



District of: Vancouver
Division No. 03 – Vancouver
Court No. B-170055
Estate No. 11-2203806, 11-2203807

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF THE PROPOSAL OF SEA BREEZE POWER CORP. AND
SEA BREEZE ENERGY INC.

SECOND REPORT OF THE PROPOSAL TRUSTEE

ALVAREZ & MARSAL CANADA INC.

APRIL 21, 2017



ALVAREZ & MARSAL

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1.0 INTRODUCTION

- 1.1 On December 30, 2016 (the “**Filing Date**”), Sea Breeze Power Corp. (“**Power**”) and its wholly owned subsidiary, Sea Breeze Energy Inc. (“**Energy**” and together with Power, the “**Companies**”) filed a joint proposal to their creditors (the “**Proposal**”) under Part III, Division I of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”) and Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Trustee**”) was appointed as trustee under the Proposal.
- 1.2 On January 18, 2017 the proposal was amended (as amended, the “**Proposal**”) to facilitate a corporate transaction that did not impact estimated creditor recoveries or the treatment of creditors under the Proposal.
- 1.3 The Proposal was accepted by the required majority of creditors at a meeting of creditors held on January 18, 2017 (the “**Meeting of Creditors**”). Details with respect to the Meeting of Creditors including meeting minutes and voting results are included in the Form 40 – Report of Trustee on Proposal dated January 30, 2017 (the “**First Report**”) and are not repeated herein.
- 1.4 On January 25, 2017, the Trustee filed a notice of application for an order approving the Proposal and transactions set forth therein, to be heard on February 21, 2017 (the “**February 21 Hearing**”).
- 1.5 Prior to the anticipated February 21 Hearing, the Companies conducted due diligence to finalize a purchase and sale agreement for a transactions contemplated by the Proposal by which a group of secured creditors of the Companies (the “**Secured Creditor Sponsors**”) would purchase the shares of certain development subsidiaries of Power.
- 1.6 The Companies retained Ernst & Young LLP (“**EY**”) to review certain tax attributes associated with the Companies and their subsidiaries and as a result of this analysis, the Companies determined that proceeding with the Proposal would not maximize the realizable value of the Companies’ assets and was not in the best interest of the Companies’ stakeholders.
- 1.7 On February 16, 2017, the Trustee filed a requisition for the application to approve the Proposal to be adjourned generally while the Companies worked with the Secured Creditor Sponsors to prepare a second amended proposal (the “**Amended Proposal**”).
- 1.8 On April 21, 2017 the Trustee filed the Amended Proposal and a notice of application for an order approving the Amended Proposal (the “**Amended Proposal Approval Order**”). The Companies have advised the Trustee that if the Amended Proposal is not approved and implemented in the coming weeks the Companies may lose out on certain development opportunities which could negatively impact the Companies’ business on a go-forward basis.

- 1.9 A copy of the Amended Proposal, First Report and other information with respect to these proceedings are available on the Trustee's website at www.alvarezandmarsal.com/seabreeze.

2.0 PURPOSE OF REPORT

- 2.1 The purpose of this report (the "**Second Report**") is to provide this Honourable Court and the Companies' stakeholders with:
- a) information and the Trustee's comments with respect to the Amended Proposal; and
 - b) the Trustee's conclusion and recommendation.

3.0 TERMS OF REFERENCE

- 3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information. Although this information has been subject to review, A&M has not conducted an audit or otherwise attempted to verify the information's accuracy or completeness. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this report, or otherwise used to prepare this report.
- 3.2 Unless otherwise stated, all monetary amounts contained in this Second Report are expressed in Canadian dollars.
- 3.3 Capitalized terms used herein and not otherwise defined have the same meanings given to them in the Amended Proposal.

4.0 AMENDED PROPOSAL

- 4.1 Subsequent to the Meeting of Creditors, the Companies retained EY to analyze the tax attributes and advise the Companies on how to structure a transaction to optimize the value of the tax attributes for the benefit of the Companies' creditors.
- 4.2 After completing its analysis, EY advised the Companies that the tax attributes would only retain their value if the shares of Power were acquired in a transaction that did not result in a change in control. As the Secured Creditor Sponsors are, collectively, the majority shareholders of Power, the tax attributes are only preserved if Power's shares are acquired by Secured Creditor Sponsors and not by a third party. Accordingly, a sales process to monetize certain assets and possibly the tax attributes of the Companies conducted by a liquidating trustee, as contemplated by the Proposal, is unlikely to result in a successful transaction with any party other than the Secured Creditor Sponsors.

- 4.3 Section 8.5 of the Proposal provides that after the Meeting of Creditors, the Proposal may be amended, modified, supplemented or restated by the Companies, with the consent of the Secured Creditor Sponsors, on the application to Court by the Companies or the Trustee and on notice to the Official Receiver and those determined by the applicant to be directly affected by the proposed modification.
- 4.4 The Companies worked with the Secured Creditor Sponsors to prepare the Amended Proposal with a view to preserving the value of the Companies' assets and maximizing creditor recoveries.
- 4.5 Key commercial terms of the Amended Proposal and related transactions are summarized as follows:
- a) various classes of unsecured creditors including priority creditors, a consultant creditor (the "**Consultant's Claim**") and unsecured creditors (collectively, the "**Proposal Beneficiaries**") will receive distribution funds (the "**Distribution Funds**") comprised of (i) cash consideration arranged for by the Secured Creditor Sponsors of \$100,000 (the "**Cash Consideration**"); (ii) the net proceeds of sale of the shares of Power's wholly owned subsidiary Powerhouse Developments Inc. ("**PDI**") or the real property owned by PDI which are estimated to be approximately \$605,000; and (iii) any proceeds of tax refunds due to Energy, net of professional fees and filing fees incurred by Energy in relation to identifying and recovering such monies;
 - b) the Secured Creditor Group will assign all of their secured claims and transfer all of their common shares to Tu-Can Energy LLC ("**TuCan**");
 - c) on or before the Proposal Implementation Date (subsequently defined) (i) TuCan will cause the Cash Consideration to be paid to the Trustee and agree to subordinate its Secured Claims to the Proven Claims of the Proposal Beneficiaries in respect of the Distribution Funds; and (ii) Power will affect a share restructuring with the result that TuCan will become the sole shareholder of Power;
 - d) secured claims, post-filing claims, intercompany claims and the Consultant's Claim will be unaffected by the Amended Proposal;
 - e) the fees and disbursements of the Trustee will be paid in priority to all proven claims of Proposal Beneficiaries;
 - f) priority claims for amounts due to Her Majesty the Queen in right of Canada or any province or the amounts which employees would be entitled to receive pursuant to subsection 136(1)(d) of the BIA if their employer had been bankrupt on the filing date shall be paid in

