

To the Creditors of Vaughn Mills Packaging Ltd.

A. INTRODUCTION

1. On December 16, 2022 (the "**Filing Date**"), Vaughn Mills Packaging Ltd. ("**VMPL**" or the "**Company**") signed a Notice of Intention to Make a Proposal ("**NOI**") which NOI was filed with the Official Receiver. The Company's proposal under Part III, Division 1 of the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, C. B 3, as amended (the "**BIA**"), was filed with the Official Receiver on December 29, 2022 (the "**Proposal**").
2. RSM Canada Limited ("**RSM**" or the "**Trustee**") is the Trustee named in the Proposal.
3. Enclosed is a notice of the meeting of creditors which is to be held on January 18, 2023 at 11:00 a.m. at the offices of the Trustee, located at 11 King St. West, Suite 700, Toronto, Ontario (the "**Meeting of Creditors**"). Creditors wishing to participate in the meeting virtually can do so by following the instructions set out in the attached Notice of Proposal to Creditors (the "**Notice**").
4. The purpose of the Meeting of Creditors is to consider the Proposal.
5. In addition to the Notice, the following documents are enclosed:
 - The Proposal;
 - A condensed statement of the assets and liabilities of VMPL (the "**Condensed Statement**");
 - List of the Company's creditors;
 - Proof of Claim form;

- Voting Letter;
 - General Proxy; and
 - Convenience Creditor Election form.
6. This report (the "**Report**") has been prepared by RSM in its capacity as Proposal Trustee to assist creditors in considering their position with respect to the Proposal. The primary purpose of the Report is to:
- a) provide background information concerning the Company, its financial situation, the cause of the Company's financial difficulties and the changes proposed by the Company to improve the results of the Company's business;
 - b) outline the terms of the Proposal;
 - c) compare the amounts distributable under the Proposal to Unsecured Creditors if the Proposal is accepted by the Unsecured Creditors and approved by the Court, to the estimated distribution to Unsecured Creditors in the event the Proposal is not accepted by the Unsecured Creditors or is not approved by the Court, and VMPL is deemed to have made an assignment in bankruptcy; and
 - d) provide the Trustee's recommendation to creditors with respect to the Proposal.
7. In preparing the Report and making the comments herein, the Trustee has relied upon information provided by the Company and/or obtained from third-party sources (collectively, the "**Information**"). Certain of the information contained in the Report may refer to, or is based on, the Information. Any future oriented financial information in this Report is based on management's assumptions regarding future events; actual results may vary from this information and these variations may be material. As the Information has been provided by other parties, the Trustee has relied on the

Information and, to the extent possible, reviewed the Information for reasonableness. However, the Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the CPA Canada Handbook and, accordingly, the Trustee expresses no opinion or other form of assurance in respect of the Information.

8. Unless otherwise stated, all dollar amounts contained in the Report are expressed in Canadian dollars.
9. Capitalized terms used in the Report are as defined in the Proposal, unless otherwise defined herein.
10. The Report should only be read in conjunction with the Proposal. If there are inconsistencies between the Report and the terms of the Proposal, the terms of the Proposal shall govern.
11. Information related to these proposal proceedings are posted on the Trustee's website at the following URL:

<http://www.rsmcanada.com/vaughn-mills-packaging>

Additional information will be posted on the Trustee's website as that information becomes available.

B. BACKGROUND

12. VMPL was incorporated in Ontario on December 31, 2018. The Company, whose head office and operations are located at 60 Courtland Ave., Concord, Ontario, provides food packaging services.

13. The Company's unaudited financial statements for the fiscal years ending December 31, 2021 and December 31, 2020 set out that the Company incurred net losses of approximately \$5.2 million and \$1 million, respectively, in those years. In 2022, the Company's cash position further deteriorated, and the Company's indebtedness to unsecured creditors was in excess of \$2.8 million. As the Company was unable to meet its obligations as they generally became due, on December 16, 2022, the Company filed the NOI.

C. FINANCIAL POSITION, CAUSES OF FINANCIAL DIFFICULTY AND PROPOSED CHANGES TO BUSINESS STRATEGY

14. The Trustee has been advised by the Company that several factors contributed to the financial difficulties of VMPL, including:
- a) sharp rise in commodity costs – Core commodity prices rose by 2.5x over a 3-month period in 2021 and stayed high due to poor oat crop yields, rising inflation and supply chain challenges. These problems were further exacerbated by the fact that VMPL's customers were not willing to accept price increases to match the rapid and sustained cost increases faced by the Company;
 - b) product pricing – Prior to a change of management in 2022, VMPL had traditionally priced its products at levels that could not cover the Company's production costs, resulting in negative margins for the Company; and
 - c) purchasing and inventory mismanagement – In the past, the Company would purchase or enter into large contracts for raw materials and custom

packaging without firm commitments from the Company's customers, thereby exposing the Company to significant risk. Certain customers changed purchasing habits and/or suppliers before the customized materials and packaging were sold to them by VMPL, resulting in losses to the Company. Additionally, the custom materials and packaging were stored in third-party warehouses, resulting in high monthly storage fees to the Company as a result of low product turnover.

15. The Company's new management, which has been in place since September, 2022, has developed and begun executing on a strategy that positions the Company as a value-added private brand partner that can help drive category and margin growth to its customers. The tenets of this strategy include focusing on unit economics, negotiating commodity cost increases into customer contracts, exiting relationships with unprofitable customers, increasing inventory turnover, and reducing inventory risk by purchasing smaller yet more frequent volumes of raw material & custom packaging. VMPL believes that this strategy will allow it to return to profitability.
16. The Company's shareholders are supportive of the Company's strategy, and have provided additional funding to support VMPL's turnaround.
17. Prior to the Filing Date, Canadian Imperial Bank of Commerce ("**CIBC**") provided the Company with a revolving operating line of credit to a maximum amount of \$4,500,000. Subject to certain conditions being met, the facility with CIBC will increase to \$5,000,000 effective April 1, 2023.

