



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.**

NOTICE OF APPLICATION

Name of applicant: Alvarez & Marsal Canada Inc. (the "**Trustee**") in its capacity as proposal trustee of Sea Breeze Power Corp. ("**Power Corp.**") and Sea Breeze Energy Inc. ("**Energy Inc.**") (together, the "**Companies**") appointed pursuant to the provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**")

To: Sea Breeze Power Corp. and Sea Breeze Energy Inc.

And To: All creditors with proven claims

And To: The Office of the Superintendent of Bankruptcy

TAKE NOTICE that an application will be made by the Trustee to the presiding judge at the courthouse at 800 Smithe Street, Vancouver, B.C. on February 21, 2017 at 9:45 a.m. for the orders set out in Part 1 below.

Part 1: ORDERS SOUGHT

1. An Order approving the amended proposal of the Companies dated January 18, 2017 (as amended, the "**Proposal**") and the transactions set forth therein, in substantially the same form of Order attached hereto as Schedule A.

Part 2: FACTUAL BASIS

1. Capitalized terms used herein and not otherwise defined have the same meanings given to them in the Proposal.

Background

2. The Companies are incorporated under the laws of the Province of British Columbia. Power Corp. is listed on the TSX Venture Exchange under the trading symbol TSXV:SBX. Energy Inc. is a wholly owned subsidiary of Power Corp.
3. The Companies, together with their subsidiaries and affiliates, are engaged in the development of hydro-electric, wind power generation and transmission projects in the province of British Columbia. These projects are in the development stage and do not generate sufficient revenue to fund the Companies' ongoing operations. The Companies have suffered losses over the last several years and have relied on equity financing and secured loans advanced by shareholders and/or the directors (the "**Directors**") of Power Corp., or entities related to the Directors, to fund their operations.
4. The Companies' ongoing losses and inability to raise additional capital made it difficult for the Companies to fund operations. Adding to these financial difficulties, in September 2016, an arbitration award of approximately \$1.26 million was made against Energy Inc. By the latter part of 2016 the Companies could no longer fund operations or meet their liabilities as they came due.
5. On December 30, 2016, the Companies filed the Proposal with the Official Receiver and commenced proceedings under the BIA.
6. The details of the Companies' assets and liabilities are set out in section 4 of the Trustee's Report on the Proposal dated January 6, 2017 (the "**Trustee Report**"). In summary, the Companies' assets have an estimated book value of \$18.4 million and liabilities totalling approximately \$15.6 million, of which approximately \$12.7 million is owing to secured creditors and secured against all assets and properties of the Companies.
7. Of the Companies' assets, approximately \$17.9 million is attributable to inter-company loans advanced by the Companies, and investments made by the Companies, to fund certain developmental projects held by the Companies' affiliates and/or subsidiaries and in a receivership or bankruptcy scenario it is not expected that the realizable value of the Companies' assets would generate sufficient proceeds to pay out secured creditor claims.

Overview of Proposal and Related Transactions

8. The primary purposes of the Proposal are to: (i) effect a restructuring of Power Corp.'s debt and share structure; and (ii) facilitate an orderly liquidation of the Companies' assets, all for the benefit of the Companies' creditors.
9. In summary, the key provisions of the Proposal and related transactions are as follows:
 - (a) The Companies and the Secured Creditor Sponsors will enter into the Purchase and Sale Agreement, pursuant to which the Secured Creditor Sponsors will acquire certain of the Companies' assets, including certain development projects, shareholder loans and equipment (collectively, the "**Transaction Assets**") in

exchange for the reduction of \$10.25 million of the Secured Creditor Sponsors' secured debt (the "**Credit Bid**").

- (b) At the completion of the Purchase and Sale Transactions, and subject to all other conditions set out at section 6.1 of the Proposal being satisfied, including Power Corp.'s articles being amended to include Article 26 (a copy of which is attached to the Proposal as Schedule A), the Proposal will be made effective and the share structure of Power Corp will be restructured as follows and in the following order:
 - (i) Power Corp. will issue the Preference Share to the Trustee;
 - (ii) except for the Preference Share, all existing shares and other securities of Power Corp. will be cancelled; and
 - (iii) the Preference Share will convert to the New Common Share.
- 10. The reorganization of Power Corp.'s share structure will result in the Trustee being the sole shareholder of Power Corp. and it will be de-listed from the TSX-V. The New Common Share will be held by the Trustee in trust for the benefit of the Proposal Beneficiaries, and it is intended that the Trustee will be vested with the authority to sell the New Common Share and/or all of the remaining assets of the Companies (collectively, the "**Residual Assets**"). Any proceeds generated by the sale of the Residual Assets are to be distributed by the Trustee to the Proposal Beneficiaries in accordance with section 3.4 of the Proposal.
- 11. In the Trustee's Report, the Trustee estimates the value of the Residual Assets to be approximately \$643,000 which equates to an average recovery by unsecured creditors of approximately 18% of their claims. The value of the Residual Assets does not include potential recoveries from the sale of the New Common Share (in order to capture the Companies' tax attributes) or any of the remaining projects, the total of which could be significant and possibly result in all unsecured claims being paid in full.
- 12. Pursuant to the Purchase and Sale Agreement, the Secured Creditor Sponsors have agreed to subordinate the balance owing on their secured loans after completion of the Credit Bid (approximately \$2.5 million) to the claims of the Proposal Beneficiaries and have further agreed to forbear from enforcing their security interests against the Companies' assets pending the completion of the restructuring process.
- 13. Certain claims against the Companies will be unaffected by the Proposal, including Secured Claims, Post-Filing Claims, the Consultant's Claim, Intercompany Claims and claims against the Amalgamation Subsidiaries.

