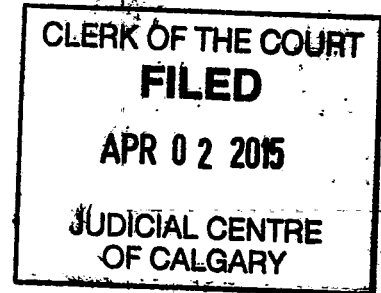


Clerk's Stamp



COURT FILE NUMBER 1501-00044  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY

**DIXIE ENERGY LTD., IN ITS CAPACITY AS  
ADMINISTRATOR OF DIXIE ENERGY TRUST, ON  
BEHALF OF OLYMPIA TRUST COMPANY, TRUSTEE OF  
DIXIE ENERGY TRUST**

APPLICANT

**IN THE MATTER OF Section 43 of the *Trustee Act*, RSA  
2000, c. T-8**

**AND IN THE MATTER OF the Winding-Up of Dixie  
Energy Trust**

DOCUMENT

**APPLICATION**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
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Attention: Steven Leidl / Allison Kuntz

File No. 01026353/0002

**NOTICE TO RESPONDENT(S):**

This is an application for an Order authorizing the distribution of certain assets of Dixie Energy Trust (**Trust**) to proven beneficiaries and creditors of the Trust.

Date: April 7, 2015

Time: 9:00 a.m.

Where:	Calgary Courts Centre, 601 - 5 <sup>th</sup> Street S.W., Calgary, Alberta
Before Whom:	The Honourable Madam Justice Strekaf

Go to the end of this document to see what else you can do and when you must do it.

**Remedy claimed or sought:**

1. The Applicant, Dixie Energy Ltd. (the **Administrator**), seeks an Order:
  - 1.1 authorizing and directing the Claims Administrator (defined below) to distribute a portion of the Sale Proceeds (defined below) on behalf of the Trustee (defined below) to Unitholders (defined below); and
  - 1.2 such further and other relief as counsel may advise and this Honourable Court may permit.

**Basis for this application:**

**Background**

2. The Administrator administers the Trust on behalf of Olympia Trust Company (**Olympia**), the Trustee of the Trust (the **Trustee**);
3. The Trust was established pursuant to the laws of Alberta, and indirectly held oil and gas properties in the southern United States, primarily in Mississippi, Louisiana, and Alabama;
4. From 2013 to the fall of 2014, the Trust tried to raise financing to fund a "proof of concept drilling program", but generally received the same feedback from potential investors that they were not interested in investing in the Trust because of, among other things, limitations in respect of investing in a Canadian entity with US assets;
5. While the Administrator was unable to generate interest from investors, the Administrator did secure an offer from a third party to purchase all or substantially all of the Trust's operating assets (the **Sale Transaction**). In connection with the Sale Transaction, the Administrator proposed the Winding-Up of the Trust (the Sale Transaction and the Winding-Up are referred to collectively as, the **Proposed Transaction**);
6. The Administrator's Board of Director's (the **Board**) concluded, after its own consideration, its receipt of fairness opinions and the recommendation of a special committee of the Board, that the Proposed Transaction was in the best interest of the Trust and should be placed before Unitholders for their approval;
7. Accordingly, the Board recommended that Unitholders vote in favour of the Proposed Transaction in the form of a Sale and Winding-Up Resolution at an annual and special meeting of the Unitholders to be held on December 29, 2014

(the **Meeting**), notice of which was given in accordance with the Trust Indenture which governs the Trust;

8. The Meeting was held on December 29, 2014, and Unitholders approved the Sale and Winding-Up Resolution by 99.92% of the votes cast;
9. The Sale Transaction closed on December 29, 2014 with gross proceeds of US\$47,500,000 having been received by the Trust (the **Sale Proceeds**). \$31.8 million in cash remains from the Sale Process after accounting for the payment of certain liabilities, taxes and expenses. The \$31.8 million is being held by the Trust;
10. Pursuant to the Sale and Winding-Up Resolution, the Unitholders authorized the Trustee to apply to this Honourable Court for the appointment of Ernst & Young Inc. (**Ernst & Young**) as Claims Administrator and for the approval of a process for the Winding-Up of the Trust, which it did on January 9, 2015;

### **The Appointment of the Claims Administrator**

11. Ernst & Young was appointed as the "Claims Administrator" of the Trust pursuant to an Order of this Honourable Court dated January 20, 2015 (the **Claims Procedure Order**), with the powers and authorities defined in the Claims Procedure Order to administer a claims procedure (the **Claims Procedure**) and to provide the necessary assistance or take such steps as are necessary in the winding-up of the Trust (the **Winding-Up**);

### **The Claims Procedure**

12. Since its appointment as Claims Administrator, Ernst & Young has carried out its mandate in accordance with the terms of the Claims Procedure Order, which has included:
  - 12.1 identifying and sending a notice to each known holder of trust units (**Unitholders**) that the Winding-Up of the Trust has commenced, setting forth the number of trust units held as of record by the Unitholder, and providing each Unitholder with the details of the steps to be taken in order for Unitholders to receive their *pro-rata* share of the distributions from the Sale Proceeds (the **Distributions**);
  - 12.2 sending a claims package and proof of claim to each known creditor of the Trust and publishing advertisements in certain daily newspapers, seeking the claims of creditors of the Trust and advising such creditors regarding the process for submitting their claims;
  - 12.3 processing responses received to the notices and claims packages which were sent to Unitholders and creditors; and
  - 12.4 conducting a review of the Trust's insurance coverage and current and future liabilities;

13. In light of the foregoing, the Claims Administrator, in consultation with the Trustee and the Administrator, has determined that \$31.8 million of the Sale Proceeds are available for distribution to the Unitholders, and that approximately \$22.3 million of that should be distributed now by or on behalf of the Trustee upon the advice and direction of this Honourable Court, with the remainder to be held in trust for known liabilities that have yet to crystallize and unknown liabilities that may come to light; and
14. Such further and other grounds as counsel may advise and this Honourable Court may permit.

**Material or evidence to be relied on:**

15. The Affidavit of Ian Atkinson, affirmed January 9, 2015,
16. The Affidavit of Calvin Yau, affirmed April 2, 2015;
17. The First Report of the Claims Administrator dated April 2, 2015; and
18. Such further and other material as counsel may advise and this Honourable Court may permit.

**Applicable Acts and regulations:**

19. The *Trustee Act*, R.S.A. 2000 c. T-8; and
20. Such further and other acts and regulations as counsel may advise and this Honourable Court may permit.

**How the application is proposed to be heard or considered:**

21. Orally.

**WARNING**

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.