

District of: British Columbia
Division No. 03 - Vancouver
Court No. B150988
Estate No. 11-2048177

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

IN THE MATTER OF THE PROPOSAL OF
ZAO TRADING CORPORATION
of the city of ABBOTSFORD
in the Province of British Columbia

Take notice that ZAO TRADING CORPORATION of the City of ABBOTSFORD in the Province of British Columbia has lodged with us a proposal under the Bankruptcy and Insolvency Act.

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

A general meeting of the creditors will be held at Suite 430, 505 Burrard Street, One Bentall Centre, VANCOUVER, BC on the 3rd day of March 2016 at 10:30 AM.

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

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

Dated at the City of VANCOUVER in the Province of British Columbia, this 19th day of February 2016.

The Bowra Group Inc. - Trustee
Per:



Mario Mainella
430 - 505 Burrard Street, PO Box 72
VANCOUVER BC V7X 1M3
Phone: (604) 689-8939 Fax: (604) 689-8584

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

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
1664BMX Distribution	9384-26 Avenue Edmonton AB T6N 1H8		853.55
Adidas Canada Ltd	8100 Highway 27 Woodbridge ON L4H 3N2		14,463.04
BC Hydro	333 Dunsmuir St Vancouver BC V6B 5R3		1,770.28
Borden Ladner Gervais LLP	#1300-100 Queen St Ottawa ON K1P 1J9		578.00
Bosa Properties - Dells Holding	1100-838 West Hastings Street Vancouver BC V6C 0A6		57,504.00
Burton Canada Company	Po Box 9920 Postal Station A Toronto ON M5W 2J2		21,940.03
Cathedra Solutions	5636 184th St Surrey BC V3S 4M9		356.16
Centre Distribution	1486 East Pender Street Vancouver BC V5L 1V8		20,983.60
Chance Skateboards Inc.	#102 2485 West Railway Street Abbotsford BC V2S 2E5		1,208.23
Clutch Distribution	1920 Crossroads Street Chula Vista CA 91915		7,930.00
Dakine	603 Portway Avenue Hood River OR 97031		2,690.47
Dwindle Distribution	225 South Aviation Blvd El Segundo CA 90245		1,159.63
Dye Precision Inc	10637 Sripss Summit Ct San Diego CA 92131		15,559.92
Electric Visual LLC	8175 Dallas Drive East Kamloops BC V2C 6X2		3,421.88
Element Canada	5825 Kieran St-Laurent QC H4S 0A3		925.49
Glenwood Preserves Ltd - Investment	#102 2485 West Railway Street Abbotsford BC V2S 2E5		2,737,153.19
Herschel Supply Company	327 - 611 Alexander St Vancouver BC V6A 1E1		11,603.78
High Output Sports	1465 Charlotte Road North Vancouver BC V7J 1H1		3,291.38

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
K2 Corporation of Canada	1 Westside Drive Toronto ON M9C 1B2		5,019.27
Kitsch Skateboards	412 East 59th Ave Vancouver BC V5X 1Y1		875.70
Kiwi Electrical Services	596a Langholme Drive Victoria BC V9C 1M2		393.48
K-Swiss Canada	PO Box 4591, Station A Toronto ON M5W 4X5		32,132.90
Land Yachtz Longboards (Versal Manufacturing)	1221 Glen Drive Vancouver BC V6A 3M8		4,517.57
Mehrathon Trading Inc.	642 De Courcelle Montreal QC H4C 3C5		8,000.18
MOMENTUM Distribution Inc. -Endorphin Group	2045 Francis, Suite 200 St-Hubert QC J4T 0A6		1,742.46
Mostad Printing & Media	13447 - 77th Ave Surrey BC V3W 6Y1		17,262.67
Nidecker USA (KMU Factoring AG)	10153 West River Street Truckee CA 96161		11,076.71
Nike Canada Ltd	175 Commerce Valley Drive West Thornhill ON L3T 7P6		19,114.04
No Limits	68 West 5th Ave Vancouver BC V5Y 1H6		12,937.79
Oakley Canada	2660 Rue Diab Ville St-Laurent QC H4S 1E8		10,713.10
Origin Distribution	2519 Pacific Hwy E STE B Fife WA 98424		8,631.01
Outdoor Gear Canada	10555 Boul. Henri-Bourassa O. Saint-Laurent QC H4S 1A1		5,841.20
Smart & Biggar	2300-1055 West Georgia Ste Vancouver BC V6E 3P3		10,075.97
Spy Optic, Inc	2070 Las Palmas Drive Carlsbad CA 92011		4,390.88
Supra Distribution Ltd.	105 - 2433 Dollarton Hwy North Vancouver BC V7H 0A1		26,277.98
Take Five Trading Inc.	1885 Franklin St Vancouver BC V5L 1P9		15,797.11