Amalgamation

- 14. As a condition precedent to the Purchase and Sale Agreement, and to facilitate the transactions thereunder, Power Corp. and two of its wholly owned subsidiaries (the "**Amalgamating Subsidiaries**") intend to amalgamate under the name "Sea Breeze

Power Corp.” This proposed amalgamation was approved by a resolution of the Directors dated January 24, 2017.

15. The Companies are not aware of any claims against the Amalgamating Subsidiaries and therefore the amalgamation should not affect creditor recoveries.

Administration Charge

16. The Secured Creditor Sponsors have agreed to fund the restructuring process through to the implementation of the Proposal. However, they have expressed reservations about funding in advance the process relating to the realization of the Residual Assets. The Trustee has advised that it is prepared to perform its obligations in respect of such process without advance funding by the Secured Creditor Sponsors provided it has reasonable security for the payment of its fees and costs.
17. It is also intended that Fasken Martineau DuMoulin, LLP (“**FMD**”), legal counsel for the Companies, will be assisting in the sale transaction(s) to realize on the Residual Assets and that FMD’s associated fees and costs will be paid from the proceeds generated by these assets. FMD has advised it is agreeable to this but it will also require security for payment of its fees and costs.
18. Accordingly, as security for the payment of the fees and costs of the Trustee, the Trustee’s legal counsel (should such counsel retained) and FMD arising in relation to the realization of the Residual Assets, and with the support of the Companies and the Secured Creditor Sponsors, the Trustee and FMD are seeking a charge in the maximum amount of \$150,000 (the “**Administration Charge**”) over the Residual Assets, ranking in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, including the Proposal Beneficiaries.

Support for the Proposal

19. At the Creditor Meeting on January 18, 2017, the participating Voting Creditors voted unanimously to approve the Proposal.
20. The Trustee supports the approval of the Proposal. If the Proposal is not approved by the Court, the Companies will be deemed to make an assignment in bankruptcy and the Secured Creditor Sponsors will likely proceed to enforce their security and liquidate the Companies’ assets. In such scenario, the unsecured creditors are expected to recover nothing.

Part 3: LEGAL BASIS

1. The Trustee relies on the inherent jurisdiction of this Honourable Court, the provisions of the BIA and the BCBCA and such other legal basis as it may advise.

Approval of the Proposal

2. To approve the Proposal the Court must be satisfied that it includes the statutory provisions mandated by the BIA and that:

- (a) the terms of the Proposal are reasonable;
- (b) the terms are calculated to benefit the general body of creditors; and
- (c) the Proposal is made in good faith.

Kitchener Frame Limited (Re), 2012 ONSC 234 (“*Kitchener*”), at 19

BIA, section 59(2)

3. The Proposal meets each of these requirements:

- (a) The mandatory statutory requirements are included in the Proposal at Article 3.
- (b) The terms of the Proposal are reasonable and the Companies expect that the Proposal will be implemented, and recovery made available to creditors, in a timely manner.
- (c) The Proposal is calculated to benefit the general body of creditors through the orderly liquidation of the Companies’ Residual Assets which is expected to provide meaningful recovery to the unsecured creditors, with the potential for full recovery.
- (d) The Proposal is made by the Companies in good faith and with the support of the Secured Creditor Sponsors who have agreed to fund these proceedings and the operational needs of the Companies through their restructuring process. Further, the Secured Creditor Sponsors have agreed to subordinate the balance owing on their secured claims following the Credit Bid, which materially increases the recovery available to the unsecured creditors.

4. The Proposal was unanimously approved at the Creditor Meeting and is supported by the Trustee. Although not binding on the Court, substantial deference should be afforded to the views of those parties.

Kitchener, at 21

Approval of the Reorganization of Power Corp.’s Share Structure

5. As described above, the Proposal contemplates the reorganization of Power Corp.’s share structure, including the cancellation of all outstanding shares and securities (defined in the Proposal as the “Existing Shares and Securities”) and the issuance of the New Common Share to the Trustee to be held in trust for the benefit of the Proposal Beneficiaries. This reorganization is necessary in order to effect an orderly liquidation of

the Residual Assets, including by potentially monetizing the Companies' tax attributes through the sale of the New Common Share.

