province, as enumerated in Section 60(1.1) of the Act, which shall be paid in full within six (6) months following Approval;
 - (b) owing to employees and former employees, that such persons would have been qualified to receive under Section 136(1)(d) of the Act if the Company became bankrupt on the Filing Date, which shall be paid immediately following Approval; and
 - (c) any Proven Claim in respect of a Preferred Claim, without interest,
- shall be paid in full and in priority to all Unsecured Creditors.

19. For the purpose of voting, the Preferred Creditors shall fall within the class of Unsecured Creditors.

Funds Payable Under Proposal

20. The amount to be paid to Creditors on the Distribution Date on account of their Proven Claims shall be paid from the Proposal Fund.
21. The Trustee will remit payments to Creditors in the following order:
- (a) the Priority Payments; and
 - (b) the Unsecured Creditor Payment.
22. Payments to Creditors shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA and the Trustee shall remit the amount of



such levy to the Office of the Superintendent of Bankruptcy contemporaneous with the distributions to Creditors.

Administrative Fees and Expenses

23. The Administrative Fees and Expenses will be paid by the Company in the ordinary course from cash flow, subject to approval by the Court.

Payment of Crown Claims

24. During the period between the Filing Date and Approval, the Company shall pay and keep current:

- (a) all amounts owing to Her Majesty in right of Canada and in right of Ontario of a kind that could be subject to a demand under Section 224(1.2) of the *Income Tax Act* (Canada) or any substantially similar provision of provincial legislation; and
- (b) all amounts collected in respect of sales taxes on behalf of Canada Revenue Agency and any provincial Ministry of Finance.

Goods or Services Given After Filing Date

25. Any Post-Filing Claim shall be paid in full in the ordinary course by the Company or as negotiated between the Company and its vendors. The Company 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 Company agrees that the Trustee shall not in any case be responsible for ensuring that payment is duly made pursuant to paragraph 24 hereof and to all those persons supplying goods or services after the Filing Date. All Creditors hereby release and forever discharge the Trustee from any and all liability relating to the Company's non-payment of any liabilities under this paragraph.

Conditions of Proposal

26. The Amended Proposal and its implementation by the Company is conditional upon fulfilment or satisfaction, or (where waivable) waiver, of each of the following conditions:

- (a) the taking of all necessary corporate actions and proceedings to approve the Proposal;
- (b) the granting of the Approval Order;
- (c) the execution of the Loan Agreement prior to the Meeting of Creditors;
- (d) the execution of the Subscription Agreements prior to the Meeting of Creditors;

27. Once all of the following obligations have been fulfilled or satisfied, the Performance of the Proposal shall be deemed to be fully complete and the Trustee will deliver and file with the Court a certificate pursuant to Section 65.3 of the Act:

- (a) the advancement of the Loan Consideration by the Investor to the Company and, in turn, the Trustee;
- (b) the completion of the Reorganization;
- (c) the advancement of the Share Consideration by the Investor and the DIP Lender to the Company and, in turn, the Trustee;
- (d) the payment of the Administrative Fees and Expenses; and
- (e) the performance by each of the Company, the Investor and the DIP Lender of all their respective obligations pursuant to the Proposal and the transactions contemplated herein.



Share Capital

28. On the Implementation Date, the articles of incorporation of the Company shall be amended pursuant to the articles of reorganization in the following sequence:

- (a) to delete and cancel all of the authorized share capital of the Company and to delete and cancel all of the rights, privileges, restrictions and conditions attaching thereto, including, but not limited to, deleting and cancelling all of the Common Shares and all of the Preferred Shares (as defined in the Company's articles of incorporation);
- (b) to create an unlimited number of New Common Shares and to provide that the rights, privileges, restrictions and conditions attaching to the New Common Shares are as set out in Schedule "A" hereto; and
- (c) providing that, after giving effect to the foregoing, the authorized share capital of the Company shall consist only of an unlimited number of New Common Shares.

29. All existing and outstanding Warrants, together with contracts pursuant to which Warrants may be issued in future, shall be cancelled.

30. No Shareholder will be entitled to any payment or other compensation with respect to the cancellation of its/her/his Common Shares, Warrants or otherwise.

31. The aggregate stated capital for the purposes of the OBCA of the New Common Shares issued to the Investor and the DIP Lender under the Subscription Agreements and pursuant to this Proposal shall be as set out in **Schedule "B"**.

32. The Shareholders shall not be entitled to vote on this Proposal.

33. The Shareholders shall not have any rights of dissent pursuant to Section 186(6) of the OBCA in respect of this Proposal.

Stay of Proceedings

34. During the Proposal Period, and provided the Company is not in default hereunder, each Creditor will be stayed from commencing or continuing any proceeding or remedy against the Company or its property based upon a Claim existing on or before the Filing Date, or whose

Claim has arisen after the Filing Date as a result of the termination, repudiation or restructuring of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, including, without limitation, any proceeding or remedy to recover payment of such Claim, to realize against any security granted in respect of such Claim, to recover or enforce a judgment against the Company in respect of such Claim or to initiate any proceedings against it under any applicable bankruptcy, insolvency or other laws in respect of such Claim, other than an application or proceeding in connection with this Proposal.

Inspectors

35. (a) At the meeting of the Unsecured Creditors to be held to consider the Proposal, the Creditors may appoint one or more but not exceeding five (5) persons to act as Inspectors, whose powers shall be limited to:
- (i) advising the Trustee from time to time with respect to any matter that the Trustee may refer to them;
 - (ii) advising the Trustee concerning any dispute which may arise as to the validity of Claims of Unsecured Creditors; and
 - (iii) authorizing an extension of time for payments due to the Unsecured Creditors pursuant to this Proposal.
- (b) Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, reverse or modify the decision, direction to act and make such order as it thinks just.
- (c) The authority and term of office of the Inspectors will terminate upon the discharge of the Trustee.

- (d) The chairperson may adjourn the meeting of creditors upon an adjournment being required by the creditors by ordinary resolution, pursuant to s. 52 of the Act.

Release of Directors

36. Upon the Implementation Date, the Company, each and every present and former director of the Company (collectively, the “Released Parties”) shall be released and discharged from any and all demands, claims, actions, causes of action, counter claims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, options, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Creditor or Person may be entitled to assert, in the case of the Released Parties as of the Filing Date, including, without limitation, any and all Claims in respect of the potential statutory liabilities of the present or former directors of the Company, and any and all Claims relating to any obligations of the Company where the present or former directors are or may be by law liable in their capacity as directors for the payment of such obligations, and provided that nothing herein shall release or discharge any of the present or former directors of the Company from the exceptions set out in Section 50(14) of the Act.

Effect of Payment

37. Creditors will accept the payment of the amounts set out in the applicable provisions of this Proposal in complete satisfaction of all their claims, and all mortgages, charges, security interests, encumbrances, liens, writs of seizure and sale, certificates of pending litigation, executions or any other similar charges, actions or proceedings in respect of such Claims will, as of the Implementation Date, have no effect in law or in equity against the Company and the property, assets or undertakings of the Company and will be discharged, dismissed or vacated, as the case may be, at no expense to the Company, by each holder thereof no later than ten (10) Business Days after the Implementation Date, or failing same, by order of the Court made without notice to such holder.

Compromise Effective for all Purposes

38. The payment, compromise or other satisfaction of the Claims and the treatment of Shareholders under this Proposal shall be binding upon the Creditors holding the Claims and upon the Shareholders, their heirs, executors, administrators, successors and assigns, for all purposes and in the case of any Claim shall also be effective to relieve any third party directly or indirectly liable for such Claim, whether as guarantor, indemnitor, tenant, director, joint covenantor, principal or otherwise.

39. The provisions of Sections 95 to 101 of the Act shall not apply to this Proposal.

Discharge of Trustee

40. Upon the payment by the Trustee of the amounts prescribed herein, the Trustee shall have discharged its duties as Trustee and the Trustee shall be entitled to apply for its discharge as Trustee. For greater certainty, the Trustee will not be responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default.

Amendment

41. This Proposal may be amended by the Company with the consent of the Trustee at any time prior to the conclusion of the meeting of Unsecured Creditors called to consider the Proposal, provided that any amendment made pursuant to this paragraph shall not reduce the rights and benefits given to the Creditors under the Proposal before any such amendment, and provided further that any and all amendments shall be deemed to be effective as of the Filing Date of the Proposal.



Further Actions

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

Date for Action

43. 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.

Time

44. All times expressed in this Proposal are local time in Toronto, Ontario.

[The remainder of this page is intentionally left blank.]



DATED AT THE CITY OF VANCOUVER, in the Province of British Columbia, this 16th day of October 2017.

DIGITAL UNDERGROUND MEDIA INC.

By: 

Name:

Title:

Schedule "A"

Unlimited number of New Common Shares with the following rights, privileges and restrictions:

1 Voting Rights

Each holder of Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation, and at all such meetings shall be entitled to one vote in respect of each Common Share held by such holder.

2 Dividends

Subject to applicable law, the directors may at any time or from time to time declare dividends on the Common Shares in such amounts as the directors at such time or times determine.

3 Liquidation, Dissolution or Winding-up

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled to receive the remaining assets and property of the Corporation.



Schedule "B"

New Stated Capital = \$20.00.

Handwritten signature or initials in the bottom right corner of the page.

ADDENDUM

To the extent that any claims filed by employees decrease the Unsecured Creditor Payment to an amount below what it would have been based on claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors, the Investor shall increase the amount of the Loan to ensure that the Unsecured Creditor Payment is equal to what it would have been based on the claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors.

30610750.4

Handwritten signature or initials, possibly "J.B.", located in the bottom right corner of the page.

IN THE MATTER OF THE PROPOSAL OF DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER, IN THE PROVINCE OF BRITISH COLUMBIA

Estate File No.: 31-2295766
Court File No.: 31-2295766

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at Toronto

**ORDER
(APPROVING PROPOSAL)**

LOOPSTRA NIXON LLP
Barristers & Solicitors
135 Queens Plate Drive - Suite 600
Toronto, ON M9W 6V7

R. Graham Phoenix (LSUC # 52650N)
Tel: (416) 748-4776
Fax: (416) 746-8319
Email: gphoenix@loonix.com

Lawyers for MNP Ltd., the Proposal Trustee

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA.**

REPORT OF TRUSTEE ON PROPOSAL

We, **MNP Ltd.** (“**MNP**”), the proposal trustee (the “**Proposal Trustee**”) of Digital Underground Media Inc. (“**DUM**” or the “**Company**”), hereby report to the Court as follows:

1. That on the 21st day of September 2017, DUM filed a Notice of Intention to Make a Proposal (“**NOI**”) and that MNP consented to act as Proposal Trustee. The NOI was filed with the Official Receiver on that same date. Copies of the NOI, the Proposal Trustee’s Consent to Act and the Certificate of Filing of NOI are attached as **Exhibits “A”, “B” and “C”**, respectively.
2. That on the 25th day of September 2017, the Honourable Justice Hainey made an order, *inter alia*:
 - a. Approving a charge in favour of the legal counsel retained by the Company, MNP in its capacity as the Proposal Trustee and its legal counsel, in the aggregate amount of \$115,000 to secure payment of their reasonable fees and disbursements; and
 - b. Approving an interim financing facility and a charge on the Company’s assets, property and undertaking (collectively the “**Assets**”) in favour of J.D. Craig Holdings Inc., the debtor-in-possession lender (the “**DIP Lender**”).

A copy of the September 25th Order is attached as **Exhibit “D”**.

3. That a proposal was filed with the Proposal Trustee on the 2nd day of October 2017 (the “**Proposal**”) and electronically filed with the Official Receiver on the same date, a copy of which is attached and marked as **Exhibit “E”**. Attached as **Exhibit “F”** is the Certificate of Filing a Proposal issued by the Office of the Superintendent

of Bankruptcy (“OSB”). An Amended Statement of Projected Cash Flow and prescribed reports for the period ending December 15, 2017 were also filed with the Proposal.

4. That on the 6th day of October 2017, the Proposal Trustee gave notice to the Company, and to every known creditor of the Company affected by the Proposal, whose names and addresses are shown in the Affidavit of Service attached as **Exhibit “G** to this report, of the calling of a meeting of creditors to be held on the 19th day of October 2017 (the “**Meeting**”) to consider the Proposal (the “**Notice**”). On October 6, 2017, the Proposal Trustee also sent a copy of the Notice to Forward Dimension Capital 1 LLP (“**Forward**”), the UK-based private equity fund that made an equity investment in DUM to support DUM in its global expansion. On October 9, 2017, the Notice was electronically filed with the OSB.
5. That with the Notice was included a statement of the assets and liabilities of the Company as at September 29, 2017 (“**SOA**”), a list of the creditors affected by the Proposal showing the amount of their claims, a copy of the Proposal, a form of a proof of claim and proxy in blank and a voting letter. Copies of the Notice and the SOA are attached and marked as **Exhibits “H”** and “**I**”, respectively.
6. That prior to the Meeting, we made a detailed and careful inquiry into the liabilities of the Company, the Assets and their value, the Company’s conduct and the causes of the Company’s insolvency.
7. That there was a quorum at the Meeting. The Meeting was presided over by Sheldon Title of MNP.
8. Prior to the start of the Meeting, a proof of claim was filed by Michael Laitinen (the “**Employee Claim**”), in the amount of \$215,645.14. The Employee Claim, filed by DUM’s former CFO, is in respect of the purported termination of his employment agreement. Mr. Laitinen had not been included as a creditor on the SOA. DUM’s position is that Mr. Laitinen resigned from DUM and is not entitled to termination pay, and accordingly, did not reflect the Employee Claim on the SOA. The Trustee advised the Meeting that the matter has not been settled and the Employee Claim, if proven, could have a dilutive effect on the distribution. DUM’s creditors registered their votes exclusively by filing voting letters, and accordingly, would not have had knowledge of the potential dilutive effect of the Employee Claim on the distribution.
9. During the Meeting, and in response to the Employee Claim, DUM amended its proposal (the “**Amended Proposal**”) to include, *inter alia*, the following addendum:

“To the extent that any claims filed by employees decrease the Unsecured Creditor Payment to an amount below what it would have been based on claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors, the Investor shall increase the amount of the Loan to ensure that the Unsecured

Creditor Payment is equal to what it would have been based on the claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors.”

The inclusion of this clause was meant to negate the potential adverse impact of the Employee Claim, should it ultimately be determined to be a provable claim.

10. The Amended Proposal was then voted on and accepted by the creditors as detailed below. The minutes of the Meeting are attached as **Exhibit “J”**.

	For	%	Against	%
Number of creditors	9	90.00%	1	10.00%
Dollar value	\$ 459,637.01	68.07%	\$215,645.14	31.93%

The Employee Claim, which as noted above, is the only claim to vote against the acceptance of the Amended Proposal. Such claim was accepted for the purposes of voting but has not yet been admitted as a proven claim for distribution.

11. Prior to the Meeting, a “counter-proposal” was submitted to the Proposal Trustee by Forward (the “**Forward Proposal**”), who requested that the same be presented to the creditors. Forward is not a creditor under the Proposal. Regardless, the Proposal Trustee had no authority to formally present the Forward Proposal at the Meeting. Nonetheless, the Proposal Trustee did table it for discussion at the Meeting. The Proposal Trustee advised the Meeting that the Forward Proposal was mischaracterized as a “counter-proposal”, as a proposal in an insolvency context is made by the Company to its creditors. The Forward Proposal contemplated a new element, a secured creditor class, wherein the secured creditors would be required to compromise their claims, as well as a different realignment/reorganization of shareholder interests; however, the Forward Proposal did not provide for any further investment of capital by Forward to support the business going forward.
12. After the discussion, DUM advised the Meeting that it rejects the Forward Proposal and could not present same to its creditors as a viable alternative for consideration on the basis that, among other things, Forward had no plan to fund the Company going forward and was, in DUM’s view, just the latest of many failed discussions with Forward. The secured creditor advised that, even if DUM supported and was prepared to present the Forward Proposal to the creditors for consideration, it would vote against any such proposal. Accordingly, as stated above, the Meeting proceeded to vote on the Amended Proposal, tabled by the Company, which was accepted by the creditors.
13. After the Meeting, Forward retained Canadian insolvency counsel and has requested the parties engage in informal discussions ahead of the November 14, 2017 Court hearing. The Proposal Trustee, though counsel, provided requested documents to Forward’s counsel and offered to discuss Forward’s role in these

proceedings. As the at time of this Report being issued, such informal discussions have not happened.

14. That on October 26, 2017, the Proposal Trustee sent Notice of Hearing of Application for Court Approval (the “**Court Approval Notice**”), together with the Amended Proposal, to those creditors that had filed claims. The Proposal Trustee also served a copy of the Court Approval Notice on Forward and CRA. A copy of the Proposal Trustee’s affidavit of service, the Court Approval Notice, and the Amended Proposal are attached as **Exhibit “K”**.
15. On November 1, 2017, the Proposal Trustee was copied on email correspondence from Forward’s counsel to counsel to DUM indicating that Forward intends to bring a motion to examine one of DUM’s executives. As of the time of this Report being issued, neither the details of such motion and examination are clear to the Proposal Trustee.
16. That we are of the opinion that:
 - a. The Assets and their fair realizable value, as listed on the Company’s SOA, are as follows:

<u>Description</u>	<u>Estimated Realizable Value</u>
Accounts receivable	\$ nil
Cash	nil
Inventory	200,000
Furniture	5,000
Shares in subsidiary company	1
Intellectual property	100,000
	<u>\$ 305,001</u>

Based on the SOA and a *Personal Property Security Act* search conducted against registries maintained in Ontario and British Columbia on September 21, 2017, the following parties (the “**Secured Creditors**”) have a registered secured interest in the Assets:

1. The DIP Lender; and
2. DUM Holdings Inc.

- b. the liabilities of the Company are as follows, as per the SOA and creditor claims filed as at November 1, 2017:

	As per the SOA	Claims Filed as at November 1, 2017
Secured	\$305,001	\$ -
Preferred	0	-
Unsecured	3,698,190	778,883

17. That we are also of the opinion that:

- a. the causes of DUM's insolvency is as follows:

DUM has been unable to achieve its business and strategic plan as a result of being undercapitalized.

- b. the conduct of the debtor is subject to censure in the following respects:

The Proposal stipulates that s.95 to s.101 of the *Bankruptcy and Insolvency Act* ("BIA") will not apply in the Proposal. To assess the reasonableness of the inclusion of this provision, the Proposal Trustee completed a limited review of the Company's books and records to identify potential preferences and transactions at undervalue. This initial review did not reveal any transactions worthy of further consideration vis-à-vis creditors dealing with the Company at arm's length.

- c. The following facts, mentioned in Section 173 of the BIA, may be proved against the debtors:
- i. Not applicable

18. That we are further of the opinion that the Company's proposal is an advantageous one for the creditors for the following reasons:

- a. it contemplates a higher and more certain distribution for unsecured creditors than a bankruptcy, based on the total estimated claims;
- b. it provides for the continued employment of DUM's current employees; and
- c. it preserves a customer for trade creditors.

19. That we forwarded a copy of this Report to the Official Receiver on this day.

Dated at Toronto, Ontario, the 2nd day of November 2017.

MNP LTD.,
in its capacity as Trustee under the
Notice of Intention to make a Proposal of
Digital Underground Media Inc.,
and not in its personal or corporate capacities
 Per:



 Sheldon Title, CPA, CA, CIRP, LIT

Exhibit "A"

September 22, 2017

To the Creditors of Digital Underground Media Inc. ("DUM" or the "Company")

Please take notice that on September 21, 2017, DUM filed a Notice of Intention to Make a Proposal (the "NOI") pursuant to s.50.4(1) of the *Bankruptcy and Insolvency Act (Canada)*("BIA"). Please find enclosed the following:

1. The NOI, filed on September 21, 2017;
2. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims;
3. The consent of the Trustee to act in these matters; and
4. The Certificate of Filing.

Please note this is not a bankruptcy, but rather protection has been sought under the BIA pending the filing of a proposal to creditors.

Pursuant to the BIA:

- All proceedings by creditors are stayed (stopped) as of September 21, 2017;
- The Company is required to file a Proposal within 30 days of filing the NOI, subject to an extension from the Court; and
- A meeting of creditors to consider the Proposal is to be held within 21 days of the filing of a Proposal, and notice of the meeting will be sent to all known creditors at least 10 days prior to the date of the meeting.

All documents relating to this Estate are located on our website, which will be updated throughout the administration of this Estate. The website address is <http://mnpdebt.ca/en/corporate/Engagements>.

There is no need for any creditor to file a Proof of Claim at this time. If you have any questions concerning the foregoing or require any additional information please contact Jessie Hue at 416-515-5006 or by email at Jessie.Hue@mnp.ca.

Yours truly,

MNP LTD.
Trustee acting *in re*: the Proposal of
Digital Underground Media Inc.
Per:



Matthew Lem, CIRP, LIT

Encl

TAB 3-A

District of:
Division No. -
Court No.
Estate No.

36

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
Digital Underground Media Inc.
A Company Incorporated Pursuant to the Laws of the Province
Of Ontario, with a Head Office in the City of Vancouver,
In the Province of British Columbia

Take notice that:

1. We, Digital Underground Media Inc., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that we intend to make a proposal to our creditors.
2. MNP LTD. of 300 - 111 Richmond Street West, Toronto, ON, M5H 2G4, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against us are stayed as of the date of filing of this notice with the official receiver in our locality.

Dated at the City of Toronto in the Province of Ontario, this 20th day of September 2017.



Digital Underground Media Inc.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of:
 Division No.
 Court No.
 Estate No.

37

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the proposal of
 Digital Underground Media Inc.
 of the City of Vancouver
 in the Province of British Columbia

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Ade & Company Inc	2157 Henderson Hwy Winnipeg MB R2G 1P9 CA		584.00
Beacon Securities Limited	66 Wellington Street West Suite 4050, TD Tower Toronto ON M5K 1H1 CA		157,500.00
Best Best Krieger LLP	3390 University Avenue Riverside CA 92501 USA		380.58
David Chae	102-704 Yeounglong e-Pyeonhansesang Apt 239 Yeonglong-ro, 200 Bengal, Yeontong-gu, Suwon-si, Gyeonggi-do Korea		250,000.00
Denise Cooper	186 St. George Street, Suite 200 Toronto ON M5R 2N3 CA		14,604.00
DUM Holdings Inc.	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA		528,291.47
Ernst & Young	700 W Georgia St Vancouver BC V7Y 1C7 CA		42,000.00
Gowlings WLG	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA		31,684.00
Innovex	3,Cheongmyeongnam-ro, Yeongtong-gu Suwon-si, Gyeonggi-do Korea		90,000.00
JD Craig Holdings Inc	4280 Rockridge Road West Vancouver BC V7W 1A5 CA		2,816,031.78
Neil East Sound Broadcasting Ltd. (SBL)	1A - 1455 Waverley Street Winnipeg MB R3T 0P7 CA		15,680.00
Palms Creative Inc	205 - 309 W Cordova St. Vancouver BC V6B 1E5 CA		7,875.00
Piasetzki Nenniger Kvas LLP	120 Adelaide St W Suite 2308 Toronto ON M5H 1T1 CA		423.00

District of:
Division No. -
Court No.
Estate No.

38

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the matter of the proposal of
Digital Underground Media Inc.
of the City of Vancouver
in the Province of British Columbia

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Stambol Studios Inc.	104 - 1309 West 14th Ave Vancouver BC V6H 1R2 CA		7,245.00
Stantec Consulting Ltd.	c/o Lockbox 310260, PO BOX 578, STN M Calgary AB T2P 2J2 CA		10,061.00
Tomik2 inc.	62 Wendover Road Toronto ON M8X 2L3 CA		9,722.00
Vilarreal Garcia	Torre Sofia Ricardo Margáin 440-701 Valle del Campestre, San Pedro Garza Garcia, N.L. 66265 Mexico		13,600.77
Waterford Partners	350-1 First Canadian Place Toronto Board of Trade Tower Toronto ON M5X 1C1 CA		7,350.00
Total			4,003,032.60


Digital Underground Media Inc.
Insolvent Person

TAB 3-B

- Proposal Consent -

In the matter of the proposal of
Digital Underground Media Inc.
a Company Incorporated Pursuant to the Laws of the Province of Ontario
with a Head Office in the City of Vancouver, in the Province of British Columbia

To whom it may concern,

This is to advise that we hereby consent to act as trustee under the Bankruptcy and Insolvency Act for the
proposal of Digital Underground Media Inc.

Dated at the City of Toronto in the Province of Ontario, this 21st day of September 2017.

MNP LTD. - Licensed Insolvency Trustee



300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

TAB 3-C



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

In the Matter of the Notice of Intention to make a
proposal of:

Digital Underground Media Inc.
Insolvent Person

MNP LTD / MNP LTÉE
Licensed Insolvency Trustee

Date of the Notice of Intention: September 21, 2017

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: September 22, 2017, 09:25

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

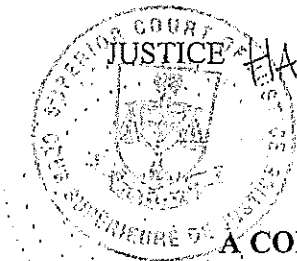
Canada

TAB 3-D

District of Ontario
 Division No. 09 -Toronto
 Court File No. 31-2295766
 Estate No. 31-2295766

**ONTARIO
 SUPERIOR COURT OF JUSTICE
 COMMERCIAL LIST**

THE HONOURABLE MR.) MONDAY, THE 25TH DAY
)
) OF SEPTEMBER, 2017



HAINES

**IN THE MATTER OF THE PROPOSAL OF
 DIGITAL UNDERGROUND MEDIA INC.,
 A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
 PROVINCE OF ONTARIO, WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
 IN THE PROVINCE OF BRITISH COLUMBIA**

**ORDER
 (re Administration and DIP Charges)**

THIS MOTION, made by Digital Underground Media Inc. (“DUM”) for an order, *inter alia*: (i) approving the First Report of MNP LTD (“MNP”), in its capacity as the proposal trustee of DUM (in such capacity, the “**Proposal Trustee**”), dated September 22, 2017 (the “**First Report**”), and the actions of the Proposal Trustee described therein; (ii) approving a debtor-in-possession financing facility (the “**DIP Facility**”) with J.D. Craig Holdings Inc. (the “**DIP Lender**”) in the principal amount of \$750,000 and granting a priority charge over all of the assets, properties and undertakings of DUM (collectively, the “**Property**”) to secure repayment of the amounts borrowed by DUM under the DIP Facility; and (iv) granting a priority charge over the Property in the principal amount of \$115,000 to secure the fees and disbursements of counsel to DUM, the Proposal Trustee and counsel to the Proposal Trustee (the “**Administration Charge**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the First Report, and on hearing the submissions of counsel for DUM, no one appearing for any other person on the service list, although duly served as appears from the affidavit of service of Diana McMillen sworn September 22, 2017, filed,

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPROVAL OF THE FIRST REPORT

2. **THIS COURT ORDERS** that the First Report be and is hereby approved and the actions of the Proposal Trustee described therein be and are hereby approved.

ADMINISTRATION CHARGE

3. **THIS COURT ORDERS** that counsel to DUM, the Proposal Trustee and counsel to the Proposal Trustee shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$115,000 as security for their fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order, in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 11 and 12 of this Order.

4. **THIS COURT ORDERS** that counsel to DUM, the Proposal Trustee and counsel to the Proposal Trustee shall pass their accounts from time to time, and for this purpose the accounts of

DUM's legal counsel, the Proposal Trustee and the Proposal Trustee's legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

DIP FACILITY

5. **THIS COURT ORDERS** that DUM is hereby authorized and empowered to obtain and borrow under a credit facility from the DIP Lender in order to finance DUM's working capital requirements and other general corporate purposes and capital expenditures during the period of its restructuring, provided that borrowings under such credit facility shall not exceed \$750,000 unless permitted by further Order of this Court.

6. **THIS COURT ORDERS THAT** the credit facility referenced in paragraph 5 of this Order shall be on the terms and subject to the conditions set forth in the DIP Loan Agreement between DUM and the DIP Lender dated September 22, 2017 (the "**DIP Loan Agreement**"), a copy of which is appended to the First Report.

7. **THIS COURT ORDERS** that DUM is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the DIP Loan Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and DUM is hereby authorized and directed to pay and perform all of the indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Loan Agreement and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

8. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Charge**”) on the Property, which shall not secure an obligation that exists before this Order is made, and shall not exceed the amount owed to the DIP Lender under the DIP Loan Agreement and the Definitive Documents. The DIP Charge shall have the priority set out in paragraphs 11 and 12 of this Order.

9. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the DIP Loan Agreement or the Definitive Documents, the DIP Lender, upon three (3) days’ notice to DUM and the Proposal Trustee, may exercise any and all of its rights and remedies against DUM or the Property under or pursuant to the DIP Loan Agreement, the Definitive Documents and the DIP Charge, including, without limitation, to cease making advances to DUM and set off or consolidate any amounts owing by the DIP Lender to DUM against the obligations of DUM to the DIP Lender under the DIP Loan Agreement, the Definitive Documents or the DIP Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against DUM and for the appointment of a trustee in bankruptcy of DUM; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of DUM or the Property.

10. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any proposal filed by DUM under the BIA with respect to any advances made under the DIP Loan Agreement or the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

11. **THIS COURT ORDERS** that the priorities of the Administration Charge and the DIP Charge (collectively, the “Charges”) shall be as follows: (a) first, the Administration Charge to a maximum amount of \$115,000; and (b) second, the DIP Lender’s Charge.

12. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, mortgages, claims and encumbrances, secured, statutory or otherwise (collectively, “Encumbrances”) in favour of any other person.

13. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges are and shall be valid and enforceable against the Property for all purposes, including, without limitation, as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect the Charges.

14. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, DUM shall not grant any Encumbrances over any Property that

rank in priority to, or *pari passu* with, any of the Charges, unless DUM also obtains the prior written consent of the Proposal Trustee, the DIP Lender, and the beneficiaries of the Administration Charge, or further Order of this Court.

15. **THIS COURT ORDERS** that the Charges, the DIP Loan Agreement and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made in these proceedings; (b) any application for a bankruptcy order issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds DUM, and notwithstanding any provision to the contrary in any such Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Loan Agreement or the Definitive Documents shall create or be deemed to constitute a breach by DUM of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any person whatsoever as a result of any breach of any Agreement caused by or resulting from DUM entering into

the DIP Loan Agreement, the Definitive Documents, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

- (c) the payments made by DUM pursuant to this Order, the DIP Loan Agreement or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

16. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property shall only be a Charge in DUM's interest in such real property leases.

E-SERVICE PROTOCOL

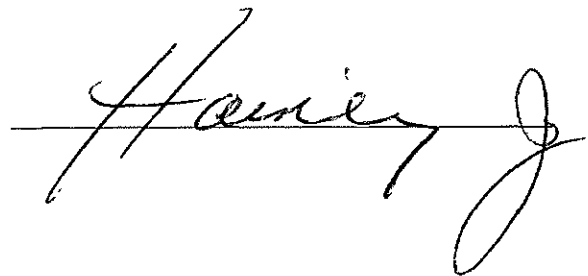
17. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") be and is hereby approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which appears on the Commercial List website at the following link: <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the "**Rules**"), this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://mnpdebt.ca/en/corporate/engagements/digital-underground-media-inc>

18. **THIS COURT ORDERS** that the E-Service List Keeper (as defined in the Protocol) for the purpose of this proceeding shall be the Proposal Trustee.

GENERAL

19. **THIS COURT ORDERS** that the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

20. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Proposal Trustee and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Proposal Trustee and its agents in carrying out the terms of this Order.

A handwritten signature in cursive script, appearing to read "Hamie J.", is written over a horizontal line. The signature is fluid and extends to the right of the line.

IN THE MATTER OF THE PROPOSAL OF DIGITAL
UNDERGROUND MEDIA INC., A COMPANY
INCORPORATED PURSUANT TO THE LAWS OF
THE PROVINCE OF ONTARIO, WITH A HEAD
OFFICE IN THE CITY OF VANCOUVER, IN THE
PROVINCE OF BRITISH COLUMBIA

Court File No. 31-2295766

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

**ORDER
(re Administration and DIP Charges)**

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Lawyers for Digital Underground Media Inc.

TAB 3-E

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA**

PROPOSAL

Digital Underground Media Inc. (the “Company”) hereby submits the following Proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

Definitions

1. In this Proposal, capitalized terms 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) the proper fees and expenses of the Trustee incidental to the preparation and facilitation of the Proposal and any amendments thereto, including, without limitation, its legal fees and disbursements; and
 - (ii) the legal fees and disbursements of the Company on and incidental to negotiations in connection with the approval of the Proposal, court

proceedings relating to the Proposal and the transactions and agreements contemplated hereby, including, without limitation, advice to the Company.

- (c) **“Approval”** means the approval of the Proposal by the statutory majorities of the creditors under the Act and by the Court by way of the Approval Order pursuant to a final and enforceable order which has become final as a result of the appeal period having expired without there having been an appeal, or an appeal having been lodged and the order approving the Proposal having been confirmed or the appeal withdrawn or dismissed.
- (d) **“Approval Date”** means the date upon which the Approval occurs.
- (e) **“Approval Order”** means the Court order(s) made under this Proposal approving the Proposal and directing the implementation of the Proposal, which orders may, without limitation, authorize the filing by the Company of the articles of reorganization, the cancellation of issued and outstanding shares in the capital of the Company, the issuance of the New Common Shares and the appointment of a new board of directors of the Company.
- (f) **“Business Day”** means a day other than a Saturday or a Sunday on which banks are generally open for business in Toronto, Ontario.
- (g) **“Claim”** means any right of any Person against the Company in connection with any indebtedness, liability or obligation of any kind owed by the Company at the Filing Date, and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, not matured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including, without limitation, the right or ability of any Person to advance a claim of 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, and any indebtedness, liability or obligation of any kind arising out of the repudiation, restructuring or termination of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, or any claims that may arise under any contract, lease, license, equipment lease, employment relationship or other agreement which may arise as a result of the insolvency of the Company, including, without limitation, any other indebtedness, liability or obligation of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the Act, and “**Claims**” means all of them.

- (h) “**Common Shares**” means the existing authorized, issued and outstanding common shares of the Company, including both Class A shares and Class B shares.
- (i) “**Consideration**” means the aggregate of: (i) the Share Consideration; and (ii) the Loan Consideration.
- (j) “**Court**” means the Ontario Superior Court of Justice.
- (k) “**Creditor**” means any Person having a Claim, and “**Creditors**” means all of them.
- (l) “**DIP Lender**” means J.D. Craig Holdings Inc.
- (m) “**DIP Loan Agreement**” means the agreement between the DIP Lender and the Company dated September 22, 2017, pursuant to which the DIP Lender will provide financing to the Company in the maximum amount of \$750,000 in order to finance the Company’s working capital requirements and other general corporate purposes and capital expenditures during the period of its restructuring, which agreement was approved by the Court by way of the Order of the Honourable Justice Haaney dated September 25, 2017.

- (n) “**Distribution Date**” means a date selected by the Trustee in consultation with the Inspectors.
- (o) “**Filing Date**” means September 21, 2017, being the date upon which the Company filed its Notice of Intention to File a Proposal under the Act.
- (p) “**Forbearance Agreement**” means the agreement between the DIP Lender, DUM Holdings Inc., and the Company dated September 15, 2017, pursuant to which the DIP Lender and DUM Holdings Inc. have agreed to forbear from enforcement of their security, and to provide continued support to the Company through its restructuring, in accordance with the terms of that agreement.
- (q) “**Implementation Date**” means immediately following the Approval Date or the date the conditions are met as set out in paragraph 26 hereof.
- (r) “**Inspectors**” means the Inspectors described in paragraph 35 hereof.
- (s) “**Investor**” means 7677189 Canada Ltd.
- (t) “**Loan**” means the loan made by the Investor to the Company in the maximum principal amount of \$76,000, pursuant to the Loan Agreement.
- (u) “**Loan Agreement**” means the agreement between the Investor and the Company dated as of or before the Meeting of Creditors whereby the Investor agrees to advance the Loan to the Company pursuant to the terms and conditions of the Loan Agreement.
- (v) “**Loan Consideration**” means proceeds payable to the Company under the Loan Agreement.
- (w) “**Meeting of Creditors**” means the meeting of Creditors to consider this Proposal prescribed by section 51(1) of the Act.

- (x) “**New Common Shares**” means all the new common shares to be issued in the share capital of the Company, as described in **Schedule “A”** hereto.
- (y) “**OBCA**” means the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended.
- (z) “**Performance of the Proposal**” means the payment of all amounts to be paid to the Trustee for the distribution to Creditors in respect of Claims, including, without limitation, the implementation of the provisions of the Proposal as described in paragraph 27 hereof.
- (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.
- (bb) “**Post-Filing Claim**” means any Claim resulting from an obligation incurred by the Company in the normal course of business of the Company in respect of goods or services supplied to the Company after the Filing Date and extends to the following:
 - (i) amounts owing to the Trustee and its solicitors and the Company’s solicitors; and
 - (ii) Her Majesty the Queen in right of Canada and in right of Ontario for amounts owed in respect of federal, provincial or state sales or excise taxes collected subsequent to the Filing Date, or amounts owing in respect of source deductions on account of employee income tax, *Canada Pension Plan* contributions and Employment Insurance premiums arising subsequent to the Filing Date,

but does not include Claims under any contract, lease, equipment lease, license, employment arrangement or other agreement which may arise as a result of the insolvency of the Company.

- (cc) **“Preferred Claim”** means any Claim for which Section 136 of the Act prescribes payment in priority to an unsecured Claim, and **“Preferred Claims”** means all of them.
- (dd) **“Preferred Creditor”** means a Creditor of the Company having a Preferred Claim, and **“Preferred Creditors”** means all of them.
- (ee) **“Priority Payment”** has the meaning ascribed to it in paragraph 18 of this Proposal.
- (ff) **“Proposal”** means this proposal dated September 30, 2017, as the whole may be amended from time to time.
- (gg) **“Proposal Fund”** means the aggregate of: (i) the Share Consideration; and (ii) the Loan Consideration, net of any levies payable or due under the Act.
- (hh) **“Proposal Period”** means the period between the Filing Date and the Performance of the Proposal.
- (ii) **“Proven Claim”** means any Claim in respect of which a proof of claim:
 - (i) has been filed with and allowed by the Trustee; or
 - (ii) has been filed with the Trustee and valued or determined in accordance with the provisions of the Act,

provided, however, that a Proven Claim shall not include a Claim:

- (i) by any Person who has received written notification from the Trustee that the Claim has not been filed on a timely basis or has been disallowed; or
 - (ii) in respect of which a proof of claim has not been filed within 30 days of the date on which the Trustee mailed to the Creditor having such Claim a notice pursuant to Section 149 of the Act.
- (jj) **“Reorganization”** means the creation and issuance of the New Common Shares, the cancellation of the Common Shares and the other amendments to the Company’s articles of incorporation described in sections 28 to 33 of this Proposal.
- (kk) **“Secured Creditor”** means any Person holding a mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Company or any part thereof as security for a Claim, and **“Secured Creditors”** means all of them.
- (ll) **“Secured Creditor Claims”** means all Claims of Secured Creditors.
- (mm) **“Shareholders”** means those Person(s) who are holders of Common Shares, or any other equity of any kind of the Company.
- (nn) **“Share Consideration”** means proceeds payable to the Company under the Subscription Agreements.
- (oo) **“Subscription Agreements”** means:
- (i) the agreement dated as of or before the Meeting of Creditors between the Company and the Investor, as the same may be amended from time to time, regarding the subscription by the Investor for the New Common Shares for the aggregate consideration of \$10.00; and
 - (ii) the agreement dated as of or before the Meeting of Creditors between the Company and the DIP Lender as the same may be amended from time to time, regarding the subscription by the DIP Lender for the New Common Shares for the aggregate consideration of \$10.00.

- (pp) “**Trustee**” means MNP LTD., in its capacity as trustee under the Proposal, and not in its personal capacity, and without any personal or corporate liability. ⁵⁷
- (qq) “**Unsecured Creditor**” means any Creditor other than a Preferred Creditor and a Secured Creditor whose Claim arose:
- (i) by reason of the supply of goods or services to or for the account of the Company prior to the Filing Date;
 - (ii) by reason of loaning of money to the Company on an unsecured basis;
 - (iii) in the case of executory contracts in existence prior to the Filing Date, by reason of the restructuring, repudiation or termination of such contracts subsequent to the Filing Date;
 - (iv) which Claims arose by any other reason prior to the Filing Date; or
 - (v) the unsecured portion of any Claim, the balance of which is secured against all or any of the assets of the Company,
- and “**Unsecured Creditors**” means all of them.
- (rr) “**Unsecured Creditor Claims**” means all Claims of Unsecured Creditors.
- (ss) “**Unsecured Creditor Payment**” has the meaning ascribed to it in section 15 of this Proposal.
- (tt) “**Warrants**” means the existing authorized, issued and outstanding warrants to purchase Common Shares of the Company.

Purpose of Proposal

2. The purpose of this Proposal is to effect a restructuring of the business and affairs of the Company in the expectation that all Creditors will derive a greater benefit from the continued operation of the business and affairs of the Company than would result from a forced liquidation of its assets. The Company is being supported through this process by the DIP Lender, which has provided financing to the Company through its insolvency prior to the Filing Date, and will continue to provide ongoing financing to the Company through the Proposal proceedings by way of the credit facility provided for in the DIP Loan Agreement. It is also being supported by the Investor, which is advancing to the Company the funds that will form the Proposal Fund to be distributed to creditors in accordance with the provisions of this Proposal.

3. An integral part of the Proposal is the cancellation of the existing and outstanding share capital of the Company, in light of the lack of value of the share capital due to the Company's insolvency. Upon the implementation of the Proposal, and in consideration of their support for the Company through the Proposal proceedings, the DIP Lender and the Investor have agreed to acquire the New Common Shares pursuant to the Subscription Agreements.

4. This Proposal is intended to provide a fair recovery to all Creditors and to provide the Company with the financial stability to continue its business operating from and after the Implementation Date.

Effect of Proposal

5. This Proposal restructures the affairs of the Company and amends the terms of any and all agreements between the Company and the Creditors or the Shareholders existing as at the Implementation Date to the extent affected by this Proposal, and provides the essential terms on which all Claims and the interests of the Shareholders will be fully and finally resolved and settled. During the Proposal Period, the provisions of Sections 65.1 and 69.1 of the Act shall be in effect. Without limiting the generality of the foregoing, during the Proposal Period all

Creditors will be stayed from commencing or continuing any proceeding or remedy against the Company, as further described in paragraph 34 hereof. 59

Persons Affected

6. This Proposal will, as of the Implementation Date, be binding on the Company and all Creditors (except Secured Creditors), Shareholders and other persons named or referred to herein in the manner provided for in this Proposal and the Act.

Restructuring of the Company

7. Prior to the Meeting of Creditors, the Company and the Investor will have entered into the Loan Agreement, pursuant to which the Loan Consideration will be advanced by the Investor to the Company following the Approval Date. The Company will, in turn, advance the Loan Consideration to the Trustee.

8. Prior to the Meeting of Creditors, each of the Company and the Investor, and the Company and the DIP Lender, will have entered into the Subscription Agreements, pursuant to which the Subscription Consideration will be fully advanced to the Company following the Approval Date. The Company will, in turn, advance the Subscription Consideration to the Trustee.

9. A condition to each of the Subscription Agreements is that the Company implement this Proposal to its Creditors, including the Reorganization, pursuant to the Act and authorized by the OBCA.

10. Pursuant to the terms of the Subscription Agreements and the Loan Agreement, and upon the successful implementation thereof in accordance with their terms, the Investor and the DIP Lender will pay the Consideration to the Company, and in turn, the Company will pay the Consideration to the Trustee for distribution to the Creditors.

11. Subject to the satisfaction or waiver of the conditions precedent set out in paragraph ⁶⁰26 of this Proposal, the following steps will occur, and be deemed to occur, sequentially in the following order, on the Implementation Date:

- (a) the Company shall be released from all the Claims of Creditors (except Secured Creditors), which shall be fully and finally compromised in accordance with the provisions of the Act and this Proposal;
- (b) articles of reorganization causing the Reorganization, as more fully described in paragraph 28 of this Proposal, will be filed by the Company;
- (c) a certificate of amendment reflecting the amendments to the articles of incorporation of the Company caused by the articles of reorganization shall be issued by the Director under the OBCA;
- (d) the Subscription Agreements will be completed in accordance with their terms, provided that all conditions thereto have been satisfied or (when waivable) waived, whereupon, among other things, the New Common Shares shall be acquired by, and share certificates in respect thereof shall be issued by the Company to, the Investor and the DIP Lender against payment of the Share Consideration to the Trustee; and
- (e) upon Approval and completion of the Loan Agreement and of the Subscription Agreements, the Investor shall remit the Loan Consideration to the Company which will, in turn, remit the Loan Consideration to the Trustee, and the Investor and the DIP Lender shall remit the Share Consideration to the Company which will, in turn, remit the Share Consideration to the Trustee.

Proposal Affecting Secured Creditors

12. This Proposal is not being made to the Secured Creditors and accordingly, Secured Creditors shall not be entitled to vote on the Proposal.

13. Claims of Secured Creditors, if any, shall be paid by the Company in accordance with agreements between the Company and the Secured Creditor including, without limitation, the Forbearance Agreement and the DIP Loan Agreement, as those agreements may be amended or supplemented from time to time.

61

Proposal for Unsecured Creditors

14. All Unsecured Creditors shall form part of a single class of Unsecured Creditors for voting and distribution purposes.

15. Each Unsecured Creditor who has a Proven Claim shall receive a payment representing each such Unsecured Creditor's *pro rata* share of the Proposal Fund, less any amounts to be paid as Priority Payments (the "**Unsecured Creditor Payment**").

16. Unsecured Creditors will accept the payments provided for in this Proposal in complete satisfaction of all their Claims and all liens, certificates of pending litigation, executions, security interests or any other similar charges or actions or proceedings in respect of such Claims will have no effect in law or in equity against the property, assets and undertaking of the Company, all of which shall be released upon payment of the amounts provided for in this Proposal. The Unsecured Creditors shall take such actions and do such other things as are necessary, at their sole cost, to file or record any required discharges of any of the foregoing.

17. Landlords of premises that have been terminated, disclaimed or repudiated shall be entitled to file a proof of claim as Unsecured Creditors for an amount equal to the lesser of: (i) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer becomes effective plus fifteen percent (15%) of the rent for the remainder of the term of the lease after that year; and (ii) three (3) years of rent. Landlords of disclaimed premises shall not be entitled to claim for accelerated rent pursuant to Section 65.2(4)(a) of the Act.

Crown Claims, Preferred Claims and Employee Claims

18. Amounts, if any (collectively, the “**Priority Payments**”):
- (a) owing to Her Majesty in Right of Canada or a Province, as enumerated in Section 60(1.1) of the Act, which shall be paid in full within six (6) months following Approval;
 - (b) owing to employees and former employees, that such persons would have been qualified to receive under Section 136(1)(d) of the Act if the Company became bankrupt on the Filing Date, which shall be paid immediately following Approval; and
 - (c) any Proven Claim in respect of a Preferred Claim, without interest,
- shall be paid in full and in priority to all Unsecured Creditors.
19. For the purpose of voting, the Preferred Creditors shall fall within the class of Unsecured Creditors.

Funds Payable Under Proposal

20. The amount to be paid to Creditors on the Distribution Date on account of their Proven Claims shall be paid from the Proposal Fund.
21. The Trustee will remit payments to Creditors in the following order:
- (a) the Priority Payments; and
 - (b) the Unsecured Creditor Payment.
22. Any such payments made by the Trustee to Creditors in this Proposal shall be made by the Trustee net of any levies payable or due under the Act.

Administrative Fees and Expenses

23. The Administrative Fees and Expenses will be paid by the Company in the ordinary course from cash flow, subject to approval by the Court.

Payment of Crown Claims

24. During the period between the Filing Date and Approval, the Company shall pay and keep current:

- (a) all amounts owing to Her Majesty in right of Canada and in right of Ontario of a kind that could be subject to a demand under Section 224(1.2) of the *Income Tax Act* (Canada) or any substantially similar provision of provincial legislation; and
- (b) all amounts collected in respect of sales taxes on behalf of Canada Revenue Agency and any provincial Ministry of Finance.

Goods or Services Given After Filing Date

25. Any Post-Filing Claim shall be paid in full in the ordinary course by the Company or as negotiated between the Company and its vendors. The Company 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 Company agrees that the Trustee shall not in any case be responsible for ensuring that payment is duly made pursuant to paragraph 24 hereof and to all those persons supplying goods or services after the Filing Date. All Creditors hereby release and forever discharge the Trustee from any and all liability relating to the Company's non-payment of any liabilities under this paragraph.

Conditions of Proposal

26. The Proposal and its implementation by the Company is conditional upon fulfilment or satisfaction of each of the following conditions:

- (a) the taking of all necessary corporate actions and proceedings to approve the Proposal;
- (b) the granting of the Approval Order;
- (c) the completion of the Loan Agreement prior to the Meeting of Creditors;
- (d) the advancement of the Loan Consideration by the Investor to the Company and, in turn, the Trustee;
- (e) the completion of the Subscription Agreements prior to the Meeting of Creditors;
- (f) the completion of the Reorganization;
- (g) the advancement of the Share Consideration by the Investor and the DIP Lender to the Company and, in turn, the Trustee;
- (h) the payment of the Administrative Fees and Expenses; and
- (i) the performance by each of the Company, the Investor and the DIP Lender of all their respective obligations pursuant to the Proposal and the transactions contemplated herein.

27. Once all of the above conditions have been fulfilled or satisfied, or (where waivable) waived, the Performance of the Proposal shall be deemed to be fully complete and the Trustee will deliver and file with the Court a certificate pursuant to Section 65.3 of the Act.

Share Capital

28. On the Implementation Date, the articles of incorporation of the Company shall be amended pursuant to the articles of reorganization in the following sequence:

- (a) to delete and cancel all of the authorized share capital of the Company and to delete and cancel all of the rights, privileges, restrictions and conditions attaching thereto, including, but not limited to, deleting and cancelling all of the Common Shares and all of the Preferred Shares (as defined in the Company's articles of incorporation);
 - (b) to create an unlimited number of New Common Shares and to provide that the rights, privileges, restrictions and conditions attaching to the New Common Shares are as set out in Schedule "A" hereto; and
 - (c) providing that, after giving effect to the foregoing, the authorized share capital of the Company shall consist only of an unlimited number of New Common Shares.
29. All existing and outstanding Warrants, together with contracts pursuant to which Warrants may be issued in future, shall be cancelled.
30. No Shareholder will be entitled to any payment or other compensation with respect to the cancellation of its/her/his Common Shares, Warrants or otherwise.
31. The aggregate stated capital for the purposes of the OBCA of the New Common Shares issued to the Investor and the DIP Lender under the Subscription Agreements and pursuant to this Proposal shall be as set out in **Schedule "B"**.
32. The Shareholders shall not be entitled to vote on this Proposal.
33. The Shareholders shall not have any rights of dissent pursuant to Section 186(6) of the OBCA in respect of this Proposal.

Stay of Proceedings

34. During the Proposal Period, and provided the Company is not in default hereunder, each Creditor will be stayed from commencing or continuing any proceeding or remedy against the Company or its property based upon a Claim existing on or before the Filing Date, or whose Claim has arisen after the Filing Date as a result of the termination, repudiation or restructuring of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, including, without limitation, any proceeding or remedy to recover payment of such Claim, to realize against any security granted in respect of such Claim, to recover or enforce a judgment against the Company in respect of such Claim or to initiate any

proceedings against it under any applicable bankruptcy, insolvency or other laws in respect of such Claim, other than an application or proceeding in connection with this Proposal. ⁶⁶

Inspectors

35. (a) At the meeting of the Unsecured Creditors to be held to consider the Proposal, the Creditors may appoint one or more but not exceeding five (5) persons to act as Inspectors, whose powers shall be limited to:
- (i) advising the Trustee from time to time with respect to any matter that the Trustee may refer to them;
 - (ii) advising the Trustee concerning any dispute which may arise as to the validity of Claims of Unsecured Creditors; and
 - (iii) authorizing an extension of time for payments due to the Unsecured Creditors pursuant to this Proposal.
- (b) Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, reverse or modify the decision, direction to act and make such order as it thinks just.
- (c) The authority and term of office of the Inspectors will terminate upon the discharge of the Trustee.
- (d) The chairperson may adjourn the meeting of creditors upon an adjournment being required by the creditors by ordinary resolution, pursuant to s. 52 of the Act.

Release of Directors

36. Upon the Implementation Date, the Company, each and every present and former director of the Company (collectively, the “**Released Parties**”) shall be released and discharged

67
from any and all demands, claims, actions, causes of action, counter claims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, options, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Creditor or Person may be entitled to assert, in the case of the Released Parties as of the Filing Date, including, without limitation, any and all Claims in respect of the potential statutory liabilities of the present or former directors of the Company, and any and all Claims relating to any obligations of the Company where the present or former directors are or may be by law liable in their capacity as directors for the payment of such obligations, and provided that nothing herein shall release or discharge any of the present or former directors of the Company from the exceptions set out in Section 50(14) of the Act.

Effect of Payment

37. Creditors will accept the payment of the amounts set out in the applicable provisions of this Proposal in complete satisfaction of all their claims, and all mortgages, charges, security interests, encumbrances, liens, writs of seizure and sale, certificates of pending litigation, executions or any other similar charges, actions or proceedings in respect of such Claims will, as of the Implementation Date, have no effect in law or in equity against the Company and the property, assets or undertakings of the Company and will be discharged, dismissed or vacated, as the case may be, at no expense to the Company, by each holder thereof no later than ten (10) Business Days after the Implementation Date, or failing same, by order of the Court made without notice to such holder.

Compromise Effective for all Purposes

38. The payment, compromise or other satisfaction of the Claims and the treatment of Shareholders under this Proposal shall be binding upon the Creditors holding the Claims and upon the Shareholders, their heirs, executors, administrators, successors and assigns, for all purposes and in the case of any Claim shall also be effective to relieve any third party directly or indirectly liable for such Claim, whether as guarantor, indemnitor, tenant, director, joint covenantor, principal or otherwise.

39. The provisions of Sections 95 to 101 of the Act shall not apply to this Proposal.

Discharge of Trustee

40. Upon the payment by the Trustee of the amounts prescribed herein, the Trustee shall have discharged its duties as Trustee and the Trustee shall be entitled to apply for its discharge as Trustee. For greater certainty, the Trustee will not be responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default.

Amendment

41. This Proposal may be amended by the Company with the consent of the Trustee at any time prior to the conclusion of the meeting of Unsecured Creditors called to consider the Proposal, provided that any amendment made pursuant to this paragraph shall not reduce the rights and benefits given to the Creditors under the Proposal before any such amendment, and provided further that any and all amendments shall be deemed to be effective as of the Filing Date of the Proposal.

Further Actions

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

Date for Action

43. 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.

Time

44. All times expressed in this Proposal are local time in Toronto, Ontario.

[The remainder of this page is intentionally left blank.]

DATED AT THE CITY OF VANCOUVER, in the Province of British Columbia, this 30th day **70**
of September, 2017.

DIGITAL UNDERGROUND MEDIA INC.

By: _____
Name: Dawson
Title: Director

Schedule "A"

Unlimited number of New Common Shares with the following rights, privileges and restrictions:

1 Voting Rights

Each holder of Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation, and at all such meetings shall be entitled to one vote in respect of each Common Share held by such holder.

2 Dividends

Subject to applicable law, the directors may at any time or from time to time declare dividends on the Common Shares in such amounts as the directors at such time or times determine.

3 Liquidation, Dissolution or Winding-up

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled to receive the remaining assets and property of the Corporation.

Schedule "B"

New Stated Capital = \$20.00.

30384597.7

TAB 3-F



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

73

District of Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

In the Matter of the Proposal of:

Digital Underground Media Inc.
Debtor

MNP LTD / MNP LTÉE
Licensed Insolvency Trustee

Date of Proposal:	October 02, 2017	Security:	\$
Meeting of Creditors:	October 19, 2017, 10:00 111 Richmond ST W, Suite 300 Toronto, Ontario Canada,		
Chair:	Trustee		

CERTIFICATE OF FILING OF A PROPOSAL - Section 62

-- AMENDED --

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that:

- a proposal in respect of the aforementioned debtor was filed under section 62 of the *Bankruptcy and Insolvency Act*.

The aforementioned trustee is required:

- to provide to me, without delay, security in the aforementioned amount; and
- to send to all creditors, at least ten days prior to the meeting, a notice of a meeting of creditors, which will be held at the aforementioned time and place.

Date: October 02, 2017, 14:11

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

TAB 3-G

District of ONTARIO
Division 09-Toronto
Estate #: 31-2295766
Court # 31-2295766

AFFIDAVIT OF MAILING

**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE PROVINCE OF ONTARIO
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER IN THE PROVINCE OF BRITISH
COLUMBIA**

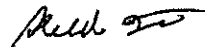
I, Sheldon Title, of the Trustee's office of MNP Ltd., hereby make oath and say;

That on the 6th day of October, 2017, I did cause to be emailed the creditors of the above-named corporation whose names, email addresses and addresses appear on the paper-writing marked as Exhibit "A", attached hereto, a copy each of the Notice of Proposal to Creditors (the "Notice"), The Proposal, Statement of Affairs, Report of the Trustee on the Proposal, a blank Proof of Claim Form, Proxy Form and Voting Letter marked as Exhibit "B", attached hereto.

And that on 9th day of October, 2017, I did cause to electronically file the Notice together with Report of the Trustee on the Proposal with the Office of the Superintendent of Bankruptcy. Copies of the confirmations of filing are marked as Exhibits "C" and "D" respectively, attached hereto.

SWORN BEFORE ME in)
the City of Toronto, in the)
Province of Ontario this 12th)
day of October, 2017.)





