

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

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

VICEROY HOMES LTD.

FURTHER AMENDED PROPOSAL

**ARTICLE I
DEFINITIONS & INTERPRETATION**

1.1 DEFINITIONS

In the Proposal:

“Administrative Charge Amount” shall have the meaning ascribed thereto in the APA Approval Order.

“APA Approval Order” means the Court order granted on November 19, 2015 in the Proposal Proceeding approving, *inter alia*, the transaction pursuant to the Asset Purchase Agreement and distribution of the proceeds thereof.

“Approval Order” means the Court order made in the Proposal Proceeding approving the Proposal and directing the implementation of the Proposal.

“Asset Purchase Agreement” means the asset purchase agreement among Besco International Investment Co., Ltd., Viceroy Homes (2015) Ltd. and the Company dated November 12, 2015.

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

“Business Day” means any day which is not a Saturday or Sunday, or statutory holiday in British Columbia.

“Claim” means any right or claim of any person against the Company whether or not asserted in connection with any indebtedness, liability or obligation of any kind whatsoever owed to such person, including any indebtedness, liability or obligation owed to such person as a result of any breach of duty (including, without limitation, any legal, statutory, equitable, or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of the Company, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any person to

advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose of action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to the Filing Date, and, for certainty, includes Priority Claims.

"Claims Process Order" means the Court order granted on July 30, 2015 authorizing the Claims Process.

"Claims Process" means the process pursuant to the Claims Process Order by which the Trustee determined or will determine the Proven Claims against Company.

"Company" means Viceroy Homes Ltd.

"Company's Solicitors" means Clark Wilson LLP.

"Completion Date" means the date on which all of the Company's obligations under the Proposal have been met.

"Court" means the Supreme Court of British Columbia.

"Creditor" means any person that has a Claim against the Company.

"Crown" means Her Majesty in the right of Canada or a province.

"Crown Claim" means a Claim of the Crown for amounts that are outstanding as at the Filing Date and are of the kind that could be subject to a demand under:

- (a) subsection 224(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
 - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

“Disputed Claim” means any Claim of an Unsecured Creditor which has been received by the Trustee in accordance with the Claims Process Order and the BIA but has not been accepted as a Proven Claim, or which is being disputed in whole or in part by the Trustee or any other person entitled to do so and has not been resolved by agreement or in accordance with the Claims Process Order.

“Distribution Date” means the date which is 10 days after the Effective Date, subject to Subsection 7.5(c) of the Proposal.

“Effective Date” means the date on which all conditions precedent to the Proposal set forth in Article V hereof have been satisfied or waived, subject to Subsection 7.5(c) of the Proposal.

“Employee Priority Claims” means any Proven Claim of any employees and former employees of the Company equal to the amounts that such employees and former employees would have been qualified to receive under Paragraph 136(1)(d) of the BIA if the Company had become bankrupt on the Filing Date.

“Employee Unsecured Claims” means any Proven Claim of any employees or former employees of the Company less the amount of their Employee Priority Claim.

“Filing Date” means June 9, 2015, the date when the Notice of Intention to File a Proposal was filed by the Company.

“Inspectors” has the meaning ascribed to it in Section 7.5 of the Proposal.

“Meeting” means the meeting of the Unsecured Creditor Class 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.

“Priority Claim” means a Proven Claim of a Creditor entitled to receive a payment of any amount owed to it in priority to other Unsecured Creditors as provided for in Section 136 of the BIA, which for greater certainty includes Employee Priority Claims and Crown Claims.

“Priority Creditor” means a Creditor having a Priority Claim to the extent of that Priority Claim.

“Proof of Claim” means the proof of claim, in the form prescribed by the Claims Process Order, delivered to the Trustee in accordance with the terms of such Order.

“Proposal” means the Proposal among the Company and the Unsecured Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Company and the Unsecured Creditors, as provided for herein or pursuant to any Meeting of the Unsecured Creditor Class.

“Proposal Proceeding” means the proceeding commenced by the Company under the BIA, being British Columbia Supreme Court, Vancouver Registry Action No. B-150645.

“Proven Claim” means the aggregate amount of any and all Claims held by a Creditor which has been accepted by the Trustee and the Company or finally determined in accordance with the Claims Process Order.

"San Bao" means San Bao Investments Inc.

"Secured Creditors" means those Creditors holding Security Interests against any or all assets of the Company.

"Security Interest" means a valid and enforceable mortgage, charge or encumbrance on the Company's assets, whether contractual, statutory or otherwise, that is in existence as at the Filing Date, as determined by the Trustee pursuant to the Claims Process.

"Trustee" means FTI Consulting Canada Inc. in its appointed capacity as trustee of the Proposal, and not in its personal capacity.

