

**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**

SEPTEMBER 22, 2017

1.0 Introduction

This report is filed by MNP Ltd. (“MNP”) in its capacity as proposal trustee (“**Proposal Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Digital Underground Media Inc. (“**DUM**” or the “**Company**”) on September 21, 2017 (“**Filing Date**”) under Section 50.4 (1) of the *Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3*, as amended (“**BIA**”). A certificate of filing issued by the Office of the Superintendent of Bankruptcy is provided in **Appendix “A”**.

1.1 Purposes of this Report

The purposes of this Report are to:

- (a) provide background information about the Company; and
- (b) provide support for the Proposal Trustee’s recommendation that this Honourable Court make an order:
 - (i) approving a debtor-in-possession financing facility between the Company and J.D. Craig Holdings Inc. (the “**DIP Lender**”) in the principal amount of \$750,000 (the “**DIP Facility**”) and granting a priority charge (the “**DIP Charge**”) over all of DUM’s assets, properties and undertakings (collectively, the “**Property**”) to secure repayment of the amounts borrowed by DUM under the DIP Facility, pursuant to Section 50.6 of the BIA;
 - (ii) granting a priority charge over the Property in the principal amount of \$115,000 to secure the fees and disbursements of the Proposal Trustee, the Proposal Trustee’s counsel, Loopstra Nixon, and the Company’s counsel, Aird & Berlis LLP (“**A&B**”), pursuant to Section 64.2 of the BIA (the “**Administration Charge**”); and

- (iii) approving the Proposal Trustee's actions and activities, as described in this Report.

1.2 Currency

Unless otherwise noted, all currency references in this Report are to Canadian dollars.

1.3 Restrictions

In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company's representatives, the Company's books and records and discussions with its representatives. The Proposal Trustee has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the *Chartered Professional Accountants (Canada) Handbook* has not been performed. Future oriented financial information relied upon in this Report is based on the Company's representative's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Proposal Trustee references its report on the cash flow statement regarding the assumptions underlying the Company's cash flows.

2.0 Background

The Company was incorporated under the Ontario *Business Corporations Act* on January 19, 2010, a copy of the corporate profile for Ontario is attached as **Appendix "B"**. The Company has also been registered as an extraprovincial company under the British Columbia *Business Corporations Act* on September 24, 2014, a copy of the corporate profile for British Columbia is attached as **Appendix "C"**. 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**"). It is the Company's intention to disclaim the lease for the Premises pursuant to Section 65.2(1) of the BIA.

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

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.

2.1 Creditors

The Company estimated that it had obligations of approximately \$4,000,000 as at the Filing Date, excluding contingent and employee liabilities. Based on a search of the Personal Property Registries in Ontario and British Columbia, the Company's only secured creditors are J.D. Craig Holdings Inc. and DUM Holdings Inc. (collectively, the "**Secured Creditors**"), both of which are controlled by Drew Craig, an officer, director and shareholder of DUM. The Secured Creditors have been indicated to be owed approximately \$3.3 million. A copy of the creditor list included with the NOI filing is provided in **Appendix "D"**.

2.2 Historical Operating Results

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%

3.0 Company's Activities Since the Filing Date

The Company's activities since the Filing Date have included:

- Advising its stakeholders, including customers, employees and key suppliers, of the NOI filing and the Company's initiative to restructure its business and financial affairs;
- Considering key changes to DUM's business so that it may be viable in the long-run;
- Considering the attributes of a proposal to be made to its creditors in the near term; and

4.0 Projected Cash Flow Statement for the Period Ending December 15, 2017

The Company's Statement of Projected Weekly Cash Flow and related assumptions, for the period September 18, 2017 to December 15, 2017 (the "**Projections**"), together with Management's report on the cash-flow statement as required by Section 50.4(2)(c) of the BIA, and the Proposal Trustee's report on the cash-flow statement as required by Section 50.4(2)(b) of the BIA, is

provided in **Appendix “E”**. Based on the Proposal Trustee’s review of the Projections, there are no material assumptions which seem unreasonable or implausible in the Company’s circumstances

The Company does not anticipate any revenues during the period covered by the Projections and will require all expenditures to be funded by the DIP Facility, as reflected in the Projections. 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 will offset future cash injections required by the Spanish subsidiary.

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.

4.1 DIP Facility

As at the date of this Report, the Company had \$11,443 on hand. Based on the Projections, the Company is projected to generate negative cash flow of \$596,076 to December 15, 2017.

On September 22, 2017, the Company executed a financing agreement with the DIP Lender (“**DIP Loan Agreement**”), subject to court approval. The DIP Loan Agreement provides for the following:

- Advances of up to \$750,000 in the aggregate;
- Interest calculated at the rate of 20% per annum, compounding monthly; and
- It is conditional on the Company obtaining the DIP Charge over all of its Property, ranking subordinate only to the Administration Charge.

A copy of the DIP Loan Agreement is provided in **Appendix “F”**.