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Terry Crowley - Loan	#40 - 9101 Forest Grove Drive Burnaby BC V5A 3Z5		52,374.81
The Zone @ 91-3(CJZN-FM)	2750 Quadra Street Victoria BC V8T 4E8		3,780.00
Timebomb Trading Inc.	8067 North Fraser Way Burnaby BC V5J 5M8		40,284.74
Tom Reinhart - Expenses	20923 44A Avenue Langley BC V3A 8Z2		314.59
Tom Reinhart - Loan	20923 44A Avenue Langley BC V3A 8Z2		96,085.31
Torrent Real Estate Services Inc. / Torrent Investments	1010 Langley Street VICTORIA BC V8W 1V8		100,916.00
Ultimate Skateboard Distributors Inc.	PO Box 94248 Richmond BC V6X 8A6		17,323.35
Vans (VF outdoor Canada Inc.)	3260 Rue GUENETTE Ville St Laurent QC H4S 2G5		13,348.52
Volcom, LLC	1740 Monrovia Ave Costa Mesa CA 92627		16,786.34
VW CREDIT CANADA INC.	4865 Marc - Blain St. Suite 300 St. LAURENT QC H4R 3B2		1,000.00
Wells Fargo (NEFF)	14241 Dallas Parkway, Suite 900 Dallas TX 75254		506.96
Total			3,440,913.27

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
ZAO TRADING CORPORATION**

TRUSTEE'S REPORT TO CREDITORS

FEBURARY 18, 2016

BACKGROUND OF THE COMPANY

Zao Trading Corporation (the "Company" or "Zao") operates retail stores that sell premium brand snowboard and skateboard equipment and related accessories. Zao is a private company that was incorporated on April 5, 2004 in British Columbia. The directors of the Company are Thomas Gregory Reinhart and Terrance Crowley.

The Company operated five retail stores throughout British Columbia under the following names:

- Replay Board Shop - Abbotsford;
- Authentic Board Supply- Surrey;
- Heritage Board Shop ("Heritage") – Langford & Victoria; and
- One-Six - Saanich.

The Company did not achieve their sales targets in snowboard and related accessories during the 2013 and 2014 winter selling season as a result of poor snow conditions on the BC Coastal Mountains. Given the seasonal nature of the market, the fluctuations in demand had a negative impact on the Company's cash flow.

The Company reported net losses of \$1.05 million and \$789,000 for the fiscal years ending August 31, 2014 and 2015, respectively.

On October 16, 2016, the Company filed a Notice of Intention to File a Proposal ("NOI"). On the date of filing the NOI the Company had cancelled the 2015/2016 snowboard and related accessories product orders. The Company believed that operating all five stores to sell off inventories in an orderly fashion would provide a greater recovery to the creditors as opposed to a bankruptcy.

On November 15, 2015 the Company obtained a Court Order extending the time allowed to file a Proposal to creditors (the "Proposal") to December 31, 2015. A second Court Order was obtained on December 23, 2015 extending the time to file a Proposal to February 15, 2016. A Proposal was filed on February 15, 2016.

EFFORTS SINCE FILING THE NOI

Since filing the NOI the Company has continued to sell inventory at market prices.

The Company has done the following to reduce operating costs:

- One-Six in Saanich was closed in November 2015 with the furniture & fixtures being conditionally sold (conditional upon court approval) for \$17,000. All remaining inventory was moved to the Heritage location in Victoria to be sold at market prices;
- Heritage in Langford was closed in January 2016. All furniture & fixtures and inventory were moved to the Heritage location in Victoria to be sold at market prices;
- The lease for Heritage in Victoria was disclaimed effective March 16, 2016. The Company is planning to have a final liquidation sale to sell any remaining inventory and furniture & fixtures before they vacate the space;
- The lease for the Authentic Board Supply in Surrey was disclaimed effective February 5, 2016. All remaining inventory and furniture & fixtures were moved to Replay in Abbotsford to be sold at market prices;
- The number of employees was reduced by 17; and

- Operating hours at the remaining locations were reduced to decrease operating costs.

SUMMARY OF PROPOSAL

The Proposal is designed to permit the Company to settle payment of its liabilities arising before the filing of the NOI and to compromise the indebtedness owed to the creditors on a fair and equitable basis. The Proposal will enable creditors to recover more than would be recovered in the event of a liquidation of the Company's assets in a bankruptcy.

The Company will pay the Proposal Trustee a sum of \$150,000 for the benefit of creditors with proven claims plus all proper fees, expenses and legal costs of the Trustee.

The general outline of the Proposal is as follows:

- i. Provision for payment of all proper fees, expenses and legal cost of the Trustee which are subject to taxation;
- ii. Payment of employee preferred claims, if any, as defined in section 136 (d) of the Bankruptcy and Insolvency Act;
- iii. Payment of the Superintendent's levy;
- iv. All other preferred claims, if any, pursuant to section 60(1) and 136 of the Bankruptcy and Insolvency Act;
- v. Payment in full to unsecured creditors with proven claims of \$1,250 or less. For clarity, any creditor with a claim in excess of \$1,250 may elect, on its proof of claim form, to reduce its proven claim to \$1,250; and
- vi. After making the payments described above, the remaining unsecured creditors with proven claims will be paid their proportionate pro rata share of the remaining funds.