their entirety as soon as reasonably practicable following the realization of the Distribution Funds;

- g) the Distribution Funds will be distributed by the Trustee to the Proposal Beneficiaries as follows:
 - i. First, *pro rata* to the Priority Creditors up to the maximum amount of each Priority Claim;
 - ii. Second, to the Consultant, for the full amount of the Consultant's Claim;
 - iii. Third, *pro rata*, to the unsecured creditors other than the claims of Gregory Hoffman ("**Hoffman**"), up to the maximum amount of each unsecured creditor's claim; and
 - iv. Fourth, to Hoffman on account of his unsecured claims (the "**Hoffman Unsecured Claims**") up to the maximum amount of such claims.
- h) the balance of any Distribution Funds remaining after payment to the Proposal Beneficiaries will be paid to Power;
- i) all payments and distributions made by the Trustee to the Proposal Beneficiaries shall be made net of all applicable levies in accordance with the BIA and regulations thereto, including the levy imposed by the Office of the Superintendent of Bankruptcy; and
- j) the Amended Proposal provides that Sections 95 to 101.1 of the BIA shall not apply with respect to this Amended Proposal and the Companies.

4.6 The Proposal Implementation Date will be the day that the following conditions precedent to implementation of the proposal have been satisfied:

- a) the Amended Proposal Approval Order has been issued, has not been stayed and there is no outstanding appeal therefrom;
- b) all documents and instruments contemplated by the Amended Proposal have been executed and delivered;
- c) the Trustee is in receipt of the Cash Consideration;
- d) TuCan has confirmed that it will subordinate its secured claim to the claims of the Proposal Beneficiaries in respect of the Distribution Funds conditional upon Power issuing the additional Common Shares to TuCan in accordance with Section 5.2 of this Proposal; and
- e) the conditions precedent to implementation of the Amended Proposal (as set out in the Amended Proposal) have all been met.

4.7 A comparison of the estimated recoveries to unsecured creditors under the Amended Proposal to the estimated recoveries under the Proposal is tabled below.

Sea Breeze Power Corp. and Sea Breeze Energy Inc.
Comparison of Recoveries to Unsecured Creditors under the Amended Proposal and Proposal
As at April 20, 2017

| | Amended Proposal | | | Proposal | | |
|--|------------------|-----------------------|------------------------------|------------------|-----------------------|------------------------------|
| | Claim Amounts | Estimated Recovery | Estimated Recovery (%) | Claim Amounts | Estimated Recovery | Estimated Recovery (%) |
| Estimated Net Proceeds Available to Unsecured Creditors | | | | | | |
| Cash | | \$ 100 | | | \$ - | |
| Interest in Powerhouse Developments Inc. | | 605 | | | 605 | |
| Total Estimated Net Proceeds Available to Unsecured Creditors | | <u>\$ 705</u> | | | <u>\$ 605</u> | |
| Estimated Recovery to Unsecured Creditors | | | | | | |
| Priority Creditors | \$ 4 | \$ 4 | 100% | \$ 4 | \$ 4 | 100% |
| Consultant's Claim | 157 | 157 | 100% | 157 | 157 | 100% |
| Unsecured Claims other than Gregory Hoffman Unsecured Claims | 545 | 544 | 100% | 545 | 226 | 41% |
| Gregory Hoffman Unsecured Claims | 527 | - | 0% | 527 | 218 | 41% |
| Unsecured Portion of Secured Claims | - | - | N/A | 2,494 | - | 0% |
| Total Estimated Recovery to Unsecured Creditors | <u>\$ 1,233</u> | <u>\$ 705</u> | <u>57%</u> | <u>\$ 3,727</u> | <u>\$ 605</u> | <u>16%</u> |

- 4.8 The recoveries to unsecured creditors other than Hoffman under the Amended Proposal are estimated to be approximately \$705,000 which is sufficient to repay unsecured creditors other than Hoffman in full, as compared to an estimated recovery of approximately 41% under the Proposal.
- 4.9 Management of the Companies estimate that the sale of Power's interest in PDI may generate net proceeds of \$605,000 based on negotiations between Power and a prospective purchaser. Power has advised the Trustee that a sale of the PDI shares is expected to close within the next several weeks and as soon as practicable following the approval and implementation of the Amended Proposal.
- 4.10 The Companies have advised the Trustee that Energy may be entitled to income tax refunds of up to \$300,000. The potential recovery of these refunds may result in additional recoveries to unsecured creditors including the Hoffman Unsecured Claims.
- 4.11 The increased recoveries in the Amended Proposal as compared to the Proposal are largely the result of Hoffman agreeing to have his unsecured claims subordinated to the claims of the other Proposal Beneficiaries. A letter from Hoffman to the Trustee dated April 21, 2017 confirming his support of the Amended Proposal is attached as Appendix "B".
- 4.12 The estimated recoveries illustrated above are presented based on the total proofs of claim received by the Trustee to date and do not necessarily represent accepted claims. Should any of the filed proofs of claim be disallowed, or should additional valid claims be received, it will have an impact on the *pro rata* recoveries to the applicable classes of unsecured creditors.