4.1.1 Recommendation for the DIP Facility

The Proposal Trustee has considered the factors described in Section 50.6(5) of the BIA with respect to the granting of a Court order for interim financing and a charge related thereto. The Proposal Trustee respectfully recommends that the Court make the order sought by the Company for the DIP Facility for the following reasons:

- The Company's intention is to prepare and lodge a viable proposal to its creditors in the next one to two weeks, and accordingly no extension of time for the filing of a proposal is anticipated;
- The Company is continuing to operate with a view to filing a proposal expeditiously;
- The Company has advised the Proposal Trustee that its creditors are largely supportive of the Company's restructuring efforts;
- The Company is facing an imminent liquidity crisis - cash on hand is projected to be depleted by the week ending September 29, 2017. The Company's operations will cease and the Company will have virtually no prospect of making a viable proposal if it does not receive the proposed DIP Facility;
- The Company's net realizable value is essentially only achievable through its sale or parts thereof if it remains a going-concern business.
- The Company's ability to locate financing other than that contemplated by the DIP Facility, particularly given the timing constraints and the nature of the Company's assets, is remote;
- The terms of the DIP Loan Agreement appear to be reasonable and consistent with the terms of debtor-in-possession financing facilities in similar proceedings; and
- In the Proposal Trustee's view, no creditor would be materially prejudiced as a result of granting the DIP Charge, particularly given the quantum of the indebtedness due to the Secured Creditors and that the DIP Lender is one of the Secured Creditors. The risks of material prejudice to creditors are outweighed by the potential benefits that would be derived for the Company's stakeholders generally from a successful restructuring.

4.2 Administration Charge

The Company is seeking an Administration Charge of \$115,000 in respect of the fees and expenses of the professionals incurred in connection with these proceedings. Such a charge is common in restructuring proceedings and is, in the Proposal Trustee's view, appropriate in the present case given the Company's lack of liquidity. The professionals involved in these proceedings have indicated that they require the benefit of a court-ordered first ranking charge on the Company's business and assets.

5.0 Overview of the Trustee's Activities

Since the Filing Date, the Proposal Trustee's activities have included, *inter alia*, the following:

- a) Reviewing the Company's current financial position;
- b) Together with A&B, advising the Company with regards to the restructuring strategies available to the Company;
- c) Preparation of the NOI filing documents and assisting in the preparation of the Projections and associated reports on the cash-flow statement as required by Section 50.4(2) of the BIA

- d) Reviewing the Projections and the underlying assumptions;
- e) File NOI documents with the OSB and various correspondence and discussion thereto;
- f) Issuing a notice to DUM's creditors advising of the NOI and its implications, as required under the BIA;
- g) Corresponding with directors of DUM related to the Company's business and financial affairs;
- h) Corresponding with A&B regarding these proceedings; and
- i) Drafting this Report.

6.0 Conclusion and Recommendation

Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court make an order granting the relief being sought by the Company as detailed in Section 1.1(b)(i) to (iii) of this Report.

All of which is respectfully submitted on this 22nd day of September, 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:



Matthew Lem, CIRP, LIT
Senior Vice President

Appendix "A"



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

Appendix “B”

Request ID: 020722936
Transaction ID: 65672543
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/09/19
Time Report Produced: 09:37:28
Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date		
2230983	DIGITAL UNDERGROUND MEDIA INC.	2010/01/19		
		Jurisdiction		
		ONTARIO		
Corporation Type	Corporation Status	Former Jurisdiction		
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE		
Registered Office Address		Date Amalgamated	Amalgamation Ind.	
C/O N. AYCAN 100 KING STREET WEST 1 FIRST CANADIAN PLACE Suite # 1600 TORONTO ONTARIO CANADA M5X 1G5		NOT APPLICABLE	NOT APPLICABLE	
		New Amal. Number	Notice Date	
		NOT APPLICABLE	NOT APPLICABLE	
			Letter Date	
			NOT APPLICABLE	
Mailing Address		Revival Date	Continuation Date	
C/O N. AYCAN 100 KING STREET WEST 1 FIRST CANADIAN PLACE Suite # 1600 TORONTO ONTARIO CANADA M5X 1G5		NOT APPLICABLE	NOT APPLICABLE	
		Transferred Out Date	Cancel/Inactive Date	
		NOT APPLICABLE	NOT APPLICABLE	
		EP Licence Eff.Date	EP Licence Term.Date	
		NOT APPLICABLE	NOT APPLICABLE	
	Number of Directors	Date Commenced	Date Ceased	
	Minimum	in Ontario	in Ontario	
	00001	00010	NOT APPLICABLE	NOT APPLICABLE
Activity Classification				
NOT AVAILABLE				

Request ID: 020722936
Transaction ID: 65672543
Category ID: UNE

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/09/19
Time Report Produced: 09:37:28
Page: 2

CORPORATION PROFILE REPORT

Ontario Corp Number

2230983

Corporation Name

DIGITAL UNDERGROUND MEDIA INC.

Corporate Name History

DIGITAL UNDERGROUND MEDIA INC.

Effective Date

2010/01/19

Current Business Name(s) Exist:

YES

Expired Business Name(s) Exist:

NO

Administrator:

Name (Individual / Corporation)

OSWALD
KENNETH
BICKNELL

Address

321 WATER STREET

Suite # 320
VANCOUVER
BRITISH COLUMBIA
CANADA V6B 1B8

Date Began

2010/01/19

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020722936
Transaction ID: 65672543
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/09/19
Time Report Produced: 09:37:28
Page: 3

CORPORATION PROFILE REPORT

Ontario Corp Number

2230983

Corporation Name

DIGITAL UNDERGROUND MEDIA INC.