D. IDENTIFICATION AND EVALUATION OF ASSETS

18. Included in the enclosed package is the Company's Condensed Statement.
19. According to the Condensed Statement, the Company's liabilities exceeded the Company's estimate of the realizable value of VMPL's assets by over \$12,744,000; however, this amount is subject to change, possibly materially, depending upon the actual realizable value of the Company's assets and the quantum of claims filed by the Company's creditors.
20. Summarized below is information with respect to the Company's assets set out on the Condensed Statement:
 - a) the book value of the Company's inventory is \$1,840,422, of which, \$825,564 represents finished goods. The Company estimates that the net realizable value of its inventory is \$439,318;
 - b) The book value of the Company's accounts receivable is \$1,984,817. VMPL estimates that the collectible portion of the accounts receivable, if the Company is bankrupt, is \$971,329. The difference of \$1,013,488 is comprised of \$805,738 representing accounts considered uncollectible due to disputes regarding those accounts, and the \$207,750 representing the estimated cost to collect the accounts receivable as well as a provision for further uncollectable accounts;
 - c) the book value of the Company's machinery, equipment and plant is \$2,535,284, and is comprised primarily of plant/production equipment. The Company estimates, based on an appraisal it obtained, that the net realizable value of these assets is \$867,432;

- d) the book value of the Company's office and computer assets is \$8,369.
VMPL estimates that these assets have a net realizable value of \$2,000;
and
- e) the Company has other assets including signage, leaseholds, plates, dies
and design with a net book value of \$119,002. The Company estimates that
these assets have no realizable value.

E. SUMMARY OF PROPOSAL

- 21. Set out below is an overview of the terms of the Proposal. Creditors are strongly encouraged to read the Proposal in its entirety prior to voting on the Proposal as the Report is not a substitute for the Proposal. If there are inconsistencies between this Report and the terms of the Proposal, the terms of the Proposal shall govern. Creditors are also encouraged to discuss the terms of the Proposal with their legal counsel. Capitalized terms used in this Report, but not otherwise defined herein, shall have the meaning given to them in the Proposal.

Overview of the Proposal

- 22. The Proposal is made to all of the Affected Creditors of the Company. The purpose of the Proposal is to restructure the affairs of the Company in order to enable VMPL's business to continue. The Company expects that stakeholders will generally derive a greater benefit from the continued operations of VMPL's business than would result from the immediate sale or forced liquidation of the Company's assets.

Classes of Creditors

23. For the purposes of voting on this Proposal, the Company's Creditors is comprised of two (2) classes, as follows:
- a) Secured Creditors; and
 - b) Unsecured Creditors.

Secured Creditors

24. 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.
25. Pursuant to the terms of the Proposal, the Company has assessed the value of the security held by Farm Credit Canada ("**FCC**") to be \$404,000 (the "**FCC Assessed Value**"), prior to consideration of any costs to liquidate the equipment, which the Company estimates to be approximately \$108,000. FCC may file with the Trustee a proof of secured claim 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 secured claim and the FCC Assessed Value.

Affected Creditors

26. The Proposal is being made to the Affected Creditors who are Creditors with Claims other than Unaffected Claims, and includes creditors with Employee Priority Claims, Source Deduction Claims and Pension Priority Claims.

Unaffected Creditors

27. Unaffected Creditors are Creditors with Unaffected Claims. Unaffected Claims are comprised of the following:
- a) any right or claim of CIBC against the Company;
 - b) any right or claim of De Lage Landen Financial Services Canada Inc. against the Company; and
 - c) claims of any employees for accrued and unpaid vacation pay, which accrued and unpaid vacation pay shall be paid in the ordinary course.

Claims of Convenience Creditors

28. Pursuant to the terms of the Proposal, a Convenience Creditor Claim is defined as:
- (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. Creditors having a Convenience Creditor Claim 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 Creditors will be deemed to have voted in favour of the Proposal.

Employee Priority Claims

29. Employee Priority Claims will be paid in full by the Company immediately following the granting by the Court of the Approval Order approving the Proposal.

Crown Claims

30. Source Deduction Claims are to be paid in full by the Debtor within six months of the granting of the Approval Order.

Funding of the Proposal

31. Starting on the Implementation Date, the Company shall deliver to the Trustee 36 equal monthly payments totaling \$1,000,000 (the “**Proposal Fund**”) to be distributed by the Trustee in accordance with the distribution scheme set out in the Proposal. The Company has informed the Trustee that, in addition to \$50,000 already provided to the Trustee as set out in Paragraph 56 of this Report, the Proposal is to be funded from surplus cash generated by the Company’s operations and/or additional financing provided by the Company’s shareholders and/or lenders. The Proposal also provides that the Company may accelerate the timing of these payments if its circumstances permit.

Distribution of Proposal Fund

32. The Proposal Fund will be distributed by the Trustee in the following order of priority:

- a) firstly, to pay the Administrative Fees and Expenses. Administrative Fees include the fees and expenses, including legal fees and disbursements, of the Trustee and the Company in connection with these Proposal proceedings;
- 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) lastly, 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.