5.0 TRUSTEE'S CONCLUSION AND RECOMMENDATION


5.1 The Trustee is supportive of the Amended Proposal for the following reasons:

- a) the Companies have acted in good faith and with due diligence in taking appropriate steps to develop a viable proposal;
- b) the terms of the Amended Proposal are reasonable and the estimated recoveries for the unsecured creditors under the Amended Proposal are superior to what they would be if the Companies were assigned into bankruptcy; and
- c) the terms of the Amended Proposal are expected to result in a superior recovery to those contemplated by the Proposal which was approved unanimously at the Meeting of Creditors.

5.2 Accordingly, the Trustee respectfully recommends that this Honourable Court grant the Amended Proposal Approval Order.

Alvarez & Marsal Canada Inc.,
in its capacity as Proposal Trustee of
Sea Breeze Power Corp. and Sea Breeze Energy Inc.


Per: Todd Martin
Senior Vice President


Per: Tom Powell
Vice President

APPENDIX A

Bankruptcy Division
Vancouver Registry
Court No. B-170055
Estate Nos. 11-2203806, 11-2203807

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

**IN THE MATTER OF THE PROPOSAL OF
SEA BREEZE POWER CORP. AND SEA BREEZE ENERGY INC.**

**SECOND AMENDED PROPOSAL TO CREDITORS OF SEA BREEZE POWER CORP.
AND SEA BREEZE ENERGY INC.**

DATED APRIL 21, 2017

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ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Proposal unless otherwise stated or the context requires otherwise:

“Approval of the Proposal” means the approval of this Proposal by the Required Majority and by the Court pursuant to the Approval Order.

“Approval Order” means the Order which, among other things:

- (a) approves the amendments made to the Proposal in accordance with section 8.5 herein;
- (b) approves this Proposal and all actions and transactions set out herein pursuant to the BIA;
- (c) approves each of the events and transactions set forth in section 5.2 of this Proposal; and
- (d) confirms the Court does not require compliance with section 5.4 of Multilateral Instrument 61-101, Protection of Minority Security Holders in Special Transactions,

as such Order may be amended or modified by the Court, provided that such Order shall not be considered final until the earliest of the date: (i) of the expiry of the applicable appeal period without any appeal having been instituted; and (ii) in the event of an appeal or application for leave to appeal, of the final determination by the applicable appellate tribunal dismissing the appeal, or application for leave to appeal, in whole.

“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 a provincial or federal holiday in the province of British Columbia.

“Cash Consideration” means the one hundred thousand dollars (\$100,000) TuCan will cause to be paid to the Trustee prior to the Proposal Implementation Date as partial consideration for the issuance of one billion (1,000,000,000) Common Shares by Power Corp. to TuCan.

“Claim” means: (i) any right of any Person against the Companies in connection with any indebtedness, liability or obligation of any kind of the Companies, in each case which indebtedness, liability or obligation was in existence at the Filing Date and any interest that may accrue thereon, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is

executory in nature, including, without limitation, 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 in action whether existing at present or commenced in the future based in whole or in part on facts which existed prior to or at the Filing Date and, (ii) any other claims that would have been claims provable in bankruptcy had the Companies become bankrupt on the Filing Date.

“Common Shares” means the common shares in the capital of Power Corp.

“Companies” means, together, Power Corp. and Sea Breeze Energy Inc. and any reference to the Companies includes a reference to both, or either of them, as the context requires.

“Consultant” means C. & A. Energy Services Ltd., a consultant retained by Power Corp. to assist with the recovery of the Distribution Funds and other matters as contemplated by this Proposal.

“Consultant’s Claim” means the Claim of the Consultant for payment of all amounts owing to it by Power Corp. for the services provided by the Consultant both before and after the Filing Date.

“Court” means the Supreme Court of British Columbia.

“Creditor” means any Person having a Claim.

“Creditor Meeting” means the meeting of the Voting Creditor Class held in accordance with section 51.(1) of the BIA for the purpose of considering and, if thought fit, voting to approve this Proposal, and includes any subsequently reconvened meeting should a meeting be adjourned.

“Distribution Funds” means, collectively, the PDI Sale Proceeds, the Cash Consideration and the Tax Refund.

“Energy Inc.” means Sea Breeze Energy Inc.

“Filing Date” means December 30, 2016, the date this Proposal was filed by the Companies with the Official Receiver.

“Fractional Share” means an equity interest in Power Corp. that is less than half of one Common Share.

“Hoffman” means Gregory Hoffman, the holder of an unsecured Proven Claim.

“Inspectors” has the meaning ascribed to it in section 4.6 of this Proposal.

“Intercompany Claim” means the Claim of any corporate entity affiliated with the Companies, the amount of which is to be determined by the Trustee based on its review of the books and records of the Companies.

“Official Receiver” means the Office of the Superintendent of Bankruptcy.

“Order” means any order of the Court in these proceedings.

"PDI Sale Proceeds" means the net proceeds of sale of either (i) the shares of Power Corp.'s wholly owned subsidiary Powerhouse Developments Inc., or (ii) the real property owned by Powerhouse Developments Inc. and legally described as parcel identifier 025-481-479, Lot 1, Plan KAP71814, District Lot 268, Similkameen Division of Yale Land District.

