

**NOTICE OF AMENDED PROPOSAL TO CREDITORS  
and  
NOTICE OF HEARING OF APPLICATION FOR COURT APPROVAL OF PROPOSAL**

**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](mailto:Jessie.Hue@mnp.ca).

Dated at Toronto, Ontario this 26<sup>th</sup> day of October, 2017.

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



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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

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:





- (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:

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- (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.

**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.

**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 16<sup>th</sup> 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.



**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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Handwritten signature or initials in blue ink, possibly reading 'J.B.' or similar.