

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE PROPOSAL OF  
474572 ONTARIO LTD. o/a SIR GAWAIN FASHION CLOTHES  
AN INSOLVENT COMPANY,  
OF THE CITY OF KINGSTON, IN THE PROVINCE OF ONTARIO**

DEPUTY REGISTRAR                    )     THURSDAY, THE 17<sup>TH</sup> DAY  
IN BANKRUPTCY                        )     OF MAY, 2007  
JOHN DEMPSTER                        )


**ORDER**

**THIS MOTION** made by Mintz & Partners Limited, in its capacity as trustee (the "Trustee") appointed pursuant to the Proposal filed by 474572 Ontario Ltd. o/a Sir Gawain Fashion Clothes attached hereto to as Schedule "A" (the "**Proposal**"), for an Order approving the Proposal and for an extension of time, *nunc pro tunc*, in which Court approval of the Proposal can be obtained.

**UPON READING** the Report of Trustee on Proposal dated May 1, 2007 and the affidavit of Timothy Burke sworn May 11<sup>th</sup>, 2007 and on hearing submissions of counsel for the Tustee and being satisfied that the required majority of creditors have duly accepted the Proposal, and being satisfied that the terms of the Proposal are

reasonable and calculated to benefit the general body of creditors and that no offences or facts have been proven to justify the Court withholding its approval,

1. **THIS COURT ORDERS** that the time for seeking an Order for Court approval of the Proposal of 474572 Ontario Ltd. o/a Sir Gawain Fashion Clothes be, and the same is, hereby extended, *nunc pro tunc*, to the date of this Order;
2. **THIS COURT ORDERS** that the Proposal of 474572 Ontario Ltd. o/a Sir Gawain Fashion Clothes be, and it is, hereby approved.



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## SCHEDULE A

Estate #33-164023


IN THE MATTER OF THE PROPOSAL OF  
474572 ONTARIO LTD. O/A SIR GAWAIN FASHION CLOTHES  
OF THE CITY OF KINGSTON  
IN THE PROVINCE OF ONTARIO

## PROPOSAL

474572 Ontario Ltd. o/a Sir Gawain Fashion Clothes, the above-named debtor (hereinafter called the "Debtor") hereby submits the following Proposal ("Proposal") under the Bankruptcy and Insolvency Act ("Act"):

1. THAT payment of the claims of Secured Creditors (as defined by the Act) of the Debtor, with the exception of the claim of the Ministry of Finance of Ontario which shall be paid in accordance with paragraph 6 hereof, shall be paid in accordance with the terms of their security or as may otherwise be agreed between the Debtor and the Secured Creditors.
2. THAT amounts owing at the time of the filing of the Notice of Intention to Make a Proposal ("Notice") to employees and former employees ("Employees") equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the Act if the Debtor became bankrupt, shall be paid immediately after approval of this Proposal by the Court. For greater certainty, amounts due or which may become due pursuant to this paragraph do not include claims for severance or termination. The Debtor shall pay sufficient funds to the Trustee to fulfill this obligation prior to the Trustee seeking the approval of this Proposal by the Court. Any payments made to the Trustee under this paragraph shall form part of the payments to the Fund (as defined in paragraph 11 hereof).
3. THAT payment of the claims, at the time of the filing of the Notice, of Her Majesty in right of Canada or a province of a kind that could be subject to a demand under Section 224(1.2) of the Income Tax Act or under any substantially similar provision of provincial legislation, shall be paid from the Fund (as defined in paragraph 11 hereof) within six months following approval of this Proposal by the Court or as may otherwise be arranged.

The Debtor shall pay sufficient funds to the Trustee to fulfill this obligation within five months following approval of this Proposal by the Court. Any payments made to the Trustee under this paragraph shall form part of the payments to the Fund (as defined in paragraph 11 hereof).

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474572 Ontario Ltd. o/a Sir Gawain Fashion Clothes - Proposal

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4. THAT payment of all claims outstanding at the time of the filing of the Notice and which are directed by the Act to be paid in priority to other claims in the distribution of the property of a bankrupt ("Preferred Creditors") shall be paid in full (without interest subsequent to the date of the filing of the Notice) from the Fund (as defined in paragraph 11 hereof) in priority to all claims of Ordinary Unsecured Creditors (as defined in paragraph 7 hereof) after approval by the Court of the Proposal contemplated herein or as may be otherwise arranged with the Preferred Creditors.
5. THAT provision for payment of all proper fees, expenses, liabilities and obligations of the Trustee, including the legal costs of the Trustee, on and incidental to the proceedings arising out of this Proposal, and including advice to the Debtor in connection therewith (collectively the "Trustee Fees"), shall be made such that all such fees and expenses shall be paid from the Fund described in paragraph 11 hereof in priority to all claims referred to in paragraph 3 hereof, in priority to all claims referred to in paragraph 4 hereof and in priority to all claims of Ordinary Unsecured Creditors (as defined in paragraph 7 hereof). For greater certainty, the Trustee Fees shall be payable only from the Fund described in Paragraph 11 hereof, and not from the funds described in Paragraph 6 a) hereof.