"Person" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted.

"Post-Filing Claim" means a claim arising from the supply of goods or services to the Companies after the Filing Date and prior to the filing of the certificate of completion in accordance with section 7.2 of this Proposal, or a claim for sales or excise taxes, source deductions or assessments and premiums arising in relation to such claims. Post-Filing Claims do not include claims in respect of an obligation incurred prior to the Filing Date but which is payable after the Filing Date. For clarity, no amount of the Consultant's Claim is a Post-Filing Claim for the purpose of this Proposal.

"Power Corp." means Sea Breeze Power Corp.

"Priority Claim" means all Claims which, in accordance with the BIA, must be paid in priority to other unsecured Claims.

"Priority Creditors" means those Creditors with Priority Claims that are Proven Claims.

"Proof of Claim" means the form of document prescribed by the BIA to be filed with the Trustee to establish the Claim of a Creditor.

"Proposal" means this amended proposal among the Companies and the Voting Creditor Class, as from time to time amended, modified, supplemented or restated pursuant to an Order of the Court, or pursuant to an agreement among the Companies and the Voting Creditor Class provided for herein or at any Creditor Meeting.

"Proposal Beneficiaries " means, collectively, all Priority Creditors, the Consultant and all Unsecured Creditors.

"Proposal Implementation Date" means that date on which all conditions set forth at section 6.1 of this Proposal have been satisfied.

"Proven Claim" means a Claim which:

- (a) after the delivery of a Proof of Claim to the Trustee, has been admitted by the Trustee in whole or in part; or
- (b) after the delivery of a Proof of Claim to the Trustee, has been disallowed by the Trustee, which disallowance has subsequently been set aside in whole or in part by agreement between the Trustee and the Person delivering the Proof of Claim or by the Court,

provided that Proven Claims shall not include any interest for the period subsequent to the Filing Date.

"Required Majority" means a majority in number and two-thirds in value of the Proven Claims of the Voting Creditor Class entitled to vote as a single class at the Creditor Meeting and who are present at the Creditor Meeting (whether in person, by proxy or by voting letter) in accordance with the voting procedures established by this Proposal and the BIA.

"Secured Claim" means a Claim that is secured by a Security Interest.

"Secured Creditor Group" means the Secured Creditor Sponsors and the Persons related to the Secured Creditor Sponsors, all of which are set forth in **Schedule "A"** hereto.

"Secured Creditor Sponsors" means, collectively, Henry P. Anderson, III, 2009 Revocable Living Trust; Henry P. Anderson III; Moranbah Farms, Inc.; Kenneth L. Puryear; Kenneth L. Puryear 2008 Revocable Living Trust; Ooldea, Inc.; The C. Chase Hoffman Administrative Trust; Hoffman-Sea Breeze LLC; Hoffman Farms; Mark Hoffman; Hoffman and Son; and Hoffman Dairies.

"Securities" means all options issued by Power Corp. to purchase any shares in the capital of Power Corp., all warrants issued by Power Corp. to purchase shares in the capital of Power Corp. and any other document, instrument or writing of Power Corp. commonly known as a security, but for clarity does not include any debenture that is a Secured Claim.

"Security Interest" means a mortgage, hypothec, prior claim, pledge, charge, lien or other security interest on or against the assets and property of the Companies or any part thereof as security for a debt due or accruing due from the Companies, or any negotiable instrument held as collateral security and on which the Companies are only indirectly or secondarily liable.

"Shareholders" means all Person's registered as holders of Common Shares immediately prior to the Proposal Implementation Date.

"Tax Refund" means those monies received by Energy Inc., net of professional fees and filing fees incurred by Energy Inc. in relation to identifying, analyzing and recovering such monies, in respect of potential tax refunds for the 2016 fiscal tax year and all prior years.

"Trustee" means Alvarez & Marsal Canada Inc. in its appointed capacity as proposal trustee of the Companies in respect of this Proposal.

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

"TuCan" means Tu-Can Energy LLC, a limited liability company incorporated pursuant to California law.

"Unaffected Claim" means a Claim that is: (1) a Secured Claim; (2) a Post-Filing Claim; (3) the Consultant's Claim or (4) an Intercompany Claim.

“Unsecured Creditor” means a Creditor with a Proven Claim that is not an Unaffected Claim and includes Hoffman.

“Voting Creditor Class” means the class comprising all Unsecured Creditors.

1.2 Articles of Reference

The terms “hereof”, “hereunder”, “herein” and similar expressions refer to this Proposal and not to any particular article, section, subsection, clause or paragraph of this Proposal and include any agreements supplemental hereto. In this Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of this Proposal.

1.3 Interpretation Not Affected by Headings

The division of this Proposal into articles, sections, subsections, clauses or paragraphs and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.

1.5 Time

All times expressed herein are local time in Vancouver, British Columbia, Canada unless otherwise stipulated. Where the time for anything pursuant to this Proposal on a particular date is unspecified herein, the time shall be deemed to be 12:00 p.m. (noon) local time in Vancouver, British Columbia.

1.6 Numbers and Gender

In this Proposal, where the context requires, a word importing the singular number will include the plural and vice versa and a word or words importing gender will include all genders.

1.7 Currency

Unless otherwise stated herein, all references to currency in this Proposal are to be lawful money of Canada.

1.8 Statutory Reference

Except as otherwise provided herein, any reference in this Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation.

1.9 Successors and Assigns

This Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in this Proposal.

