

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

DEPUTY REGISTRAR) Tuesday, the 29th
)
R. STEVENS) day of September, 2009

In the matter of the bankruptcy of
Kids Link International Adoption Agency
o/s Imagine Adoption
of the City of Cambridge, in the Regional Municipality of Waterloo, in the Province of
Ontario

ORDER APPROVING PROPOSAL

Upon the application of the Trustee, BDO Dunwoody Limited, and upon reading the Report of the Trustee filed on September 24, 2009 and the Court being satisfied that the required majority of creditors have duly accepted the proposal in the terms contained in the paper writing marked "A" annexed hereto and being satisfied that the said terms are reasonable and calculated to benefit the general body of creditors and that no offences or facts have been proved to justify the Court in withholding its approval, the said proposal is hereby approved.

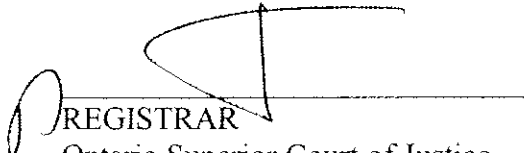

REGISTRAR
Ontario Superior Court of Justice
in Bankruptcy and Insolvency

EXHIBIT A

ONTARIO COURT OF JUSTICE
(GENERAL DIVISION)

IN THE MATTER OF THE PROPOSAL OF
**KIDS LINK INTERNATIONAL ADOPTION AGENCY
O/A IMAGINE ADOPTION**

OF THE CITY OF CAMBRIDGE
IN THE REGIONAL MUNICIPALITY OF WATERLOO
IN THE PROVINCE OF ONTARIO

PROPOSAL

BDO Dunwoody Limited - Kitchener
Trustee in Bankruptcy of
Imagine Adoption

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A-Defined Terms

B-Bankruptcy Documents - Creditor Meeting Minutes

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F-Operating Mandate/Board of Directors/Advisory Committee/Key Staff /

Operating Premises

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PROPOSAL

KIDS LINK INTERNATIONAL ADOPTION AGENCY O/A IMAGINE ADOPTION ("Imagine Adoption"), the above debtor, hereby submits the following Proposal to all of its creditors pursuant to the *Bankruptcy & Insolvency Act* (the "Act").

1. Defined Terms

In and for the purposes of this Proposal, various terms have defined meaning (Exhibit A).

2. General Intent

The purpose of this proposal is to effect a restructuring of the business and affairs of Imagine Adoption. The expectation is that all Creditors and stakeholders will derive a greater benefit than a bankruptcy proceeding.

3. Pre Proposal Operating Information

Imagine Adoption operated to arrange and conclude the adoption by Canadian families of children from various countries. It is operated by a volunteer Board of Directors that then hired staff for day to day operations.

Effective July 14, 2009, Imagine Adoption was placed into bankruptcy by a voluntary assignment executed by the Directors. BDO Dunwoody Limited is the Trustee in Bankruptcy. At the First Meeting of Creditors held on July 30, 2009, the creditors directed BDO to continue discussions related to the feasibility of filing a proposal (Exhibit B).

The Trustee in Bankruptcy, pursuant to Section 50 of the Act, may file a proposal. This is subject to Bankruptcy Inspectors' review and approval which occurred by September 4. The larger body of creditors as outlined herein has received communication since July 30 through the Bankruptcy website (Exhibit C) and /or Family Steering Committees that have been set up by the families.

This proposal consists of more than financial requirements considering the not for profit status, volunteer Directors and international/provincial licensing. The proposal terms, outlined herein below, include the following:

- Operating structure.
- Financial terms.
- Monitoring parameters for financial and other milestone priorities and events

4. Secured Creditor Claims Status

There are no claims of secured creditors anticipated. The Trustee in Bankruptcy is aware of the following secured contracts:

- Two leased vehicle agreements. The vehicles have been returned through the Bankruptcy administration. Any obligation would be an unsecured claim should any

shortfall result from the leasing company realizations of the vehicles. Payment of such amounts to be included as ordinary creditors.

