

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

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

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

NOTICE OF APPLICATION

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

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

And To: All creditors with Proven Claims

And To: The Office of the Superintendent of Bankruptcy

TAKE NOTICE that an application will be made by the Trustee to the presiding judge at the courthouse at 800 Smithe Street, Vancouver, B.C. on April 28, 2017 at 9:45 a.m. for the orders set out in Part 1 below.

Part 1: ORDERS SOUGHT

1. An Order approving the second amended proposal of the Companies dated April 21, 2017 (as amended, the “**Amended Proposal**”) and the transactions set forth therein, in substantially the same form of Order attached hereto as Schedule A.

Part 2: FACTUAL BASIS

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

Background

2. The Companies are incorporated under the laws of the Province of British Columbia. Power Corp. is listed on the TSX Venture Exchange under the trading symbol TSXV:SBX. Energy Inc. is a wholly owned subsidiary of Power Corp.
3. The Companies, together with their subsidiaries and affiliates, are engaged in the development of hydro-electric, wind power generation and transmission projects in the province of British Columbia. These projects are in the development stage and do not generate sufficient revenue to fund the Companies' ongoing operations. The Companies have suffered losses over the last several years and have relied on equity financing and secured loans advanced by shareholders and/or the directors of Power Corp., or entities related to the directors, to fund their operations.
4. The Companies' ongoing losses and inability to raise additional capital made it difficult for the Companies to fund operations. Adding to these financial difficulties, in September 2016, an arbitration award of approximately \$1.26 million was made against Energy Inc. By the latter part of 2016 the Companies could no longer fund operations or meet their liabilities as they came due.
5. On December 30, 2016, the Companies filed a proposal with the Official Receiver and commenced proceedings under the BIA. On January 18, 2017, the proposal was amended (as amended, the "**Proposal**") to facilitate a corporate transaction that did not impact estimated creditor recoveries or the treatment of creditor claims under the Proposal.
6. The details of the Companies' assets and liabilities are set out at section 4 of the Trustee's Report on the Proposal dated January 6, 2017 (the "**First Report**"). In summary, at the Filing Date, the Companies' assets had an estimated book value of \$18.4 million, including approximately \$17.9 million in outstanding inter-company loans and investments advanced by the Companies to their affiliates and/or subsidiaries to fund certain developmental projects, and the Companies' liabilities had an estimated book value of \$15.6 million. The majority of the Companies' debt (approximately \$12.7 million) is owed to secured creditors and is secured against all assets of the Companies and in a receivership or bankruptcy scenario the realizable value of the Companies' assets is unlikely to generate sufficient proceeds to pay out secured creditor claims.
7. The Proposal contemplated that the Companies would enter into a purchase and sale agreement (the "**Purchase and Sale Agreement**") with the Secured Creditor Sponsors, pursuant to which the Secured Creditor Sponsors would acquire certain assets of the Companies in consideration for a reduction of their Secured Claims. Following the completion of the purchase and sale transactions and the implementation of the Proposal, Power Corp. would have been restructured with the result that the Trustee would have been the sole shareholder of Power Corp. with the authority to sell the remaining assets of the Companies (collectively, the "**Residual Assets**"). The Proposal contemplated that the Trustee would realize on the Residual Assets for the benefit of the Proposal Beneficiaries.