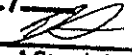
Sheldon Title

Henry Louis, a Commissioner, etc.,
Province of Ontario, for MNP Ltd. and MNP LLP.,
Expires December 30, 2019.

swiebe@adeco.com;
fspanogiannis@beaconsecurities.ca;
Joyce.Zimmerman@bbklaw.com;
david.chae@adtrackmedia.com;
denisecooper@sympatico.ca;
richard.mockett@ca.ey.com;
info@globalme.net;
Karen.Gorman@gowlingwlg.com;
david.chae@adtrackmedia.com;
drew@craigwireless.com;
laitinenmichael@gmail.com;
mpreuss@studiopalms.com;
mauciello@pnklaw.ca;
eastkr@sbl.ca;
hello@stambol.com;
Doug.Braun@stantec.com;
jacktomik@rogers.com;
seanb.ty@gmail.com;
veronique.lesoinne@vggf.mx;
vmcilroy@waterfordpartners.ca;
nicholas.loh@goldquaycapital.com;
skgill@icloud.com;
nickloh68@gmail.com;
ken@adtrackmedia.com;
mike@adtrackmedia.com;
drew@adtrackmedia.com;
info@corbelcommercial.com;
info@selc-canada.ca;
tony@gardner-hillman.je;
vmcilroy@waterfordpartners.ca;
mayw@selc-canada.ca;
marc@corbelcommercial.com;
skgill@icloud.com;
nicholas.loh@opvsgroup.com;
s t-f g@cra-arc.gc.ca

insolvency.unit@ontario.ca;

RNainby@houserhenry.com;
MHenry@houserhenry.com;
JShpolska@houserhenry.com;
laura@forwarddimension.com

THIS IS EXHIBIT *A* REFERRED TO IN
THE AFFIDAVIT OF *Sheldon Tille*
SWORN BEFORE ME THIS *12* DAY OF
Oct *2011*

A Commissioner, Etc.,

MNP LTD
76

THIS IS EXHIBIT **B** REFERRED TO IN
THE AFFIDAVIT OF Sheldon Title

SWORN BEFORE ME THIS 12 DAY OF
Oct 2017

A Commissioner, Etc.,

DISTRICT OF ONTARIO
Division No 09 - Toronto
Court and Estate Nos. 31-2295766

NOTICE OF PROPOSAL TO CREDITORS

**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.**

**A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE PROVINCE OF ONTARIO
WITH A HEAD OFFICE IN THE CITY VANCOUVER, IN THE PROVINCE OF BRITISH COLUMBIA**

On October 2, 2017, Digital Underground Media Inc. ("DUM" or the "Company") lodged with us a Proposal pursuant to the *Bankruptcy and Insolvency Act* (the "Act"). On the same day the Proposal was filed with the Official Receiver.

Attached to this notice are the following documents.

- A. The Proposal
- B. Statement of Affairs, dated September 29, 2017
- C. Report of the Trustee on the Proposal
- D. Proof of Claim form
- E. Proxy form
- F. Voting letter

A general meeting of the creditors will be held on the 19th day of October, 2017 at 10:00 AM at the offices of the Trustee:

MNP Ltd.
300 - 111 Richmond Street West
Toronto, ON M5H 2G4

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the Proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the Court, the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the time appointed for the meeting of creditors either via email or via facsimile at (416) 323-5242. Proof of claim forms are to be filed based on the amount owed as of September 21, 2017, the date the Notice of Intention to Make a Proposal was filed.

Dated at TORONTO, ONTARIO this 6th day of October, 2017.

MNP Ltd.
*Trustee re: the Proposal of
Digital Underground Media Inc.*

Per: 
Sheldon Title, CPA, CA, CIRP, LIT

Praxity
MEMBER
GLOBAL ALLIANCE OF
INDEPENDENT FIRMS

ACN.
BESTEMPLOYER
MULTINATIONAL COMPANY

LICENSED INSOLVENCY TRUSTEES

111 RICHMOND STREET WEST, SUITE 300, TORONTO, ON M5H 2G4

P: 416.596.1711 F: 416.596.7894 MNPdebt.ca

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

77

FORM 92
Notice of Proposal to Creditors
(Section 51 of the Act)

In the matter of the proposal of
Digital Underground Media Inc.
a Company Incorporated Pursuant to the Laws of the Province of Ontario
with a Head Office in the City of Vancouver, in the Province of British Columbia

Take notice that Digital Underground Media Inc. of the City of Vancouver in the Province of British Columbia has lodged with us a proposal under the Bankruptcy and Insolvency Act.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed herewith.


A general meeting of the creditors will be held at 300 - 111 Richmond Street West, Toronto, ON on the 19th day of October 2017 at 10:00 AM.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the commencement of the meeting.

Dated at the City of Toronto in the Province of Ontario, this 6th day of October 2017.

MNP LTD. - Licensed Insolvency Trustee



300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Ade & Company Inc	2157 Henderson Hwy Winnipeg MB R2G 1P9 CA		584.00
Beacon Securities Limited	66 Wellington Street West Suite 4050, TD Tower Toronto ON M5K 1H1 CA		157,500.00
Best Best Krieger LLP	3390 University Avenue Riverside CA 92501 USA		380.58
David Chae	102-704 Yeoungtong e-Pyeonhansesang Apt 239 Yeongtong-ro, 200 beon-gil, Yeontong-gu, Suwon-si, Gyeonggi-do Korea		250,000.00
Denise Cooper	186 St. George Street, Suite 200 Toronto ON M5R 2N3 CA		14,604.00
DJM Holdings Inc.	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA		528,291.47
EY	700 W Georgia St Vancouver BC V7Y 1C7 CA		42,000.00
Gowlings WLG	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA		31,684.00
Innovex	3,Cheongmyeongnam-ro, Yeongtong-gu Suwon-si, Gyeonggi-do Korea		90,000.00
JD Craig Holdings Inc	4280 Rockridge Road West Vancouver BC V7W 1A5 CA		2,816,031.78
Neil East Sound Broadcasting Ltd. (SBL)	1A - 1455 Waverley Street Winnipeg MB R3T 0P7 CA		15,680.00
Palms Creative Inc	205 - 309 W Cordova St. Vancouver BC V6B 1E5 CA		7,875.00
Piasetzki Nenniger Kvas LLP	120 Adelaide St W Suite 2308 Toronto ON M5H 1T1 CA		423.00
Stambol Studios Inc.	104 - 1309 West 14th Ave Vancouver BC V6H 1R2 CA		7,245.00
Stantec Consulting Ltd.	c/o Lockbox 310260, PO BOX 578, STN M Calgary AB T2P 2J2 CA		10,061.00
Tornik2 inc.	62 Wendover Road Toronto ON M8X 2L3 CA		9,722.00
Villarreal Garcia	Torre Sofia Ricardo Margáin 440-701 Valle del Campestre, San Pedro Garza Garcia, N.L. 66265 Mexico		13,600.77

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Waterford Partners	350-1 First Canadian Place Toronto Board of Trade Tower Toronto ON M5X 1C1 CA		7,350.00
Total			4,003,032.60

Exhibit "A"

District of Ontario
Division No. 09 -Toronto
Court File No. 31-2295766
Estate No. 31-2295766

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA**

PROPOSAL

Digital Underground Media Inc. (the "Company") hereby submits the following Proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

Definitions

1. In this Proposal, capitalized terms 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) the proper fees and expenses of the Trustee incidental to the preparation and facilitation of the Proposal and any amendments thereto, including, without limitation, its legal fees and disbursements; and
 - (ii) the legal fees and disbursements of the Company on and incidental to negotiations in connection with the approval of the Proposal, court

proceedings relating to the Proposal and the transactions and agreements contemplated hereby, including, without limitation, advice to the Company.

- (c) **“Approval”** means the approval of the Proposal by the statutory majorities of the creditors under the Act and by the Court by way of the Approval Order pursuant to a final and enforceable order which has become final as a result of the appeal period having expired without there having been an appeal, or an appeal having been lodged and the order approving the Proposal having been confirmed or the appeal withdrawn or dismissed.
- (d) **“Approval Date”** means the date upon which the Approval occurs.
- (e) **“Approval Order”** means the Court order(s) made under this Proposal approving the Proposal and directing the implementation of the Proposal, which orders may, without limitation, authorize the filing by the Company of the articles of reorganization, the cancellation of issued and outstanding shares in the capital of the Company, the issuance of the New Common Shares and the appointment of a new board of directors of the Company.
- (f) **“Business Day”** means a day other than a Saturday or a Sunday on which banks are generally open for business in Toronto, Ontario.
- (g) **“Claim”** means any right of any Person against the Company in connection with any indebtedness, liability or obligation of any kind owed by the Company at the Filing Date, and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, not matured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including, without limitation, the right or ability of any Person to advance a claim of 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, and any indebtedness, liability or obligation of any kind arising out of the repudiation, restructuring or termination of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, or any claims that may arise under any contract, lease, license, equipment lease, employment relationship or other agreement which may arise as a result of the insolvency of the Company, including, without limitation, any other indebtedness, liability or obligation of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the Act, and “Claims” means all of them.

- (h) **“Common Shares”** means the existing authorized, issued and outstanding common shares of the Company, including both Class A shares and Class B shares.
- (i) **“Consideration”** means the aggregate of: (i) the Share Consideration; and (ii) the Loan Consideration.
- (j) **“Court”** means the Ontario Superior Court of Justice.
- (k) **“Creditor”** means any Person having a Claim, and **“Creditors”** means all of them.
- (l) **“DIP Lender”** means J.D. Craig Holdings Inc.
- (m) **“DIP Loan Agreement”** means the agreement between the DIP Lender and the Company dated September 22, 2017, pursuant to which the DIP Lender will provide financing to the Company in the maximum amount of \$750,000 in order to finance the Company’s working capital requirements and other general corporate purposes and capital expenditures during the period of its restructuring, which agreement was approved by the Court by way of the Order of the Honourable Justice Hailey dated September 25, 2017.

- (n) **“Distribution Date”** means a date selected by the Trustee in consultation with the Inspectors.
- (o) **“Filing Date”** means September 21, 2017, being the date upon which the Company filed its Notice of Intention to File a Proposal under the Act.
- (p) **“Forbearance Agreement”** means the agreement between the DIP Lender, DUM Holdings Inc., and the Company dated September 15, 2017, pursuant to which the DIP Lender and DUM Holdings Inc. have agreed to forbear from enforcement of their security, and to provide continued support to the Company through its restructuring, in accordance with the terms of that agreement.
- (q) **“Implementation Date”** means immediately following the Approval Date or the date the conditions are met as set out in paragraph 26 hereof.
- (r) **“Inspectors”** means the Inspectors described in paragraph 35 hereof.
- (s) **“Investor”** means 7677189 Canada Ltd.
- (t) **“Loan”** means the loan made by the Investor to the Company in the maximum principal amount of \$76,000, pursuant to the Loan Agreement.
- (u) **“Loan Agreement”** means the agreement between the Investor and the Company dated as of or before the Meeting of Creditors whereby the Investor agrees to advance the Loan to the Company pursuant to the terms and conditions of the Loan Agreement.
- (v) **“Loan Consideration”** means proceeds payable to the Company under the Loan Agreement.
- (w) **“Meeting of Creditors”** means the meeting of Creditors to consider this Proposal prescribed by section 51(1) of the Act.

- (x) **“New Common Shares”** means all the new common shares to be issued in the share capital of the Company, as described in **Schedule “A”** hereto.
- (y) **“OBCA”** means the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended.
- (z) **“Performance of the Proposal”** means the payment of all amounts to be paid to the Trustee for the distribution to Creditors in respect of Claims, including, without limitation, the implementation of the provisions of the Proposal as described in paragraph 27 hereof.
- (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.
- (bb) **“Post-Filing Claim”** means any Claim resulting from an obligation incurred by the Company in the normal course of business of the Company in respect of goods or services supplied to the Company after the Filing Date and extends to the following:
 - (i) amounts owing to the Trustee and its solicitors and the Company’s solicitors; and
 - (ii) Her Majesty the Queen in right of Canada and in right of Ontario for amounts owed in respect of federal, provincial or state sales or excise taxes collected subsequent to the Filing Date, or amounts owing in respect of source deductions on account of employee income tax, *Canada Pension Plan* contributions and Employment Insurance premiums arising subsequent to the Filing Date,

but does not include Claims under any contract, lease, equipment lease, license, employment arrangement or other agreement which may arise as a result of the insolvency of the Company.

- (cc) **“Preferred Claim”** means any Claim for which Section 136 of the Act prescribes payment in priority to an unsecured Claim, and **“Preferred Claims”** means all of them.
- (dd) **“Preferred Creditor”** means a Creditor of the Company having a Preferred Claim, and **“Preferred Creditors”** means all of them.
- (ee) **“Priority Payment”** has the meaning ascribed to it in paragraph 18 of this Proposal.
- (ff) **“Proposal”** means this proposal dated September 30, 2017, as the whole may be amended from time to time.
- (gg) **“Proposal Fund”** means the aggregate of: (i) the Share Consideration; and (ii) the Loan Consideration, net of any levies payable or due under the Act.
- (hh) **“Proposal Period”** means the period between the Filing Date and the Performance of the Proposal.
- (ii) **“Proven Claim”** means any Claim in respect of which a proof of claim:
 - (i) has been filed with and allowed by the Trustee; or
 - (ii) has been filed with the Trustee and valued or determined in accordance with the provisions of the Act,

provided, however, that a Proven Claim shall not include a Claim:

- (i) by any Person who has received written notification from the Trustee that the Claim has not been filed on a timely basis or has been disallowed; or
 - (ii) in respect of which a proof of claim has not been filed within 30 days of the date on which the Trustee mailed to the Creditor having such Claim a notice pursuant to Section 149 of the Act.
- (jj) **“Reorganization”** means the creation and issuance of the New Common Shares, the cancellation of the Common Shares and the other amendments to the Company’s articles of incorporation described in sections 28 to 33 of this Proposal.
- (kk) **“Secured Creditor”** means any Person holding a mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Company or any part thereof as security for a Claim, and **“Secured Creditors”** means all of them.
- (ll) **“Secured Creditor Claims”** means all Claims of Secured Creditors.
- (mm) **“Shareholders”** means those Person(s) who are holders of Common Shares, or any other equity of any kind of the Company.
- (nn) **“Share Consideration”** means proceeds payable to the Company under the Subscription Agreements.
- (oo) **“Subscription Agreements”** means:
- (i) the agreement dated as of or before the Meeting of Creditors between the Company and the Investor, as the same may be amended from time to time, regarding the subscription by the Investor for the New Common Shares for the aggregate consideration of \$10.00; and
 - (ii) the agreement dated as of or before the Meeting of Creditors between the Company and the DIP Lender as the same may be amended from time to time, regarding the subscription by the DIP Lender for the New Common Shares for the aggregate consideration of \$10.00.

- (pp) **“Trustee”** means MNP LTD., in its capacity as trustee under the Proposal, and not in its personal capacity, and without any personal or corporate liability.
- (qq) **“Unsecured Creditor”** means any Creditor other than a Preferred Creditor and a Secured Creditor whose Claim arose:
- (i) by reason of the supply of goods or services to or for the account of the Company prior to the Filing Date;
 - (ii) by reason of loaning of money to the Company on an unsecured basis;
 - (iii) in the case of executory contracts in existence prior to the Filing Date, by reason of the restructuring, repudiation or termination of such contracts subsequent to the Filing Date;
 - (iv) which Claims arose by any other reason prior to the Filing Date; or
 - (v) the unsecured portion of any Claim, the balance of which is secured against all or any of the assets of the Company,
- and **“Unsecured Creditors”** means all of them.
- (rr) **“Unsecured Creditor Claims”** means all Claims of Unsecured Creditors.
- (ss) **“Unsecured Creditor Payment”** has the meaning ascribed to it in section 15 of this Proposal.
- (tt) **“Warrants”** means the existing authorized, issued and outstanding warrants to purchase Common Shares of the Company.

Purpose of Proposal

2. The purpose of this Proposal is to effect a restructuring of the business and affairs of the Company in the expectation that all Creditors will derive a greater benefit from the continued operation of the business and affairs of the Company than would result from a forced liquidation of its assets. The Company is being supported through this process by the DIP Lender, which has provided financing to the Company through its insolvency prior to the Filing Date, and will continue to provide ongoing financing to the Company through the Proposal proceedings by way of the credit facility provided for in the DIP Loan Agreement. It is also being supported by the Investor, which is advancing to the Company the funds that will form the Proposal Fund to be distributed to creditors in accordance with the provisions of this Proposal.

3. An integral part of the Proposal is the cancellation of the existing and outstanding share capital of the Company, in light of the lack of value of the share capital due to the Company's insolvency. Upon the implementation of the Proposal, and in consideration of their support for the Company through the Proposal proceedings, the DIP Lender and the Investor have agreed to acquire the New Common Shares pursuant to the Subscription Agreements.

4. This Proposal is intended to provide a fair recovery to all Creditors and to provide the Company with the financial stability to continue its business operating from and after the Implementation Date.

Effect of Proposal

5. This Proposal restructures the affairs of the Company and amends the terms of any and all agreements between the Company and the Creditors or the Shareholders existing as at the Implementation Date to the extent affected by this Proposal, and provides the essential terms on which all Claims and the interests of the Shareholders will be fully and finally resolved and settled. During the Proposal Period, the provisions of Sections 65.1 and 69.1 of the Act shall be in effect. Without limiting the generality of the foregoing, during the Proposal Period all

Creditors will be stayed from commencing or continuing any proceeding or remedy against the Company, as further described in paragraph 34 hereof.

Persons Affected

6. This Proposal will, as of the Implementation Date, be binding on the Company and all Creditors (except Secured Creditors), Shareholders and other persons named or referred to herein in the manner provided for in this Proposal and the Act.

Restructuring of the Company

7. Prior to the Meeting of Creditors, the Company and the Investor will have entered into the Loan Agreement, pursuant to which the Loan Consideration will be advanced by the Investor to the Company following the Approval Date. The Company will, in turn, advance the Loan Consideration to the Trustee.

8. Prior to the Meeting of Creditors, each of the Company and the Investor, and the Company and the DIP Lender, will have entered into the Subscription Agreements, pursuant to which the Subscription Consideration will be fully advanced to the Company following the Approval Date. The Company will, in turn, advance the Subscription Consideration to the Trustee.

9. A condition to each of the Subscription Agreements is that the Company implement this Proposal to its Creditors, including the Reorganization, pursuant to the Act and authorized by the OBCA.

10. Pursuant to the terms of the Subscription Agreements and the Loan Agreement, and upon the successful implementation thereof in accordance with their terms, the Investor and the DIP Lender will pay the Consideration to the Company, and in turn, the Company will pay the Consideration to the Trustee for distribution to the Creditors.

11. Subject to the satisfaction or waiver of the conditions precedent set out in paragraph 26 of this Proposal, the following steps will occur, and be deemed to occur, sequentially in the following order, on the Implementation Date:

- (a) the Company shall be released from all the Claims of Creditors (except Secured Creditors), which shall be fully and finally compromised in accordance with the provisions of the Act and this Proposal;
- (b) articles of reorganization causing the Reorganization, as more fully described in paragraph 28 of this Proposal, will be filed by the Company;
- (c) a certificate of amendment reflecting the amendments to the articles of incorporation of the Company caused by the articles of reorganization shall be issued by the Director under the OBCA;
- (d) the Subscription Agreements will be completed in accordance with their terms, provided that all conditions thereto have been satisfied or (when waivable) waived, whereupon, among other things, the New Common Shares shall be acquired by, and share certificates in respect thereof shall be issued by the Company to, the Investor and the DIP Lender against payment of the Share Consideration to the Trustee; and
- (e) upon Approval and completion of the Loan Agreement and of the Subscription Agreements, the Investor shall remit the Loan Consideration to the Company which will, in turn, remit the Loan Consideration to the Trustee, and the Investor and the DIP Lender shall remit the Share Consideration to the Company which will, in turn, remit the Share Consideration to the Trustee.

Proposal Affecting Secured Creditors

12. This Proposal is not being made to the Secured Creditors and accordingly, Secured Creditors shall not be entitled to vote on the Proposal.

13. Claims of Secured Creditors, if any, shall be paid by the Company in accordance with agreements between the Company and the Secured Creditor including, without limitation, the Forbearance Agreement and the DIP Loan Agreement, as those agreements may be amended or supplemented from time to time.

Proposal for Unsecured Creditors

14. All Unsecured Creditors shall form part of a single class of Unsecured Creditors for voting and distribution purposes.

15. Each Unsecured Creditor who has a Proven Claim shall receive a payment representing each such Unsecured Creditor's *pro rata* share of the Proposal Fund, less any amounts to be paid as Priority Payments (the "Unsecured Creditor Payment").

16. Unsecured Creditors will accept the payments provided for in this Proposal in complete satisfaction of all their Claims and all liens, certificates of pending litigation, executions, security interests or any other similar charges or actions or proceedings in respect of such Claims will have no effect in law or in equity against the property, assets and undertaking of the Company, all of which shall be released upon payment of the amounts provided for in this Proposal. The Unsecured Creditors shall take such actions and do such other things as are necessary, at their sole cost, to file or record any required discharges of any of the foregoing.

17. Landlords of premises that have been terminated, disclaimed or repudiated shall be entitled to file a proof of claim as Unsecured Creditors for an amount equal to the lesser of: (i) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer becomes effective plus fifteen percent (15%) of the rent for the remainder of the term of the lease after that year; and (ii) three (3) years of rent. Landlords of disclaimed premises shall not be entitled to claim for accelerated rent pursuant to Section 65.2(4)(a) of the Act.

Crown Claims, Preferred Claims and Employee Claims

18. Amounts, if any (collectively, the "Priority Payments"):
- (a) owing to Her Majesty in Right of Canada or a Province, as enumerated in Section 60(1.1) of the Act, which shall be paid in full within six (6) months following Approval;
 - (b) owing to employees and former employees, that such persons would have been qualified to receive under Section 136(1)(d) of the Act if the Company became bankrupt on the Filing Date, which shall be paid immediately following Approval; and
 - (c) any Proven Claim in respect of a Preferred Claim, without interest,
- shall be paid in full and in priority to all Unsecured Creditors.

19. For the purpose of voting, the Preferred Creditors shall fall within the class of Unsecured Creditors.

Funds Payable Under Proposal

20. The amount to be paid to Creditors on the Distribution Date on account of their Proven Claims shall be paid from the Proposal Fund.
21. The Trustee will remit payments to Creditors in the following order:
- (a) the Priority Payments; and
 - (b) the Unsecured Creditor Payment.
22. Any such payments made by the Trustee to Creditors in this Proposal shall be made by the Trustee net of any levies payable or due under the Act.

Administrative Fees and Expenses

23. The Administrative Fees and Expenses will be paid by the Company in the ordinary course from cash flow, subject to approval by the Court.

Payment of Crown Claims

24. During the period between the Filing Date and Approval, the Company shall pay and keep current:

- (a) all amounts owing to Her Majesty in right of Canada and in right of Ontario of a kind that could be subject to a demand under Section 224(1.2) of the *Income Tax Act* (Canada) or any substantially similar provision of provincial legislation; and
- (b) all amounts collected in respect of sales taxes on behalf of Canada Revenue Agency and any provincial Ministry of Finance.

Goods or Services Given After Filing Date

25. Any Post-Filing Claim shall be paid in full in the ordinary course by the Company or as negotiated between the Company and its vendors. The Company 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 Company agrees that the Trustee shall not in any case be responsible for ensuring that payment is duly made pursuant to paragraph 24 hereof and to all those persons supplying goods or services after the Filing Date. All Creditors hereby release and forever discharge the Trustee from any and all liability relating to the Company's non-payment of any liabilities under this paragraph.

Conditions of Proposal

26. The Proposal and its implementation by the Company is conditional upon fulfilment or satisfaction of each of the following conditions:

- (a) the taking of all necessary corporate actions and proceedings to approve the Proposal;
- (b) the granting of the Approval Order;
- (c) the completion of the Loan Agreement prior to the Meeting of Creditors;
- (d) the advancement of the Loan Consideration by the Investor to the Company and, in turn, the Trustee;
- (e) the completion of the Subscription Agreements prior to the Meeting of Creditors;
- (f) the completion of the Reorganization;
- (g) the advancement of the Share Consideration by the Investor and the DIP Lender to the Company and, in turn, the Trustee;
- (h) the payment of the Administrative Fees and Expenses; and
- (i) the performance by each of the Company, the Investor and the DIP Lender of all their respective obligations pursuant to the Proposal and the transactions contemplated herein.

27. Once all of the above conditions have been fulfilled or satisfied, or (where waivable) waived, the Performance of the Proposal shall be deemed to be fully complete and the Trustee will deliver and file with the Court a certificate pursuant to Section 65.3 of the Act.

Share Capital

28. On the Implementation Date, the articles of incorporation of the Company shall be amended pursuant to the articles of reorganization in the following sequence:

- (a) to delete and cancel all of the authorized share capital of the Company and to delete and cancel all of the rights, privileges, restrictions and conditions attaching thereto, including, but not limited to, deleting and cancelling all of the Common Shares and all of the Preferred Shares (as defined in the Company's articles of incorporation);
- (b) to create an unlimited number of New Common Shares and to provide that the rights, privileges, restrictions and conditions attaching to the New Common Shares are as set out in Schedule "A" hereto; and
- (c) providing that, after giving effect to the foregoing, the authorized share capital of the Company shall consist only of an unlimited number of New Common Shares.

29. All existing and outstanding Warrants, together with contracts pursuant to which Warrants may be issued in future, shall be cancelled.

30. No Shareholder will be entitled to any payment or other compensation with respect to the cancellation of its/her/his Common Shares, Warrants or otherwise.

31. The aggregate stated capital for the purposes of the OBCA of the New Common Shares issued to the Investor and the DIP Lender under the Subscription Agreements and pursuant to this Proposal shall be as set out in Schedule "B".

32. The Shareholders shall not be entitled to vote on this Proposal.

33. The Shareholders shall not have any rights of dissent pursuant to Section 186(6) of the OBCA in respect of this Proposal.

Stay of Proceedings

34. During the Proposal Period, and provided the Company is not in default hereunder, each Creditor will be stayed from commencing or continuing any proceeding or remedy against the Company or its property based upon a Claim existing on or before the Filing Date, or whose Claim has arisen after the Filing Date as a result of the termination, repudiation or restructuring of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, including, without limitation, any proceeding or remedy to recover payment of such Claim, to realize against any security granted in respect of such Claim, to recover or enforce a judgment against the Company in respect of such Claim or to initiate any

proceedings against it under any applicable bankruptcy, insolvency or other laws in respect of such Claim, other than an application or proceeding in connection with this Proposal.

Inspectors

35. (a) At the meeting of the Unsecured Creditors to be held to consider the Proposal, the Creditors may appoint one or more but not exceeding five (5) persons to act as Inspectors, whose powers shall be limited to:
- (i) advising the Trustee from time to time with respect to any matter that the Trustee may refer to them;
 - (ii) advising the Trustee concerning any dispute which may arise as to the validity of Claims of Unsecured Creditors; and
 - (iii) authorizing an extension of time for payments due to the Unsecured Creditors pursuant to this Proposal.
- (b) Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, reverse or modify the decision, direction to act and make such order as it thinks just.
- (c) The authority and term of office of the Inspectors will terminate upon the discharge of the Trustee.
- (d) The chairperson may adjourn the meeting of creditors upon an adjournment being required by the creditors by ordinary resolution, pursuant to s. 52 of the Act.

Release of Directors

36. Upon the Implementation Date, the Company, each and every present and former director of the Company (collectively, the "Released Parties") shall be released and discharged

from any and all demands, claims, actions, causes of action, counter claims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, options, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Creditor or Person may be entitled to assert, in the case of the Released Parties as of the Filing Date, including, without limitation, any and all Claims in respect of the potential statutory liabilities of the present or former directors of the Company, and any and all Claims relating to any obligations of the Company where the present or former directors are or may be by law liable in their capacity as directors for the payment of such obligations, and provided that nothing herein shall release or discharge any of the present or former directors of the Company from the exceptions set out in Section 50(14) of the Act.

Effect of Payment

37. Creditors will accept the payment of the amounts set out in the applicable provisions of this Proposal in complete satisfaction of all their claims, and all mortgages, charges, security interests, encumbrances, liens, writs of seizure and sale, certificates of pending litigation, executions or any other similar charges, actions or proceedings in respect of such Claims will, as of the Implementation Date, have no effect in law or in equity against the Company and the property, assets or undertakings of the Company and will be discharged, dismissed or vacated, as the case may be, at no expense to the Company, by each holder thereof no later than ten (10) Business Days after the Implementation Date, or failing same, by order of the Court made without notice to such holder.

Compromise Effective for all Purposes

38. The payment, compromise or other satisfaction of the Claims and the treatment of Shareholders under this Proposal shall be binding upon the Creditors holding the Claims and upon the Shareholders, their heirs, executors, administrators, successors and assigns, for all purposes and in the case of any Claim shall also be effective to relieve any third party directly or indirectly liable for such Claim, whether as guarantor, indemnitor, tenant, director, joint covenantor, principal or otherwise.

39. The provisions of Sections 95 to 101 of the Act shall not apply to this Proposal.

Discharge of Trustee

40. Upon the payment by the Trustee of the amounts prescribed herein, the Trustee shall have discharged its duties as Trustee and the Trustee shall be entitled to apply for its discharge as Trustee. For greater certainty, the Trustee will not be responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default.