6. Section 291(4) of the BCBCA provides that, despite any other provision of the BCBCA, on an application to the court for approval of an arrangement, the court may make any order necessary to ensure the arrangement is fully and effectively carried out. The broad jurisdiction provided by this section has been relied on by courts to approve and give effect to arrangements of insolvent companies for the benefit of their creditors

BCBCA, s. 291(4)

Order made November 19, 2010, *In the Matter of the Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 and *In the Matter of the Business Corporations Act*, S.B.C. 2002, c. 57 and *In the Matter of a Plan of Compromise and Arrangement of Adnac Molybdenum Corporation*, Supreme Court of British Columbia, Vancouver Registry Action No. S088893

7. British Columbia Courts have also approved the reorganization of an insolvent company's share structure without reference to the BCBCA, and instead have relied on the broad statutory discretion provided to them by the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (the "CCAA"). For example, in *Bul River Mineral Corporation (Re)*, Fitzpatrick J. approved a plan of arrangement under the CCAA which provided for the cancellation of certain share classes. Shareholders whose shares were being cancelled were not entitled to vote on the plan. The Court said this was permissible as those shareholders had no monetary interest in the assets being dealt with under the plan.

Bul River Mineral Corporation (Re), 2015 BCSC 113 at 16, 26 and 92

8. The decision of the Court in *Bul River* is instructive in these proceedings given the financial circumstances of the Companies. Absent express statutory language, the interpretation and application of the BIA and the CCAA should not lead to different results in similar cases. Rather, the Courts should engage in a flexible and purposive interpretation of the BIA that is harmonious with the interpretation and application of the CCAA.

Kitchener at 46, 47, 54 and 73

9. The BIA does not prohibit the reorganization of a debtor's share structure. Indeed, in 2009 the BIA was amended to codify the subordinate position of equity claims in proposal proceedings. Even before these amendments, it was well established by the jurisprudence that equity claims were subordinate to creditor claims in an insolvency proceeding, as shareholders have no economic interest in an insolvent enterprise.

See for example sections 54.2(d), 60(1.7) and 140.1 of the BIA

Sino-Forest Corp. (Re), 2012 ONCA 816, at 30

10. Similar to *Bul River*, the Shareholders and holders of the Securities have no monetary interest in the Companies' assets and they are not prejudiced by the reorganization and

the cancellation of the Existing Shares and Securities. Conversely, not approving the reorganization could materially prejudice the Proposal Beneficiaries, as it would prevent the Trustee from possibly monetizing the Companies' tax attributes thereby reducing potential creditor recoveries. This result benefits no one and is inconsistent with the intent of the BIA proposal provisions which are designed to facilitate, among other things, a value maximizing restructuring.

Kitchener, at 53

Approval of the Administration Charge

11. On notice to the secured creditors likely to be affected, section 64.2 of the BIA authorizes the Court to grant a priority charge over the property of a party that has filed a proposal to secure the fees and expenses of financial, legal or other professionals involved in proposal proceedings under the BIA.

BIA, s. 64.2

12. The factors to be considered by the Court in determining whether to grant the Administration Charge include: the size and complexity of the business being restructured; the proposed role of the beneficiaries of the charge; whether there is an unwarranted duplication of roles; whether the quantum of the proposed charge appears to be fair and reasonable; the position of the secured creditors likely to be affected by the charge; and the position of the Trustee.

Redstone Investment Corporation (Re), 2014 ONSC 2004, at 55

13. In these proceedings, the applicable factors support the granting of the Administration Charge:
 - (a) The Trustee's proposed mandate includes the monetization of the Residual Assets, which likely involve corporate and tax transactions concerning a (formerly) public company with multiple subsidiaries and assets. The Trustee has not retained its own counsel and the assistance of FMD is necessary in order to carry out the transactions necessary to realize on the Residual Assets.
 - (b) The Trustee and FMD are currently the proposed beneficiaries. Each of these beneficiaries has a distinct and critical role in the restructuring process and there is little to no risk of unwarranted duplication.
 - (c) The quantum of the proposed charge is reasonable in the circumstances and is reflective of the estimated value of the Residual Assets; and
 - (d) The Secured Creditor Sponsors are the only secured creditors affected by the Administration Charge and they support the granting of the charge as sought.
14. Administration and financial advisor charges have been previously approved in insolvency proposal proceedings, where the participation of the parties whose fees are

secured by the charge is necessary to carry out a sale or realization process and to ensure a successful proceeding under the BIA.

Colossus Minerals Inc., Re, 2014 ONSC 514 at 13

15. The successful implementation of the Proposal and the realization of the Residual Assets for the benefit of creditors requires the ongoing participation of the Trustee and FMD. The Secured Creditor Sponsors and the Companies support the granting of the Administration Charge as sought.

Part 4: MATERIAL TO BE RELIED ON

1. Trustee's Report on the Proposal, dated January 6, 2017
2. Trustee's Report in Form 40.
3. Affidavit #1 of Resja Campfens, sworn January 25, 2017.

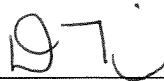
The applicants estimate that the application will take 30 minutes.