8. In the First Report, the Trustee estimates the realizable value of the Residual Assets to be \$643,000, attributable to \$43,000 in cash and lands (the “**PDI Lands**”) owned by Powerhouse Developments Inc. (“**PDI**”), a wholly owned subsidiary of Power Corp., valued at approximately \$600,000. Under the Proposal, the Residual Assets also include Power Corp.’s tax attributes (the “**Tax Attributes**”), which were to have been realized by the sale of the Trustee’s share in Power Corp., however in the First Report the Trustee attributed no value to the Tax Attributes. The Proposal, including the Purchase and Sale Agreement, were premised on the parties’ expectation that the Tax Attributes could be used by a third party that acquired Power Corp.’s shares and therefore had significant value.
9. At the Creditor Meeting on January 18, 2017, the participating Voting Creditors voted unanimously to approve the Proposal and thereafter an application seeking Court approval of the Proposal was scheduled for February 21, 2017.
10. In the weeks following the Creditor Meeting the Companies continued to work diligently and in good faith with the Secured Creditor Sponsors to finalize the Purchase and Sale Agreement ahead of the application to approve the Proposal. This included engaging members of the tax group at Ernst & Young LLP (“**EY**”) to analyze the Tax Attributes and advise on how to structure the Purchase and Sale Agreement to optimize the value of these attributes for the benefit of the Companies’ creditors.
11. After completing its analysis, EY advised the Companies and the Secured Creditor Sponsors that most of the Tax Attributes would only retain their value if the shares of Power Corp. were acquired by a purchaser in a transaction that did not result in a change of control. Practically speaking, because the Secured Creditor Sponsors are, collectively, the majority shareholders of Power Corp. this meant the Tax Attributes could only be preserved if the company’s shares were acquired by the Secured Creditor Group and not by a third party.
12. Based on the foregoing, the Companies, in consultation with the Secured Creditor Sponsors and the Trustee, determined that proceeding with the Proposal was not in the best interest of stakeholders as the Proposal does not maximize the realizable value of the Companies’ assets. Accordingly, the Companies worked with the Secured Creditor Sponsors to prepare the Amended Proposal, which both preserves the value of the Companies’ assets, including the Tax Attributes, and maximizes creditor recoveries.
13. The Proposal provides that the Court may amend the proposal on the application of the Companies or the Trustee, on notice to the Official Receiver and those parties directly affected by the amendment.

Overview of Amended Proposal

14. In summary, the key provisions of the Amended Proposal and related transactions are as follows:

- (a) The Secured Creditor Group will assign all of their Secured Claims and transfer all of their Common Shares to TuCan, a limited liability company controlled by the Secured Creditor Group.
 - (b) On or before the Proposal Implementation Date (i) TuCan will cause the Cash Consideration of \$100,000 to be paid to the Trustee and agree to subordinate its Secured Claims to the Proven Claims of the Proposal Beneficiaries in respect of the Distribution Funds; and (ii) Power Corp. will issue one billion Common Shares to TuCan.
 - (c) Following the share issuance to TuCan, Power Corp.'s Common Shares will be consolidated at a rate of 25 million to 1 and all Fractional Shares and Securities will subsequently be cancelled, with the result that, thereafter, TuCan will be the sole shareholder of Power Corp.
 - (d) As provided for in the Proposal, certain claims against the Companies will be unaffected by the Amended Proposal, including Secured Claims, Post-Filing Claims, the Consultant's Claim and Intercompany Claims.
15. The amendments to the Proposal are not expected to negatively impact the treatment of the Proposal Beneficiaries or reduce anticipated creditor recoveries. If the Amended Proposal is approved, as soon as practicably possible, Power Corp. intends to complete a sale of its shares in PDI, or alternatively sell the PDI Lands, and pay the PDI Sale Proceeds to the Trustee to fund distributions to the Proposal Beneficiaries. Additional recovery for the Proposal Beneficiaries will come from the Cash Consideration (\$100,000) and any potential Tax Refunds received by Energy Inc. (net of related professional fees and filing fees), both of which are to be paid over to the Trustee for distribution. The unsecured claim of Hoffman, who is related to the Secured Creditor Group, will be subordinated to the claims of the other Proposal Beneficiaries with respect to the Distribution Funds until their Proven Claims are paid in full.
16. The only creditors whose treatment is impacted by the Amended Proposal are the members of the Secured Creditor Group and Hoffman, all of whom support the Amended Proposal.
17. Throughout these proceedings, the Companies have acted diligently and in good faith to structure a proposal that optimizes the recoverable value of their assets, generates timely and meaningful recovery for creditors and allows the development work of the Companies to continue. If the Amended Proposal is not approved, the Companies will automatically be deemed bankrupt. This will reduce the realizable value of the Companies' assets, terminate the Companies' business and materially reduce creditor recoveries. In the event of a bankruptcy, it is estimated that Unsecured Creditors will recover nothing.

