



February 26, 2021

**To the creditors of Malone's Social Lounge and Taphouse Inc.:**

On February 17, 2021, Malone's Social Lounge and Taphouse Inc. (otherwise referred to as "**MSLT**" or "**the Company**") lodged with the proposal trustee, FTI Consulting Canada Inc. (the "**Proposal Trustee**"), a proposal pursuant to the Bankruptcy and Insolvency Act (the "**BIA**") (the "**Proposal**"). On the same day the Proposal was filed with the Office of the Superintendent of Bankruptcy.

Attached to this notice are the following documents.

- A. Report of the Trustee on the Proposal;
- B. The Proposal;
- C. Statement of Affairs;
- D. Proof of Claim forms;
- E. Proxy forms; and
- F. Voting letters.

**Creditor Meeting**

A general meeting of the Creditors (the "**Meeting**") will be held on the 9<sup>th</sup> day of March 2021 at 4:00 PM PST, via Microsoft Teams Video Conference:

Dial In: (866) 840-8976, Conference ID: 414 653 182#

**Proposal**

This Notice and the attached Report of the Trustee on the Proposal are not a substitute for reading the Proposal and Creditors are strongly encouraged to review the Proposal in its entirety prior to voting on the Proposal.

As outlined in the Proposal, the Proposal provides that upon acceptance of the Proposal and subject to the satisfaction of all the conditions precedent in Article V of the Proposal, the funds for distribution, in the amount of \$1,200,000 (the "Proposal Funds"), will be paid to the Proposal Trustee.

After deducting all applicable expenses and fees (as outlined in the Proposal), the remaining balance of the Proposal Funds will be made available to the unsecured creditors of Cambie Malones Development Corp. and Malone's Social Lounge and Taphouse Inc. to be distributed on a pro-rata basis.

**Proof of Claim**

To be eligible to vote, Creditors must file with the Proposal Trustee prior to the Meeting, a Proof of Claim form, properly completed, signed and witnessed as required, accompanied by supporting documentation.

When completing your proof of claim, please note that the most common omissions are:



- No supporting documentation attached (i.e. Schedule “A”) to verify the claim amount;
- Claim not signed or signature not witnessed;
- Voting Letter not included or proxy not appointed; and
- Contact information not completed.

## **Voting**

The primary purpose of the Meeting is to permit Creditors to consider the acceptance or rejection of the Proposal. For the Proposal to be accepted, the BIA requires that at least two thirds (66 2/3%) of the Creditors by dollar value and more than fifty percent (50%) of Creditors by number of those who vote, vote in favour of the Proposal.

Creditors can also appoint a proxy to represent them and vote on their behalf at the Meeting by submitting a completed proxy form to the Proposal Trustee.

If the Proposal is not accepted by the requisite majority of Unsecured Creditors, MSLT will automatically be deemed to have thereupon made an assignment in bankruptcy as of the date of the vote defeating the Proposal.

If the Proposal is accepted by the statutory majority, the Proposal Trustee will then make an application to the Court for approval of the Proposal. If the Court grants such approval, the Proposal, as approved, will be binding on all the Creditors with Proven Claims pursuant to the provisions of the BIA.

Claims received after the commencement of the meeting will not be included in the voting. It is acceptable to send your proof of claim, proxy, and voting letter as a scanned document via email. Scanned and emailed claims should be sent to [ben.chiu@fticonsulting.com](mailto:ben.chiu@fticonsulting.com). Please ensure that your claim is complete before submitting.

Further information with respect to this matter is available on the Proposal Trustee’s web-site: <http://cfcanada.fticonsulting.com/CambieMalones>

Should you have any queries in the interim, please do not hesitate to contact a representative of the Proposal Trustee, Ben Chiu at (604) 369-1095.

Yours truly,

**FTI CONSULTING CANADA INC.**

In its capacity as Trustee under a Proposal  
Malone’s Social Lounge and Taphouse Inc.  
and not in its personal capacity

Per: Ben

Ben Chiu

COURT FILE NUMBER B-210092  
VANCOUVER REGISTRY  
ESTATE NO. 11-2704748

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL  
OF MALONE'S SOCIAL LOUNGE AND TAPHOUSE INC.**

**REPORT OF THE TRUSTEE ON THE PROPOSAL**

**FEBRUARY 26, 2021**

## A. INTRODUCTION

1. This report (the “**Report**”) has been prepared by FTI Consulting Canada Inc. (“**FTI**”) in its capacity as the Trustee (the “**Proposal Trustee**”) in the proceedings commenced on January 18, 2021 by Malone’s Social Lounge and Taphouse Inc. (“**MSLT**” or the “**Company**”) pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”).
2. In that regard, on January 18, 2021, MSLT filed with the Office of the Superintendent of Bankruptcy (the “**OSB**”) a Notice of Intention to Make a Proposal (“**NOI**”) and FTI Consulting Canada Inc. consented to act as the Proposal Trustee. The proposal was filed on February 17, 2021 in accordance with Section 62(1) of the BIA. A copy of the proposal (the “**Proposal**”) has been included in the mailing package in addition to the Report..
3. Capitalized terms in the Report shall have the meaning ascribed to them in the Proposal unless otherwise defined.

## B. PURPOSE OF THIS REPORT

4. The 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 state of the Company’s business and financial affairs;
  - b) Outline the terms of the Proposal;
  - c) Discuss the conditions that must be satisfied subsequent to approval by the Unsecured Creditors of the Company in order for the Proposal to be successfully completed;
  - d) Provide an overview of the Proposal Trustee’s findings resulting from its preliminary review of preferences and related party transactions as required under the BIA;

- e) Compare the amounts distributable under the Proposal to the estimated distribution to creditors with Priority Claims and Unsecured Creditors in the event the Proposal is not accepted, and the Company is deemed to have made an assignment in bankruptcy; and
- f) Recommend that the Unsecured Creditors vote to accept the Proposal.

### C. TERMS OF REFERENCE

- 5. In preparing the Report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Company's books and records and discussions with management and other various parties (collectively, the "**Information**").
- 6. Except as described in the Report:
  - a) The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
  - b) The Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in the Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
- 7. Future oriented financial information reported or relied on in preparing the Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
- 8. The Report should only be read in conjunction with the Proposal. Details of the Proposal are outlined in the Report.
- 9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.