- Leased computer contracts. Assets to be returned. Any deficiency to be included as ordinary creditors. Should the new operations negotiate ongoing lease and ownership arrangements, a deficiency claim may be less

5. Preferred Creditors Claims Status

The Trustee in Bankruptcy is aware of the following preferred creditors:

- Section 136 (1)(d) of the Act - Employee wages and vacation pay
These amounts were paid to the date of bankruptcy. No preferred claims are anticipated for wages and vacation pay
- Section 136 (1)(f) of the Act - Landlords
There were three office space landlords. The leases were disclaimed by the Trustee in Bankruptcy following the July 30th creditor meeting and prior to the filing of this proposal.
 - The landlords would be entitled to file claims as outlined in Exhibit D and considering Section 65.2(4) and 65.21 of the Act and the disclaimed agreements.

These creditors have been separately identified for a payment from the proposal considering requirements of the Bankruptcy and Insolvency Act.

6. Ordinary Creditors Claims Status

Ordinary creditors consist of the following categories and will include contingent or unliquidated claims arising out of any transaction entered into prior to the Date of the bankruptcy or Proposal:

- Trade creditors being general suppliers of service and product to Imagine Adoption. These total \$ 103,743 for 25 creditors for claims filed in the bankruptcy as at August 21, 2009 (Exhibit E).
- Secured creditor deficiency claims. Unknown values at this time.
- International costs for affiliate licenses/accreditations, orphanage structures, employees, other contracts. These costs are unknown but expected to be assessed by the new management team. Payments for ongoing relationships will be assessed and reported for the proposal monitoring and if funding is required a summary will be prepared including any impact on the proposal.
- Families with open files for adoptions to be completed or those with completed adoptions still active for reporting and other administration. This is for any country of adoption. These total approximately 350 families. Details of the family files and status were provided to the new management team in assessing future operations and cash flow needs.

There is one group of families specifically excluded from this proposal. The Saint Anne families were identified at the date of bankruptcy of Imagine Adoption in the event they had a contingent claim against any funds realized in the Imagine Adoption bankruptcy. This proposal does not intend to provide any ongoing service for these adoption files. It also does not include any distribution to creditors of Saint Anne

EXHIBIT A

Effective August 14th, Saint Anne is bankrupt. The banking review and other investigations are on going that may affect both Imagine Adoption and Saint Anne. In the event there are recovery of funds that related to Saint Anne activity, these funds will be held by the Trustee in Bankruptcy of Saint Anne to be distributed to creditors of Saint Anne. Any funds recovered for Imagine Adoption are noted below. The creditor meeting for Saint Anne was held on September 1, 2009

7 Proposal Terms - Day to Day Operating Structure

Imagine Adoption ceased operations at the date of bankruptcy. The volunteer Board of Directors has been inactive since that time and all staff were terminated at or prior to the bankruptcy.

The management of any reinstated Imagine Adoption is critical to the success of any restructuring plan. The new governance and operating structure will be as follows (Exhibit F):

- Operating mandate
- Board of Directors
- Advisory Committee
- Key staff.
- Operating premises and other day to day needs

The Ontario provincial license to complete adoptions is also required. The Ministry is aware of this proposal and the proposed new management. They are aware an application will be submitted to renew the license by this new group and have not suggested concerns at the time of preparing this document. Any foreign licensing will be addressed immediately by the new management team.

8. Proposal Terms - Creditor Dividend Payments

From monies held by the trustee pursuant to this proposal, less the Trustee's administration fees and expenses, as referenced in paragraph 16, the following dividends shall be made:

Preferred creditors as set out in paragraph 5 hereof:

- The landlord claims to be paid pursuant to Section 65.1 of the Act total \$152,000 (Exhibit D). A voluntary reduction of the claim and dividend is being requested. A dividend from the proposal funds to be the lessor of 10% of the claims that could be filed or an aggregate of \$20,000 to be paid on a pro rata basis between the claims.
- Wage claims – none expected however payment from the proposal to comply with the Bankruptcy and Insolvency Act section 136.