Part 3: LEGAL BASIS

1. The Trustee relies on the inherent jurisdiction of this Honourable Court, the provisions of the BIA, the provisions of the Companies' incorporating statute the British Columbia *Business Corporations Act*, S.B.C. 2002, c. 57 ("BCBCA") and such other legal basis as it may advise.

Approval of the Amended Proposal

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

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

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

BIA, section 59(2)

3. The Amended Proposal meets each of these requirements:

- (a) The mandatory statutory requirements are included in the Amended Proposal at Article 3.
- (b) The terms of the Amended Proposal are reasonable and the Companies expect that the Amended Proposal will be implemented and recovery made available to creditors in a timely manner.
- (c) The Amended Proposal is calculated to benefit the general body of creditors by optimizing the realizable value of the Companies' assets in order to provide meaningful recovery to the Proposal Beneficiaries and other creditors.
- (d) The Amended Proposal is made by the Companies in good faith and with the support of the Secured Creditor Sponsors who are the largest financial stakeholders and have funded these proceedings and the operational needs of the Companies through this restructuring process. Further, the Secured Creditor Group has agreed to subordinate their Secured Claims and Hoffman has agreed to subordinate his unsecured claims to the Proven Claims of the Proposal Beneficiaries with respect to the Distribution Funds.

4. The Amended Proposal is supported by the Trustee and provides for the same (or better) treatment of the Proposal Beneficiaries as provided for in the Proposal which was unanimously approved at the Creditor Meeting. Although not binding on the Court, substantial deference should be afforded to the views of those parties.

Kitchener, at 21

5. The Amended Proposal contemplates that it may be amended by Court order after receiving creditor approval and the Court has the jurisdiction under the BIA to approve the amendments to the Amended Proposal.

BIA, Rule 92

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

6. As described above, the Amended Proposal contemplates the reorganization of Power Corp.'s share structure, including the consolidation of the Common Shares and the cancellation of all Fractional Shares and Securities. This reorganization is necessary in order to preserve the value of the Tax Attributes and maximize creditor recoveries.
7. Section 66(1.4) of the BIA provides that the BIA Division I proposal provisions shall be applied together with the provisions of an Act of Parliament, or of the legislature of a province, that authorizes or provides for the sanction of compromises or arrangements between a corporation and its shareholders.

BIA, s. 66(1.4)

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

BCBCA, s. 291(4)

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

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

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

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

interpretation of the BIA that is harmonious with the interpretation and application of the CCAA.

Kitchener at 46, 47, 54 and 73

11. Similar to *Bul River*, the Shareholders and holders of the Securities have no monetary interest in the Companies' assets and they are not prejudiced by the reorganization and the cancellation of the Fractional Shares and Securities. Conversely, not approving the reorganization will diminish the realizable value of the Companies' assets, reduce potential creditor recoveries and could jeopardize the success of these proceedings. This benefits no one and is inconsistent with the intent of the BIA proposal provisions which are designed to facilitate, among other things, a value maximizing restructuring.

Kitchener, at 53

Compliance with Multilateral Instrument 61-101 Not Required

12. Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") mandates that certain shareholder approvals be obtained where the applicable transaction is a "related party transaction". In the present case, the issuance of shares to TuCan likely constitutes a related party transaction. Accordingly, the Companies are relying on the exemptions provided at ss. 5.5(f)(i) and 5.7(d) of MI 61-101 so as to obviate the need to obtain a valuation of Power Corp.'s securities or minority approval of the transactions.
13. Pursuant to the provisions of MI 61-101, provided the Court is advised of the potential related party transactions and the terms of MI 61-101, Power Corp. need not obtain a valuation or seek minority approval unless the Court so orders.

Part 4: MATERIAL TO BE RELIED ON

1. Trustee's Report on the Proposal, dated January 6, 2017.
2. Trustee's Report in Form 40.
3. Trustee's Report, dated April 21, 2017.
4. Affidavit #1 of Resja Campfens, sworn January 25, 2017.
5. Affidavit #2 of Resja Campfens, sworn April 21, 2017.

