

**SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY**

**In the Matter of the Proposal of Orchestra London Canada Inc. Of the City of
London, in the County of Middlesex, In the Province of Ontario**

PROPOSAL

I, **Orchestra London Canada Inc.**, (hereinafter called the "Debtor") hereby submit the following Proposal under the Bankruptcy and Insolvency Act of Canada:

DEFINITIONS:

1. In this Proposal:

- (a) "Administrative Fees and Expenses" means the proper fees and expenses of the Trustee, the expenses of the Trustee, the expenses of the Debtor and the legal fees and accounting fees and disbursement of the Debtor and the Trustee on and incidental to the negotiations in connection with the preparation of the Debtors Proposal and any subsequent Proposals and the proceedings arising out of the Proposal and any subsequent Proposals including general insolvency advice to the Debtor
- (b) "Debtor" means Orchestra London Canada Inc.;
- (c) "Court" means the Superior Court of Justice — In Bankruptcy;
- (d) "Creditors" and "Proposal Creditors" means the Preferred and Ordinary Creditors of the Debtor existing at the Proposal Date;
- (e) "Proposal" means this Proposal as amended or modified from time to time;
- (f) "Inspectors" means the Inspectors described in paragraph 10 hereon;
- (g) "Ordinary Creditors" means those persons with claims that are proved in respect of debts and liabilities present or future to which the Debtor was subject at the Proposal Date or to which it may become subject by reason of any obligations incurred before the Proposal Date, except for those claims;
 - (1) that have been finally and conclusively disallowed or found by the Court not to be provable;
 - (2) that are claims by Secured Creditors or Preferred Creditors; or
 - (3) that are claims that are Administrative Fees and Expenses;

- (h) "Post Filing Goods and Services" means the goods supplied, services rendered or other consideration given to the Debtor after the Proposal Date;
- (i) "Preferred Creditors" means creditors whose claims are directed by the Bankruptcy and Insolvency Act on a proposal made by the Debtor to be paid in priority to all other claims except for Administrative Fees and Expenses;
- (j) "Secured Creditors" means persons holding a mortgage, hypothec, pledge, charge, lien or privilege on or against the property of the Debtor or any part thereof as security for a debt of liability due or accruing due to them by the Debtor; and
- (k) "Trustee" means Courage & Associates Inc. or its duly appointed successor or successors.

POST FILING GOODS AND SERVICES:

2. All Post Filing Goods and Services, that is, obligations incurred and claims arising in respect of goods supplied, services rendered or other consideration given to the Debtor, on or after the Proposal Date, shall be paid for in full by the Debtor in the ordinary course of business; provided that, should this Proposal not be accepted by the Creditors or approved by the Court, or if successful, be at any time prior to its completion annulled or terminated, all creditors having Post Filing Goods and Services claims shall rank in the bankruptcy then ensuing pro rata with the Proposal Creditors. In addition, all post proposal income tax and Goods and Services Tax returns shall be filed and paid as required.

With respect to additional emergency funding from the Corporation of the City of London, estimated at \$57,000.00 and projected to be received after the date of the filing of the Proposal, this amount will be repaid in full over the next three performing seasons ending May 31, 2003.

RIGHT OF SET-OFF:

3. No creditor having a claim provable in the proposal shall be permitted to set-off any post proposal indebtedness between itself and the proposal debtor to any pre-proposal indebtedness between itself and the proposal debtor.

Amounts owed between the parties as at the earlier of the date of filing a Notice of Intention to File a Proposal or the date of the filing of the Proposal, may be set-off between the parties.

With respect to any indebtedness involving liabilities under the Income Tax Act or the Excise Tax Act (GST), any amounts due to the debtor by Revenue Canada pertaining to the year of the Proposal or prior years will be set-off against any claim provable by Revenue Canada in the Proposal. In the event of default under the Proposal followed by a bankruptcy of the debtor, Revenue Canada may prove its claim in full for the pre-proposal amount, net of any set-offs or dividends received.