Secured creditors as set out in paragraph 3 hereof

- Should deficiency claims be filed, these will be included as Ordinary Creditors per paragraph 5 above

Ordinary creditors (trade and secured only) as set out in paragraph 5 hereof

- Trade and secured creditors to be paid the lessor of 10% or an aggregate of \$20,000 to be paid on a pro rata basis between all creditors in this category

The above amounts shall be paid as proposal dividends 6 months after Court Approval of the Proposal from available monies and as outlined in paragraph 10.

9. **Proposal Terms - Family Related**

There are creditor claims by families that can be identified in the following general categories:

- Referrals completed or close to completed for various countries.
- Early stage files (with fees still due) without referrals for countries.
- Completed files with ongoing reporting required.

No funds are anticipated to be paid to the families other than amounts noted below (Section 12) as recovered from investigations.

Families are being requested to provide funds ("renewal fee payments") and sign a renewal contract to restart the operations. These will be added to the funds seized by BDO at the date of bankruptcy to provide to the new management. The renewal fee payments are \$2,000 in 2009 and \$2,000 in March 2010.

Any fees still due according to the Imagine Adoption agreements will have to be paid at the time of service for those families identified as Early Stage files. This will be in addition to the renewal fee.

The viability of adoptions from all countries will be assessed by the restructured company. Should a program through a particular country not be available, affected families will have the option of transferring their adoption process to another country. They will maintain the same status and priority based on their application start date of their original program country.

Families with completed adoptions will not be required to enter into a new agreement nor provide any further contract fee. These families are expected to be able to manage future reporting independent of Imagine Adoption. A fee for service will be arranged and charged should further file or reporting be required by these families.

In the event by February 2010 this restructuring plan is not successful, the balance available of renewal fee payments will be returned to contributing families on a pro rata basis.

10. **Proposal Terms - Funding of the Dividend Payments**

BDO Dunwoody Limited as the Trustee of the proposal shall retain the funds required for the amounts in paragraph 8 above from the funds seized at the date of bankruptcy. In the event the new Board of Directors and/or management do not pay these amounts from regular operations at the specified dates, BDO will disburse the funds. Alternatively, BDO will release the funds to the new Board of Directors and/or management upon receiving copies of cancelled cheques for the payment of the specified creditor dividend amounts.

11. **Proposal Terms - Ongoing Funding**

The projections and cash flow of the new operations have been prepared by the new management team. These are available should creditors wish to review them. They were reviewed in detail by BDO and the Inspectors with the new management team.

The projections for the new operations include renewal fee payments as noted in Section 9 (\$2,000 plus \$2,000), possible donation activity as well as expense monitoring that will be required for the reinstated operations. There are, as always, uncertainties in projections. This is why the Monitoring Section below is critical.

12. Proposal Terms – Recovery of funds from Investigations and Payout

The Trustee, with a police investigation, is reviewing activity in the bank accounts of Imagine Adoption and Saint Anne. In the event there is any recovery of value from this work, the funds will be held by the Trustee in the Bankruptcy or Proposal. These funds will be distributed to creditors identified at the date of bankruptcy (July 14, 2009) on a pro-rata dividend basis. The funds would not be provided to a reinstated organization operating pursuant to this proposal.

13. Tax Filings - Canada Customs and Revenue Agency/Ministry of Finance/Other

Imagine Adoption will file on a current basis post proposal all returns and remittances as required by law to include specifically payroll source deduction, GST, PST, Corporate returns. Any liabilities associated with these post proposal filings shall be paid in full by Imagine Adoption and in the ordinary course as required by law.

Failure to conform to the foregoing requirements shall constitute a default under this Proposal of which Canada Customs and Revenue Agency may advise the Trustee in writing, which, if unremedied after 10 days from the date the notice is received by the Trustee, shall constitute a default under the Proposal and the Proposal shall be deemed to be in default.