Administrator:

Name (Individual / Corporation)

OSWALD
KENNETH
BICKNELL

Address

321 WATER STREET

Suite # 320
VANCOUVER
BRITISH COLUMBIA
CANADA V6B 1B8

Date Began

2010/05/06

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

PRESIDENT

Resident Canadian

Y

Administrator:

Name (Individual / Corporation)

DREW
CRAIG

Address

321 WATER STREET

Suite # 320
VANCOUVER
BRITISH COLUMBIA
CANADA V6B 1B8

Date Began

2010/01/19

First Director

NOT APPLICABLE

Designation

DIRECTOR

Officer Type

Resident Canadian

Y

Request ID: 020722936
Transaction ID: 65672543
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/09/19
Time Report Produced: 09:37:28
Page: 4

CORPORATION PROFILE REPORT

Ontario Corp Number

2230983

Corporation Name

DIGITAL UNDERGROUND MEDIA INC.

Administrator:

Name (Individual / Corporation)

DREW
CRAIG

Address

321 WATER STREET

Suite # 320
VANCOUVER
BRITISH COLUMBIA
CANADA V6B 1B8

Date Began

2010/05/06

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

SECRETARY

Resident Canadian

Y

Administrator:

Name (Individual / Corporation)

MICHAEL
LAITINEN

Address

321 WATER STREET

Suite # 320
VANCOUVER
BRITISH COLUMBIA
CANADA V6B 1B8

Date Began

2012/01/01

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

CHIEF FINANCIAL OFFICER

Resident Canadian

Request ID: 020722936
Transaction ID: 65672543
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2017/09/19
Time Report Produced: 09:37:28
Page: 5

CORPORATION PROFILE REPORT

Ontario Corp Number

2230983

Corporation Name

DIGITAL UNDERGROUND MEDIA INC.

Last Document Recorded

Act/Code	Description	Form	Date
CIA	CHANGE NOTICE	1	2017/09/19 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE.

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

Appendix “C”



Extraprovincial Company Summary For DIGITAL UNDERGROUND MEDIA INC.

Date and Time of Search: September 19, 2017 06:15 AM Pacific Time
Currency Date: August 03, 2017

ACTIVE

Registration Number in BC: A0093332
Name of Extraprovincial Company: DIGITAL UNDERGROUND MEDIA INC.
Registration Date and Time: Registered in British Columbia on September 24, 2014 01:54 PM Pacific Time
Last Annual Report Filed: September 24, 2016 Receiver: No

FOREIGN JURISDICTION INFORMATION

Identifying Number in Foreign Jurisdiction: 2230983 Name in Foreign Jurisdiction: DIGITAL UNDERGROUND MEDIA INC.
Date of Incorporation, Continuation or Amalgamation in Foreign Jurisdiction: January 19, 2010 Foreign Jurisdiction: ONTARIO

HEAD OFFICE INFORMATION

Mailing Address: 100 KING STREET WEST, SUITE 1600 1 FIRST CANADIAN PLACE TORONTO ON M5X 1G5 CANADA
Delivery Address: 100 KING STREET WEST, SUITE 1600 1 FIRST CANADIAN PLACE TORONTO ON M5X 1G5 CANADA

ATTORNEY INFORMATION

Corporation or Firm Name: GLH Pacific Corporate Services Inc.
Mailing Address: SUITE 2300, BENTALL 5 550 BURRARD STREET VANCOUVER BC V6C 2B5 CANADA
Delivery Address: SUITE 2300, BENTALL 5 550 BURRARD STREET VANCOUVER BC V6C 2B5 CANADA

DIRECTOR INFORMATION

Directors are not recorded for extraprovincial registration types. Go to the incorporating jurisdiction for director information.

Appendix “D”

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

- 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 Yeongtong e-Pyeonhansesang Apt 239 Yeongtong-ro, 200 Benga, 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.

- 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
Villarreal 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

Appendix "E"

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

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(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

The attached statement of projected cash flow of Digital Underground Media Inc., as of the 19th day of September 2017, consisting of Statement of Projected Weekly Cash Flow for the 13 weeks ended December 15, 2017, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

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

MNP LTD. - Licensed Insolvency Trustee

Per:


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

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

FORM 29 - Attachment
Trustee's Report on Cash-flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(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

Purpose:

1. The Statement of Projected Weekly Cash Flow for the 13 weeks ended December 15, 2017 has been prepared solely for the purpose of complying with Part III of the Bankruptcy and Insolvency Act (the "Act").

Projection Notes:

2. Hypothetical Assumptions

Hypothetical assumptions as defined in the Standards of Professional Practice of the Canadian Association of Insolvency and Restructuring Professionals are assumptions that assume a set of economic conditions or courses of action that are not necessarily the most important in the insolvent person's judgment, but are consistent with the purpose of the Statement of Projected Weekly Cash Flow.

3. Probable Assumptions

Probable assumptions as defined in the Standards of Professional Practice of the Canadian Association of Insolvency and Restructuring Professionals are assumptions that the Insolvent Person believes reflects the most probable set of economic conditions and planned courses of action, are suitably supported, consistent with the plans of the Insolvent Person and provide a reasonable basis for the Statement of Projected Weekly Cash Flow.