☒ This matter is not within the jurisdiction of a master.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this Notice of Application, you must, within 5 business days after service of this Notice of Application or, if this application is brought under Rule 9-7, within 8 business days after service of this Notice of Application,

- (a) file an Application Response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) service on the applicant 2 copies of the following, and on every other party of record one copy of the following:
 - (i) a copy of the filed Application Response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Dated: 25-Jan-2017



Signature of Danielle Toigo as agent for the
Trustee

To be completed by the court only:

Order made

☐ in the terms requested in paragraphs of Part 1 of
this Notice of Application

☐ with the following variations and additional terms:

.....
.....
.....

Date:

.....
Signature of ☐ Judge ☐ Master

The Agent Solicitors for the Trustee are Fasken Martineau DuMoulin LLP, whose office address and address for delivery is 550 Burrard Street, Suite 2900, Vancouver, BC V6C 0A3 Telephone: +1 604 631 3131 (Reference: Danielle Toigo/308146.00002)

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- ☐ discovery: comply with demand for documents
- ☐ discovery: production of additional documents
- ☐ other matters concerning document discovery
- ☐ extend oral discovery
- ☐ other matter concerning oral discovery
- ☐ amend pleadings
- ☐ add/change parties
- ☐ summary judgment
- ☐ summary trial
- ☐ service
- ☐ mediation
- ☐ adjournments
- ☐ proceedings at trial
- ☐ case plan orders: amend
- ☐ case plan orders: other
- ☐ experts

SCHEDULE 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.**

ORDER MADE AFTER APPLICATION

))
))
BEFORE)	THE HONOURABLE JUSTICE)
))
)	_____)

ON THE APPLICATION OF Alvarez and Marsal Canada Inc., in its capacity as proposal trustee (the “**Trustee**”) of Sea Breeze Power Corp. (“**Power Corp.**”) and Sea Breeze Energy Inc. (“**Energy Inc.**”) (together, the “**Companies**”) appointed under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the “**BIA**”), coming on for hearing at Vancouver, British Columbia on this day, and on hearing <@> as agent for the Trustee and those other counsel or parties listed in Schedule A attached hereto;

THIS COURT ORDERS AND DECLARES that:

1. The amended proposal of the Companies attached hereto as Schedule B (the “**Proposal**”) is hereby sanctioned and approved pursuant to the BIA. Capitalized terms not otherwise defined in this Order shall have the same meanings given to them in the Proposal.
2. The Creditor Meeting was duly convened, held and conducted on January 18, 2017 in conformity with the BIA.
3. The Proposal has been approved by the Required Majority in conformity with the BIA.
4. The terms of the Proposal are fair and reasonable and are calculated to benefit the general body of Creditors.
5. Subject to, and immediately upon, the Court granting an Order approving the Purchase and Sale Agreement and each of the Purchase and Sale Transactions:

- (a) the amalgamation of Power Corp., SB Okanagan Holding (03) Corp. and SB Prince Rupert Holding Corp. under the name "Sea Breeze Power Corp." is approved pursuant to the provisions of section 276 of the *British Columbia Business Corporations Act*, S.B.C. 2002, c. 57 ("BCBCA"), as amended, and such amalgamation shall be effective on the date the Certificate of Amalgamation is issued to Power Corp. by the Registrar; and
 - (b) Article 26, a copy of which is attached as Schedule A to the Proposal, is approved and upon the completion of the Purchase and Sale Transactions, Power Corp. is authorized to file the Notice of Alteration with the Registrar pursuant to the provisions of section 257 of the BCBCA to amend the articles of Power Corp. to include Article 26, such amendment to be effective on the date the Certificate of Filing is issued to Power Corp. by the Registrar.
- 6. The Companies and the Trustee, as applicable, are authorized and directed to take all steps and actions necessary or appropriate, as determined by the Companies and the Trustee in accordance with and subject to the terms of the Proposal, to implement and effect the Proposal in the manner and sequence set forth in the Proposal, and to execute and deliver all contracts, instruments, certificates and other agreements or documents to be created or delivered in connection with the Proposal, and such steps and actions are hereby approved.
- 7. The Proposal Implementation Date shall occur on the date that all conditions precedent set forth in section 6.1 of the Proposal are satisfied and the Proposal is ordered effective as at that date and will enure to the benefit of and be binding upon the Companies, the Creditors, the Shareholders and all other Persons named or referred to in the Proposal.
- 8. Effective on the Proposal Implementation Date, 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 set forth in the Proposal or this Order are hereby deemed to have been made, given, passed or obtained.
- 9. Effective on the Proposal Implementation Date, the arrangements, reorganizations and corporate transactions set forth at section 5.2 of the Proposal are sanctioned and approved and on the Proposal Implementation Date such transactions shall occur, and shall be deemed to occur, in the following order without any further act or formality required on the part of any Person:
 - (a) Power Corp. will issue the Preference Share to the Trustee and the Preference Share shall vest in the Trustee free and clear of any Claims and shall be held by the Trustee in trust for the benefit of the Proposal Beneficiaries;
 - (b) (i) all Existing Shares of Power Corp. shall 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 the Existing Shares shall be deemed to be

cancelled and shall be null and void; and (ii) all Securities of Power Corp. 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; and