#### **D. BACKGROUND/CAUSES OF FINANCIAL DIFFICULTY**

10. MSLT was incorporated under the Business Corporations Act of British Columbia on July 1, 2012. The Company was part of the Malone's group of companies (the "**Malone's Group**") which operated several businesses in Vancouver, Nanaimo and Esquimalt, British Columbia.
11. The Malone's Group held significant real estate holdings from which it operated hostels, liquor stores and public houses.
12. The former controlling shareholder and sole director of the Malone's Group was Sam Yehia.
13. MSLT was used by Mr. Yehia as an investment vehicle to raise financing for the Malone's Group. Investors subscribed for preferred shares which were fully redeemable after five years and had an annual dividend rate of 10% paid quarterly.
14. A related company, Cambie Malone's Development Corporation ("**CMDC**") was also used to raise financing for the Malone's Group. Collectively CMDC and MSLT raised \$3.153 million from the issuance of preferred shares to investors (the "**Investors**").
15. Based on the limited books and records available, it appears that the funds raised by MSLT were loaned to other companies within the Malone's Group. The dividend payments due on the Investors were financed by other companies within the Malone's Group with the proceeds being offset against the MSLT intercompany loan accounts.
16. The Proposal Trustee is advised that MSLT has no records of how the funds were used within the Malone's Group and that MSLT has no documentation regarding the advances made by MSLT to other companies within the Malone's Group.

17. Until recently, Mr. Yehia was married to Sally Negus. Mr. Yehia and Ms. Negus divorced recently and pursuant to an order of the Supreme Court of British Columbia, Ms. Negus acquired Mr. Yehia's interest in the Malone's Group including MSLT. Ms. Negus also became the director of MSLT at that time (the "**Director**").
18. Subsequent to her acquisition of the Malone's Group, the Director became aware of the deficiencies in the Malone's Group's financial and accounting records.
19. With respect to MSLT, the financial records indicated that MSLT's assets consisted of an intercompany receivable due from CMDC and from Cambie Malone's Corporation in an aggregate amount that was insufficient to repay the Investors in full.
20. The Director continued to make the dividend payments to the Investors from funds available within the Malone's Group while the Director completed an investigation into the financial affairs of the Malone's Group.
21. The findings of the investigation determined that MSLT never had any revenue and had no contractual relationship with any of the other companies within the Malone's Group.
22. As a result of the impact on the Malone's Group's operations and revenue caused by the COVID-19 pandemic, dividend payments to the Investors were halted.
23. In January 2021, MSLT triggered the redemption of all of the preferred shares creating a debt obligation.
24. Faced with having to respond to litigation initiated by some of the Investors, MSLT and CMDC (collectively "**the Companies**") made the decision to seek stays of proceeding by filing Notices of Intention to File a Proposal ("**NOI**") under section 50.4 of the Bankruptcy and Insolvency Act (the "**BIA**") to provide the Companies with the time necessary to formulate proposals to their creditors.

25. Accordingly, on January 18, 2021 the Companies signed NOI's which were filed by FTI Consulting Canada Inc. (the "**Proposal Trustee**") and accepted by the Office of the Superintendent of Bankruptcy (the "**OSB**").
26. Any information or documents in respect of these proceedings are posted on the Proposal Trustee's website at <http://cfcanada.fticonsulting.com/CambieMalones/>.
27. On February 17, 2021, MSLT provided its proposal (the "**Proposal**") to the Proposal Trustee who filed it with the OSB on the same day.

## **E. THE PROPOSAL**

28. The purpose of the Proposal is to offer terms that would provide for a greater result than a bankruptcy or further litigation.
29. The Report provides an overview of the terms of the Proposal. The Report is not a substitute for reading the Proposal and creditors are strongly encouraged to review the Proposal in its entirety prior to voting on the Proposal. Unsecured Creditors are also encouraged to discuss the terms of the Proposal with their legal counsel.
30. A copy of the Proposal is included with this Report.
31. The substantive terms of the Proposal are as follows:
  - a) An amount of \$1.2 million less the Companies' legal fees related to the Proposal (the "**Proposal Funds**") will be made available to the Proposal Trustee for both of the Companies to be distributed as follows:
    - (i) First to the fees and expenses of the Proposal Trustee;
    - (ii) Second to any outstanding amounts related to unremitted employee payroll deductions (the "**Crown Claims**");



(iii) Third to any former employees for unpaid salaries and wages up to a maximum amount of \$2,000 per employee (the “**Priority Creditors**”); and

(iv) The remaining balance of the Proposal Funds will be made available to the unsecured creditors (“**Unsecured Creditors**”) to be distributed on a pro-rata basis.

b) Upon payment of the amounts described above, the claims of the Priority Creditors and Unsecured Creditors shall be released as against MSLT; and

c) Each Investor would also be required to sign a covenant not to sue the Director.

32. Pursuant to section 147 of the BIA, payments under the Proposal are subject to the levy payable to the OSB. The levy is based on the amount of the total dividends being paid. In the case of this Proposal, the levy would equate to 5% of the dividend being paid to Unsecured Creditors.

33. Inspectors may be appointed at the meeting of the Unsecured Creditors held to vote on the Proposal and the inspectors shall number at least one and not more than five. The inspectors shall have the following powers, but will have no personal liability to MSLT or other creditors:

a) To advise the Proposal Trustee in connection with its actions under the Proposal or any amendment thereto as the Proposal Trustee may, from time to time, request;

b) To advise the Proposal Trustee concerning any dispute which may arise as to the validity of claims of Unsecured Creditors or Priority Creditors under the Proposal;

c) To extend the dates for distribution of dividends provided for under the Proposal; and

d) To advise the Proposal Trustee in respect of such other matters as may be referred to the inspectors by the Proposal Trustee.

### **Creditor Claims**

34. The list of creditor claims and their claimed amounts is part of the Statement of Affairs (“SOA”) filed by the Company with the Proposal Trustee and included in the mailing package with the Report.

### **Crown Claims and Priority Creditors**

35. MSLT did not have any employees and accordingly does not appear to have any Crown Claims or Priority Creditors.

### **Unsecured Creditors**

36. The Proposal is being made to the Unsecured Creditors which are those creditors holding unsecured Proven Claims against the Company. According to the Companies’ SOA, Unsecured Creditors are owed a total amount of approximately \$3.2 million.

### **Dividend Amount**

37. In the event that the Unsecured Creditors vote to accept the Proposal and all of the conditions precedent in Article V of the Proposal are satisfied, the Proposal Funds, in the amount of \$1.2 million, will be paid to the Proposal Trustee.
38. Based on the Unsecured Creditor Claims known to the Proposal Trustee at this time, it is anticipated that the Proposal Funds will be sufficient to pay all Unsecured Creditor Claims approximately 37 cents on the dollar, less the fees and expenses of the Proposal Trustee and legal counsel to the Companies as well as the applicable levy as indicated previously.

### **Fees of the Proposal Trustee**

39. The Proposal Trustee was provided a retainer in the amount of \$25,000 which is to be returned to the Director in the event the Proposal is accepted. As noted previously, the fees and expenses of the Proposal Trustee are to be paid from the Proposal Funds.