The applicants estimate that the application will take 30 minutes.

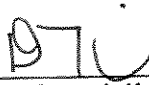
☒ This matter is not within the jurisdiction of a master.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this Notice of Application, you must, within 5 business days after service of this Notice of

Application or, if this application is brought under Rule 9-7, within 8 business days after service of this Notice of Application,

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

Dated: 21-Apr-2017



Signature of Danielle Toigo as agent for the
Trustee

To be completed by the court only:

Order made

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

☐ with the following variations and additional terms:

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

Date:

.....
Signature of ☐ Judge ☐ Master

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

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

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

SCHEDULE A TO NOTICE OF APPLICATION

DRAFT ORDER

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

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

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

ORDER MADE AFTER APPLICATION

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

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

THIS COURT ORDERS AND DECLARES that:

1. The time for notice and service of the Notice of Application dated April <@>, 2017, is hereby abridged such that the application is properly returnable today.
2. Capitalized terms not otherwise defined in this Order shall have the same meanings given to them in the second amended proposal of the Companies dated April <@>, 2017, a copy of which is attached hereto as Schedule B (the “**Amended Proposal**”).
3. The Creditor Meeting was duly convened, held and conducted on January 18, 2017 in conformity with the BIA.
4. The proposal of the Companies dated January 18, 2017 (the “**Proposal**”) was approved by the Required Majority in conformity with the BIA.

5. All amendments and modifications to the Proposal made subsequent to the Creditor Meeting as reflected in the Amended Proposal are hereby approved.
6. The Amended Proposal is hereby sanctioned and approved pursuant to the BIA.
7. The terms of the Amended Proposal and the transactions contemplated thereby are fair and reasonable and are calculated to benefit the general body of the Companies' creditors.
8. The Companies and the Trustee, as applicable, are authorized and directed to take all steps and actions necessary or appropriate, as determined by the Companies and the Trustee in accordance with and subject to the terms of the Amended Proposal, to implement and effect the Amended Proposal in the manner and sequence set forth in the Amended Proposal, and to execute and deliver all contracts, instruments, certificates and other agreements or documents to be created or delivered in connection with the Amended Proposal, and such steps and actions are hereby approved.
9. The Proposal Implementation Date shall occur on the date that all conditions precedent set forth in section 6.1 of the Amended Proposal are satisfied and the Amended Proposal is ordered effective as at that date and will enure to the benefit of and be binding upon the Companies, the Creditors, the Shareholders and all other Persons named or referred to in the Amended Proposal.
10. Effective on the Proposal Implementation Date, all necessary approvals of and from the Shareholders and directors or officers of Power Corp., as applicable, (including all necessary resolutions, whether ordinary, special or otherwise, of the Shareholders or directors or officers of Power Corp., as applicable) to take all actions set forth in the Amended Proposal or this Order are hereby deemed to have been made, given, passed or obtained.
11. Effective on the Proposal Implementation Date, the arrangements, reorganizations and corporate transactions set forth at section 5.2 of the Amended Proposal are sanctioned and approved and on the Proposal Implementation Date such transactions shall occur, and shall be deemed to occur, in the following order without any further act or formality required on the part of any Person:
 - (a) all Common Shares owned by the Secured Creditor Group will transfer to TuCan and shall vest in TuCan as the beneficial and registered owner of such Common Shares;
 - (b) in consideration for TuCan (i) causing the payment of the Cash Consideration to the Trustee; (ii) funding the Amended Proposal in accordance with section 2.2 of the Amended Proposal; and (iii) subordinating its Secured Claim to the Proven Claims of the Proposal Beneficiaries in respect of the Distribution Funds, Power Corp. will issue an additional one billion (1,000,000,000) Common Shares to TuCan;
 - (c) all issued and outstanding Common Shares will consolidate at the rate of 25 million to 1; and