Assumptions:


4. The Statement of Projected Weekly Cash Flow includes the following Hypothetical and/or Probable Assumptions:

- Revenue is earned in the individual subsidiaries which are set up to manage projects in their respective jurisdictions.
- Pursuant to Section 69(1) of the Act, all creditors' claims are subject to a stay of proceedings.
- No provision has been made for payment of obligations incurred prior to September 20, 2017, the filing date of the NOI.
- The Company is in the process of subletting or disclaiming their office space in Vancouver and does not intend to occupy new space, as a result no amount for office rent is included.
- The projections reflect expected cash injections required to fund the business activities of the subsidiaries. Subject to the assumptions below, it is assumed that the subsidiaries will carry on their respective businesses in the ordinary course and use their best efforts to preserve intact their current business organizations.
- The Company will be actively looking for potential buyers of the subsidiaries and in the event a potential purchaser is identified there may be additional costs for professional fees required to complete the transaction.
- The cash injections into the Spanish subsidiary included expenditures for professional fees that is expected to result in a VAT refund of approximately \$100,000 EUR that will not be received within the period covered by the cash flow projection.
- No provision for income taxes has been made.

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

MNP LTD. - Licensed Insolvency Trustee

Per:

A handwritten signature in blue ink, appearing to read 'Sheldon Title', is written over a horizontal line.

*Matthew
Lew*

Sheldon Title - Licensed Insolvency Trustee

300 - 111 Richmond Street West

Toronto ON M5H 2G4

Phone: (416) 596-1711 Fax: (416) 323-5242

In the Matter of the Proposal of
Digital Underground Media Inc.
Statement of Projected Weekly Cash Flow for the 13 weeks ended December 15, 2017
In Canadian \$

Week Ending	22-Sep-17	29-Sep-17	06-Oct-17	13-Oct-17	20-Oct-17	27-Oct-17	03-Nov-17	10-Nov-17	17-Nov-17	24-Nov-17	01-Dec-17	08-Dec-17	15-Dec-17	Total
	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	
Revenue														
Cash Inflow	23,900	23,900	79,082	64,900	44,906	23,900	93,343	67,759	23,900	23,900	56,461	93,655	24,270	596,076
Funding as per arrangement														
Total Cash Inflow	23,900	23,900	79,082	64,900	44,906	23,900	93,343	67,759	23,900	23,900	56,461	93,655	24,270	596,076
Cash Outflow														
Payroll				23,900		23,900		23,900		23,900			23,900	143,400
Contractors			14,153			28,307					28,307			70,766
Total Travel and Other Costs for Week			9,950			19,400					19,400			48,750
General Insurance			2,859				2,859					2,859		8,578
D&O Insurance			319			319					319			957
Funding Brazil														
Funding Korea											8,435	1,436	370	10,241
Funding Spain			51,800		44,906		45,318				47,360	25,000		189,384
Legal Fees				25,000			25,000					25,000		75,000
Trustee Monitoring Fees				13,000			13,000					14,000		40,000
COD Payments														
Contingency				3,000				3,000						9,000
Total Cash Outflows	23,900	23,900	79,082	64,900	44,906	23,900	93,343	67,759	23,900	23,900	56,461	93,655	24,270	596,076
Bank Balance														
Opening	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443
Receipts		23,900	79,082	64,900	44,906	23,900	93,343	67,759	23,900	23,900	56,461	93,655	24,270	596,076
Disbursements		(23,900)	(79,082)	(64,900)	(44,906)	(23,900)	(93,343)	(67,759)	(23,900)	(23,900)	(56,461)	(93,655)	(24,270)	(596,076)
Closing	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443	11,443

This statement of projected cash flow is prepared by the debtor in accordance with s. 50.4(2)(e) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report on Cash Flow

MMP Ltd.
acting in re: the Proposal of Digital Underground Media Inc.

Per: 
Matthew Leem

Digital Underground Media Inc.

Per: 
Ken Bicknell

Appendix "F"

DIP LOAN AGREEMENT

THIS AGREEMENT made as of the 22nd day of September, 2017.

B E T W E E N:

J.D. CRAIG HOLDINGS INC.

(herein called the “**Lender**”)

- and -

DIGITAL UNDERGROUND MEDIA INC.

(herein called the “**Borrower**”)

THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Defined Terms

The following terms shall for all purposes of this agreement, or any amendment hereto, have the respective meanings set forth below unless the context otherwise specifies or requires or unless otherwise defined herein:

“**Approval Order**” means the anticipated Order (or Orders, collectively) of the Court, among other things, approving the DIP Loan and granting the DIP Charge, all in a form satisfactory to the Lender;

“**Banking Day**” means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;

“**BIA**” means the *Bankruptcy and Insolvency Act* (Canada);

“**Cash Flows**” means the cash flow statement of the Borrower filed by the Proposal Trustee with the Superintendent of Bankruptcy on September 22, 2017, as may be revised from time to time with the approval of the Lender;

“**Collateral**” means all present and future property, assets and undertaking of the Debtor pledged, assigned, mortgaged, charged, hypothecated or made subject to a security interest pursuant to the DIP Charge;

“**Court**” means the Ontario Superior Court of Justice (Commercial List);

“Default” means any event which is or which, with the passage of time, the giving of notice or both, would be an Event of Default;

“DIP Charge” means a Court-ordered super-priority security interest and charge in and over all of the existing and after-acquired real and personal, tangible and intangible, assets of the Borrower in favour of the Lender which has priority over all Liens other than the administrative charge granted in the Proposal Proceedings to secure payment of the DIP Loan, plus any fees and expenses payable to such party hereunder;

“DIP Loan Facility” has the meaning set out in section 2.01;

“DIP Loan” means monies lent by the Lender to the Borrower under the DIP Loan Facility;

“Event of Default” means any one of the events set forth in section 8.01;