### **Acceptance of the Proposal**

40. In order for the Proposal to be accepted, two-thirds in dollar value and over 50% in number of the Unsecured Creditors present and voting, in person, by proxy or by voting letter, must vote in favour of the Proposal. The Proposal must be approved by the Court after it is accepted by the Unsecured Creditors. Rejection of the Proposal would result in the Company being deemed to have made an assignment in bankruptcy.

### **F. PREFERENCES AND RELATED PARTY TRANSACTIONS**

41. The Proposal Trustee enquired of the Company's management regarding any transactions for the twelve month period immediately preceding the commencement of these proceedings.
42. The Proposal Trustee was advised that MSLT has no bank accounts and that any cash payments were made by other related companies and charged through MSLT's intercompany account.
43. MSLT's controller provided the Proposal Trustee with an excerpt of MSLT's general ledger indicating all transactions posted to its intercompany account over the past twelve month period.
44. The Proposal Trustee noted no unusual transactions during its review.
45. To the best of management's knowledge, there were no payments or transactions which could be considered to be preferences, settlements or transactions at undervalue with related or third parties.

46. If the Company was to become bankrupt, it is possible that there may be certain transactions that the trustee could seek to void. However, as indicated the Proposal Trustee is currently unaware of any such transactions, and in any event would require funding to pursue any such transactions.

#### **ESTIMATED DISTRIBUTION IN THE EVENT OF A BANKRUPTCY**

47. As detailed in a previous section of the Report, the assets of the Company consist of intercompany receivables from CMDC and Cambie Malone's Corporation.
48. In the event a Trustee in Bankruptcy could collect the receivables in full, the estimated dividend to Unsecured Creditors of the Companies on a consolidated basis would be approximately 27 cents on the dollar less the fees and expenses of the Trustee and the applicable levy payable to the OSB.

#### **G. COMPARISON OF PROPOSAL VS. BANKRUPTCY DIVIDEND**

49. Based on the analysis in the previous section of the Report, it is estimated that in the event of a bankruptcy of the Companies, the Unsecured Creditors may receive a bankruptcy dividend of approximately 27 cents on the dollar less the fees and expenses of the Trustee and the applicable levy payable to the OSB.
50. As discussed in previous meetings with several of the Investors, a Trustee in bankruptcy would also have access to broad powers to investigate the affairs of the Companies and seek to examine individuals believed to have knowledge of its affairs.
51. However, the Proposal Trustee notes that it would have no funding and accordingly would need to seek funding from the creditors in order to avail itself of these enhanced powers.

52. The Proposal provides for Proposal Funds in the amount of \$1.2 million to be distributed on a pro-rata basis to the Unsecured Creditors of the Companies on account of their Unsecured Creditor Claims after payment of the Companies' legal counsel's fees and disbursements and the Proposal Trustee's fees and expenses in addition to the applicable levy payable to the OSB.
53. Based on the Proposal Trustee's knowledge of the known Claims, it is anticipated that the Proposal Funds will provide for a payment of approximately 37 cents on the dollar of the Unsecured Creditor Claims, less the Companies' legal counsel's fees and disbursements and the Proposal Trustee's fees and expenses in addition to the applicable levy payable to the OSB.

## **H. SUMMARY COMMENTS**

54. The Proposal Trustee has not investigated the merits of any litigation claims that may be asserted by the Investors against the Director nor sought an estimate as to the range of legal fees for such litigation.
55. The Proposal Trustee notes that Director has borrowed funds from other sources to fund the Proposal despite there being no apparent legal obligation to do so.
56. The Director has made best efforts based on resources available to her to address the claims asserted by the Investors.
57. As noted previously, the dividend payable under the Proposal is higher than what would be attained in a bankruptcy.
58. The Proposal Funds are to be delivered to the Proposal Trustee within 5 days of the Implementation Date. Accordingly, the dividends payable to Unsecured Creditors pursuant to the Proposal will be released in a timely manner.

59. The Proposal Trustee is of the view that the terms of the Proposal are reasonable, has been made in good faith and benefits the Unsecured Creditors.
60. Accordingly, the Proposal Trustee recommends that the Unsecured Creditors support the Proposal.

All of which is respectfully submitted this 26<sup>th</sup> day of February, 2021.

FTI Consulting Canada Inc.,  
in its capacity as Proposal Trustee under a NOI  
filed by Malone's Social Lounge and Taphouse  
Inc.



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Name: Craig Munro  
Title: Managing Director,  
FTI Consulting Canada Inc.

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF THE NOTICE OF INTENTION  
TO MAKE A PROPOSAL OF  
MALONE'S SOCIAL LOUNGE AND TAPHOUSE INC.

**PROPOSAL**

**ARTICLE I  
DEFINITIONS & INTERPRETATION**

**1.1 DEFINITIONS**

In the Proposal:

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

"Business Day" means any day which is not a Saturday or Sunday, or statutory holiday in British Columbia.

"Claim" means any right or claim of any person against the Companies whether or not asserted in connection with any indebtedness, liability or obligation of any kind whatsoever owed to such person, including any indebtedness, liability or obligation owed to such person as a result of any breach of duty (including, without limitation, any legal, statutory, equitable, or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of the Companies, 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 of 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 or at the Filing Date, and, for certainty, includes Priority Claims.

"Claims Process" means the process pursuant to the BIA by which the Trustee will determine the Proven Claims against the Companies.

"CMDC" means Cambie Malone's Development Corp.

"Companies" means CMDC and "MSLT".

"Conditions Precedent" means the conditions precedent set out in Section 5.1 of the Proposal.

“**Court**” means the Supreme Court of British Columbia.

“**Creditor**” means any person that has a Claim against the Companies.

“**Creditors Meeting**” means the meeting of the Creditors to be called and held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve the Proposal, as same may be amended at any such meeting, and agreeing to the compromise and arrangement constituted thereby, and any adjournment thereof.

“**Crown**” means Her Majesty in the Right of Canada or a province.

“**Crown Claim**” means a Claim of the Crown for amounts that are outstanding as at the Filing Date and are of the kind that could be subject to a demand under:

- (a) subsection 224(1.2) of the *Income Tax Act*;
- (b) 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*, an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or
- (c) 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:
  - (i) 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
  - (ii) 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.

“**Covenant Not to Sue**” has the meaning ascribed to it in section 3.4 of the Proposal.

“**Director**” means Sally Negus in her capacity as the director of the Companies.

“**Disputed Claim**” means any Claim of an Unsecured Creditor which has been received by the Trustee in accordance with the BIA but has not been accepted as a Proven Claim, or which is being disputed in whole or in part by the Trustee or any other person entitled to do so and has not been resolved by agreement or in accordance with the BIA.