- (d) (i) all Fractional Shares will be cancelled and shall be of no further force or effect and the obligations of Power Corp. thereunder or in any way related thereto shall be satisfied and discharged with no compensation or participation being provided or payable therefor or in connection therewith and all certificates formerly representing such shares shall be deemed to be cancelled and shall be null and void; and (ii) all Securities and any rights to receive such Securities shall be automatically deemed cancelled and shall be of no further force or effect and the obligations of Power Corp. thereunder or in any way related thereto shall be satisfied and discharged with no compensation or participation being provided or payable therefor or in connection therewith.
12. The Trustee shall distribute the Distribution Funds in accordance with section 3.4 of the Amended Proposal.
13. The releases set forth in section 8.8 of the Amended Proposal are hereby confirmed. Other than in respect of the Unaffected Claims and subject to the fulfilment of the Companies' obligations under the Amended Proposal, effective on and from the implementation of the Amended Proposal on the Proposal Implementation Date, all Creditors of the Companies, all Shareholders and all holders of any Securities shall be deemed to forever release and discharge any and all suits, Claims and causes of action that it may have had against the Companies, any of their parent or affiliate companies, each of the directors, officers, employees and advisors of the Companies or any of their parent or affiliate companies, and any claims against any of the Secured Creditor Group and TuCan and each of their directors, officers, employees and advisors, in each case arising prior to the Filing Date (or that arose after the Filing Date but which relates to events which occurred prior to the Filing Date), provided however that nothing herein shall release or discharge or be deemed to have released or discharged any Claims against the directors of the Companies which cannot be released or discharged pursuant to section 50(14) of the BIA.
14. Effective on and from the implementation of the Amended Proposal on the Proposal Implementation Date, the Trustee, along with its employees, advisors, legal counsel, representatives and agents, shall be fully and irrevocably released and discharged from any and all suits, claims and cause of actions of whatever nature which any Person affected by the Amended Proposal may be entitled to assert that are in any way connected with or related to the Amended Proposal or these proceedings, provided that nothing herein shall release or discharge the Trustee, or any of its employees, advisors, legal counsel, representatives and agents, for gross negligence or wilful, criminal or fraudulent misconduct as determined by the Court or a court of competent jurisdiction.
15. The Companies, the Trustee and any other interested party shall be at liberty to apply for such other directions or relief as may be necessary or desirable to give effect to this Order.
16. This Court does not require that Power Corp. comply with sections 5.4 or 5.6 of Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions*.

17. Endorsement of this Order by counsel other than counsel for the Companies and agent for the Trustee is hereby dispensed with

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

Signature of Kibben Jackson

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

BY THE COURT

REGISTRAR

SCHEDULE A

PARTY	COUNSEL

SCHEDULE B
AMENDED PROPOSAL

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

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

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

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

DATED APRIL 21, 2017

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ARTICLE 1

INTERPRETATION

1.1 Definitions

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

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

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

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

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

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

“Business Day” means any day which is not a Saturday or Sunday, or a provincial or federal holiday in the province of British Columbia.

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

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

executory in nature, including, without limitation, the right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future based in whole or in part on facts which existed prior to or at the Filing Date and, (ii) any other claims that would have been claims provable in bankruptcy had the Companies become bankrupt on the Filing Date.

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

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

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

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

“Court” means the Supreme Court of British Columbia.

“Creditor” means any Person having a Claim.

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

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

“Energy Inc.” means Sea Breeze Energy Inc.

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

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

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

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

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

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

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

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

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

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

“Power Corp.” means Sea Breeze Power Corp.

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

“Priority Creditors” means those Creditors with Priority Claims that are Proven Claims.

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

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

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

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

“Proven Claim” means a Claim which:

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

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

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

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

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

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

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

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

“Shareholders” means all Person’s registered as holders of Common Shares immediately prior to the Proposal Implementation Date.