Other Provisions of the Proposal

33. Payments and distributions to Creditors pursuant to the Proposal shall be paid net of any applicable Superintendent's Levy payable to the Office of the Superintendent of Bankruptcy pursuant to Section 147 of the BIA.
34. Creditors will, at the Meeting of Creditors to be held to consider the Proposal, be entitled to 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.
35. Upon the occurrence of the Implementation Date, but subject to implementation of the Proposal, all Claims, other than the Unaffected Claims, will be forever discharged and released. The compromises contemplated in the Proposal 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 the Proposal and the BIA.
36. Upon distribution by the Trustee of the amounts payable under Article 6 of the Proposal, the Proposal will have been fully performed and the Trustee will issue to the Debtor the certificate referred to in section 65.3 of the BIA.
37. Any Claims against the Company 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 will, upon the Trustee issuing to the Company 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.

38. The Trustee will not be responsible or liable for any obligations of the Company 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 the Proposal, except for those acts resulting from gross negligence or willful misconduct.
39. Upon completion of payments in accordance with the terms of the Proposal, the Trustee will be entitled to apply for its discharge as Trustee.

F. TIMING AND PROCESS

40. The timing of the Proposal is as follows:
 - a) the Meeting of Creditors to consider and vote on the acceptance or rejection of the Proposal is scheduled for 11:00 a.m. on January 18, 2023 at the offices of RSM, or virtually by following the instructions included in the Notice;
 - b) upon acceptance of the Proposal by the Unsecured Creditors by a majority in number of the Creditors who actually vote upon the Proposal (in person or by proxy) at the 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 Meeting of Creditors or by a Voting Letter, an application will be made to the Court for an order approving the Proposal (the "**Application**");

- c) the Court will set a date to hear the Application and a notice of the Court hearing will be sent to every creditor with a proven claim at least fifteen days before the date of the hearing; and
- d) subject to the fulfilment of the conditions in Article 7.5 of the Proposal, including Court approval of the Proposal and the expiry of all appeal periods in respect of the Approval Order, the Company will implement the Proposal. The Trustee notes that in paragraph 1.1(w) of the Proposal, the definition of Implementation Date incorrectly refers to the conditions in "Section 5" of the Proposal whereas it should read "Section 7.5".

G. VOTING ON THE PROPOSAL

- 41. To be eligible to vote at the Meeting of Creditors, each Creditor that is not an Unaffected Creditor must properly complete the enclosed proof of claim and proxy form (if required), and file the completed forms with the Trustee **prior to the commencement of the Meeting of Creditors.**
- 42. Creditors who do not intend to vote either in person or by giving their proxy to a personal representative to vote on their behalf at the Meeting of Creditors, may cast their vote by completing the enclosed voting letter. The voting letter must be returned with a properly completed proof of claim **prior to the commencement of the Meeting of Creditors.** Votes cast by voting letter will then be counted at the Meeting of Creditors on the same basis as if the creditor was attending in person.
- 43. Unsecured Creditors having Claims greater than \$5,000 who wish to be a Convenience Creditor must file the Convenience Creditor Election **prior to the**

commencement of the Meeting of Creditors. All Convenience Creditor Claims will be deemed to have been voted in favour of the Proposal.

44. Creditors may return proofs of claim, proxies, voting letters and Convenience Creditor Elections to the Trustee by hand delivery, mail, facsimile, or by email to the following email address: jeff.berger@rsmcanada.com.
45. If the Proposal is not accepted by the creditors or is not approved by the Court, VMPL will be deemed to have filed an assignment in bankruptcy.

H. CONDUCT OF THE COMPANY

46. Sections 95 to 101 of the BIA and any other laws relating to preferences, or transfers at undervalue will not apply to the Proposal or to any payment or distributions made in connection with the restructuring of the Company, whether made before or after the Filing Date, including to any and all transactions contemplated by, or implemented pursuant to, the Proposal, or to which the Proposal is conditional or dependent upon.
47. In connection with the above provision of the Proposal, the Trustee has been informed by management of the Company that the Company has not conducted any transactions in the last 12 months that would be considered to be transfers at undervalue.
48. The Trustee has also reviewed the Company's bank statements for the period January 1, 2022 to December 31, 2022 for payments greater than \$50,000 and has not identified any transactions that would appear to be out of the ordinary course of business.

I. CREDITORS' CLAIMS

49. According to the Condensed Statement, the claims of the Creditors consist of:

Claim Classification	Balance per Condensed Statement
Secured	\$2,280,079.00
Preferred	-
Unsecured	12,744,753.98
Employee Priority Claims and Pension Priority Claims	-
Total	\$15,024,832.98

50. According to the Condensed Statement, the parties which hold security over the Company's assets are:

- CIBC, owed \$2,208,470, secured by, among other things, a General Security Agreement representing a first charge on all of the Company's personal property and equipment. CIBC is an Unaffected Creditor in the Proposal;
- FCC, owed \$1,615,877, secured by specific equipment, plus \$500,000, which is secured by a General Security Agreement;
- Kensington Private Equity Fund ("**Kensington**") is owed \$6,076,927 which is secured by a General Security Agreement. Kensington is a related party to the Company. Pursuant to a letter dated December 28, 2022 addressed to RSM, Kensington, for purposes of the Proposal, assessed the value of its security as \$nil and agreed to waive its rights to any dividends payable under the Proposal to Unsecured Creditors; and

- VMP Capital Partners Ltd. (“VMP”) is owed \$1,804,498, which is secured by a General Security Agreement. VMP is a related party to the Company. Pursuant to a letter dated December 28, 2022 addressed to RSM, VMP, for purposes of the Proposal, assessed the value of its security as \$nil and agreed to waive its rights to any dividends payable under the Proposal to Unsecured Creditors.
51. The Trustee has requested from Jaffe & Peritz LLP (“J&P”), independent counsel retained by the Trustee, that J&P provide its opinion on the validity and enforceability of the security held by CIBC and FCC. The Trustee anticipates that the legal opinions will be available prior to the Meeting of Creditors and the Trustee will provide an update in the Trustee’s report pursuant to Section 50(5) of the BIA that will be presented at the Meeting of Creditors (the “Trustee’s Meeting Report”).
 52. In addition to the above secured claims, it is the Trustee’s understanding that the Employee Priority Claims and Pension Priority Claims (if any) have priority to the claims of the Unsecured Creditors.
 53. Unsecured Creditors are required to file a proof of claim form complete with supporting documentation in order to vote at the Meeting of Creditors and to receive a distribution from the Proposal Fund.
 54. The Trustee points out that there are likely to be variances between amounts owing to creditors per the Company’s books and records and their respective creditors’ records. The Trustee will review the Proofs of Claim filed, and will provide additional information in respect of Proofs of Claim filed in the Trustee’s Meeting Report.

