

**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**

**SIXTH REPORT OF THE MONITOR  
DELOITTE RESTRUCTURING INC.**

**MAY 31, 2017**

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## INTRODUCTION

1. On May 20, 2016, the Applicants, 101133330 Saskatchewan Ltd. (“**33330**”) and 101149825 Saskatchewan Ltd. (“**825**”), (collectively the “**Applicants**” or the “**Companies**”) filed for and obtained protection under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”). Pursuant to the Order of the Court of Queen’s Bench for Saskatchewan (the “**Court**”) dated May 20, 2016 (the “**Initial Order**”), restructuring proceedings previously commenced by the Applicants under Division I of Part III of the *Bankruptcy and Insolvency Act* (the “**BIA**”) were taken up and continued under the CCAA. Deloitte Restructuring Inc. (“**Deloitte**”) was appointed as the Monitor of the Applicants (the “**Monitor**”) in the CCAA proceedings and a stay of proceedings was granted in favour of the Applicants.
2. On June 13, 2016, the Court extended the stay of proceedings to August 31, 2016.
3. On August 17, 2016, the Court extended the stay of proceedings to January 1, 2017.
4. On December 22, 2016, the Court extended the stay of proceedings until June 12, 2017.
5. The Monitor has provided the Court with the following reports:
  - a) A Pre-Filing Report of the Proposed Monitor dated May 12, 2016 (the “**Pre-Filing Report**”) in connection with the Applicants’ application for protection under the CCAA;
  - b) A First Report of the Monitor dated June 8, 2016 (the “**First Report**”) in connection with the Applicants’ motion to extend the stay of proceedings to August 31, 2016;
  - c) The Second Report of the Monitor dated August 12, 2016 (the “**Second Report**”) in connection with the Applicants’ motion to extend the stay of proceedings to January 1, 2017;

- d) The Third Report of the Monitor dated August 15, 2016 (the “**Third Report**”) in connection with the Applicants’ application for additional debtor in possession financing;
  - e) The Fourth Report of the Monitor dated December 16, 2016 (the “**Fourth Report**”) in connection with the Applicants’ application for additional debtor in possession financing and the Applicants’ motion to extend the stay of proceedings to June 12, 2017;
  - f) The Supplement to the Fourth Report dated December 19, 2016 (the “**Supplement to the Fourth Report**”) which discussed the timing of certain correspondence received from the City of Regina Legal Department and their position with respect to pre-filing property tax arrears owing by 33330 in respect of the Orr Centre; and
  - g) The Fifth Report of the Monitor dated May 24, 2017 (the “**Fifth Report**”) in connection with the Applicants’ application for additional debtor in possession financing (the “**Secondary DIP Facility**”) and the Applicants’ motion to extend the stay of proceedings to December 24, 2017 (the “**Stay Period**”).
6. Copies of the Initial Order, the Pre-Filing Report, the First, Second, Third, Fourth, and Fifth Report(s), the Supplement to the Fourth Report, all motion materials and orders in the CCAA proceedings, and certain other documents related to the CCAA proceedings have been posted and are available on the Monitor’s website at [www.insolvencies.deloitte.ca/en-ca/101133330and101149825SkLtd](http://www.insolvencies.deloitte.ca/en-ca/101133330and101149825SkLtd).

## **PURPOSE**

7. The purpose of this sixth report of the Monitor (the “**Sixth Report**”) is to provide the Court with information with respect to the Companies’ Secondary DIP Facility.

## **TERMS OF REFERENCE**

8. In preparing this Sixth Report, the Monitor has relied upon unaudited interim financial information, 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 affidavits of John Orr

sworn on May 24, and May 30, 2017 (the “**Supplemental 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, and discussions with management of the Applicants (“**Management**”) and legal advisors to the Applicants.

9. The financial information of the Companies has not been audited, reviewed or otherwise verified by the Monitor as to its accuracy or completeness, nor has it necessarily been prepared in accordance with generally accepted accounting principles and the reader is cautioned that the Sixth Report may not disclose all significant matters about the Applicants. Additionally, none of the Monitor’s procedures were intended to disclose defalcations or other irregularities. If the Monitor were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Monitor’s attention. Accordingly, the Monitor does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of the Sixth Report.
10. 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 Sixth Report. Any use which any party makes of the Sixth Report, or any reliance or decision to be made based on the Sixth Report, is the sole responsibility of such party.
11. Unless otherwise stated, all monetary amounts contained in this Sixth Report are expressed in Canadian dollars.
12. Capitalized terms used in this Sixth Report but not defined herein are as defined in the Pre-Filing Report, the First, Second, Third, Fourth, and Fifth Report(s), and the Supplement to the Fourth Report, as applicable.

