

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

ASSOCIATE JUSTICE ILCHENKO) TUESDAY, THE 21st DAY
) OF MARCH, 2023
)

IN THE MATTER OF THE PROPOSAL OF
VAUGHN MILLS PACKAGING LTD.
OF THE CITY OF VAUGHAN, IN THE PROVINCE OF ONTARIO

ORDER APPROVING PROPOSAL

THIS MOTION made by RSM Canada Limited (“the “Trustee”), *in re* the proposal of Vaughn Mills Packaging Ltd., filed with the Official Receiver on December 29, 2022, and amended proposal filed with the Official Receiver on January 18, 2023, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the report of the Trustee dated February 21, 2023, and on hearing the submission of counsel for the Trustee, and the Court being satisfied that the required majority of creditors have duly accepted the amended proposal in the terms contained in the paper writing marked as Schedule “A” annexed hereto (the “Proposal”) and being satisfied that the said terms are reasonable and calculated to benefit the general body of creditors and that no offences or facts have been proved to justify the Court in withholding its approval;

THIS COURT HEREBY ORDERS that the Proposal is approved.



Associate Justice Ilchenko

**IN THE MATTER OF THE PROPOSAL
OF VAUGHN MILLS PACKAGING LTD.**

AMENDED PROPOSAL

The Debtor submits the following Proposal to all of its Affected Creditors pursuant to Part III of the BIA. The purpose of the Proposal is to restructure the affairs of the Debtor in order to enable its business to continue to operate, in the expectation that all Persons with an interest in the Debtor will derive a greater benefit from continued operation of its business than would result from the immediate sale or forced liquidation of its assets.

**Article 1
DEFINITIONS**

1.1 Definitions

In this Proposal, save and except as otherwise defined, the following defined terms have the following meaning:

- (a) **"Administrative Fees and Expenses"** means the fees and expenses, including legal fees and disbursements, of the Trustee and the Debtor for and incidental to the negotiation, preparation, presentation, consideration and implementation of the Proposal, and all proceedings and matters relating to or arising out of the Proposal;
- (b) **"Affected Creditors"** means Creditors with Claims, other than Unaffected Claims, and for certainty includes Creditors with Employee Priority Claims, Source Deduction Claims and Pension Priority Claims;
- (c) **"Approval Order"** means an Order of the Court approving the Proposal in form and substance satisfactory to the Debtor;
- (d) **"BIA"** means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended and in force as at the Filing Date;
- (e) **"Business Day"** means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario, Canada;
- (f) **"Canada Pension Plan"** means the *Canada Pension Plan*, R.S.C. 1985, c. C-8, as amended;
- (g) **"Claim"** means any right or claim of any Person against the Debtor whether or not asserted, in connection with any indebtedness, liability or obligation of any kind whatsoever of the Debtor in existence on the Filing Date, and

any accrued interest thereon and costs payable in respect thereof to and including the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including 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, which indebtedness, liability or obligation is based in whole or in part on facts which existed prior to the Filing Date, and includes any other claims that would have been claims provable in bankruptcy had the Debtor become bankrupt on the Filing Date;

- (h) **“Convenience Creditor”** means an Unsecured Creditor with a Convenience Creditor Claim;
- (i) **“Convenience Creditor Claim”** means: (a) any Proven Claim of an Unsecured Creditor in an amount that is less than or equal to \$5,000 and (b) any Proven Claim of an Unsecured Creditor that has delivered to the Proposal Trustee a Convenience Creditor Election in accordance with the Proposal prior to the Convenience Creditor Election Deadline;
- (j) **“Convenience Creditor Election”** means an election form, substantially in the form provided by the Trustee, to be completed by an Unsecured Creditor with a Proven Claim in excess of \$5,000 that elects to be treated as a Convenience Creditor;
- (k) **“Convenience Creditor Election Deadline”** means on or prior to the commencement of the Creditors’ Meeting;
- (l) **“Court”** means the Ontario Superior Court of Justice (Commercial List), sitting in Toronto, Ontario;
- (m) **“Creditor”** means any Person having a Claim and may, if the context requires, mean a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (n) **“Creditors’ Meeting”** means the meeting of the Creditors called for the purpose of considering and voting upon the Proposal;
- (o) **“Creditors’ Meeting Date”** means such date and time as may be called by the Trustee, but in any event shall be no later than twenty-one days following the filing of this Proposal with the Official Receiver;
- (p) **“Debtor”** means Vaughn Mills Packaging Ltd.

