

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

FORM 40

REPORT OF TRUSTEE ON PROPOSAL  
(Section 59(1) and paragraph 58(d) of the Act)

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

We, Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Trustee**”), the trustee acting in the joint proposal (the “**Proposal**”) of Sea Breeze Power Corp. and its wholly owned subsidiary, Sea Breeze Energy Inc. (together, the “**Companies**”), hereby report to the Court as follows:

1. That the Proposal was filed with the Trustee on the 30<sup>th</sup> of December, 2016 (the “**Filing Date**”), a copy of which is attached as Appendix “**AA**”, and that a copy of the Proposal was filed with the official receiver on the Filing Date.
2. That on the 6<sup>th</sup> day of January, 2017, the Trustee gave notice to the Companies, the division office, and to every known creditor affected by the Proposal of the calling of a meeting of creditors to be held on the 18<sup>th</sup> day of January, 2017 to consider the Proposal (the “**Notice**”).
3. That with the Notice was included the Trustee’s Report to Creditors dated January 6, 2017 (the “**Trustee’s Report**”), condensed statement of assets and liabilities of the Companies, a list of creditors affected by the Proposal and the amounts of their claims, a copy of the Proposal, a form of proof of claim, a proxy in blank and a voting letter (the “**Proposal Package**”). A copy of the Proposal Package is included in Appendix “**BB**”.
4. That prior to the meeting of creditors, the Trustee made a detailed and careful inquiry into the liabilities of the Companies, the Companies’ assets and their value, the Companies’ conduct and the causes of insolvency.
5. That the meeting of creditors was held on the 18<sup>th</sup> of January, 2017 and was presided over by Todd Martin, Senior Vice President of A&M (the “**Chair**”).

6. That at the meeting of creditors, the Chair advised that the Companies had filed the Amended Proposal dated January 18, 2017 (the “**Amended Proposal**”) and that the amendments provide for the amalgamation of SB Okanagan Holding (03) Corp. and SB Prince Rupert Holding Corp. into Sea Breeze Power Corp. and did not impact the treatment of creditor claims and the estimated distribution of the original Proposal. A copy of the Amended Proposal is included in Appendix “**CC**”.
7. The Amended Proposal was accepted by the required majority of creditors at the meeting of creditors.
8. That a copy of the minutes of the creditors’ meeting is attached and marked as Appendix “**DD**”.
9. That the Trustee is of the opinion that:
  - a) the assets of the Companies and their fair realizable values per the Companies’ Statement of Affairs and books and records are as follows:

Sea Breeze Power Corp. and Sea Breeze Energy Inc. Estimated Realizable Values of Assets As at December 30, 2016 (\$000s)			
	Net Book Value		Realizable Values
Cash	\$ 243	\$	243
Accounts receivable	6		6
Prepays and other assets	218		-
Property, plant and equipment	6		1
Interest in Powerhouse Developments Inc.	2,880		600
Advances to and interest in other subsidiaries	15,049		8,241
	<u>\$ 18,402</u>	<u>\$</u>	<u>9,091</u>

- b) the liabilities of the Companies are as follows:


**Sea Breeze Power Corp. and Sea Breeze Energy Inc.**  
**Summary of Estimated Creditor Claims**  
**As at December 30, 2016**  
**(\$000s)**

	Number of Claims	Amount of Claims
<b>Affected Claims (Unsecured)</b>		
Employee and contractor severance	5	\$ 349
Amounts due to directors	5	435
Legal fees	1	92
	11	\$ 876
<b>Unaffected Claims</b>		
Consultant's claim	1	\$ 157
Secured loans and debentures	11	12,744
Intercompany claims	1	1,866
	13	14,767

10. That the Trustee is also of the opinion that:
- a) the causes of the insolvency of the Companies are as follows:
    - i. the Companies' projects are in their development stage and accordingly, the Companies have historically incurred losses; and
    - ii. the Companies are unable to raise further capital to fund operations.
  - b) the conduct of the debtor, both prior to and subsequent to the commencement of the proposal proceedings, is not subject to censure.
  - c) There are no known facts mentioned in section 173 of the *Bankruptcy and Insolvency Act* (Canada) that may be proven against the Companies.
11. That the Trustee is further of the opinion that the Companies' Amended Proposal is an advantageous one for the creditors 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 recovery for the creditors under the Amended Proposal is superior to what it would be if the Companies were assigned into bankruptcy; and
  - c) the Companies' voting creditors have voted in favour of the Amended Proposal.
12. That the Trustee forwarded a copy of this report to the official receiver on this day.

Dated at Vancouver, this 30<sup>th</sup> day of January, 2017.

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

A handwritten signature in black ink, appearing to read "Todd Martin", written in a cursive style.

Per: Todd Martin  
Senior Vice President

## APPENDIX AA

Bankruptcy Division  
Vancouver Registry  
Court No. B \_\_\_\_\_  
Estate Nos. \_\_\_\_\_ and  
\_\_\_\_\_

**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.**

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

**DATED DECEMBER 29, 2016**

PC

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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 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 Transaction and, effective at the completion of the Purchase and Sale Transaction, 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 Transaction;
- (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 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 29, 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.

**“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.

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**“Proposal”** means this 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. and the Secured Creditor Sponsors pursuant to which, among other things, the Secured Creditor Sponsors 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 Transaction”** means the transaction contemplated by the Purchase and Sale Agreement for the sale and transfer of the Transaction Assets to the Secured Creditor Sponsors, or their nominee, which is 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 Transaction.

**“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 Claim that is: (i) a Secured Claim; (ii) a Post-Filing Claim; (iii) the Consultant’s Claim; or (iv) an Intercompany 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.

### 3.2 **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 Transaction 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

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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 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 Transaction 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 Notice of Alteration has been filed with the Registrar and the Registrar has issued the Certificate of Filing; 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 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 29 day of December, 2016.

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

Per:  \_\_\_\_\_

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

<b>Project Name</b>	<b>Holding Company</b>
Pothole Creek (Northern Ridge)	SB Okanagan Holding (03) Corp.
Wart (Southern Ridge)	
Pothole Creek (Southern Ridge)	
Wart (Northern Ridge)	
Pothole Creek West	
Siwash Lake	
Wart South	
Mount Hays West	SB Prince Rupert Holding 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	
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.

## APPENDIX BB

District of: British Columbia  
Division No. 03 - Vancouver  
Court No.  
Estate No. 11-2203806, 11-2203807

- FORM 92 -  
Notice of Proposal to Creditors  
(Section 51 of the Act)

Take notice that Sea Breeze Power Corp. and Sea Breeze Energy Inc. (the "Companies") of the city of Vancouver in the Province of British Columbia have lodged with Alvarez & Marsal Canada Inc. (the "Proposal Trustee") a proposal under the *Bankruptcy and Insolvency Act*.

A general meeting of the creditors will be held at the offices of Fasken Martineau DuMoulin LLP, 2900 – 550 Burrard Street, Vancouver, BC V6C 0A3 on the 18<sup>th</sup> day of January, 2017 at the hour of 10:00 a.m.

Enclosed with this notice are the following:

- a copy of the proposal;
- a condensed statement of the Companies' assets and liabilities;
- a list of creditors affected by the proposal;
- Report of Trustee on Proposal;
- proof of claim and instructions check list;
- voting letter; and
- proxy.

Any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim, proxies and voting letters intended to be used at the meeting must be lodged with the Proposal Trustee prior to the commencement of the meeting.

Dated at Vancouver, this 6<sup>th</sup> day of January, 2017.

Alvarez & Marsal Canada Inc.  
Per:



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Todd Martin - Licensed Insolvency Trustee  
Commerce Place  
Suite 1680, 400 Burrard Street  
Vancouver BC V6C 3A6  
Phone: (604) 638-7440 Fax: (604) 638-7441  
E-mail: vchan@alvarezandmarsal.com



**District of:** Vancouver  
**Division No.** 03 – Vancouver  
**Court No.**  
**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.**

**TRUSTEE'S REPORT ON THE PROPOSAL**  
**ALVAREZ & MARSAL CANADA INC.**

**JANUARY 6, 2017**



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## APPENDICES

**Appendix A** – Corporate Organization Chart

**Appendix B** – Cash Flow Statement for the Period December 29, 2016 to February 10, 2017

**Appendix C** – Statement of Estimated Realizations as at December 30, 2016

## **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 A copy of the Proposal and other information with respect to these proceedings are available on the Trustee’s website at [www.alvarezandmarsal.com/seabreeze](http://www.alvarezandmarsal.com/seabreeze).

## **2.0 PURPOSE OF REPORT**

- 2.1 The purpose of this report (the “**Report**”) is to, among other things:
- a) provide stakeholders with information regarding the Companies’ background, financial position and the causes of their financial difficulties;
  - b) provide a summary of the Proposal;
  - c) assist those creditors entitled to vote on the Proposal (the “**Voting Creditors**”) in evaluating the Proposal, including providing an estimate of the comparative recoveries under the Proposal or in the event of a bankruptcy of the Companies;
  - d) describe the procedures for eligible creditors to file a proof of claim and vote on the Proposal; and
  - e) provide the Trustee’s recommendation in respect of the Proposal to the Voting Creditors.

## **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 Certain of the information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecast and/or projected and the variations could be significant.

3.3 Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

#### 4.0 BACKGROUND AND FINANCIAL POSITION

4.1 The Companies are based in Vancouver, British Columbia. Power is listed on the TSX Venture Exchange under the trading symbol TSXV:SBX. Together with their subsidiaries and affiliates, the Companies are engaged in the development of hydro-electric, wind power generation and transmission projects. A corporate organizational chart, which includes a list of all subsidiaries, is attached as Appendix “A”.

4.2 The Board of Directors (the “**Directors**”) of Power (the “**Board**”) consists of five individuals who collectively own approximately 51% of the outstanding common shares of Power.

4.3 The Companies’ projects are in their development stage and accordingly, the Companies have historically incurred losses on an annual basis. A summary of the Companies’ operating results for the three years ended December 31, 2015 and nine months ended September 30, 2016 are summarized below.

Sea Breeze Power Corp. Historic Operating Results Summary (S000s)				
Year Ending	December 31, 2013	December 31, 2014	December 31, 2015	September 30, 2016 (Nine Months)
Royalty Income	\$ 57	\$ 414	\$ 393	\$ -
Royalty Termination Fee	-	-	-	3,322
Operating Expenses	(1,811)	(2,100)	(1,391)	(3,210)
Interest Expense	(1,566)	(1,559)	(1,624)	(458)
Gain on Sale of Assets	1,750	-	-	-
Other Expenses	(512)	(123)	(710)	(418)
Net Income	<u>\$ (2,082)</u>	<u>\$ (3,368)</u>	<u>\$ (3,332)</u>	<u>\$ (764)</u>

4.4 The Companies have financed their operations principally through equity financing and secured loans advanced by shareholders and/or the Directors or entities related to the Directors. The Companies also received a royalty termination fee of approximately \$3.3 million (net of transaction costs) during 2016 resulting from the sale of the Companies’ interest in phase 1 of the Knob Hill Wind Farm, now known as the Cape Scott Wind Farm, located on Vancouver Island.