Amendment

41. This Proposal may be amended by the Company with the consent of the Trustee at any time prior to the conclusion of the meeting of Unsecured Creditors called to consider the Proposal, provided that any amendment made pursuant to this paragraph shall not reduce the rights and benefits given to the Creditors under the Proposal before any such amendment, and provided further that any and all amendments shall be deemed to be effective as of the Filing Date of the Proposal.

Further Actions

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

Date for Action

43. 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.

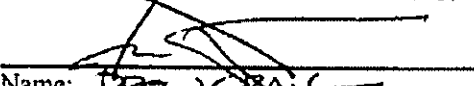
Time

44. All times expressed in this Proposal are local time in Toronto, Ontario.

[The remainder of this page is intentionally left blank.]

DATED AT THE CITY OF VANCOUVER, in the Province of British Columbia, this 30th day of September, 2017.

DIGITAL UNDERGROUND MEDIA INC.

By: 
Name: DAVID CRAIG
Title: DIRECTOR

Schedule "A"

Unlimited number of New Common Shares with the following rights, privileges and restrictions:

1 Voting Rights

Each holder of Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation, and at all such meetings shall be entitled to one vote in respect of each Common Share held by such holder.

2 Dividends

Subject to applicable law, the directors may at any time or from time to time declare dividends on the Common Shares in such amounts as the directors at such time or times determine.

3 Liquidation, Dissolution or Winding-up

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled to receive the remaining assets and property of the Corporation.

Schedule "B"

New Stated Capital = \$20.00.

30384597.7

Exhibit "B"

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

Original Amended

105

- Form 78 -
 Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of
 Digital Underground Media Inc.
 a Company Incorporated Pursuant to the Laws of the Province of Ontario
 with a Head Office in the City of Vancouver, in the Province of British Columbia

To the debtor:
 You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 29th day of September 2017. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A"	1. Inventory
658,867.35	200,000.00
Balance of secured claims as per list "B"	2. Trade fixtures, etc.
3,039,322.25	0.00
Total unsecured creditors	3. Accounts receivable and other receivables, as per list "E"
3,698,189.60	Good
2. Secured creditors as per list "B"	0.00
305,001.00	Doubtful
3. Preferred creditors as per list "C"	45,764.00
0.00	Bad
4. Contingent, trust claims or other liabilities as per list "D"	0.00
estimated to be reclaimable for	Estimated to produce
0.00	0.00
Total liabilities	4. Bills of exchange, promissory note, etc., as per list "F" ...
4,003,190.60	0.00
Surplus	5. Deposits in financial institutions
NIL	0.00
	6. Cash
	0.00
	7. Livestock
	0.00
	8. Machinery, equipment and plant
	0.00
	9. Real property or immovable as per list "G"
	0.00
	10. Furniture
	6,000.00
	11. RRSPs, RRIFs, life insurance, etc.
	0.00
	12. Securities (shares, bonds, debentures, etc.)
	1.00
	13. Interests under wills
	0.00
	14. Vehicles
	0.00
	15. Other property, as per list "H"
	100,000.00
	If debtor is a corporation, add:
	Amount of subscribed capital
	0.00
	Amount paid on capital
	0.00
	Balance subscribed and unpaid
	0.00
	Estimated to produce
	0.00
	Total assets
	305,001.00
	Deficiency
	3,698,189.60

Director

I, John Drew Craig, President of Digital Underground Media Inc., of the City of North Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 29th day of September 2017 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED) before me at the City of Toronto in the Province of Ontario, on this 29th day of September 2017.

R. R.
 Vancouver British Columbia
 RATTY WOOD, CGA
 A Commissioner for taking Affidavits
 for the Province of British Columbia

[Signature]
 Director
 John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

FORM 78 - Continued


List "A"
 Unsecured Creditors

Digital Underground Media Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Ade & Company Inc	2167 Henderson Hwy Winnipeg MB R2G 1P9 CA	584.00	0.00	584.00
2	Beecon Securities Limited	68 Wellington Street West Suite 4050, TD Tower Toronto ON M5K 1H1 CA	157,500.00	0.00	157,500.00
3	Best Best Krieger LLP	3390 University Avenue Riverside CA 92501 USA	380.58	0.00	380.58
4	David Chae	102-704 Yeongdong a-Pyeonghansang Apt 239 Yeongdong-ro, 200 beong-gil, Yeongdong-gu, Suwon-si, Gyeonggi-do Korea	250,000.00	0.00	250,000.00
5	Denise Cooper	188 SL George Street, Suite 200 Toronto ON M5R 2N3 CA	14,604.00	0.00	14,604.00
6	DUM Holdings Inc.	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA	0.00	528,291.47	528,291.47
7	EY	700 W Georgia St Vancouver BC V7Y 1C7 CA	42,000.00	0.00	42,000.00
8	Globalme	310, 1008 Homer St Vancouver BC V6B 2X1 CA	158.00	0.00	158.00
9	Gowlings WLG	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA	31,684.00	0.00	31,684.00
10	Innovex	3,Cheongmyeongnam-ro, Yeongdong-gu Suwon-si, Gyeonggi-do Korea	90,000.00	0.00	90,000.00
11	JD Craig Holdings Inc	4280 Rockridge Road West Vancouver BC V7W 1A5 CA	0.00	2,511,030.78	2,511,030.78
12	Nell East Sound Broadcasting Ltd. (SBL)	1A - 1455 Waverley Street Winnipeg MB R3T 0P7 CA	15,680.00	0.00	15,680.00
13	Palms Creative Inc	205 - 309 W Cordova St Vancouver BC V6B 1E5 CA	7,875.00	0.00	7,875.00
14	Plaszek Nenniger Kvas LLP	120 Adelaide St W Suite 2308 Toronto ON M5H 1T1 CA	423.00	0.00	423.00
15	Stambol Studios Inc.	104 - 1309 West 14th Ave Vancouver BC V6H 1R2 CA	7,245.00	0.00	7,245.00
16	Stantec Consulting Ltd.	c/o Lockbox 310260, PO BOX 578, STN M Calgary AB T2P 2J2 CA	10,061.00	0.00	10,061.00
17	Tomik2 Inc.	62 Wandover Road Toronto ON M8X 2L3 CA	9,722.00	0.00	9,722.00
18	Virenal Garcia	Torre Solita Ricardo Manjón 440-701 Vale del Campestre, San Pedro Garza Garcia, NL 66265 Mexico	13,600.77	0.00	13,600.77
19	Waterford Partners	350-1 First Canadian Place Toronto Board of Trade Tower Toronto ON M5X 1C1 CA	7,350.00	0.00	7,350.00
Total:			658,867.35	3,038,322.25	3,698,189.60

29-Sep-2017

Date


 Director
 John Drew Craig, President of Digital Underground
 Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

FORM 78 - Continued

Ltd "B"
 Secured Creditors

Digital Underground Media Inc.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	DUM Holdings Inc.	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA	528,291.47	Other - Intellectual property - Patents Business Assets - Stock In Trade - Inventory Business Assets - Stock In Trade - Equipment Inventory Furniture - Furniture & Office Equipment Securities - Investments in subsidiaries Debt Due - Business - TVS Global America	21-Jun-2017 21-Jun-2017 21-Jun-2017 21-Jun-2017 21-Jun-2017 21-Jun-2017	0.00 0.00 0.00 0.00 0.00 0.00		528,291.47
2	JD Craig Holdings Inc	4280 Rockridge Road West Vancouver BC V7W 1A5 CA	2,816,031.78	Other - Intellectual property - Patents Business Assets - Stock In Trade - Inventory Business Assets - Stock In Trade - Equipment Inventory Furniture - Furniture & Office Equipment Securities - Investments in subsidiaries Debt Due - Business - TVS Global America	29-Oct-2015 29-Oct-2015 29-Oct-2015 29-Oct-2015 29-Oct-2015 28-Oct-2015	100,000.00 150,000.00 50,000.00 5,000.00 1.00 0.00		2,511,030.78
Total:			3,344,323.25			305,001.00	0.00	3,039,322.25

29-Sep-2017

Date



Director

John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

FORM 76 - Continued

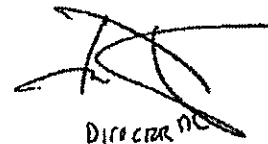
List "C"
Preferred Creditors for Wages, Rent, etc.

Digital Underground Media Inc.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total					0.00	0.00	0.00

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

FORM 78 -- Continued

List "D"
Contingent or Other Liabilities

Digital Underground Media Inc.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total			0.00	0.00		

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

FORM 78 - Continued

List "E"
 Debts Due to the Debtor
 Digital Underground Media Inc.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
1	TVS Global Amarzia	321 Water Street, Suite 320 Vancouver BC V8B 1B8	Note Receivable	0.00 45,764.00 0.00		29-Sep-2017	0.00	Unsecured
Total				0.00 45,764.00 0.00			0.00	

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

FORM 78 -- Continued

List "F"

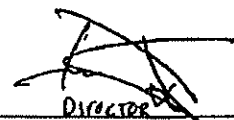
Bills of Exchange, Promissory Notes, Lien Notes, Chattel
 Mortgages, etc., Available as Assets

Digital Underground Media Inc.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

29-Sep-2017

Date



Director
 John Drew Craig, President of Digital Underground
 Media Inc.

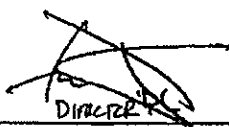
District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

FORM 78 - Continued

List "G"
Real Property or Immovables Owned by Debtor
Digital Underground Media Inc.

Description of property	Nature of debtor interest	In whose name does the stand	Total value	Particulars of mortgages, hypothec, or other encumbrances (name, address, amount)	Equity or surplus
Total:			0.00		0.00

29-Sep-2017
Date



Director
John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

FORM 76 - Concluded

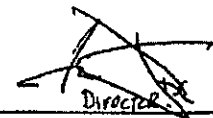
List "H"
 Property

Digital Underground Media Inc.
 FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade		Inventory	0.00	150,000.00
		Equipment Inventory	0.00	50,000.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture		Furniture & Office Equipment	0.00	5,000.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities		Investments in subsidiaries	0.00	1.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
(m) Other		Intellectual property - Patents	0.00	100,000.00
			Total:	305,001.00

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

Exhibit "C"

District of Ontario
Division No. 09 - Toronto
Court File No. 31-2295766
Estate No. 31-2295766

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE PROPOSAL OF

**DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA**

REPORT OF TRUSTEE TO THE CREDITORS
(Section 50(5) of the Bankruptcy and Insolvency Act)

Enclosed are the following documents:

- Notice of Proposal to Creditors;
- Digital Underground Media Inc.'s ("DUM" or the "Company") Proposal, dated September 30, 2017 (the "Proposal") under Part III, Division I, of the *Bankruptcy and Insolvency Act* (the "BIA") lodged with MNP Ltd. (the "Trustee") by DUM and filed with the Official Receiver on October 2, 2017;
- a statement of the Company's assets and liabilities as at September 29, 2017 ("SOA");
- a proof of claim form;
- voting letter if you wish to vote in advance of the meeting; and
- general proxy.

The following is an outline of the background and financial position of the Company, including relevant information that should be of assistance to the creditors in considering their position with respect to the Proposal.

In preparing this Report and making the comments herein, the Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with employees and management and information from other third-party sources (collectively, the "Information"). Except as described in this Report, the Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook.

Capitalized terms used in this Report are the same as those referenced in the Proposal. Unless otherwise stated herein, all references to currency are to lawful money of Canada.

SECTION A - Background

The Company was incorporated under the *Ontario Business Corporations Act* on January 19, 2010. The Company has also been registered as an extra provincial company under the *British Columbia Business Corporations Act* on September 24, 2014. The Company develops, and through its subsidiaries, operates subway in-tunnel advertising systems. The Company operates from leased premises located at 320-321 Water St. in Vancouver, British Columbia (the "Premises").

On September 21, 2017 (the "Filing Date"), the Company filed a Notice of Intention to Make a Proposal ("NOI") pursuant to Part III, Division I of the BIA.

On September 25, 2017, Justice Hainey ordered the following, *inter alia*:

- a. Approving a charge in favour of the legal advisors retained by the Company, MNP in its capacity as the Proposal Trustee and its legal counsel, in the amount of \$115,000 to secure payment of their reasonable fees and disbursements; and
- b. Approving an interim financing facility and a charge on the Company's assets, property and undertaking (collectively the "Assets") in favour of J.D. Craig Holdings Inc., the debtor-in-possession lender (the "DIP Lender").

The Company advises that the causes of its financial difficulties are due primarily to agreements that the Company entered into in mid-2015 with a UK based private equity fund, whereby the fund would act as an institutional investor (the "Agreements"). The institutional investor committed to support the Company's business plan to establish the global in-tunnel media industry as a niche market of the Transit Out of Home media industry. The Agreements provided that the institutional investor would provide funding to the Company in accordance with the business plan. In Q2 of 2017, the institutional investor provided notice to the Company that it would not fulfill its funding obligations under the Agreements.

The Company had entered into agreements with and made commitments to suppliers and contractors, based on its belief that it would have the benefit of the full amount of the funding to be provided under the Agreements. Upon the institutional investor ceasing to provide funding, the Company has suffered a shortfall and is not able to meet its obligations. As a result, the Company commenced these NOI proceedings as part of a restructuring of the business.

On October 2, 2017, the Company filed the Proposal with the Official Receiver. The purpose of the Proposal is to effect a restructuring of the business and affairs of the Company in the expectation that all Creditors will derive a greater benefit from the continued operation of the business and affairs of the Company than would result from a forced liquidation of its assets. The Company's operations are being supported through this process by the DIP Lender, which has provided financing to the Company prior to the filing of the NOI, and will continue to provide ongoing financing to the Company through the Proposal proceedings by way of the credit facility provided for in the DIP Loan Agreement. It is also being supported by 7677189 Canada Ltd., (the "Investor"), which is advancing to the Company the funds that will form the Proposal Fund (defined below) to be distributed to creditors in accordance with the provisions of this Proposal.

An integral part of the Proposal is the cancellation of the existing and outstanding share capital of the Company, in light of the lack of value of the share capital due to the Company's insolvency. Upon the implementation of the Proposal, and in consideration of their support for the Company through the Proposal proceedings, the DIP Lender and the Investor have agreed to acquire the new common shares to be issued in the share capital of the Company ("**New Common Shares**") pursuant to the Subscription Agreements.

As at the date of filing the NOI, the Company employed three (3) individuals. The Company's workforce is not unionized. The Company does not sponsor a pension plan.

SECTION B - Summary of the Proposal

This section contains a summary of the Proposal, the implementation of which is conditional on, among other things, the:

- i. acceptance by the Affected Creditors and approval by the Court of this Proposal in accordance with the BIA;
- ii. the taking of all necessary corporate actions and proceedings to approve the Proposal;
- iii. the granting of the Approval Order;
- iv. the completion of the loan agreement between the Investor and the Company (the "**Loan Agreement**") prior to the Meeting of Creditors;
- v. the advancement of the Loan Consideration (defined below) by the Investor to the Company and, in turn, the Trustee;
- vi. the completion of the Subscription Agreements prior to the Meeting of the Creditors;
- vii. the completion of the Reorganization (defined below);
- viii. the advancement of the Share Consideration (defined below) by the Investor and the DIP Lender to the Company and, in turn, the Trustee;
- ix. the payment of the Administrative Fees and Expenses; and
- x. the performance by each of the Company, the Investor and the DIP Lender of all of their respective obligations pursuant to the Proposal and the transactions contemplated herein.

As set out in the Proposal, the Proposal provides for the following:

1. Proposal Fund

Prior to the Meeting of Creditors:

- The Company will have entered into the Loan Agreement, pursuant to which an amount of \$76,000 (the "**Loan Consideration**") will be advanced by the Investor to the Company following the date on which the order approving the Proposal becomes final and no longer appealable to the Court. The Company will, in turn, advance the Loan Consideration to the Trustee;
- Each of the Company and the Investor, and the Company and the DIP Lender, will have entered into the Subscription Agreements, pursuant to which the Share

Consideration, namely \$20, will be fully advanced to the Company following the date on which the order approving the Proposal becomes final and no longer appealable to the Court. The Company will, in turn, advance the Subscription Consideration to the Trustee.

- The Loan Consideration and Share Consideration together are referred to as the “**Proposal Fund**”.

2. Share Capital

On the Implementation Date, the articles of incorporation of the Company shall be amended pursuant to the articles of reorganization (the “**Reorganization**”) in the following sequence:

- i. to delete and cancel all of the authorized share capital of the Company and to delete and cancel all of the rights, privileges, restrictions and conditions attaching thereto, including, but not limited to, deleting and cancelling all of the Common Shares and Preferred Shares;
 - ii. to create an unlimited number of New Common Shares and to provide that the rights, privileges, restrictions and conditions attaching to the New Common Shares are as set out in Appendix “A” of the Proposal;
 - iii. providing that, after giving effect to the foregoing, the authorized share capital of the Company shall consist only of an unlimited number of New Common Shares.
- a. all existing and outstanding Warrants, together with contracts pursuant to which Warrants may be issued in the future, shall be cancelled.
 - b. no shareholder will be entitled to any payment or other compensation with respect to the cancellation of its/her/his Common Shares, Warrants or otherwise.
 - c. the shareholders shall not be entitled to vote on this Proposal.
 - d. the shareholders shall not have any rights of dissent pursuant to Section 186(6) of the *Ontario Business Corporations Act* in respect of this Proposal.

3. Crown Claims, Preferred Claims and Employee Claims

Amounts, if any (collectively, the “**Priority Payments**”):

- a. owing to Her Majesty in the Right of Canada or a Province, as enumerated in Section 60(1.1) of the BIA, which shall be paid in full within six months following Approval;
- b. owing to employees and former employees, that such persons would have been qualified to receive under Section 136(1)(d) of the BIA if the Company became bankrupt on the Filing Date, which shall be paid immediately following Approval; and
- c. any Proven Claim in respect of a Preferred Claim, without interest,

shall be paid in full and in priority to all Unsecured Creditors.

At this time, the Trustee is unaware of any Priority Payments.

4. General Unsecured Creditors

The General Unsecured Creditors will receive a distribution, before the deduction of the Levy (as defined in paragraph 8 below), as follows:

- a. Proven Claims will receive a payment representing their pro rata share of the Proposal Fund, less any amount to be paid as Priority Payments; and
- b. The Company estimates that the Claims of the General Unsecured Creditors will total approximately \$658,867, none of which is estimated to be unsecured claims of employees.

5. Disclaimer of Commercial Leases

In the case of any lease disclaimed by the Debtors pursuant to section 65.2 of the BIA, the landlord affected by the disclaimer may file an unsecured proof of claim for an amount equal to the lesser of:

- a. The aggregate of:
 - i. The rent provided for in the lease for the first year of the lease following the date on which the disclaimer became effective;
 - ii. Fifteen per cent of the rent for the remainder of the term of the lease after that year; and
- b. Three years' rent.

6. Secured Creditors

Secured Creditors are not included in or in any way affected by the Proposal and will be paid in accordance with existing agreements between the Secured Creditors and the Company.

7. Payment

The Trustee will distribute funds as follows:

- a. the Priority Payments;
- b. the Unsecured Creditor Payment

8. Levy

All distributions pursuant to the Proposal are subject to deduction of the levy payable to the Superintendent of Bankruptcy pursuant to Section 147 and Rule 123(2) of the BIA (the "Levy").

9. Release

Each and every present and former director of the Company, and each and every of their respective successors and assigns shall be released and discharged by all Affected Creditors from all Claims which any Affected Creditor may have or have been entitled to assert against any of the Released Parties for which they would be by law liable in their capacity as directors for the payment of such Claims, provided that this provision shall

not release or discharge any of the Released Parties from any Claims that are set out in section 50(14) of the BIA.

10. Administrative Fees and Expenses

The Administrative Fees and Expenses will be paid by the Company in the ordinary course from cash flow, subject to approval from the Court.

11. Preferences and Transactions at Undervalue

Sections 95 to 101 inclusive of the BIA do not apply to the Proposal

The description of the Proposal is a summary only, and readers are cautioned that if there is inconsistency between this report and the Proposal, the terms of the Proposal shall govern.

SECTION C - Financial Position and Causes of Difficulties

A summary of the Company's historical financial results is set out below:

Year Ended August 31	F2015	F2016	YTD May 2017
(CAD \$)	Unaudited		
Revenue	446,792	633,338	673,413
% Growth	N/A	42%	6%
Cost of Sales	431,422	768,281	905,766
Gross Margin	15,370	134,943	232,353
Gross Margin (%)	3%	-21%	-35%
Operating Expenses	1,266,687	2,635,838	2,335,199
Operating Expenses (%)	284%	416%	347%
EBIDTA	- 1,251,317	- 2,770,781	- 2,567,552
EBITDA (%)	-280%	-437%	-381%

The causes of the Company's financial difficulties are detailed in Section A above.

Based on the Company's short-term cash flow projections for the thirteen (13) week period ending December 15, 2017, the Company does not anticipate any revenues and will require all expenditures to be funded by the DIP Facility. Revenues are earned in the individual subsidiaries that are set up to manage projects in their respective jurisdictions. Expenditures during the period primarily include senior management salaries, key consultants, professional costs to support the proposal process and funding of the subsidiaries in Korea and Spain.

Any revenues projected to be received by the subsidiaries during the period of the cash flow have been used to offset the cash required from DUM. The Brazilian subsidiary is expected to be self-funding during the period and the Korean subsidiary is projected to require a minimal cash injection of approximately \$10,000.

Approximately \$190,000 will be required to fund the Spanish subsidiary during the projected period. Part of these funds will be used to engage professionals to allow the Spanish subsidiary to become tax compliant which the Company expects could result in a value-added tax (VAT) refund of approximately 100,000 euros. These funds will not be realized within the projected period covered by the cash flow and will not flow directly to DUM, however they will offset future cash injections required by the Spanish subsidiary.

The Company was facing an imminent liquidity crisis - cash on hand was projected to be depleted by the week ending September 29, 2017. The Company's operations would have ceased and the Company would virtually have had no prospect of making a viable proposal if it had not arranged for the DIP Facility.

The Company is actively seeking buyers for each of the subsidiaries and may require additional funding during these proposal proceedings to conduct a sale process.

As part of its restructuring, the Company has disclaimed certain contracts and its commercial lease in respect of the Premises, pursuant to s.65.11 and 65.2 of the BIA, respectively.

The Company is also carrying out an operational restructuring, wherein it is shifting its focus from owning and selling advertising on its own in-tunnel display/advertising systems to becoming a technology company selling/licensing the in-tunnel advertising technology systems and software it developed and collecting royalties from the use of systems sold.

SECTION D - Interim Receiver

Not Applicable.

SECTION E - Identification and Evaluation of Assets

Per the SOA, the Company's assets and their estimated realizable value are as listed below. Further details can be found in Section L of this report.

<u>Description</u>	<u>Estimated Realizable Value</u>
Accounts receivable	\$ nil
Cash	nil
Inventory	200,000
Furniture	5,000
Shares in subsidiary company	1
Intellectual property	100,000
	<u>\$ 305,001</u>

Based on the SOA and a *Personal Property Security Act* search conducted against registries maintained in Ontario and British Columbia on September 21, 2017, the following parties (the "Secured Creditors") have a registered secured interest in the Company's assets:

1. The DIP Lender; and
2. DUM Holdings Inc.

* The Secured Creditors noted above are both related parties to the Company

SECTION F - Conduct of the Company

The conduct of the Company does not appear to be subject to censure.

SECTION G - Creditors' Claims

Per the SOA, the Company's creditors consist of:

<u>Creditor Classification</u>	<u>SOA Amount</u>
Secured	\$ 3,344,323
Preferred	nil
Unsecured	658,867
Contingent or Other Liabilities	nil
	<u>\$4,003,190</u>

The above-noted table does not include the claim for damages to be asserted by those creditors whose agreements were disclaimed pursuant to s.65.11 or 65.2 of the BIA.

SECTION H - Previous Business Dealings with the Company

The Trustee has had no previous dealings with the Company. MNP Ltd.'s parent firm, MNP LLP, previously acted as the Company's auditor and was last involved with auditing the Company's August 31, 2013 year end financial statements.

SECTION I - Informal Meeting with Major Creditors

Not Applicable.

SECTION J - Remuneration of Trustee

The Trustee's fees and expenses related to the administration of the Proposal, including legal fees, will be paid in full by the Company. Prior to consenting to act in this matter, the Trustee received a retainer of \$22,600 from the Company.

SECTION K - Other

Not applicable.

SECTION L - Statement of Estimated Realizations

Set out below is the Trustee's estimate of the distribution to the General Unsecured Creditors if the Proposal is accepted by the creditors and approved by the Court:

General Unsecured Creditors:

Estimated claims:	\$658,867
Estimated value of distribution	76,020
Estimated distribution (%)	11.5%

If the Proposal is rejected by the Creditors, the Company will be deemed bankrupt. In a bankruptcy, the General Unsecured Creditors would collectively form the general pool of

unsecured creditors and would share on a pro-rata basis any estimated distribution. Should this occur, it is estimated that the net realizations will be less than the \$3,344,323 owed to the Secured Creditors, and accordingly (as set-out below) the estimated distribution to the General Unsecured Creditors is expected to be NIL in a bankruptcy scenario.

The anticipated realizations and potential distributions to the unsecured creditors in a bankruptcy scenario is summarized below.

		Book Value (as at September 29, 2017)	Estimated Realization
Accounts receivable	<i>Note 1</i>	45,764	Nil
Inventory	<i>Note 2</i>	968,943	200,000
Furniture	<i>Note 3</i>	279,986	5,000
Shares in subsidiary company,	<i>Note 4</i>	1,271,083	1
Intellectual property	<i>Note 5</i>	Nil	100,000
Prepaid Expense	<i>Note 6</i>	16,809	Nil
Total:		\$ 2,565,776	\$ 305,001
Less:			
Claims of Preferred Creditors	<i>Note 7</i>		Nil
Claim of Secured Creditor	<i>Note 7</i>		<u>(3,344,323)</u>
Available for distribution to unsecured creditors			<u>Nil</u>

Notes:

1. The Company's accounts receivable consists of a note receivable from TVS Global America, which note was due in August 2015. Management advises that it does not anticipate this note is collectible.
2. Inventory consists primarily of equipment to be transferred to subsidiaries for installation at currently identified locations. The inventory has been purchased specific for these locations and operated on the proprietary platform owned by DUM. A forced liquidation would result in minimal return. The Trustee has not sought an appraisal on the value of this inventory.
3. Equipment consists of office furniture and fixtures, computer hardware and software. The Trustee has not obtained an appraisal in respect of the liquidation value of these assets.
4. DUM owns 100% of the shares of Brodhead Invest Spain, Digital Underground Media Company Korea Ltd., Digital Underground Media Espacos Publicitarios Ltda. and Digital Underground Media Inc. (USA). The subsidiaries own and

operate the advertising systems in the respective countries of incorporation. The Company is actively pursuing buyers for these subsidiaries as a means of reducing or eliminating the ongoing financial burden on the Company arising from its ongoing financial support of the subsidiaries. The intellectual property necessary to operate the systems is owned by DUM and the subsidiaries' value is therefore tied to the continued operation and support from DUM. While the Trustee has not conducted a valuation of these subsidiaries, in the event of DUM's bankruptcy, it is unlikely that the Trustee will realize any value from these shares given these subsidiaries have incurred, and continue to incur losses.

5. DUM's intellectual property largely consists of the patented technology associated with its in-tunnel display advertising business. To date, DUM has not gained traction with its proprietary technology to the extent required to create a commercially viable business. As noted above under *Financial Position and Causes of Financial Difficulty*, the Company's current financial difficulty is attributable to the failure of an institutional investor to provide funding per its agreement with DUM resulting in insufficient working capital to grow DUM's business to a scale where it becomes viable. The Trustee has not arranged to have DUM's patented technology valued. If DUM were to become bankrupt, the forced liquidation value of the intellectual property would be negatively impacted by: (i) the Licensed Insolvency Trustee's limitations in transferring knowledge to a prospective purchaser; and (ii) the sizeable investment that would be required to support the working capital requirements of the business.
6. Prepaid expenses represent a lease deposit for the Company's offices in Vancouver. No realizations are likely from these assets in a bankruptcy.
7. In the event of a bankruptcy, claims of Preferred Creditors and Secured Creditors would rank ahead of unsecured creditors. The Trustee has not obtained an independent legal opinion on the validity or enforceability of the security granted by DUM to its Secured Creditors.
8. The above-noted statement of estimated realizations does not take into consideration the significant professional fees associated with administering DUM's bankruptcy and/or a receivership of the Assets.

Preferences and Transactions at Under Value

The Proposal provides that sections 95-101 of the BIA are not applicable. To assess the reasonableness of the inclusion of this clause, the Trustee completed a review of the Company's books and records to enable it to report to creditors on potential preferences or transfers at undervalue. The scope of the Trustee's review was limited to:

- examining cheques and transfers greater than \$10,000 in the twelve (12) month period preceding the Proposal filing;
- reviewing the accounts payable sub ledger for the three (3) months preceding the Proposal filing to determine if any creditor's balance was significantly reduced month over month; and
- inquiring with management whether any assets were transferred or disposed for no consideration or conspicuously less than fair market value.

