

COURT FILE QB No. 1200 of 2018
COURT QUEEN'S BENCH FOR SASKATCHEWAN
 IN BANKRUPTCY AND INSOLVENCY
JUDICIAL CENTRE SASKATOON
APPLICANT CANADIAN EXOTIC GRAINS LTD.

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
UNDER SECTION 50.4 OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
RSC 1985, c. B-3, AS AMENDED, OF CANADIAN EXOTIC GRAINS LTD.

NOTICE OF APPLICATION
(Sale Approval and Vesting Order)

NOTICE TO RESPONDENTS

This application is made against you. You are a respondent. You have the right to state your side of this matter before the Court. To do so, you must be in Court when the application is heard as shown below:

Where: Court of Queen's Bench for Saskatchewan
 Judicial Centre of Saskatoon
 520 Spadina Crescent East
 Saskatoon, SK S7K 3G7

Date: November 8, 2018

Time: 10:00 a.m.

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

Remedy claimed or sought:

1. The applicant, Canadian Exotic Grains Ltd. ("CEG"), seeks an order:
 - (a) validating service of this notice of application and supporting materials;
 - (b) authorizing and directing CEG to sell certain of its assets outside the ordinary course of its business as more particularly described in the asset

purchase agreement (the “**Sale Agreement**”) between CEG and Section 12 Foods Inc. (the “**Purchaser**”), a copy of which is attached to the Second Confidential Report of the Proposal Trustee dated November 5, 2018 (the “**Second Confidential Report**”);

- (c) vesting clear title to the CEG assets sold in the name of the Purchaser;
- (d) sealing the Confidential Report until further Order of the Court, or upon the filing of the Proposal Trustee’s Certificate, as contemplated by the draft Order filed herewith; and
- (e) such further and other relief as CEG may request and this Honourable Court may allow.

Grounds for making this application:

2. The second extension application was predicated on, among other things, the need to determine whether some iteration of the Transaction previously approved by the Sale Approval, Vesting, and Extension Order dated August 8, 2018 could be salvaged.

3. In the weeks that followed the second extension, CEG worked extensively with the Purchaser and CEG’s primary secured creditor, Farm Credit Corporation (“**FCC**”), and ultimately succeeded in finalizing an arrangement that is satisfactory to the parties, which was formalized in the Sale Agreement now presented for approval.

4. The process utilized to secure the Sale Agreement was reasonable given the inability to close the original Transaction and the lack of viable alternatives. The Proposal Trustee has opined that the proposed sale is more beneficial to the creditors than a sale under a bankruptcy, and CEG is unaware of any material prejudice flowing to any creditor if the extension being applied for is granted.

Material or evidence to be relied on:

5. CEG relies on the following materials filed in support of this application:

- (a) this Notice of Application;
- (b) the Affidavit of Jocelyn Harstook sworn November 5, 2018;
- (c) draft order;
- (d) brief of law; and
- (e) the Third Report and Second Confidential Report of the Proposal Trustee, Deloitte Restructuring Inc.; and
- (f) such further and other material as this Honourable Court may allow.

Applicable rules:

6. N/A

Applicable Acts and Regulations:

7. The *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, and, in particular, ss. 50.4(9) of the same.

NOTICE

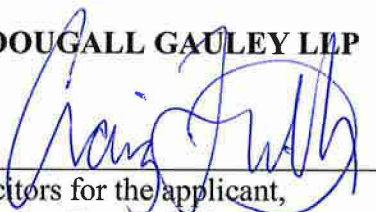
If you wish to oppose the application, you or your lawyer must prepare an affidavit in response, serve a copy at the address for service given at the end of this document, and file it in the court office, with proof of service, at least 7 days before the date set for hearing the application. You or your lawyer must also come to court for the hearing of the application on the date set.

AND FURTHER TAKE NOTICE that if you do not appear at the hearing an order may be made in your absence and enforced against you. YOU WILL NOT RECEIVE FURTHER NOTICE OF THIS APPLICATION.

DATED at Saskatoon, Saskatchewan, this 5th day of November, 2018

McDOUGALL GAULEY LLP

Per:


Solicitors for the applicant,
Canadian Exotic Grains Ltd.

CONTACT INFORMATION AND ADDRESS FOR SERVICE:

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