J. PREVIOUS BUSINESS DEALING WITH THE COMPANY

55. The Trustee has not provided previous services to VMPL.

K. REMUNERATION OF THE TRUSTEE

56. Prior to the Filing Date, the Trustee received a payment in the amount of \$50,000 from the Company, which will be applied towards the first and second monthly payments due pursuant to the Proposal. In the event that the Proposal is not accepted by the Company's Creditors or approved by the Court, the \$50,000 will be used to pay any outstanding Administrative Fees and Expenses.

57. As of December 31, 2022, the fees and disbursements of the Trustee were \$33,197.96, before consideration of HST.

58. The Trustee's fees and expenses will be paid from the Proposal Fund.

L. LEGAL PROCEEDINGS IN WHICH THE COMPANY IS INVOLVED

59. Two of the Company's suppliers commenced legal proceedings against the Company relating to the non-payment of accounts. These legal proceedings are stayed as a result of the filing of the NOI and the claims of these suppliers are subject to the Company's Proposal.

M. STATEMENT OF ESTIMATED REALIZATION

Proposal Accepted

60. The Proposal is considered to be accepted by the Creditors if a majority in number of the Unsecured Creditors who actually vote on the Proposal (in person or by proxy

or Voting Letter), representing two-thirds in dollar value of the Proven Claims of the Creditors who actually vote on the Proposal (in person or by proxy or Voting Letter), vote for the acceptance of the Proposal at the Meeting of Creditors. With reference to the tabulation of the votes to be cast by Creditors, as noted earlier in the Report, all Convenience Creditor Claims will be deemed to have been voted in favour of the Proposal.

61. If the Proposal is accepted by the Company's Creditors, the Trustee estimates that the distribution to Unsecured Creditors with Proven Claims will be between \$0.174 and \$0.184 per dollar of Proven Claim, calculated as follows:

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Vaughn Mills Packaging Ltd.
Estimated Distribution to Unsecured Creditors from the Proposal

The following analysis estimates the potential distribution to Unsecured Creditors in the event the Proposal is accepted by the Unsecured Creditors and approved by the Court. The amounts set out herein are estimates, based on certain assumptions regarding future events. Actual results may vary from this information and the variances may be material.

	<u>High</u>	<u>Low</u>	<u>Note</u>
Proposal Fund	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	
Less:			
Administrative Fees and Expenses	100,000	180,000	1
Preferred Claims	-	-	2
Pension Priority Claims	-	-	3
	<u>\$ 100,000</u>	<u>\$ 150,000</u>	
Gross distributable amount	<u>\$ 900,000</u>	<u>\$ 850,000</u>	
Less: Superintendent's Levy	(45,000)	(42,500)	4
Net distributable amount	<u>A \$ 855,000</u>	<u>\$ 807,500</u>	
Total unsecured claims per Statement of Affairs excluding Unaffected Claims	<u>B \$ 4,638,158</u>	<u>\$ 4,638,158</u>	5
Estimated distribution to Unsecured Creditors per dollar of claim (rounded)	<u>A + B \$ 0.184</u>	<u>\$ 0.174</u>	6

Notes

1. Estimated of the fees of the Trustee, the Trustee's legal counsel and the Company's legal counsel.
2. The Company has informed the Trustee that the Company is not aware of any Preferred Claims.
3. The Company has informed the Trustee that the Company is not aware of any Pension Priority Claims.
4. The levy payable to the Superintendent of Bankruptcy on distributions of less than \$1,000,000 is 5% of the funds available for distribution.
5. The unsecured claims of CIBC, Kensington and VMP are not included in this amount.
6. The actual distributions to Unsecured Creditors may be different from that as set out in this schedule.

62. The actual distribution to the Unsecured Creditors will vary depending on the final amount of the Administrative Fees and Expenses and the quantum of proofs of claim admitted in the Proposal by the Trustee.

Proposal Not Accepted

63. If the Proposal is not accepted by the Creditors or, if accepted, is not approved by the Court, the Company will be deemed to have made an assignment in bankruptcy.
64. In the event of a bankruptcy, the Trustee estimates that the distribution to Unsecured Creditors with Proven Claims will be \$nil. This estimate is based on the Company's assets and liabilities as set out on the Condensed Statement. For purposes of its estimate, the Trustee assumes that the value of the Company's assets will not change materially between the time the Condensed Statement was filed and the date that a bankruptcy may occur. The Trustee's estimate considered the following:
- a) according to the Condensed Statement and other information set out earlier in this report, the total book value of all the Company's assets is \$6,487,894, excluding any amounts, if any, attributable to goodwill. As set out on the Condensed Statement, the Company estimates that the net realizable value of its assets is \$2,280,079, which is approximately 35% of the assets' book value;
 - b) the Company's indebtedness to its creditors having General Security Agreements is \$10,589,895 (the "**GSA Indebtedness**"), before consideration of the amount owing to FCC that is secured by specific equipment. The GSA Indebtedness is approximately \$4.1 million greater than the book value of the Company's assets. In the

Trustee's view, the realizable values of the Company's assets in a bankruptcy scenario will be below their book value, and possibly by a material amount;

- c) in the event of a bankruptcy, the Claims of Kensington and VMP would not be waived and would be included in the total quantum of the secured claims; and
- d) given the GSA Indebtedness, and the net realizable values of the Company's assets set out on the Condensed Statement, a sale by a Trustee in Bankruptcy of the Company's business would have to yield a value of goodwill of at least \$8,000,000, before any funds would be available for Unsecured Creditors, and before consideration of the fees and disbursements of the Trustee in Bankruptcy.