Glenwood Preserves Ltd., Thomas Gerald Reinhart and Terrance Crowley are unsecured creditors that are able to vote their proven claim in the Proposal. However, for the purpose of this Proposal they have agreed to be “non-participating creditors” for their share of the dividend distribution which reduces the aggregate value of claims and increases the dividend amount available to other unsecured creditors in the Proposal.

The Company is indebted to one secured creditor as follows:

- VW Credit Canada Inc. who has a registered security interest in respect of one leased vehicles.

The secured creditor is unaffected by the Proposal and their claim will be addressed pursuant to the terms of their security agreement or as arranged with the secured creditor.

IDENTIFICATION AND VALUATION OF ASSETS

The table below identifies the book value of the assets and the estimated gross realizable value in a bankruptcy as of the date of filing of the Proposal.

	February 15, 2016	
	Book Value	Estimated Value
	\$'s	
Inventory	483,000	172,000
Furniture & Fixtures	75,000	24,000
Cash on hand	101,000	101,000
	659,000	297,000

The estimated values above are prior to any remaining payments for post filing obligations of the Company, occupancy costs, realization costs including sales commissions and professional fees.

The Trustee is paid based on an hourly rate for time worked and will be paid out of cash flow from operations. Barring unforeseen circumstances, we estimate the Trustee fees in a Bankruptcy to be between \$30,000 and \$40,000.

Inventory consists of brand name skateboard and snowboard related clothing, footwear, equipment and accessories. Based on discussions with management the majority of the skateboard related inventory is current whereas the snowboard related inventory is from 2013 and 2014 seasons. We estimate in the event of a liquidation the gross recovery would be \$172,000.

Furniture and fixtures consists of retail fixture and displays, display décor, furnishings, a computerized point of sale system and various retail supplies. We estimate the gross recovery to be \$24,000 in a bankruptcy.

CREDITOR'S CLAIMS

Deemed Trust Claim

The Company does not owe any arrears with respect to payroll source deductions to Canada Revenue Agency. Any post filing obligations for payroll source deduction are being paid in the normal course.

Preferred Creditors

The Company is not aware of any preferred creditors.

Unsecured Creditors

Unsecured creditors consist of 61 creditors. The unsecured creditor balance identified to date is approximately \$3.4 million based on the Company records. The significant unsecured creditors include Glenwood Preserves Ltd., Torrent Investments, Thomas Gerald Reinhart and The Dells Holdings Ltd.

The unsecured creditors are to be paid in accordance with the terms of the Proposal as outlined on page three of this report. As noted earlier in this report,

Glenwood Preserves Ltd., Thomas Gerald Reinhart and Terrance Crowley have agreed to waive any entitlement to a dividend.

STATEMENT OF ESTIMATED REALIZATION

The table below compares the estimated recovery to unsecured creditors under a bankruptcy and a proposal.

	Bankruptcy as at October 16, 2015	Bankruptcy as at February 15, 2016	Proposal
\$000's			
Assets			
Cash	-	101	150
Inventory	526	172	-
Furniture & Fixtures	37	24	-
Gross Proceeds	563	297	150
Recovery Costs			
Recovery Costs	320	100	-
Preferred Claim - WEPP	32	20	-
	352	120	-
Net proceeds available to creditors	211	177	150
Value of participating creditors	3,442	3,442	557
Recovery per dollar of claim to unsecured participating creditors	\$ 0.06	\$ 0.05	Note ¹
Note ¹ Claims less than \$1,250 will recover 100%. Assuming all unsecured creditors with claims less than \$5,000 will compromise their claim to \$1,250, these creditors will receive between \$0.26 and \$0.99 per dollar of proven claim. Claims over \$5,000 will recover \$0.25 per dollar of proven claim.			

Based on our review of the Company's current assets and liabilities, in the event of a bankruptcy, it is our view that the liquidation of the Company's assets as of the date of filing the Proposal would provide unsecured creditors a recovery of \$.05 per dollar of unsecured claim.

The Proposal provides proceeds to unsecured creditors of \$150,000. In addition, the estimated unsecured claims participating in a proposal is reduced from \$3.4 million to \$557,000 as Glenwood Preserves Ltd., Thomas Gerald Reinhart and Terrance Crowley are unsecured creditors that have agreed to be “non-participating creditors” in the dividend distribution.

We estimate that the recovery to creditors in the Proposal to be as follows:

- Claims less than \$1,250 would be paid 100%;
- We assume all unsecured creditors with claims less than \$5,000 will compromise their claim to \$1,250. These creditors will receive between \$0.26 and \$0.99 per dollar of their proven claim; and
- Claims over \$5,000 will recover \$0.25 per dollar of proven unsecured claim.

Accordingly, the Proposal provides for a higher recovery to unsecured creditors than a bankruptcy.