Based on the above review, the Trustee did not identify any transactions in the last 12 months that could be considered preferences or transactions at under value

SECTION M - Recommendations

The Trustee recommends the acceptance of the Proposal for the following reasons:

- it contemplates a higher and more certain distribution for unsecured creditors, based on the total estimated claims;
- it provides for the continued employment of DUM's current employees; and
- it preserves a customer for trade creditors.

SECTION N - Technical Requirements for a Successful Proposal

This Proposal will become effective only if, among other things, it is accepted by a resolution of the unsecured creditors and approved by the Court. To obtain creditor approval, a simple majority in the number of unsecured creditors voting, with this majority representing at least 2/3 of the dollar value of the unsecured creditors voting, must vote in favour of the Proposal. If the unsecured creditors do not accept the Proposal, then the Company will be deemed to have made an assignment in bankruptcy and a meeting of creditors in the matter of the bankruptcy will immediately take place.

If the unsecured creditors vote to accept the Proposal, Court approval of the Proposal must then be sought. If the Court does not approve the Proposal, the Company would be deemed to have made an assignment in bankruptcy and the Trustee will then call a meeting of creditors in the matter of the bankruptcy.

When completing the Proof of Claim form submitted herewith, Creditors should include all outstanding amounts as at September 21, 2017, the date of the filing of the NOI. It is expressly noted and should be clearly understood that the Trustee, in its capacity as Trustee, assumes no personal liability for any claims that Creditors may have against DUM either before or after the filing of the Proposal.

Creditors may attend, in person or by proxy, the meeting to consider the Proposal, which will be held in the Office of the Trustee, MNP Ltd., located at 111 Richmond Street West, 3rd Floor, Toronto, Ontario on October 19, 2017 at 10 AM (Toronto time).

Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters by either email to jessie.lue@mnp.ca or fax to (416) 323-5242, to the Trustee so as to be received prior to 10 AM on October 19, 2017.

If you should have any questions or comments on the Proposal or this report, please do not hesitate to contact the undersigned.

Dated at Toronto, Ontario, the 6th day of October 2017.

**MNP LTD.,
in its capacity as Trustee under the
Notice of Intention to make a Proposal of
Digital Underground Media Inc.,
and not in its personal or corporate capacities**
Per:



Sheldon Title, CPA, CA, CIRP, LIT

Encl.



Government
of Canada

Gouvernement
du Canada

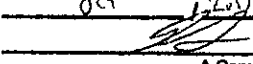
Update filing - update is confirmed

Welcome **Sheldon Jay Title** | [Preferences](#) | [E-Filing helpdesk](#) | [Instructions](#) | [Logout](#)

Estate Information

Please Note: The following estate(s) were updated:

- **Estate Number:** 31-2295766
- **Estate Name:** Digital Underground Media Inc.

THIS IS EXHIBIT ^D REFERRED TO IN
THE AFFIDAVIT OF Sheldon Title
SWORN BEFORE ME THIS 12 DAY OF
Oct 2017

A Commissioner, Etc.,

Document(s) submitted

The following document(s) have been successfully submitted

- Notice of meeting

Reference

- The Reference Number for this transaction is: **13699005**.
- Submitted by Sheldon Jay Title.
- 2017-10-09 9:07 EDT

Submit another document for this estate.

If you would like to submit a document against a different estate, please click on the **Update** link in the left hand side menu.

Date modified: 2017-07-28



Government
of Canada

Gouvernement
du Canada

Update filing - update is confirmed

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Estate Information

Please Note: The following estate(s) were updated:

- **Estate Number:** 31-2295766
- **Estate Name:** Digital Underground Media Inc.

THIS IS EXHIBIT ^C REFERRED TO IN
THE AFFIDAVIT OF *Sheldon Title*

SWORN BEFORE ME THIS ¹² DAY OF
Oct ¹ 2017

[Signature]
A Commissioner, Etc.,

Document(s) submitted

The following document(s) have been successfully submitted

- Notice to Creditors of Meeting and report of trustee

Reference

- The Reference Number for this transaction is: **13699004**.
- Submitted by Sheldon Jay Title.
- 2017-10-09 9:01 EDT

[Submit another document for this estate.](#)

If you would like to submit a document against a different estate, please click on the **Update** link in the left hand side menu.

Date modified: 2017-07-28

TAB 3-H

DISTRICT OF ONTARIO
Division No 09 - Toronto
Court and Estate Nos. 31-2295766

NOTICE OF PROPOSAL TO CREDITORS

**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE PROVINCE OF ONTARIO
WITH A HEAD OFFICE IN THE CITY VANCOUVER, IN THE PROVINCE OF BRITISH COLUMBIA**

On October 2, 2017, Digital Underground Media Inc. ("**DUM**" or the "**Company**") lodged with us a Proposal pursuant to the *Bankruptcy and Insolvency Act* (the "**Act**"). On the same day the Proposal was filed with the Official Receiver.

Attached to this notice are the following documents.

- A. The Proposal
- B. Statement of Affairs, dated September 29, 2017
- C. Report of the Trustee on the Proposal
- D. Proof of Claim form
- E. Proxy form
- F. Voting letter

A general meeting of the creditors will be held on the 19th day of October, 2017 at 10:00 AM at the offices of the Trustee:

MNP Ltd.
300 - 111 Richmond Street West
Toronto, ON M5H 2G4

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the Proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the Court, the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the time appointed for the meeting of creditors either via email or via facsimile at (416) 323-5242. Proof of claim forms are to be filed based on the amount owed as of September 21, 2017, the date the Notice of Intention to Make a Proposal was filed.

Dated at TORONTO, ONTARIO this 6th day of October, 2017.

MNP Ltd.
*Trustee re: the Proposal of
Digital Underground Media Inc.*

Per: 
Sheldon Title, CPA, CA, CIRP, LIT



LICENSED INSOLVENCY TRUSTEES
111 RICHMOND STREET WEST, SUITE 300, TORONTO, ON M5H 2G4
P: 416.596.1711 F: 416.596.7894 MNPdebt.ca

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

130

FORM 92
Notice of Proposal to Creditors
(Section 51 of the Act)

In the matter of the proposal of
Digital Underground Media Inc.
a Company Incorporated Pursuant to the Laws of the Province of Ontario
with a Head Office in the City of Vancouver, in the Province of British Columbia

Take notice that Digital Underground Media Inc. of the City of Vancouver in the Province of British Columbia has lodged with us a proposal under the Bankruptcy and Insolvency Act.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed herewith.

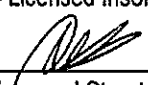
A general meeting of the creditors will be held at 300 - 111 Richmond Street West, Toronto, ON on the 19th day of October 2017 at 10:00 AM.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with us prior to the commencement of the meeting.

Dated at the City of Toronto in the Province of Ontario, this 6th day of October 2017.

MNP LTD. - Licensed Insolvency Trustee



300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

List of Creditors with claims of \$250 or more.			131
Creditor	Address	Account#	Claim Amount
Ade & Company Inc	2157 Henderson Hwy Winnipeg MB R2G 1P9 CA		584.00
Beacon Securities Limited	66 Wellington Street West Suite 4050, TD Tower Toronto ON M5K 1H1 CA		157,500.00
Best Best Krieger LLP	3390 University Avenue Riverside CA 92501 USA		380.58
David Chae	102-704 Yeongtong e-Pyeonhansesang Apt 239 Yeongtong-ro, 200 beon-gil, Yeontong-gu, Suwon-si, Gyeonggi-do Korea		250,000.00
Denise Cooper	186 St. George Street, Suite 200 Toronto ON M5R 2N3 CA		14,604.00
DUM Holdings Inc.	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA		528,291.47
EY	700 W Georgia St Vancouver BC V7Y 1C7 CA		42,000.00
Gowlings WLG	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA		31,684.00
Innovex	3,Cheongmyeongnam-ro, Yeongtong-gu Suwon-si, Gyeonggi-do Korea		90,000.00
JD Craig Holdings Inc	4280 Rockridge Road West Vancouver BC V7W 1A5 CA		2,816,031.78
Neil East Sound Broadcasting Ltd. (SBL)	1A - 1455 Waverley Street Winnipeg MB R3T 0P7 CA		15,680.00
Palms Creative Inc	205 - 309 W Cordova St. Vancouver BC V6B 1E5 CA		7,875.00
Piasetzki Nenniger Kvas LLP	120 Adelaide St W Suite 2308 Toronto ON M5H 1T1 CA		423.00
Stambol Studios Inc.	104 - 1309 West 14th Ave Vancouver BC V6H 1R2 CA		7,245.00
Stantec Consulting Ltd.	c/o Lockbox 310260, PO BOX 578, STN M Calgary AB T2P 2J2 CA		10,061.00
Tomik2 inc.	62 Wendover Road Toronto ON M8X 2L3 CA		9,722.00
Villarreal Garcia	Torre Sofia Ricardo Margáin 440-701 Valle del Campestre, San Pedro Garza Garcia, N.L 66265 Mexico		13,600.77

List of Creditors with claims of \$250 or more.			132
Creditor	Address	Account#	Claim Amount
Waterford Partners	350-1 First Canadian Place Toronto Board of Trade Tower Toronto ON M5X 1C1 CA		7,350.00
Total			4,003,032.60

Exhibit "A"

133

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA**

PROPOSAL

Digital Underground Media Inc. (the "Company") hereby submits the following Proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

Definitions

1. In this Proposal, capitalized terms 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) the proper fees and expenses of the Trustee incidental to the preparation and facilitation of the Proposal and any amendments thereto, including, without limitation, its legal fees and disbursements; and
 - (ii) the legal fees and disbursements of the Company on and incidental to negotiations in connection with the approval of the Proposal, court

proceedings relating to the Proposal and the transactions and agreements contemplated hereby, including, without limitation, advice to the Company. ¹³⁵

- (c) **“Approval”** means the approval of the Proposal by the statutory majorities of the creditors under the Act and by the Court by way of the Approval Order pursuant to a final and enforceable order which has become final as a result of the appeal period having expired without there having been an appeal, or an appeal having been lodged and the order approving the Proposal having been confirmed or the appeal withdrawn or dismissed.
- (d) **“Approval Date”** means the date upon which the Approval occurs.
- (e) **“Approval Order”** means the Court order(s) made under this Proposal approving the Proposal and directing the implementation of the Proposal, which orders may, without limitation, authorize the filing by the Company of the articles of reorganization, the cancellation of issued and outstanding shares in the capital of the Company, the issuance of the New Common Shares and the appointment of a new board of directors of the Company.
- (f) **“Business Day”** means a day other than a Saturday or a Sunday on which banks are generally open for business in Toronto, Ontario.
- (g) **“Claim”** means any right of any Person against the Company in connection with any indebtedness, liability or obligation of any kind owed by the Company at the Filing Date, and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, not matured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including, without limitation, the right or ability of any Person to advance a claim of 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, and any indebtedness, liability or obligation of any kind arising out of the repudiation, restructuring or termination of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, or any claims that may arise under any contract, lease, license, equipment lease, employment relationship or other agreement which may arise as a result of the insolvency of the Company, including, without limitation, any other indebtedness, liability or obligation of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the Act, and “Claims” means all of them.

- (h) “**Common Shares**” means the existing authorized, issued and outstanding common shares of the Company, including both Class A shares and Class B shares.
- (i) “**Consideration**” means the aggregate of: (i) the Share Consideration; and (ii) the Loan Consideration.
- (j) “**Court**” means the Ontario Superior Court of Justice.
- (k) “**Creditor**” means any Person having a Claim, and “**Creditors**” means all of them.
- (l) “**DIP Lender**” means J.D. Craig Holdings Inc.
- (m) “**DIP Loan Agreement**” means the agreement between the DIP Lender and the Company dated September 22, 2017, pursuant to which the DIP Lender will provide financing to the Company in the maximum amount of \$750,000 in order to finance the Company’s working capital requirements and other general corporate purposes and capital expenditures during the period of its restructuring, which agreement was approved by the Court by way of the Order of the Honourable Justice Hailey dated September 25, 2017.

- (n) **“Distribution Date”** means a date selected by the Trustee in consultation with the Inspectors. ¹³⁷
- (o) **“Filing Date”** means September 21, 2017, being the date upon which the Company filed its Notice of Intention to File a Proposal under the Act.
- (p) **“Forbearance Agreement”** means the agreement between the DIP Lender, DUM Holdings Inc., and the Company dated September 15, 2017, pursuant to which the DIP Lender and DUM Holdings Inc. have agreed to forbear from enforcement of their security, and to provide continued support to the Company through its restructuring, in accordance with the terms of that agreement.
- (q) **“Implementation Date”** means immediately following the Approval Date or the date the conditions are met as set out in paragraph 26 hereof.
- (r) **“Inspectors”** means the Inspectors described in paragraph 35 hereof.
- (s) **“Investor”** means 7677189 Canada Ltd.
- (t) **“Loan”** means the loan made by the Investor to the Company in the maximum principal amount of \$76,000, pursuant to the Loan Agreement.
- (u) **“Loan Agreement”** means the agreement between the Investor and the Company dated as of or before the Meeting of Creditors whereby the Investor agrees to advance the Loan to the Company pursuant to the terms and conditions of the Loan Agreement.
- (v) **“Loan Consideration”** means proceeds payable to the Company under the Loan Agreement.
- (w) **“Meeting of Creditors”** means the meeting of Creditors to consider this Proposal prescribed by section 51(1) of the Act.

- (x) **“New Common Shares”** means all the new common shares to be issued in the share capital of the Company, as described in **Schedule “A”** hereto. 138
- (y) **“OBCA”** means the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended.
- (z) **“Performance of the Proposal”** means the payment of all amounts to be paid to the Trustee for the distribution to Creditors in respect of Claims, including, without limitation, the implementation of the provisions of the Proposal as described in paragraph 27 hereof.
- (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.
- (bb) **“Post-Filing Claim”** means any Claim resulting from an obligation incurred by the Company in the normal course of business of the Company in respect of goods or services supplied to the Company after the Filing Date and extends to the following:
- (i) amounts owing to the Trustee and its solicitors and the Company’s solicitors; and
 - (ii) Her Majesty the Queen in right of Canada and in right of Ontario for amounts owed in respect of federal, provincial or state sales or excise taxes collected subsequent to the Filing Date, or amounts owing in respect of source deductions on account of employee income tax, *Canada Pension Plan* contributions and Employment Insurance premiums arising subsequent to the Filing Date,

but does not include Claims under any contract, lease, equipment lease,¹³⁹ license, employment arrangement or other agreement which may arise as a result of the insolvency of the Company.

- (cc) **“Preferred Claim”** means any Claim for which Section 136 of the Act prescribes payment in priority to an unsecured Claim, and **“Preferred Claims”** means all of them.
- (dd) **“Preferred Creditor”** means a Creditor of the Company having a Preferred Claim, and **“Preferred Creditors”** means all of them.
- (ee) **“Priority Payment”** has the meaning ascribed to it in paragraph 18 of this Proposal.
- (ff) **“Proposal”** means this proposal dated September 30, 2017, as the whole may be amended from time to time.
- (gg) **“Proposal Fund”** means the aggregate of: (i) the Share Consideration; and (ii) the Loan Consideration, net of any levies payable or due under the Act.
- (hh) **“Proposal Period”** means the period between the Filing Date and the Performance of the Proposal.
- (ii) **“Proven Claim”** means any Claim in respect of which a proof of claim:
 - (i) has been filed with and allowed by the Trustee; or
 - (ii) has been filed with the Trustee and valued or determined in accordance with the provisions of the Act,

provided, however, that a Proven Claim shall not include a Claim:

- (i) by any Person who has received written notification from the Trustee that the Claim has not been filed on a timely basis or has been disallowed; or
- (ii) in respect of which a proof of claim has not been filed within 30 days of the date on which the Trustee mailed to the Creditor having such Claim a notice pursuant to Section 149 of the Act.
- (jj) **“Reorganization”** means the creation and issuance of the New Common Shares, the cancellation of the Common Shares and the other amendments to the Company’s articles of incorporation described in sections 28 to 33 of this Proposal.
- (kk) **“Secured Creditor”** means any Person holding a mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Company or any part thereof as security for a Claim, and **“Secured Creditors”** means all of them.
- (ll) **“Secured Creditor Claims”** means all Claims of Secured Creditors.
- (mm) **“Shareholders”** means those Person(s) who are holders of Common Shares, or any other equity of any kind of the Company.
- (nn) **“Share Consideration”** means proceeds payable to the Company under the Subscription Agreements.
- (oo) **“Subscription Agreements”** means:
- (i) the agreement dated as of or before the Meeting of Creditors between the Company and the Investor, as the same may be amended from time to time, regarding the subscription by the Investor for the New Common Shares for the aggregate consideration of \$10.00; and
 - (ii) the agreement dated as of or before the Meeting of Creditors between the Company and the DIP Lender as the same may be amended from time to time, regarding the subscription by the DIP Lender for the New Common Shares for the aggregate consideration of \$10.00.

- (pp) **“Trustee”** means MNP LTD., in its capacity as trustee under the Proposal, and ¹⁴¹ not in its personal capacity, and without any personal or corporate liability.
- (qq) **“Unsecured Creditor”** means any Creditor other than a Preferred Creditor and a Secured Creditor whose Claim arose:
- (i) by reason of the supply of goods or services to or for the account of the Company prior to the Filing Date;
 - (ii) by reason of loaning of money to the Company on an unsecured basis;
 - (iii) in the case of executory contracts in existence prior to the Filing Date, by reason of the restructuring, repudiation or termination of such contracts subsequent to the Filing Date;
 - (iv) which Claims arose by any other reason prior to the Filing Date; or
 - (v) the unsecured portion of any Claim, the balance of which is secured against all or any of the assets of the Company,
- and **“Unsecured Creditors”** means all of them.
- (rr) **“Unsecured Creditor Claims”** means all Claims of Unsecured Creditors.
- (ss) **“Unsecured Creditor Payment”** has the meaning ascribed to it in section 15 of this Proposal.
- (tt) **“Warrants”** means the existing authorized, issued and outstanding warrants to purchase Common Shares of the Company.

Purpose of Proposal

2. The purpose of this Proposal is to effect a restructuring of the business and affairs of the Company in the expectation that all Creditors will derive a greater benefit from the continued operation of the business and affairs of the Company than would result from a forced liquidation of its assets. The Company is being supported through this process by the DIP Lender, which has provided financing to the Company through its insolvency prior to the Filing Date, and will continue to provide ongoing financing to the Company through the Proposal proceedings by way of the credit facility provided for in the DIP Loan Agreement. It is also being supported by the Investor, which is advancing to the Company the funds that will form the Proposal Fund to be distributed to creditors in accordance with the provisions of this Proposal.

3. An integral part of the Proposal is the cancellation of the existing and outstanding share capital of the Company, in light of the lack of value of the share capital due to the Company's insolvency. Upon the implementation of the Proposal, and in consideration of their support for the Company through the Proposal proceedings, the DIP Lender and the Investor have agreed to acquire the New Common Shares pursuant to the Subscription Agreements.

4. This Proposal is intended to provide a fair recovery to all Creditors and to provide the Company with the financial stability to continue its business operating from and after the Implementation Date.

Effect of Proposal

5. This Proposal restructures the affairs of the Company and amends the terms of any and all agreements between the Company and the Creditors or the Shareholders existing as at the Implementation Date to the extent affected by this Proposal, and provides the essential terms on which all Claims and the interests of the Shareholders will be fully and finally resolved and settled. During the Proposal Period, the provisions of Sections 65.1 and 69.1 of the Act shall be in effect. Without limiting the generality of the foregoing, during the Proposal Period all

Creditors will be stayed from commencing or continuing any proceeding or remedy against the Company, as further described in paragraph 34 hereof. ¹⁴³

Persons Affected

6. This Proposal will, as of the Implementation Date, be binding on the Company and all Creditors (except Secured Creditors), Shareholders and other persons named or referred to herein in the manner provided for in this Proposal and the Act.

Restructuring of the Company

7. Prior to the Meeting of Creditors, the Company and the Investor will have entered into the Loan Agreement, pursuant to which the Loan Consideration will be advanced by the Investor to the Company following the Approval Date. The Company will, in turn, advance the Loan Consideration to the Trustee.

8. Prior to the Meeting of Creditors, each of the Company and the Investor, and the Company and the DIP Lender, will have entered into the Subscription Agreements, pursuant to which the Subscription Consideration will be fully advanced to the Company following the Approval Date. The Company will, in turn, advance the Subscription Consideration to the Trustee.

9. A condition to each of the Subscription Agreements is that the Company implement this Proposal to its Creditors, including the Reorganization, pursuant to the Act and authorized by the OBCA.

10. Pursuant to the terms of the Subscription Agreements and the Loan Agreement, and upon the successful implementation thereof in accordance with their terms, the Investor and the DIP Lender will pay the Consideration to the Company, and in turn, the Company will pay the Consideration to the Trustee for distribution to the Creditors.

11. Subject to the satisfaction or waiver of the conditions precedent set out in paragraph 26¹⁴⁴ of this Proposal, the following steps will occur, and be deemed to occur, sequentially in the following order, on the Implementation Date:

- (a) the Company shall be released from all the Claims of Creditors (except Secured Creditors), which shall be fully and finally compromised in accordance with the provisions of the Act and this Proposal;
- (b) articles of reorganization causing the Reorganization, as more fully described in paragraph 28 of this Proposal, will be filed by the Company;
- (c) a certificate of amendment reflecting the amendments to the articles of incorporation of the Company caused by the articles of reorganization shall be issued by the Director under the OBCA;
- (d) the Subscription Agreements will be completed in accordance with their terms, provided that all conditions thereto have been satisfied or (when waivable) waived, whereupon, among other things, the New Common Shares shall be acquired by, and share certificates in respect thereof shall be issued by the Company to, the Investor and the DIP Lender against payment of the Share Consideration to the Trustee; and
- (e) upon Approval and completion of the Loan Agreement and of the Subscription Agreements, the Investor shall remit the Loan Consideration to the Company which will, in turn, remit the Loan Consideration to the Trustee, and the Investor and the DIP Lender shall remit the Share Consideration to the Company which will, in turn, remit the Share Consideration to the Trustee.

Proposal Affecting Secured Creditors

12. This Proposal is not being made to the Secured Creditors and accordingly, Secured Creditors shall not be entitled to vote on the Proposal.

13. Claims of Secured Creditors, if any, shall be paid by the Company in accordance with agreements between the Company and the Secured Creditor including, without limitation, the Forbearance Agreement and the DIP Loan Agreement, as those agreements may be amended or supplemented from time to time. ¹⁴⁵

Proposal for Unsecured Creditors

14. All Unsecured Creditors shall form part of a single class of Unsecured Creditors for voting and distribution purposes.

15. Each Unsecured Creditor who has a Proven Claim shall receive a payment representing each such Unsecured Creditor's *pro rata* share of the Proposal Fund, less any amounts to be paid as Priority Payments (the "Unsecured Creditor Payment").

16. Unsecured Creditors will accept the payments provided for in this Proposal in complete satisfaction of all their Claims and all liens, certificates of pending litigation, executions, security interests or any other similar charges or actions or proceedings in respect of such Claims will have no effect in law or in equity against the property, assets and undertaking of the Company, all of which shall be released upon payment of the amounts provided for in this Proposal. The Unsecured Creditors shall take such actions and do such other things as are necessary, at their sole cost, to file or record any required discharges of any of the foregoing.

17. Landlords of premises that have been terminated, disclaimed or repudiated shall be entitled to file a proof of claim as Unsecured Creditors for an amount equal to the lesser of: (i) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer becomes effective plus fifteen percent (15%) of the rent for the remainder of the term of the lease after that year; and (ii) three (3) years of rent. Landlords of disclaimed premises shall not be entitled to claim for accelerated rent pursuant to Section 65.2(4)(a) of the Act.

Crown Claims, Preferred Claims and Employee Claims

18. Amounts, if any (collectively, the “Priority Payments”):
- (a) owing to Her Majesty in Right of Canada or a Province, as enumerated in Section 60(1.1) of the Act, which shall be paid in full within six (6) months following Approval;
 - (b) owing to employees and former employees, that such persons would have been qualified to receive under Section 136(1)(d) of the Act if the Company became bankrupt on the Filing Date, which shall be paid immediately following Approval; and
 - (c) any Proven Claim in respect of a Preferred Claim, without interest,
- shall be paid in full and in priority to all Unsecured Creditors.

19. For the purpose of voting, the Preferred Creditors shall fall within the class of Unsecured Creditors.

Funds Payable Under Proposal

20. The amount to be paid to Creditors on the Distribution Date on account of their Proven Claims shall be paid from the Proposal Fund.
21. The Trustee will remit payments to Creditors in the following order:
- (a) the Priority Payments; and
 - (b) the Unsecured Creditor Payment.
22. Any such payments made by the Trustee to Creditors in this Proposal shall be made by the Trustee net of any levies payable or due under the Act.

Administrative Fees and Expenses

23. The Administrative Fees and Expenses will be paid by the Company in the ordinary course from cash flow, subject to approval by the Court.

Payment of Crown Claims

24. During the period between the Filing Date and Approval, the Company shall pay and keep current:

- (a) all amounts owing to Her Majesty in right of Canada and in right of Ontario of a kind that could be subject to a demand under Section 224(1.2) of the *Income Tax Act* (Canada) or any substantially similar provision of provincial legislation; and
- (b) all amounts collected in respect of sales taxes on behalf of Canada Revenue Agency and any provincial Ministry of Finance.

Goods or Services Given After Filing Date

25. Any Post-Filing Claim shall be paid in full in the ordinary course by the Company or as negotiated between the Company and its vendors. The Company 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 Company agrees that the Trustee shall not in any case be responsible for ensuring that payment is duly made pursuant to paragraph 24 hereof and to all those persons supplying goods or services after the Filing Date. All Creditors hereby release and forever discharge the Trustee from any and all liability relating to the Company's non-payment of any liabilities under this paragraph.

Conditions of Proposal

26. The Proposal and its implementation by the Company is conditional upon fulfilment or satisfaction of each of the following conditions:

- (a) the taking of all necessary corporate actions and proceedings to approve the Proposal;¹⁴⁸
- (b) the granting of the Approval Order;
- (c) the completion of the Loan Agreement prior to the Meeting of Creditors;
- (d) the advancement of the Loan Consideration by the Investor to the Company and, in turn, the Trustee;
- (e) the completion of the Subscription Agreements prior to the Meeting of Creditors;
- (f) the completion of the Reorganization;
- (g) the advancement of the Share Consideration by the Investor and the DIP Lender to the Company and, in turn, the Trustee;
- (h) the payment of the Administrative Fees and Expenses; and
- (i) the performance by each of the Company, the Investor and the DIP Lender of all their respective obligations pursuant to the Proposal and the transactions contemplated herein.

27. Once all of the above conditions have been fulfilled or satisfied, or (where waivable) waived, the Performance of the Proposal shall be deemed to be fully complete and the Trustee will deliver and file with the Court a certificate pursuant to Section 65.3 of the Act.

Share Capital

28. On the Implementation Date, the articles of incorporation of the Company shall be amended pursuant to the articles of reorganization in the following sequence:

- (a) to delete and cancel all of the authorized share capital of the Company and to delete and cancel all of the rights, privileges, restrictions and conditions attaching thereto, including, but not limited to, deleting and cancelling all of the Common Shares and all of the Preferred Shares (as defined in the Company's articles of incorporation);
- (b) to create an unlimited number of New Common Shares and to provide that the rights, privileges, restrictions and conditions attaching to the New Common Shares are as set out in Schedule "A" hereto; and
- (c) providing that, after giving effect to the foregoing, the authorized share capital of the Company shall consist only of an unlimited number of New Common Shares.

29. All existing and outstanding Warrants, together with contracts pursuant to which Warrants may be issued in future, shall be cancelled.

30. No Shareholder will be entitled to any payment or other compensation with respect to the cancellation of its/her/his Common Shares, Warrants or otherwise.

31. The aggregate stated capital for the purposes of the OBCA of the New Common Shares issued to the Investor and the DIP Lender under the Subscription Agreements and pursuant to this Proposal shall be as set out in **Schedule "B"**.

32. The Shareholders shall not be entitled to vote on this Proposal.

33. The Shareholders shall not have any rights of dissent pursuant to Section 186(6) of the OBCA in respect of this Proposal.

Stay of Proceedings

34. During the Proposal Period, and provided the Company is not in default hereunder, each Creditor will be stayed from commencing or continuing any proceeding or remedy against the Company or its property based upon a Claim existing on or before the Filing Date, or whose Claim has arisen after the Filing Date as a result of the termination, repudiation or restructuring of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, including, without limitation, any proceeding or remedy to recover payment of such Claim, to realize against any security granted in respect of such Claim, to recover or enforce a judgment against the Company in respect of such Claim or to initiate any

proceedings against it under any applicable bankruptcy, insolvency or other laws in respect of such Claim, other than an application or proceeding in connection with this Proposal. ¹⁵⁰

Inspectors

35. (a) At the meeting of the Unsecured Creditors to be held to consider the Proposal, the Creditors may appoint one or more but not exceeding five (5) persons to act as Inspectors, whose powers shall be limited to:
- (i) advising the Trustee from time to time with respect to any matter that the Trustee may refer to them;
 - (ii) advising the Trustee concerning any dispute which may arise as to the validity of Claims of Unsecured Creditors; and
 - (iii) authorizing an extension of time for payments due to the Unsecured Creditors pursuant to this Proposal.
- (b) Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, reverse or modify the decision, direction to act and make such order as it thinks just.
- (c) The authority and term of office of the Inspectors will terminate upon the discharge of the Trustee.
- (d) The chairperson may adjourn the meeting of creditors upon an adjournment being required by the creditors by ordinary resolution, pursuant to s. 52 of the Act.