“Governmental Authority” means, without limitation, any domestic or foreign government, whether national, federal, provincial, state, municipal or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing;

“Liens” means any and all liens, pledges, charges, mortgages, security interests, hypothecs and other encumbrances which now or in the future may affect all or any portion of the Collateral;

“Loan Documents” means this agreement and any document delivered in connection with this agreement;

“Maturity Date” means the earliest of:

- (i) the date that is three months from the date of the initial advance under the DIP Loan Facility;
- (ii) the date the Court approves a proposal under the BIA;
- (iii) the closing date of a sale of all or substantially all of the assets of the Borrower; and
- (iv) the occurrence of any Event of Default,

which Maturity Date may be extended only at the sole option and discretion of the Lender;

“NOI” means the Notice of Intention to Make a Proposal pursuant to Section 50.4(1) of the BIA filed by the Borrower on September 21, 2017;

“Permitted Liens” means the Liens which have been, or in the future are, permitted or consented to in writing by the Lender, including, without limitation,

- (a) statutory Liens of landlords, undetermined or inchoate Liens and other Liens imposed by law, such as carriers’, warehousemen’s, mechanics’, construction, materialmen’s and vendors’ Liens, incurred in the ordinary course of business;
- (b) Liens securing the payment of taxes, assessments and governmental charges or levies, either (i) not delinquent or (ii) being contested in good faith by appropriate proceedings and for which adequate reserves are being maintained;
- (c) Liens arising out of the leasing of personal property by the Borrower in the ordinary course of business; and
- (d) Liens in favour of the Lender created under the Loan Documents or the DIP Charge.

“Prepayment Date” has the meaning set out in section 4.02;

“Proposal Proceedings” means the Borrower’s BIA proposal proceedings;

“Proposal Trustee” means MNP LTD. in its capacity as proposal trustee of the Borrower in the Proposal Proceedings.

1.02 **Applicable Law**

This agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the parties hereto do hereby attorn to the jurisdiction of the courts of the Province of Ontario.

1.03 **Consents and Approvals**

Whenever the consent or approval of a party hereto is required in a particular circumstance, such consent or approval shall not be unreasonably withheld or delayed by such party.

1.04 **Plural and Singular**

Where the context so requires, words importing the singular number shall include the plural and vice versa.

1.05 **Headings**

The division of this agreement into Articles and sections and the insertion of headings in this agreement are for convenience of reference only and shall not affect the construction or interpretation of this agreement.

1.06 **Currency**

All monetary amounts in this agreement refer to Canadian Dollars unless otherwise specified.

1.07 **Other Usages**

References to “this agreement”, “the agreement”, “hereof”, “herein”, “hereto” and like references refer to this agreement and not to any particular article, section or other subdivision of this agreement.

1.08 **Time of the Essence**

Time shall in all respects be of the essence of this agreement and no extension or variation of this agreement or of any obligation hereunder shall operate as a waiver of this provision.

ARTICLE 2 - DIP LOAN FACILITY

2.01 **Establishment of DIP Loan Facility**

Subject to the terms and conditions hereof, the Lender hereby establishes in favour of the Borrower a non-revolving debtor-in-possession term loan facility (the “**DIP Loan Facility**”) in the maximum amount of \$750,000, by way of minimum advances of \$10,000 as required by the Borrower in accordance with the Cash Flows.

2.02 **Time and Place of Payments**

Unless otherwise expressly provided herein, the Borrower shall make all payments pursuant to this agreement or pursuant to any document, instrument or agreement delivered pursuant hereto by delivery of a cheque or wire transfer to the Lender before 1:00 p.m. (Vancouver time) on the day specified for payment. Any such payment received on the day specified for such payment but after 1:00 p.m. (Vancouver time) thereon shall be deemed to have been received prior to 1:00 p.m. (Vancouver time) on the Banking Day immediately following such day specified for payment.

2.03 **Evidence of Indebtedness**

The Lender shall maintain records wherein the Lender shall record the amount of outstanding advances, each payment of principal and interest on account of each DIP Loan advanced and all other amounts becoming due to and being paid to the Lender hereunder. The Lender’s records constitute, in the absence of manifest error, prima facie evidence of the indebtedness of the Borrower to the Lender pursuant to this agreement.

ARTICLE 3 - INTEREST

3.01 Interest Rates

The principal amount outstanding from time to time under the DIP Loan Facility and the amount of overdue interest from time to time shall bear interest at a rate equal to twenty percent (20%) per annum.

3.02 Calculation of Interest

Interest on the outstanding principal amount from time to time of the DIP Loan and on the amount of overdue interest thereon from time to time shall accrue from day to day (both before and after maturity and as well after as before judgment), shall be calculated on the basis of the actual number of days elapsed divided by the actual number of days in the year and shall be compounded monthly.

3.03 Payment of Interest

Interest, calculated at the aforesaid rate and in the aforesaid manner on the unpaid portion from time to time outstanding under the DIP Facility shall be payable to the Lender in arrears on the Maturity Date.

ARTICLE 4 - REPAYMENTS AND PREPAYMENTS

4.01 Repayment of the DIP Loan Facility

The principal amount of the DIP Loan then outstanding, together with all accrued and unpaid interest and other amounts payable under this agreement shall be due and payable in full by the Borrower to the Lender on the Maturity Date.