65. In summary, the Trustee estimates that the net realizations from the Company's assets in a bankruptcy, after consideration of the Trustee in Bankruptcy's fees and disbursements, would not result in secured claims being repaid in full, resulting in there not being any funds available for the Company's Unsecured Creditors.
66. The Trustee notes that in arriving at its conclusion set out above, the Trustee has assumed that the security held by CIBC and FCC is valid and enforceable. As noted earlier in this report, the Trustee has requested from J&P that J&P provide its opinion on the validity and enforceability of the security held by these creditors.
67. The Trustee will, in the Trustee's Meeting Report to be presented at the Meeting of Creditors, inform the creditors of J&P's opinion. In the event that J&P's opinion is that

the security held by any or all of these creditors is not valid and enforceable, the Trustee will, as it considers necessary, update its comments on whether the Unsecured Creditors should accept the Company's Proposal.

N. RECOMMENDATION

68. If the Proposal is accepted by the Creditors and approved by the Court, the Trustee estimates that there will be between \$850,000 and \$900,000 available for distribution to Unsecured Creditors with Proven Claims that will result in an estimated dividend payment of approximately \$0.174 to \$0.184 per dollar of Proven Claim.
69. In the event of a bankruptcy of VMPL, the Trustee estimates that, based on the Company's assets set out on the Condensed Statement, and assuming the validity and enforceability of the security held by CIBC, FCC, Kensington and VMP, there will be no funds available for distribution to the Unsecured Creditors.
70. Accordingly, based on the information contained in this Report, the Trustee recommends at this time that the Creditors vote to accept the Proposal in order to attempt to maximize their return from the Company's indebtedness to them.

Dated at Toronto, Ontario, the 6th day of January, 2023.

RSM CANADA LIMITED

in its capacity as Trustee *re:* the Proposal of
Vaughn Mills Packaging Ltd., and not in its personal
or corporate capacity

Per: 

Bryan A. Tannenbaum, FCPA, FCA, FCIRP, LIT
President

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2895096
Estate No. 31-2895096

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

In the matter of the Proposal of
Vaughn Mills Packaging Ltd.
of the City of Vaughan
in the Province of Ontario

Take notice that Vaughn Mills Packaging Ltd. of the City of Vaughan in the Province of Ontario has lodged with me a proposal under the *Bankruptcy and Insolvency Act*.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed.

A general meeting of the creditors will be held on the 18th day of January 2023 at 11:00 AM at 11 King Street W., Suite 700, Box 27, Toronto, ON or <https://rsm-canada.webex.com/rsm-canada/j.php?MTID=m16698d0047cd64edc87f5bf3a941aac>, Meeting Number: 2340 401 5303, 1-877-309-3457.

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

Proofs of claim must be lodged with me prior to the commencement of the meeting.

Proxies and voting letters intended to be used at the meeting may be filed at any time up until the moment a vote is called.

Dated at the City of Toronto in the Province of Ontario, this 5th day of January 2023.

RSM Canada Limited - Licensed Insolvency Trustee



11 King Street W., Suite 700, Box 27
Toronto ON M5H 4C7
Phone: (416) 480-0160 Fax: (647) 730-1345

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2895096
 Estate No. 31-2895096

FORM 92 -- Continued

In the matter of the Proposal of
 Vaughn Mills Packaging Ltd.
 of the City of Vaughan
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
4 P's of Marketing Inc.	60 Langtry Place Thornhill ON L4J 8K8		3,729.00
All Gold Imports Inc.	4255 14th Ave Markham ON L3R 0J2		42,493.71
Arrival GTR	5375 Rue Pare Suite 140 Montreal QC H4P 1P7		11,943.35
Avro Ventures	28 Village Centre Place Suite 202 Toronto ON L4Z 1V9		37,909.58
Bruce Young	38 Kevinwood drive Caledon Vilage ON L7K 0Z1		104,166.65
Champion Commercial Products Inc.	1 - 5340 Timberlea Blvd. Mississauga ON L4W 2T7		2,378.20
CIBC	560 Wellington Street, 3rd Flr. London ON N6A 3R4		2,208,470.25
CIBC - Credit Card	560 Wellington Street, 3rd Flr. London ON N6A 3R4		50,000.00
Cintas Canada Ltd	Dept 400004, PO Box 4372, Station A Toronto ON M5W 0J2		13,019.98
City Pallets	5195 Maingate Drive Unit 13 Mississauga ON L4W 1G4		6,915.60
Commercial Air Compressor Ltd.	95 Konrad Crescent Markham ON L3R 8T8		4,910.43
Coyote Logistics LLC	PO Box 742636 Atlanta GA 30374-2636 USA		5,678.95
Cygnus Consulting Inc.	625 Cochrane Drive, Suite 803 Markham ON L3R 9R9		2,712.00
Daymon Creative Services	P.O. Box 744899 Atlanta GA 30374-4899 USA		25,106.53

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2895096
 Estate No. 31-2895096