- (q) “**Director**” means anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of the Debtor;
- (r) “**Employee Priority Claims**” means the Proven Claims of employees and former employees of the Debtor for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the BIA if the Debtor became bankrupt on the Filing Date, as well as wages, salaries, commissions or compensation for services rendered after the Filing Date and before the Court approval of this Proposal, together with, in the case of travelling salesmen, disbursements properly incurred by those salesmen in and about the Debtor’s business during the same period;
- (s) “**Employment Insurance Act**” means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (t) **FCC** has the meaning defined in Section 3.3.
- (u) **FCC Assessed Value** has the meaning defined in Section 3.3.
- (v) “**Filing Date**” means December 16, 2022, being the date of filing of the Debtor’s notice of intention to make a proposal under the BIA;
- (w) “**Implementation Date**” means the date upon which the conditions set forth in Section 5 of this Proposal have been satisfied;
- (x) “**Income Tax Act**” means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended;
- (y) “**Inspectors**” means one or more inspectors appointed pursuant to the BIA as provided for in this Proposal;
- (z) “**Official Receiver**” shall have the meaning ascribed in the BIA;
- (aa) “**Pension Priority Claims**” means Proven Claims in respect of amounts required to be paid pursuant to section 60(1.5) of the BIA;
- (bb) “**Person**” means any individual, partnership, joint venture, trust, corporation, union, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (cc) “**Preferred Creditors**” means the Unsecured Creditors that are required to be paid in priority to all other unsecured claims under a proposal made by a debtor pursuant to the BIA;

- (dd) **“Proof of Claim”** shall mean the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors’ Meeting;
- (ee) **“Proposal”** means this proposal together with any amendments or additions thereto;
- ~~(ff) **“Proposal Fund”** has the meaning given to it in Section 6.2 of this Proposal;~~
- (gg) **“Proven Claim”** means the amount of the Claim of a Creditor finally determined in accordance with the provisions of the BIA and this Proposal;
- (hh) **“Proven Unsecured Claim”** means the amount of the Proven Claim of an Unsecured Creditor, and for certainty, excludes all Unaffected Claims, Employee Priority Claims, Source Deduction Claims and Pension Priority Claims;
- (ii) **“Source Deduction Claims”** means the Proven Claims of Her Majesty in Right of Canada or a Province for all amounts that were outstanding at the time of the Filing Date and are of a kind that could be subject to a demand under,
 - (i) subsection 224(1.2) of the *Income Tax Act*;
 - (ii) 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
 - (iii) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum;
 - (A) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
 - (B) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a “province providing a comprehensive pension plan” as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a “provincial pension plan” as defined in that subsection;

- (jj) **“Superintendent’s Levy”** means the levy exigible on certain amounts distributed by the Trustee under this Proposal in accordance with section 147 of the BIA;
- (kk) **“Trustee”** means RSM Canada Limited, or its duly appointed successor or successors;
- (ll) **“Unaffected Claims”** means:
 - (i) any right or claim of Canadian Imperial Bank of Commerce against the Debtor;
 - (ii) any right or claim of De Lage Landen Financial Services Canada Inc. against the Debtor;
 - (iii) claims of any employees for accrued and unpaid vacation pay, which accrued and unpaid vacation pay shall be paid in the ordinary course;
 - (iv) any right or claim of Kensington Private Equity Fund against the Debtor; and
 - (v) any right or claim of VMP Capital Partners Ltd. against the Debtor.
- (mm) **“Unaffected Creditors”** means those Creditors with Unaffected Claims;
- (nn) **“Unsecured Creditors”** means Creditors with Proven Unsecured Claims; and
- (oo) **“Voting Letter”** shall mean the voting letter required by section 51(1) of the BIA to be mailed by the Trustee to each known Creditor prior to the Creditors’ Meeting.