4.02 Prepayment and Early Termination

The Borrower shall be entitled to prepay the whole of the principal amount of the DIP Loan then outstanding, together with all accrued and unpaid interest and other amounts payable under this agreement at any time as may be specified by the Borrower (the “**Prepayment Date**”) in a written notice to the Lender at least five (5) days before such Prepayment Date.

ARTICLE 5 - REPRESENTATIONS AND WARRANTIES

5.01 Representations and Warranties

To induce the Lender to enter into this agreement, the Borrower hereby represents and warrants to the Lender as follows and acknowledges and confirms that the Lender is relying upon such representations and warranties in providing the DIP Loan hereunder:

- (a) **Status and Power.** The Borrower is a corporation duly incorporated and organized and validly subsisting under the laws of the jurisdiction of its incorporation and is duly qualified, registered or licensed in all jurisdictions

where such qualification, registration or licensing is required to the extent that it is material. The Borrower has all requisite corporate capacity, power and authority to own, hold under licence or lease its properties, to carry on its business as now conducted and to otherwise enter into, and carry out the transactions contemplated by the Loan Documents.

- (b) **Authorization and Enforcement of Documents.** All necessary action, corporate or otherwise, has been taken by the Borrower to authorize the execution, delivery and performance of the Loan Documents and the Borrower has duly executed and delivered each Loan Document to which it is a party. Each Loan Document to which the Borrower is party is a legal, valid and binding obligation of the Borrower enforceable against the Borrower by the Lender in accordance with its terms.
- (c) **Compliance with Other Instruments.** The execution, delivery and performance of the Loan Documents and the consummation of the transactions contemplated herein and therein do not and will not conflict with, result in any breach or violation of, or constitute a default under, the terms, conditions or provisions of the constating documents or by-laws of the Borrower or of any law, regulation, judgment, decree or order binding on or applicable to the Borrower or by which the Borrower benefits or to which any of its property is subject or of any material agreement, lease, licence, permit or other instrument to which the Borrower is a party or is otherwise bound or by which the Borrower benefits or to which any of its property is subject and does not require the consent or approval of any other party, or any governmental body, agency or authority.
- (d) **Permits.** The Borrower has all necessary permits, patents, copyrights, trademarks, tradenames and agreements for the operation of its business and will duly perform and observe all of the terms and conditions thereof.
- (e) **Compliance with Laws.** Other than as disclosed in writing to the Lender, the Borrower is not in violation of any mortgage, franchise, licence, judgment, decree, order, statute, rule or regulation relating in any way to the Borrower, to the operation of its business or to its property or assets and which would have a material effect on the condition, financial or otherwise, of the Borrower.
- (f) **Insurance.** The assets of the Borrower and its business and operations are insured against loss, damage and appropriation with responsible insurers on the basis consistent with insurance obtained by reasonably prudent participants in comparable businesses, and such coverage is in full force and effect, and the Borrower has not failed to promptly give any notice of any claim thereunder.
- (g) **Full Disclosure.** The Borrower is not aware of any fact which it has not disclosed or caused to be disclosed to the Lender in writing which might materially adversely affect the business, operations, investments, property or prospects of the Borrower, or materially adversely affect the ability of the Borrower to observe and perform its obligations hereunder or relating to the DIP Loan.

5.02 Survival of Representations and Warranties

All of the representations and warranties of the Borrower contained in Section 5.01 shall survive the execution and delivery of this agreement notwithstanding any investigation made at any time by or on behalf of the Lender.

ARTICLE 6 - CONDITIONS PRECEDENT

6.01 Loan Documents

The Lender's obligations to advance credit under this agreement shall be conditional on, as the case may be, satisfaction of the following conditions or the execution and delivery of each of the following by each relevant party (concurrently with execution and delivery of this agreement, unless otherwise specified):

- (a) **DIP Loan:**
 - (i) this agreement; and
 - (ii) the Approval Order, and no appeal shall have been initiated in respect thereof by any person.

ARTICLE 7- COVENANTS

7.01 Covenants

The Borrower hereby covenants and agrees with the Lender that, so long as there is any outstanding indebtedness or obligations hereunder and unless the Lender otherwise expressly consents in writing:

- (a) **Financial Reporting.** The Borrower shall provide the Lender: (a) weekly reports of cash collections, deposits, sales and generation of accounts receivable and disbursements; and (b) such other information as the Lender may require in its discretion, all in form and substance satisfactory to the Lender.
- (b) **Conduct of Business.** The Borrower shall conduct its business in such a manner so as to comply in all material respects with all applicable laws and regulations. The Borrower shall carry on and conduct its business in a proper and efficient manner and will keep or cause to be kept proper books of account and shall make therein true and accurate entries of all dealings and transactions in relation to such business, and shall make or cause to be made such books of account available for inspection by the Lender and its representatives during normal business hours.
- (c) **Access.** The Borrower shall provide the Lender with reasonable access during normal business hours to any and all Collateral, any and all locations where the Borrower's assets may be located and any and all books and records and/or computer systems in connection with its operations.