"Trustee's Fees" means all proper fees, expenses and legal costs of the Trustee on and incidental to the proceedings arising out of the Proposal and all proper fees, expenses and legal costs of the Trustee arising in relation to the Proposal.

"Unsecured Creditors" means those Creditors with an Unsecured Creditor Claim.

"Unsecured Creditor Claim" means a Proven Claim of a Creditor with an unsecured Claim against the Company or an Unsecured Deficiency Claim.

"Unsecured Creditor Class" means the class comprising all Creditors with Unsecured Creditor Claims.

"Unsecured Deficiency Claim" means a Proven Claim of a Secured Creditor to the extent that such Proven Claim exceeds the realizable value of the assets subject to that Secured Creditors' Security Interest.

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 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.

1.4 NUMBER AND GENDER

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

1.5 CURRENCY

All references to amounts of money means lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in any other currency will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

1.6 DATE FOR ANY ACTION

In the event that any date on which any action is required to be taken under the Proposal by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day that is a Business Day.

**ARTICLE II
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 as at the Filing Date and to compromise the indebtedness owed to the Unsecured Creditors of the Company 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 certain purposes connected with the Proposal, including administration of the Meeting and any adjournments thereof and distribution of dividends to Unsecured Creditors.

2.3 EFFECT ON SECURED CREDITORS

Secured Creditors are only affected under the Proposal to the extent of any Unsecured Deficiency Claim such Secured Creditor may have, and will be paid in accordance with existing agreements between such Secured Creditor and the Company, as amended from time to time or as may be arranged in the future between the Company and the Secured Creditor.

2.4 WAIVER OF SAN BAO

It is a term of the Proposal that San Bao shall not be entitled to any distribution hereunder with respect to its Unsecured Deficiency Claim, and shall not vote on the Proposal.

**ARTICLE III
TREATMENT OF UNSECURED CREDITORS**

3.1 UNSECURED CREDITOR CLASS

There will be one class of Creditors for the purpose of considering and voting upon the Proposal being the Unsecured Creditor Class.

3.2 PAYMENT TO UNSECURED CREDITORS

If the Unsecured Creditor Class votes in favour of the Proposal, then on the Distribution Date, each Unsecured Creditor will receive its *pro rata* distribution of:

- (a) \$700,000 in cash; and

- (b) \$100,000 in the form of a promissory note from the Company payable in six (6) months from the date of the Approval Order.

3.3 CREDITORS WITH DISPUTED CLAIMS

Unsecured Creditors with Disputed Claims shall be entitled to attend the Meeting and cast a vote in respect of the Proposal up to the value of their Disputed Claim. The Trustee shall keep a separate record and tabulation of any votes cast in respect of Disputed Claims. The Trustee shall report the result of the vote and the tabulation of votes of Proven Claims and Disputed Claims to the Court and, if the decision by Unsecured Creditors whether to approve or reject the Proposal is affected by the votes cast in respect of Disputed Claims, the Company shall seek direction from the Court in respect thereof. The fact that a Disputed Claim is allowed for voting purposes shall not preclude the Company or the Trustee from disputing the Disputed Claim for distribution purposes.

Any Unsecured Creditors with a Disputed Claims on the Distribution Date shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless, until and to the extent that such Disputed Claim is accepted as a Proven Claim, either by agreement or in accordance with the Claims Process Order.

Pending resolution of each Disputed Claim, either by agreement or in accordance with the Claims Process Order, the Trustee shall withhold such amount as would be payable to the Unsecured Creditor with such Disputed Claim if that Disputed Claim were a Proven Claim. If and to the extent a Disputed Claim is determined to be a Proven Claim, the Trustee shall distribute the appropriate payment to that Unsecured Creditor in respect of its Proven Claim within 10 days of that determination. If a Disputed Claim is not determined to be a Proven Claim, then such withheld amount shall be dealt with at the discretion of the Trustee.

3.4 COMPROMISE AND RELEASE

Upon the Company meeting its obligations to Unsecured Creditors under the Proposal, each Unsecured Creditor shall release the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims.

3.5 FUNDING OF PAYMENTS UNDER THE PROPOSAL

The cash payments under the Proposal, other than payments in respect of the Employee Priority Claims (which shall be paid from funds held by the Trustee pursuant to the APA Approval Order), shall be made from funds made available to the Trustee by San Bao, or its nominee, payable to the Trustee within 14 Business Days of the Proposal being approved by the Unsecured Creditor Class in accordance with the provisions of the BIA.

The promissory note payments under the Proposal shall be made available to the Trustee by the Company's Solicitors within five Business Days of the issue of the Approval Order.