Release of Directors

36. Upon the Implementation Date, the Company, each and every present and former director of the Company (collectively, the "Released Parties") shall be released and discharged

from any and all demands, claims, actions, causes of action, counter claims, suits, debts, sums¹⁵¹ of money, accounts, covenants, damages, judgments, expenses, executions, options, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Creditor or Person may be entitled to assert, in the case of the Released Parties as of the Filing Date, including, without limitation, any and all Claims in respect of the potential statutory liabilities of the present or former directors of the Company, and any and all Claims relating to any obligations of the Company where the present or former directors are or may be by law liable in their capacity as directors for the payment of such obligations, and provided that nothing herein shall release or discharge any of the present or former directors of the Company from the exceptions set out in Section 50(14) of the Act.

Effect of Payment

37. Creditors will accept the payment of the amounts set out in the applicable provisions of this Proposal in complete satisfaction of all their claims, and all mortgages, charges, security interests, encumbrances, liens, writs of seizure and sale, certificates of pending litigation, executions or any other similar charges, actions or proceedings in respect of such Claims will, as of the Implementation Date, have no effect in law or in equity against the Company and the property, assets or undertakings of the Company and will be discharged, dismissed or vacated, as the case may be, at no expense to the Company, by each holder thereof no later than ten (10) Business Days after the Implementation Date, or failing same, by order of the Court made without notice to such holder.

Compromise Effective for all Purposes

38. The payment, compromise or other satisfaction of the Claims and the treatment of Shareholders under this Proposal shall be binding upon the Creditors holding the Claims and upon the Shareholders, their heirs, executors, administrators, successors and assigns, for all purposes and in the case of any Claim shall also be effective to relieve any third party directly or indirectly liable for such Claim, whether as guarantor, indemnitor, tenant, director, joint covenantor, principal or otherwise.

39. The provisions of Sections 95 to 101 of the Act shall not apply to this Proposal.

152

Discharge of Trustee

40. Upon the payment by the Trustee of the amounts prescribed herein, the Trustee shall have discharged its duties as Trustee and the Trustee shall be entitled to apply for its discharge as Trustee. For greater certainty, the Trustee will not be responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default.

Amendment

41. This Proposal may be amended by the Company with the consent of the Trustee at any time prior to the conclusion of the meeting of Unsecured Creditors called to consider the Proposal, provided that any amendment made pursuant to this paragraph shall not reduce the rights and benefits given to the Creditors under the Proposal before any such amendment, and provided further that any and all amendments shall be deemed to be effective as of the Filing Date of the Proposal.

Further Actions

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

Date for Action

43. 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.

Time

44. All times expressed in this Proposal are local time in Toronto, Ontario.

[The remainder of this page is intentionally left blank.]

DATED AT THE CITY OF VANCOUVER, in the Province of British Columbia, this 30th day **154**
of September, 2017.

DIGITAL UNDERGROUND MEDIA INC.

By: _____

Name: _____

Title: _____

Unlimited number of New Common Shares with the following rights, privileges and restrictions:

1 Voting Rights

Each holder of Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation, and at all such meetings shall be entitled to one vote in respect of each Common Share held by such holder.

2 Dividends

Subject to applicable law, the directors may at any time or from time to time declare dividends on the Common Shares in such amounts as the directors at such time or times determine.

3 Liquidation, Dissolution or Winding-up

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled to receive the remaining assets and property of the Corporation.

Schedule "B"

New Stated Capital = \$20.00.

30384597.7

Exhibit "B"

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

Original Amended

158

- Form 78 -
 Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of
 Digital Underground Media Inc.
 a Company Incorporated Pursuant to the Laws of the Province of Ontario
 with a Head Office in the City of Vancouver, in the Province of British Columbia

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 29th day of September 2017. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A"	1. Inventory
658,867.35	200,000.00
Balance of secured claims as per list "B"	2. Trade fixtures, etc.
3,039,322.25	0.00
Total unsecured creditors	3. Accounts receivable and other receivables, as per list "E"
3,698,189.60	Good
2. Secured creditors as per list "B"	0.00
305,001.00	Doubtful
3. Preferred creditors as per list "C"	45,764.00
0.00	Bad
4. Contingent, trust claims or other liabilities as per list "D"	0.00
estimated to be reclaimable for	Estimated to produce
0.00	0.00
Total liabilities	4. Bills of exchange, promissory note, etc., as per list "F" ...
4,003,190.60	0.00
Surplus	5. Deposits in financial institutions
NIL	0.00
	6. Cash
	0.00
	7. Livestock
	0.00
	8. Machinery, equipment and plant
	0.00
	9. Real property or immovable as per list "G"
	0.00
	10. Furniture
	5,000.00
	11. RRSPs, RRFs, life insurance, etc.
	0.00
	12. Securities (shares, bonds, debentures, etc.)
	1.00
	13. Interests under wills
	0.00
	14. Vehicles
	0.00
	15. Other property, as per list "H"
	100,000.00
	If debtor is a corporation, add:
	Amount of subscribed capital
	0.00
	Amount paid on capital
	0.00
	Balance subscribed and unpaid
	0.00
	Estimated to produce
	0.00
	Total assets
	305,001.00
	Deficiency
	3,698,189.60

Director

I, John Drew Craig, President of Digital Underground Media Inc., of the City of North Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 29th day of September 2017 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED) *R. R.*
 before me at the City of Toronto in the Province of Ontario, on this 29th day of September 2017.
Vancouver British Columbia

PATTY WOOD, CGA
 A Commissioner for taking Affidavits
 for the Province of British Columbia

[Signature]
Director
 John Drew Craig, President of Digital
 Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

159

FORM 78 – Continued

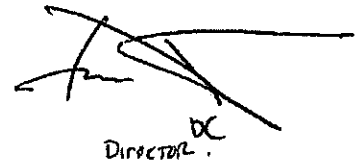
List "A"
 Unsecured Creditors

Digital Underground Media Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Ade & Company Inc	2157 Henderson Hwy Winnipeg MB R2G 1P9 CA	584.00	0.00	584.00
2	Beacon Securities Limited	68 Wellington Street West Suite 4050, TD Tower Toronto ON M5K 1H1 CA	157,500.00	0.00	157,500.00
3	Best Best Kitegar LLP	3390 University Avenue Riverside CA 92501 USA	380.58	0.00	380.58
4	David Chae	102-704 Yeongtong e-Pyeonghensesang Apt 239 Yeongtong-ro, 200 beon-gil, Yeongtong-gu, Suwon-si, Gyeonggi-do Korea	250,000.00	0.00	250,000.00
5	Denise Cooper	186 St. George Street, Suite 200 Toronto ON M5R 2N3 CA	14,604.00	0.00	14,604.00
6	DUM Holdings Inc.	Suite 1800, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA	0.00	528,291.47	528,291.47
7	EY	700 W Georgia St Vancouver BC V7Y 1C7 CA	42,000.00	0.00	42,000.00
8	Globeime	310, 1008 Homer St Vancouver BC V6B 2X1 CA	158.00	0.00	158.00
9	Gowlings WLG	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA	31,684.00	0.00	31,684.00
10	Innovex	3, Cheongmyeongnam-ro, Yeongtong-gu Suwon-si, Gyeonggi-do Korea	90,000.00	0.00	90,000.00
11	JD Craig Holdings Inc	4280 Rockridge Road West Vancouver BC V7W 1A5 CA	0.00	2,511,030.78	2,511,030.78
12	Nell East Sound Broadcasting Ltd. (SBL)	1A - 1455 Waverley Street Winnipeg MB R3T 0P7 CA	15,680.00	0.00	15,680.00
13	Palms Creative Inc	205 - 309 W Cordova St. Vancouver BC V6B 1E5 CA	7,875.00	0.00	7,875.00
14	Piaselzki Nenniger Kvas LLP	120 Adelaide St W Suite 2308 Toronto ON M5H 1T1 CA	423.00	0.00	423.00
15	Stambol Studios Inc.	104 - 1309 West 14th Ave Vancouver BC V6H 1R2 CA	7,245.00	0.00	7,245.00
16	Stantec Consulting Ltd.	c/o Lockbox 310260, PO BOX 578, STN M Calgary AB T2P 2J2 CA	10,081.00	0.00	10,081.00
17	Tomik2 Inc.	62 Wendover Road Toronto ON M8X 2L3 CA	9,722.00	0.00	9,722.00
18	Vilarreal Garcia	Torre Sofia Ricardo Margán 440-701 Valle del Campestre, San Pedro Garza Garcia, N.L. 06265 Mexico	13,600.77	0.00	13,600.77
19	Waterford Partners	350-1 First Canadian Place Toronto Board of Trade Tower Toronto ON M5X 1C1 CA	7,350.00	0.00	7,350.00
Total:			658,867.35	3,039,322.25	3,698,189.60

28-Sep-2017

Date



DIRECTOR

John Drew Craig, President of Digital Underground
Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

160

FORM 78 -- Continued

List "B"
 Secured Creditors

Digital Underground Media Inc.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	DUM Holdings Inc.	Suite 1800, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA	528,291.47	Other - Intellectual property - Patents Business Assets - Stock In Trade - Inventory Business Assets - Stock In Trade - Equipment Inventory Furniture - Furniture & Office Equipment Securities - Investments in subsidiaries Debts Due - Business - TVS Global America	21-Jun-2017 21-Jun-2017 21-Jun-2017 21-Jun-2017 21-Jun-2017 21-Jun-2017	0.00 0.00 0.00 0.00 0.00 0.00		528,291.47
2	JD Craig Holdings Inc	4280 Rockridge Road West Vancouver BC V7W 1A5 CA	2,816,031.78	Other - Intellectual property - Patents Business Assets - Stock In Trade - Inventory Business Assets - Stock In Trade - Equipment Inventory Furniture - Furniture & Office Equipment Securities - Investments in subsidiaries Debts Due - Business - TVS Global America	29-Oct-2015 29-Oct-2015 29-Oct-2015 29-Oct-2015 29-Oct-2015 29-Oct-2015	100,000.00 150,000.00 50,000.00 5,000.00 1.00 0.00		2,511,030.78
Total:			3,344,323.25			305,001.00	0.00	3,039,322.25

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

161

FORM 78 -- Continued

List "C"
Preferred Creditors for Wages, Rent, etc.

Digital Underground Media Inc.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend	
					Total:	0.00	0.00	0.00

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

162

FORM 78 -- Continued

List "D"
Contingent or Other Liabilities

Digital Underground Media Inc.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
			Total	0.00	0.00	

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766


FORM 78 -- Continued

List "E"
 Debts Due to the Debtor
 Digital Underground Media Inc.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
1	TVS Global America	321 Water Street, Suite 320 Vancouver BC V6B 1B8	Note Receivable	0.00 45,764.00 0.00		29-Sep-2017	0.00	Unsecured
			Total	0.00 45,764.00 0.00			0.00	

29-Sep-2017

Date


 Director
 John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

164

FORM 78 - Continued

List "F"

Bills of Exchange, Promissory Notes, Lien Notes, Chattel
Mortgages, etc., Available as Assets

Digital Underground Media Inc.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

29-Sep-2017

Date



John Drew Craig, President of Digital Underground
Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

165

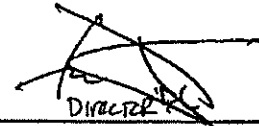
FORM 78 -- Continued

List "G"
Real Property or Immovables Owned by Debtor
Digital Underground Media Inc.

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Total:			0.00		0.00

29-Sep-2017

Date



John Drew Creig, President of Digital Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

166

FORM 78 - Concluded

List "H"
 Property

Digital Underground Media Inc.
 FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade		Inventory	0.00	150,000.00
		Equipment Inventory	0.00	50,000.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture		Furniture & Office Equipment	0.00	5,000.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities		Investments in subsidiaries	0.00	1.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
(m) Other		Intellectual property - Patents	0.00	100,000.00
			Total:	305,001.00

29-Sep-2017

Date


 Director
 John Drew Craig, President of Digital Underground
 Media Inc.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE PROPOSAL OF

**DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA**

REPORT OF TRUSTEE TO THE CREDITORS
(Section 50(5) of the Bankruptcy and Insolvency Act)

Enclosed are the following documents:

- Notice of Proposal to Creditors;
- Digital Underground Media Inc.'s ("DUM" or the "Company") Proposal, dated September 30, 2017 (the "Proposal") under Part III, Division 1, of the *Bankruptcy and Insolvency Act* (the "BIA") lodged with MNP Ltd. (the "Trustee") by DUM and filed with the Official Receiver on October 2, 2017;
- a statement of the Company's assets and liabilities as at September 29, 2017 ("SOA");
- a proof of claim form;
- voting letter if you wish to vote in advance of the meeting; and
- general proxy.

The following is an outline of the background and financial position of the Company, including relevant information that should be of assistance to the creditors in considering their position with respect to the Proposal.

In preparing this Report and making the comments herein, the Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with employees and management and information from other third-party sources (collectively, the "Information"). Except as described in this Report, the Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the CPA Canada Handbook.

Capitalized terms used in this Report are the same as those referenced in the Proposal. Unless otherwise stated herein, all references to currency are to lawful money of Canada.

SECTION A - Background

The Company was incorporated under the *Ontario Business Corporations Act* on January 19, 2010. The Company has also been registered as an extra provincial company under the *British Columbia Business Corporations Act* on September 24, 2014. The Company develops, and through its subsidiaries, operates subway in-tunnel advertising systems. The Company operates from leased premises located at 320-321 Water St. in Vancouver, British Columbia (the "Premises").

On September 21, 2017 (the "Filing Date"), the Company filed a Notice of Intention to Make a Proposal ("NOI") pursuant to Part III, Division I of the BIA.

On September 25, 2017, Justice Hainey ordered the following, *inter alia*:

- a. Approving a charge in favour of the legal advisors retained by the Company, MNP in its capacity as the Proposal Trustee and its legal counsel, in the amount of \$115,000 to secure payment of their reasonable fees and disbursements; and
- b. Approving an interim financing facility and a charge on the Company's assets, property and undertaking (collectively the "Assets") in favour of J.D. Craig Holdings Inc., the debtor-in-possession lender (the "DIP Lender").

The Company advises that the causes of its financial difficulties are due primarily to agreements that the Company entered into in mid-2015 with a UK based private equity fund, whereby the fund would act as an institutional investor (the "Agreements"). The institutional investor committed to support the Company's business plan to establish the global in-tunnel media industry as a niche market of the Transit Out of Home media industry. The Agreements provided that the institutional investor would provide funding to the Company in accordance with the business plan. In Q2 of 2017, the institutional investor provided notice to the Company that it would not fulfill its funding obligations under the Agreements.

The Company had entered into agreements with and made commitments to suppliers and contractors, based on its belief that it would have the benefit of the full amount of the funding to be provided under the Agreements. Upon the institutional investor ceasing to provide funding, the Company has suffered a shortfall and is not able to meet its obligations. As a result, the Company commenced these NOI proceedings as part of a restructuring of the business.

On October 2, 2017, the Company filed the Proposal with the Official Receiver. The purpose of the Proposal is to effect a restructuring of the business and affairs of the Company in the expectation that all Creditors will derive a greater benefit from the continued operation of the business and affairs of the Company than would result from a forced liquidation of its assets. The Company's operations are being supported through this process by the DIP Lender, which has provided financing to the Company prior to the filing of the NOI, and will continue to provide ongoing financing to the Company through the Proposal proceedings by way of the credit facility provided for in the DIP Loan Agreement. It is also being supported by 7677189 Canada Ltd., (the "Investor"), which is advancing to the Company the funds that will form the Proposal Fund (defined below) to be distributed to creditors in accordance with the provisions of this Proposal.

An integral part of the Proposal is the cancellation of the existing and outstanding share capital of the Company, in light of the lack of value of the share capital due to the Company's insolvency. Upon the implementation of the Proposal, and in consideration of their support for the Company through the Proposal proceedings, the DIP Lender and the Investor have agreed to acquire the new common shares to be issued in the share capital of the Company ("New Common Shares") pursuant to the Subscription Agreements.

As at the date of filing the NOI, the Company employed three (3) individuals. The Company's workforce is not unionized. The Company does not sponsor a pension plan.

SECTION B - Summary of the Proposal

This section contains a summary of the Proposal, the implementation of which is conditional on, among other things, the:

- i. acceptance by the Affected Creditors and approval by the Court of this Proposal in accordance with the BIA;
- ii. the taking of all necessary corporate actions and proceedings to approve the Proposal;
- iii. the granting of the Approval Order;
- iv. the completion of the loan agreement between the Investor and the Company (the "Loan Agreement") prior to the Meeting of Creditors;
- v. the advancement of the Loan Consideration (defined below) by the Investor to the Company and, in turn, the Trustee;
- vi. the completion of the Subscription Agreements prior to the Meeting of the Creditors;
- vii. the completion of the Reorganization (defined below);
- viii. the advancement of the Share Consideration (defined below) by the Investor and the DIP Lender to the Company and, in turn, the Trustee;
- ix. the payment of the Administrative Fees and Expenses; and
- x. the performance by each of the Company, the Investor and the DIP Lender of all of their respective obligations pursuant to the Proposal and the transactions contemplated herein.

As set out in the Proposal, the Proposal provides for the following:

1. Proposal Fund

Prior to the Meeting of Creditors:

- The Company will have entered into the Loan Agreement, pursuant to which an amount of \$76,000 (the "Loan Consideration") will be advanced by the Investor to the Company following the date on which the order approving the Proposal becomes final and no longer appealable to the Court. The Company will, in turn, advance the Loan Consideration to the Trustee;
- Each of the Company and the Investor, and the Company and the DIP Lender, will have entered into the Subscription Agreements, pursuant to which the Share

Consideration, namely \$20, will be fully advanced to the Company following the date on which the order approving the Proposal becomes final and no longer appealable to the Court. The Company will, in turn, advance the Subscription Consideration to the Trustee.

- The Loan Consideration and Share Consideration together are referred to as the “**Proposal Fund**”.

2. Share Capital

On the Implementation Date, the articles of incorporation of the Company shall be amended pursuant to the articles of reorganization (the “**Reorganization**”) in the following sequence:

- i. to delete and cancel all of the authorized share capital of the Company and to delete and cancel all of the rights, privileges, restrictions and conditions attaching thereto, including, but not limited to, deleting and cancelling all of the Common Shares and Preferred Shares;
 - ii. to create an unlimited number of New Common Shares and to provide that the rights, privileges, restrictions and conditions attaching to the New Common Shares are as set out in Appendix “A” of the Proposal;
 - iii. providing that, after giving effect to the foregoing, the authorized share capital of the Company shall consist only of an unlimited number of New Common Shares.
- a. all existing and outstanding Warrants, together with contracts pursuant to which Warrants may be issued in the future, shall be cancelled.
 - b. no shareholder will be entitled to any payment or other compensation with respect to the cancellation of its/her/his Common Shares, Warrants or otherwise.
 - c. the shareholders shall not be entitled to vote on this Proposal.
 - d. the shareholders shall not have any rights of dissent pursuant to Section 186(6) of the *Ontario Business Corporations Act* in respect of this Proposal.

3. Crown Claims, Preferred Claims and Employee Claims

Amounts, if any (collectively, the “**Priority Payments**”):

- a. owing to Her Majesty in the Right of Canada or a Province, as enumerated in Section 60(1.1) of the BIA, which shall be paid in full within six months following Approval;
- b. owing to employees and former employees, that such persons would have been qualified to receive under Section 136(1)(d) of the BIA if the Company became bankrupt on the Filing Date, which shall be paid immediately following Approval; and
- c. any Proven Claim in respect of a Preferred Claim, without interest,

shall be paid in full and in priority to all Unsecured Creditors.

At this time, the Trustee is unaware of any Priority Payments.

4. General Unsecured Creditors

The General Unsecured Creditors will receive a distribution, before the deduction of the Levy (as defined in paragraph 8 below), as follows:

- a. Proven Claims will receive a payment representing their pro rata share of the Proposal Fund, less any amount to be paid as Priority Payments; and
- b. The Company estimates that the Claims of the General Unsecured Creditors will total approximately \$658,867, none of which is estimated to be unsecured claims of employees.

5. Disclaimer of Commercial Leases

In the case of any lease disclaimed by the Debtors pursuant to section 65.2 of the BIA, the landlord affected by the disclaimer may file an unsecured proof of claim for an amount equal to the lesser of:

- a. The aggregate of:
 - i. The rent provided for in the lease for the first year of the lease following the date on which the disclaimer became effective;
 - ii. Fifteen per cent of the rent for the remainder of the term of the lease after that year; and
- b. Three years' rent.

6. Secured Creditors

Secured Creditors are not included in or in any way affected by the Proposal and will be paid in accordance with existing agreements between the Secured Creditors and the Company.

7. Payment

The Trustee will distribute funds as follows:

- a. the Priority Payments;
- b. the Unsecured Creditor Payment

8. Levy

All distributions pursuant to the Proposal are subject to deduction of the levy payable to the Superintendent of Bankruptcy pursuant to Section 147 and Rule 123(2) of the BIA (the "Levy").

9. Release

Each and every present and former director of the Company, and each and every of their respective successors and assigns shall be released and discharged by all Affected Creditors from all Claims which any Affected Creditor may have or have been entitled to assert against any of the Released Parties for which they would be by law liable in their capacity as directors for the payment of such Claims, provided that this provision shall

not release or discharge any of the Released Parties from any Claims that are set out in section 50(14) of the BIA.

10. Administrative Fees and Expenses

The Administrative Fees and Expenses will be paid by the Company in the ordinary course from cash flow, subject to approval from the Court.

11. Preferences and Transactions at Undervalue

Sections 95 to 101 inclusive of the BIA do not apply to the Proposal

The description of the Proposal is a summary only, and readers are cautioned that if there is inconsistency between this report and the Proposal, the terms of the Proposal shall govern.

SECTION C - Financial Position and Causes of Difficulties

A summary of the Company's historical financial results is set out below:

Year Ended August 31	F2015	F2016	YTD May 2017
(CAD \$)			
Unaudited			
Revenue	446,792	633,338	673,413
% Growth	N/A	42%	6%
Cost of Sales	431,422	768,281	905,766
Gross Margin	15,370	134,943	232,353
Gross Margin (%)	3%	-21%	-35%
Operating Expenses	1,266,687	2,635,838	2,335,199
Operating Expenses (%)	284%	416%	347%
EBIDTA	- 1,251,317	- 2,770,781	- 2,567,552
EBITDA (%)	-280%	-437%	-381%

The causes of the Company's financial difficulties are detailed in Section A above.

Based on the Company's short-term cash flow projections for the thirteen (13) week period ending December 15, 2017, the Company does not anticipate any revenues and will require all expenditures to be funded by the DIP Facility. Revenues are earned in the individual subsidiaries that are set up to manage projects in their respective jurisdictions. Expenditures during the period primarily include senior management salaries, key consultants, professional costs to support the proposal process and funding of the subsidiaries in Korea and Spain.

Any revenues projected to be received by the subsidiaries during the period of the cash flow have been used to offset the cash required from DUM. The Brazilian subsidiary is expected to be self-funding during the period and the Korean subsidiary is projected to require a minimal cash injection of approximately \$10,000.

Approximately \$190,000 will be required to fund the Spanish subsidiary during the projected period. Part of these funds will be used to engage professionals to allow the Spanish subsidiary to become tax compliant which the Company expects could result in a value-added tax (VAT) refund of approximately 100,000 euros. These funds will not be realized within the projected period covered by the cash flow and will not flow directly to DUM, however they will offset future cash injections required by the Spanish subsidiary.

The Company was facing an imminent liquidity crisis - cash on hand was projected to be depleted by the week ending September 29, 2017. The Company's operations would have ceased and the Company would virtually have had no prospect of making a viable proposal if it had not arranged for the DIP Facility.

The Company is actively seeking buyers for each of the subsidiaries and may require additional funding during these proposal proceedings to conduct a sale process.

As part of its restructuring, the Company has disclaimed certain contracts and its commercial lease in respect of the Premises, pursuant to s.65.11 and 65.2 of the BIA, respectively.

The Company is also carrying out an operational restructuring, wherein it is shifting its focus from owning and selling advertising on its own in-tunnel display/advertising systems to becoming a technology company selling/licensing the in-tunnel advertising technology systems and software it developed and collecting royalties from the use of systems sold.

SECTION D - Interim Receiver

Not Applicable.

SECTION E - Identification and Evaluation of Assets

Per the SOA, the Company's assets and their estimated realizable value are as listed below. Further details can be found in Section L of this report.

<u>Description</u>	<u>Estimated Realizable Value</u>
Accounts receivable	\$ nil
Cash	nil
Inventory	200,000
Furniture	5,000
Shares in subsidiary company	1.
Intellectual property	100,000
	<u>\$ 305,001</u>

Based on the SOA and a *Personal Property Security Act* search conducted against registries maintained in Ontario and British Columbia on September 21, 2017, the following parties (the "Secured Creditors") have a registered secured interest in the Company's assets:

1. The DIP Lender; and
2. DUM Holdings Inc.

* The Secured Creditors noted above are both related parties to the Company

SECTION F - Conduct of the Company

The conduct of the Company does not appear to be subject to censure.

SECTION G - Creditors' Claims

Per the SOA, the Company's creditors consist of:

<u>Creditor Classification</u>	<u>SOA Amount</u>
Secured	\$ 3,344,323
Preferred	nil
Unsecured	658,867
Contingent or Other Liabilities	nil
	<u>\$4,003,190</u>

The above-noted table does not include the claim for damages to be asserted by those creditors whose agreements were disclaimed pursuant to s.65.11 or 65.2 of the BIA.

SECTION H - Previous Business Dealings with the Company

The Trustee has had no previous dealings with the Company. MNP Ltd.'s parent firm, MNP LLP, previously acted as the Company's auditor and was last involved with auditing the Company's August 31, 2013 year end financial statements.

SECTION I - Informal Meeting with Major Creditors

Not Applicable.

SECTION J - Remuneration of Trustee

The Trustee's fees and expenses related to the administration of the Proposal, including legal fees, will be paid in full by the Company. Prior to consenting to act in this matter, the Trustee received a retainer of \$22,600 from the Company.

SECTION K - Other

Not applicable.

SECTION L - Statement of Estimated Realizations

Set out below is the Trustee's estimate of the distribution to the General Unsecured Creditors if the Proposal is accepted by the creditors and approved by the Court:

General Unsecured Creditors:

Estimated claims:	\$658,867
Estimated value of distribution	76,020
Estimated distribution (%)	11.5%

If the Proposal is rejected by the Creditors, the Company will be deemed bankrupt. In a bankruptcy, the General Unsecured Creditors would collectively form the general pool of

unsecured creditors and would share on a pro-rata basis any estimated distribution. Should this occur, it is estimated that the net realizations will be less than the \$3,344,323 owed to the Secured Creditors, and accordingly (as set-out below) the estimated distribution to the General Unsecured Creditors is expected to be NIL in a bankruptcy scenario.

The anticipated realizations and potential distributions to the unsecured creditors in a bankruptcy scenario is summarized below.

		Book Value (as at September 29, 2017)	Estimated Realization
Accounts receivable	<i>Note 1</i>	45,764	Nil
Inventory	<i>Note 2</i>	968,943	200,000
Furniture	<i>Note 3</i>	279,986	5,000
Shares in subsidiary company,	<i>Note 4</i>	1,271,083	1
Intellectual property	<i>Note 5</i>	Nil	100,000
Prepaid Expense	<i>Note 6</i>	16,809	Nil
Total:		\$ 2,565,776	\$ 305,001
Less:			
Claims of Preferred Creditors	<i>Note 7</i>		Nil
Claim of Secured Creditor	<i>Note 7</i>		<u>(3,344,323)</u>
Available for distribution to unsecured creditors			<u>Nil</u>

Notes:

1. The Company's accounts receivable consists of a note receivable from TVS Global America, which note was due in August 2015. Management advises that it does not anticipate this note is collectible.
2. Inventory consists primarily of equipment to be transferred to subsidiaries for installation at currently identified locations. The inventory has been purchased specific for these locations and operated on the proprietary platform owned by DUM. A forced liquidation would result in minimal return. The Trustee has not sought an appraisal on the value of this inventory.
3. Equipment consists of office furniture and fixtures, computer hardware and software. The Trustee has not obtained an appraisal in respect of the liquidation value of these assets.
4. DUM owns 100% of the shares of Brodhead Invest Spain, Digital Underground Media Company Korea Ltd., Digital Underground Media Espacios Publicitarios Ltda. and Digital Underground Media Inc. (USA). The subsidiaries own and

operate the advertising systems in the respective countries of incorporation. The Company is actively pursuing buyers for these subsidiaries as a means of reducing or eliminating the ongoing financial burden on the Company arising from its ongoing financial support of the subsidiaries. The intellectual property necessary to operate the systems is owned by DUM and the subsidiaries' value is therefore tied to the continued operation and support from DUM. While the Trustee has not conducted a valuation of these subsidiaries, in the event of DUM's bankruptcy, it is unlikely that the Trustee will realize any value from these shares given these subsidiaries have incurred, and continue to incur losses.