1.2 Articles of Reference

Use of the terms “hereof”, “hereunder”, “herein” and similar expressions refer to the 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 the insertion of 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 that is a Business Day.

1.5 Time

All times expressed are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

1.6 Numbers

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, all references to currency in this Proposal are to lawful money of Canada.

1.8 Statutory References

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

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.

Article 2 GENERAL INTENT

2.1 Effect of Proposal

This Proposal provides for the restructuring of the liabilities of the Debtor through the distribution to Affected Creditors of a monetary payment (as more fully described in this Proposal) that will be provided to the Trustee by the Debtor and distributed by the Trustee in accordance with the terms of this Proposal, in full and final satisfaction of all Claims (other than Unaffected Claims).

2.2 Persons Affected

This Proposal will, as of the Implementation Date, be binding on the Debtor and all Affected Creditors.

2.3 Post-Filing Goods and Services

All goods and services supplied to the Debtor subsequent to the Filing Date shall be paid for in full in the ordinary course of business by the Debtor on terms agreed to between the Debtor and the relevant supplier.

2.4 Assets Remain Vested in Debtor

The assets of the Debtor shall not vest in the Trustee, but shall remain vested in the Debtor, and the Trustee shall have no liability whatsoever for the claims of Persons arising before, on or after the Filing Date, including the Claims.

Article 3 CLASSIFICATION AND TREATMENT OF CREDITORS

3.1 Unaffected Creditors

This Proposal is not being made to Unaffected Creditors and does not impact Unaffected Claims.

3.2 Classes of Creditors

For the purposes of voting on this Proposal, the Creditors of the Debtor shall be comprised of two (2) classes, as follows:

- (a) Secured Creditors; and
- (b) Unsecured Creditors.

3.3 Secured Creditors

This Proposal is being made to Secured Creditors (other than Unaffected Creditors). Secured Creditors may vote and participate as Unsecured Creditors to the extent that they surrender the value of their security.

In the case of Farm Credit Canada ("FCC"), the Debtor hereby assesses the value of its security in the amount of Four Hundred and Three Thousand Dollars (\$404,000), or such other amount as the Debtor may determine based on independent appraisals (the "**FCC Assessed Value**"). FCC may file with the Trustee a proof of secured claim in the prescribed form, and may vote as a Secured Creditor on all questions relating to the Proposal in respect of an amount equal to the lesser of: (a) the amount of the claim; and (b) the FCC Assessed Value. FCC may vote and participate as an Unsecured Creditor

in the Proposal in respect of the amount of the difference between its Claim and the FCC Assessed Value.

3.4 Employee Priority Claims

Immediately following the granting of the Approval Order, the Debtor shall pay the Employee Priority Claims, if any, in full.

3.5 Source Deduction Claims

Within six months of the granting of the Approval Order, the Debtor shall pay the Source Deduction Claims, if any, in full.

3.6 Administrative Fees and Expenses

The Administrative Fees and Expenses shall be paid in full by the Debtor from the Proposal Fund in accordance with Section 6.3 of this Proposal to the extent not otherwise paid by the Debtor from retainers or otherwise.

3.7 Pension Priority Claims

The Pension Priority Claims, if any, will be paid in full from the Proposal Fund in accordance with Section 6.3 of this Proposal.

3.8 Preferred Creditors

The Proven Claims of the Preferred Creditors, if any, will be paid in full from the Proposal Fund in priority to the Proven Claims of the Unsecured Creditors in accordance with Section 6.3 of this Proposal.

3.9 Unsecured Creditors

The Proven Unsecured Claims of Unsecured Creditors will be satisfied in accordance with Section 6.3 of this Proposal.

3.10 Convenience Creditors

All Convenience Creditors, including any Unsecured Creditors that submit a Convenience Creditor Election in accordance with the terms herein, shall be paid an amount in cash equal to the lesser of (a) \$5,000 and (b) the value of such Convenience Creditor's Proven Claim. All Convenience Creditor Claims shall be deemed to have been voted in favour of this Proposal.