FORM 92 -- Continued

In the matter of the Proposal of
 Vaughn Mills Packaging Ltd.
 of the City of Vaughan
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
DFI Organics, Inc.	Suite 321 711 West Bay Area Blvd. Webster TX 77598 USA		6,884.96
Diamond Freight Systems Ltd.	CRESTMARK PO Box 3625-Commerce Court Postal Station Toronto ON M5L 1K1		16,170.00
Doehler Dry Ingredients Solutions	55190 Bittersweet Road Mishawaka IN 46545 USA		172,887.91
Duke Freight LLC	520 Charolais Blvd Brampton ON L6Y 5Y9 ON		47,584.50
Echo Global Logistics Inc	Accounts Receivable 22168 Network Place Chicago IL 60673-1221 USA		2,750.83
Ecolab Co	Lockbox 917130 PO Box 4090 Stn A Toronto ON M5W 0E9		483.59
FCC	4-5 Lower Malpeque Road Charlottetown PE C1E 1R4		1,615,877.59
FCC	4-5 Lower Malpeque Road Charlottetown PE C1E 1R4		500,000.00
Fineberry Foods Inc.	492 Roselawn Ave. Toronto ON M5N 1J8		13,352.31
Flavorcan International Inc.	145 Dynamic Drive Scarborough ON M1V 5L8		74,635.04
Forte Labels and Shrink Sleeves Inc.	77 Courtland Ave Concord ON L4K 5A9		8,322.07
GDA Control Robotic & Automation	72 Clarridge Crt Brampton ON L6X 5B3		644.10
GDI Services (Canada) LP	6300 Northwest Drive, Unit 2 Mississauga ON L4J 1J7		118,630.21
Global Employment	2424 Finch Ave W, Unit 18 North York ON M9M 2E2		21,853.49

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FORM 92 -- Continued

In the matter of the Proposal of
 Vaughn Mills Packaging Ltd.
 of the City of Vaughan
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
GM Packaging Equipment Inc.	405 Industrial Drive, Units 11 & 12 Milton ON L9T 5B1		1,958.86
Grain Millers Canada Corp.	#1 Grain Millers Drive, PO Box 5040 Yorkton SK S3N 3Z4		77,878.35
Grain Process Enterprises Ltd	105 Commander Blvd Scarborough ON M1S 3M7		8,480.00
Hammond Paper Company Ltd	Bank of America Lockbox # 920000, PO Box # 4090 STN A Toronto ON M5W 0E9		9,854.61
Highlight Logistics Inc.	391 Creditstone Road Concord ON L4K 1N8		15,895.75
Ingersoll Paper Box	327 King Street West Ontario ON N5C 2K9		20,125.65
Kensington Private Equity Fund	95 St. Clair Ave. W., Suite 905 Toronto ON M4V 1N6		6,076,927.00
Kerry Inc.	3400 Millington Road Beloit WI 53511-6227 USA		22,256.57
L.M.Generating Power Co. Ltd	1900 Shawson Drive Mississauga ON L4W 1R7		5,876.00
Lift North America	6180 Ordan Drive Mississauga ON L5T 2B3		6,243.76
Master Packaging Inc. c/o Stewart McKelvey	44 Chipmanhill Suite 1000 PO 7289 Station "A" Staint John NB E2L 2A9		659,924.81
Miele Enterprises	87 Wentworth Court Brampton ON L6T 5L4		8,553.11
Mintel Group Ltd.	Dept CH 19696 Palatine IL 60055-9696 USA		8,810.57
MonkFruit Corp.	1226 American Way Libertyville IL 60048 USA		47,829.32

District of: Ontario
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FORM 92 -- Continued

In the matter of the Proposal of
 Vaughn Mills Packaging Ltd.
 of the City of Vaughan
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Moore Packaging Corporation	191 John St Barrie ON L4N 2L4		1,230.58
NEX Industrial Supplies Inc.	6815 Steeles Ave. West Etobicoke ON M9V 4R9		6,566.43
Nolan Transportation Group	P.O. Box 931184 Atlanta GA 31193-1184 USA		11,373.85
O'Neil Moon Quedado LLP	Accounts 425 University Avenue suite 301 Toronto ON M5G 1T6		107,794.79
Packaging Technologies Inc.	310 Courtland Ave Concord ON L4K 4Y6		17,483.41
PC Employment Inc c/o Molinaro Legal	1570 Kipling Avenue, Suite 1 Etobicoke ON M9R 2I1		68,798.23
PricewaterhouseCoopers LLP	PwC Tower 18 York Street, Suite # 2600 Toronto ON M5J 0B2		21,763.80
Prinex Canada	7485 Bath Road Mississauga ON L4T 4C1		74,947.35
Punta Cana Cleaning Service	2200 Sherobee Rd Mississauga ON L5A 3Y3		24,595.24
QRC Logistics	8020 Fifth Line North Halton Hills ON L7G 0B8		926.12
Richardson Milling Limited	Attention: Accounts Receivable 2800 One Lombard Place Winnipeg MB R3B 0X8		25,773.20
Richmond Traders Inc.	153 Eddystone Ave Toronto ON M3N 1H5		3,090.00
Richter LLP	Bay Wellington Tower 181 Bay St. #3510 Toronto ON M5J 2T3		14,831.25
Sesotec Canada Ltd.	27 5 Hanlon Creek Blvd., Unit 3 Guelph ON N1C 0A1		5,253.80

District of: Ontario
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FORM 92 -- Continued