5. DUM's intellectual property largely consists of the patented technology associated with its in-tunnel display advertising business. To date, DUM has not gained traction with its proprietary technology to the extent required to create a commercially viable business. As noted above under *Financial Position and Causes of Financial Difficulty*, the Company's current financial difficulty is attributable to the failure of an institutional investor to provide funding per its agreement with DUM resulting in insufficient working capital to grow DUM's business to a scale where it becomes viable. The Trustee has not arranged to have DUM's patented technology valued. If DUM were to become bankrupt, the forced liquidation value of the intellectual property would be negatively impacted by: (i) the Licensed Insolvency Trustee's limitations in transferring knowledge to a prospective purchaser; and (ii) the sizeable investment that would be required to support the working capital requirements of the business.
6. Prepaid expenses represent a lease deposit for the Company's offices in Vancouver. No realizations are likely from these assets in a bankruptcy.
7. In the event of a bankruptcy, claims of Preferred Creditors and Secured Creditors would rank ahead of unsecured creditors. The Trustee has not obtained an independent legal opinion on the validity or enforceability of the security granted by DUM to its Secured Creditors.
8. The above-noted statement of estimated realizations does not take into consideration the significant professional fees associated with administering DUM's bankruptcy and/or a receivership of the Assets.

Preferences and Transactions at Under Value

The Proposal provides that sections 95-101 of the BIA are not applicable. To assess the reasonableness of the inclusion of this clause, the Trustee completed a review of the Company's books and records to enable it to report to creditors on potential preferences or transfers at undervalue. The scope of the Trustee's review was limited to:

- examining cheques and transfers greater than \$10,000 in the twelve (12) month period preceding the Proposal filing;
- reviewing the accounts payable sub ledger for the three (3) months preceding the Proposal filing to determine if any creditor's balance was significantly reduced month over month; and
- inquiring with management whether any assets were transferred or disposed for no consideration or conspicuously less than fair market value.

Based on the above review, the Trustee did not identify any transactions in the last 12 months that could be considered preferences or transactions at under value

SECTION M - Recommendations

The Trustee recommends the acceptance of the Proposal for the following reasons:

- it contemplates a higher and more certain distribution for unsecured creditors, based on the total estimated claims;
- it provides for the continued employment of DUM's current employees; and
- it preserves a customer for trade creditors.

SECTION N - Technical Requirements for a Successful Proposal

This Proposal will become effective only if, among other things, it is accepted by a resolution of the unsecured creditors and approved by the Court. To obtain creditor approval, a simple majority in the number of unsecured creditors voting, with this majority representing at least 2/3 of the dollar value of the unsecured creditors voting, must vote in favour of the Proposal. If the unsecured creditors do not accept the Proposal, then the Company will be deemed to have made an assignment in bankruptcy and a meeting of creditors in the matter of the bankruptcy will immediately take place.

If the unsecured creditors vote to accept the Proposal, Court approval of the Proposal must then be sought. If the Court does not approve the Proposal, the Company would be deemed to have made an assignment in bankruptcy and the Trustee will then call a meeting of creditors in the matter of the bankruptcy.

When completing the Proof of Claim form submitted herewith, Creditors should include all outstanding amounts as at September 21, 2017, the date of the filing of the NOI. It is expressly noted and should be clearly understood that the Trustee, in its capacity as Trustee, assumes no personal liability for any claims that Creditors may have against DUM either before or after the filing of the Proposal.

Creditors may attend, in person or by proxy, the meeting to consider the Proposal, which will be held in the Office of the Trustee, MNP Ltd., located at 111 Richmond Street West, 3rd Floor, Toronto, Ontario on October 19, 2017 at 10 AM (Toronto time).

Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters by either email to jessie.hue@mnp.ca or fax to (416) 323-5242, to the Trustee so as to be received prior to 10 AM on October 19, 2017.

If you should have any questions or comments on the Proposal or this report, please do not hesitate to contact the undersigned.

Dated at Toronto, Ontario, the 6th day of October 2017.

MNP LTD.,
in its capacity as Trustee under the
Notice of Intention to make a Proposal of
Digital Underground Media Inc.,
and not in its personal or corporate capacities
Per:



Sheldon Title, CPA, CA, CIRP, LIT

Encl.

Exhibit "D, E, F" 80

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

FORM 31
Proof of Claim
(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1),
and Paragraphs 51(1)(e) and 66.14(b) of the Act)

In the matter of the proposal of
Digital Underground Media Inc.
a Company Incorporated Pursuant to the Laws of the Province of Ontario
with a Head Office in the City of Vancouver, in the Province of British Columbia

All notices or correspondence regarding this claim must be forwarded to the following address:

In the matter of the proposal of Digital Underground Media Inc. of the City of Vancouver in the Province of British Columbia and the claim of _____, creditor.

I, _____ (name of creditor or representative of the creditor), of the city of _____ in the province of _____, do hereby certify:

1. That I am a creditor of the above named debtor (or I am _____ (position/title) of _____, creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of proposal, namely the 21st day of September 2017, and still is, indebted to the creditor in the sum of \$ _____, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

A. UNSECURED CLAIM OF \$ _____

(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and
(Check appropriate description.)

Regarding the amount of \$ _____, I claim a right to a priority under section 136 of the Act.

Regarding the amount of \$ _____, I do not claim a right to a priority.
(Set out on an attached sheet details to support priority claim.)

B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ _____

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:

(Give full particulars of the claim, including the calculations upon which the claim is based.)

C. SECURED CLAIM OF \$ _____

That in respect of this debt, I hold assets of the debtor valued at \$ _____ as security, particulars of which are as follows:
(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ _____

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ _____
(Attach a copy of sales agreement and delivery receipts.)

- E. CLAIM BY WAGE EARNER OF \$ _____
- That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ _____.
- That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ _____.
- F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ _____
- That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ _____.
- That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ _____.
- G. CLAIM AGAINST DIRECTOR \$ _____

(To be completed when a proposal provides for the compromise of claims against directors.)
 That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

- H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ _____

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

5. That, to the best of my knowledge, I _____ (am/am not) (or the above-named creditor _____ (is/its not)) related to the debtor within the meaning of section 4 of the Act, and _____ (have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: *(Provide details of payments, credits and transfers at undervalue.)*

7. *(Applicable only in the case of the bankruptcy of an individual.)*

- Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.
- I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at _____, this _____ day of _____.

 Witness

 Creditor
 Phone Number: _____
 Fax Number : _____
 E-mail Address : _____

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.

WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 20(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

183

FORM 36
Proxy
(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

In the matter of the proposal of
Digital Underground Media Inc.
a Company Incorporated Pursuant to the Laws of the Province of Ontario
with a Head Office in the City of Vancouver, in the Province of British Columbia

I, _____, of _____, a creditor in the above matter, hereby
appoint _____, of _____, to be
my proxyholder in the above matter, except as to the receipt of dividends, _____ (with or without)
power to appoint another proxyholder in his or her place.

Dated at _____, this _____ day of _____, _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____
Name and Title of Signing Officer

Return To:

MNP LTD. - Licensed Insolvency Trustee

300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

FORM 37

Voting Letter
(Paragraph 5(1)(f) of the Act)

In the matter of the proposal of
Digital Underground Media Inc.
a Company Incorporated Pursuant to the Laws of the Province of Ontario
with a Head Office in the City of Vancouver, in the Province of British Columbia

I, _____, creditor (or I, _____, representative
of _____, creditor), of _____, a creditor in the above matter
for the sum of \$ _____, hereby request the trustee acting with respect to the proposal of Digital
Underground Media Inc., to record my vote _____ (for or against) the acceptance of the proposal
as made on the _____ day of _____.

Dated at _____, this _____ day of _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____
Name and Title of Signing Officer

Return To:
MNP LTD. - Licensed Insolvency Trustee
Per:

Sheldon Title - Licensed Insolvency Trustee
300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

This checklist is provided to assist you in preparing the accompanying proof of claim form and, where required, proxy form in a complete and accurate manner. Please specifically check each requirement.

Under Section 109 of the Bankruptcy and Insolvency Act only those creditors who have filed their claims in the proper form with the trustee, before the time appointed for the meeting, are entitled to vote at the meeting.

Section 124 states that every creditor shall prove his claim and the creditor who does not prove his claim is not entitled to share in any distribution that may be made.

General

- ◆ The signature of a witness is required;
- ◆ The claim must be signed personally by the individual completing this declaration;
- ◆ Give the complete address where all notices or correspondence is to be forwarded
- ◆ The amount of the statement of account must correspond to the amount indicated on the proof of claim.
- ◆ It is permissible to file a proof of claim by fax or by email.

Paragraph 1

- ◆ Creditor must state full and complete legal name of company or firm;
- ◆ If the individual completing the proof of claim is not the creditor himself, he/she must state his/her position or title.

Paragraph 3

- ◆ The statement of account must be complete;
- ◆ A detailed statement of account must be attached to the proof of claim and must show the date, the number and the amount of all the invoices or charges, together with the date, the number and the amount of all credits or payments. A statement of account is not complete if it begins with an amount brought forward.

Paragraph 4

- ◆ Subparagraph 4.A must be completed by an unsecured creditor and must indicate if priority is claimed pursuant to Section 136.
- ◆ Subparagraph 4.B must be completed by a landlord only in a Proposal, for any claim related to disclaimer of lease. The amount of the claim is to be calculated according to the terms of the proposal. Provide details of calculation.
- ◆ Subparagraph 4.0 must be completed by a secured creditor. A certified true copy of the security instrument as registered must be provided.
- ◆ Subparagraph 4.D must be completed a farmer, fisherman or aquaculturist creditor. A copy of the sales agreement and delivery documents must be provided.
- ◆ Subparagraph 4.E applies if you are a wage earner (ie, a clerk, servant, travelling salesperson, labourer or worker who is owed wages, salaries, commissions or compensation by a bankrupt (subsection 81.3) or by a "person" that is subject to a receivership (subsection 81.4) for services rendered during the six months immediately before the date of bankruptcy or receivership).
- ◆ Subparagraph 4.F is to be completed only in a Proposal, and only if the proposal provides for the compromise of claims against Directors. Provide full details including calculations.
- ◆ Subparagraph 4.G applies if you are a "customer" of a bankrupt securities firm (as contemplated by Section 262 of the Bankruptcy and Insolvency Act).

Paragraph 5

- ◆ All claimants must indicate if he or she is related or not to the debtor, as defined in Section 4 of the Bankruptcy and Insolvency Act, by striking out "AM" or "IS" or "AM NOT" or "IS NOT".

Paragraph 6

- ◆ All claimants must attach a detailed list of all payments or credits received or granted, as follows:
 - a) Within the three (3) months preceding the bankruptcy or the proposal, in the case where the claimant and the debtor are not related;
 - b) Within the twelve (12) months preceding the bankruptcy or proposal, in the case where the claimant and the debtor are related.

- APPOINTING PROXY -

Note: The Bankruptcy and Insolvency Act permits a proof of claim to be made by a duly authorized agent of a creditor but this does not give such a person power to vote at the first meeting of creditors or to act as the proxy of the creditor.

General

- ◆ A creditor may vote either in person or by proxy;
- ◆ A debtor may not be appointed as proxy to vote at any meeting of his creditors;
- ◆ The Trustee may be appointed as a proxy for any creditor;
- ◆ In order for a duly authorized person to have a right to vote he must himself be a creditor or be the holder of a properly executed proxy. The name of the creditor must appear in the proxy.

TAB 3-I

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

Original Amended

187

- Form 78 -

Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of
 Digital Underground Media Inc.

a Company Incorporated Pursuant to the Laws of the Province of Ontario
 with a Head Office in the City of Vancouver, in the Province of British Columbia

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 29th day of September 2017. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A" 658,867.35	1. Inventory 200,000.00
Balance of secured claims as per list "B" 3,039,322.25	2. Trade fixtures, etc. 0.00
Total unsecured creditors 3,698,189.60	3. Accounts receivable and other receivables, as per list "E"
	Good 0.00
2. Secured creditors as per list "B" 305,001.00	Doubtful 45,764.00
	Bad 0.00
3. Preferred creditors as per list "C" 0.00	Estimated to produce 0.00
	4. Bills of exchange, promissory note, etc., as per list "F" 0.00
4. Contingent, trust claims or other liabilities as per list "D"	5. Deposits in financial institutions 0.00
estimated to be reclaimable for 0.00	6. Cash 0.00
Total liabilities 4,003,190.60	7. Livestock 0.00
Surplus NIL	8. Machinery, equipment and plant 0.00
	9. Real property or immovable as per list "G" 0.00
	10. Furniture 5,000.00
	11. RRSPs, RRIAs, life insurance, etc. 0.00
	12. Securities (shares, bonds, debentures, etc.) 1.00
	13. Interests under wills 0.00
	14. Vehicles 0.00
	15. Other property, as per list "H" 100,000.00
	If debtor is a corporation, add:
	Amount of subscribed capital 0.00
	Amount paid on capital 0.00
	Balance subscribed and unpaid 0.00
	Estimated to produce 0.00
	Total assets 305,001.00
	Deficiency 3,698,189.60

Director

I, John Drew Craig, President of Digital Underground Media Inc., of the City of North Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 29th day of September 2017 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED) *R. R.*
 before me at the City of *Toronto* in the Province of *Ontario*, on this 29th day of September 2017.
Vancouver British Columbia

PATTY WOOD, CGA
 A Commissioner for taking Affidavits
 for the Province of British Columbia

[Signature]
 Director
 John Drew Craig, President of Digital
 Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

FORM 78 -- Continued

List "A"
 Unsecured Creditors

Digital Underground Media Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Ade & Company Inc	2157 Henderson Hwy Winnipeg MB R2G 1P9 CA	584.00	0.00	584.00
2	Beacon Securities Limited	66 Wellington Street West Suite 4050, TD Tower Toronto ON M5K 1H1 CA	157,500.00	0.00	157,500.00
3	Best Best Krieger LLP	3390 University Avenue Riverside CA 92501 USA	380.58	0.00	380.58
4	David Chae	102-704 Yeounglong e-Pyeonhansang Apt 239 Yeongtong-ro, 200 beon-gil, Yeongtong-gu, Suwon-si, Gyeonggi-do Korea	250,000.00	0.00	250,000.00
5	Denise Cooper	186 St. George Street, Suite 200 Toronto ON M5R 2N3 CA	14,604.00	0.00	14,604.00
6	DUM Holdings Inc.	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA	0.00	528,291.47	528,291.47
7	EY	700 W Georgia St Vancouver BC V7Y 1C7 CA	42,000.00	0.00	42,000.00
8	Globalme	310, 1008 Homer St Vancouver BC V6B 2X1 CA	158.00	0.00	158.00
9	Gowlings WLG	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA	31,684.00	0.00	31,684.00
10	Innovex	3,Cheongmyeongnam-ro, Yeongtong-gu Suwon-si, Gyeonggi-do Korea	90,000.00	0.00	90,000.00
11	JD Craig Holdings Inc	4280 Rockridge Road West Vancouver BC V7W 1A5 CA	0.00	2,511,030.78	2,511,030.78
12	Neil East Sound Broadcasting Ltd. (SBL)	1A - 1455 Waverley Street Winnipeg MB R3T 0P7 CA	15,680.00	0.00	15,680.00
13	Palms Creative Inc	205 - 309 W Cordova St. Vancouver BC V6B 1E5 CA	7,875.00	0.00	7,875.00
14	Piasetzki Nenniger Kvas LLP	120 Adelaide St W Suite 2308 Toronto ON M5H 1T1 CA	423.00	0.00	423.00
15	Stambol Studios Inc.	104 - 1309 West 14th Ave Vancouver BC V6H 1R2 CA	7,245.00	0.00	7,245.00
16	Stantec Consulting Ltd.	c/o Lockbox 310280, PO BOX 578, STN M Calgary AB T2P 2J2 CA	10,061.00	0.00	10,061.00
17	Tomik2 Inc.	62 Wendover Road Toronto ON M8X 2L3 CA	9,722.00	0.00	9,722.00
18	Vliarreal Garcia	Torre Sofia Ricardo Margán 440-701 Valle del Campestre, San Pedro Garza Garcia, N.L 66265 Mexico	13,600.77	0.00	13,600.77
19	Waterford Partners	350-1 First Canadian Place Toronto Board of Trade Tower Toronto ON M5X 1C1 CA	7,350.00	0.00	7,350.00
Total:			658,867.35	3,039,322.25	3,698,189.60

29-Sep-2017

Date



Director

John Drew Craig, President of Digital Underground
Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

FORM 78 -- Continued

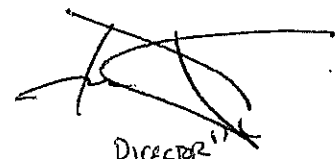
List "B"
 Secured Creditors

Digital Underground Media Inc.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	DUM Holdings Inc.	Suite 1600, 1 First Canadian Place, 100 King Street West Toronto ON M5X 1G5 CA	528,291.47	Other - Intellectual property - Patents Business Assets - Stock In Trade - Inventory Business Assets - Stock In Trade - Equipment Inventory Furniture - Furniture & Office Equipment Securities - Investments in subsidiaries Debts Due - Business - TVS Global America	21-Jun-2017 21-Jun-2017 21-Jun-2017 21-Jun-2017 21-Jun-2017 21-Jun-2017	0.00 0.00 0.00 0.00 0.00 0.00		528,291.47
2	JD Craig Holdings Inc	4280 Rockridge Road West Vancouver BC V7W 1A5 CA	2,816,031.78	Other - Intellectual property - Patents Business Assets - Stock In Trade - Inventory Business Assets - Stock In Trade - Equipment Inventory Furniture - Furniture & Office Equipment Securities - Investments in subsidiaries Debts Due - Business - TVS Global America	29-Oct-2015 29-Oct-2015 29-Oct-2015 29-Oct-2015 29-Oct-2015 29-Oct-2015	100,000.00 150,000.00 50,000.00 5,000.00 1.00 0.00		2,511,030.78
Total:			3,344,323.25			305,001.00	0.00	3,039,322.25

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

190

FORM 78 -- Continued

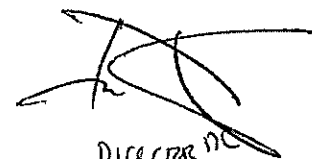
List "C"
Preferred Creditors for Wages, Rent, etc.

Digital Underground Media Inc.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
				Total:	0.00	0.00	0.00

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

191

FORM 78 - Continued

List "D"
Contingent or Other Liabilities

Digital Underground Media Inc.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total:			0.00	0.00		

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

FORM 78 -- Continued


List "E"
 Debts Due to the Debtor

Digital Underground Media Inc.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
1	TVS Global America	321 Water Street, Suite 320 Vancouver BC V6B 1B8	Note Receivable	0.00 45,764.00 0.00		29-Sep-2017	0.00	Unsecured
Total				0.00 45,764.00 0.00			0.00	

29-Sep-2017

Date


 Director
 John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

193

FORM 78 -- Continued

List "F"

Bills of Exchange, Promissory Notes, Lien Notes, Chattel
Mortgages, etc., Available as Assets

Digital Underground Media Inc.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
				Total:	0.00	0.00	

29-Sep-2017

Date



John Drew Craig, President of Digital Underground
Media Inc.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

194

FORM 78 - Continued

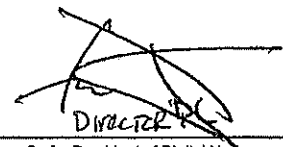
List "G"
Real Property or Immovables Owned by Debtor

Digital Underground Media Inc.

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Total:			0.00		0.00

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2295766
 Estate No. 31-2295766

195

FORM 78 -- Concluded

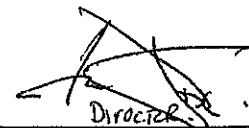
List "H"
 Property

Digital Underground Media Inc.
 FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade		Inventory	0.00	150,000.00
		Equipment Inventory	0.00	50,000.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture		Furniture & Office Equipment	0.00	5,000.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities		Investments in subsidiaries	0.00	1.00
(j) interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
(m) Other		Intellectual property - Patents	0.00	100,000.00
			Total:	305,001.00

29-Sep-2017

Date



John Drew Craig, President of Digital Underground Media Inc.

TAB 3-J

MINUTES OF THE GENERAL MEETING OF CREDITORS

In the matter of the proposal of
Digital Underground Media Inc.
a Company Incorporated Pursuant to the Laws of the Province of Ontario
with a Head Office in the City of Vancouver, in the Province of British Columbia

Minutes of the first meeting of creditors held at TORONTO

300 - 111 Richmond Street West

Toronto ON M5H 2G4, on October 19, 2017 10:00 A.M.

Present:

Sheldon Title

Ken Bicknell, Director

(see attached attendance list for other attendees)

Representing

Trustee

Digital Underground Media Inc. ("**DUM**")

Sheldon Title acted as the Chairperson of the meeting. The Chairperson informed the meeting that pursuant to section 51(3) of the *Bankruptcy and Insolvency Act*, he would act as Chairperson and would decide any questions or disputes arising at the meeting and from such discussion any creditor may appeal to the court.

The Chairperson examined the proofs of claim and established a quorum was present. The Chairperson declared the meeting legally constituted and calls the meeting to order.

The Chairperson tabled the following documents:

Affidavit of Service of Notice of Proposal
Proposal
Trustee's Report on Proposal, dated October 6, 2017
Statement of Affairs;
Affidavit of Service of Notice of Intention to Make a Proposal;
Claims Register;

Question Period

A general discussion followed concerning the following:

1. A proof of claim filed by Michael Laitinen on October 19, 2017, in the amount of \$215,645.14. This claim is filed by DUM's former CFO in respect of the purported termination of his employment agreement. DUM's position is that Mr. Laitinen resigned from DUM and is not entitled to termination pay, and accordingly, did not reflect the claim on its statement of affairs. The Trustee advised that the matter has not been settled and the proof of claim, if proven, could have a dilutive effect on the distribution.
2. A "counter-proposal" presented to DUM by Forward Dimension Capital 1 LLP ("**Forward**"). The Trustee advised that it is mischaracterized as a counter-proposal, as the proposal is made by the Company to its creditors. Forward's counter-proposal, if accepted, also amends the claims of the secured creditors and restructures the existing shareholdings, and does not provide further investment of capital to support the business.

The Trustee recommended an adjournment of the meeting for the following reasons:

- (i) the creditors had registered their votes exclusively by voting letter, and accordingly, would not have knowledge of the dilutive effect of Michael

Laitinen's proof of claim on the distribution. DUM's counsel is of the view¹⁰⁸ that the creditors voted to accept the proposal to allow for the continuation of the business; and accordingly, will likely not change their vote after learning of the additional proof of claim. Moreover, DUM had a suggested approach for dealing with the potential dilution to creditors.

- (ii) To allow DUM to consider Forward's counter-proposal.

After discussion, DUM advised that it rejects Forward's counter-proposal on the basis that, among other things, it had no plan to fund the company going forward and was, in DUM's view, just the latest of many failed discussions with Forward. The meeting recessed to allow for the Proposal to be amended to address the potential dilutive impact of the former CFO's proof of claim.

The secured creditors advised that the counter proposal contemplated a new element; a secured class and compromise and that it would not support the counter proposal even if DUM did.

The secured creditor also advised that it would not fund DUM through the period of any adjournment.

Amended Proposal

After considering the issues raised above, DUM amended its proposal (the "**Amended Proposal**") to include, among other things, the following addendum:

"To the extent that any claims filed by employees decrease the Unsecured Creditor Payment to an amount below what it would have been based on claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors, the Investor shall increase the amount of the Loan to ensure that the Unsecured Creditor Payment is equal to what it would have been based on the claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors."

Voting

Results of the voting on the Amended Proposal, by letter, is summarized as follows **199**

	For	%	Against	%
Number of creditors	9	90.00%	1	10.00%
Dollar value	\$ 459,637.01	68.07%	\$215,645.14	31.93%

The Amended Proposal was accepted by the creditors voting by letter, and will be submitted to Court for a hearing in respect of its approval. The results above include the voting letter submitted by Michael Laitinen, which claim, as noted above, has not been determined. Mr. Laitinen's proof of claim was received on October 19, 2017 at 1:09 AM. At 5:46 AM, the Trustee emailed Mr. Laitinen to advise him that the voting letter and/or proxy, referenced on his email, was not included with the proof of claim. During the meeting, Mr. Laitinen asked if it was still possible to submit a voting letter. At 11:41 AM, Mr. Laitinen filed his voting letter and proxy.

Inspectors

There were no nominations for the appointment of Inspectors.

Termination of Meeting

There being no further business

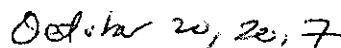
It was moved by: The Trustee, as proxyholder for Waterford Partners

seconded by: The Trustee, as proxyholder for Ernst & Young LLP

that the meeting be closed.



Chairperson



Date

Digital Underground Media Inc.

File No. 31-2295766

Attendance Sheet – First Meeting of Creditors

Name (print)	Signature	Representing	Amount of Claim	Remarks
Sheldon Tite		MNP LTD.	—	
Sheldon Tite		David Choe	250,000	Party
Sheldon Tite		Denise Cooper	14,604	Party
Sheldon Tite		Ernst & Young	42,000	Party
Sheldon Tite		Westerford	7,350	Party
Christina Dykum		Beacon Securities Limited	98,750	Party AN behalf of company
Lenka Baloghova		" "	" "	Party "
Miranda Spence		Digital Underground Media Inc.	N/A	
STEVEN GRAFF		DIGITAL UNDERGROUND	N/A	
KEW BICKINELL		DIGITAL	N/A	

TAB 3-K

District of ONTARIO
Division 09-Toronto
Estate #: 31-2295766
Court # 31-2295766

AFFIDAVIT OF MAILING

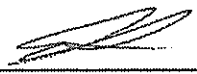
**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.
OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO**

I, Jessie Hue, of the Trustee's office of MNP Ltd., hereby make oath and say;

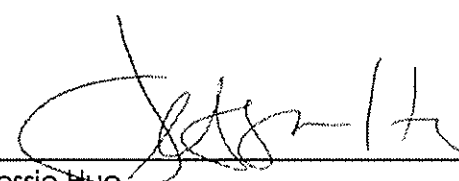
That on the 26th day of October, 2017, I did cause to emailed the creditors of the above-named corporation whose names, email addresses and addresses appear on the paper-writing marked as Exhibit "A", attached hereto, a copy each of the Notice of Amended Proposal to Creditors, Notice of Hearing of Application for Court Approval of Proposal and the Amended Proposal (the "Notice"), marked as Exhibit "B", attached hereto.

And that on 30th day of October, 2017, I did cause to electronically file the Notice of Hearing of Application for Court Approval of Proposal with the Office of the Superintendent of Bankruptcy. A copy of the confirmation of filing are marked as Exhibit "C", attached hereto.

SWORN BEFORE ME in
the City of Toronto, in the
Province of Ontario this 30
day of October, 2017.



A Commissioner etc.



Jessie Hue

Henry Louis, a Commissioner, etc.,
Province of Ontario, for MNP Ltd. and Ministry of
Expires December 30, 2019.

Creditors
Ade and Company
Beacon Securities
Denise Cooper
Ernest & Young
Gowlings
Gyun Chae & Innovex
Michael Laitinen
Neil East Sound Broadcasting Ltd. (SBL)
Tomik 2 Inc.
Villarreal, Garcia et al
Waterford Partners

CRA

rdupuis@adeco.com
cdykun@beaconsecurities.ca
denisecooper@sympatico.ca
richard.mockett@ca.ev.com
nurhan.aycan@gowlingwlg.com
david.chae@adtrackmedia.com
laitinenmichael@gmail.com
eastkr@sbl.ca
jacktomik@rogers.com
luis.garcia@vgf.law
vmcilroy@waterfordpartners.ca

s t-f_g@cra-arc.gc.ca
laura@forwarddimension.com
carmsstrong@goodmans.ca
jwadden@goodmans.ca
aharmes@goodmans.ca

THIS IS EXHIBIT ^{A202} REFERRED TO IN
THE AFFIDAVIT OF
Jessie H...
SWORN BEFORE ME THIS 30 DAY OF
Jan 2017
[Signature]
A Commissioner, Etc.,

THIS IS EXHIBIT *R* REFERRED TO IN
THE AFFIDAVIT OF *Jessie Hue*

SWORN BEFORE ME THIS 24 DAY OF
October 2017

A Commissioner, Etc.,

**NOTICE OF AMENDED PROPOSAL TO CREDITORS
and
NOTICE OF HEARING OF APPLICATION FOR COURT APPROVAL OF**

**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE PROVINCE OF ONTARIO
WITH A HEAD OFFICE IN THE CITY VANCOUVER, IN THE PROVINCE OF BRITISH COLUMBIA**

TAKE NOTICE THAT on October 2, 2017, Digital Underground Media Inc. ("DUM" or the "Company") lodged with us a Proposal pursuant to the *Bankruptcy and Insolvency Act*. On the same day, the Proposal was filed with the Official Receiver.