“**Employee Claims**” means any Proven Claim of any employees and former employees of the Companies, including the amounts that such employees and former employees would have been qualified to receive under Paragraph 136(1)(d) of the BIA if the Companies had become bankrupt on the Filing Date.



"**Excluded Claim**" means, subject to further order of the Court:

- (a) any Employee Claims;
- (b) any Priority Claims; and
- (c) any Crown Claims.

"**Excluded Creditors**" means Creditors having Excluded Claims.

"**Filing Date**" means January 18, 2021, the date when the Notice of Intention to File a Proposal pursuant to the BIA was filed by the Companies.

"**Funds for Distribution**" shall have the meaning ascribed to it in Section 2.1 of the Proposal.

"**Inspectors**" has the meaning ascribed to it in Section 8.5 of the Proposal.

"**Investors**" means the Unsecured Creditors who were formerly the preferred shareholders of the Companies.

"**Implementation Date**" means the date on which the Conditions Precedent to the Proposal set forth in Article V hereof have been satisfied or waived.

"**Malone's Group**" has the meaning ascribed to it in Section 2.1 of the Proposal.

"**MSLT**" means Malone's Social Lounge and Taphouse Inc.

"**Priority Claim**" means a Proven Claim of a Creditor entitled to receive a payment of any amount owed to it in priority to any payments to Unsecured Creditors as provided for in Section 136 of the BIA.

"**Proof of Claim**" means the proof of claim delivered to the Trustee in accordance with the BIA.

"**Proposal**" means the consolidated proposal herein among the Companies and the Unsecured Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Companies and the Unsecured Creditors, as provided for herein or pursuant to any Creditors Meeting.

"**Proposal Proceeding**" means the proceedings commenced by the Companies under the BIA, being British Columbia Supreme Court, Vancouver Registry Action No. B-210092.

"**Proven Claim**" means the aggregate amount of any and all Claims held by a Creditor which has been accepted by the Trustee and the Companies in accordance with the BIA.

"**Receivables**" has the meaning ascribed to it in Section 2.1 of the Proposal.

"**Required Majority**" means the affirmative vote, at the Creditors Meeting, of:

- (a) a simple majority in number of those Unsecured Creditors with Proven Claims in the Unsecured Creditor Class who vote upon the Proposal (in person or by proxy); and

- (b) a two-thirds majority in value of the Proven Claims of Unsecured Creditors in the Unsecured Creditor Class who vote upon the Proposal (in person or by proxy).

**“Sanction Order”** means the order of the Court made in the Proposal Proceeding approving the Proposal and directing the implementation of the Proposal.

**“Trustee”** means FTI Consulting Canada Inc. in its appointed capacity as trustee of the Proposal, and not in its personal capacity.

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

**“Unsecured Creditor Claim”** means a Proven Claim of a Creditor against the Companies that is not an Excluded Claim.

**“Unsecured Creditor Class”** means the class comprising all Creditors with Unsecured Creditor Claims.

**“Unsecured Creditors”** means those Creditors with Unsecured Creditor Claims.

## **1.2 HEADINGS**

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

## **1.3 STATUTORY REFERENCE**

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

## **1.4 NUMBER AND GENDER**

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

## **1.5 CURRENCY**

All references to amounts of money means lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in any other currency will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

## **1.6 DATE FOR ANY ACTION**

In the event that any date on which any action is required to be taken under the Proposal by any of the parties is not a Business Day, that action shall be required to be taken on the next succeeding day that is a Business Day.

## **1.7 GOVERNING LAW**

The Proposal shall be governed by and construed in accordance with the Laws of the Province of British Columbia and the federal Laws of Canada applicable thereto. All questions as to the interpretation or application of the Proposal and all proceedings taken in connection with the Proposal shall be subject to the exclusive jurisdiction of the Court.

## **ARTICLE II PURPOSE AND EFFECT OF THE PROPOSAL**

### **2.1 PURPOSE OF THE PROPOSAL**

The Malone's group of companies (the "Malone's Group") successfully operated several businesses in Vancouver, Nanaimo and Esquimalt, British Columbia over the last several decades. These businesses included significant real estate holdings, hostels, liquor stores and public houses. Its former controlling shareholder was Sam Yehia. Mr. Yehia sought investment funds from the Investors by issuing them preferred shares in the Companies. To persuade the Investors to subscribe for these preferred shares, Mr. Yehia assured the Investors that the Companies' preferred shares were fully redeemable after five years, and that the Companies' revenues were backed by contracts with companies within the Malone's Group. In fact, the Companies were shell companies that had no assets. Mr. Yehia was the sole director of all of the companies within the Malone's Group, including the Companies, at the time that funds were solicited from the Investors. The Companies were used simply for the purposes of raising money. The Companies do not have records that evidence how the Investors' funds were used and the Companies have reason to believe that Mr. Yehia may have received some or all of their funds personally. Mr. Yehia used personal relationships to raise money through the Companies and to obtain funds from the Investors. While the Companies paid dividends to the Investors, the Companies did not earn revenues and did not have contracts with other companies within the Malone's Group.

Until recently, the Director was married to Mr. Yehia. Following an extremely contentious divorce proceeding, the Director, pursuant to an Order of the Supreme Court of British Columbia, acquired Mr. Yehia's interest in the Malone's Group and, *inter alia*, became the director of both Companies.

After the Director purchased Mr. Yehia's interests in the Malone's Group, she discovered that the Companies had not kept proper corporate or accounting records and there were little to no records showing how Mr. Yehia had dealt with the Investors' funds. The financial records of the Companies showed that the only assets were receivables owing to the Companies (the "Receivables"). The Receivables – even if fully collected by the Companies – would not be sufficient to pay the Investors if they choose to redeem their preferred shares.

After becoming the director of the Companies, the Director continued the dividend payments to the Investors whilst investigating how Mr. Yehia had used the Investors' funds. The Director completed her investigation in 2020. The results of her investigation showed that the Companies did not, and had never had, any revenues, that there was no contractual relationship between the Companies and any other company within the Malone's Group to pay more than the Receivables, and that the Receivables were incapable of repaying the redemption amounts due to the Investors. Further, the Director discovered that Mr. Yehia had treated the funding of the dividend payments to the Investors as a reduction of the inter-company loan owing to the Companies. The dividend payments were halted after the Covid-19 pandemic effectively closed restaurant operations.