- (c) the Preference Share shall convert to the New Common Share.
10. The Preference Share and, upon its conversion, the New Common Share shall be issued to and vest in the Trustee, and the Trustee shall hold the Preference Share and, upon its conversion, the New Common Share in trust for the benefit of the Proposal Beneficiaries in accordance with the Proposal.
 11. Effective on the Proposal Implementation Date, the Trustee shall be authorized, but not obligated, to act at once in respect of the Residual Assets and is hereby expressly empowered and authorized to do any of the following where the Trustee considers it necessary or desirable:
 - (a) to take possession of and exercise control over the Residual Assets and any and all proceeds, receipts and disbursements arising out of or from the Residual Assets;
 - (b) to receive, preserve and protect the Residual Assets or any part or parts thereof;
 - (c) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist the Trustee with the exercise of realizing on the Residual Assets, or any part or parts thereof;
 - (d) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Residual Assets;
 - (e) to market any or all of the Residual Assets, including advertising and soliciting offers in respect of the Residual Assets or any part or parts thereof and negotiating such terms and conditions of sale as the Trustee in its discretion may deem appropriate;
 - (f) to sell, convey, transfer, lease or assign the Residual Assets or any part or parts thereof out of the ordinary course of business; and
 - (g) to apply for any vesting order or other orders necessary to convey the Residual Assets or any part or parts thereof to a purchaser.
 12. The Trustee shall distribute the proceeds generated from the realization of the Residual Assets in accordance with section 3.4 of the Proposal.
 13. A charge (the “**Administration Charge**”) is hereby granted in favour of the Trustee, the Trustee’s legal counsel (should such counsel be retained) and Fasken Martineau

DuMoulin LLP (“**FMD**”), in its capacity as legal counsel of the Companies, in the maximum amount of \$150,000.00 secured against the Residual Assets as security for the reasonable fees and disbursements of the Trustee, its legal counsel and FMD incurred in relation to their efforts to realize on the Residual Assets. The Administration Charge shall form a first charge on the Residual Assets in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, including the Proposal Beneficiaries.

14. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5 or Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, the Trustee may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Residual Assets and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales or dispositions of the Residual Assets (each, a “**Sale**”). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete the Sale, shall return all such information to the Trustee, or in the alternative destroy all such information. The purchaser of any of the Residual Assets shall be entitled to continue to use the personal information provided to it, and related to the Residual Assets purchased, in a manner which is in all material respects identical to the prior use of such information by Companies, and shall return all other personal information to the Trustee, or ensure that all other personal information is destroyed.
15. Nothing in this Order shall require the Trustee to occupy or to take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of any of the Residual Assets that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release, or deposit of a substance contrary to any federal, provincial or other law relating to the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, 1999, S.C. 1999, c. 33, the *Fisheries Act*, R.S.C. 1985, c. F-14, the *Environmental Management Act*, R.S.B.C. 1996, c. 118 and the *Fish Protection Act*, S.B.C. 1997, c. 21 and regulations thereunder (collectively “**Environmental Legislation**”), provided however that nothing herein shall exempt the Trustee from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Trustee shall not, as a result of this Order or anything done in pursuance of the Trustee’s duties and powers under this Order, be construed to be in Possession of any of the Residual Assets within the meaning of any Environmental Legislation, unless the Trustee is actually in Possession.
16. The exercise by the Trustee of any of its power, the performance by the Trustee of any of its duties, or the use or employment by the Trustee of any person under the direction of the Trustee in connection with the Trustee’s appointment and the exercise and performance of its power and duties shall not constitute the Trustee as the employer, successor employer or related employer of the employees of the Trustee within the meaning of the *Employment Standards Act* of British Columbia, the *Pension Benefits Standards Act* of British Columbia, the *Canada Labour Code*, the *Pension Benefits*

Standards Act of Canada or any other provincial, federal or municipal legislation or common law governing employment or labour standards or any other statute, regulation or rule of law or equity for any purpose whatsoever or expose the Trustee to liability to any individuals arising from or relating to their employment by the Trustee. In particular, the Trustee shall not be liable to any of the employees for any wages (as “wages” are defined in the *Employment Standards Act* of British Columbia) including severance pay, termination pay and vacation pay except for such wages as the Trustee specifically agrees to pay.

17. The Trustee shall incur no personal liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part.
18. The releases set forth in section 8.8 of the Proposal are hereby confirmed and subject to the Companies fulfilment of their obligations under the Proposal, effective on the Proposal Implementation Date 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, the Secured Creditor Sponsors and each of their directors, officers, employees and advisors are hereby released and discharged from all Claims and causes of action existing prior to the Filing Date, subject to the exclusions set forth in section 8.8 of the Proposal.
19. The Companies, the Trustee and any other interested party shall be at liberty to apply for such other directions or relief as may be necessary or desirable to give effect to this Order.
20. Endorsement of this Order by counsel other than counsel for the Companies and agent for the Trustee is hereby dispensed with

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of Kibben Jackson

☒ Agent for Alvarez and Marsal Canada Inc., in
its capacity as proposal trustee of Sea Breeze
Power Corp. and Sea Breeze Energy Inc.