1.10 Schedules

The following are the schedules to this Proposal which are incorporated by reference into this Proposal and form part hereof:

Schedule "A" - List of Secured Creditor Group

ARTICLE 2

PURPOSE AND EFFECT OF THIS PROPOSAL

2.1 Purpose

The purpose of this Proposal is to effect a reorganization of the capital structure of Power Corp. in order to preserve and maximize the value of Power Corp.'s assets and generate recovery for the Proposal Beneficiaries, all for the benefit of the Companies' stakeholders.

2.2 Funding of Proposal

The Secured Creditor Sponsors and TuCan will fund this Proposal, including by paying the Trustee's Costs and all Post-Filing Claims.

Neither the Secured Creditor Sponsors nor TuCan will fund distributions to the Proposal Beneficiaries. All distributions to the Proposal Beneficiaries will be paid from the Distribution Funds. In order to facilitate timely distributions to the Proposal Beneficiaries, Power Corp. will pay the PDI Sale Proceeds, or any portion thereof, and Energy Inc. will pay the Tax Refunds, or any portion thereof, to the Trustee forthwith after such proceeds are received by the Companies.

2.3 Persons Affected

On and after the Proposal Implementation Date, this Proposal will become effective and shall be binding on the Companies, the Shareholders, the holders of Securities, the Creditors and all other Persons affected by this Proposal.

ARTICLE 3

TREATMENT OF CREDITORS' CLAIMS

3.1 Unaffected Claims

3.1.1 *Secured Claims*

Secured Claims will be unaffected by this Proposal and will be dealt with by the Companies pursuant to one or more agreements between the Companies and the holders of the Secured Claims.

3.1.2 *Post-Filing Claims*

Post-Filing Claims will be unaffected by this Proposal and will be paid by the Companies in the ordinary course of their business.

3.1.3 *Consultant's Claim*

The Consultant has agreed to forego payment of all amounts owing to it by Power Corp. for the services provided, including services provided after the Filing Date, until some or all of the Distribution Funds have been collected and the Proven Claims of the Priority Creditors have been paid in full.

The Consultant's Claim will be unaffected by this Proposal and will be paid in full from the Distribution Funds, with payment of the Consultant's Claim ranking in priority to payment of the Proven Claims of the members of the Unsecured Creditors but subsequent in priority to payment of the Proven Claims of the Priority Creditors.

3.1.4 *Intercompany Claims*

Intercompany Claims will be unaffected by this Proposal.

3.2 Trustee's Costs

The Trustee's Costs shall be paid in priority to all Proven Claims of Proposal Beneficiaries.

3.3 Priority Claims

The following Priority Claims, once they are Proven Claims, shall be paid in their entirety, without interest, and in priority to the Consultant's Claim and all Proven Claims of the Unsecured Creditors, as soon as reasonably practicable following the Proposal Implementation Date and collection of the Distribution Funds.

3.3.1 *Payments to Her Majesty*

The amounts due to Her Majesty the Queen in right of Canada or of any province, which are subject to a demand under subsection 224 (1.2) of the *Income Tax Act* or of 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 of any provision of provincial legislation essentially similar to the foregoing provisions as provided in subsection 60(1.1)(c) of the BIA, and that were outstanding at the Filing Date, shall be paid in their entirety, without interest, within six (6) months after the Approval of the Proposal.

3.3.2 *Payments to Employees*

The amounts which employees (past and present) would be entitled to receive pursuant to subsection 136(1)(d) of the BIA if their employer had been declared bankrupt on the Filing Date shall be paid in their entirety as soon as reasonably practicable following the Proposal Implementation Date and the collection of the Distribution Funds.

The wages, salaries, commission or compensation which employees are entitled to for services rendered from and after the Filing Date shall be paid in the ordinary course of their employment.

3.4 Treatment of the Voting Creditor Class

Only the Voting Creditor Class will be entitled to vote on the approval of this Proposal at the Creditor Meeting, subject to the provisions of the BIA and the terms herein.

The Distribution Funds, or any part of them, will be distributed by the Trustee to the Proposal Beneficiaries as follows:

- (a) First, *pro rata* to the Priority Creditors up to the maximum amount of each Priority Claim that is a Proven Claim in full and final satisfaction of those Priority Claims;
- (b) Second, to the Consultant, for the full amount of the Consultant's Claim and in full and final satisfaction of the Consultant's Claim;
- (c) Third, *pro rata* to the Unsecured Creditors other than Hoffman up to the maximum amount of each Unsecured Creditor's Proven Claim in full and final satisfaction of the Proven Claims of the Unsecured Creditors other than Hoffman; and
- (d) Fourth, to Hoffman on account of Hoffman's unsecured Proven Claim up to the maximum amount of such unsecured Proven Claim.

Any Distribution Funds remaining after payment to the Proposal Beneficiaries in accordance with this section will be paid to Power Corp.

3.5 Procedure for Payment

Other than as expressly set forth in this Proposal and the BIA, the timing, number and amount of distributions to the Proposal Beneficiaries will be made in accordance with section 3.4 of the Proposal and at the discretion of the Trustee.

3.6 Undeliverable Distributions

If any payment or distribution issued by the Trustee is returned as undeliverable no further distributions to that Person shall be made unless and until the Trustee is notified in writing of the current address of that Person, at which time all missed payments and distributions shall be made to such person without interest.

Undeliverable payments and distributions shall be retained by the Trustee until they are claimed or until the certificate of completion is filed by the Trustee with the Official Receiver in accordance with section 7.2 of this Proposal, after which they shall be paid to Power Corp.

3.7 Withholding Taxes and Official Receiver's Levy

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

Notwithstanding any other provision of this Proposal, each Person that is to receive a payment or distribution of any kind pursuant to this 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).

3.8 Non-Application of Sections 95 to 101.1 of the BIA

Sections 95 to 101.1 of the BIA shall not apply with respect to this Proposal and the Companies.