3.11 Different Capacities

Persons who are affected by this Proposal may be affected in more than one capacity. Unless the contrary is expressly provided, a Person is entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such

Person in any other capacity, unless expressly agreed by the Person in writing or unless its Claims overlap or are otherwise duplicative.

Article 4 PROCEDURE FOR VALIDATION OF CLAIMS

4.1 Filing of Proofs of Claim

In order to vote on, or to receive a distribution under, the Proposal, an Affected Creditor shall file a Proof of Claim in accordance with the BIA and as instructed in the Trustee's mailing to the Creditors with respect to the Proposal.

4.2 Allowance or Disallowance of Claims by the Trustee

Upon receipt of a completed Proof of Claim, the Trustee shall examine the Proof of Claim and shall deal with each Claim in accordance with the provisions of the BIA. The procedure for allowing, disallowing and valuing Claims of Creditors and resolving disputes with respect to such Claims will be as set forth in the BIA. The Debtor and/or the Trustee reserve the right to seek the assistance of the Court in allowing, disallowing and valuing the Claim of any Creditor, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be paid or distributed to such Creditor under the Proposal, as the case may be.

4.3 Set Off

The law of set-off shall be applied to all Claims against the Debtor and to all actions instituted by the Debtor for the recovery of debts due to the Debtor in the same manner and to the same extent as if the Debtor was plaintiff or defendant, as the case may be.

Article 5 MEETING OF CREDITORS

5.1 Creditors' Meeting

On the Creditors' Meeting Date, the Debtor shall hold the Creditors' Meeting in order for the Creditors to consider and vote upon this Proposal.

5.2 Time and Place of Meeting

Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Official Receiver, or the nominee thereof, and confirmed in the Trustee's notice of meeting to be mailed pursuant to the BIA.

5.3 Conduct of Meetings

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only Persons entitled to attend the Creditors' Meeting are those Persons, including the

holders of proxies, entitled to vote at the Creditors' Meeting in accordance with Section 5.5 of this Proposal and their respective legal counsel, if any, and the officers, directors, auditors and legal counsel of the Debtor, 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 such meeting. Any other Person may be admitted on invitation of the chair of the Creditors' Meeting.

5.4 Adjournment of Meetings

The Creditors' Meeting may be adjourned in accordance with section 52 of the BIA.

5.5 Voting by Creditors

Each Creditor will be entitled to vote to the extent of the amount that is equal to that Creditor's Proven Claim.

5.6 Approval by Creditors

In order for this Proposal to be binding on all of the Affected Creditors in accordance with the BIA, it must first be accepted by the Affected Creditors by a majority in number of the Creditors who actually vote upon the Proposal (in person or by proxy) at the Creditors' Meeting or by a Voting Letter, representing two-thirds in value of the Proven Unsecured Claims of the Unsecured Creditors who actually vote upon the Proposal (whether in person or by proxy) at the Creditors' Meeting or by a Voting Letter.

5.7 Appointment of Inspectors

At the Creditors' Meeting, the Creditors may appoint up to five Inspectors whose powers will be limited to:

- (a) advising the Trustee concerning any dispute which may arise as to the validity of Claims; and
- (b) advising the Trustee from time to time with respect to any other matter that the Trustee may refer to them.

Any decision, direction or act of the Inspectors may be referred to the Court by the Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it thinks just.

The authority and term of office of the Inspectors will terminate upon the discharge of the Trustee.

Article 6 DISTRIBUTION

6.1 Implementation of Proposal

If this Proposal is approved by the required majority of Creditors in accordance with Article 5, the Debtor will forthwith apply to the Court for the Approval Order in accordance with the provisions of the BIA. Subject to satisfaction of the conditions set out in Section 7.5 of this Proposal, this Proposal will be implemented by the Debtor on the Implementation Date.

6.2 Funding of Proposal

Starting on the Implementation Date, the Debtor shall deliver to the Trustee 36 equal monthly payments totaling One Million Dollars (\$1,000,000) (the "**Proposal Fund**") to be distributed by the Trustee in accordance with the distribution scheme established in Section 6.3 of this Proposal and in full and final satisfaction of all Claims (other than Unaffected Claims). The Debtor may accelerate the timing of payments to the Proposal Fund if its circumstances permit.