The Companies have no, and have never had any assets that were capable of funding share redemptions. Further, contrary to the statements that Mr. Yehia made to the Investors when they subscribed for their preferred shares the Investors essentially advanced funds to the Companies on an unsecured basis with no security. The Companies are insolvent. Due to the COVID-19 pandemic, the Malone's Group's operations are effectively closed. The Companies' only assets consist of receivables owing by other related companies, which also do not have assets that are capable of being liquidated to pay for the Receivables. Even if all the Receivables were fully collected, the Companies would not have sufficient funds to pay for share redemptions due to the Investors. Further, based upon the Director's investigations, the Companies were never able to fully fund share redemptions. In light of this, the Companies filed the Notice of Intention to File a Proposal as of the Filing Date and commenced the Proposal Proceeding.

The Proposal contemplates pooling all the Investors together into one group. The group would share equally. If the Investors were put into separate classes based on which company they invested in, this would disproportionately benefit the Investors whose shares were acquired in MSLT due to the vast majority of the Companies' receivables owing to it despite not having control over which of the two Companies they invested in. This would be unfair to those Investors who are invested in CMDC.

Pursuant to the Proposal, if the Proposal is implemented, the Director will advance the Funds for Distribution in the amount of \$1,200,000 to distribute to the Unsecured Creditors on a consolidated, pro rata basis in satisfaction of their Claims. These funds, or a portion thereof, will be borrowed from a third party lender.

The implementation of the Proposal is subject to the Conditions Precedent, including the approval by the Unsecured Creditor Class, approval by the Court of the Proposal, and a Covenant Not to Sue given to the Director by each of the Unsecured Creditors.

If the Proposal is not accepted by the Unsecured Creditors, the Companies will be deemed bankrupt. The liquidation and sale of the Companies' assets upon bankruptcy will result in less return to the Creditors than under the terms of the Proposal.

## **2.2 EFFECT OF THE PROPOSAL**

Upon the Companies meeting their obligations to the Unsecured Creditors under the Proposal and subject to the satisfaction or waiver of the Conditions Precedent, all Claims which the Unsecured Creditors have against the Companies shall be irrevocably extinguished, released and discharged. On the Implementation Date, the Proposal will be binding on the Companies and the Unsecured Creditors.

The Proposal does not affect Excluded Creditors.

The Proposal is made pursuant to the provisions of the BIA.

## **2.3 VOTE BY UNSECURED CREDITORS**

Subject to order of the Court, the Unsecured Creditors shall be entitled to attend and vote at the Creditors Meeting.

Subject to order of the Court, in order to be approved, the Proposal must receive an affirmative vote, in accordance with the provisions of the BIA, by the Required Majority of the Unsecured Creditor Class.

#### **2.4 TRUSTEE UNDER THE PROPOSAL**

Subject to the provisions of the BIA, the Trustee shall act as the administrator for certain purposes connected with the Proposal, including administration of the Creditors Meeting and any adjournments thereof.

### **ARTICLE III CREDITOR CLASS AND PRIORITY OF PAYMENTS**

#### **3.1 UNSECURED CREDITOR CLASS**

There will be one class of Creditors for the purpose of considering and voting upon the Proposal being the Unsecured Creditor Class.

#### **3.2 PAYMENT TO THE UNSECURED CREDITORS**

If the Proposal is approved by the Required Majority, and the Conditions Precedent have been satisfied or waived, then Unsecured Creditors shall be paid their pro rata share of the Funds for Distribution on account of their Unsecured Creditor Claims within 5 (five) Business Days of the Implementation Date, in full and final satisfaction of their Unsecured Creditor Claims.

#### **3.3 CREDITORS WITH DISPUTED CLAIMS**

Unsecured Creditors with Disputed Claims shall be entitled to attend the Creditors Meeting and cast a vote in respect of the Proposal up to the value of their Disputed Claim. The Trustee shall keep a separate record and tabulation of any votes cast in respect of Disputed Claims. The Trustee shall report the result of the vote and the tabulation of votes of Proven Claims and Disputed Claims to the Court and, if the decision by Unsecured Creditors whether to approve or reject the Proposal is affected by the votes cast in respect of Disputed Claims, the Companies shall seek direction from the Court in respect thereof. The fact that a Disputed Claim is allowed for voting purposes shall not preclude the Companies or the Trustee from disputing the Disputed Claim for distribution purposes.

Any Unsecured Creditors with Disputed Claims on the date of distribution of payments under Section 3.2 shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless, until and to the extent that such Disputed Claim is accepted as a Proven Claim, either by agreement or in accordance with the Claims Process.

Pending resolution of each Disputed Claim, either by agreement or by Order of the Court, the Trustee shall withhold such amount as would be payable to the Unsecured Creditor with such Disputed Claim if that Disputed Claim were a Proven Claim. If and to the extent a Disputed Claim is determined to be a Proven Claim, the Trustee shall distribute the appropriate payment to that Unsecured Creditor in respect of its Proven Claim within 10 days of that determination. If a Disputed Claim is not determined to be a Proven Claim, then such withheld amount shall be dealt with in accordance with the BIA.

### **3.4 COMPROMISE AND RELEASE**

Upon the Companies meeting their obligations to each Unsecured Creditor under the Proposal, each Unsecured Creditor shall be deemed to have:

- (a) released the Companies in relation all Claims that arose before the Filing Date and that relate to the obligations of the Companies prior to the Filing Date, regardless of the date of crystallization of such Claims; and
- (b) released the Director and current officers of the Companies from all Claims that arose before the Filing Date, and that relate to the obligations of the Companies prior to the Filing Date, regardless of the date of crystallization of such Claims, where the Director is, by law, liable in her capacity as a director or officer for the payment of such obligation, but such claims shall not include Claims based on allegations of misrepresentations made by directors to creditors or of wrongful or oppressive conduct by directors.

It is a Condition Precedent to the Proposal that, before the hearing for the Sanction Order, each and every Investor that is an Unsecured Creditor shall have signed and executed a covenant, individually, in favour of the Director and her associated operating companies with respect to all and any Claims that relate to or have any connection with the obligations of the Companies to the Investors prior to the Filing Date, regardless of the date of crystallization of such claims (the "Covenant Not to Sue"). For greater certainty, the releases in this Section 3.4 and the Covenant Not to Sue shall not have any effect on any Claims against any former directors or officers of the Companies, including Mr. Yehia.

## **ARTICLE IV PRIORITY PAYMENTS**

### **4.1 TRUSTEE'S FEES**

The Trustee's Fees will be paid by the Companies in priority to payment of all Proven Claims in accordance with the provisions of the BIA.

### **4.2 PAYMENT OF PRIORITY CLAIMS**

The Trustee shall pay the following from funds provided by the Companies if applicable:

- (a) all Crown Claims within 6 months of the date the Sanction Order is made;
- (b) all Employee Claims immediately after the granting of the Sanction Order; and
- (c) any other Priority Claims in accordance with Subsection 136(1) of the BIA prior to any distribution to the Unsecured Creditors Class.