3.9 Proof of Claim

In order to be eligible to vote at the Creditor Meeting each Unsecured Creditor must have filed a Proof of Claim with the Trustee in accordance with the applicable provisions of the BIA and thereafter the Trustee shall administer the claims in accordance with the provisions of section 135 of the BIA.

All Proofs of Claim submitted by Creditors in any other currency will be converted to Canadian dollars at the noon spot rate of exchange for exchanging currency to Canadian dollars on the Filing Date.

In order to receive distributions from the Trustee, a Creditor must submit a Proof of Claim prior to the time the Trustee first distributes funds in accordance with this Proposal.

ARTICLE 4

MEETING OF CREDITORS

4.1 Creditor Meeting

Unless otherwise ordered by the Court, the Creditor Meeting shall be conducted by the Trustee and shall be held at 10:00 a.m. on Wednesday, January 18, 2017 at 2900 - 550 Burrard Street, Vancouver, British Columbia.

4.2 Conduct of the Creditor Meeting

Unless otherwise ordered, the Trustee, or the nominee thereof, shall preside as the chair of the Creditor Meeting and will decide all matters relating to the conduct of the Creditor Meeting. The only persons entitled to attend the Creditor Meeting are those persons entitled to vote at the Creditor Meeting, including the holders of proxies, and their legal counsel, if any, and the officers, directors, auditors, advisors and legal counsel of the Companies, together with such representatives of the Trustee as the Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of the Creditor Meeting. Any other person may be admitted only on invitation of the chair of the Creditor Meeting.

4.3 Adjournment of the Creditor Meeting

The Creditor Meeting may be adjourned in accordance with section 52 of the BIA. If the Creditor Meeting is adjourned, no further Proofs of Claim nor proxies shall be filed with or accepted by the Trustee or the Companies for the purpose of voting at any reconvening of the Creditor Meeting.

4.4 Voting at the Creditor Meeting

Each member of the Voting Creditor Class will be entitled to vote the full amount of its Proven Claim at the Creditor Meeting. Subject to any applicable provisions in the BIA, voting at the Creditor Meeting may be done via proxy or voting letter, the particulars of which will be detailed in the Proof of Claim.

Unsecured Creditors are only entitled to vote at the Creditor Meeting if they have filed their Proof of Claim with the Trustee prior to the commencement of the Creditor Meeting. All Proofs of Claim shall be delivered in accordance with the provisions of this Proposal, the BIA and any Order which may be issued by the Court in respect of the procedure governing the Creditor Meeting to be held for the purposes of voting upon this Proposal.

4.5 Approval by Required Majority

In order to be approved, this Proposal must receive the affirmative vote of the Required Majority at the Creditor Meeting.

4.6 Inspectors

At the Creditor Meeting the Voting Creditor Class may appoint one or more, but not exceeding five, inspectors (the "**Inspectors**"). The Inspectors shall have only the following powers:

- (a) the power to waive any default in the performance of any provision of this Proposal;
- (b) the power to approve interim and final statements of receipts and disbursements of the Trustee, including the power to approve proposed distributions and reasonable fees and disbursements of the Trustee;
- (c) the power to advise the Trustee in respect of such matters as may be referred to the Inspectors by the Trustee; and
- (d) the power to advise the Trustee concerning any dispute that may arise to the validity of a Proof of Claim filed by a claimant.

In the event 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 by the Secured Creditor Sponsors with all advances subject to taxation by the Court upon completion of this 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 reason of any wrongful act, default or neglect by any of them.

ARTICLE 5

TREATMENT OF SHAREHOLDERS AND REORGANIZATION OF POWER CORP.'S SHARE CAPITAL

5.1 Corporate Actions

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Proposal involving corporate action of or affecting Power Corp. will occur and be effective as of the Proposal Implementation Date, and will be authorized and approved by the Court as part of the Approval Order, in all respects and for all purposes, without any requirement of further action by the Shareholders or the directors or officers of Power Corp. All necessary approvals of and from the Shareholders and directors or officers of Power Corp. as applicable (including all necessary resolutions, whether ordinary, special or otherwise, of the Shareholders or directors or officers of Power Corp., as applicable) to take all actions hereunder or contemplated hereby shall be deemed to have been made, given, passed or obtained.

5.2 Reorganization of Power Corp.'s Share Capital

Subject to the conditions in section 6.1 of this Proposal being satisfied, the following steps, events or transactions will be effected on the Proposal Implementation Date and shall occur, and be deemed to have occurred, in the following order without any further act or formality required on the part of any Person:

- (a) all Common Shares owned by the Secured Creditor Group will transfer to TuCan and shall vest in TuCan as the beneficial and registered owner of such Common Shares;
- (b) in consideration for TuCan (i) causing the payment of the Cash Consideration to the Trustee; (ii) funding this Proposal in accordance with section 2.2 of this Proposal; and (iii) subordinating its Secured Claim to the Proven Claims of the Proposal Beneficiaries in respect of the Distribution Funds, Power Corp. will issue an additional one billion (1,000,000,000) Common Shares to TuCan;
- (c) all issued and outstanding Common Shares will consolidate at the rate of 25 million to 1; and
- (d) (i) all Fractional Shares will be cancelled and shall be of no further force or effect and the obligations of Power Corp. thereunder or in any way related thereto shall be satisfied and discharged with no compensation or participation being provided or payable therefor or in connection therewith and all certificates formerly representing such shares shall be deemed to be cancelled and shall be null and void; and (ii) all Securities and any rights to receive such Securities shall be automatically deemed cancelled and shall be of no further force or effect and the obligations of Power Corp. thereunder or in any way related thereto shall be satisfied and discharged with no compensation or participation being provided or payable therefor or in connection therewith.