The Trustee shall, with the approval of the Inspector(s), be entitled to pay interim draws on account of its fees and disbursements provided that such fees and disbursements will be subject to taxation by the Court.

6. THAT, the Debtor's indebtedness to Ministry of Finance of Ontario ("MOF") shall be dealt with as follows:

- a) For the purposes of this Proposal, \$120,000, of the MOF's claim shall remain as a Secured Claim, to be paid as follows:

January 15, 2008	\$	40,000
January 15, 2009		40,000
January 15, 2010		<u>40,000</u>
Total	\$	<u>120,000</u>

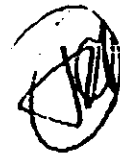
The Debtor shall cause the above amounts to be paid to the Trustee seven (7) business days prior to the above-noted dates.

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- b) the MOF's remaining claim (being approximately \$ 373,000 as at the time of the filing of the Notice) shall be treated as an Ordinary Unsecured Claim and shall be paid from the Fund in the manner prescribed by paragraph 7 of this Proposal.
7. THAT, subject to Court approval of this Proposal, and after providing for the claims referred to firstly in paragraph 5, secondly in paragraph 3 and thirdly in paragraph 4, the Ordinary Unsecured Creditors (being those persons with claims not referred to in paragraphs 1, 2, 3 and 4 of this Proposal, including claims of every nature and kind whatsoever, whether due or not due for payment as of the date of the filing of the Notice including contingent and unliquidated claims (once quantified), arising out of any transaction entered into by the Debtor (or events which occurred prior to the date of the filing of the Notice, net of any claims for set-off which such Ordinary Unsecured Creditors may be entitled by law to assert) shall be paid from the Fund (as defined in paragraph 11 hereof) in respect of their proven claims (without interest subsequent to the date of the filing of the Notice) as follows:
- c) each Ordinary Unsecured Creditor shall receive a dividend of \$1,000, or the amount of its proven claim if its proven claim is equal to or less than \$1,000; and
- d) the balance of the Fund (as defined in paragraph 11 hereof) shall be distributed pro-rata among those Ordinary Unsecured Creditors having proven claims greater than \$1,000.
8. THAT where the Debtor has disclaimed any lease of real property ("Disclaimer"), the affected landlord shall have the right to file a proof of claim pursuant to sub-section 65.2 (4) (b) (i) of the Act for the lesser of
- i) the aggregate of:
- a) the rent provided for in the lease for the first year of the lease following the date on which the disclaimer becomes effective, and
- b) fifteen per cent of the rent for the remainder of the term of the lease after that year, and
- ii) three years' rent.



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All claims filed by an affected landlord under this paragraph shall be included as part of the class of Ordinary Unsecured Creditors under this Proposal and be subject to payment pursuant to paragraph 7 of this Proposal. For greater certainty, all claims of Ordinary Unsecured Creditors and all claims of landlords resulting from a Disclaimer shall form part of the Ordinary Unsecured Creditors class and payments for such claims shall be made from the Fund and be paid pursuant to paragraph 7 of this Proposal.

9. THAT the MOF, the Preferred Creditors and the Ordinary Unsecured Creditors shall accept the distribution from the Fund in full and complete settlement of their claims against the Debtor as at the date of the filing of the Notice.
10. THAT, subject to the rights of secured creditors, when each term, covenant and provision herein is fully performed, the Debtor will be released from all debts and liabilities present or future, liquidated, unliquidated or contingent to which it was subject to at the time of the filing of the Notice.
11. THAT, in addition to the monies paid by the Debtor to the Trustee pursuant to paragraph 6 a) of this Proposal, the Debtor shall pay or cause to be paid to the Trustee a fund (the "Fund") consisting of \$180,000 payable by the following dates:

January 15, 2008	\$	40,000
January 15, 2009		65,000
January 15, 2010		<u>75,000</u>
Total	\$	<u>180,000</u>

Amounts to be paid to the Trustee pursuant to paragraph 2 and paragraph 3 of the Proposal shall be credited as against the final payment due under the Proposal. For greater certainty, the amount of the Fund shall not exceed \$180,000.

12. THAT the payments made under paragraphs 2, 3, 6 and 11 of this Proposal shall be made to the Trustee. Subject to the terms of the Act and paragraphs 2 and 3 of this Proposal, the Trustee shall, from time to time, make distributions to the creditors of the proceeds received under the terms of this Proposal, at the discretion of the Trustee, subject to the approval of the Inspector(s).