**ARTICLE V  
PAYMENT TO THE UNSECURED CREDITORS**

**5.1 CONDITIONS PRECEDENT TO THE IMPLEMENTATION DATE**

The Implementation Date is subject to the satisfaction or waiver of the following Conditions Precedent:

- (a) The Proposal has been approved by the Required Majority of the Unsecured Creditor Class;
- (b) The Funds for Distribution have been raised by the Director;
- (c) Each Investor has executed a Covenant Not to Sue individually before the date of the hearing for the Sanction Order;
- (d) The Sanction Order has been granted by the Court and has not been stayed;
- (e) The Funds for Distribution have been paid to the Trustee pursuant to Subsection 60(2) of the BIA;
- (f) All other actions, documents and agreements necessary to implement the Proposal have been effected and executed.

**5.2 WAIVER OF CONDITIONS PRECEDENT**

Any of the Conditions Precedent contained in Section 5.1, other than Subsections 5.1(a) and 5.1(d) may be waived by the Companies, with the consent of the Trustee.

**5.3 TRUSTEE'S CERTIFICATE OF PROPOSAL IMPLEMENTATION**

Upon being advised in writing by counsel to the Companies that the Conditions Precedent have been satisfied or waived in accordance with Section 5.2 hereto and that the Proposal is capable of being implemented, the Trustee shall file with the Court a certificate stating that all Conditions Precedent have been satisfied or waived in accordance with the Proposal and that the Proposal is capable of being implemented forthwith.

**5.4 FAILURE TO SATISFY CONDITIONS TO PLAN IMPLEMENTATION**

If the Conditions Precedent are not satisfied or waived in accordance with Section 5.2 hereof on or before the day which is five (5) Business Days after the date on which the Sanction Order is issued or such later date as may be specified by the Companies, with the consent of the Trustee or by order of the Court, the Proposal shall not be implemented and the Proposal and the Sanction Order shall cease to have any further force or effect.

**ARTICLE VI  
DELIVERY OF NOTICES UNDER THE PROPOSAL**

**6.1 NOTICES AND PAYMENTS TO CREDITORS**

Any notices, correspondence and payments to Creditors under or in relation to the Proposal shall be a) delivered to the address provided by each Creditor in its Proof of Claim unless the Trustee is notified by a Creditor in writing of an alternative address for delivery, or b) made in accordance with an order of the Court.

**6.2 UNDELIVERABLE PAYMENTS**

If any payments to a Creditor under the Proposal is returned to the Trustee as undeliverable, no further payments to that Creditor shall be made unless and until the Trustee is notified by such Creditor, in writing, of their current address, at which time any missed payments shall be delivered to such Creditor without interest. Undeliverable payments shall be retained by the Trustee until they are claimed or until the date of the Trustee's discharge, after which they shall, subject to Section 154(1) of the BIA and Directive No. 18 of the Superintendent of Bankruptcy, be paid over by the Trustee to the Office of the Superintendent of Bankruptcy.

**6.3 WITHHOLDING TAXES AND SUPERINTENDENT'S LEVY**

All payments made by the Trustee to Creditors pursuant to the Proposal shall be made net of all applicable levies in accordance with the BIA and regulations thereto, including the levy imposed by the Superintendent of Bankruptcy under the BIA.

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

**ARTICLE VII  
PROCEDURE FOR VALIDATION OF CLAIMS**

**7.1 FILING OF PROOFS OF CLAIM**

Each Unsecured Creditor must file a Proof of Claim to vote on the Proposal and receive a distribution under the Proposal.

**7.2 ALLOWANCE OR DISALLOWANCE OF CLAIMS BY THE TRUSTEE**

Upon receipt of the 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 valuing Claims of the Unsecured Creditors and resolving disputes with respect to such Claims will be as set forth in the BIA. The Companies and/or the Trustee reserve the right to seek the assistance of the Court in valuing the Claim of any Unsecured Creditor, if required, to ascertain the result of any vote on the Proposal, as the case may be.



**ARTICLE VIII  
CREDITORS MEETING**

**8.1 CREDITORS MEETING**

Subject to order of the Court:

- (a) the Creditors Meeting to consider and vote on the Proposal shall be conducted in accordance with Part III, Division I – General Scheme for Proposals of the BIA; and
- (b) the Creditors Meeting shall be held within 21 days after the date of filing of the Proposal.

**8.2 VOTING**

Subject to order of the Court, the Proposal shall be voted on by the Unsecured Creditors Class at the Creditors Meeting. For the purposes of voting, each Unsecured Creditor shall have one vote for the purposes of determining a majority in number in the Unsecured Creditor Class and each shall be entitled to one vote for each \$1.00 of its Proven Claim for the purpose of determining two-thirds in value.

**8.3 PROXIES AND VOTING LETTERS**

Unsecured Creditors will be entitled to vote at the Creditors Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the package provided to the Unsecured Creditors by the Trustee and will be binding upon the Unsecured Creditors.

**8.4 ADJOURNMENT OF MEETING**

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

**8.5 INSPECTORS**

At the Creditors Meeting, the Creditors may appoint one or more but not exceeding five inspectors (the “**Inspectors**”) under the Proposal pursuant to Section 56 of the BIA, whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under the Proposal or any amendment thereto as the Trustee may, from time to time, request;
- (b) to advise the Trustee concerning any dispute which may arise as to the validity of claims of Creditors under the Proposal;
- (c) to extend the date(s) of distribution of payments under Section 3.2; and
- (d) to advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee.

The powers of the Inspectors will be exercised by a majority of them in accordance with Section 116(3) of the BIA.

In the event Creditors do not elect to appoint Inspectors under the Proposal, the Trustee shall be entitled to proceed as if authorized by the Inspectors and, subject to taxation thereof, to be paid by the Companies for services rendered by it pursuant and in relation to the Proposal.

The Trustee, and the Inspectors, should any be appointed, shall be exempt from all personal liability for any wrongful act, default or neglect (other than fraud, willful misconduct or gross negligence) in fulfilling any duties or exercising any powers conferred upon them by the Proposal, the BIA or generally in carrying out the terms of the Proposal.

## **ARTICLE IX AMENDMENTS AND MODIFICATIONS**

### **9.1 AMENDMENT OF PROPOSAL**

The Companies reserve the right, with the consent of the Trustee, to amend the Proposal at any time prior to the Creditors Meeting, and after the Creditors Meeting and prior to obtaining the Sanction Order to amend any approved Proposal, and re-submit it to the Creditors.