4.5 The financial position of the Companies as at the Filing Date is summarized as follows:



Sea Breeze Power Corp. and Sea Breeze Energy Inc. Combined Balance Sheet Summary As at December 30, 2016 (S000s)	
	December 30, 2016
<b>Assets</b>	
Cash	\$ 243
Accounts receivable	6
Prepays and other deposits	218
Property, plant and equipment	6
Advances to and investments in subsidiaries	17,929
<b>Total Assets</b>	<u>\$ 18,402</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 976
Intercompany loans	1,866
Secured loans and debentures	12,744
	15,586
<b>Shareholders' Equity</b>	2,816
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 18,402</u>

- 4.6 The Companies have reported assets with a book value of \$18.4 million including:
- a) cash of approximately \$243,000;
  - b) accounts receivable of \$6,000 due from the Receiver General for a GST refund;
  - c) prepaid expenses and deposits of \$218,000;
  - d) property and equipment of \$6,000 comprised of a vehicle and other miscellaneous equipment; and
  - e) advances to and investments in subsidiaries of approximately \$17.9 million. The subsidiaries hold the following assets:
    - i. a parcel of land in Grand Forks, British Columbia (the “**Grand Forks Property**”) which the Companies estimate to have a value of approximately \$600,000;
    - ii. 32 development projects and related assets (the “**Transaction Assets**”) that, subsequent to the Filing Date, are intended to be transferred pursuant to a Purchase and Sale and Proposal Support Agreement, to be entered into (the “**PSA**”). The Transaction Assets include four near-term wind development projects, 27 long-term wind and solar development projects and a proposed international electrical transmission cable between Vancouver Island, British Columbia, and Port Angeles, Washington (the “**Juan de Fuca Cable Project**”) that is being developed through a joint venture between Power and Boundless Energy, LLC. The PSA is described in further detail in Section 5.0; and
    - iii. 19 other long-term development projects.

- 4.7 All of the assets of the Companies with the exception of the Transaction Assets are referred to as the “**Residual Assets**”.
- 4.8 The Companies reported the following liabilities as at the Filing Date:
- a) an amount owing to C. & A. Energy Services Ltd. (the “**Consultant**”) for unpaid consulting fees of \$99,000 (the “**Consultant’s Claim**”). On December 14, 2016, Power entered into an agreement with the Consultant to allow him an additional claim in the Proposal proceedings of \$58,000 (including GST) as consideration for continuing to provide services to the Companies to assist with the selling of the Residual Assets and agreeing to defer both pre-filing and post-filing amounts until funds are recovered from the Residual Assets and all accepted priority claims made in the Proposal proceedings have been paid in full. Accordingly, the Consultant is estimated to have an aggregate claim in the Proposal proceedings of \$157,000;
  - b) legal fees owing to one of the Companies’ legal counsel of \$92,000;
  - c) severance liabilities to employees which were estimated by management to total \$349,000 based on incurred and potential severance obligations less applicable working notice of termination periods;
  - d) unsecured claims of certain Directors totaling \$435,000 including \$425,000 owing to Gregory Hoffman, Chairman of the Board, who acquired the costs and interest claim of the Royalty Holders (as defined below) as part of an overall settlement of the Arbitration Award (as defined below), which is described further in section 8.0;
  - e) intercompany amounts owed to Powerhouse Electric Corp., a subsidiary of Power, of \$1.9 million; and
  - f) secured loans and debentures owing to eleven shareholders, the Directors and affiliated parties totaling approximately \$12.7 million.
- 4.9 A summary of the estimated claims against the Companies is as follows:

**Sea Breeze Power Corp. and Sea Breeze Energy Inc.**  
**Summary of Estimated Creditor Claims**  
**As at December 30, 2016**  
**(\$000s)**

	Number of Claims	Amount of Claims
Consultant's Claim	1	\$ 157
Legal Fees	1	92
Employee and Contractor Severance	5	349
Unsecured Amounts due to Directors	5	435
Intercompany Claims	1	1,866
Secured Loans and Debentures	11	12,744
<b>Total Claims</b>	<b>24</b>	<b>\$ 15,643</b>

- 4.10 As a result of ongoing losses and an inability to raise further capital to fund operations, the Companies have filed the Proposal to effect a restructuring of Power and to facilitate an orderly liquidation of the Companies' assets for the benefit of the Companies' creditors.
- 4.11 A group of secured creditors consisting of entities related to certain of the Directors (the "**Secured Creditor Sponsors**") have committed to advance an additional approximately \$700,000 to fund the Proposal proceedings and certain ongoing costs that management of the Companies feels are necessary to preserve the value of the Companies' development assets during the pendency of the restructuring contemplated by the Proposal.
- 4.12 A copy of the cash flow statement and related assumptions prepared by management to set out the liquidity requirements of the Companies for the period ending February 10, 2017 is attached as Appendix "**B**".
- 5.0 PURCHASE AND SALE AND PROPOSAL SUPPORT AGREEMENT**
- 5.1 The PSA concerns: (i) the acquisition by the Secured Creditor Sponsors, or their nominee, of the Transaction Assets in exchange for the reduction of the amounts owing by the Companies to the Secured Creditor Sponsors; and (ii) the agreement of the Secured Creditor Sponsors to support the Proposal.
- 5.2 Highlights of the draft PSA are as follows:
- a) for a purchase price of \$10.25 million: (i) Power will sell to the Secured Creditor Sponsors all of Power's shares in certain of its subsidiaries and any claims of Power against the subsidiaries; and (ii) the Companies, and potentially other affiliates and subsidiaries, will transfer certain power projects to the Secured Creditor Sponsors;



- b) the Secured Creditor Sponsors will not oppose or object to the Proposal or support the opposition or objections of any third party;
- c) Power will assign all of its rights and obligations under certain assigned agreements which include the Companies' head office and photocopier leases and the Royalty Agreement (as defined below);
- d) until such time that the Trustee makes a final distribution to creditors under the Proposal, the Secured Creditor Sponsors will continue to provide funding to the Companies to continue their operations and pursue the completion of the Proposal and realization of the Residual Assets;
- e) the Secured Creditor Sponsors will forbear from enforcing their security against the Residual Assets or any proceeds generated from the Residual Assets and agree that all proceeds from the Residual Assets will be distributed by the Trustee in accordance with the Proposal; and
- f) upon the final distribution of all proceeds of sale of the Residual Assets, the Secured Creditor Sponsors will provide releases to a number of parties including the Companies, the Companies' directors, officers, creditors, including without limitation creditors that receive distributions under the Proposal, advisors, affiliates, and subsidiaries and the Trustee from any and all claims arising from or in connection with the PSA, the Proposal or the sale of the Residual Assets.

#### Value of the Transaction Assets

5.3 The Trustee has not undertaken an independent valuation of the Transaction Assets. However, the Companies commissioned a valuation report (the "**Valuation Report**") in respect of certain of the Transaction Assets prepared by EnerQuest Power Corp. ("**EnerQuest**") dated November 26, 2016 and management of the Companies has prepared a Valuation of the Transaction Assets for the Secured Creditor Sponsors dated November 28, 2016.

5.4 Highlights of the Valuation Report are as follows:

- a) the wind energy Transaction Assets have an equity value of approximately \$6.1 million based on the discounted cash flow equity value of the wind energy projects;
- b) the equity value is attributed as an indication of the projects' current value but does not necessarily mean that there is likely to be a cash transaction for this amount; and
- c) structuring a transaction to monetize the projects may involve a developer promoting a royalty or other form of deemed equity as opposed to a cash sale.



5.5 The Trustee has held discussions with EnerQuest to discuss the valuation methodologies used and related assumptions and nothing has come to the attention of the Trustee to suggest that the valuations are unreasonable.

5.6 The Juan de Fuca Cable Project was not included in the Valuation Report. The Companies have advised the Trustee that as the revenue generation structure of the project is still in a conceptual phase, significant capital investment will be required to advance the project, no near term market contract opportunities are foreseen and other necessary inputs for accurate and meaningful financial projections are outstanding, a valuation of the Juan de Fuca Cable Project has not been completed. The Companies attribute a value of \$2.1 million to the Juan de Fuca Cable Project based on the total amount invested by the Companies in the project to date.

## 6.0 SUMMARY OF THE PROPOSAL

6.1 The Proposal provides for the share capital of Power to be reorganized as follows:

- a) Power will issue a preference share (the “**Preference Share**”) to the Trustee, to be held in trust for the beneficiaries of the Proposal;
- b) except for the Preference Share, all existing shares and other securities of Power shall be cancelled and shall be of no further force or effect; and
- c) the Preference Share shall convert to a new common share (the “**New Common Share**”) which shall be held by the Trustee in trust for the benefit of the Proposal Beneficiaries (as subsequently defined).

6.2 Key commercial terms of the Proposal are summarized as follows:

- a) secured claims, post-filing claims, intercompany claims and the Consultant’s Claim will be unaffected by the Proposal, although intercompany claims will be deemed to have voted in favour of the Proposal;
- b) the fees and disbursements of the Trustee will be paid in priority to all proven claims of the priority creditors, the Consultant’s Claim and the Voting Creditors;
- c) 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 Residual Assets;

- d) the Trustee will hold the New Common Share of Power in trust and will be authorized to sell the Residual Assets, or any part of the them, and any proceeds generated by such sales will be distributed to the following parties (the “**Proposal Beneficiaries**”) as follows:
  - i. First, *pro rata* to the Priority Creditors (as defined in the Proposal) 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 up to the maximum amount of each unsecured creditor’s claim; and
  - iv. Fourth, the balance of any proceeds remaining will be paid *pro rata* to the Secured Creditor Sponsors.
- e) unsecured creditors with accepted claims (that are not unaffected claims) shall be Voting Creditors and shall be entitled to vote on the Proposal;
- f) 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
- g) the Proposal provides that Sections 95 to 101.1 of the BIA shall not apply with respect to this Proposal and the Companies.

6.3 The Proposal implementation date will be the day that the following conditions precedent to implementation of the proposal have been satisfied:

- a) the Proposal has been approved by the Requisite Majority (as subsequently defined) of Voting Creditors;
- b) an order approving the proposal (the “**Approval Order**”) has been issued, has not been stayed and there is no outstanding appeal therefrom;
- c) all documents and instruments contemplated by the Proposal have been executed and delivered; and
- d) the conditions precedent to implementation of the Proposal (as set out in the Proposal) have all been met.