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13. THAT the Debtor acknowledges and agrees that Her Majesty the Queen, during the term of the Proposal, may exercise any rights of set-off to which it is entitled by law and may apply, if any:
- a) income tax refunds pertaining to the year of the Proposal or prior years to the Debtor's income tax arrears;
  - b) GST refunds or rebates to all periods for which the GST liability is due; and
  - c) any other tax or customs refund to which the Debtor may be entitled.
14. That the Debtor covenants and agrees that during the course of the Proposal it will:
- a) remit current year installment payments of corporate tax and file income tax returns as required by the *Income Tax Act*;
  - b) remit current GST payments and file GST returns as required by the *Excise Tax Act*, and
  - c) remit current year payroll deductions (employment insurance premiums, Canada Pension Plan contributions and income tax deductions) as required by law.
15. That the Debtor covenants and agrees that during the course of the Proposal it will:
- a) remit current year and future year(s) installment payments of corporate tax and file tax returns as required by the *Ontario Corporations Tax Act*;
  - b) remit current and future year(s) Retail Sales Tax ("RST") payments and file RST returns as required by the *Retail Sales Tax Act*; and
  - c) remit current and future year(s) installment payments of Employer Health Tax and file tax returns as required by the *Employer Health Tax Act*.
16. THAT the Debtor covenants and agrees that all debts due to Her Majesty the Queen proved in this Proposal shall be compromised in accordance with the terms of this Proposal only in the event this Proposal is fully performed pursuant to its terms and the Act. In the event the Debtor fails to comply with any of the terms of this Proposal and the Proposal is annulled pursuant to the provisions of the Act, the Debtor agrees that Her Majesty the Queen will be entitled to recover the full amount of all debts due to Her Majesty the Queen proved in the Proposal, net of any payments or dividends received.

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17. THAT, subject to paragraphs 7 and 13 of this Proposal, the creditors under the Proposal dealing with the Debtor after the filing of the Notice, shall not have the right to set-off (neither legal nor equitable set-off) any monies against debts or obligations which are affected by the terms of this Proposal.
18. THAT claims arising in respect of goods supplied, services rendered or other consideration given to the Debtor subsequent to the date of the filing of the Notice, shall be paid in full by the Debtor in the ordinary course of business and on terms agreed to between the Debtor and its respective creditors from funds other than the Fund.
19. THAT at the statutory meeting of creditors to be held to consider the Proposal, the creditors may appoint one or more, but not exceeding five, Inspectors (as defined under the Act) and such Inspectors shall have the powers set out in the Act and for greater certainty these powers are, but not limited to the following:
- a) to extend the dates of payments provided under this Proposal;
  - b) to waive any default in the performance of any provision of this Proposal;
  - c) to advise the Trustee in respect of such matters it may refer to the Inspectors; and
  - d) to advise the Trustee concerning any dispute that may arise as to the validity of claims of Secured Creditors, Preferred Creditors and Ordinary Unsecured Creditors under this Proposal.
20. THAT Mintz & Partners Limited, of the City of Toronto, in the Province of Ontario, shall be the Trustee under this Proposal and all monies payable under this Proposal shall be paid over to the Trustee who shall make the payment of all dividends in accordance with the terms of this Proposal.
- Mintz & Partners Limited is acting in its capacity as Trustee and not in its personal capacity and no officer, director, employee or agent of Mintz & Partners Limited shall incur any obligations or liabilities in connection with this Proposal or in respect of the business or liabilities of the Debtor. For greater certainty, the Trustee is not and will not be responsible or liable for any obligations of the Debtor.

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21. THAT, when this Proposal is accepted by the Debtor's creditors and approved by the Court, the claims of Mr. Jim Adams (hereinafter referred to as the "Postponing Creditor"), as at the date of the filing of the Notice, shall be subordinated and postponed until the fulfilment of the terms and conditions of this Proposal by the Debtor as outlined in the Waiver executed by the Postponing Creditor attached hereto as Schedule "A". Upon the satisfaction of the terms and conditions of this Proposal by the Debtor, the Postponing Creditor shall be entitled to pursue payment in full for such claims against the Debtor and receive payment for such claims.
22. THAT the assets of the Debtor, if any, shall not vest in the Trustee but shall remain vested in the Debtor, and the Trustee shall have no liability whatsoever for the claims of creditors arising before, on or after the date of the filing of the Notice.
23. THAT Sections 91-101 of the Act shall not apply to any dealings with the Debtor having taken place during the period prior to the filing of the Notice.
24. THAT the Debtor represents and warrants that it has disclosed all relevant information in respect of this Proposal.
25. THAT any payments made by the Trustee to creditors hereunder shall be made by the Trustee net of any levies payable or due under the Act.
26. THAT upon the Trustee being in receipt of all the funds referred to in paragraphs 6 a) and 11 of this Proposal, the terms of the Proposal shall be deemed to be fully performed and the Trustee shall provide a certificate to the Debtor and to the Official Receiver pursuant to section 65.3 of the Act.
27. THAT, upon completion of the distribution of the Fund by the Trustee, this Proposal shall be satisfied and all conditions and requirements fulfilled and met and the Trustee shall be entitled to be discharged.