## DEBTOR IN POSSESSION FINANCING

13. As detailed in the Fourth Report, DIP Facility #3 was expected to provide sufficient funding to allow the Applicants to move forward with the rezoning and subdivision activities for the 825 Land, and undertake certain remediation work at the Orr Centre. However, with the additional scope of work and restructuring activities that the Applicants have identified to improve the value of the 33330 Property, DIP Facility #3 will not be sufficient to complete all reorganization efforts. Based on the Updated Cash Flow attached as Exhibit B to the Fifth Report, it is estimated that an additional \$500,000 will be required to pay the ongoing professional fees associated with these restructuring proceedings, to continue to make interest payments to Firm Capital, to fund operations, to complete necessary repairs and upgrades at the Orr Centre, to initiate a rezoning application for the 33330 Property, and to fund the ongoing development of the 825 Land to December 24, 2017.
14. According to the terms of DIP Facility #3, the entire facility plus interest is due in full July 31, 2017 (the “**DIP Repayment Date**”), subject to renewal on mutually satisfactory terms. As at the date of the Sixth Report, the Applicants have advised that Staheli Construction Co. Ltd. (the “**DIP Lender**”) has verbally agreed to extend the DIP Repayment Date to a date subsequent to any extension of the Stay Period the Applicants are granted by the Court, conditional upon payment to the DIP Lender of an extension fee in an amount which is still being negotiated. In the unlikely event that the Applicants are unable to formalize an agreement with the DIP Lender prior to the DIP Repayment Date to extend DIP Facility #3, the Monitor will bring the matter back before the Court for further advice and direction.
15. Subsequent to the filing of the Fifth Report, the Applicants finalized the terms of the Secondary DIP Facility with Staheli Construction Co. Ltd., in its capacity as the Secondary DIP Lender (the “**Secondary DIP Lender**”). The Secondary DIP Lender is prepared to advance the Applicants \$500,000 of financing to support the Applicants’ working capital requirements and restructuring efforts.
16. The Applicants and their advisors have stated to the Monitor that the Secondary DIP Facility is the only realistic source of funding available, and that it will provide sufficient funding to allow the Applicants to continue with the development of the 825 Land and the restructuring

of the Orr Centre operations (as detailed in the Fifth Report), and to continue with the rezoning and restructuring activities in respect of the 33330 Property while the Applicants continue to develop their plan of arrangement.

17. The Secondary DIP Facility agreement (the “**Secondary DIP Facility Agreement**”) is attached as Exhibit A to the Supplemental Orr Affidavit and is summarized in the table below. Terms capitalized in the table have the meaning ascribed to them in the Secondary DIP Facility Agreement.

<b>Summary of the Secondary DIP Facility Agreement</b>	
Proposed Financing	<ul style="list-style-type: none"> <li>• Secondary DIP Facility in an amount of up to CDN \$500,000 to be drawn down by the Borrowers from time to time as required.</li> </ul>
Borrowers	<ul style="list-style-type: none"> <li>• 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd.</li> </ul>
Purpose of Financing	<ul style="list-style-type: none"> <li>• Up to CDN \$500,000 to support working capital requirements and restructuring efforts.</li> </ul>
Maturity	<ul style="list-style-type: none"> <li>• The entire outstanding Secondary DIP Facility plus interest is due in full January 31, 2018, subject to renewal on mutually satisfactory terms.</li> </ul>
Payment	<ul style="list-style-type: none"> <li>• Interest only payments payable on the 1<sup>st</sup> of each month with principal due at maturity. The Borrowers may repay any or all of their obligations under the Secondary DIP Facility (including principal, interest, costs and any other amounts) at any time.</li> </ul>
Significant Terms	<ul style="list-style-type: none"> <li>• The Borrower shall pay when due all statutory liens, trust and other Crown claims including employee source deductions, GST, PST, EHT, WEPPA and WCB premiums.</li> <li>• Borrowers to provide monthly reporting to the Lender.</li> <li>• Other covenants which appear customary under the circumstances.</li> </ul>
Fees and Interest	<ul style="list-style-type: none"> <li>• 1.05% per month (12.6% per annum) on the daily balance outstanding.</li> <li>• CDN \$15,000 facility fee to become payable upon draw down of the Secondary DIP Facility and not in advance.</li> </ul>
Security	<ul style="list-style-type: none"> <li>• Secondary DIP Financing Agreement evidencing a perfected second priority charge (the “<b>Secondary Charge</b>”) on all of the existing and after-acquired real and personal property, assets, and undertakings of 33330 behind the First DIP Lender; and a third priority court ordered charge on the 825 Land behind Firm Capital and Pa, and the First DIP Lender.</li> <li>• The Borrowers shall also provide to the DIP Lender a promissory note and an assignment of insurance.</li> </ul>
DIP Charge	<ul style="list-style-type: none"> <li>• Secondary Charge to rank subordinate to the Firm Capital and Pa Mortgages, the Administrative Charge (to a maximum of \$150,000), and the first DIP Lender’s Charge (in the amount of \$2,000,000). Secondary DIP Charge in the amount of CDN \$500,000 to ensure fees, costs, and expenses are covered.</li> </ul>

18. Management of the Applicants has advised the Monitor that it believes the Applicants can abide by all of the terms of the Secondary DIP Facility Agreement.

19. The Monitor notes that the costs of the Secondary DIP Facility 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 DIP Facility #3 already advanced by the DIP Lender in these proceedings.
20. The Monitor notes that funding under the Secondary DIP Facility is required on an urgent basis. The quantum of the Secondary DIP Facility reflects the cash needs of the Applicants, taking into consideration the Applicants' planned course of action.
21. Based upon information provided to it by the Applicants, the Monitor anticipates that the Secondary DIP Facility will be administered in a manner that furthers the goals of these proceedings.

#### **MONITOR'S RECOMMENDATIONS**

22. 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 Fifth Report), the Companies are forecasting to be able to operate within the Secondary DIP Facility during the requested extension period.
23. The Monitor respectfully recommends that the Court approve the Secondary DIP Facility as it will enable the Applicants to continue to operate on an uninterrupted basis during these proceedings.
24. The Monitor also respectfully requests that the Court approve this Sixth Report and the conduct and activities of the Monitor described herein.



All of which is respectfully submitted at Saskatoon, Saskatchewan, this 31<sup>st</sup> day of May, 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