- (d) **Reporting by Trustee.** The Borrower covenants and agrees to authorize the Proposal Trustee to provide the Lender, where reasonably required by the Lender, with copies of all documents, records, reports and information received or prepared by the Proposal Trustee, to fully disclose to the Lender, whether verbally or in writing, where reasonably required by the Lender, all matters arising out of its engagement relating to the operations of the business, and to advise the Lender immediately of any situation that could materially affect the Lender's interests or rights under the Loan Documents. The Borrower specifically waives any right of confidentiality with respect to any such confidential information provided by the Borrower to the Proposal Trustee. The Borrower specifically authorizes the Lender to divulge such information pursuant to any Court proceeding commenced by, or to which the Lender is a party or in connection with the exercise of any of the Lender's remedies against the Borrower including, without limitation, any potential assignee of the Lender's rights under the Loan Documents.
- (e) **Use of Proceeds.** The proceeds of the DIP Loan will be used by the Borrower materially in accordance with the Cash Flows.
- (f) **Material Adverse Change.** The Borrower shall promptly notify the Lender, and shall authorize and direct the Proposal Trustee to promptly notify the Lender, of any material adverse change in the financial condition of the Borrower or in the ability of the Borrower to satisfy its obligations under any Loan Document.
- (g) **Reimbursement.** The Borrower shall reimburse the Lender, in arrears on the Maturity Date, for all reasonable costs, charges and expenses incurred by the Lender in the development, preparation, negotiation and execution of this agreement and any amendment hereto and all documentation ancillary to the completion of the transactions contemplated by this agreement, and for all reasonable costs, charges and expenses incurred by the Lender in interpreting and enforcing the rights of the Lender under this agreement or any other documentation ancillary to the completion of the transactions contemplated by this agreement, including, without limiting the generality of the foregoing, all legal fees and disbursements, whether in connection with the Proposal Proceeding or otherwise.
- (h) **Notice of Default.** The Borrower shall promptly notify the Lender of the occurrence of any Default or Event of Default and shall concurrently deliver to the Lender a detailed statement of an officer of the Borrower of the steps, if any, being taken to cure or remedy such Default or Event of Default.

7.02 Lender Entitled to Perform Covenants

If the Borrower shall fail to perform any covenant on its part contained in section 7.01, the Lender may, in its discretion, perform any of the said covenants capable of being performed by it and, if any such covenant requires the payment or expenditure of money, the Lender may make such payments but shall be under no obligation so to do. All sums so expended by the Lender shall be payable by the Borrower on demand and shall bear interest at 20 percent (20%) per

annum from the date of such expenditure until paid, but no such performance or payment shall be deemed to relieve the Borrower from any default hereunder.

7.03 Restrictive Covenants

The Borrower hereby covenants and agrees with the Lender that, until all advances outstanding hereunder have been repaid in full and the DIP Loan Facility and this agreement have been terminated, and unless the Lender has otherwise given its prior written consent thereto:

- (a) **Cash Flows.** The Borrower shall not permit:
 - (i) actual cash flows for any given week to be lower than forecast for that week in the Cash Flows by more than 20%, tested weekly, on the following Monday in respect of the previous week;
 - (ii) the cumulative net cash flows for any rolling three week period to be lower than forecasted in the Cash Flows by more than 15%, tested weekly, on the following Monday in respect of the previous week;
- (b) **Borrowing.** The Borrower shall not borrow any material sum, incur any material indebtedness or repay any indebtedness outside of the ordinary course of business.
- (c) **Liens.** The Borrower shall not enter into or grant, create, assume or suffer to exist any Lien affecting any of its property, assets or undertaking, save and except only for the Permitted Liens.
- (d) **Nature of Business.** The Borrower shall not change the nature of its business carried on as at the date of this agreement, discontinue any of its material businesses, enter into any transaction or material contract not in the ordinary course of business or engage in any business enterprise or activity different from that carried on as of the date hereof.
- (e) **Insolvency.** The Borrower shall not:
 - (i) make an assignment of its property for the general benefit of its creditors under the BIA;
 - (ii) institute any proceeding, other than the Proposal Proceedings, seeking its liquidation, dissolution, winding-up, reorganization, compromise, arrangement, adjustment, protection, moratorium, relief, stay of proceedings of creditors generally (or any class of creditors), or composition of it or its debts or any other relief, under any federal, provincial or foreign law now or hereafter in effect relating to bankruptcy, winding-up, insolvency, reorganization, receivership, plans of arrangement or relief or protection of debtors (including the BIA, the *Companies' Creditors Arrangement Act* (Canada) and any applicable corporations legislation) or at common law or in equity, or file an answer

admitting the material allegations of a petition filed against it in any such proceeding;

- (iii) apply for the appointment of, or the taking of possession by, a receiver, interim receiver, receiver/manager, liquidator or other similar official for it or any substantial part of its property;
- (iv) seek or consent to any proposal (other than the Proposal Proceedings), plan of reorganization or liquidation without the prior approval of the Lender; or
- (v) threaten to do any of the foregoing, or take any action, corporate or otherwise, to approve, effect, consent to or authorize any of the actions described in this section 7.03(e), or otherwise act in furtherance thereof or fail to act in a timely and appropriate manner in defence thereof.

