

**IN THE COURT OF QUEEN'S BENCH FOR SASKATCHEWAN
JUDICIAL CENTRE OF SASKATOON**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF
101133330 SASKATCHEWAN LTD. AND 101149825 SASKATCHEWAN LTD.,**

APPLICANTS

**SUPPLEMENT TO THE SEVENTH REPORT OF THE MONITOR
DELOITTE RESTRUCTURING INC.**

DECEMBER 19, 2017

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EXHIBITS

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Exhibit B – Affinity Credit Union 2013 DIP Term Sheet

PURPOSE

1. The purpose of this supplement to the seventh report of the Monitor (the “**Supplement to the Seventh Report**”) is to provide the Court with information with respect to the Companies’ DIP Facility and available financing alternatives.

TERMS OF REFERENCE

2. In preparing this Supplement to the Seventh Report, the Monitor has relied upon the Applicants’ books and records, the affidavits of John Orr sworn on May 12, May 19, June 6, June 9, August 12, and December 16, 2016, the affidavit of John Orr sworn on May 24, 2017, the affidavit of John Orr sworn on December 15, 2017 (the “**Orr Affidavit**”), the affidavits of David Calyniuk (Chief Executive Officer of North Ridge Development Corporation) sworn on August 12, and December 16, 2016, the affidavit of David Calyniuk sworn on May 23, 2017, the confidential affidavit of David Calyniuk sworn on May 23, 2017, the affidavit of David Calyniuk sworn on December 15, 2017 (the “**Calyniuk Affidavit**”), and discussions with management of the Applicants (“**Management**”) and legal advisors to the Applicants.
3. The Monitor assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of the Supplement to the Seventh Report. Any use which any party makes of the Supplement to the Seventh Report, or any reliance or decision to be made based on the Supplement to the Seventh Report, is the sole responsibility of such party.
4. Unless otherwise stated, all monetary amounts contained in this Supplement to the Seventh Report are expressed in Canadian dollars.
5. Capitalized terms used in this Supplement to the Seventh Report but not defined herein are as defined in the Pre-Filing Report, the First Report, the Second Report, the Third Report, the Fourth Report, the Supplement to the Fourth Report, the Fifth Report, the Sixth Report, and the Seventh Report as applicable.

DEBTOR IN POSSESSION FINANCING

6. As detailed in the Seventh Report, the Applicants advised that Staheli Construction Co. Ltd. (“**Staheli**” or the “**DIP Lender**”) agreed to provide the new DIP Facility in the amount of \$1,300,000 (the “**New DIP Facility**”). A copy of the Staheli debtor in possession commitment agreement (the “**Staheli DIP Commitment Agreement**”) dated December 15, 2017 was attached as Exhibit A to the Orr Affidavit, and is attached hereto as Exhibit A.
7. As at the date of the Seventh Report, the Applicants had not yet executed the Staheli DIP Commitment Agreement as the Applicants were advised by Affinity Credit Union 2013 (“**Affinity**”) that Affinity also had an interest in providing financing to the Applicants in the CCAA proceedings.
8. On December 19, 2017, Affinity provided the Applicants with a proposed financing term sheet (the “**Affinity DIP Term Sheet**”) to provide a \$3,800,000 replacement DIP Facility (the “**Replacement DIP Facility**”) that would see Staheli repaid in full and provide the Applicants with the New DIP Facility. The Affinity DIP Term Sheet is attached hereto as Exhibit B.
9. The following table summarizes certain of the key financial terms of the Staheli DIP Commitment Agreement and the Affinity DIP Term Sheet:

	Staheli DIP Commitment Agreement	Affinity DIP Term Sheet
Purpose of Financing	<ul style="list-style-type: none"> • Up to CDN \$3,800,000 comprised of: (a) CDN \$1,300,000 for working capital requirements and restructuring efforts; and (b) CDN \$2,500,000 to repay the previous DIP Facility and the Secondary DIP Facility. 	<ul style="list-style-type: none"> • Up to CDN \$3,800,000 comprised of: (a) CDN \$1,300,000 for working capital requirements and restructuring efforts; and (b) CDN \$2,500,000 to repay the previous DIP Facility and the Secondary DIP Facility.
Proposed Financing	<ul style="list-style-type: none"> • Senior secured super-priority facility where \$2,500,000 has previously been advanced to the Borrowers, and the New DIP Facility of \$1,300,000 to be advanced as follows: Tranche #1 in the minimum principal amount of CDN \$800,000, and Tranche #2 of CDN \$500,000 at any time prior to the maturity of the DIP Facility. 	<ul style="list-style-type: none"> • Senior secured super-priority facility where \$2,500,000 will be used to repay the current DIP Facility and \$1,300,000 to be advanced as follows: Tranche #1 in the minimum principal amount of CDN \$800,000, and Tranche #2 of CDN \$500,000 at any time prior to the maturity of the DIP Facility.
Fees	<ul style="list-style-type: none"> • CDN \$49,000 facility fee due upon 	<ul style="list-style-type: none"> • CDN \$50,000 facility fee due upon

	acceptance of the Staheli DIP Commitment Agreement.	the initial advance under the Replacement DIP Facility.
Interest	<ul style="list-style-type: none"> Fixed rate of 12.6% per annum (1.05% per month) compounded monthly calculated on the daily balance outstanding. 	<ul style="list-style-type: none"> Floating Affinity prime rate (currently 3.2%) plus 6.8% per annum (approximately 10.0% per annum), calculated daily and compounded monthly.
Acceptance Date	<ul style="list-style-type: none"> January 19, 2018. 	<ul style="list-style-type: none"> December 31, 2017.

10. As detailed in the table above, the Purpose and Proposed Financing of the two offers are comparable and both provide the Applicants with access to \$3,800,000. The proposed Fees and Interest in the two offers differ and will have an impact on the cash flows of the Applicants.

- a) The Affinity DIP Facility Term Sheet proposes a \$50,000 facility fee, which is marginally higher than the Staheli DIP Commitment Agreement fee of \$49,000.
- b) The interest rate disclosed in the respective offers appears to differ by approximately 2.6% per annum (i.e. the Staheli DIP Commitment Agreement has a fixed annual interest rate of 12.6% as compared to the floating annual interest rate of 10.0% in the Affinity DIP Term Sheet). The lower annual interest rate proposed in the Affinity DIP Term Sheet equates to an interest expense savings of approximately \$49,000 over the requested six (6) month extension period (to June 17, 2018), as compared to the Staheli DIP Commitment Agreement.

11. Management of the Applicants has advised the Monitor that it believes the Applicants can abide by all of the terms of the Affinity DIP Term Sheet.

12. The Monitor notes that the costs of the Affinity DIP Term Sheet fall within a range of costs that the Monitor has reviewed in other recent comparable DIP loans in other insolvency proceedings, and the costs are consistent with the Consolidated DIP Facility (as defined in the Seventh Report) already advanced by Staheli in these proceedings.

13. The Monitor notes that funding under the Replacement DIP Facility is required on an urgent basis. The quantum of the Replacement DIP Facility reflects the cash needs of the Applicants, taking into consideration the Applicants' planned course of action (as detailed in

the Updated Cash Flow attached as Exhibit B to the Seventh Report), and will be sufficient to repay all amounts owing by the Applicants to Staheli under the current DIP Facility.

14. Based upon information provided to it by the Applicants, the Monitor anticipates that the Replacement DIP Facility will be administered in a manner that furthers the goals of these proceedings.

MONITOR'S RECOMMENDATIONS

15. The Applicants are working diligently to manage their financial and operational restructuring. In accordance with the Updated Cash Flow (attached as Exhibit B to the Seventh Report Report), the Companies are forecasting to be able to operate within the Replacement DIP Facility during the requested extension period.
16. The Monitor respectfully recommends that the Court approve the Replacement DIP Facility as it will enable the Applicants to continue to operate on an uninterrupted basis during these proceedings.
17. The Monitor also respectfully requests that the Court approve this Supplement to the Seventh Report and the conduct and activities of the Monitor described herein.

All of which is respectfully submitted at Saskatoon, Saskatchewan, this 19th day of December 2017.