REMUNERATION OF THE TRUSTEE

The Proposal Trustee has received an initial retainer from the Company of \$10,000. The Trustee estimates total fees and disbursements at \$35,000. In accordance with section 4.7 of the Proposal, the fees in excess of the retainer will be paid by the Company.

CONDUCT OF THE DEBTOR

We have reviewed financial information, bank statements and the cheque register of the Company for a three month period prior to the Company filing the NOI and the period between filing the NOI and filing the Proposal. We are not aware of the Company being a party to any reviewable transactions or fraudulent preferences as set out in the Bankruptcy and Insolvency Act.

LEGAL ACTIONS

We are not aware of any legal action commenced against the Company.

CONFLICT OF INTEREST

The Trustee is not aware of any conflict of interest and has had no previous dealings with the Company

RECOMMENDATION

The Proposal offers all creditors a greater recovery than they would otherwise receive in a bankruptcy. Accordingly, the Trustee recommends that the unsecured creditors vote for the acceptance of this Proposal.

THE BOWRA GROUP INC.
Trustee under the Proposal of
Zao Trading Corporation

Per: 

Mario Mainella

NO. B150988
ESTATE NO.: 11-2048177
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF

ZAO TRADING CORPORATION

PROPOSAL
OF
ZAO TRADING CORPORATION

MADE PURSUANT TO PART III DIVISION 1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED

DATED FOR REFERENCE FEBRUARY 12, 2016 

ARTICLE 1.
DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Proposal, including the attached schedules:

"Approval Order" means the court order made in the Insolvency Proceeding approving the Proposal and directing the implementation of the Proposal.

"BIA" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

"Classes" means, collectively, all classes of creditors affected by this Proposal.

"CRA" means Her Majesty the Queen in right of the Dominion of Canada as represented by the Minister of National Revenue.

"Company" means Zao Trading Corporation.

"Completion of the Proposal" means the date upon which all of the following conditions have been met:

- (a) the Proposal is approved at the Meeting of Creditors by the requisite majority of the Class;
- (b) the Proposal is approved by the Court; and
- (c) the Company has satisfied its obligations pursuant to the Proposal.

"Court" means the Supreme Court of British Columbia.

"Creditor or Creditors" means a person or persons having a Provable Claim, and includes collectively Secured Creditors, Disclaimed Landlords, General Creditors and Non-Participating Creditors.

"Disclaimed Landlords" means those persons or companies who were counterparties to lease agreements with the Company whereby the Company rented, leased and/or had physical right of possession of premises, and who were provided with a Notice of Disclaimer by the Company prior to the filing of this Proposal.

"Filing Date" means October 16, 2015 being the date when the Notice of Intention to File a Proposal was filed.

"General Creditors" means all of the Company's creditors other than Secured Creditors and Non-Participating Creditors.

"Insolvency Proceeding" means the proceeding commenced by the Company under the BIA under Action No. B150988, Estate No.: 11-2048177, 11-1222170, and any proceedings commenced in relation to that estate in the Vancouver Registry of the Court.

"Meeting" means the meeting of the Creditors to be held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve the Proposal, as same may be amended at any such Meeting, and agreeing to the compromise and arrangement constituted thereby, and any adjournment thereof.

"Non-Participating Creditors" means Glenwood Preserves Ltd., Thomas Gerald Reinhart and Terrance Crowley.

"Preferred Creditor" means all creditors entitled to priority over the General Creditors pursuant to Section 136 of the BIA.

"Proof of Claim" means the prescribed form of document required under the BIA to evidence the Provable Claim of a Creditor under Part III of the BIA prior to the date of the Meeting.

"Proposal" means this Proposal among the Company and its Creditors, as from time to time amended, modified or supplemented as permitted by the terms of this Proposal.

"Post-Filing Creditors" means those creditors having a Post-Filing Creditor Claim;

"Post-Filing Creditor Claim" means any debt, obligation, enforceable right, duty or liability, contingent or otherwise, known or unknown, (including any claim whether contingent or accrued on behalf of Her Majesty the Queen in right of the Dominion of Canada or any Province or any municipality), owed by the Company incurred after the Filing Date, or any cause of action against the Company or its assets and property arising after the Filing Date;

"Provable Claim" means a claim for an amount alleged by a person to be owed to it, or any obligation, enforceable right, duty or liability, contingent or otherwise, (including any claim whether contingent or accrued on behalf of Her Majesty the Queen in right of the Dominion of Canada or any Province or any municipality), or any cause of action against the Company or its respective assets and property calculated either as at the Filing Date or in the case of claims under executory contracts arising subsequent to the Filing Date, or claims arising after the Filing Date in respect of obligations incurred prior to the Filing Date, provided that a Provable Claim shall not include the amount due to a Post Filing Creditor in respect of Post Filing Creditor Claims.