ARTICLE 8 - DEFAULT AND REMEDIES

8.01 Events of Default

Upon the occurrence of any one or more of the following events:

- (a) the non-satisfaction of any of the conditions set out in section 6.01 to this agreement;
- (b) the non-payment of any amount due hereunder which is not paid within five (5) Banking Days after written notice to do so by the Lender;
- (c) any representation or warranty made by the Borrower in this agreement or any Loan Document proves to have been incorrect in any material respect when made or furnished;
- (d) there occurs any breach of any covenant or term of this agreement, including without limitation, the covenant to maintain cash flows in accordance with the Cash Flows but subject to the permitted variances pursuant to section 7.03;
- (e) a breach or failure of due observance or performance by the Borrower of any covenant, obligation or provision of any Loan Document other than those heretofore dealt with in this section 8.01, or of any other document, agreement or instrument delivered pursuant hereto or referred to herein which is not remedied by the Borrower within three (3) Banking Days after (i) such breach or failure shall first have become known to any officer of the Borrower or (ii) written notice from the Lender to do so shall have been received by the Borrower;
- (f) if there occurs, in the opinion of the Lender, acting reasonably, a materially adverse change in the financial condition or operation of the Borrower;

- (g) if the stay of proceedings in favour of the Borrower in the Proposal Proceedings is lifted, expires or ceases to be in effect in respect of any creditor of the Borrower;
- (h) if the Proposal Proceedings are terminated, annulled or amended in any manner other than as may be acceptable to the Lender; or
- (i) if the Court makes any order (subsequent to the Approval Order) which affects the priority or quantum of the DIP Charge, in any manner other than as may be acceptable to the Lender,

the Lender may, by notice to the Borrower and upon the approval of the Court in accordance with paragraph 9 of the Approval Order, declare all indebtedness of the Borrower to the Lender pursuant to this agreement to be immediately due and payable whereupon all such indebtedness shall immediately become and be due and payable without further demand or other notice of any kind, all of which are expressly waived by the Borrower, without any further obligation upon the Lender to make any further advances. The Lender shall thereafter be entitled to take any action, remedy or proceeding authorized pursuant to the Loan Documents, at law or in equity and the Borrower by signing below consents to the immediate appointment of a Receiver under Section 243 of the BIA.

ARTICLE 9 - MISCELLANEOUS

9.01 Waivers and Amendments

No failure or delay by the Lender in exercising any right hereunder shall operate as a waiver of such right nor shall any single or partial exercise of any power or right hereunder preclude its further exercise or the exercise of any other power or right. Any waiver by the Lender of the strict observance, performance or compliance with any term, covenant or condition of this agreement is not a waiver of any subsequent default and any indulgence by the Lender with respect to any failure to strictly observe, perform or comply with any term, covenant or condition of this agreement is not a waiver of the entire term, covenant or condition or any subsequent default. Any term, covenant, agreement or condition of this agreement may only be amended with the unanimous consent of all of the parties hereto or compliance therewith may only be waived (either generally or in a particular instance and either retroactively or prospectively) by the Lender.

9.02 Notices

All notices and other communications provided for herein shall be in writing and shall be personally delivered to the addressee or if the addressee is a corporation, to an officer or other responsible employee of the addressee, or sent by telefacsimile or other direct written electronic means, charges prepaid, at or to the applicable addresses, email addresses or telefacsimile numbers, as the case may be, set opposite the party's name on a signature page hereof or at or to such other address or addresses, email addresses, telefacsimile number or numbers as any party hereto may from time to time designate to the other parties in such manner, together with a copy to the addressee's counsel of record in the Proposal Proceedings. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Banking Day and such delivery was made during

normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Banking Day next following such date of delivery. Any communication which is transmitted by telefacsimile or other direct written electronic means as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Banking Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Banking Day next following such date of transmission.

9.03 Severability

Any provision hereof which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

9.04 Successors and Assigns

This agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and permitted assigns.

9.05 Assignment

Neither this agreement, any Loan Document nor the benefit thereof may be assigned by the Borrower. The rights and obligations of the Lender hereunder and under any Loan Document may be assigned or participated by the Lender in whole or in part at the Lender's sole discretion, without any notice or consent of the Borrower, and the Borrower hereby covenants and agrees to execute and deliver to the Lender or to whom the Lender may direct all acknowledgements or other documents reasonably required by the Lender in connection with any such assignment.

9.06 Further Assurances

The Borrower shall do, execute and deliver or shall cause to be done, executed or delivered all such further acts, documents and things as the Lender may reasonably request for the purpose of giving effect to this agreement and to each and every provision hereof.

9.07 Entire Agreement and Paramountcy

This agreement and the agreements referred to herein and delivered pursuant hereto constitute the entire agreement between the parties hereto and supersede any prior agreements, undertakings, declarations, representations and understandings, both written and verbal, in respect of the subject matter hereof. In the event of any conflict between the terms of this agreement and the terms of any other Loan Document, the terms of this agreement shall govern, but only to the extent of such conflict.

9.08 Counterparts

This agreement may be executed in one or more counterparts and by facsimile transmission or emailed PDF, each of which shall be deemed to be an original and all of which, when taken together, shall constitute one and the same agreement.

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

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the date first written above.

4280 Rockridge Road
West Vancouver, BC V7W 1A5

Attention: Drew Craig
Email: drew@adtrackmedia.com

J.D. CRAIG HOLDINGS INC.

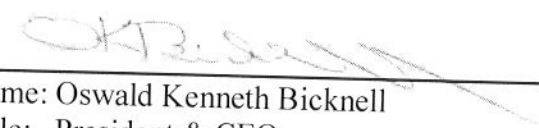
By: 
Name: Drew Craig
Title: President & CEO

I have authority to bind the corporation.

320-321 Water St.
Vancouver, BC. V6B 1B8

Attention: Ken Bicknell
Email: ken@adtrackmedia.com

DIGITAL UNDERGROUND MEDIA INC.

By: 
Name: Oswald Kenneth Bicknell
Title: President & CEO

I have authority to bind the corporation.