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474572 Ontario Ltd. o/a Sir Gawain Fashion Clothes - Proposal

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28. THAT upon the implementation of this Proposal, each and every director of the Debtor (collectively, the "Released Parties"), shall be released and discharged from, as of the date of filing of the Notice, any and all claims in respect of the potential statutory liabilities of the former and present directors of the Debtor as set out in section 50(13) of the Act, provided that nothing herein shall release or discharge any of the Released Parties from claims that:

- a) relate to contractual rights of one or more creditors arising from contracts with one or more directors; or
- b) are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

For greater certainty, should the Debtor become bankrupt before this Proposal is fully performed by the Debtor, then this paragraph 28 shall be null and void and have no force and effect.

DATED at Kingston, Ontario this 15 day of March, 2007.

474572 ONTARIO LTD. O/A SIR GAWAIN FASHION CLOTHES

Per:

  
Jim Adams - Director



Schedule "A"

#33-164023

**IN THE MATTER OF THE PROPOSAL OF  
474572 ONTARIO LTD. O/A SIR GAWAIN FASHION CLOTHES  
OF THE CITY OF KINGSTON  
IN THE PROVINCE OF ONTARIO**

**SUBORDINATION**

To: Mintz & Partners Limited  
Trustee re the Proposal of 474572 Ontario Ltd. o/a  
Sir Gawain Fashion Clothes ("Sir Gawain")

I, Mr. Jim Adams, a creditor of Sir Gawain, hereby subordinate and postpone my claim(s) against Sir Gawain, conditional upon the acceptance of the Proposal of Sir Gawain by its creditors and approval by the Ontario Superior Court of Justice, until the fulfillment of the terms and conditions of the Proposal by Sir Gawain.

Upon the satisfaction of the terms and conditions of the Proposal by Sir Gawain or in the event that Sir Gawain fails to comply with any of the terms of the Proposal and the Proposal is annulled pursuant to the provisions of the Bankruptcy and Insolvency Act, I shall be entitled to pursue payment in full for my claim(s) against Sir Gawain and receive payment for such claim(s).

Dated at Toronto, Ontario this 15<sup>th</sup> day of March, 2007.

  
\_\_\_\_\_  
Jim Adams

#33-164023

**SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF**

**474572 ONTARIO LTD. O/A SIR GAWAIN FASHION CLOTHES  
OF THE CITY OF KINGSTON  
IN THE PROVINCE OF ONTARIO**

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**PROPOSAL**

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**NEWTZ & PARTNERS LIMITED**  
Trustee in Bankruptcy  
1 Concorde Gate, Suite 200  
Toronto, Ontario,  
M3C 4G4

**Telephone: (416) 391-2900**  
**Facsimile: (416) 644-4303**



Office of the Superintendent  
of Bankruptcy Canada

Bureau du surintendant  
des faillites Canada

An Agency of  
Industry Canada

Un organisme  
d'Industrie Canada

District of ONTARIO  
Division No. 11 - Kingston  
Court No. 33-164023  
Estate No. 33-164023

In the Matter of the Proposal of:  
474572 ONTARIO LTD.  
Debtor

MINTZ & PARTNERS LIMITED  
Trustee

Date of Proposal: March 16, 2007 Security: \$0  
Date of Initial Bankruptcy Event: March 16, 2007  
Meeting of Creditors: April 4, 2007, 14:00  
600-25 ST CLAIR AVE EST  
TORONTO, ONTARIO

Chairman: Official Receiver

CERTIFICATE OF FILING OF A PROPOSAL - Section 62

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

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

The aforementioned trustee is required:

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

*Mansi Choudhary*  
ANSIY THADANI

Date: March 23, 2007

Official Receiver

Place Bell Bldg , 160 Elgin St., 11th Fl., Rm B-100, Ottawa, ONTARIO, K2P 2P7,  
613/998-2994

Canada

IN THE MATTER of the Proposal of 474572 Ontario Ltd. o/a Sir Gawain Fashion Clothes

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)**  
Proceeding Commenced at Ottawa

**ORDER**

**DOUCET McBRIDE LLP**  
Lawyers/Avocat(e)s  
100-85 Plymouth Street  
Ottawa, ON K1S 3E2  
(613) 233-4474  
(613) 233-8868 (fax)  
Solicitors for the Proposal trustee