In the matter of the Proposal of
 Vaughn Mills Packaging Ltd.
 of the City of Vaughan
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Silva International	PO Box 6684 Carol Stream IL 60197-6684 USA		13,685.60
Smart & Biggar LLP	55 Metcalfe Street, Suite 900 Ottawa ON K1P 5Y6		10,573.88
Sonwil Distribution Centre	100 Sonwill Drive, PO Box 126 Buffalo NY 14225 USA		16,657.65
SSP Global Forwarding LTD	2800 Highpoint Drive, Unit # 208 Milton ON L9T 6P4		47,383.55
Stewart Esten LLP	PO Box 7700 100 Collier St. Barrie ON L4M 4V3		1,457.70
Strategic Foods Solutions	321 Park St. W Dundas ON L9H 1Z1		580.91
Sunbelt Logistics c/o Pallett Valo LLP	77 City Centre Drive West Tower Suite 300 Mississauga ON L5V 1M5		58,308.00
The Federated Group, Inc.	3025 W. Salt Creek Lane Arlington Heights IL 60005 USA		23,681.16
Thomson Terminals Limited	102 Iron Street Toronto ON M9W 5L9		98,195.67
Tootsi Impex Inc.	8800 Blvd. Henri Bourassa W. Saint-Laurent QC H4S 1P4		5,952.60
Traffic Tech Inc.	16711 Trans-Canada Highway Kirkland QC H9H 3L1		141,399.90
Traffic Tech International	16711 Trans - Canada Hwy Kirkland QC H9H 3L1		32,161.43
Transcat Canada Inc.	9900 Chemin de la Côte-de-Liesse Montreal QC H8T 1A1		324.75
TransPlus	2400 Halpern St.-Laurent QC H4S 1S8		9,019.35
Uline Canada	Box 3500 RPO Streetville Mississauga ON L5M 0S8		9,500.62

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2895096
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FORM 92 — Concluded

In the matter of the Proposal of
 Vaughn Mills Packaging Ltd.
 of the City of Vaughan
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Unique Ingredients USA	6460 S. Mountainside Dr. Gold Canyon AZ 85118 USA		79,064.01
Value Added Systems Inc.	3600A Laird Road Unit #14 Mississauga ON L5L 6A6		9,924.25
Vins Plastics Ltd	12 Industrial Court PO Box 1030 Bradford ON L3Z 2B4		52,943.31
VMP Capital Partners Ltd.	1585 Jalna Avenue Mississauga ON L5J 1S8		1,804,498.00
We Are Alexander	P.O.Box 248846 oklahoma OK 73124-8846 USA		25,660.95
Worlee Natural Products (Canada) Inc.-USD	750 Rue Gourgeon Saint-Laurent QC H4T4L5		6,688.64
Zebra Paper	5130 Creekbank Road Mississauga ON L4W 2W2		65,784.46
Zeifmans CPA Professional Corp	201 Bridgeland Avenue Toronto ON M6A 1Y7		16,400.00
Zone Placement c/o Sugar Law Group	250 Ferrand Drive Suite 401 Toronto ON M3C 3G8		20,428.35
Total			15,024,827.98

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

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; and
 - (iii) claims of any employees for accrued and unpaid vacation pay, which accrued and unpaid vacation pay shall be paid in the ordinary course;
- (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, December 29, 2022.

VAUGHN MILLS PACKAGING LTD.

Per: 
Name: Jason Gledinspan
Title: CEO

I have authority to bind the Corporation

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2895096
 Estate No. 31-2895096

Original Amended

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

In the matter of the Proposal of
 Vaughn Mills Packaging Ltd.
 of the City of Vaughan
 in the Province of Ontario

To the debtor:
 You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 16th day of December 2022. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.


LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A"	2,819,060.14	1. Inventory	439,318.00
Balance of secured claims as per list "B"	9,925,693.84	2. Trade fixtures, etc.	2,000.00
Total unsecured creditors	12,744,753.98	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B"	2,280,079.00	Good	1,179,079.00
3. Preferred creditors as per list "C"	0.00	Doubtful	0.00
4. Contingent, trust claims or other liabilities as per list "D" estimated to be reclaimable for	0.00	Bad	805,738.00
Total liabilities	15,024,832.98	Estimated to produce	971,329.00
Surplus	NIL	4. Bills of exchange, promissory note, etc., as per list "F" ...	0.00
		5. Deposits in financial institutions	0.00
		6. Cash	0.00
		7. Livestock	0.00
		8. Machinery, equipment and plant	867,432.00
		9. Real property or immovable as per list "G"	0.00
		10. Furniture	0.00
		11. RRSPs, RRIFFs, life insurance, etc.	0.00
		12. Securities (shares, bonds, debentures, etc.)	0.00
		13. Interests under wills	0.00
		14. Vehicles	0.00
		15. Other property, as per list "H"	0.00
		If debtor is a corporation, add:	
		Amount of subscribed capital	0.00
		Amount paid on capital	0.00
		Balance subscribed and unpaid	0.00
		Estimated to produce	0.00
		Total assets	2,280,079.00
		Deficiency	12,744,753.98

I, Jason Greenspan, of the City of Vaughan in the Province of Ontario, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of the affairs of the Corporation on the 29th day of December 2022 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)
 before me at the City of Toronto in the Province of Ontario, on this 29th day of December 2022.



 Laura Culleton, a Commissioner, etc.



 Jason Greenspan

CHECKLIST FOR PROOFS OF CLAIM

This checklist is provided to assist you in preparing the accompanying proof of claim form and, where required, proxy form in a complete and accurate manner. Please specifically check each requirement.

PROOF OF CLAIM

- ▶ The signature of a witness is required;
- ▶ The claim must be signed personally by the individuals;
- ▶ If the creditor is a corporation, the full and complete legal name of the company or firm must be stated;
- ▶ Give the complete address, including postal code, where all notices or correspondence is to be forwarded, the name of the

PARAGRAPH 1

- ▶ Please state your name, city of residence, and if you are completing the declaration for a corporation or another person, your position or title.