"Proven Claim" means a Provable Claim that has been filed with the Trustee in accordance with the Proposal and has either been accepted by the Company or has been allowed by the Court, in whole or in part;

"Released Claim" means any and all manner of actions, causes of actions, suits, contracts, claims, demands, debts, dues, sums of money, accounts, proceedings, rights, liabilities, obligations, expenses, compensation and damages of any kind whatsoever, whether at law, in equity or under statutory authority, including any such claims relating to any transfer, conveyance or disposition of any property by the Company done or made prior to the Filing Date, and including without limitation, any right or entitlement pursuant to sections 91 through 101 of the BIA, whether known or unknown, suspected or unsuspected.

"Trustee" means The Bowra Group Inc., appointed as Trustee of the Proposal in the Insolvency Proceeding.

"Secured Creditors" means those creditors holding perfected security interests against the Company or holding a mortgage, charge, or encumbrance with respect to the assets or property of the Company, but who have not elected to file a proof of claim as an unsecured creditor under section 50.1(3) of the BIA.

1.2 HEADINGS

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

1.3 SECTION, SCHEDULE and ARTICLE REFERENCE

Unless otherwise specified, references in the Proposal to "Sections", "Schedules" and "Articles" are to sections, schedules, and articles of this Proposal.

1.4 STATUTORY REFERENCE

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

1.5 NUMBER AND GENDER

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

1.6 CURRENCY

All references to amounts of money means lawful currency of the Dominion of Canada unless otherwise expressly indicated.

ARTICLE 2. PURPOSE AND EFFECT OF THE PROPOSAL

2.1 PURPOSE OF THE PROPOSAL

The purpose of the Proposal is to permit the Company to settle payment of its liabilities arising before the Filing Date and to compromise the indebtedness owed to the Creditors on a fair and equitable basis.

2.2 TRUSTEE UNDER THE PROPOSAL

Subject to the provisions of the BIA the Trustee shall act as the administrator for all purposes connected with the Proposal including management of the claims process, administration of the Meeting and any adjournments thereto and distribution of dividends to Creditors.

ARTICLE 3. CREDITOR CLASSES AND PRIORITY OF PAYMENTS

3.1 CLASSES OF CREDITORS

The Proposal shall consist of the following classes of Creditors:

- (a) General Creditors

each of which shall be entitled to consider and vote on the Proposal.

For greater clarity:

- (b) Every member of the class of General Creditors is entitled to vote and each shall be in the same class, including Disclaimed Landlords;
- (c) The Proposal is not being made to any Secured Creditors. It is intended that the Company shall pay all Secured Creditors according to the terms of the secured agreements in effect between the Secured Creditors and the Company in the ordinary course. Nothing herein is intended to compromise the rights or remedies of any of the Secured Creditors; and
- (d) Non-Participating Creditors have agreed to waive their entitlement to any dividend that would otherwise be payable under the terms of this Proposal.

3.2 PREFERRED PAYMENTS IN PRIORITY TO ALL OTHER CREDITORS UNDER THE PROPOSAL

The Trustee shall make the following preferred payments from the amounts paid to the Trustee pursuant to this Proposal before making any distribution:

- (a) Provision for payment of all proper fees, expenses and legal costs (the "Trustee's Fees") of the Trustee, of and incidental to the proceedings arising in the Insolvency Proceeding together with such fees of the Trustee incidental to and arising from the preparation of the Proposal shall be paid in full in priority to the claim of the General Creditors. All payments of the Trustee's fees are subject to taxation.
- (b) That payment of the claims of employees as set out in Section 136(1)(d) of the Bankruptcy and Insolvency Act, if any, shall be paid forthwith after the Approval Order.
- (c) Superintendent's levy as described in paragraph 4.6 below.

- (d) All other preferred claims are to be paid in priority to all claims of General Creditors pursuant to sections 60(1) and 136 of the BIA.

ARTICLE 4.

PAYMENTS AND OBLIGATIONS OF THE COMPANY UNDER THE PROPOSAL

4.1 PAYMENTS TO POST-FILING CREDITORS

The Company shall pay Post-Filing Creditors in the ordinary course of business, or in accordance with present arrangements existing between the Company and the Post-Filing Creditor, as amended from time to time or as may be arranged in the future between the Company and the Post-Filing Creditor.

4.2 PAYMENTS TO BE MADE BY THE COMPANY

The Company shall pay to the Trustee, the amounts owing under paragraph 3.2(a), plus the sum of \$150,000.

4.3 PAYMENTS TO CRA

CRA shall be paid directly from the Company in respect of any amounts due Her Majesty the Queen in Right of Canada or a Province of a kind which could be subject to a demand under sub-section 224(1.2) of the *Income Tax Act* or under any substantially similar provision of provincial legislation and that were outstanding at the time of the Filing Date, if any.

4.4 PAYMENTS TO PREFERRED CREDITORS

Dividends to Preferred Creditors shall be paid in accordance with the terms of this Proposal.