ARTICLE IV PRIORITY PAYMENTS

4.1 TRUSTEE'S FEES

The Trustee's Fees will be paid by the Company in priority to payment of all Proven Claims in accordance with the provisions of the BIA from funds held by the Company's Solicitors on account of the Administrative Charge Amount pursuant to the APA Approval Order and, to the extent that such funds are insufficient to pay the Trustee's Fees, from funds made available to the Company by San Bao or its nominee.

4.2 PAYMENT OF PRIORITY CREDITORS

The Trustee shall pay the following from the amounts paid to the Trustee pursuant to the APA Approval Order or Section 3.5 of the Proposal as applicable:

- (a) all Crown Claims within 6 months of the date the Approval Order is made;
- (b) all Employee Priority Claims immediately after the granting of the Approval Order; and
- (c) any other Priority Claims in accordance with Subsection 136(1) of the BIA prior to any distribution to the Unsecured Creditors Class.

ARTICLE V CONDITIONS PRECEDENT

5.1 CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

The Effective Date is subject to the satisfaction or waiver of the following conditions precedent:

- (a) The Proposal being approved by the Unsecured Creditor Class by the requisite percentages in relation both to numbers of the Unsecured Creditors voting and to the dollar amounts of Proven Claims of the Unsecured Creditors voting in accordance with the provisions of the BIA;
- (b) The Approval Order has been issued and has not been stayed;
- (c) The transaction pursuant to the Asset Purchase Agreement shall have closed;
- (d) San Bao shall have delivered to the Trustee documentation, in a form satisfactory to the Trustee acting reasonably, evidencing the waiver of San Bao's right to any distribution in respect of its Unsecured Deficiency Claim and San Bao's agreement that it shall not vote on the Proposal;
- (e) San Bao, or its nominee, shall have made available to the Trustee all of the funds necessary for the Trustee to make the payments under the Proposal; and
- (f) All other actions, documents and agreements necessary to implement the Proposal shall have been effected and executed.

5.2 WAIVER OF CONDITIONS

Any conditions precedent contained in Section 5.1 hereof, other than Subsections 5.1(a) and 5.1(b) may be waived by the Company with the prior consent of the Trustee.

5.3 FAILURE TO SATISFY CONDITIONS PRECEDENT

If the conditions precedent contained in Section 5.1 are not satisfied or waived in accordance with Section 5.2 hereof, on or before the day which is 30 days after the date on which the Approval Order is issued or such later date as may be specified by the Company with the consent of the Trustee, the Proposal shall not be implemented.

ARTICLE VI DELIVERY OF NOTICES AND DISTRIBUTIONS UNDER THE PROPOSAL

6.1 NOTICES AND PAYMENTS TO UNSECURED CREDITORS

Any notices, correspondence and distributions to Creditors under or in relation to the Proposal shall be delivered to the address provided by each Creditor in its Proof of Claim unless the Trustee is notified by an Creditor in writing of an alternative address for delivery.

6.2 UNDELIVERABLE DISTRIBUTIONS

If any distribution to a Creditor under the Proposal is returned to the Trustee as undeliverable, the Trustee shall make best efforts to locate the Creditor. Undeliverable distributions shall be retained by the Trustee until they are claimed or until the date of the Trustee's discharge, after which they shall, subject to Section 154(1) of the BIA and Directive No. 18 of the Superintendent of Bankruptcy, be paid over by the Trustee to the Office of the Superintendent of Bankruptcy.

6.3 WITHHOLDING TAXES AND SUPERINTENDENT'S LEVY

All distributions made by the Trustee pursuant to the Proposal shall be made net of all applicable levies in accordance with the BIA and regulations thereto, including the levy imposed by the Superintendent of Bankruptcy under the BIA.

Notwithstanding any other provision of the Proposal, each Unsecured Creditor that is to receive a distribution pursuant to the Proposal shall have the sole and exclusive responsibility for the satisfaction and payment of any taxes or tax obligations imposed by any governmental entity (including income, withholding and other tax obligations on account of such distribution).

ARTICLE VII MEETING OF THE UNSECURED CREDITORS

7.1 MEETING

The Meeting for the Unsecured Creditor Class to consider and vote on the Proposal shall be conducted in accordance with Part III, Division I – General Scheme for Proposals of the BIA.

7.2 VOTING

The Proposal is to be voted on by the Unsecured Creditor Class at the Meeting.

For the purposes of voting each Unsecured Creditor shall have one vote for the purposes of determining a majority in number and each Unsecured Creditor shall be entitled to one vote for each \$1.00 of its Proven Claim for the purpose of determining a majority in value.

7.3 PROXIES AND VOTING LETTERS

Unsecured 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 package provided to the Unsecured Creditors by the Trustee and will be binding upon all Unsecured Creditors.