Any outstanding returns at the date of bankruptcy or filing of the proposal will be prepared and filed with any amounts due to be included in the ordinary trade creditors for proposal dividend payment. There may be amounts payable in priority to ordinary creditors that will be identified and paid if required. Based on audits to date, no large amounts are expected.

14. Monitoring

The Trustee is hereby granted authority by Imagine Adoption and the creditors to monitor the operations as outlined herein or as modified by the Proposal Inspectors. The purpose of the ongoing monitoring is for the Trustee to review activity for compliance with the terms of this proposal. Any costs, disbursement, transaction of engagement made by Imagine Adoption, considered at the sole discretion of the Trustee to be outside the realm of ordinary operations or in the best interests of the general body of creditors, shall be reported by the Trustee to the Proposal Inspectors for consideration as default under this Proposal.

Pursuant to the Bankruptcy and Insolvency Act, the Trustee is not considered in any way to be in a capacity of controlling the operations of Imagine Adoption. The creditors hereby acknowledge that the monitoring and reporting of the Trustee shall consist of the review and questioning of the information presented by Imagine Adoption to the Trustee.

Specific milestones and priorities to be monitored include the following:

- Board meeting minutes will be made available to the required parties as per the bylaws of Imagine Adoption within 5 business days of any meetings. These may be circulated

EXHIBIT A

by the organization. However, in addition, copies will be provided to the Monitor for posting on the Imagine Adoption bankruptcy web site.

- Board meetings will occur at a minimum of once every 3 weeks during the proposal period.
- Advisory Committee meetings will be circulated in the same manner as Board minutes
- There will be a required minimum number of renewal agreements and payments. This restructuring plan will fail without the majority of the 350 families renewing. The number of renewal agreements will be reported weekly following October 1, 2009 to assess if enough families are participating.
- Assessment of adoption programs for all countries to be completed as soon as possible and no later than February 2010.
- Assessment of the long term need for a transition home including related costs. To be considered by February 1, 2010.
- Assessment of orphanage relationships, ongoing needs, financial requirements and other issues. To be considered by February 1, 2010.
- Review of actual monthly costs of operations compared to projections for first three months to December 31, 2009. To be completed by January 15, 2010.
- Review of progress on family matching to be completed for first six months of operations to March 31, 2010. To be completed by April 15.

The ongoing role of the monitor will be reviewed after June 30, 2010. The operations and activities during that time should indicate if this proposal has long term feasibility. The discharge of the monitor and completion of the proposal is anticipated at that time subject to the results.

15. Inspectors

At a meeting of ordinary creditors and preferred creditors to consider this proposal, such creditors may appoint up to five Proposal Inspectors whose powers shall be

- (a) to advise the trustee from time-to-time on any matter the trustee may refer to them; and,
- (b) to approve on behalf of the creditors any decision of the Trustee relating to any matter not contained in this Proposal which the Trustee may refer to them from time-to-time, including but not limited to the foregoing, any extension of time of payment by the debtor to the Trustee or dividend to the creditors as required under this Proposal.

The Trustee shall notify the Proposal Inspectors of any event of default of which the Trustee becomes aware of and the Trustee shall hold a meeting of Proposal Inspectors following such notice for the purpose of obtaining the instructions of the Proposal Inspectors with respect to such event of default. Any decision, direction or act of the Proposal Inspectors may be referred to the Court by the trustee and the Court may confirm, reverse or modify the decision, direction or act of the Proposal Inspectors and make such other order as it thinks just

16. Administration Fees and Expenses

All expenses and disbursements of the Trustee in and incidental to the proceedings arising out of the Proposal plus all fees of the trustee shall be paid in priority to all claims (Preferred Creditors, Post filing Creditors, Ordinary Creditors, Canada Customs and Revenue Agency, any others) The Trustee may draw its fees from time-to-time subject to Proposal Inspector approval or approval by taxation of such fees by the Court. In the event of any default under the terms of this Proposal, all

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such fees and expenses as described herein shall remain as Trustee's fees and be paid in priority to all claims. The Trustee fees shall be based on the time expended and charged by the Trustee at its normal billing rates as set from time-to-time.