ADMINISTRATIVE FEES AND EXPENSES:

4. The Trustee shall be permitted a fee as authorized by the inspectors of the estate and approved by the Court.

PREFERRED CREDITORS:

5. Payments in priority to all other claims directed by the Bankruptcy and Insolvency Act to be so paid in the distribution of the property of a bankrupt shall be provided for as follows:

All claims of Preferred Creditors shall be paid In full, without interest, in priority to all claims of Ordinary Creditors.

PRIORITIES:

6. Unless Her Majesty consents, no proposal shall be approved by the court that does not provide for the payment in full to Her Majesty In right of Canada or a province, within six months after court approval of the proposal. of all amount. of a kind that could be subject to a demand under subsection 224(1.2) of the Income Tax Act (pertaining to unremitted Source deductions plus applicable penalties and interest), or under any substantially similar provision of provincial legislation and chat were outstanding at the earlier of the time of the filing

(a) of the notice of intention; or

(b) of the proposal. if no notice of intention was filed.

Accordingly, any amounts due to the Crown as described above shall be paid in accordance with the above provision of the Bankruptcy and Insolvency Act and shall be remitted directly to Revenue Canada by the tax debtor. Upon default of this requirement, Revenue Canada may advise the Trustee of the default and such default will constitute a default under the terms of the Proposal and shall, if not remedied within 15days, be forwarded by the Trustee as a default under the provisions of Section 63(1) of the Bankruptcy and Insolvency Act.

The distribution under the Proposal shall be that the Administrative Fees and Expenses in respect of the Proposal and Preferred and Ordinary Creditors in respect of the Proposal shall be paid in the order of priority as set out in the Bankruptcy and Insolvency Act.

DIRECTORS' LIABILITY:

Any debts or liabilities of the Debtor exigible against its Directors or any one of them, shall be a claim in the Proposal and shall be paid in full over the 36 month period of the Proposal to May31, 2003 or such longer term as may be agreed.

PROPOSAL:

Immediate Fund Raising Campaign

8. That to fund the balance of performances, and in addition to funding from the Corporation of the City of London, the Debtor will raise new funds of \$330,000 in ticket sales, sponsorships and donations, on the following projected schedule:

Benchmark Dates	Emergency Funding CCL	London Community	Total
March 08, 2000	53,000.00		53,000.00
March 22, 2000	50,000.00	50,000.00	100,000.00
April 05, 2000	7,000.00	53,000.00	60,000.00
April 19, 2000		60,000.00	60,000.00
May 03, 2000		60,000.00	60,000.00
May 17, 2000		60,000.00	60,000.00
May 31, 2000		47,000.00	47,000.00
	<u>110,000.00</u>	<u>330,000.00</u>	<u>440,000.00</u>

The terms of the raising of these funds will be as follows:

(a) That the Debtor shall, by March 22, 2000 raise \$50,000 in new funding from the community and then and only then draw on the approved loan by the City to the extent of \$50,000;

(b) Thereafter the Debtor will continue its Immediate Fund Raising Campaign and raise a further \$53,000 by April 5, 2000. Failure to meet this objective will constitute a default under the terms of the Proposal of which the Trustee will advise the creditors at the meeting of the creditors;

(c) That upon acceptance of the Proposal by the creditors, the Debtor will continue its Immediate Fund Raising Campaign to raise a further \$60,000 by April 19, 2000. Failure to meet this objective will constitute a default under the terms of the Proposal whereupon the Trustee shall within 5 business days apply to the Court for an annulment of this Proposal;

(d) Thereafter the Debtor will continue its Immediate Fund Raising Campaign and raise a further \$60,000 by May 3, 2000. Failure to meet this objective will constitute a default under the terms of the Proposal whereupon the Trustee shall within 5 business days apply to the Court for an annulment of this Proposal;

(e) Thereafter the Debtor will continue its Immediate Fund Raising Campaign and raise a further \$60,000 by May 17, 2000. Failure to meet this objective will constitute a default under the terms of the Proposal whereupon the Trustee shall within 5 business days apply to the Court for an annulment of this Proposal;

(f) Thereafter the Debtor will continue its Immediate Fund Raising Campaign and raise a further \$47,000 by May 31, 2000. Failure to meet this objective will constitute a default under the terms of the Proposal whereupon the Trustee shall within 5 business days apply to the Court for an annulment of this Proposal.