### **9.2 MODIFICATION OF PROPOSAL**

After the Creditors Meeting, the Proposal may be modified from time to time:

- (a) if the amendment is considered by the Trustee and the Inspectors (should any be appointed) to be non-substantive in nature, with the approval of the Trustee and the majority of the Inspectors (should any be appointed);
- (b) upon a vote conducted by the Trustee at a further meeting of Creditors; or
- (c) by the Court at any time on application of the Companies or the Trustee and upon notice to those determined by the Companies and the Trustee to be directly affected by the proposed modification, whether a Creditor or not.

### **9.3 WAIVERS**

Other than the Conditions Precedent contained in Section 5.1, any provision of the Proposal may be waived, with the consent of the Trustee, by the Inspectors, or if no Inspectors are appointed, with the consent of a simple majority of the Unsecured Creditors or by an Unsecured Creditor affected by the provision.

**ARTICLE X  
APPLICATION FOR SANCTION ORDER**

**10.1 APPLICATION FOR SANCTION ORDER**

Within 5 days after the Proposal has been approved by the Required Majority of the Unsecured Creditor Class, the Trustee will apply to the Court for an appointment for a hearing of the application of the Sanction Order in accordance with Section 58 of the BIA.

**10.2 CONTINUATION OF THE STAY OF PROCEEDINGS**

The stay of proceedings provided for in Subsection 69.1(1) of the BIA will be continued in full force and effect from the date of filing of the Proposal until the later of the date of the completion of the distributions to the Creditors in accordance with the Proposal, or if the Companies become bankrupt, the date of bankruptcy.

**ARTICLE XI  
GENERAL**

**11.1 CERTIFICATE OF COMPLETION AND DISCHARGE OF TRUSTEE**

Following the completion of the distributions to the Creditors in accordance with the Proposal, the terms of the Proposal shall be deemed to be fully performed and the Trustee shall give to the Companies and the official receiver a certificate, in the prescribed form, in accordance with Section 65.3 of the BIA and the Trustee shall thereupon be entitled to be discharged.

**11.2 FURTHER ACTIONS**

The Companies will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal and to give effect to the transactions contemplated hereby.

**11.3 NOTICES**

All notices and correspondence relating to the Proposal and to be delivered to the Companies or the Trustee shall be made in writing and shall be delivered either personally, by email, by telecopy, by regular mail, by registered mail or by certified mail, return receipt request, at the following address:

- (a) If to the Companies:

Clark Wilson LLP  
900-885 West Georgia St.  
Vancouver, BC V6C 3H1

Attn: Christopher Ramsay / Nick Carlson  
Tel: 604-687-6314 / 604-891-7797  
Email: cramsay@cwilson.com / ncarlson@cwilson.com

(b) If to the Trustee:

FTI Consulting Canada Inc.  
Suite 1450, P.O. Box 10089  
701 West Georgia St.  
Vancouver, BC V7Y 1B6

Attn: Craig Munro  
Tel: (604) 757-6108  
Email: craig.munro@fticonsulting.com

And if to a Creditor, at its address set forth in the last Proof of Claim deposited with the Trustee, or at such other address of which the Creditor has subsequently given the Trustee notice in writing.

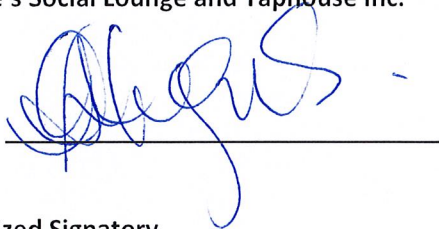
**11.4 SUCCESSORS AND ASSIGNS**

The Proposal is binding upon the Companies and the Creditors and their respective heirs, executors, administrators, successors and assigns.

DATED this 16th day of February, 2021.

**Malone's Social Lounge and Taphouse Inc.**

Per:



**Authorized Signatory**

District of: British Columbia  
 Division No. 03 - Vancouver  
 Court No. 11-2704748  
 Estate No. 11-2704748

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  
 Malone's Social Lounge and Taphouse Inc.  
 of the city of Vancouver, in the municipality of Vancouver  
 in the Province of British Columbia

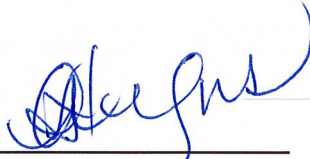
To the debtor:

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 18th day of January 2021. 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" . . . . . 2,176,500.00	1. Inventory . . . . . 0.00
Balance of secured claims as per list "B" . . . . . 0.00	2. Trade fixtures, etc. . . . . 0.00
Total unsecured creditors . . . . . 2,176,500.00	3. Accounts receivable and other receivables, as per list "E"
2. Secured creditors as per list "B" . . . . . 0.00	Good . . . . . 0.00
3. Preferred creditors as per list "C" . . . . . 0.00	Doubtful . . . . . 0.00
4. Contingent, trust claims or other liabilities as per list "D"	Bad . . . . . 0.00
estimated to be reclaimable for . . . . . 0.00	Estimated to produce . . . . . 0.00
Total liabilities . . . . . 2,176,500.00	4. Bills of exchange, promissory note, etc., as per list "F" . . . . . 0.00
Surplus . . . . . NIL	5. Deposits in financial institutions . . . . . 0.00
	6. Cash . . . . . 0.00
	7. Livestock . . . . . 0.00
	8. Machinery, equipment and plant . . . . . 0.00
	9. Real property or immovable as per list "G" . . . . . 0.00
	10. Furniture . . . . . 0.00
	11. RRSPs, RRFs, 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 . . . . . 0.00
	Deficiency . . . . . 2,176,500.00

I, Sally Negus, of the city of Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of the affairs of the Corporation on the 16th day of February 2021 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)  
 before me at the city of Vancouver in the Province of British Columbia, on this 16th day of February 2021.