5.3 No Other Entitlements

Following the implementation of the Proposal on the Proposal Implementation Date, no Person other than TuCan shall be entitled to any interest, dividend, premium or other payment on or with respect to their Claims, Common Shares, or Securities, as the case may be, other than as provided pursuant to this Proposal.

ARTICLE 6

CONDITIONS PRECEDENT

6.1 Conditions Precedent to Implementation of the Proposal

The implementation of the Proposal by the Companies shall be conditional upon the following:

- (a) this Proposal has been approved by the Required Majority;
- (b) the Approval Order has been issued, has not been stayed and there is no outstanding appeal therefrom;
- (c) all documents and instruments contemplated by this Proposal have been executed and delivered;
- (d) the Trustee is in receipt of the Cash Consideration;
- (e) TuCan has confirmed that it will subordinate its Secured Claim to the Proven Claims of the Proposal Beneficiaries in respect of the Distribution Funds effective on the Proposal Implementation Date and conditional upon Power Corp. issuing the additional Common Shares to TuCan in accordance with subsection 5.2(b) of this Proposal; and
- (f) all other actions, documents and agreements necessary to implement this Proposal as required herein have been effected and executed.

ARTICLE 7

TRUSTEE

7.1 Trustee

Alvarez & Marsal Canada Inc. shall be the Trustee pursuant to this Proposal and upon making all distributions to the Proposal Beneficiaries in accordance with sections 3.4 and 3.5 of this Proposal and otherwise complying with its obligations under the BIA, the Trustee will be entitled to be discharged from its obligations under the terms of this Proposal. The Trustee is acting in its capacity as Trustee under this Proposal, and not in its personal capacity and shall not incur any liabilities or obligations in connection with this Proposal or in respect of the business, liabilities, or obligations of the Companies, whether existing as at the Filing Date or incurred subsequent thereto.

The Trustee is authorized to pay the Trustee's Costs with the funds provided by the Secured Creditor Sponsors and TuCan, subject to taxation by the Court upon completion of the administration of the estate.

7.2 Certificate of Completion and Discharge of Trustee

Upon the Trustee (i) having made payment of all Priority Claims in accordance with the BIA and this Proposal; (ii) having paid the Consultant's Claim; (iii) having paid the final distribution to the members of the Voting Creditor Class; and (iv) paying the balance of any remaining Distribution Funds to Power Corp., this Proposal shall be deemed to be fully performed and the Trustee shall provide a certificate to the Companies and to the Official Receiver pursuant to section 65.3 of the BIA and the Trustee shall be entitled to be discharged.

ARTICLE 8

MISCELLANEOUS

8.1 Confirmation of Proposal

In the event that this Proposal is approved by the Required Majority, the Companies will thereafter, unless otherwise ordered by the Court, seek the Approval Order for the sanction and approval of this Proposal. Subject only to the Approval Order being granted and the conditions in section 6.1 of this Proposal being satisfied, this Proposal will be implemented by the Companies and will be binding upon all the Creditors, Shareholders and Persons affected by this Proposal in accordance with its terms.

8.2 Paramountcy

From and after the implementation of this Proposal on the Proposal Implementation Date, any conflict between this Proposal and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, hypothec, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Companies, lease or other agreement, written or oral, and any and all amendments or supplements thereto existing between one or both of the Companies and any Creditor, Shareholder, Securities holder or any other Person affected by this Proposal in place as at the implementation of this Proposal will be deemed to be governed by the terms, conditions and provisions of this Proposal and the Approval Order, which shall take precedence and priority.

8.3 Waiver of Defaults

From and after the Proposal Implementation Date, each Creditor, Shareholder and Securities holder shall be deemed to have waived any and all defaults then existing or previously committed by the Companies in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, hypothec, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Companies and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded.

8.4 Participation in Different Capacities

Creditors whose Claims are affected by this Proposal may be affected in more than one capacity. Each such Creditor shall be entitled to participate hereunder in each such capacity. Any action taken by a Creditor in any one capacity shall not affect the Creditor in any other capacity unless the Creditor agrees in writing.

Persons affected by this Proposal may be affected in more than one capacity, including as a Creditor and as a Shareholder, and any affect this Proposal may have on a Person in one capacity shall not affect that Person in any other capacity.

8.5 Amendment or Modification of Proposal

This Proposal may be amended, modified, supplemented or restated by the Companies, with the consent of the Secured Creditor Sponsors, at any time prior to the Creditor Meeting, or at the Creditor Meeting, in which case the amended, modified, supplemented or restated proposal will be put before the Voting Creditor Class for approval at the Creditor Meeting.

The Companies shall give notice by publication or otherwise to the members of the Voting Creditor Class of the details of any modifications or amendments prior to the Creditor Meeting.

After the Creditor Meeting and the approval of this Proposal by the Required Majority, this Proposal may be amended, modified, supplemented or restated by the Companies, with the consent of the Secured Creditor Sponsors as follows:

- (a) if the Companies acting reasonably determine the amendment or modification is not substantive or is of an administrative nature, with the consent of the Trustee; and
- (b) by the Court on the application of the Companies or the Trustee, on notice to the Official Receiver and those determined by the applicant to be directly affected by the proposed modification.

8.6 Compromise Effective for all Purposes

From and after the implementation of this Proposal on the Proposal Implementation Date, this Proposal and the steps and transactions contemplated hereby shall be final and binding upon and shall continue, and be deemed to have been consented to and agreed upon in its entirety by the Companies, the Creditors, the Shareholders, any holders of Securities and any other Person affected by or named in this Proposal (and their respective heirs, executors, administrators, legal representatives, successors and assigns) without any further act or formality required on the part of any Person.