It is acknowledged and understood that these funding targets are for the purpose of having sufficient cash resources to meet the payroll and other operating costs of the Debtor and, that should the cash requirements be greater or lessor than those laid out above, the Inspectors shall have the authority to waive any default under these paragraphs upon they or a majority of them being satisfied that the cash flow obligations of the Debtor are being met and that there is not, nor will not be, any indebtedness created by the shortfall in the funding objective.

Secured Creditors

9. The claims of the Secured Creditors of the Debtor shall be paid under the following arrangement:

The Bank of Nova Scotia - Operating Loan

That the Debtor will and hereby does direct the Bank of Nova Scotia to retire the GIC deposit held as collateral for this loan and apply the proceeds to a retirement of the operating loan. To the extent that there is any shortfall on the loan, the Bank of Nova Scotia will be permitted to file an unsecured claim for any deficiency balance.

The Bank of Nova Scotia - Term Loan

That this term loan be paid in full in accordance with the terms and conditions of the loan and supporting security agreement(s). These payments may, at the sole discretion of the Bank of Nova Scotia, be made in the same manner and on the same terms as proposed payments to the unsecured creditors.

The Corporation of the City of London

For the purposes of this Proposal, the Emergency Interim Funding from the Corporation of the City of London, in the amount of \$53,000 will be treated as a secured claim, to be repaid over the next three operating seasons. These payments may, at the sole discretion of the Corporation of the City of London, be made in the same manner and on the same terms as proposed payments to the unsecured creditors.

10. That in consideration of the claims of the unsecured creditors, THE DEBTOR will provide advertising exposure to each unsecured creditor throughout its 2000/2001, 2001/2002 and the 2002/2003 season to a total value of 120% of the value of the claim, at a rate of 40% of the value of the claim in the 2000/2001 season; 40% in the 2001/2002 and 40% in the 2002/2003. Advertising value will be calculated on the basis of the then going rate for advertising of the size selected by the creditor. Advertising value In excess of the eligible dividend will be billed to and paid by the advertiser in the ordinary course. The dividends paid in this manner will be placed before the Board of Inspectors for their approval on a semi annual basis.

FILING OF OPERATING BUSINESS PLAN:

11. Upon acceptance of die Proposal by the creditors, and In any event on or before May 31, 2000, the Debtor will develop and provide to the Board of Inspectors of die Proposal for their approval, an Operating Business Plan for the three 12 month operating periods ended May 31, 2003. The fundamental, of the Plan are to be:

- that THE DEBTOR operates with a balanced budget based on Federal, Provincial and Municipal grants; subscription revenue, and corporate and individual sponsorships and gifts;
- that funds received for subsequent seasons sales and sponsorships be segregated and retained In trust accounts as described above;

FILING AND REMITTING POST PROPOSAL TAXES:

12. Where the debtor has self-employed earnings, the debtor agrees to maintain on going monthly income tax installments calculated on the basis of earned income monthly.

DISTRIBUTIONS:

13. Upon the filing and approval of the Business Plan, the creditors will be advised of specific advertising space and value to be available and shall within the time frame required for the organization and printing of such advertising, provide approved copy and graphics to the Debtor for publication.

INSPECTORS:

14. There shall be at least 3 and no more than 5 Inspectors elected at the Meeting of Creditors, whose responsibilities and authorities, In addition to those outlined in the Bankruptcy and Insolvency Act, shall have the authority as outlined In paragraph 8 above, to waive any default in the meeting of any fundraising benchmark.

TRUSTEE:

15. Courage & Associates Inc. of the City of Sarnia, in the Province of Ontario shall be the Trustee under this Proposal.

DATED at the City of London, this March 20, 2000.

Orchestra London Canada Inc.

(unknown signature)
Witness

J C Dunlop (signature)
by Jim Dunlop,
under authority of the Board of Directors