## 7.0 STATEMENT OF ESTIMATED REALIZATIONS

7.1 A Statement of Estimated Realizations setting out the estimated recovery to creditors under the Proposal as well as comparative recoveries under a bankruptcy of the Companies is attached Appendix “C”. A summary of the Statement of Estimated Realizations is tabled below.



Sea Breeze Power Corp. and Sea Breeze Energy Inc.  
Statement of Estimated Realizations Summary  
As at December 30, 2016

	Proposal			Bankruptcy		
	Claim Amounts	Estimated Recovery	Estimated Recovery (%)	Claim Amounts	Estimated Recovery	Estimated Recovery (%)
<b>Assets Available for Realization</b>						
Cash		\$ 243		\$ 243		
Interest in Powerhouse Developments Inc. (Real Property)		600		600		
Interest in Other Subsidiaries		10,250		8,200		
Estimated net cost of Proposal Proceedings		(200)		(200)		
Total Estimated Realization		<u>10,893</u>		<u>8,843</u>		
<b>Secured Claims</b>		<u>(10,250)</u>		<u>(12,744)</u>		
<b>Surplus/(Shortfall) to Secured Creditors</b>		<u>\$ 643</u>		<u>\$ (3,901)</u>		
<b>Estimated Recovery to Unsecured Creditors</b>						
Priority Creditors	\$ -	\$ -	N/A	\$ -	\$ -	N/A
Consultant's Claim	157	157	100%	157	-	0%
Voting Unsecured Creditors	876	486	56%	876	-	0%
Unsecured Portion of Secured Claims	2,494	-	0%	3,901	-	0%
<b>Total Estimated Recovery to Unsecured Creditors</b>	<u>\$ 3,527</u>	<u>\$ 643</u>	<u>18%</u>	<u>\$ 4,934</u>	<u>\$ -</u>	<u>0%</u>

- 7.2 The estimated value of the "Interest in Other Subsidiaries" under the proposal scenario is \$10.25 million based on the purchase price in the PSA and under the bankruptcy scenario it is \$8.2 million based on the valuation reports described in Section 5.3.
- 7.3 We are advised that all of the Companies' assets are subject to the security of the Secured Creditor Sponsors. As the estimated value of the Companies' assets is less than the amount owed to the Secured Creditor Sponsors, it is likely that in the event of a bankruptcy there would be a shortfall to the Secured Creditor Sponsors and no recovery to unsecured creditors.
- 7.4 The estimated recoveries to unsecured creditors under the Proposal are the result of the Secured Creditor Sponsors' willingness to forego enforcement of their loans, fund the Companies during the Proposal proceedings and subordinate the unsecured portion of their claims.
- 7.5 The Statement of Estimated Realization is based on the assumption that the Residual Assets, other than the Grand Forks Property, do not have any net realization value. However, the potential monetization of Companies' remaining development projects and tax attributes may result in additional recoveries to unsecured creditors including the unsecured portion of secured claims.

7.6 The Trustee has not commissioned an independent legal review of the validity and enforceability of the security held the Secured Creditor Sponsors. However, it is noted that in a bankruptcy scenario, if all of the security of the Secured Creditor Sponsors was invalid and/or unenforceable, the estimated recovery to Voting Creditors (including the unsecured claims of the Secured Creditor Sponsors) would be approximately 64% assuming that \$8.2 million could be realized from the Transaction Assets in a bankruptcy scenario.

## 8.0 CONDUCT OF THE COMPANIES

8.1 The Trustee has performed limited review and had limited discussions with management of the Companies regarding any preferences or transfers at undervalue that may have occurred prior to the Filing Date. The Companies disclosed one transaction with respect to a payment to Royalty Holders that warrants additional disclosure.

### Payment to Royalty Holders

8.2 Energy is party to an agreement (the “**Royalty Agreement**”) with the vendors of certain project (the “**Royalty Holders**”) which provides for the payment of royalties to the Royalty Holders in the event Energy realizes any net profits from the sale, lease, license or other disposition of any of the properties subject to the agreement (the “**Royalty Properties**”).

8.3 The Royalty Agreement further provides that if Energy receives any funds on account of or as the proceeds of sale of power from the Royalty Properties or the sale of any of the Royalty Properties, Energy will receive the Royalty Holders’ share of the funds in trust for the Royalty Holders.

8.4 Beginning on or around June 9, 2011, Energy received funds in relation to the sale of some of the Royalty Properties (the “**Monetized Royalty Properties**”). Energy did not believe that there were any “Net Profits” generated, and hence no money was payable to the Royalty Holders. The Vendors disagreed and commenced arbitration.

8.5 On September 9, 2016, an independent arbitrator issued an award in favour of the Royal Holders (the “**Arbitration Award**”) finding that approximately \$854,000 (the “**Trust Amount**”) of the funds received by Energy from the sale of the Monetized Royalty Properties was to be held in trust for and paid over to the Royalty Holders. The Royalty Holders were also awarded costs of \$403,000.

8.6 In or around January 15, 2016, Energy received additional funds of approximately \$3.5 million from the sale of the Monetized Royalty Properties (the “**Energy Funds**”). At the time, Power had



USD accounts that it did not want to draw on as it did not want to incur the cost of the foreign exchange. Accordingly, the Companies determined that: (i) Power would use the Energy Funds paid to Energy to fund operations and repay some debt; and (ii) at all times, Power and Energy would ensure that the total funds available to Energy to satisfy the potential claim of the Vendors would be available from a combination of the Energy Funds and the Power USD funds. Any “trust” funds taken from Energy’s account would, if necessary, be replaced with funds from Power’s USD account.

- 8.7 After the issuance of the Arbitration Award on September 9, 2016, Energy and Power paid the Trust Amount to their legal counsel, Fasken Martineau DuMoulin LLP (“FMD”), in anticipation of paying the funds over to the Royalty Holders. Of the amount paid to FMD, approximately \$350,000 came from the Energy Funds and the balance was provided by from Power’s USD account.
- 8.8 Pursuant to a settlement agreement dated December 7, 2016, Energy agreed to, and did, transfer to counsel for the Royalty Holders the \$854,000 being held by FMD. The Royalty Holders, in turn, executed a release in favour of Energy and Power and agreed not to oppose the Companies’ anticipated restructuring process. The Royalty Holders concurrently entered into an assignment agreement with Gregory Hoffman, Chairman of Board of Directors of Power, whereby Mr. Hoffman acquired the Vendors’ costs claim as well as their interest claim on the award in the aggregate amount of \$425,000.
- 8.9 The Trustee has not obtained an independent legal opinion with respect to the nature of the transaction in a bankruptcy context. However, it is noted that should the transaction be successfully pursued as a preference by a Licensed Insolvency Trustee of Energy, based on the estimated realization values of the Companies’ assets, all recoveries would likely be recovered for the benefit of the Secured Creditor Sponsors.

## **9.0 PREVIOUS BUSINESS DEALINGS WITH THE COMPANIES**

- 9.1 A&M was engaged by Power as a financial advisor on October 31, 2016 to assist in preparation of the materials necessary for filing the Proposal. The Trustee has no known conflict of interest with the Companies.

## **10.0 REMUNERATION OF THE TRUSTEE**

- 10.1 A&M will receive fees based on time spent by its employees at its standard hourly rates and will be reimbursed for any disbursements incurred in connection with the Proposal. All fees and disbursements will be billed on a periodic basis and are payable upon receipt.

10.2 Power has provided the Trustee with a retainer deposit of \$50,000 to guarantee the fees and disbursements incurred by the Trustee with respect to administration of the Proposal. Funds for the deposit were advanced to Power by the Secured Creditor Sponsors for the purposes of providing a retainer to the Trustee.

#### **11.0 CREDITOR MEETING TO VOTE ON THE PROPOSAL**

11.1 The creditor meeting to vote on the Proposal (the “**Creditor Meeting**”) shall be held at 10:00 a.m. on Wednesday, January 18, 2017 at 2900 – 550 Burrard Street, Vancouver, British Columbia.

11.2 The Official Receiver, or a nominee thereof, shall decide all matters relating to the conduct of the Creditor Meeting.

11.3 The only persons entitled to attend the Creditor Meeting are as follows:

- a) the Voting Creditors including the holders of their proxies and their legal counsel, if any;
- b) the officers, directors, auditors, advisors and legal counsel of the Companies;
- c) such representatives of the Trustee as the Trustee may appoint in its discretion; and
- d) such scrutineers as may be duly appointed by the chair of the Creditor Meeting.

11.4 Voting at the Creditor Meeting is to be conducted as follows:

- a) each Voting Creditor will be entitled to vote the full amount of its proven claim, in person or by proxy or voting letter;
- b) unsecured creditors are only entitled to vote at the Creditor Meeting if they have filed their Proof of Claim with the Trustee prior to commencement of the Creditor Meeting; and
- c) in order for the Proposal to be approved, it must receive the affirmative vote of a majority in number and two-thirds the value of the Voting Creditors who are present at the Creditor Meeting, whether in person, by proxy or by voting letter (the “**Required Majority**”).

11.5 At the Creditor Meeting, the Voting Creditors may appoint one or more, but not exceeding five, inspectors (the “**Inspectors**”) which shall have the following powers:

- a) the power to waive any defaults in the performance of any provision of the 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 the claimant.
- 11.6 In the event no Inspectors are appointed, the Trustee shall be entitled to take advances toward its charges for service rendered pursuant to the Proposal from the funds paid to the Trustee by the Secured Creditor Sponsors with all advances subject to taxation by the Court at the completion of the Proposal.
- 11.7 In the event that the Proposal is approved by the Required Majority, the Companies will thereafter seek the Approval Order. The Approval Order, among other things:
- a) approves the Proposal and all actions and transactions set out therein;
  - b) approves the alteration to the articles of Power by adding Article 26 thereto pursuant to section 257 of the British Columbia *Business Corporations Act*;
  - c) approves the PSA and purchase and sale transaction and upon completion of the sale transaction, vests certain of 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 PSA to the Secured Creditor Sponsors, or their nominee, effective at the completion of the purchase and sale transaction;
  - e) vests the Preference Share in the Trustee, to be held for the benefit of the Proposal Beneficiaries, effective as at the Proposal Implementation Date and in accordance with the terms of the Proposal;
  - f) approves the cancellation of the existing shares and securities of Power and approves the conversion of the Preference Share to a New Common Share, to be held in trust for the benefit of the Proposal Beneficiaries; 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.
- 11.8 In the event the Required Majority does not vote in favour of the Proposal, the Companies will automatically be deemed to have made an assignment in bankruptcy, and the creditors can elect to retain the Trustee as trustee in bankruptcy or may substitute an alternative Licensed Insolvency Trustee.

**12.0 TRUSTEE'S RECOMMENDATION**

12.1 The Proposal, should it be approved by the Required Majority of Voting Creditors and the Court, provides the Voting Creditors with a recovery in excess of what is estimated to be recovered in a bankruptcy of the Companies. Accordingly, the Trustee recommends that the Voting Creditors vote to approve the Proposal.

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

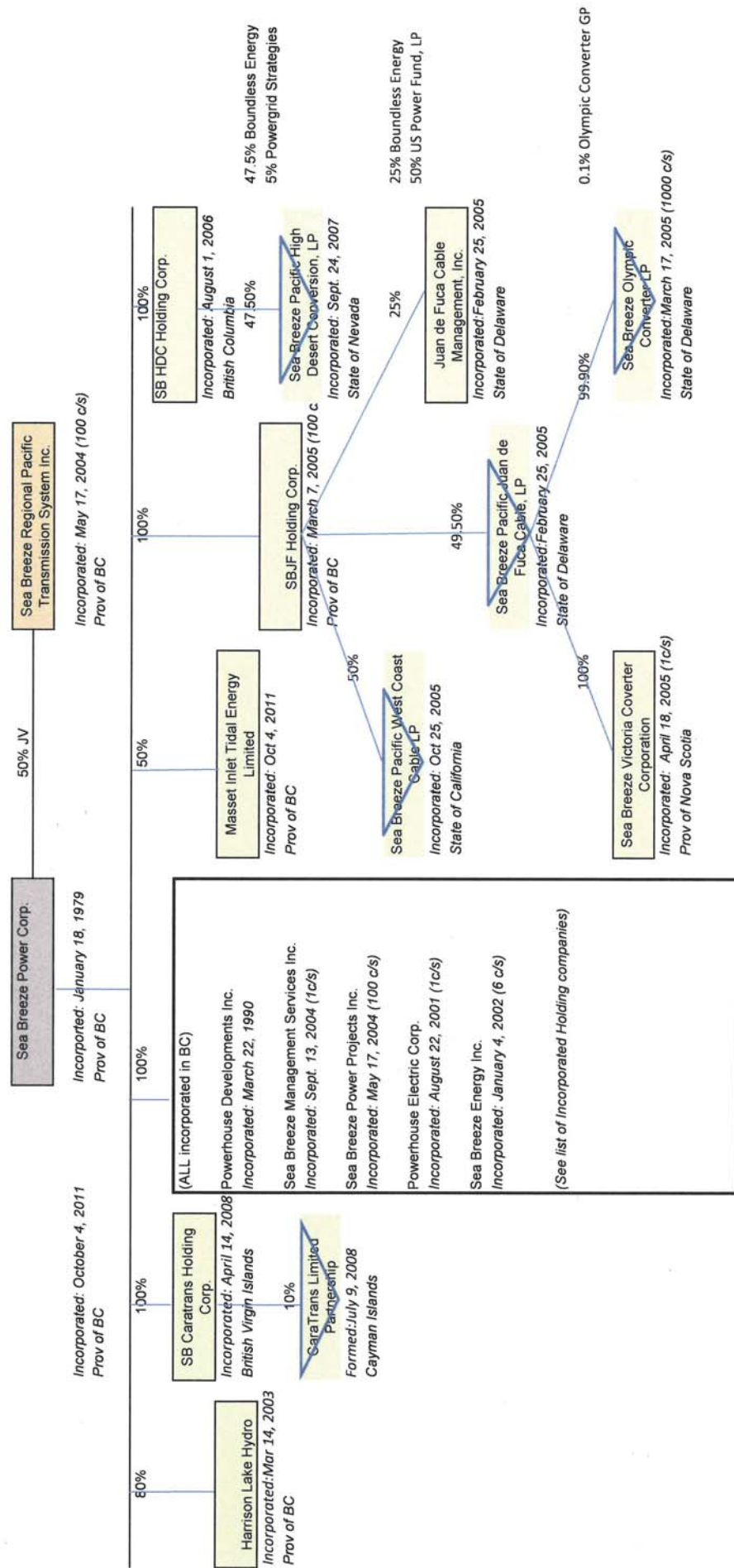
  
Per: Todd Martin  
Senior Vice President

  
Per: Tom Powell  
Vice President



**APPENDIX A**

# SEA BREEZE POWER CORP. STRUCTURE



## SEA BREEZE POWER CORP. HOLDING COMPANIES

NAME	INCORPORATION DATE	PROVINCE
Knob Hill Holding Corp.	July 29, 2008	BC
SB Peace Holding (01) Corp.	January 14, 2009	BC
SB Peace Holding (02) Corp.	January 14, 2009	BC
SB Peace Holding (03) Corp.	January 14, 2009	BC
SB Peace Holding (04) Corp.	December 1, 2010	BC
SB Peace Holding (05) Corp.	December 1, 2010	BC
SB Peace Holding (06) Corp.	December 1, 2010	BC
SB Peace Holding (07) Corp.	December 1, 2010	BC
SB Central Holding (01) Corp.	February 25, 2011	BC
SB Central Holding (02) Corp.	November 16, 2011	BC
SB Central Holding (04) Corp.	March 30, 2012	BC
SB Central Holding (05) Corp.	March 30, 2012	BC
SB Okanagan Holding (01) Corp.	April 9, 2009	BC
SB Okanagan Holding (02) Corp.	May 25, 2011	BC
SB Okanagan Holding (03) Corp.	May 25, 2011	BC
SB Okanagan Holding (04) Corp.	August 22, 2012	BC
SB Okanagan Holding (05) Corp.	August 22, 2012	BC
SB Okanagan Holding (08) Corp.	January 2, 2013	BC
SB Central Coast Holding (01) Corp.	January 13, 2012	BC
SB Central Coast Holding (02) Corp.	January 13, 2012	BC
SB Windy Ridge Holding Corp.	April 25, 2012	BC
SB Gods Pocket Holding Corp.	April 25, 2012	BC
SB Franklin Ridge Holding Corp.	April 25, 2012	BC
SB Great Bear & Wolverine Holding Corp.	April 25, 2012	BC
SB Kitimat Holding Corp.	March 28, 2012	BC
SB Shushartie Holding Corp.	May 11, 2012	BC
SB Nimpkish Holding Corp.	May 11, 2012	BC
SB Hushamu & Pemberton Holding Corp.	May 11, 2012	BC
Sea Breeze Goodspeed Holding Corp.	May 2, 2012	BC
SB Prince Rupert Holding Corp.	April 10, 2012	BC
SB Fernie Holding Corp.	August 22, 2012	BC
SB Level Mountain Holding Corp.	August 25, 2012	BC
SB Hedley Holding Corp.	September 6, 2013	BC
Sea Breeze Terrance Holding Corp.	October 31, 2012	BC
Sea Breeze Yukon Projects Inc.	July 12, 2012	YUKON
Sea Breeze Microgrid Systems Inc.	October 18, 2012	YUKON
Sea Breeze Energy Storage Inc.	March 6, 2013	BC
Powerhouse Energy Inc.	January 3, 2014	BC
SB Lemont Holding Corp.	March 14, 2014	BC

**APPENDIX B**

Sea Breeze Power Corp. and Sea Breeze Energy Inc.  
 Combined Cash Flow Statement (Note 1)  
 For the 7 Week Period Ending February 10, 2017  
 (\$'000s)

	Week 1 30-Dec-16	Week 2 6-Jan-17	Week 3 13-Jan-17	Week 4 20-Jan-17	Week 5 27-Jan-17	Week 6 3-Feb-17	Week 7 10-Feb-17	Week 1 to Week 7 Total	Notes
<b>Receipts</b>									
Advances from Secured Creditor Sponsors	\$ -	\$ 90	\$ 442	\$ 125	\$ -	\$ 45	\$ -	\$ 702	2
Other receipts	-	52	-	-	-	-	-	52	3
<b>Total Receipts</b>	-	142	442	125	-	45	-	754	
<b>Disbursements</b>									
Payroll, Benefits & Payroll Taxes	35	-	27	-	7	31	-	100	4
Office Rent	-	6	-	-	-	6	-	13	5
Professional Fees	50	110	25	125	-	45	-	355	6
Other Operating Disbursements	-	27	1	1	0	-	1	30	7
Disbursements to subsidiaries	-	117	77	152	77	2	-	425	8
Contingency	5	5	5	5	5	5	-	30	
<b>Total Disbursements</b>	90	265	135	283	90	89	1	952	
<b>Net Cash Flow</b>	(90)	(123)	307	(158)	(90)	(44)	(1)	(198)	
<b>Opening Cash Balance</b>	242	152	29	336	178	88	45	242	
<b>Ending Cash Balance</b>	\$ 152	\$ 29	\$ 336	\$ 178	\$ 88	\$ 45	\$ 44	\$ 44	

Notes

Refer to attached list of notes and assumptions.



Sea Breeze Power Corp. and Sea Breeze Energy Inc.  
 Per Resja Campfans, President and CEO



Alvarez & Marsal Canada Inc., Proposal Trustee  
 Per Todd M. Martin, Senior Vice President

Sea Breeze Power Corp.  
Cash Flow Statement  
For the 7 Week Period Ending February 10, 2017  
(\$000s)

	Week 1 30-Dec-16	Week 2 6-Jan-17	Week 3 13-Jan-17	Week 4 20-Jan-17	Week 5 27-Jan-17	Week 6 3-Feb-17	Week 7 10-Feb-17	Week 1 to Week 7 Total
<b>Receipts</b>								
Advances from Secured Creditor Sponsors	\$ -	\$ 90	\$ 442	\$ 125	\$ -	\$ 45	\$ -	\$ 702
Other receipts	-	52	-	-	-	-	-	52
<b>Total Receipts</b>	-	142	442	125	-	45	-	754
<b>Disbursements</b>								
Payroll, Benefits & Payroll Taxes	35	-	27	-	7	31	-	100
Office Rent	-	6	-	-	-	6	-	13
Professional Fees	50	110	25	125	-	45	-	355
Other Operating Disbursements	-	27	1	1	0	-	1	30
Disbursements to Sea Breeze Energy Inc.	-	117	77	152	77	2	-	425
Contingency	5	5	5	5	5	5	-	30
<b>Total Disbursements</b>	90	265	135	283	90	89	1	952
<b>Net Cash Flow</b>	(90)	(123)	307	(158)	(90)	(44)	(1)	(198)
<b>Opening Cash Balance</b>	239	148	25	332	175	85	41	239
<b>Ending Cash Balance</b>	148	25	332	175	85	41	40	40

Sea Breeze Energy Inc.  
Cash Flow Statement  
For the 7 Week Period Ending February 10, 2017  
(\$000s)

	Week 1 30-Dec-16	Week 2 6-Jan-17	Week 3 13-Jan-17	Week 4 20-Jan-17	Week 5 27-Jan-17	Week 6 3-Feb-17	Week 7 10-Feb-17	Week 1 to Week 7 Total
<b>Receipts</b>								
Advances from Sea Breeze Power Corp.	\$ -	\$ 117	\$ 77	\$ 152	\$ 77	\$ 2	\$ -	\$ 425
Total Receipts	-	117	77	152	77	2	-	425
<b>Disbursements</b>								
Disbursements to subsidiaries	-	117	77	152	77	2	-	425
<b>Total Disbursements</b>	-	117	77	152	77	2	-	425
<b>Net Cash Flow</b>	-	-	-	-	-	-	-	-
<b>Opening Cash Balance</b>	4	4	4	4	4	4	4	4
<b>Ending Cash Balance</b>	4	4	4	4	4	4	4	4

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**Sea Breeze Power Corp. and Sea Breeze Energy Inc.  
Combined Cash Flow Statement  
Notes and Assumptions**

1. The purpose of this cash flow statement (the "Cash Flow Statement") is to set out the liquidity requirements of Sea Breeze Power Corp. and Sea Breeze Energy Inc. (together, the "Companies") during the proceedings under Division 1 of the *Bankruptcy and Insolvency Act* (Canada) (the "BIA Proceedings"). Week 1 is a partial week commencing on December 29, 2016. The Cash Flow Statement does not reflect any payments that may be made to creditors in respect of the proposal filed by the Companies on December 29, 2016. The Cash Flow Statement should be read in conjunction with the Trustee's Report on the Cash Flow Statement dated December 29, 2016.
2. Advances from Secured Creditor Sponsors are secured loans which certain secured creditors have agreed to advance to the Companies in order to fund operations and preserve the value of certain of the Companies' assets during the BIA Proceedings.
3. Other receipts include a GST refund and funding from a financial sponsor of the Companies' Juan de Fuca Cable Project to cover the costs of one of the Companies' employees.
4. Payroll, benefits and payroll taxes are assumed to be consistent with current rates. Employee source deduction remittances are forecast to remain current during the BIA Proceedings.
5. Office rent is for the Companies' head office located at Suite 3023 - 595 Burrard St., Vancouver, British Columbia.
6. Professional fees have been forecast based on the estimated costs of professional service firms relating to the BIA Proceedings including Alvarez & Marsal Canada Inc. as proposal trustee and Fasken Martineau DuMoulin LLP as legal advisor to the Companies.
7. Other operating disbursements include general and administrative expenses and have been forecast based on past historical financial information and anticipated future events.
8. Disbursements to subsidiaries are for amounts forecast to be paid to subsidiaries of the Companies in order to fund development costs that management of the Companies feels are necessary to preserve the value of the Companies' development projects. The costs relate primarily to First Nations consultations, environmental reviews and related consulting fees.

PC

**APPENDIX C**



Sea Breeze Power Corp. and Sea Breeze Energy Inc.  
Statement of Estimated Realizations  
As at December 30, 2016

	Proposal			Bankruptcy			Notes
	Claim Amounts	Estimated Recovery	Estimated Recovery (%)	Claim Amounts	Estimated Recovery	Estimated Recovery (%)	
<b>Assets Available for Realization</b>							
Cash		\$ 243		\$ 243			
Interest in Powerhouse Developments Inc. (Real Property)		600		600			1
Interest in Other Subsidiaries		10,250		8,200			2
Estimated net cost of Proposal Proceedings		<u>(200)</u>		<u>(200)</u>			3
Total Estimated Realization		10,893		8,843			
<b>Secured Claims</b>		<u>(10,250)</u>		<u>(12,744)</u>			
<b>Surplus/(Shortfall) to Secured Creditors</b>		<u>\$ 643</u>		<u>\$ (3,901)</u>			
<b>Estimated Recovery to Unsecured Creditors</b>							
Priority Creditors	\$ -	\$ -	N/A	\$ -	\$ -	N/A	
Consultant's Claim	157	157	100%	157	-	0%	4
Voting Unsecured Creditors	876	486	55%	876	-	0%	
Unsecured Portion of Secured Claims	2,494	-	0%	3,901	-	0%	5
<b>Total Estimated Recovery to Unsecured Creditors</b>	<u>\$ 3,527</u>	<u>\$ 643</u>	<u>18%</u>	<u>\$ 4,934</u>	<u>\$ -</u>	<u>0%</u>	

**Notes**

- Net proceeds from the assets of Powerhouse Developments Inc. are based on the Companies' estimated value of the a parcel of land located in Grand Forks, British Columbia.
- Under the Proposal, the Secured Creditor Sponsors will purchase certain of the Companies' development projects for consideration of a reduction in the secured loans and convertible debentures of \$10.3 million. Under a bankruptcy, the development projects are estimated to result in a recovery of \$8.2 million which is based on a valuation report on certain of the Transaction Assets prepared by EnerQuest Power Corp. dated November 26, 2016 that value the wind energy projects at \$6.1 million and the total amount invested in the Juan de Fuca Cable Project to date of \$2.1 million. It is assumed that there will be no recoveries in respect of the Companies' other development projects and/or tax attributes.
- The cash flow statement filed by the Companies in the Proposal proceedings forecasts cash outflows (net of Secured Creditor Sponsor advances) of approximately \$200,000 during the 7 week period ending February 10, 2017.
- Under the proposal scenario, the claim for the consultant (C&A Energy Services Ltd.) is paid in priority to other unsecured creditors as partial consideration for assistance with monetizing the Companies' residual assets.
- Under the proposal scenario, the unsecured portion of the Secured Creditor Sponsors' claims are subordinated to the other unsecured creditor claims.

District of:  
 Division No. -  
 Court No.  
 Estate No.

Original  Amended

- Form 78 -  
 Statement of Affairs (Business Proposal) made by an entity  
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

To the debtor:  
 You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 29th day of December 2016. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A" .....	3,489,810.86	1. Inventory .....	0.00
Balance of secured claims as per list "B" .....	3,658,063.31	2. Trade fixtures, etc. ....	0.00
Total unsecured creditors .....	7,147,874.17	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B" .....	9,085,973.55	Good .....	6,027.60
3. Preferred creditors as per list "C" .....	0.00	Doubtful .....	0.00
4. Contingent, trust claims or other liabilities as per list "D" estimated to be reclaimable for .....	0.00	Bad .....	0.00
Total liabilities .....	16,233,847.72	Estimated to produce .....	6,027.60
Surplus .....	NIL	4. Bills of exchange, promissory note, etc., as per list "F" .....	0.00
		5. Deposits in financial institutions .....	0.00
		6. Cash .....	238,812.72
		7. Livestock .....	0.00
		8. Machinery, equipment and plant .....	0.00
		9. Real property or immovable as per list "G" .....	0.00
		10. Furniture .....	0.00
		11. RRSPs, RRIIFs, life insurance, etc. ....	0.00
		12. Securities (shares, bonds, debentures, etc.) .....	0.00
		13. Interests under wills .....	0.00
		14. Vehicles .....	0.00
		15. Other property, as per list "H" .....	8,841,133.23
		If debtor is a corporation, add:	
		Amount of subscribed capital .....	0.00
		Amount paid on capital .....	0.00
		Balance subscribed and unpaid .....	0.00
		Estimated to produce .....	0.00
		Total assets .....	9,085,973.55
		Deficiency .....	7,147,874.17

I, Resja Campfens, of the city of Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 16th day of December 2016 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)  
 before me at the city of Vancouver in the Province of British Columbia, on this 29th day of December 2016.



Thomas Powell, Commissioner of Oaths  
 For the Province of British Columbia  
 Expires Dec. 31, 2016



Resja Campfens

**THOMAS POWELL**  
 A Commissioner for Taking  
 Affidavits for British Columbia  
 Expiry Date December 31, 2016

District of:  
 Division No.  
 Court No.  
 Estate No.

Original

Amended

-- Form 78 --

Statement of Affairs (Business Proposal) made by an entity  
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 29th day of December 2016. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

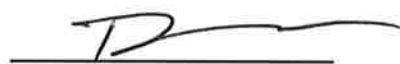
LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A" .....	2,394,837.75	1. Inventory .....	0.00
Balance of secured claims as per list "B" .....	11,923,615.73	2. Trade fixtures, etc. ....	0.00
Total unsecured creditors .....	14,318,453.48	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B" .....	4,576.69	Good .....	0.00
3. Preferred creditors as per list "C" .....	0.00	Doubtful .....	0.00
4. Contingent, trust claims or other liabilities as per list "D"	0.00	Bad .....	0.00
estimated to be reclaimable for .....		Estimated to produce .....	0.00
Total liabilities .....	14,323,030.17	4. Bills of exchange, promissory note, etc., as per list "F" .....	0.00
Surplus .....	NIL	5. Deposits in financial institutions .....	0.00
		6. Cash .....	3,576.69
		7. Livestock .....	0.00
		8. Machinery, equipment and plant .....	0.00
		9. Real property or immovable as per list "G" .....	0.00
		10. Furniture .....	0.00
		11. RRSPs, RRFIs, life insurance, etc. ....	0.00
		12. Securities (shares, bonds, debentures, etc.) .....	0.00
		13. Interests under wills .....	0.00
		14. Vehicles .....	1,000.00
		15. Other property, as per list "H" .....	0.00
		If debtor is a corporation, add:	
		Amount of subscribed capital .....	0.00
		Amount paid on capital .....	0.00
		Balance subscribed and unpaid .....	0.00
		Estimated to produce .....	0.00
		Total assets .....	4,576.69
		Deficiency .....	14,318,453.48

I, Resja Campfens, of the city of Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 29th day of December 2016 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)  
 before me at the city of Vancouver in the Province of British Columbia, on this 29th day of December 2016.



Thomas Powell, Commissioner of Oaths  
 For the Province of British Columbia  
 Expires Dec. 31, 2016



Resja Campfens

**THOMAS POWELL**  
**A Commissioner for Taking**  
**Affidavits for British Columbia**  
**Expiry Date December 31, 2016**

District of:  
 Division No.:  
 Court No.:  
 Estate No.:

Form 78 - Continued

List "A"  
 Unsecured Creditors  
 Sea Breeze Power Corp.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Aon Reed Stenhouse Inc.	Lockbox #310350 PO Box 578, STN M Calgary AB T2P 2J2	0.00	0.00	0.00
2	BAAN Strategies Inc.	989 Richards Street, Apt 1507 Vancouver BC V6B 6R6	99,166.67	0.00	99,166.67
3	Broadridge	P.O. Box 57461 Postal Station "A" Toronto ON M5W 5M5	0.00	0.00	0.00
4	Canada Revenue Agency, Burnaby-Fraser Tax Services Office, Revenue Collections Division, Regional Intake Centre	9737 King George Highway PO Box 9070 Stn. Main Surrey BC V3T 5W6	0.00	0.00	0.00
5	Charlie Eckberg	5406 Yucca Mesa Road Yucca Valley CA 92284 USA	0.00	0.00	0.00
6	Clark Wilson LLP	900 - 885 W. Georgia Street Vancouver BC V6C 3H1	0.00	0.00	0.00
7	Computershare	Accounts Receivable Dept. 100 University Ave, 11th Floor Toronto ON M5J 2Y1	0.00	0.00	0.00
8	Corky Anderson	3740 West Caldwell Drive Visalia CA 93274 USA	4,180.98	0.00	4,180.98
9	De Lage Landen (Lease#0151702-COP)	3450 Superior Court, Unit 1 Oakville ON L6L 0C4	0.00	0.00	0.00
10	Desjardins Card Services (0006)	Sam Kenny PO Box 3633 STN Terminal Vancouver BC V6B 3Y8	0.00	0.00	0.00
11	DSD Document Systems Direct Ltd.	#202 - 8291 92nd Street Delta BC V4G 0A4	0.00	0.00	0.00
12	Employees	Multiple	249,750.00	0.00	249,750.00
13	Fiore Management & Advisory Corp.	3123 - 595 Burrard Street PO Box 49139 Vancouver BC V7X 1J1	0.00	0.00	0.00
14	Flash Courier Services Inc.	PO Box 3962, STN. Terminal Vancouver BC V6B 3Z4	0.00	0.00	0.00
15	Gordon, Thomas, Honeywell LLP	1201 Pacific Avenue, Suite 2100 Post Office Box 1157 Tacoma WA 98401-1157 USA	0.00	0.00	0.00
16	Gowling Lafleur Henderson LLP	550 Burrard Street PO Box 30 Vancouver BC V6C 2B5	92,486.25	0.00	92,486.25
17	Gregory Hoffman	949 San Francisco Avenue #1 South Lake Tahoe CA 96150 USA	455.06	0.00	455.06
18	Harris & Company	14th Floor, 550 Burrard Street Vancouver BC V6C 2B5	0.00	0.00	0.00
19	Henry P. Anderson III, 2009 Revocable Living Trust	3740 West Caldwell Drive Visalia CA 93274 USA	0.00	1,275,616.41	1,275,616.41

29-Dec-16

Date



Resja Campens

District of:  
 Division No.:  
 Court No.:  
 Estate No.:

Form 78 - Continued

List "A"  
 Unsecured Creditors

Sea Breeze Power Corp.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
20	Hoffman and Sons	21346 Road 140 Tulare CA 93274 USA	0.00	92,038.15	92,038.15
21	Hoffman Dairies	21346 Road 140 Tulare CA 93274 USA	0.00	399.31	399.31
22	Hoffman Farms	21346 Road 140 Tulare CA 93274 USA	0.00	102,693.97	102,693.97
23	Hoffman-Sea Breeze LLC	21346 Road 140 Tulare CA 93274 USA	0.00	205,124.49	205,124.49
24	Ken Puryear	3740 West Caldwell Drive Visalia CA 93274 USA	432.31	0.00	432.31
25	Kenneth L. Puryear 2008 Revocable Living Trust	3740 West Caldwell Drive Visalia CA 93274 USA	0.00	1,269,138.84	1,269,138.84
26	Mark Hoffman	21346 Road 140 Visalia CA 93274 USA	0.00	11,419.86	11,419.86
27	Moranbah Farms, Inc.	3740 West Caldwell Drive Visalia CA 93274 USA	0.00	127,410.22	127,410.22
28	Morgan & Company LLP	PO Box 10007 Pacific Centre 1630 - 609 Granville Vancouver BC V7Y 1A1	0.00	0.00	0.00
29	Nancy Levidow	PO Box 40832 San Francisco CA 94140 USA	0.00	0.00	0.00
30	Ooldea, Inc.	3740 West Caldwell Drive Visalia CA 93274 USA	0.00	127,410.22	127,410.22
31	Pacific Blue Cross	PO Box 7000 Vancouver BC V6B 4E1	0.00	0.00	0.00
32	Patricia Eckert (\$75,000USD)	224 Abalone Ave Newport Beach CA 92662 USA	0.00	29,056.46	29,056.46
33	Primus Canada	PO Box 4662 STN A Toronto ON M5W 5H4	0.00	0.00	0.00
34	Receiver General	9755 King George Boulevard Surrey BC V3T 5E1	0.00	0.00	0.00
35	Rogers Wireless Inc.	PO Box 8878 STN Terminal Vancouver BC V6B 0H6	0.00	0.00	0.00
36	Sea Breeze Energy Inc.	3023-595 Burrard Street Vancouver BC V7X 1K8	3,043,339.59	0.00	3,043,339.59
37	Shaw Cablesystems G.P.	PO Box 2468 STN Main Calgary AB T2P 4Y2	0.00	0.00	0.00
38	Telus Communications	PO Box 7575 Vancouver BC V6B 8N9	0.00	0.00	0.00
39	The C Chase Hoffman Administrative Trust	21346 Road 140 Tulare CA 93274 USA	0.00	417,755.39	417,755.39
40	UPS Canada	P.O. Box 4900, Station A Toronto ON M5W 0A7	0.00	0.00	0.00
41	Worksafe BC	PO Box 9600 Stn Terminal Vancouver BC V6B 5J5	0.00	0.00	0.00
<b>Total:</b>			<b>3,489,810.86</b>	<b>3,658,063.31</b>	<b>7,147,874.17</b>

29-Dec-16

Date

  
 Resja Campfens

District of:  
 Division No.:  
 Court No.:  
 Estate No.:

Form 78 - Continued

List "B"  
 Secured Creditors

Sea Breeze Power Corp.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	Henry P. Anderson III, 2009 Revocable Living Trust	3740 West Caldwell Drive Visalia CA 93274 USA	4,444,018.91	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	21-Jun-2016  21-Jun-2016 21-Jun-2016	3,083,023.35  83,277.24 2,101.91		1,275,616.41
2	Hoffman and Sons	21346 Road 140 Tulare CA 93274 USA	320,644.42	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	21-Jun-2016  21-Jun-2016 21-Jun-2016	222,446.00  6,008.61 151.66		92,038.15
3	Hoffman Dairies	21346 Road 140 Tulare CA 93274 USA	1,391.11	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	21-Jun-2016  21-Jun-2016 21-Jun-2016	965.08  26.07 0.66		399.31
4	Hoffman Farms	21346 Road 140 Tulare CA 93274 USA	357,767.38	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	21-Jun-2016  21-Jun-2016 21-Jun-2016	248,199.93  6,704.27 169.21		102,693.97
5	Hoffman-Sea Breeze LLC	21346 Road 140 Tulare CA 93274 USA	714,616.94	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	16-Jun-2008  16-Jun-2008	495,763.13  13,391.33 338.00		205,124.49
6	Kenneth L. Puryear 2008 Revocable Living Trust	3740 West Caldwell Drive Visalia CA 93274 USA	4,421,452.24	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	21-Jun-2016  21-Jun-2016 21-Jun-2016	3,067,367.80  82,854.36 2,091.23		1,269,138.84

29-Dec-16

Date



Resja Campfens

District of:  
 Division No.:  
 Court No.:  
 Estate No.:

Form 78 - Continued

List "B"  
 Secured Creditors

Sea Breeze Power Corp.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
7	Mark Hoffman	21346 Road 140 Visalia CA 93274 USA	39,784.74	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	21-Jun-2016  21-Jun-2016 21-Jun-2016	27,600.53  745.53 18.82		11,419.86
8	Moranbah Farms, Inc.	3740 West Caldwell Drive Visalia CA 93274 USA	443,874.37	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	21-Jun-2016  21-Jun-2016 21-Jun-2016	307,936.37  8,317.84 209.94		127,410.22
9	Ooldea, Inc.	3740 West Caldwell Drive Visalia CA 93274 USA	443,874.37	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	21-Jun-2016  21-Jun-2016 21-Jun-2016	307,936.37  8,317.84 209.94		127,410.22
10	Patricia Eckert (\$75,000USD)	224 Abalone Ave Newport Beach CA 92662 USA	101,227.50	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	02-Aug-2012  02-Aug-2012 02-Aug-2012	70,226.24  1,896.92 47.88		29,056.46
11	The C Chase Hoffman Administrative Trust	21346 Road 140 Tulare CA 93274 USA	1,455,384.88	Other - Prepaids, deposits, and advances to and investments in subsidiaries  Cash on Hand Debts Due - Business - Receiver General	21-Jun-2016  21-Jun-2016 21-Jun-2016	1,009,668.43  27,272.71 688.36		417,755.39
<b>Total:</b>			<b>12,744,036.86</b>			<b>9,085,973.55</b>	<b>0.00</b>	<b>3,658,063.31</b>

29-Dec-16

Date

  
 Resja Campfens

District of:  
 Division No.:  
 Court No.:  
 Estate No.:

Form 78 - Continued

List "A"  
 Unsecured Creditors  
 Sea Breeze Energy Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Advantage Mini Storage	7530 Dallas Drive Kamloops BC V2C 6X2	0.00	0.00	0.00
2	Anthony O. Duggleby	Farris, Vaugh, Wills & Murphy LLP, c/o Sean Hern 25th Floor - 700 W. Georgia Street Vancouver BC V7Y 1B3	0.00	0.00	0.00
3	Auriane S. Chouinard-Duggleby	Farris, Vaugh, Wills & Murphy LLP c/o Sean Hern 25th Floor - 700 W. Georgia Street Vancouver BC V7Y 1B3	0.00	0.00	0.00
4	C&A Energy Services Ltd.	2408 Binning Lane West Vancouver BC V7S 3H5	99,225.00	0.00	99,225.00
5	Canada Revenue Agency, Burnaby-Fraser Tax Services Office, Revenue Collections Division, Regional Intake Centre	9737 King George Highway PO Box 9070 Stn. Main Surrey BC V3T 5W6	0.00	0.00	0.00
6	Caroline Moore Consulting Ltd.	101 - 1990 Barclay Street Vancouver BC V6G 1L3	0.00	0.00	0.00
7	Cooper Beauchesne and Associates Ltd	1250 Winchester Road Qualicum Beach BC V9K 1W9	0.00	0.00	0.00
8	Corky Anderson	3740 West Caldwell Drive Visalia CA 93274 USA	4,180.98	0.00	4,180.98
9	Elisha G. Manson	Farris, Vaugh, Wills & Murphy LLP c/o Sean Hern 25 Floor - 700 W. Georgia Street Vancouver BC V7Y 1B3	0.00	0.00	0.00
10	Elize N. Duggleby-Chouinard	Farris, Vaugh, Wills & Murphy LLP c/o Sean Hern 25th Floor - 700 W. Georgia Street Vancouver BC V7Y 1B3	0.00	0.00	0.00
11	Ezra G. Manson	Farris, Vaugh, Wills & Murphy LLP c/o Sean Hern 25th Floor - 700 W. Georgia Street Vancouver BC V7Y 1B3	0.00	0.00	0.00
12	Gowling Lafleur Henderson LLP	550 Burrard Street PO Box 30 Vancouver BC V6C 2B5	0.00	0.00	0.00
13	Gregory Hoffman	949 San Francisco Avenue #1 South Lake Tahoe CA 96150	425,000.00	0.00	425,000.00
14	Hemmera	4730 Kingsway 18th Floor Burnaby BC V5H 0C6	0.00	0.00	0.00
15	Henry P. Anderson III, 2009 Revocable Living Trust	3740 West Caldwell Drive Visalia CA 93274 USA	0.00	4,442,313.80	4,442,313.80
16	Hoffman and Sons	21346 Road 140 Visalia CA 93274 USA	0.00	320,521.39	320,521.39

29-Dec-16

Date

  
 Resja Campfens



District of:  
 Division No.:  
 Court No.:  
 Estate No.:

Form 78 - Continued

List "A"  
 Unsecured Creditors  
 Sea Breeze Energy Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
17	Hoffman Dairies	21346 Road 140 Tulare CA 93274 USA	0.00	1,390.58	1,390.58
18	Hoffman Farms	21346 Road 140 Tulare CA 93274 USA	0.00	357,630.11	357,630.11
19	Ken Puryear	3740 West Caldwell Drive Visalia CA 93274 USA	432.31	0.00	432.31
20	Kenneth L. Puryear 2008 Revocable Living Trust	3740 West Caldwell Drive Visalia CA 93274 USA	0.00	4,419,755.79	4,419,755.79
21	Lorrie G. Thompson	Farris, Vaugh, Wills & Murphy LLP c/o Sean Hern 25th Floor - 700 W. Georgia Street Vancouver BC V7Y 1B3	0.00	0.00	0.00
22	Mark Hoffman	21346 Road 140 Tulare CA 93274 USA	0.00	39,769.48	39,769.48
23	McElhanney	L100-780 Beatty Street Vancouver BC V6B 2M1	0.00	0.00	0.00
24	Moranbah Farms, Inc.	3740 West Caldwell Drive Visalia CA 93274 USA	0.00	443,704.06	443,704.06
25	Ooldea Inc.	3740 West Caldwell Drive Visalia CA 93274 USA	0.00	443,704.06	443,704.06
26	Powerhouse Electric Corp.	3023-595 Burrard Street Vancouver, BC V7X 1K8	1,865,999.46		1,865,999.46
27	Receiver General	9755 King George Boulevard Surrey BC V3T 5E1	0.00	0.00	0.00
28	The C Chase Hoffman Administrative Trust	21346 Road 140 Tulare CA 93274 USA	0.00	1,454,826.47	1,454,826.47
29	Worksafe BC	PO Box 9600 Stn Terminal Vancouver BC V6B 5J5	0.00	0.00	0.00
<b>Total:</b>			<b>2,394,837.75</b>	<b>11,923,615.73</b>	<b>14,318,453.48</b>

29-Dec-16

Date



Resja Campfens

District of:  
 Division No.:  
 Court No.:  
 Estate No.:

Form 78 - Continued

List "B"  
 Secured Creditors

Sea Breeze Energy Inc.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
1	Henry P. Anderson III, 2009 Revocable Living Trust	3740 West Caldwell Drive Visalia CA 93274 USA	4,444,018.91	Vehicles Cash on Hand	21-Jun-2016	372.56 1,332.55		4,442,313.80
2	Hoffman and Sons	21346 Road 140 Tulare CA 93274 USA	320,644.42	Vehicles Cash on Hand	21-Jun-2016	26.88 96.15		320,521.39
3	Hoffman Dairies	21346 Road 140 Tulare CA 93274 USA	1,391.11	Vehicles Cash on Hand	21-Jun-2016	0.12 0.42		1,390.58
4	Hoffman Farms	21346 Road 140 Tulare CA 93274 USA	357,767.38	Vehicles Cash on Hand	21-Jun-2016	29.99 107.28		357,630.11
5	Kenneth L. Puryear 2008 Revocable Living Trust	3740 West Caldwell Drive Visalia CA 93274 USA	4,421,452.24	Vehicles Cash on Hand	21-Jun-2016	370.67 1,325.78		4,419,755.79
6	Mark Hoffman	21346 Road 140 Visalia CA 93274 USA	39,784.74	Vehicles Cash on Hand	21-Jun-2016	3.34 11.93		39,769.48
7	Moranbah Farms, Inc.	3740 West Caldwell Drive Visalia CA 93274 USA	443,874.37	Vehicles Cash on Hand	21-Jun-2016	37.21 133.10		443,704.06
8	Ooldea, Inc.	3740 West Caldwell Drive Visalia CA 93274 USA	443,874.37	Vehicles Cash on Hand	21-Jun-2016	37.21 133.10		443,704.06
9	The C Chase Hoffman Administrative Trust	21346 Road 140 Tulare CA 93274 USA	1,455,384.88	Vehicles Cash on Hand	21-Jun-2016	122.01 436.40		1,454,826.47
<b>Total:</b>			<b>11,928,192.42</b>			<b>4,576.69</b>	<b>0.00</b>	<b>11,923,615.73</b>

29-Dec-16

Date



Resja Campfens

District of: British Columbia  
Division No. 03 - Vancouver  
Court No.  
Estate No. 11-2203806, 11-2203807

- FORM 31 -  
Proof of Claim  
(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1),  
and Paragraphs 51(1)(e) and 66.14(b) of the Act)

All notices or correspondence regarding this claim must be forwarded to the following address:

\_\_\_\_\_

\_\_\_\_\_

In the matter of the proposal of Sea Breeze Power Corp. and Sea Breeze Energy Inc. of the city of Vancouver in the Province of British Columbia and the claim of \_\_\_\_\_, creditor.

I, \_\_\_\_\_ (name of creditor or representative of the creditor), of the city of \_\_\_\_\_ in the province of \_\_\_\_\_, do hereby certify:

1. That I am a creditor of \_\_\_\_\_ (name of applicable debtor) (or I am \_\_\_\_\_ (position/title) of \_\_\_\_\_, creditor).
2. That I have knowledge of all the circumstances connected with the claim referred to below.
3. That the debtor was, at the date of proposal, namely the 30th day of December 2016, and still is, indebted to the creditor in the sum of \$ \_\_\_\_\_, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)
4. (Check and complete appropriate category.)

A. UNSECURED CLAIM OF \$ \_\_\_\_\_

(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and  
(Check appropriate description.)

Regarding the amount of \$ \_\_\_\_\_, I claim a right to a priority under section 136 of the Act.

Regarding the amount of \$ \_\_\_\_\_, I do not claim a right to a priority.  
(Set out on an attached sheet details to support priority claim.)

B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ \_\_\_\_\_

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:  
(Give full particulars of the claim, including the calculations upon which the claim is based.)

C. SECURED CLAIM OF \$ \_\_\_\_\_

That in respect of this debt, I hold assets of the debtor valued at \$ \_\_\_\_\_ as security, particulars of which are as follows:  
(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ \_\_\_\_\_  
(Attach a copy of sales agreement and delivery receipts.)

E. CLAIM BY WAGE EARNER OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ \_\_\_\_\_,

That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ \_\_\_\_\_,

F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ \_\_\_\_\_

That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ \_\_\_\_\_,

That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ \_\_\_\_\_,

G. CLAIM AGAINST DIRECTOR \$ \_\_\_\_\_

*(To be completed when a proposal provides for the compromise of claims against directors.)*  
That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:  
*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ \_\_\_\_\_

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:  
*(Give full particulars of the claim, including the calculations upon which the claim is based.)*

5. That, to the best of my knowledge, I \_\_\_\_\_ (am/am not) (or the above-named creditor \_\_\_\_\_ (is/is not)) related to the debtor within the meaning of section 4 of the Act, and \_\_\_\_\_ (have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: (Provide details of payments, credits and transfers at undervalue.)

7. (Applicable only in the case of the bankruptcy of an individual.)

Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.

I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Creditor

Phone Number: \_\_\_\_\_

Fax Number : \_\_\_\_\_

E-mail Address : \_\_\_\_\_

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.

WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

## CHECKLIST FOR PROOF OF CLAIM

This checklist is provided to assist you in preparing the proof of claim form and, if appropriate, the proxy form in a complete and accurate manner.

### **General**

- The **signature of a witness** is required.
- The document **must be signed** by the individual completing the declaration.
- **Provide the complete address** where all notices or correspondence are to be forwarded along with your phone number, fax number and email address where appropriate.

### **Notes:**

- It is permissible to file a proof of claim by fax.
- A creditor may vote either in person or by proxy at any meeting of creditors if the proof of claim is filed with the Trustee prior to the time appointed for the meeting.
- A quorum at any meeting of creditors is at least one creditor with a valid proof of claim in attendance in person or by proxy.
- A corporation may vote by an authorized agent or mandatory at meetings of creditors.
- In order for a duly authorized person to have a right to vote, they must be a creditor or be the holder of a properly executed proxy. The name of the creditor must appear in the proxy.
- A creditor who is participating in any distribution from an estate must have filed a proof of claim prior to the distribution being declared.
- In the case of an individual bankrupt, by checking the appropriate boxes at the bottom of the proof of claim form, you may request that the Trustee advise you of any material change in the financial situation of the bankrupt or the amount of the bankrupt is required to pay into the bankruptcy, and a copy of the Trustee's report on the discharge of the bankrupt.

### **Paragraph (1)**

- Creditor must state full and complete legal name of the individual, company or firm.
- If the individual completing the proof of claim is a representative of the creditor, the individual's position or title must be identified.

### **Paragraph (3)**

- The amount owing must be set out in paragraph 3.
- A **detailed statement of account** must be attached to the proof of claim and marked "Schedule A" and must show the date, number and amount of all the invoices, charges, credits or payments. The amount on the statement of account must correspond to the amount indicated on the proof of claim.

## Paragraph (4)

### Notes:

- **Paragraph A** applies to the ordinary unsecured claims. In addition to recording the amount of the claim, please indicate whether the claim has a priority pursuant to section 136 of the Act.
- **Paragraph B** applies to lessor claims in a commercial proposal. Please ensure that the claim applies to a commercial proposal and, if so, include the full particulars of the claim.
- **Paragraph C** applies to secured claims. Please indicate the dollar value of the security and attach copies of the security documents. In addition, please attach copies of the security registration, where appropriate.
- **Paragraph D** applies to inventory claims of farmers, fisherman and aquaculturists. Please note that such claims apply only to inventory supplied from farmers, fishermen and aquaculturists within 15 (fifteen) days of the date of bankruptcy. In addition, please attach copies of any applicable sales agreement and delivery slips.
- **Paragraph E** applies to claims by wage earners. Please note that such claims apply only for unpaid wages owed upon bankruptcy of an employer or when the employer becomes subject to a receivership.
- **Paragraph F** applies to claims by employees for unpaid amounts regarding pension plans. Please note that such claims apply only to unremitted pension contributions outstanding when the sponsoring employer becomes bankrupt or is subject to a receivership.
- **Paragraph G** applies to claims against directors. Please note that such claims apply only to directors of corporations that have filed a commercial proposal to creditors that includes a compromise of statutory claims against directors.
- **Paragraph H** applies to claims of customers of a bankrupt securities firm. Please ensure that the claim of the customer is for net equity and, if so, include the full particulars of the claim, including the calculations upon which the claim is based.
- In order to prepare its claim, the creditor should refer to the Bankruptcy and Insolvency Act, copy of which is accessible at <http://laws-lois.justice.gc.ca/eng/acts/B-3/>.

## Paragraph (5)

- All claimants must indicate whether or not they are related to the debtor, as defined in section 4 of the Act, or dealt with the debtor in a non-arm's length manner.

## Paragraph (6)

- All claimants must attach a detailed list of all payments or credits received or granted, as follows:
  - a) **within the three (3) months preceding** the initial bankruptcy event (including the bankruptcy or the proposal);
  - b) **within the twelve (12) months preceding** the initial bankruptcy event (including the bankruptcy or the proposal) in the case where the claimant and the debtor were not dealing at arm's length.

District of: British Columbia  
Division No. 03 - Vancouver  
Court No.  
Estate No. 11-2203806, 11-2203807

- FORM 36 -  
Proxy  
(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

I, \_\_\_\_\_, of \_\_\_\_\_, a creditor in the above matter, hereby appoint  
\_\_\_\_\_, of \_\_\_\_\_, to be my proxyholder  
in the above matter, except as to the receipt of dividends, \_\_\_\_\_ (with or without) power to appoint another  
proxyholder in his or her place.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_,

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per \_\_\_\_\_  
Name and Title of Signing Officer

Return To:

Alvarez & Marsal Canada Inc.  
Per:

  
\_\_\_\_\_  
Todd Martin - Licensed Insolvency Trustee  
Commerce Place  
Suite 1680, 400 Burrard Street  
Vancouver BC V6C 3A6  
Phone: (604) 638-7440 Fax: (604) 638-7441  
E-mail: vchan@alvarezandmarsal.com



District of: British Columbia  
Division No. 03 - Vancouver  
Court No.  
Estate No. 11-2203806, 11-2203807

- FORM 37 -

Voting Letter  
(Paragraph 51(1)(f) of the Act)

I, \_\_\_\_\_, creditor (or I, \_\_\_\_\_, representative of \_\_\_\_\_, creditor), of \_\_\_\_\_, a creditor in the above matter for the sum of \$ \_\_\_\_\_, hereby request the trustee acting with respect to the proposal of Sea Breeze Power Corp. and Sea Breeze Energy Inc., to record my vote \_\_\_\_\_ (for or against) the acceptance of the proposal as made on the 30th day of December 2016.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Individual Creditor

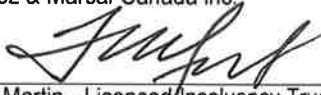
\_\_\_\_\_  
Witness

\_\_\_\_\_  
Name of Corporate Creditor

Per \_\_\_\_\_  
Name and Title of Signing Officer

Return To:

Alvarez & Marsal Canada Inc.  
Per:



\_\_\_\_\_  
Todd Martin - Licensed Insolvency Trustee  
Commerce Place  
Suite 1680, 400 Burrard Street  
Vancouver BC V6C 3A6  
Phone: (604) 638-7440 Fax: (604) 638-7441  
E-mail: vchan@alvarezandmarsal.com

## APPENDIX CC

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 alteration 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 18<sup>th</sup> 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.**

<b>Project Name</b>	<b>Holding Company</b>
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.

**APPENDIX DD**

District of: Vancouver  
Division No. 03 – Vancouver  
Court No.  
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. (THE “COMPANIES”)**

**MINUTES OF THE MEETING OF CREDITORS  
JANUARY 18, 2017**

The Chairman, Mr. Todd Martin, called the meeting of creditors to order there being a properly convened meeting with a quorum present at 10:00AM on the 18<sup>th</sup> day of January, 2017. Attached as Exhibit A is a copy of the sign-in sheet for attendees at the meeting.

The Chair advised that the purpose of the meeting was to vote on the Amended Proposal as tabled by the Companies in accordance with section 51(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “BIA”). A summary of the matters discussed and/or resolved are as follows:


1. The Chair advised that Mr. Salem Temelle of Fiore Management was in attendance as a representative of the Companies’ landlord, which does not have a claim in these proceedings and confirmed that no creditors objected to his attendance as an observer.
2. The Chair appointed Ms. Vicki Chan as Secretary and Scrutineer for the purposes of the meeting;
3. The following documents were tabled:
  - the Amended Proposal dated January 18, 2017;
  - the Trustee’s Report on the Proposal;
  - a condensed statement of the Companies’ assets and liabilities;
  - proof of claims and proxies received;
  - an Affidavit of Mailing with respect to the Notice of Creditors Meeting; and
  - a claims register and copies of all Proofs of Claim received.
4. The Chair advised that the Companies had filed the Amended Proposal on January 18, 2017 and that the amendments provide for the amalgamation of SB Okanagan Holding (03) Corp. and SB Prince Rupert Holding Corp. into Sea Breeze Power Corp. and did not impact the treatment of creditor claims and the estimated distribution.
5. The Chair advised that the Trustee’s summary of the Amended Proposal and Trustee’s Report was dispensed with as all those in attendance were familiar with it.
6. There being no questions, the Chair called for the vote on the Amended Proposal.

7. The Scrutineer provided the voting results which indicated that 11 creditors with total claims of \$1,055,742.89 representing 100% of the voting creditors voted in favor of approving the Amended Proposal. No creditors voted against the approval of the Amended Proposal. A summary and register of the voting results is attached as Exhibit B.
8. The Chair described the requisite voting majorities as prescribed by the BIA and pursuant to the BIA, the Amended Proposal was approved by the voting creditors, therefore, it was resolved to approve the Amended Proposal:  
  
**Moved by:** Todd Martin as proxy for Gowling Lafleur Henderson LLP  
**Seconded by:** Resja Campfens
9. The Chair declared the motion to approve the Amended Proposal carried by requisite majorities pursuant to the BIA.
10. Chair advised that will apply to court within 5 days and will advise creditors of the hearing date for the court to approve the Amended Proposal.

There being no questions, the meeting was adjourned at approximately 10:08AM in the morning.

Dated at Vancouver this 19th day of January, 2017.

**Alvarez & Marsal Canada Inc.**  
in its capacity as Proposal Trustee of  
Sea Breeze Power Corp. and Sea Breeze Energy Inc.  
and Chairman of the Meeting of Creditors



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Per: Todd Martin  
Chairman

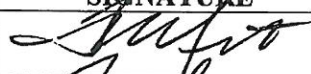



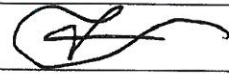
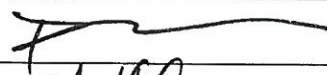



**IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN THE MATTER OF THE PROPOSAL OF SEA BREEZE POWER CORP. AND  
SEA BREEZE ENERGY INC. (THE "COMPANIES")**

**SIGN-IN SHEET  
MEETING OF CREDITORS**

January 18, 2017

10:00 o'clock AM

Fasken Martineau DuMoulin LLP, Suite 2900, 550 Burrard Street, Vancouver, British Columbia

	NAME	SIGNATURE	REPRESENTING
1	Todd M. Martin		Alvarez & Marsal Canada Inc. – Proposal Trustee
2	Tom Powell		Alvarez & Marsal Canada Inc. – Proposal Trustee
3	Vicki Chan		Alvarez & Marsal Canada Inc. – Proposal Trustee
4	Kibben Jackson		Fasken Martineau DuMoulin LLP, Counsel for the Companies
5	Danielle Toigo	BT:	Fasken Martineau DuMoulin LLP, Counsel for the Companies
6	Mohammad Vahedi for		Sea Breeze Power
7	Resja Campfens		Sea Breeze Power
8	MIKE CHAPIN		C&A ENERGY SERV.
9	Jan Campfens		Sea Breeze Power
10	<del>Krisger</del>		
11	Selam Tenelle	ST	Fire Management
12	<del>Danielle Toigo</del>	BT:	<del>SEA BREEZE</del>
13	Ellen Bird		Sea Breeze Power.
14			
15			
16			
17			



IN THE MATTER OF THE OF THE PROPOSAL OF SEA BREEZE POWER CORP. AND SEA BREEZE ENERGY INC.  
VOTING REGISTER  
AS AT JANUARY 18, 2017

No.	Name of creditor	Accepted Claim for Voting Purposes (\$)	Vote For / Against / Abstain the Proposal	Proxy
<b>Unsecured Creditor Claims</b>				
1	BAAN Strategies Inc.	\$ 102,410.96	FOR	ELLEN BIRD
2	Computershare	3,954.90		
3	DSD Document Systems Direct	851.59		
4	Gowling Lafleur Henderson LLP	92,486.25	FOR	TODD MARTIN
5	Gregory Hoffman	455.06	FOR	ELLEN BIRD
6	Gregory Hoffman	425,000.00	FOR	ELLEN BIRD
7	Gregory Hoffman	101,227.50	FOR	ELLEN BIRD
8	Henry P. Anderson III	4,180.98	FOR	
9	James Griffiths	93,183.00	FOR	ELLEN BIRD
10	Ken Puryear	432.31	FOR	
11	Mohammad Vahedifar	8,866.83	FOR	ELLEN BIRD
12	Resja Campfens	148,750.00	FOR	
13	Samuel Chow	78,750.00	FOR	ELLEN BIRD
<b>Total</b>		<b>\$ 1,060,549.38</b>		

**Summary of Votes**

	Number of Votes	Percentage of Voting Claims	Claim Amount of Votes (\$)	Percentage of Voting Claims
For	11	100%	\$ 1,055,742.89	100%
Against	-	0%	-	0%
Abstain	-	0%	-	0%
<b>Total</b>	<b>11</b>	<b>100%</b>	<b>\$ 1,055,742.89</b>	<b>100%</b>