An amount of \$50,000 will be retained by the Trustee from funds held in the bankrupt estate for purposes of paying fees as outlined in this paragraph.

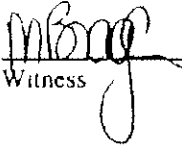
17. **BDO Dunwoody Limited**

BDO Dunwoody Limited shall be the Trustee under this proposal and upon payment of the dividends provided for in this proposal and completion of the monitoring, the Trustee will be entitled to be discharged from its obligations under the terms of this Proposal. The Trustee is acting in its capacity as Trustee under this Proposal and not in its personal capacity and shall not be responsible or liable for any obligations of Imagine Adoption.

DATED at Kitchener the 3rdth day of September, 2009.


KIDS LINK INTERNATIONAL ADOPTION AGENCY O/A IMAGINE ADOPTION

Witness



Witness

Restructuring Board Chair
Scott Farrell



BDO Dunwoody Limited
Trustee in Bankruptcy of Imagine Adoption
Susan E. Taves, CA-CIRP
Senior Vice President

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17. **BDO Dunwoody Limited**

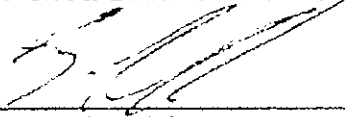
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DATED at Kitchener the 3rdth day of September, 2009.

KIDS LINK INTERNATIONAL ADOPTION AGENCY O/A IMAGINE ADOPTION



Witness



Restructuring Board Chair
Scott Farrell

Witness

BDO Dunwoody Limited
Trustee in Bankruptcy of Imagine Adoption
Susan E. Taves, CA-CIRP
Senior Vice President

EXHIBIT A

EXHIBIT A

1. Defined Terms

In and for the purposes of this Proposal, the various terms have the defined meaning:

- (i) "**Act**" means the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3, as amended;
- (ii) "**Administration Fees and Expenses**" means the fees and expenses incurred by or on behalf of the Trustee, as more particularly described in paragraph 9 of this Proposal;
- (iii) "**Bankruptcy Inspectors**" means the person appointed or elected as Inspectors on July 30, 2009 or any replacement Inspector, pursuant to the Act for the Bankruptcy proceedings.
- (iv) "**Debtor**" means KIDS LINK INTERNATIONAL ADOPTION AGENCY O/A IMAGINE ADOPTION;
- (v) "**Court**" means the Ontario Court of Justice (General Division) in Bankruptcy;
- (vi) "**Date of the Proposal**" means September 4, 2009, being the date on which the Proposal is filed with the Official Receiver in accordance with the Act;
- (vii) "**Ordinary Creditors**" means those persons with unsecured claims as at the Date of the Proposal which are proven in accordance with the Act and which are not secured or preferred under or pursuant to the Act;
- (viii) "**Preferred Creditors**" means those creditors of the Debtor whose claims are entitled to be paid in priority to the claims of Ordinary Creditors as provided in Section 136 of the Act;
- (ix) "**Proposal Inspectors**" means the person appointed or elected as Inspectors pursuant to the Act in respect of this Proposal for the Debtors;
- (x) "**Secured Creditors**" means those creditors of the Debtor who hold valid and enforceable mortgages, charges, liens, security interests and other encumbrances against any of the property or assets of the Debtors;
- (xi) "**Trust Account**" means a Trust Account to be established by the Trustee forthwith following approval by the Court of their Proposal;
- (xii) "**Trustee**" means BDO Dunwoody Limited or its duly appointed successor

Court No. 35-1232404

Estate No. 35-1232404

In the matter of the bankruptcy of
Kids Link International Adoption Agency
of the City of Cambridge, in the Regional Municipality
of Waterloo, in the Province of Ontario

ORDER APPROVING PROPOSAL

BDO Dunwoody Limited - Trustee
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