6.3 Distribution

The Proposal Fund shall be distributed by the Trustee as soon as reasonably practicable, to be determined by the Trustee in its discretion, following receipt by the Trustee of the Proposal Fund:

- (a) Firstly, to pay the Administrative Fees and Expenses, if any, remaining outstanding and unpaid;
- (b) Secondly, to pay the Pension Priority Claims, if any, in full;
- (c) Thirdly, to pay the Proven Claims of Preferred Creditors, if any, in accordance with the priority set out in section 136 of the BIA;
- (d) Fourthly, to pay the Proven Claims of Convenience Creditors; and
- (e) Finally, the balance of the Proposal Fund to each Creditor who holds Proven Unsecured Claims in an amount equal to such Creditor's *pro rata* portion of such balance.

6.4 Superintendent's Levy

Payments and distributions pursuant to this Proposal shall be net of any applicable Superintendent's Levy payable to the Office of the Superintendent of Bankruptcy as required by the BIA and the Trustee shall remit the amount of the Superintendent's Levy to the Office of the Superintendent of Bankruptcy contemporaneous with the distributions to Creditors.

6.5 Certificate of Full Performance

Upon distribution of the amounts payable under Article 6, this Proposal shall have been fully performed and the Trustee shall issue to the Debtor the certificate referred to in section 65.3 of the BIA.

6.6 Discharge of Trustee

Upon distribution of the amounts payable under Article 6, the Trustee shall have discharged its duties as Trustee and the Trustee shall be entitled to apply for its discharge as Trustee hereunder. For greater certainty, the Trustee will not be responsible or liable for any obligations of the Debtor before, on or after the Filing Date and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal, except for those acts resulting from gross negligence or wilful misconduct.

Article 7 ADDITIONAL PROVISIONS

7.1 Compromise Effective for all Purposes

Upon the occurrence of the Implementation Date, but subject to implementation of this Proposal, all Claims, other than the Unaffected Claims, shall be forever discharged and released. The compromises contemplated hereunder will be binding upon all Persons and each Affected Creditor, its heirs, executors, administrators, successors and assigns, for all purposes, in accordance with the terms of this Proposal and the BIA.

7.2 Modification of Proposal

The Debtor or any Affected Creditor may propose an alteration or modification to this Proposal prior to the vote taking place on this Proposal.

7.3 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, all Persons (other than Unaffected Creditors solely to the extent of their Unaffected Claims) shall be deemed:

- (a) to have executed and delivered to the Debtor all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Debtor in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Person and the Debtor that has occurred on or prior to the Filing Date;

- (c) to have agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Person and the Debtor as at the Filing Date (other than those entered into by the Debtor on, or with effect from, the Filing Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) to have released and discharged the Debtor, the Trustee and all of their respective affiliates, shareholders, employees, agents, directors, former directors, officers, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, executions, liens, set-off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Filing Date, relating to or arising out of or in connection with the Claims, the business and affairs of the Debtor, this Proposal or any of the matters herein.

7.4 Release of Directors

Without limited the foregoing, any Claims against the Debtor by any Creditor that are also Claims against the Directors however arising for which the Directors are by applicable law liable in their capacity as Directors shall, upon the Trustee issuing to the Debtor the certificate referred to in section 65.3 of the BIA, and to the extent permitted by the BIA, be released and forever discharged as against the Directors.

7.5 Conditions to Proposal Implementation

The implementation of this Proposal by the Debtor will be conditional upon the fulfilment or satisfaction of the following conditions:

- (a) acceptance of this Proposal by the Creditors in accordance with Article 5 of this Proposal;
- (b) granting by the Court of the Approval Order which shall not have been varied, amended, stayed, suspended or appealed as of the Implementation Date; and
- (c) the expiry of all appeal periods in respect of the Approval Order.