8.7 Consents, Waivers and Agreements

As at 12:00 p.m. (noon) on the Proposal Implementation Date, each Creditor and Shareholder shall be deemed to have consented and to have agreed to all of the provisions of this Proposal as an entirety. In particular, the Companies, the Creditors, the Shareholders, any holders of Securities and any other Person affected by or named in this Proposal, as applicable, shall be deemed:

- (a) subject to the Companies having fulfilled their respective obligations under the Proposal, to have executed and delivered to the Companies all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal as an entirety;
- (b) subject to the Companies having fulfilled their respective obligations under the Proposal, to have waived any default by the Companies in any provision, express or implied, in any agreement or other arrangement,

written or oral, existing between them and the Companies that have occurred on or prior to the Proposal Implementation Date; and

- (c) to have agreed that if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between them and the Companies as at the Proposal Implementation Date (other than those entered into by the Companies on, or with effect from, the Proposal Implementation Date) and the provisions of this Proposal, then the provisions of the Proposal take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

8.8 Releases

Other than in respect of the Unaffected Claims and subject to the fulfilment of the Companies' obligations under this Proposal, after the Proposal Implementation Date, all Creditors of the Companies, all Shareholders, all holders of any Securities and any other Person affected by or named in this Proposal, shall be deemed to forever release and discharge any and all suits, Claims and causes of action that it may have had against the Companies, any of their parent or affiliate companies, each of the directors, officers, employees and advisors of the Companies or any of their parent or affiliate companies, and any claims against any of the Secured Creditor Group and TuCan and each of their directors, officers, employees and advisors, in each case arising prior to the Filing Date (or that arose after the Filing Date but which relates to events which occurred prior to the Filing Date), provided however that nothing herein shall release or discharge or be deemed to have released or discharged any Claims against the directors of the Companies which cannot be released or discharged pursuant to section 50(14) of the BIA.

8.9 Deeming Provisions

In this Proposal, the deeming provisions are not rebuttable and are conclusive and irrevocable.

8.10 Notices

Any notice or other communication to be delivered hereunder must be in writing and may, unless otherwise set out herein, be made or given by personal delivery, registered mail, facsimile or such other written electronic communication acceptable to the parties addressed to:

- (a) If to the Companies:

Sea Breeze Power Corp.
Sea Breeze Energy Inc.
3023 - 595 Burrard Street
Vancouver, BC V7X 1K8
P.O. Box 49183

Attention: Resja Campfens
Fax: 604-689-2990
Email: resjacampfens@seabreezepower.com

With a copy to:

Fasken Martineau DuMoulin LLP
2900 - 550 Burrard Street
Vancouver, BC V6C 0A3

Attention: Kibben Jackson / Danielle Toigo
Fax: 604-631-3232
E-mail: kjackson@fasken.com; dtoigo@fasken.com

(b) If to the Trustee:

Alvarez & Marsal Canada Inc.
1680 - 400 Burrard Street
Vancouver, BC V6C 3A6

Attention: Todd Martin / Tom Powell
Fax: 604-638-7441
E-mail: tmartin@alvarezandmarsal.com; tpowell@alvarezandmarsal.com

Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 5:00 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

8.11 Governing Law

This Proposal shall be governed by and construed in accordance with the laws of British Columbia and the federal laws of Canada applicable therein. Any disputes as to the interpretation or application of this Proposal and all proceedings taken in connection with this Proposal shall be subject to the exclusive jurisdiction of the Court.

Dated at the City of Vancouver, in the Province of British Columbia, this 21st day of April, 2017.

SEA BREEZE POWER CORP.
SEA BREEZE ENERGY INC.

Per:  _____

SCHEDULE "A"

List of Secured Creditor Group

Henry P. Anderson, III, 2009 Revocable Living Trust

Henry P. Anderson III

Moranbah Farms, Inc.

Kenneth L. Puryear

Kenneth L. Puryear 2008 Revocable Living Trust

Ooldea, Inc.

The C. Chase Hoffman Administrative Trust

Hoffman-Sea Breeze LLC

Hoffman Farms

Mark Hoffman

Hoffman and Son

Hoffman Dairies

Hoffman Ventures

APPENDIX B

Gregory Hoffman
949 San Francisco Avenue #1
South Lake Tahoe, California
U.S.A. 96150

April 21, 2017

Alvarez & Marsal Canada Inc.
Commerce Place
Suite 1680, 400 Burrard Street
Vancouver, BC, Canada V6C 3A6
Attention: Tom Powell

Dear Mr. Powell

RE: Sea Breeze Power Corp. and Sea Breeze Energy Inc., Estate Nos. 11-2203806, 11-2203807)

This letter is in regards to the proposal of Sea Breeze Power Corp. and Sea Breeze Energy Inc. dated December 30, 2016, as amended on January 18, 2017 and April 21, 2017 (as amended, the "**Amended Proposal**") made pursuant to the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3.

I confirm that I have read and understand the terms of the Amended Proposal. I acknowledge that under the Amended Proposal my unsecured claims against Sea Breeze Power Corp. and Sea Breeze Energy Inc. will be subordinated to the claims of other unsecured creditors which may adversely affect my recovery in the proposal proceedings. Notwithstanding this, I agree to the proposed treatment of my unsecured claims as contemplated by the Amended Proposal and I hereby confirm that I support the approval and implementation of the Amended Proposal as soon as practicable.

If you have any questions please don't hesitate to contact me.

Best regards,



Gregory Hoffman

cc. Sea Breeze Power Corp. and Sea Breeze Energy Inc., attention Resja Campfens