4.5 PAYMENTS TO GENERAL CREDITORS

The Trustee shall make one dividend payment to the General Creditors who have a Proven Claim, payable: and follows:

- (a) All amounts set out in paragraphs 3.2(b) to (d) above;
- (b) All General Creditors with a claim under \$1,250 or who elect to prove their claim to an amount equal or less than \$1,250, the lesser of the amount of their proven claim and \$1,200;
- (c) All remaining General Creditors, pro rata from the funds remaining with the Trustee;

until all monies payable under the terms of the Proposal are paid in full.

4.6 PAYMENT OF SUPERINTENDENT'S LEVY

For further certainty, a Superintendent levy shall be deducted from and paid on all dividends made by the Trustee to the General Creditors under paragraph 4.5 above.

4.7 PAYMENT OF PROFESSIONAL FEES

All proper fees, expenses and legal costs (the "Trustee's Fees") of the Trustee, of and incidental to the proceedings arising in the Insolvency Proceeding together with such fees of the Trustee incidental to and arising from the preparation of the Proposal shall be paid by the Company. All payments of the Trustee's fees are subject to taxation.

4.8 OTHER OBLIGATIONS OF THE COMPANY UNDER THE PROPOSAL

The Company agrees and undertakes to not acquire any new debt required to be repaid over a period of greater than 30 days while the Proposal is in effect;

4.9 EFFECT ON CREDITORS

Upon the Completion of the Proposal and the satisfaction of the claims of Creditors in the manner described in the Proposal:

- (d) the Company shall be released and forever discharged from all claims, liabilities and obligations owed to the Creditors, other than the Secured Creditors as set out herein, Without limiting the generality of the foregoing but for greater certainty, such release and discharge includes all claims, liabilities and obligations owed by the Company to the CRA, General Creditors and Non-Participating Creditors;
- (e) each of the Creditors, excluding the Secured Creditors, shall remise, release and forever discharge the directors of the Company, and all of his, her or their executors, administrators and assigns of and from Released Claims and whether against the directors of the Company, persons or property, including legal fees and disbursements, which each has ever had, now has or may have in the future against directors of the Company where the directors are by law liable in their capacity as directors , and all such Released Claims shall be deemed to be fully satisfied by the terms of this Proposal and shall not be enforceable against the directors of the Company in law or in equity; and
- (f) Neither the Trustee nor the Creditors shall have the right or be entitled to take or commence any proceedings relating in whole or in part to the Company, the Company's assets, or any transfer, conveyance or disposition of any property by the Company done or made prior to the filing of the NOI, including without limitation, any right or entitlement pursuant to sections 91 through 101 of the BIA.

ARTICLE 5. DELIVERY OF PROOFS OF CLAIM

5.1 FILING PROOFS OF CLAIM

The Creditors shall file a Proof of Claim with the Trustee by either:

- (a) delivering the Proofs of Claim for review by the Trustee and the Company by faxing the completed Proof of Claim to the Trustee (Attention: Kristin Gray) at Fax No. 604-689-8584, emailing the completed Proof of Claim to kgray@bowragroup.com, or mailing the Proof of Claim to the address of the Trustee set out below, or
- (b) depositing the Proof of Claim with the Trustee prior to the commencement of the Meeting of Creditors.

5.2 DISCLAIMED LANDLORD PROOFS OF CLAIMS

In accordance with s. 65.2(4) of the BIA, Disclaimed Landlords shall file their Proof of Claim in the amount that is the amount that is the lesser of:

- (a) The aggregate of (i) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer became effective and (ii) 15% of the rent for the remaining term of the lease after that year; or
- (b) Three years' rent.

5.3 FAILURE TO FILE PROOFS OF CLAIM PRIOR TO MEETING

If a Creditor fails to either:

- (a) deliver a Proof of Claim, to be received by the Trustee prior to 5:00 p.m. of the day before the date for the Meeting of Creditors; or
- (b) deposit a Proof of Claim with the Trustee or his nominee on or before the time for commencement of the Meeting of Creditors;

that Creditor shall have no right to vote in respect of the Proposal.

The failure by a Creditor to file a Proof of Claim by the deadline in this paragraph shall not disentitle such Creditor from receiving any future dividends to be issued under the Proposal.

5.4 DISPUTED PROOFS OF CLAIM

In the event that the Company disputes any Proof of Claim as to entitlement to participate in any of the Classes or as to amount of the Provable Claim set out in the Proof of Claim the Trustee may:

- (a) disallow the Proof of Claim;
- (b) allow the Proof of Claim as presented for the purposes of voting at the Meeting but disallow the Proof of Claim for distribution purposes; or
- (c) allow the Proof of Claim for voting and distribution purposes in such amount as it determines appropriate.

If the Trustee disallows a Proof of Claim for any reason or allows the Proof of Claim for an amount less than that set out in the Proof of Claim, the Creditor shall be deemed to accept the determination unless the Creditor shall have filed with the Court a motion to value its Provable Claim within thirty (30) days of the date that the disallowance notice is forwarded to the Creditor by the Trustee.