BY THE COURT

REGISTRAR

SCHEDULE A

PARTY	COUNSEL

SCHEDULE B
PROPOSAL

Bankruptcy Division
Vancouver Registry
Court No. B _____
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.**

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

DATED JANUARY 18, 2017

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ARTICLE 1
INTERPRETATION

1.1 Definitions

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

“Amalgamation Subsidiaries” means, together, SB Okanagan Holding (03) Corp. and SB Prince Rupert Holding Corp.

“Amalgamation Subsidiary Claim” means any claim against one or both of the Amalgamation Subsidiaries existing prior to the amalgamation of the Amalgamation Subsidiaries and Power Corp.

“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 this Proposal and all actions and transactions set out herein pursuant to the BIA;
- (b) approves the alteration to the articles of Power Corp. by adding Article 26 thereto pursuant to section 257 of the BCBCA;
- (c) approves the Purchase and Sale Agreement and the Purchase and Sale Transactions and, effective at the completion of the Purchase and Sale Transactions, vests the Transaction Assets in the Secured Creditor Sponsors, or their nominee, free and clear of any Claims;
- (d) approves the assignment of Sea Breeze’s rights and obligations under the assigned agreements identified in the Purchase and Sale Agreement to the Secured Creditor Sponsors, or their nominee, effective at the completion of the Purchase and Sale Transactions;
- (e) vests the Preference Share in the Trustee, to be held in trust for the benefit of the Proposal Beneficiaries, effective as at the Proposal Implementation Date and in accordance with the terms of this Proposal;
- (f) approves the cancellation of the Existing Shares and Securities and approves the conversion of the Preference Share to the New Common Share and the New Common Share in the Trustee, to be held in trust for the benefit of the Proposal Beneficiaries, effective as at the Proposal Implementation Date and in accordance with the terms of this Proposal; and

- (g) authorizes the Trustee to sell the Residual Assets, or any part thereof, and pay the proceeds from such realization to the Proposal Beneficiaries in accordance with the terms of this Proposal,

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; (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; and (iii) the Secured Creditor Sponsors have confirmed in writing that they consider the Order to be final.

“Article 26” means the article substantially in the form attached hereto as Schedule A which shall be added to the existing articles of Power Corp.

“BCBCA” means the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended.

“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.

“Certificate of Amalgamation” means the certificate issued to Power Corp. by the Registrar certifying the amalgamation of Power Corp. and the Amalgamation Subsidiaries.

“Certificate of Filing” means the certificate issued to Power Corp. by the Registrar confirming the filing of the Notice of Alteration.

“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.

“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 liquidation of the Residual Assets 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 relating to the liquidation of the Residual Assets.

“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.

“Existing Shares” means all of the shares of all classes in the capital stock of Power Corp. issued and outstanding and as constituted immediately prior to the Proposal Implementation Date, and for clarity does not include the Preference Share or the New Common Share.

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

“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.

“New Common Share” means the one new common share of Power Corp. resulting from the conversion of the Preference Share on the Proposal Implementation Date and held by the Trustee in trust for the benefit of the Proposal Beneficiaries.

“Notice of Alteration” means the notice of alternation to be filed by Power Corp. with the Registrar pursuant to section 257 of the BCBCA in respect of Article 26 being added to the existing articles of Power Corp.

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

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

“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 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.. both before and after amalgamation with the Amalgamation Subsidiaries, as the context may require.

“Preference Share” means the one Series 1, Class “A” Preference Share of Power Corp. to be issued to the Trustee in accordance with subsection 5.2(a) of this Proposal.

“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 members of the Voting Creditor Class.

“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.

“Purchase and Sale Agreement” means an agreement to be entered into by Power Corp., the Secured Creditor Sponsors, or their nominee, pursuant to which, among other things, the Secured Creditor Sponsors or their nominee will: (i) acquire the Transaction Assets for the Purchase Price; and (ii) agree to support and fund this Proposal, including the ongoing operations of the Companies.

“Purchase and Sale Transactions” means the transactions contemplated by the Purchase and Sale Agreement including the amalgamation of Power Corp. and the Amalgamation Subsidiaries and the sale and transfer of the Transaction Assets to the Secured Creditor Sponsors, or their nominee, which are to complete prior to the Proposal Implementation Date.

“Purchase Price” means the amount to be paid by the Secured Creditor Sponsors for the Transaction Assets, which shall be paid by way of a reduction in the amount of the Secured Creditor Sponsors’ Secured Claims.

“Registrar” means the Registrar of Companies under the BCBCA.

“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.

“Residual Assets” means the New Common Share and those assets remaining with the Companies immediately following the completion of the Purchase and Sale Transactions.

“Secured Claim” means a Claim that is secured by a Security Interest.

“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 of the Existing Shares in the capital of Power Corp., all warrants issued by Power Corp. to purchase Existing 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 the registered holders of the Existing Shares.