  
 \_\_\_\_\_  
 Sally Negus

District of: British Columbia  
 Division No. 03 - Vancouver  
 Court No. 11-2704748  
 Estate No. 11-2704748

FORM 78 -- Continued

List "A"  
 Unsecured Creditors

Malone's Social Lounge and Taphouse Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	Alice Cyr	405-32 Waterfront Place Whitehorse YT Y1A 6V1	300,000.00	0.00	300,000.00
2	Amina Merchant	502-1590 West 1st Avenue Vancouver BC V6J 4X4	25,000.00	0.00	25,000.00
3	Carole Herder	1714 Lockyer Road Roberts Creek BC V0N 2W1	100,000.00	0.00	100,000.00
4	Kenneth Marsh	4244 Ontario St. Vancouver BC V5V 3G7	100,000.00	0.00	100,000.00
5	Kenney Wong	2168 Serrento Lane West Kelowna BC V4T 3G3	50,000.00	0.00	50,000.00
6	Lance Brown	2 - 526 South Fletcher Road Gibsons BC V0N 1V0	700,000.00	0.00	700,000.00
7	Little Trees Reforestation Inc.	3313 Sparks St. Terrace BC V8G 2T8	100,000.00	0.00	100,000.00
8	Manning Elliot	17th Floor - 1030 W. Georgia Street Vancouver BC V6E 2Y3	1,500.00	0.00	1,500.00
9	Moira Brown	2 - 526 South Fletcher Road Gibsons BC V0N 1V0	700,000.00	0.00	700,000.00
10	Salima Investments	502-1590 West 1st Avenue Vancouver BC V6J 4X4	25,000.00	0.00	25,000.00
11	Shenaz Merchant	3238 Sallspring Ave Coquitlam BC V3E 1E9	50,000.00	0.00	50,000.00
12	Wendy Yu	15-140 Nickel Road Kelowna BC V1X 4E6	25,000.00	0.00	25,000.00
<b>Total:</b>			<b>2,176,500.00</b>	<b>0.00</b>	<b>2,176,500.00</b>

16-Feb-2021

Date

Sally Negus

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2704748  
Estate No. 11-2704748

FORM 78 -- Continued

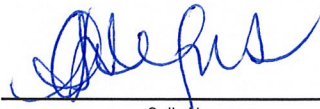
List "B"  
Secured Creditors

Malone's Social Lounge and Taphouse Inc.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
			Total:			0.00	0.00	0.00

16-Feb-2021

Date



Sally Negus

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2704748  
Estate No. 11-2704748

FORM 78 -- Continued

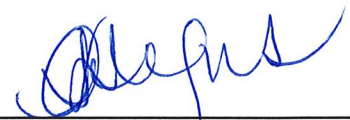
List "C"  
Preferred Creditors for Wages, Rent, etc.

Malone's Social Lounge and Taphouse Inc.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total:					0.00	0.00	0.00

16-Feb-2021

Date



Sally Negus



District of: British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2704748  
Estate No. 11-2704748

FORM 78 -- Continued

List "D"  
Contingent or Other Liabilities

Malone's Social Lounge and Taphouse Inc.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
			Total:	0.00	0.00	

16-Feb-2021

Date



Sally Negus

District of: British Columbia  
 Division No. 03 - Vancouver  
 Court No. 11-2704748  
 Estate No. 11-2704748

FORM 78 -- Continued

List "E"  
 Debts Due to the Debtor

Malone's Social Lounge and Taphouse Inc.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
			Total:	0.00 0.00 0.00			0.00	

16-Feb-2021

Date



Sally Negus

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2704748  
Estate No. 11-2704748

FORM 78 -- Continued

List "F"

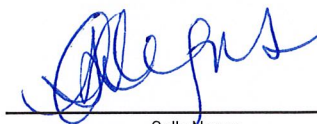
Bills of Exchange, Promissory Notes, Lien Notes, Chattel  
Mortgages, etc., Available as Assets

Malone's Social Lounge and Taphouse Inc.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

16-Feb-2021

Date



Sally Negus

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2704748  
Estate No. 11-2704748

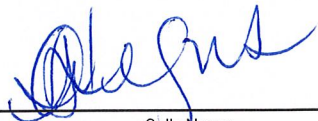
FORM 78 -- Continued

List "G"  
Real Property or Immovables Owned by Debtor  
Malone's Social Lounge and Taphouse Inc.

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
			Total:	0.00	0.00

16-Feb-2021

Date



Sally Negus

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2704748  
Estate No. 11-2704748

FORM 78 -- Concluded

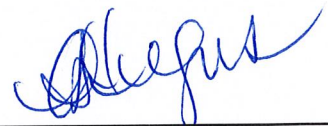
List "H"  
Property

Malone's Social Lounge and Taphouse Inc.  
FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade			0.00	0.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
			<b>Total:</b>	<b>0.00</b>

16-Feb-2021

Date



Sally Negus

Court No. 11-2704748

Estate No. 11-2704748

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In the matter of the proposal of  
Malone's Social Lounge and Taphouse Inc.  
of the city of Vancouver, in the municipality of  
Vancouver  
in the Province of British Columbia

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Form 78 (Bill C-12)  
Statement of affairs (Business bankruptcy)

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FTI Consulting Canada Inc. - Licensed Insolvency  
Trustee

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1450 – 701 W. Georgia  
Vancouver BC V7Y 1B6  
Phone: (604) 757-6108

District of: British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2704748  
Estate No. 11-2704748

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  
Malone's Social Lounge and Taphouse Inc.  
of the city of Vancouver, in the municipality of Vancouver  
in the Province of British Columbia

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

\_\_\_\_\_  
\_\_\_\_\_

In the matter of the proposal of Malone's Social Lounge and Taphouse Inc. of the city of Vancouver in the Province of British Columbia and the claim of \_\_\_\_\_, creditor.

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

1. That I am a creditor of 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 18th day of January 2021, and still is, indebted to the creditor in the sum of \$ \_\_\_\_\_, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

\_\_\_\_\_  
 Witness

\_\_\_\_\_  
 Creditor

Phone Number: \_\_\_\_\_  
 Fax Number : \_\_\_\_\_  
 E-mail Address : \_\_\_\_\_

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

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

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



District of: British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2704748  
Estate No. 11-2704748

FORM 37

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

In the matter of the proposal of  
Malone's Social Lounge and Taphouse Inc.  
of the city of Vancouver, in the municipality of Vancouver  
in the Province of British Columbia

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 Malone's  
Social Lounge and Taphouse Inc., to record my vote \_\_\_\_\_ (for or against) the acceptance of the  
proposal as made on the 16th day of February 2021.

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

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

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

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

Return To:  
FTI Consulting Canada Inc. - Licensed Insolvency Trustee  
Per:

\_\_\_\_\_  
Craig Munro - Licensed Insolvency Trustee  
1450 - 701 W. Georgia  
Vancouver BC V7Y 1B6  
Phone: (604) 369-1095  
E-mail: ben.chiu@fticonsulting.com



District of: British Columbia  
Division No. 03 - Vancouver  
Court No. 11-2704748  
Estate No. 11-2704748

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  
Malone's Social Lounge and Taphouse Inc.  
of the city of Vancouver, in the municipality of Vancouver  
in the Province of British Columbia

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:

FTI Consulting Canada Inc. - Licensed Insolvency Trustee

\_\_\_\_\_  
1450 – 701 W. Georgia  
Vancouver BC V7Y 1B6  
Phone: (604) 369-1095  
E-mail: ben.chiu@fticonsulting.com