ARTICLE 6. MEETING OF THE CREDITORS

6.1 INSPECTORS

At the Meeting of the Creditors held to consider this Proposal the Creditors may appoint one or more but not exceeding five Inspectors under this Proposal, whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under this Proposal or any amendment thereto as the Trustee may, from time to time, request;
- (b) to advise the Trustee concerning any dispute which may arise as to the validity of claims of creditors under this Proposal;

- (c) to advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee; and
- (d) if in the opinion of a majority of the Inspectors it is in the interest of the Creditors that the time for payment of their Provable Claims by cash be extended, the inspectors will be entitled, without further reference or notice to the Creditors, to extend the time for payment of their Provable Claims.

That in the event that no Inspectors are appointed under this Proposal, the Trustee shall be entitled to take advances toward its charges for services rendered pursuant to this Proposal from the funds paid to the Trustee pursuant to the Proposal herein and that all advances so taken by the Trustee shall be subject to taxation upon the Completion of the Proposal.

The Trustee, and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by wrongful act, default or neglect.

6.2 MEETING

The Meeting shall be conducted in accordance with Division 1 — General Scheme for Proposals of the BIA.

6.3 VOTING

For the purposes of voting as a member of any Class, each General Creditor and Non-Participating Creditor shall have one vote for the purposes of determining a majority in number and each shall be entitled to one vote for each \$1.00 of its Provable Claim as allowed by the Company. For the purposes of voting, General Creditors and Non-Participating Creditors shall be in the same class.

6.4 PROXIES AND VOTING LETTERS

Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim and will be binding upon all Creditors.

6.5 ADJOURNMENT OF MEETING

The Chair of the Meeting may in his or her discretion adjourn the Meeting upon such terms as are considered appropriate by the Chair upon notice to those persons present at the Meeting for the purposes of considering amendments to the Proposal contemplated in Article VIII.

ARTICLE 7. AMENDMENTS AND MODIFICATIONS

7.1 AMENDMENT OF PROPOSAL

The Company reserves the right, with the consent of the Trustee, to amend the Proposal at any time and re-submit it to the Creditors and the Proposal may be amended among the Company and the Classes at any Creditor meeting.

7.2 MODIFICATION OF PROPOSAL

After the Creditor Meeting, the Proposal may be modified from time to time:

- (a) if the amendment is considered by the Trustee and the Inspectors to be non-substantive in

nature, with the approval of the Trustee and the majority of the Inspectors;

- (b) upon a vote conducted by the Trustee at a further meeting of Creditors and upon Court Approval; and
- (c) by the Court at any time on application of the Company or the Trustee and upon notice to those determined by the Company to be directly affected by the proposed modification, whether a Creditor or not.

7.3 WAIVERS

Any provision of the Proposal may be waived, with the consent of the Trustee, by a Creditor or the Class.

ARTICLE 8. APPLICATION FOR FINAL ORDER

8.1 APPLICATION FOR FINAL ORDER

Upon the conclusion of the Meeting if the Proposal has been approved by the Classes by the requisite percentages in relation both to numbers of Creditors and dollar amounts of Provable Claims of Creditors, the Company will forthwith apply to the Court for the Approval Order.

8.2 CONTINUATION OF THE STAY OF PROCEEDINGS

The stay of proceedings provided for in Section 69.1(1) of the BIA will be continued in full force and effect save as is expressly provided herein.

8.3 COMPROMISE OF INDEBTEDNESS

Until such time as this Proposal is approved by the Court and payment to the Creditors as contemplated, there will be no compromise of indebtedness by the Creditors.

ARTICLE 9. GENERAL

9.1 FURTHER ACTIONS

The Company 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 the Proposal to give effect to the transactions contemplated hereby.

9.2 TRUSTEE'S FEES

In addition to payment of its fees as set out in paragraph 4.7 above, should the proposal fail during its term, the Trustee may claim its full time and charges arising from its administration of the Proposal in any subsequent bankruptcy.

9.3 NOTICES

All notices, Proofs of Claim, and payments required or permitted or desired to be made pursuant to the Proposal shall be in writing and shall be delivered personally or by telecopy or mail by regular or

registered or certified mail, return receipt requested, to the Trustee at the following address:

c/o The Bowra Group Inc.
430 - 505 Burrard Street
VANCOUVER, British Columbia, V7X1M3

Attention: Kristin Gray

Telephone: 604-638-4897
Facsimile: 604-689-8584
Email: kgray@bowragroup.com

And if to a Creditor or Claimant, at its address set forth in the last Proof of Claim deposited with the Trustee.