PARAGRAPH 3

- ▶ State the date of bankruptcy, proposal of receivership and the amount of your claim;
- ▶ A detailed statement of account must be attached and must show the date, number and amount of all the invoices, charged credits or payments;
- ▶ A statement of account is not complete if it begins with an amount brought forward;

PARAGRAPH 4

- ▶ An ordinary creditor must check subparagraph A. A preferred creditor must set out on an attached schedule the particulars of your priority;
- ▶ A secured creditor must check subparagraph C. You must insert the value at which you assess each of your securities and provide a certified true copy of the security documents as registered.

PARAGRAPH 5

Strike out "are" or "are not" as applicable to you. You would be considered a related person if:

- ▶ You are related to blood or marriage to the debtor;
- ▶ If the debtor is a corporation and you were a shareholder or if your company was controlled by the same shareholders as the debtor corporation.

PARAGRAPH 6

All creditors must attach a detailed list of all payments or credits received or granted, as follows:

- ▶ Within the 3 months preceding the bankruptcy or proposal, if the creditor and the debtor are not related;
- ▶ Within 12 months preceding the bankruptcy or proposal, if the creditor and debtor are related.

In the case of an individual's bankruptcy only, you may request some or all of the items stated after paragraph 6.

GENERAL PROXY

A creditor may appoint a proxy by completing the proxy form, if the creditor is a corporation, the proxy form must be completed in the corporate name and signature witness.

NOTES

- ▶ Only creditors who have filed claims in the proper manner before the time appointed for the meeting of creditors are entitled to vote;
- ▶ A creditor may vote either in person or by proxy;
- ▶ A debtor may not be appointed a proxy at any meeting of his creditors;
- ▶ The trustee may be appointed as a proxy to for any creditors;
- ▶ A corporation may vote by an authorized agent at the meeting of creditors;
- ▶ In order to have the right to vote, a person must himself be a creditor or be the holder of a property executed proxy showing

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2895096
Estate No. 31-2895096

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

In the matter of the Proposal of
Vaughn Mills Packaging Ltd.
of the City of Vaughan
in the Province of Ontario

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

In the matter of the proposal of Vaughn Mills Packaging Ltd. of the City of Vaughan in the Province of Ontario and the claim of _____, creditor.

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

1. That I am a creditor of the above named debtor (or I am _____ (position/title) of _____, creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of proposal, namely the 16th day of December 2022, and still is, indebted to the creditor in the sum of \$ _____, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

A. UNSECURED CLAIM OF \$ _____

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

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

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

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

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

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

C. SECURED CLAIM OF \$ _____

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

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

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

District of Ontario
Division No. 09 - Toronto
Court No. 31-2895096
Estate No. 31-2895096

FORM 31 -- Concluded
In the matter of the Proposal of
Vaughn Mills Packaging Ltd.
of the City of Vaughan
in the Province of Ontario

- E. CLAIM BY WAGE EARNER OF \$ _____
- That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ _____,
- That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ _____,
- F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ _____
- That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ _____,
- That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ _____,
- G. CLAIM AGAINST DIRECTOR \$ _____

(To be completed when a proposal provides for the compromise of claims against directors.)

That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

- H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ _____

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

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

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

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

- Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.
- I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at _____, this _____ day of _____.

Witness

Creditor

Phone Number: _____
Fax Number : _____
E-mail Address : _____

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

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

Subsection 20(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

CONVENIENCE CREDITOR ELECTION FORM

TO: RSM Canada Limited, in its capacity as Proposal Trustee re Vaughn Mills Packaging Ltd. ("VMPL")

In connection with the Proposal of VMPL dated December 29, 2022 filed pursuant to the Bankruptcy and Insolvency Act (Canada) (the "Proposal"), the undersigned hereby irrevocably elects to be treated for all purposes under the Proposal as a Convenience Creditor and thereby entitled to receive, in accordance with the Proposal, the lesser of (i) \$5,000.00, and (ii) the amount of the undersigned's Proven Claim, in full and final satisfaction of the Proven Claim(s) of the undersigned. Furthermore, the undersigned hereby acknowledges that the undersigned shall be deemed to vote the full amount of its Proven Claim(s) in favour of the Proposal at the Meeting of Creditors.

For the purposes of this election, capitalized terms not defined herein shall have the meanings ascribed thereto in the Proposal.

DATED at _____ this _____ day of _____, 2023.

Creditor Name

per: _____
Signature

Name & Title of Authorized Person

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2895096
Estate No. 31-2895096

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

In the matter of the Proposal of
Vaughn Mills Packaging Ltd.
of the City of Vaughan
in the Province of Ontario

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

Dated at _____, this _____ day of _____, _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____
Name and Title of Signing Officer

Return To:
RSM Canada Limited - Licensed Insolvency Trustee

11 King Street W., Suite 700, Box 27
Toronto ON M5H 4C7
Fax: (647) 730-1345
E-mail: jeff.berger@rsmcanada.com

District of: Ontario
Division No. 09 - Toronto
Court No. 31-2895096
Estate No. 31-2895096

FORM 37

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

In the matter of the Proposal of
Vaughn Mills Packaging Ltd.
of the City of Vaughan
in the Province of Ontario

I, _____, creditor (or I, _____, representative
of _____, creditor), of _____, a creditor in the above matter
for the sum of \$ _____, hereby request the trustee acting with respect to the proposal of Vaughn
Mills Packaging Ltd., to record my vote _____ (for or against) the acceptance of the proposal as
made on the _____ day of _____.

Dated at _____, this _____ day of _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____

Name and Title of Signing Officer

Return To:
RSM Canada Limited - Licensed Insolvency Trustee

11 King Street W., Suite 700, Box 27
Toronto ON M5H 4C7
Fax: (647) 730-1345
E-mail: jeff.berger@rsmcanada.com