DELOITTE RESTRUCTURING INC.

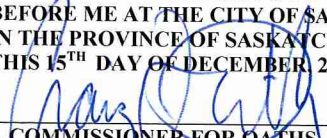
In its capacity as Monitor of
101133330 Saskatchewan Ltd. and
101149825 Saskatchewan Ltd.,
and not in its personal capacity.



Per: Brent Warga, CPA, CA, CIRP, LIT
Senior Vice-President

Exhibit A – Staheli Construction Co. Ltd. DIP Commitment Agreement

THIS IS EXHIBIT "A" REFERRED TO IN
THE AFFIDAVIT OF JOHN ORR
BEFORE ME AT THE CITY OF SASKATOON,
IN THE PROVINCE OF SASKATCHEWAN
THIS 15TH DAY OF DECEMBER, 2017.


A COMMISSIONER FOR OATHS
FOR THE PROVINCE OF SASKATCHEWAN
BEING A SOLICITOR

December 15, 2017

McDougall Gauley LLP
500-616 Main Street
Saskatoon SK
S7H 0J6

Attention: Ian A. Sutherland, McDougall Gauley LLP, Counsel for the Borrower

Re: Term Sheet – Debtor in Possession Facility for 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd.

You have advised us that 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd. (collectively, the "**Borrowers**") intend to apply to the Court of Queen's Bench for Saskatchewan, Judicial Centre of Saskatoon for an extension of \$2,500,000 in existing DIP financing plus an additional \$1,300,000 under the *Companies' Creditors Arrangement Act* (the "CCAA").

You have further advised us that it is the Borrowers' intention to remain in possession and control of their assets and business during the course of the CCAA proceedings. Staheli Construction Co. Ltd (the "**Lender**") is pleased to offer its commitment to provide to the Borrower with the financing described herein during the CCAA proceeding, subject to the terms and conditions of this Commitment Letter.

BORROWERS:	101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd.
PURPOSE OF FINANCING:	To consolidate previous DIP Facilities of CAD \$2,000,000 And Secondary DIP Facility of CAD \$500,000 Plus additional DIP financing of CAD <u>\$1,300,000</u> Total DIP Facility CAD \$3,800,000
INTEREST:	1.05% per month (12.60% per annum) compounded monthly calculated on the daily balance outstanding under the DIP Facility.
PROPOSED FUNDING:	The first tranche of the additional DIP financing in of a minimum amount of CAD\$800,000 with the second tranche of CAD \$500,000 at any time prior to the maturity of this DIP facility.
TERM:	The entire DIP Facility plus interest is due in full June 30, 2018, subject to renewal on mutually-satisfactory terms.
PAYMENT:	Interest only payments payable on the 1 st of each month with the entire principal and interest due at maturity. The Borrowers may repay any or all of their obligations under the DIP Facility (including principal, interest, costs and any other amounts) at any time without notice, bonus or penalty.

DOCUMENTATION AND SECURITY:

The Borrowers shall provide or cause to be provided, the security and agreements listed below, in form and substance satisfactory to the Lender, including, but not limited to:

1. DIP Financing Agreement, evidencing a First priority court ordered charge on all of the existing and after-acquired real and personal property, assets, and undertakings of the Borrowers that is subject only to:

- (a) the Administration Charge granted by the Court up to maximum amount of \$150,000;
- (b) in respect of all current and future assets, undertakings and property of any nature and kind whatsoever, and wherever situate, including all proceeds thereof, of 101149825 Saskatchewan Ltd. (collectively, the “**Saskatoon Property**”), the Charge shall rank behind the Administration Charge, the mortgage in favour of Firm Capital Mortgage Fund Inc. registered as Interest Register No. 121088167, the mortgage in favour of Frank Pa registered as Interest Register No. 121113155,

2. Such further security and other documentation that the Lender and its solicitor may reasonably require.

ASSIGNMENTS:

The Lender may assign or transfer or grant participations in its rights or obligations in whole or in part at any time without notice to or consent of the Borrowers.