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

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

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

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

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

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

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

1.2 Articles of Reference

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

1.3 Interpretation Not Affected by Headings

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

1.4 Date for Any Action

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

1.5 Time

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

1.6 Numbers and Gender

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

1.7 Currency

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

1.8 Statutory Reference

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

1.9 Successors and Assigns

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

1.10 Schedules

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

Schedule "A" - List of Secured Creditor Group

ARTICLE 2

PURPOSE AND EFFECT OF THIS PROPOSAL

2.1 Purpose

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

2.2 Funding of Proposal

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

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

2.3 Persons Affected

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

ARTICLE 3

TREATMENT OF CREDITORS' CLAIMS

3.1 Unaffected Claims

3.1.1 *Secured Claims*

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

3.1.2 *Post-Filing Claims*

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

3.1.3 *Consultant's Claim*

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

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

3.1.4 *Intercompany Claims*

Intercompany Claims will be unaffected by this Proposal.

3.2 Trustee's Costs

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

3.3 Priority Claims

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

3.3.1 *Payments to Her Majesty*

The amounts due to Her Majesty the Queen in right of Canada or of any province, which are subject to a demand under subsection 224 (1.2) of the *Income Tax Act* or of any provision of the Canada Pension Plan or of the *Employment Insurance Act* that refers to subsection 224(1.2) of

the *Income Tax Act* and provides for the collection of a contribution, as defined in the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, and of any related interest, penalties or other amounts, or of any provision of provincial legislation essentially similar to the foregoing provisions as provided in subsection 60(1.1)(c) of the BIA, and that were outstanding at the Filing Date, shall be paid in their entirety, without interest, within six (6) months after the Approval of the Proposal.

3.3.2 *Payments to Employees*

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

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

3.4 Treatment of the Voting Creditor Class

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

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

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

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

3.5 Procedure for Payment

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

3.6 Undeliverable Distributions

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

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

3.7 Withholding Taxes and Official Receiver's Levy

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

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

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

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

3.9 Proof of Claim

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

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

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

ARTICLE 4

MEETING OF CREDITORS

4.1 Creditor Meeting

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

4.2 Conduct of the Creditor Meeting

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

4.3 Adjournment of the Creditor Meeting

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

4.4 Voting at the Creditor Meeting

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

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

4.5 Approval by Required Majority

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

4.6 Inspectors

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

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

In the event no Inspectors are appointed under this Proposal, the Trustee shall be entitled to take advances toward its charges for services rendered pursuant to this Proposal from the funds paid to the Trustee by the Secured Creditor Sponsors with all advances subject to taxation by the Court upon completion of this Proposal

The Trustee and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by reason of any wrongful act, default or neglect by any of them.

ARTICLE 5

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

5.1 Corporate Actions

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

5.2 Reorganization of Power Corp.'s Share Capital

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

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

5.3 No Other Entitlements

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

ARTICLE 6

CONDITIONS PRECEDENT

6.1 Conditions Precedent to Implementation of the Proposal

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

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

ARTICLE 7

TRUSTEE

7.1 Trustee

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

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

7.2 Certificate of Completion and Discharge of Trustee

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

ARTICLE 8

MISCELLANEOUS

8.1 Confirmation of Proposal

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

8.2 Paramountcy

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

8.3 Waiver of Defaults

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

8.4 Participation in Different Capacities

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

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

8.5 Amendment or Modification of Proposal

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

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

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

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

8.6 Compromise Effective for all Purposes

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

8.7 Consents, Waivers and Agreements

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

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

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

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

8.8 Releases

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

8.9 Deeming Provisions

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

8.10 Notices

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

- (a) If to the Companies:

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

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

With a copy to:

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

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

(b) If to the Trustee:

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

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

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

8.11 Governing Law

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

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

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

Per: _____



SCHEDULE "A"

List of Secured Creditor Group

Henry P. Anderson, III, 2009 Revocable Living Trust

Henry P. Anderson III

Moranbah Farms, Inc.

Kenneth L. Puryear

Kenneth L. Puryear 2008 Revocable Living Trust

Ooldea, Inc.

The C. Chase Hoffman Administrative Trust

Hoffman-Sea Breeze LLC

Hoffman Farms

Mark Hoffman

Hoffman and Son

Hoffman Dairies

Hoffman Ventures

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

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

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

ORDER MADE AFTER APPLICATION

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