AND TAKE NOTICE THAT at the General Meeting of Creditors held on October 19, 2017 (the "Creditors Meeting"), DUM lodged with us an amended Proposal which was filed with the Official Receiver on the same day ("Amended Proposal"). A copy of the Amended Proposal is attached for your reference.

The Amended Proposal was amended to include, among other things, the following addendum:


"To the extent that any claims filed by employees decrease the Unsecured Creditor Payment to an amount below what it would have been based on claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors, the Investor shall increase the amount of the Loan to ensure that the Unsecured Creditor Payment is equal to what it would have been based on the claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors."

AND FURTHER TAKE NOTICE THAT at the Creditors Meeting, creditors elected to accept the Amended Proposal and the Trustee will be making an application to the Court to approve the Amended Proposal. Attached to this Notice is a copy of the Notice of Hearing of Application for Court Approval of Proposal which details the hearing date and the location of the hearing.

If you have any questions concerning the foregoing or require any additional information please contact Jessie Hue at 416-515-5006 or by email at Jessie.Hue@mnp.ca.

Dated at Toronto, Ontario this 26th day of October, 2017.

MNP LTD.
Trustee acting in re: the Proposal of
Digital Underground Media Inc.
Per:



Sheldon Title, CA, CPA, CIRP, LIT

Encl.

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2295766
Estate No. 31-2295766

FORM 40.1

Notice of Hearing of Application for Court Approval of Proposal
(Paragraph 58(b) of the Act)

In the matter of the proposal of
Digital Underground Media Inc.
a Company Incorporated Pursuant to the Laws of the Province of Ontario
with a Head Office in the City of Vancouver, in the Province of British Columbia


In Ontario Superior Court of Justice in Bankruptcy - Toronto

In the matter of the proposal of Digital Underground Media Inc., a debtor.

Take notice that an application will be made to the court, at 330 University Ave. Flr 7, Toronto, Ontario, on the 14th day of November 2017, at 10:00 AM, to approve the proposal of Digital Underground Media Inc., accepted by the creditors at a meeting held on the 19th day of October 2017.

Dated at the City of Toronto in the Province of Ontario, this 26th day of October 2017.

MNP LTD. - Licensed Insolvency Trustee



300 - 111 Richmond Street West
Toronto ON M5H 2G4
Phone: (416) 596-1711 Fax: (416) 323-5242

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

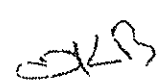
**IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA**

AMENDED PROPOSAL

Digital Underground Media Inc. (the "Company") hereby submits the following Amended Proposal under the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

Definitions

- I. In this Proposal, capitalized terms 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) the proper fees and expenses of the Trustee incidental to the preparation and facilitation of the Proposal and any amendments thereto, including, without limitation, its legal fees and disbursements; and
 - (ii) the legal fees and disbursements of the Company on and incidental to negotiations in connection with the approval of the Proposal, court



proceedings relating to the Proposal and the transactions and agreements²⁰⁶ contemplated hereby, including, without limitation, advice to the Company.

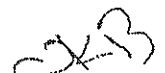
- (c) **“Amended Proposal”** means this Proposal;
- (d) **“Approval”** means the approval of the Proposal by the statutory majorities of the creditors under the Act and by the Court by way of the Approval Order pursuant to a final and enforceable order which has become final as a result of the appeal period having expired without there having been an appeal, or an appeal having been lodged and the order approving the Proposal having been confirmed or the appeal withdrawn or dismissed.
- (e) **“Approval Date”** means the date upon which the Approval occurs.
- (f) **“Approval Order”** means the Court order(s) made under this Proposal approving the Proposal and directing the implementation of the Proposal, which orders may, without limitation, authorize the filing by the Company of the articles of reorganization, the cancellation of issued and outstanding shares in the capital of the Company, the issuance of the New Common Shares and the appointment of a new board of directors of the Company.
- (g) **“Business Day”** means a day other than a Saturday or a Sunday on which banks are generally open for business in Toronto, Ontario.
- (h) **“Claim”** means any right of any Person against the Company in connection with any indebtedness, liability or obligation of any kind owed by the Company at the Filing Date, and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, fixed, contingent, matured, not matured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including, without

limitation, the right or ability of any Person to advance a claim of 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, and any indebtedness, liability or obligation of any kind arising out of the repudiation, restructuring or termination of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, or any claims that may arise under any contract, lease, license, equipment lease, employment relationship or other agreement which may arise as a result of the insolvency of the Company, including, without limitation, any other indebtedness, liability or obligation of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the Act, and “**Claims**” means all of them.

- (i) “**Common Shares**” means the existing authorized, issued and outstanding common shares of the Company, including both Class A shares and Class B shares.
- (j) “**Consideration**” means the aggregate of: (i) the Share Consideration; and (ii) the Loan Consideration.
- (k) “**Court**” means the Ontario Superior Court of Justice.
- (l) “**Creditor**” means any Person having a Claim, and “**Creditors**” means all of them.
- (m) “**DIP Lender**” means J.D. Craig Holdings Inc.
- (n) “**DIP Loan Agreement**” means the agreement between the DIP Lender and the Company dated September 22, 2017, pursuant to which the DIP Lender will provide financing to the Company in the maximum amount of \$750,000 in order to finance the Company’s working capital requirements and other general corporate purposes and capital expenditures during the period of its

restructuring, which agreement was approved by the Court by way of the Order²⁰⁸ of the Honourable Justice Hailey dated September 25, 2017.

- (o) **"Distribution Date"** means a date selected by the Trustee in consultation with the Inspectors.
- (p) **"Filing Date"** means September 21, 2017, being the date upon which the Company filed its Notice of Intention to File a Proposal under the Act.
- (q) **"Forbearance Agreement"** means the agreement between the DIP Lender, DUM Holdings Inc., and the Company dated September 15, 2017, pursuant to which the DIP Lender and DUM Holdings Inc. have agreed to forbear from enforcement of their security, and to provide continued support to the Company through its restructuring, in accordance with the terms of that agreement.
- (r) **"Implementation Date"** means immediately following the Approval Date or the date the conditions are met as set out in paragraph 26 hereof.
- (s) **"Inspectors"** means the Inspectors described in paragraph 35 hereof.
- (t) **"Investor"** means 7677189 Canada Ltd.
- (u) **"Loan"** means the loan made by the Investor to the Company in the principal amount of \$76,000, pursuant to the Loan Agreement.
- (v) **"Loan Agreement"** means the agreement between the Investor and the Company dated as of or before the Meeting of Creditors whereby the Investor agrees to advance the Loan to the Company pursuant to the terms and conditions of the Loan Agreement.
- (w) **"Loan Consideration"** means proceeds payable to the Company under the Loan Agreement.



- (x) **"Meeting of Creditors"** means the meeting of Creditors to consider this ²⁰⁹ Proposal prescribed by section 51(1) of the Act.
- (y) **"New Common Shares"** means all the new common shares to be issued in the share capital of the Company, as described in **Schedule "A"** hereto.
- (z) **"OBICA"** means the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended.
- (aa) **"Performance of the Proposal"** means the payment of all amounts to be paid to the Trustee for the distribution to Creditors in respect of Claims, including, without limitation, the implementation of the provisions of the Proposal as described in paragraph 27 hereof.
- (bb) **"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.
- (cc) **"Post-Filing Claim"** means any Claim resulting from an obligation incurred by the Company in the normal course of business of the Company in respect of goods or services supplied to the Company after the Filing Date and extends to the following:
- (i) amounts owing to the Trustee and its solicitors and the Company's solicitors; and
 - (ii) Her Majesty the Queen in right of Canada and in right of Ontario for amounts owed in respect of federal, provincial or state sales or excise taxes collected subsequent to the Filing Date, or amounts owing in respect of source deductions on account of employee income tax, *Canada Pension Plan* contributions and Employment Insurance premiums arising subsequent to the Filing Date,

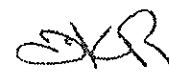
but does not include Claims under any contract, lease, equipment lease,²¹⁰ license, employment arrangement or other agreement which may arise as a result of the insolvency of the Company.

- (dd) **“Preferred Claim”** means any Claim for which Section 136 of the Act prescribes payment in priority to an unsecured Claim, and **“Preferred Claims”** means all of them.
- (ee) **“Preferred Creditor”** means a Creditor of the Company having a Preferred Claim, and **“Preferred Creditors”** means all of them.
- (ff) **“Priority Payment”** has the meaning ascribed to it in paragraph 18 of this Proposal.
- (gg) **“Proposal”** means the proposal dated September 30, 2017, as the whole may be amended from time to time.
- (hh) **“Proposal Fund”** means the aggregate of: (i) the Share Consideration; (ii) the Loan Consideration; and (ii) the amount payable, if any, by the Investor to the Company pursuant to the Addendum hereto.
- (ii) **“Proposal Period”** means the period between the Filing Date and the Performance of the Proposal.
- (jj) **“Proven Claim”** means any Claim in respect of which a proof of claim:
 - (i) has been filed with and allowed by the Trustee; or
 - (ii) has been filed with the Trustee and valued or determined in accordance with the provisions of the Act,

provided, however, that a Proven Claim shall not include a Claim:

Handwritten signature or initials in the bottom right corner of the page.

- (i) by any Person who has received written notification from the Trustee that the Claim has not been filed on a timely basis or has been disallowed; or
 - (ii) in respect of which a proof of claim has not been filed within 30 days of the date on which the Trustee mailed to the Creditor having such Claim a notice pursuant to Section 149 of the Act.
- (kk) **“Reorganization”** means the creation and issuance of the New Common Shares, the cancellation of the Common Shares and the other amendments to the Company’s articles of incorporation described in sections 28 to 33 of this Proposal.
- (ll) **“Secured Creditor”** means any Person holding a mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Company or any part thereof as security for a Claim, and **“Secured Creditors”** means all of them.
- (mm) **“Secured Creditor Claims”** means all Claims of Secured Creditors.
- (nn) **“Shareholders”** means those Person(s) who are holders of Common Shares, or any other equity of any kind of the Company.
- (oo) **“Share Consideration”** means proceeds payable to the Company under the Subscription Agreements.
- (pp) **“Subscription Agreements”** means:
- (i) the agreement dated as of or before the Meeting of Creditors between the Company and the Investor, as the same may be amended from time to time, regarding the subscription by the Investor for the New Common Shares for the aggregate consideration of \$10.00; and
 - (ii) the agreement dated as of or before the Meeting of Creditors between the Company and the DIP Lender as the same may be amended from time to time, regarding the subscription by the DIP Lender for the New Common Shares for the aggregate consideration of \$10.00.



- (qq) **“Trustee”** means MNP LTD., in its capacity as trustee under the Proposal, and not in its personal capacity, and without any personal or corporate liability.
- (rr) **“Unsecured Creditor”** means any Creditor other than a Preferred Creditor and a Secured Creditor whose Claim arose:
- (i) by reason of the supply of goods or services to or for the account of the Company prior to the Filing Date;
 - (ii) by reason of loaning of money to the Company on an unsecured basis;
 - (iii) in the case of executory contracts in existence prior to the Filing Date, by reason of the restructuring, repudiation or termination of such contracts subsequent to the Filing Date;
 - (iv) which Claims arose by any other reason prior to the Filing Date; or
 - (v) the unsecured portion of any Claim, the balance of which is secured against all or any of the assets of the Company,
- and **“Unsecured Creditors”** means all of them.
- (ss) **“Unsecured Creditor Claims”** means all Claims of Unsecured Creditors.
- (tt) **“Unsecured Creditor Payment”** has the meaning ascribed to it in section 15 of this Proposal.
- (uu) **“Warrants”** means the existing authorized, issued and outstanding warrants to purchase Common Shares of the Company.

Purpose of Proposal

2. The purpose of this Proposal is to effect a restructuring of the business and affairs of the Company in the expectation that all Creditors will derive a greater benefit from the continued operation of the business and affairs of the Company than would result from a forced liquidation of its assets. The Company is being supported through this process by the DIP Lender, which has provided financing to the Company prior to the Filing Date, and will continue to provide ongoing financing to the Company through the Proposal proceedings by way of the credit facility provided for in the DIP Loan Agreement. It is also being supported by the Investor, which is advancing to the Company the funds that will form the Proposal Fund to be distributed to creditors in accordance with the provisions of this Proposal.

3. An integral part of the Proposal is the cancellation of the existing and outstanding share capital of the Company, in light of the lack of value of the share capital due to the Company's insolvency. Upon the implementation of the Proposal, and in consideration of their support for the Company through the Proposal proceedings, the DIP Lender and the Investor have agreed to acquire the New Common Shares pursuant to the Subscription Agreements.

4. This Proposal is intended to provide a fair recovery to all Creditors and to provide the Company with the financial stability to continue its business operating from and after the Implementation Date.

Effect of Proposal

5. This Proposal restructures the affairs of the Company and amends the terms of any and all agreements between the Company and the Creditors or the Shareholders existing as at the Implementation Date to the extent affected by this Proposal, and provides the essential terms on which all Claims and the interests of the Shareholders will be fully and finally resolved and settled. During the Proposal Period, the provisions of Sections 65.1 and 69.1 of the Act shall be in effect. Without limiting the generality of the foregoing, during the Proposal Period all Creditors will be stayed from commencing or continuing any proceeding or remedy against the Company, as further described in paragraph 34 hereof.

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Persons Affected

6. This Proposal will, as of the Implementation Date, be binding on the Company and all Creditors (except Secured Creditors), Shareholders and other persons named or referred to herein in the manner provided for in this Proposal and the Act.

Restructuring of the Company

7. Prior to the Meeting of Creditors, the Company and the Investor will have entered into the Loan Agreement, pursuant to which the Loan Consideration will be advanced by the Investor to the Company following the Approval Date. The Company will, in turn, advance the Loan Consideration to the Trustee.

8. Prior to the Meeting of Creditors, each of the Company and the Investor, and the Company and the DIP Lender, will have entered into the Subscription Agreements, pursuant to which the Share Consideration will be fully advanced to the Company following the Approval Date. The Company will, in turn, advance the Share Consideration to the Trustee.

9. A condition to each of the Subscription Agreements is that the Company implement this Proposal to its Creditors, including the Reorganization, pursuant to the Act and authorized by the OBCA.

10. Pursuant to the terms of the Subscription Agreements and the Loan Agreement, and upon the successful implementation thereof in accordance with their terms, the Investor and the DIP Lender will pay the Consideration to the Company, and in turn, the Company will pay the Consideration to the Trustee for distribution to the Creditors.

11. Subject to the satisfaction or waiver of the conditions precedent set out in paragraph 26 of this Proposal, the following steps will occur, and be deemed to occur, sequentially in the following order, on the Implementation Date:

- (a) the Company shall be released from all the Claims of Creditors (except Secured Creditors), which shall be fully and finally compromised in accordance with the provisions of the Act and this Proposal;
- (b) articles of reorganization causing the Reorganization, as more fully described in paragraph 28 of this Proposal, will be filed by the Company;
- (c) a certificate of amendment reflecting the amendments to the articles of incorporation of the Company caused by the articles of reorganization shall be issued by the Director under the OBCA;
- (d) the Subscription Agreements will be completed in accordance with their terms, provided that all conditions thereto have been satisfied or (when waivable) waived, whereupon, among other things, the New Common Shares shall be acquired by, and share certificates in respect thereof shall be issued by the Company to, the Investor and the DIP Lender against payment of the Share Consideration to the Trustee; and
- (e) upon Approval and completion of the Loan Agreement and of the Subscription Agreements, the Investor shall remit the Loan Consideration to the Company which will, in turn, remit the Loan Consideration to the Trustee, and the Investor and the DIP Lender shall remit the Share Consideration to the Company which will, in turn, remit the Share Consideration to the Trustee. The Company shall remit the Consideration to the Trustee within five days of the Implementation Date.

Proposal Affecting Secured Creditors

12. This Proposal is not being made to the Secured Creditors and accordingly, Secured Creditors shall not be entitled to vote on the Proposal.

13. Claims of Secured Creditors, if any, shall be paid by the Company in accordance with agreements between the Company and the Secured Creditor including, without limitation, the

Forbearance Agreement and the DIP Loan Agreement, as those agreements may be amended or supplemented from time to time. ²¹⁶

Proposal for Unsecured Creditors

14. All Unsecured Creditors shall form part of a single class of Unsecured Creditors for voting and distribution purposes.

15. Each Unsecured Creditor who has a Proven Claim shall receive a payment representing each such Unsecured Creditor's *pro rata* share of the Proposal Fund, less any amounts to be paid as Priority Payments and any amounts payable to the Office of the Superintendent in Bankruptcy in accordance with paragraph 22 hereof (the "Unsecured Creditor Payment").

16. Unsecured Creditors will accept the payments provided for in this Proposal in complete satisfaction of all their Claims and all liens, certificates of pending litigation, executions, security interests or any other similar charges or actions or proceedings in respect of such Claims will have no effect in law or in equity against the property, assets and undertaking of the Company, all of which shall be released upon payment of the amounts provided for in this Proposal. The Unsecured Creditors shall take such actions and do such other things as are necessary, at their sole cost, to file or record any required discharges of any of the foregoing.

17. Landlords of premises that have been terminated, disclaimed or repudiated shall be entitled to file a proof of claim as Unsecured Creditors for an amount equal to the lesser of: (i) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer becomes effective plus fifteen percent (15%) of the rent for the remainder of the term of the lease after that year; and (ii) three (3) years of rent. Landlords of disclaimed premises shall not be entitled to claim for accelerated rent pursuant to Section 65.2(4)(a) of the Act.

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Crown Claims, Preferred Claims and Employee Claims

18. Amounts, if any (collectively, the "Priority Payments"):
- (a) owing to Her Majesty in Right of Canada or a Province, as enumerated in Section 60(1.1) of the Act, which shall be paid in full within six (6) months following Approval;
 - (b) owing to employees and former employees, that such persons would have been qualified to receive under Section 136(1)(d) of the Act if the Company became bankrupt on the Filing Date, which shall be paid immediately following Approval; and
 - (c) any Proven Claim in respect of a Preferred Claim, without interest,
- shall be paid in full and in priority to all Unsecured Creditors.

19. For the purpose of voting, the Preferred Creditors shall fall within the class of Unsecured Creditors.

Funds Payable Under Proposal

20. The amount to be paid to Creditors on the Distribution Date on account of their Proven Claims shall be paid from the Proposal Fund.

21. The Trustee will remit payments to Creditors in the following order:

- (a) the Priority Payments; and
- (b) the Unsecured Creditor Payment.

22. Payments to Creditors shall be net of any applicable levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA and the Trustee shall remit the amount of



such levy to the Office of the Superintendent of Bankruptcy contemporaneous with the distributions to Creditors.

Administrative Fees and Expenses

23. The Administrative Fees and Expenses will be paid by the Company in the ordinary course from cash flow, subject to approval by the Court.

Payment of Crown Claims

24. During the period between the Filing Date and Approval, the Company shall pay and keep current:

- (a) all amounts owing to Her Majesty in right of Canada and in right of Ontario of a kind that could be subject to a demand under Section 224(1.2) of the *Income Tax Act* (Canada) or any substantially similar provision of provincial legislation; and
- (b) all amounts collected in respect of sales taxes on behalf of Canada Revenue Agency and any provincial Ministry of Finance.

Goods or Services Given After Filing Date

25. Any Post-Filing Claim shall be paid in full in the ordinary course by the Company or as negotiated between the Company and its vendors. The Company 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 Company agrees that the Trustee shall not in any case be responsible for ensuring that payment is duly made pursuant to paragraph 24 hereof and to all those persons supplying goods or services after the Filing Date. All Creditors hereby release and forever discharge the Trustee from any and all liability relating to the Company's non-payment of any liabilities under this paragraph.

Conditions of Proposal

26. The Amended Proposal and its implementation by the Company is conditional upon fulfilment or satisfaction, or (where waivable) waiver, of each of the following conditions:

- (a) the taking of all necessary corporate actions and proceedings to approve the Proposal;
- (b) the granting of the Approval Order;
- (c) the execution of the Loan Agreement prior to the Meeting of Creditors;
- (d) the execution of the Subscription Agreements prior to the Meeting of Creditors;

27. Once all of the following obligations have been fulfilled or satisfied, the Performance of the Proposal shall be deemed to be fully complete and the Trustee will deliver and file with the Court a certificate pursuant to Section 65.3 of the Act:

- (a) the advancement of the Loan Consideration by the Investor to the Company and, in turn, the Trustee;
- (b) the completion of the Reorganization;
- (c) the advancement of the Share Consideration by the Investor and the DIP Lender to the Company and, in turn, the Trustee;
- (d) the payment of the Administrative Fees and Expenses; and
- (e) the performance by each of the Company, the Investor and the DIP Lender of all their respective obligations pursuant to the Proposal and the transactions contemplated herein.



Share Capital

28. On the Implementation Date, the articles of incorporation of the Company shall be amended pursuant to the articles of reorganization in the following sequence:

- (a) to delete and cancel all of the authorized share capital of the Company and to delete and cancel all of the rights, privileges, restrictions and conditions attaching thereto, including, but not limited to, deleting and cancelling all of the Common Shares and all of the Preferred Shares (as defined in the Company's articles of incorporation);
- (b) to create an unlimited number of New Common Shares and to provide that the rights, privileges, restrictions and conditions attaching to the New Common Shares are as set out in Schedule "A" hereto; and
- (c) providing that, after giving effect to the foregoing, the authorized share capital of the Company shall consist only of an unlimited number of New Common Shares.

29. All existing and outstanding Warrants, together with contracts pursuant to which Warrants may be issued in future, shall be cancelled.

30. No Shareholder will be entitled to any payment or other compensation with respect to the cancellation of its/her/his Common Shares, Warrants or otherwise.

31. The aggregate stated capital for the purposes of the OBCA of the New Common Shares issued to the Investor and the DIP Lender under the Subscription Agreements and pursuant to this Proposal shall be as set out in **Schedule "B"**.

32. The Shareholders shall not be entitled to vote on this Proposal.

33. The Shareholders shall not have any rights of dissent pursuant to Section 186(6) of the OBCA in respect of this Proposal.

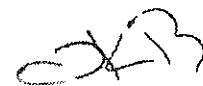
Stay of Proceedings

34. During the Proposal Period, and provided the Company is not in default hereunder, each Creditor will be stayed from commencing or continuing any proceeding or remedy against the Company or its property based upon a Claim existing on or before the Filing Date, or whose

Claim has arisen after the Filing Date as a result of the termination, repudiation or restructuring of any contract, lease, license, equipment lease, employment relationship or other agreement after the Filing Date, including, without limitation, any proceeding or remedy to recover payment of such Claim, to realize against any security granted in respect of such Claim, to recover or enforce a judgment against the Company in respect of such Claim or to initiate any proceedings against it under any applicable bankruptcy, insolvency or other laws in respect of such Claim, other than an application or proceeding in connection with this Proposal.

Inspectors

35. (a) At the meeting of the Unsecured Creditors to be held to consider the Proposal, the Creditors may appoint one or more but not exceeding five (5) persons to act as Inspectors, whose powers shall be limited to:
- (i) advising the Trustee from time to time with respect to any matter that the Trustee may refer to them;
 - (ii) advising the Trustee concerning any dispute which may arise as to the validity of Claims of Unsecured Creditors; and
 - (iii) authorizing an extension of time for payments due to the Unsecured Creditors pursuant to this Proposal.
- (b) Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, reverse or modify the decision, direction to act and make such order as it thinks just.
- (c) The authority and term of office of the Inspectors will terminate upon the discharge of the Trustee.



- (d) The chairperson may adjourn the meeting of creditors upon an adjournment being required by the creditors by ordinary resolution, pursuant to s. 52 of the Act.

Release of Directors

36. Upon the Implementation Date, the Company, each and every present and former director of the Company (collectively, the "Released Parties") shall be released and discharged from any and all demands, claims, actions, causes of action, counter claims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, options, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Creditor or Person may be entitled to assert, in the case of the Released Parties as of the Filing Date, including, without limitation, any and all Claims in respect of the potential statutory liabilities of the present or former directors of the Company, and any and all Claims relating to any obligations of the Company where the present or former directors are or may be by law liable in their capacity as directors for the payment of such obligations, and provided that nothing herein shall release or discharge any of the present or former directors of the Company from the exceptions set out in Section 50(14) of the Act.

Effect of Payment

37. Creditors will accept the payment of the amounts set out in the applicable provisions of this Proposal in complete satisfaction of all their claims, and all mortgages, charges, security interests, encumbrances, liens, writs of seizure and sale, certificates of pending litigation, executions or any other similar charges, actions or proceedings in respect of such Claims will, as of the Implementation Date, have no effect in law or in equity against the Company and the property, assets or undertakings of the Company and will be discharged, dismissed or vacated, as the case may be, at no expense to the Company, by each holder thereof no later than ten (10) Business Days after the Implementation Date, or failing same, by order of the Court made without notice to such holder.



Compromise Effective for all Purposes

38. The payment, compromise or other satisfaction of the Claims and the treatment of Shareholders under this Proposal shall be binding upon the Creditors holding the Claims and upon the Shareholders, their heirs, executors, administrators, successors and assigns, for all purposes and in the case of any Claim shall also be effective to relieve any third party directly or indirectly liable for such Claim, whether as guarantor, indemnitor, tenant, director, joint covenantor, principal or otherwise.

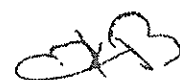
39. The provisions of Sections 95 to 101 of the Act shall not apply to this Proposal.

Discharge of Trustee

40. Upon the payment by the Trustee of the amounts prescribed herein, the Trustee shall have discharged its duties as Trustee and the Trustee shall be entitled to apply for its discharge as Trustee. For greater certainty, the Trustee will not be responsible or liable for any obligations of the Company and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a wilful or wrongful act or default.

Amendment

41. This Proposal may be amended by the Company with the consent of the Trustee at any time prior to the conclusion of the meeting of Unsecured Creditors called to consider the Proposal, provided that any amendment made pursuant to this paragraph shall not reduce the rights and benefits given to the Creditors under the Proposal before any such amendment, and provided further that any and all amendments shall be deemed to be effective as of the Filing Date of the Proposal.



Further Actions

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

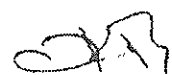
Date for Action

43. 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.

Time

44. All times expressed in this Proposal are local time in Toronto, Ontario.

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DATED AT THE CITY OF VANCOUVER, in the Province of British Columbia, this 16th day ²²⁵
of October 2017.

DIGITAL UNDERGROUND MEDIA INC.

By: 

Name:

Title:

Schedule "A"

Unlimited number of New Common Shares with the following rights, privileges and restrictions:

1 Voting Rights

Each holder of Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation, and at all such meetings shall be entitled to one vote in respect of each Common Share held by such holder.

2 Dividends

Subject to applicable law, the directors may at any time or from time to time declare dividends on the Common Shares in such amounts as the directors at such time or times determine.

3 Liquidation, Dissolution or Winding-up

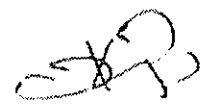
In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, or other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares shall be entitled to receive the remaining assets and property of the Corporation.



Schedule "B"

227

New Stated Capital = \$20.00.

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ADDENDUM

To the extent that any claims filed by employees decrease the Unsecured Creditor Payment to an amount below what it would have been based on claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors, the Investor shall increase the amount of the Loan to ensure that the Unsecured Creditor Payment is equal to what it would have been based on the claims filed by Unsecured Creditors who are not employees as at the date of the Meeting of Creditors.

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Government of Canada

Gouvernement du Canada

Update filing - update is confirmed

Welcome **Jessie Hue** | [Preferences](#) | [E-Filing helpdesk](#) | [Instructions](#) | [Logout](#)

Estate Information

Please Note: The following estate(s) were updated:

- **Estate Number:** 31-2295766
- **Estate Name:** Digital Underground Media Inc.

THIS IS EXHIBIT ^C REFERRED TO IN THE AFFIDAVIT OF

Jessie Hue

SWORN BEFORE ME THIS 30 DAY OF Oct 2017

[Signature]
A Commissioner, Etc.,

Document(s) submitted

The following document(s) have been successfully submitted

- Form 40.1: Notice of Hearing of Application for Court Approval of Proposal

Reference

- The Reference Number for this transaction is: **13768998**.
- Submitted by Jessie Hue.
- 2017-10-30 8:04 EDT

Submit another document for this estate.

If you would like to submit a document against a different estate, please click on the **Update** link in the left hand side menu.

Date modified: 2017-07-28

IN THE MATTER OF THE PROPOSAL OF DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER, IN THE PROVINCE OF BRITISH COLUMBIA

Estate File No.: 31-2295766
Court File No.: 31-2295766

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

MOTION RECORD OF THE
PROPOSAL TRUSTEE
RE: APPROVAL OF PROPOSAL
(returnable November 14, 2017)

LOOPSTRA NIXON LLP
Barristers & Solicitors
135 Queens Plate Drive - Suite 600
Toronto, ON M9W 6V7

R. Graham Phoenix (LSUC # 52650N)
Tel: (416) 748-4776
Fax: (416) 746-8319
Email: gphoenix@loonix.com

Lawyers for MNP Ltd.,
in its capacity as Proposal Trustee