7.6 Effect of Proposal Generally

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under this Proposal shall be final and binding on the Debtor and all Affected Creditors (along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns) and this Proposal shall constitute (a) a full, final and absolute settlement of all rights of Affected Creditors, and (b) an absolute release and discharge of all indebtedness, liabilities and obligations of the Debtor of or in respect of all Claims (other than in respect of Unaffected Claims).

7.7 Section 95 to 101 of the BIA

Sections 95 to 101 of the BIA and any other laws relating to preferences, fraudulent conveyances or transfers at undervalue shall not apply to this Proposal or to any payment or distributions made in connection with the restructuring of the Debtor, whether made before or after the Filing Date, including to any and all transactions contemplated by, or implemented pursuant to, this Proposal, or to which this Proposal is conditional or dependent upon.

7.8 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, except where the contrary is expressly provided, be made or given by personal delivery, email or by fax addressed to the respective parties as follows:

- (a) if to the Debtor:

Vaughn Mills Packaging Ltd.
60 Courtland Avenue
Concord, Ontario
L4K 5B3

Attention: Jason Greenspan
Email: jasong@vmfoodgroup.com

with a copy to (which shall not constitute notice):

Chaitons LLP
5000 Yonge Street, 10th Floor
Toronto, ON
M2N 7E9

Attention: George Benchetrit
Email: george@chaitons.com

- (b) if to an Affected Creditor, to the address, email or fax number for such Creditor specified in the Proof of Claim filed by such Creditor or, if no Proof of Claim has been filed, to such other address, email or fax number at which the notifying party may reasonably believe that the Creditor may be contacted; and
- (c) if to the Trustee:

RSM Canada Limited
11 King Street West, Suite 700
Toronto, ON M5H 4C7

Attention: Jeffrey Berger
Fax: (416) 480-2646
Email: jeff.berger@rsmcanada.com

or to such other address, email or fax number as any party may from time to time notify the others in accordance with this section. All such notices and communications will be deemed to have been received, in the case of notice by fax, email or by delivery prior to 5:00 p.m. on a Business Day, when received or if received after 5:00 p.m. on a Business Day or at any time on a non-Business Day, on the next following Business Day. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal, including the Debtor.

7.9 Applicable Law

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

7.10 Severability of Proposal Provisions

If, prior to the granting of the Approval Order, any term or provision of this Proposal is held by the Court to be invalid, void or unenforceable, the Debtor reserves the right to apply to the Court to either (i) sever such term or provision from the balance of this Proposal and provide the Debtor with the option to proceed with implementation of the balance of this Proposal as of and with effect from the implementation Date, or (ii) alter or interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such severing, voiding, alteration or interpretation, and provided that the Debtor proceeds with the implementation of this Proposal, the remainder of the terms and provisions of this Proposal shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such severing, voiding, alteration or interpretation.

7.11 Deeming Provisions

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

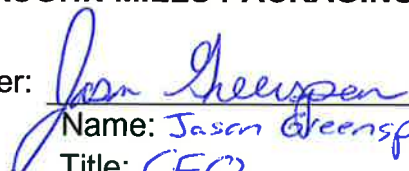
7.12 Further Assurances

Notwithstanding that the transactions and events set out in this Proposal shall occur without any additional act or formality, each of the Persons affected hereby shall make, do and execute, or cause to be made, done or executed at the cost of the requesting party, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may be reasonably required by the Debtor in order to better implement this Proposal.

DATED at the City of Concord, in the Province of Ontario, January 18 , 2023.

VAUGHN MILLS PACKAGING LTD.

Per:


Name: Jason Greenspan
Title: CEO

I have authority to bind the Corporation

**IN THE MATTER OF THE PROPOSAL OF
VAUGHN MILLS PACKAGING LTD.
OF THE CITY OF VAUGHAN, IN THE PROVINCE
OF ONTARIO**

ONTARIO
**SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

Proceeding commenced at Toronto

ORDER APPROVING PROPOSAL

RSM CANADA LIMITED

Licensed Insolvency Trustee
11 King Street W., Suite 700, Box 27
Toronto ON. M5H 4C7

Attn: Bryan A. Tannenbaum, Trustee
OSB No. 1388

Email: bryan.tannenbaum@rsmcanada.com
Tel: (416) 238-5055