7.4 ADJOURNMENT OF MEETING

The Meeting may be adjourned by the Unsecured Creditors by ordinary resolution to such time and place as may be fixed by the chair of the Meeting, in accordance with Section 52 of the BIA.

7.5 INSPECTORS

At the Meeting, the Unsecured Creditors may appoint one or more but not exceeding five inspectors (the "Inspectors") under the Proposal whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under the 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 the Proposal;
- (c) to extend the Distribution Date and/or Effective Date provided for under the Proposal; and
- (d) to advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee.

In the event Unsecured Creditors do not elect to appoint Inspectors under the Proposal, the Trustee shall be entitled to proceed as if authorized by the Inspectors and, subject to taxation thereof, to be paid by the Company for services rendered by it pursuant and in relation to the Proposal.

The Trustee, and the Inspectors, should any be appointed, shall be exempt from all personal liability for any wrongful act, default or neglect (other than fraud, willful misconduct or gross negligence) in fulfilling any duties or exercising any powers conferred upon them by the Proposal, the BIA or generally in carrying out the terms of the Proposal.

**ARTICLE VIII
AMENDMENTS AND MODIFICATIONS**

8.1 AMENDMENT OF PROPOSAL

The Company reserves the right, with the consent of the Trustee, to amend the Proposal at any time prior to the Meeting, and after the Meeting and prior to obtaining the Approval Order to amend any approved Proposal, and re-submit it to the Unsecured Creditors.

8.2 MODIFICATION OF PROPOSAL

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

- (a) if the amendment is considered by the Trustee and the Inspectors (should any be appointed) to be non-substantive and administrative in nature, with the approval of the Trustee and the majority of the Inspectors (should any be appointed);
- (b) upon a vote conducted by the Trustee at a further meeting of Unsecured Creditors; 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 and the Trustee to be directly affected by the proposed modification, whether an Unsecured Creditor or not.

8.3 WAIVERS

Other than the conditions precedent contained in Subsections 5.1(a), (b), (d) and (e) hereof, any provision of the Proposal may be waived, with the consent of the Trustee, by the Unsecured Creditor Class or by an Unsecured Creditor affected by the provision.

**ARTICLE IX
APPLICATION FOR APPROVAL ORDER**

9.1 APPLICATION FOR APPROVAL ORDER

Within five days after the Proposal has been approved by the Unsecured Creditors by the requisite percentages in relation both to numbers of Creditors and dollar amounts of Proven Claims of Unsecured Creditors voting on the resolution at the Meeting, the Trustee will apply to the Court for the Approval Order.

9.2 CONTINUATION OF THE STAY OF PROCEEDINGS

The stay of proceedings provided for in Subsection 69.1(1) of the BIA will be continued in full force and effect from the date of filing of the Proposal until the Completion Date, or if the Company becomes bankrupt, the date of bankruptcy.

**ARTICLE X
GENERAL**

10.1 CERTIFICATE OF FULL PERFORMANCE OF PROPOSAL

Following the Completion Date, the Trustee shall give to the Company and the official receiver a certificate, in the prescribed form, in accordance with Section 65.3 of the BIA.

10.2 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 and to give effect to the transactions contemplated hereby.

10.3 NOTICES

All notices and correspondence relating to the Proposal and to be delivered to the Company or the Trustee shall be made in writing and shall be delivered either personally, by email, by telecopy, by regular mail, by registered mail or by certified mail, return receipt request, at the following address:

c/o FTI Consulting Canada Inc.
701 West Georgia Street
Suite 1502
Vancouver, BC V7Y 1C6

Telephone: (604) 601-5691

Facsimile: (604) 801-5911

And if to an Unsecured Creditor, at its address set forth in the last Proof of Claim deposited with the Trustee, or at such other address of which the Unsecured Creditor has subsequently given the Trustee notice in writing.

10.4 DATE AND REFERENCE

The Proposal may be referred to as being the Proposal of the Company dated for reference August 29, 2016.

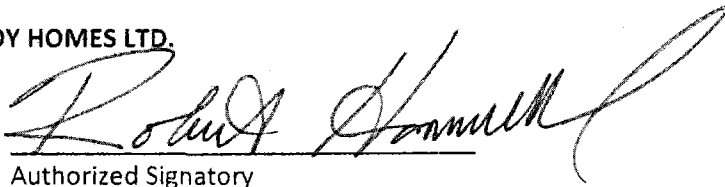
10.5 SUCCESSORS AND ASSIGNS

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

DATED at the City of Vancouver, Province of British Columbia this 29th day of August, 2016.

VICEROY HOMES LTD.

Per:

A handwritten signature in cursive script, appearing to read "Robert Hammell", written over a horizontal line.

Authorized Signatory

ROBERT HAMMELL