ONGOING COVENANTS:

The Borrowers shall pay when due all statutory liens, trust and other Crown claims including employee source deductions, GST, PST, EHT, WEPPA and WSIB premiums arising from and after the date of the first CCAA Order.

Borrowers to provide monthly reporting to the Lender and an Endorsement of adequate insurance with a first loss payable to The Lender.

CONDITIONS:

Availability of the DIP Facility is conditional upon, but not limited to:

1. Acceptance by the Borrowers of this Commitment Letter;
2. The Borrowers obtaining an Order in form and content satisfactory to the Lender and Lender’s Counsel, authorizing the borrowing under the Total DIP Facility;
3. An Order granting a First Charge in favour of the Lender over all existing and after-acquired real and personal property, assets and undertakings of the Borrowers as security for repayment of the Total

DIP Facility, and all interest, fees, expenses and other amounts payable by the Borrowers;

4. Delivery and registration of the security in a form acceptable to the Lender;

5. The Borrowers having paid statutory liens, trust and other Crown Claims including confirmation of paid property taxes on the subject property

FACILITY FEE:

\$49,000 upon acceptance of this DIP Facility Commitment.

COSTS:


The costs of all appraisals and environmental reports, the legal costs of the Lender, cost consultant and insurance consultant and all other out-of-pocket costs and expenses incurred in the approval and making of the Secondary DIP Facility and the preparation, execution, delivery, registration and discharge of the security or in the collection of any amount owing under the terms of the Secondary DIP Facility shall be for the account of the Borrowers and may be debited to advances to be made under the terms of the Secondary DIP Facility. Until paid, all such costs and expenses shall bear interest at the rate described under the Interest Rate section of this Agreement.

ACCEPTANCE:

This Commitment Letter must be accepted by the Borrowers by January 19, 2018 after which this commitment before null and void.

Yours truly,

Staheli Construction Co. Ltd.



Per: Glen Staheli – President

On behalf of 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd., I agree with the terms and conditions as stated above:

Per: John Orr

Date:

Exhibit B – Affinity Credit Union 2013 DIP Term Sheet

December 19, 2017

McDougall Gauley LLP
500-616 Main Street
Saskatoon SK
S7H 0J6

Attention: Ian A. Sutherland, McDougall Gauley LLP, Counsel for the Borrower

Re: Term Sheet – Debtor in Possession Facility for 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd.

You have advised us that 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd. (collectively, the “**Borrowers**”) intend to apply to the Court of Queen’s Bench for Saskatchewan, Judicial Centre of Saskatoon for an extension of \$2,500,000 in existing DIP financing plus an additional \$1,300,000 under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”).

You have further advised us that it is the Borrowers’ intention to remain in possession and control of their assets and business during the course of the CCAA proceedings. Affinity Credit Union 2013 (the “**Lender**”) is pleased to offer its commitment to provide to the Borrower with the financing described herein during the CCAA proceeding, subject to the terms and conditions of this Commitment Letter.

BORROWERS: 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd.

PURPOSE OF FINANCING:

To repay previous DIP Facility of CAD	\$2,000,000
And repay Secondary DIP Facility of CAD	\$ 500,000
Plus additional DIP financing of CAD	<u>\$1,300,000</u>
Total DIP Facility CAD	\$3,800,000

INTEREST: Advances under the DIP Facility shall bear interest at the Lender’s Prime Rate of Interest from time to time (currently 3.2%) plus 6.8% per annum calculated daily and compounded monthly.

PROPOSED FUNDING: The first tranche of the additional DIP financing in of a minimum amount of CAD\$800,000 with the second tranche of CAD \$500,000 at any time prior to the maturity of this DIP facility.

TERM: The entire DIP Facility plus interest is due in full June 30, 2018, subject to renewal on mutually-satisfactory terms.

PAYMENT: Interest only payments payable on the 1st of each month with the entire principal and interest due at maturity. The Borrowers may repay any or all of their obligations under the DIP Facility (including principal, interest, costs and any other amounts) at any time without notice, bonus or penalty.