“Transaction Assets” means, collectively, (i) the projects and related assets set out in Schedule B to this Proposal and/or the shares of the subsidiaries of Power Corp. which own such projects and assets; (ii) Power Corp.’s office lease, photocopier lease and the office equipment onsite at the leased office premises; and (iii) Power Corp.’s leases for two storage lockers and the contents of those lockers.

“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.

“Unaffected Claim” means a (i) Claim that is: (1) a Secured Claim; (2) a Post-Filing Claim; (3) the Consultant’s Claim, or (4) an Intercompany Claim; and (ii) an Amalgamation Subsidiary Claim.

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

“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 5:00 p.m. 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: Article 26

Schedule B: Transaction Assets

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. to facilitate an orderly liquidation of the Companies' assets for the benefit of the Companies' Creditors.

2.2 Funding of Proposal

The Secured Creditor Sponsors will fund this Proposal, including by paying the Trustee's Costs, and all Post-Filing Claims. The Secured Creditor Sponsors will not fund distributions to the Proposal Beneficiaries and all distributions to the Proposal Beneficiaries will be funded from the proceeds of realization of the Residual Assets.

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 and the Creditors.

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, including, as it relates to the Secured Creditor Sponsors, pursuant to the Purchase and Sale Agreement.

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 the liquidation of some or all of the Residual Assets is complete 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 proceeds of realization of the Residual Assets, with payment of the Consultant's Claim ranking in priority to payment of the Proven Claims of the Voting Creditor Class 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.

3.1.5 *Amalgamation Subsidiary Claims*

Amalgamation Subsidiary Claims are unaffected by this Proposal.

3.2 Trustee's Costs

The Trustee's Costs shall be paid in priority to all Proven Claims of the Priority Creditors, the Consultant's Claim and the Proven Claims of the Voting Creditor Class.

3.3 Priority Claims

The following Priority Claims, once Proven Claims, shall be paid in their entirety, without interest, and in priority to the Consultant's Claim and all Proven Claims of the Voting Creditor Class, as soon as reasonably practicable following the Proposal Implementation Date and the realization of the Residual Assets.

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 realization of the Residual Assets.

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.

On the Proposal Implementation Date the Preference Share will be issued to the Trustee to be held in trust by the Trustee for the benefit of the Proposal Beneficiaries and shall thereafter convert to the New Common Share. The Trustee will hold the New Common Share in trust for the Proposal Beneficiaries and will be authorized to sell the Residual Assets, or any part of them, and any proceeds generated by such sale(s) will be distributed 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 up to the maximum amount of each Unsecured Creditor's Proven Claim in full and final satisfaction of the Unsecured Creditors' Proven Claims; and
- (d) Fourth, the balance of any proceeds remaining will be paid *pro rata* to the Secured Creditor Sponsors: (i) first, up to the maximum amount that each Secured Creditor Sponsor has paid to fund the operations of the Companies after the Filing Date and the implementation and carrying out

of this Proposal and the transactions contemplated herein; and (ii) second, to satisfy the amounts owing to the Secured Creditor Sponsors for the balance remaining on their Secured Claims following the completion of the Purchase and Sale Transactions and the payment of the Purchase Price.

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 the Secured Creditor Sponsors.

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 to be immediately effected on the commencement of the Proposal Implementation Date 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) Power Corp. will issue the Preference Share to the Trustee, to be held in trust for the Proposal Beneficiaries;
- (b) except for the Preference Share: (i) all Existing Shares of Power Corp. shall 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 the Existing Shares shall be deemed to be cancelled and shall be null and void; and (ii) all Securities of Power Corp. 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; and
- (c) the Preference Share shall convert to the New Common Share which shall be held by the Trustee in trust for the benefit of the Proposal Beneficiaries.

5.3 No Other Entitlements

The Shareholders and holders of Securities will not be entitled to any interest, dividend, premium or other payment on or with respect to their Claims, Existing 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) the 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 Purchase and Sale Transactions and all other transactions set forth in the Purchase and Sale Agreement have completed and the Transaction Assets have vested in the Secured Creditor Sponsors, or their nominee, free and clear of all Claims;
- (e) the Certificate of Amalgamation has been issued by the Registrar;
- (f) the Notice of Alteration has been filed with the Registrar and the Registrar has issued the Certificate of Filing; and
- (g) 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 Voting Creditor Class 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, 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 proceeds from the realization of the Residual Assets to the Secured Creditor Sponsors, 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 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 more of the Creditors and the Companies, or the Shareholders and Power Corp., as at the Proposal Implementation Date 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 and Shareholder 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 Creditor or Shareholder 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

On and from 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 12:01 a.m. 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, each Creditor and Shareholder, 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 such Creditor or Shareholder 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 such Creditor or Shareholder 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, each Creditor of the Companies, and each holder of Securities and Shareholders of Power Corp., shall be deemed to forever release 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 Sponsors and each of the 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 18th day of January, 2017.

**SEA BREEZE POWER CORP.
SEA BREEZE ENERGY INC.**

Per:  _____

**SCHEDULE A TO THE AMENDED PROPOSAL OF
SEA BREEZE POWER CORP. AND SEA BREEZE ENERGY INC.**

ARTICLE 26

Pursuant to the Articles of the Company, including Articles 9.3 and 25.3, the existing Articles of the Company be altered by adding the following as Article 26:

ARTICLE 26

**SPECIAL RIGHTS AND RESTRICTIONS
SERIES 1, PREFERRED SHARES**

26.1 The first series of Preferred shares shall consist of a maximum number of 20,000,000 shares designated as Series 1, Class “A” Preference shares (“**A1 Preferred Shares**”) and, in addition to the special rights and restrictions attaching to the Preferred shares as a class as specified in Article 25, shall have attached to them as a series the special rights and restrictions specified in this Article.

26.2 Each of the registered holders of the A1 Preferred Shares (“**A1 Preferred Holders**”) shall have the right (the “**Conversion Right**”) at any time on notice delivered pursuant to and in accordance with this Article to convert any one or more of its A1 Preferred Shares into the same number of fully paid Common shares as follows:

(a) An A1 Preferred Holder may exercise an A1 Preferred Holder’s Conversion Right by notice (the “**Conversion Notice**”) in writing delivered to the Company. The Conversion Notice shall (i) specify the number of A1 Preferred Shares (the “**Specified Shares**”) the A1 Preferred Holder delivering the Conversion Notice wishes to be converted, (ii) be signed by the A1 Preferred Holder and (iii) be accompanied by the certificate or certificates representing the Specified Shares.

(b) Effective as of the date of receipt by the Company of a duly signed Conversion Notice and accompanying share certificate or certificates representing the Specified Shares, the Company shall issue and promptly deliver to the A1 Preferred Holder tendering the Conversion Notice a certificate representing that number of fully paid and non-assessable Common shares which is equal to the number of Specified Shares. If less than all the A1 Preferred Shares represented by any certificate are converted, the Company shall at its expense promptly issue and deliver a new share certificate to the holder thereof for the balance of the A1 Preferred Shares not converted.

(c) If at any time and from time to time the Common shares are changed into a different class or classes of shares or other securities, whether by reclassification, recapitalization, reorganization, arrangement, amalgamation or merger, then each A1 Preferred Holder shall have the right thereafter to convert its A1 Preferred Shares into the kind and amount of shares and other securities and property receivable upon such change by holders of the number of Common shares into which the A1 Preferred Shares could have been converted immediately prior to such change. Upon the occurrence of any such

change, the Company shall promptly furnish to each A1 Preferred Holder a notice setting forth the number and kind of shares or other securities or property which would be received by A1 Preferred Holders upon conversion of each A1 Preferred Share under this Article.

(d) The Company shall at all times reserve and keep available out of its authorized but unissued Common shares a sufficient number of Common shares to effect the conversion of all outstanding A1 Preferred Shares and take any corporate action which may, in the opinion of its legal counsel, be necessary in order to enable and effect the full conversion thereof in accordance with the provisions hereof.

**SCHEDULE B TO THE AMENDED PROPOSAL OF
SEA BREEZE POWER CORP. AND SEA BREEZE ENERGY INC.**

Project Name	Holding Company
Pothole Creek (Northern Ridge)	SB Okanagan Holding (03) Corp. until such time as this company is amalgamated with Sea Breeze Power Corp. and the other Amalgamation Subsidiary, after which these projects will be held by Sea Breeze Power Corp.
Wart (Southern Ridge)	
Pothole Creek (Southern Ridge)	
Wart (Northern Ridge)	
Pothole Creek West	
Wart South	
Mount Hays West	SB Prince Rupert Holding Corp., until such time as this company is amalgamated with Sea Breeze Power Corp. and the other Amalgamation Subsidiary, after which these projects will be held by Sea Breeze Power Corp.
Mount Hays East	
Roscoe Lake East	SB Okanagan Holding (08) Corp.
Roscoe Lake West	
Bouleau Mountain Wind Project	SB Okanagan Holding (01) Corp.
White Rocks Mountain	SB Okanagan Holding (04) Corp.
Mount Sandberg	
Siwash Lake	
Lemont Creek	SB Lemont Holding Corp.
Mount Chapperon	SB Mount Chapperon Holding Corp.
Iron Mountain	SB Okanagan Holding (02) Corp.
Mount Connell	SB Cranbrook Holding Corp.
Mount Joseph	
Aristazabal Island	SB Central Coast Holding (01) Corp.
Galloway A	SB Solar Holding (02) Corp.
Galloway B	
Galloway C	
Galloway D	
Wycliffe	SB Solar Holding (03) Corp.

Juan de Fuca Cable	SBJF Holding Corp.
Hushamu/Pemberton	SB Hushamu & Pemberton Holding Corp.
Shushartie North & South	SB Shushartie Holding Corp.
God's Pocket	SB God's Pocket Holding Corp.
Nimpkish Project	SB Nimpkish Holding Corp.
Knob Hill Phase II	Sea Breeze Energy Inc.

Bankruptcy Division
Vancouver Registry
Court No. B
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.**

ORDER MADE AFTER APPLICATION

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