9.4 SUCCESSORS AND ASSIGNS

The Proposal is binding upon the Company, the Creditors and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Vancouver, Province of British Columbia this ____ day of February, 2016

ZAO TRADING CORPORATION

Terrance Crowley

Per: *Terrance Crowley*
Director

ZAO TRADING CORPORATION

Thomas Gregory Reinhart

Per: _____
Director

9.4 SUCCESSORS AND ASSIGNS

The Proposal is binding upon the Company, the Creditors and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Vancouver, Province of British Columbia this 12 day of February, 2016

ZAO TRADING CORPORATION

Terrance Crowley

Per: _____
Director

ZAO TRADING CORPORATION

Thomas Gregory Reinhart

Per: _____
Director

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B150988
 Estate No. 11-2048177

Original Amended

- Form 78 -

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

IN THE MATTER OF THE PROPOSAL OF
 ZAO TRADING CORPORATION
 of the city of ABBOTSFORD
 in the Province of British Columbia

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 12th day of February 2016. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)	ASSETS (as stated and estimated by the officer)
1. Unsecured creditors as per list "A"	1. Inventory
3,442,025.13	172,000.00
Balance of secured claims as per list "B"	2. Trade fixtures, etc.
0.00	0.00
Total unsecured creditors	3. Accounts receivable and other receivables, as per list "E"
3,442,025.13	Good
2. Secured creditors as per list "B"	0.00
1,000.00	Doubtful
3. Preferred creditors as per list "C"	0.00
0.00	Bad
4. Contingent, trust claims or other liabilities as per list "D"	0.00
estimated to be reclaimable for	Estimated to produce
0.00	0.00
Total liabilities	4. Bills of exchange, promissory note, etc., as per list "F" ...
3,443,025.13	0.00
Surplus	5. Deposits in financial institutions
NIL	101,000.00
	6. Cash
	0.00
	7. Livestock
	0.00
	8. Machinery, equipment and plant
	0.00
	9. Real property or immovable as per list "G"
	0.00
	10. Furniture
	25,000.00
	11. RRSPs, RRIFs, life insurance, etc.
	0.00
	12. Securities (shares, bonds, debentures, etc.)
	0.00
	13. Interests under wills
	0.00
	14. Vehicles
	1,000.00
	15. Other property, as per list "H"
	0.00
	If debtor is a corporation, add:
	Amount of subscribed capital
	0.00
	Amount paid on capital
	0.00
	Balance subscribed and unpaid
	0.00
	Estimated to produce
	0.00
	Total assets
	299,000.00
	Deficiency
	3,144,025.13

I, THOMAS GREGORY REINHART, of the City of ABBOTSFORD in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 12th day of February 2016 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)
 before me at the City of VANCOUVER in the Province of British Columbia, on this 12th day of February 2016.



Mario Mainella, Commissioner of Oaths
 For the Province of British Columbia
 Expires May, 31, 2018



THOMAS GREGORY REINHART

MARIO MAINELLA
*A Commissioner for Taking Affidavits
 Within the Province of British Columbia*
 Suite 430 - 505 Burrard Street
 Vancouver, B.C. V7X 1M3
 Appointment Expires: May 31, 2018

District of: British Columbia
Division No. 03 - Vancouver
Court No. B150988
Estate No. 11-2048177

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

IN THE MATTER OF THE PROPOSAL OF
ZAO TRADING CORPORATION
of the city of ABBOTSFORD
in the Province of British Columbia

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

In the matter of the proposal of ZAO TRADING CORPORATION of the City of ABBOTSFORD in the Province of British Columbia and the claim of _____, creditor.
I, _____ (name of creditor or representative of the creditor), of the city of _____ in the province of _____, do hereby certify:

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

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

3. That the debtor was, at the date of proposal, namely the 12th day of February 2016, and still is, indebted to the creditor in the sum of \$ _____, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

A. UNSECURED CLAIM OF \$ _____

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

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

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

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

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

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

C. SECURED CLAIM OF \$ _____

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

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

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

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

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

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

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

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

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

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

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

Dated at _____, this _____ day of _____.

 Witness

 Creditor

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

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

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

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

District of: British Columbia
Division No. 03 - Vancouver
Court No. B150988
Estate No. 11-2048177

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

IN THE MATTER OF THE PROPOSAL OF
ZAO TRADING CORPORATION
of the city of ABBOTSFORD
in the Province of British Columbia

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

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

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____
Name and Title of Signing Officer

Return To:

The Bowra Group Inc. - Trustee
430 - 505 Burrard Street, PO Box 72
VANCOUVER BC V7X 1M3
Phone: (604) 689-8939 Fax: (604) 689-8584

District of: British Columbia
Division No. 03 - Vancouver
Court No. B150988
Estate No. 11-2048177

FORM 37

Voting Letter
(Paragraph 51(1)(f) of the Act)

IN THE MATTER OF THE PROPOSAL OF
ZAO TRADING CORPORATION
of the city of ABBOTSFORD
in the Province of British Columbia

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

Dated at _____, this _____ day of _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____

Name and Title of Signing Officer

Return To:
The Bowra Group Inc. - Trustee
Per:

Mario Mainella
430 - 505 Burrard Street, PO Box 72
VANCOUVER BC V7X 1M3
Phone: (604) 689-8939 Fax: (604) 689-8584