DOCUMENTATION AND SECURITY:

The Borrowers shall provide or cause to be provided, the security and agreements listed below, in form and substance satisfactory to the Lender, including, but not limited to:

1. DIP Financing Agreement, evidencing a First priority court ordered charge on all of the existing and after-acquired real and personal property, assets, and undertakings of the Borrowers that is subject only to:

(a) the Administration Charge granted by the Court up to maximum amount of \$150,000;

(b) in respect of all current and future assets, undertakings and property of any nature and kind whatsoever, and wherever situate, including all proceeds thereof, of 101149825 Saskatchewan Ltd. (collectively, the "**Saskatoon Property**"), the Charge shall rank behind the Administration Charge, the mortgage in favour of Firm Capital Mortgage Fund Inc. registered as Interest Register No. 121088167, the mortgage in favour of Frank Pa registered as Interest Register No. 121113155,

2. Such further security and other documentation that the Lender and its solicitor may reasonably require.

ASSIGNMENTS:

The Lender may assign or transfer or grant participations in its rights or obligations in whole or in part at any time without notice to or consent of the Borrowers.

ONGOING COVENANTS:

Each of the Borrowers covenants and agrees with the Lender and acknowledges that the Lender is relying on such covenants and agreements in providing the DIP Facility, that they shall observe and perform, or cause the observance and performance of each of the following covenants:

(a) the Borrowers shall deliver to the Lender:

(i) any further loan and security documents to be executed in relation to the DIP Facility in such form and content as the Lender may reasonably require;

(ii) on a monthly basis not later than 10 days following the end of each calendar month, a consolidated cash flow statement of the Borrowers;

(iii) on a monthly basis not later than 10 days following the end of such calendar month, evidence of payment of all debts, liabilities and obligations the failure of which to pay would result in a Priority Claim or in a breach of the CCAA Order or this Term Sheet;



- (iv) as and when due for delivery to any other creditor or the shareholders of the entity, copies of all other financial reports to be delivered to such parties;
- (v) on a monthly basis, not later than 10 days following the end of each calendar month Cash Flow Projections updated from the projections most recently provided;
- (vi) such other detailed financial information as the Lender may from time to time reasonably require;
- (vii) all in form and certified in a manner and by a person satisfactory to the Lender and shall furnish to the Lender promptly on request such other information respecting the financial condition, business, operations, properties and assets of the Borrowers as the Lender may from time to time reasonably require;

- (b) it shall not make any payment to, do anything materially inconsistent with or use any proceeds other than strictly in accordance with the Cash Flow Projections, the CCAA Order and this Term Sheet;

CONDITIONS:

Availability of the DIP Facility is conditional upon, but not limited to:

1. Acceptance by the Borrowers of this Commitment Letter;
2. The Borrowers obtaining an Order in form and content satisfactory to the Lender and Lender's Counsel, authorizing the borrowing under the Total DIP Facility;
3. An Order granting a First Charge in favour of the Lender over all existing and after-acquired real and personal property, assets and undertakings of the Borrowers as security for repayment of the Total DIP Facility, and all interest, fees, expenses and other amounts payable by the Borrowers;
4. Delivery and registration of the security in a form acceptable to the Lender;
5. The Borrowers having paid statutory liens, trust and other Crown Claims including confirmation of paid property taxes on the subject property

FACILITY FEE:

\$50,000 upon acceptance of this DIP Facility Commitment.

COSTS:

The costs of all appraisals and environmental reports, the legal costs of the Lender, cost consultant and insurance consultant and all other out-of-pocket costs and expenses incurred in the approval and making

of the Secondary DIP Facility and the preparation, execution, delivery, registration and discharge of the security or in the collection of any amount owing under the terms of the Secondary DIP Facility shall be for the account of the Borrowers and may be debited to advances to be made under the terms of the Secondary DIP Facility. Until paid, all such costs and expenses shall bear interest at the rate described under the Interest Rate section of this Agreement.

ACCEPTANCE:

This Commitment Letter must be accepted by the Borrowers by December 31, 2017 after which this commitment before null and void.

Yours truly,

Affinity Credit Union 2013


Per: Gary Cooke, Credit Risk Analyst



On behalf of 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd., I agree with the terms and conditions as stated above:

Per: John Orr
Date: