

COURT FILE NUMBER 643 of 2016

COURT QUEEN'S BENCH FOR SASKATCHEWAN
 IN BANKRUPTCY AND INSOLVENCY

JUDICIAL CENTRE SASKATOON

APPLICANTS 101133330 SASKATCHEWAN LTD. and
 101149825 SASKATCHEWAN LTD.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
RSC 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.

THIRD SUPPLEMENTARY AFFIDAVIT OF JOHN ORR

I, JOHN ORR, of the City of Saskatoon, in the Province of Saskatchewan, businessman,
MAKE OATH AND SAY THAT:

1. I am the sole director, a shareholder, and the president of 101133330 Saskatchewan Ltd. ("33330") and 101149825 Saskatchewan Ltd. ("825") (33330 and 825 are sometimes hereafter referred to collectively as the "Companies"), such that I have personal knowledge of the facts and matters hereinafter deposed, except where stated to be on information and belief and, where so stated, I believe the same to be true.

2. Unless otherwise defined, capitalized terms in this affidavit shall have the meanings given to them in my Affidavits sworn May 12, 2016 (the "First Affidavit"), June 6, 2016 (the "Second Affidavit"), and June 9, 2016 (the "Third Affidavit") (collectively, the "Previous Affidavits").

I. OVERVIEW

3. On May 20, 2016, the Companies sought and this Honourable Court granted:

- (a) an Initial Order under the CCAA ordering, among other things, a stay of proceedings against the Companies until and including June 19, 2016; and
- (b) a DIP Facility Order authorizing and empowering the Companies to obtain and borrow under a credit facility from Pillar Capital Corp.

4. Pursuant to the Order of the Honourable Justice Meschishnick dated June 13, 2016, the stay of proceedings granted by the Initial Order was extended until and including August 31, 2016 (the “**First Extension**”).

5. As detailed in the Previous Affidavits, the focus of the Companies’ restructuring efforts to date has been to:

- (a) retain the appropriate professionals to complete the scope of work required to unlock the equity in the 825 Land for the benefit of the Companies’ collective creditors and stakeholders; and
- (b) reduce the overall operating costs at the Orr Centre, increase its existing revenue streams, and explore potential new sources of revenue so that 33330 will be able to exit the CCAA process capable of servicing a higher debt load.

6. This Affidavit provides an overview of the activities undertaken by the Companies since the First Extension.

II. 825 LAND UPDATE

A. Background

7. The Previous Affidavits have gone into considerable detail explaining the inherent complexities in the various steps that must be taken in order to improve the 825 Land and thus achieve the significant increase in its value for the benefit of the Companies’ creditors and stakeholders.

8. The immediate hurdles identified by the Companies in advance of the application

for the Initial Order and the First Extension were that, at present, there is no existing Concept Plan for the 825 Land or the area in which it is situated, and in the absence of an approved Concept Plan, 825 cannot apply to rezone the 825 Land.

9. Stantec was therefore retained on May 20, 2016 to complete the Concept Plan and Serviceability Study for the 825 Land and neighbouring lands (formerly, the 825 Concept Plan), which was to be submitted along with 825's application to rezone the 825 Land to accommodate residential development. In essence, the purpose and function of the 825 Concept Plan was to demonstrate to the City that the proposed development was consistent with, among other things, the physical characteristics of the 825 Land and the neighbouring land uses, as well as capable of being serviced.

10. The total scope of work necessary in order to complete the 825 Concept Plan is described in more detail in the Stantec Proposal, a copy of which is again attached for ease of reference as Exhibit "A." It was previously estimated that Stantec would have 80% of the 825 Concept Plan completed by August 31, 2016, at which time the Companies would be in a better position to advise this Honourable Court as to the expected time of completion and submission to the City.

11. A progress report from Stantec dated July 4, 2016 detailing its progress is attached as Exhibit "B." As explained therein, Stantec's work to date includes having:

- (a) gathered a significant amount of the necessary background data about the 825 Land and surrounding area for the 825 Concept Plan (e.g., Carwright Street record drawings, Stonebridge Truck construction drawings, etc.);
- (b) completed a desktop study and certain field studies for the natural area screening;
- (c) initiated desktop environmental assessments;
- (d) met with the City and conducted research regarding zoning options;
- (e) prepared an existing conditions topographic surface model; and

- (f) obtained additional information from the City about the daily sanitary sewer flow patterns.

12. In light of the inherent time constraints of the CCAA process, the Companies also thought it prudent to retain a professional land developer to act as 825's consultant in navigating the development process with both Stantec and the City, and as previously reported in the Third Affidavit, North Ridge Developments Inc. ("**North Ridge**") has been retained to function in this capacity.

13. For the reasons discussed in more detail below and in the Affidavit of David Calyniuk sworn August 12, 2016 (the "**Calyniuk Affidavit**"), the nature and extent of Stantec's continued involvement is being re-evaluated in light of the new Willows Development Plan. While Stantec continues to be retained, it has been instructed not to incur any further costs at this time. The work done by Stantec thus far will, however, be utilized to the fullest extent possible in any event.

B. Evolution of the 825 Development Plan

14. In the Previous Affidavits, passing reference has been made to the fact that the 825 Land is adjacent to the Willows Residential Golf Community (the "**Willows**"). As an existing development, the Willows already has its own approved Concept Plan (which does not include the 825 Land), as well as a sewer, water, storm, and transportation infrastructure (to which the 825 Land, as a competing land development, does not currently have access).

15. Dream Development ("**Dream**") is the entity responsible for the Willows development. A copy of a slide presentation from Dream's parent company, Dream Unlimited Corp., which was presented at its 2016 Annual General Meeting, is attached as Exhibit "C." Page 32 of the document details Dream's significant landholdings and developments in the Saskatoon area.

16. The 825 Development Plan contemplated the 825 Land being improved as a

standalone development outside of the Willows, which is why the 825 Land required its own Concept Plan to, in part, confirm for the City the vision for the 825 Land's development as a neighbouring community to the Willows, and how it could be serviced independently from the Willows.

17. After being retained, North Ridge approached Dream to see whether it would be agreeable to amending its existing Concept Plan to include the 825 Land, which would allow 825 to access the Willows' existing infrastructure in exchange for assuming a proportionate share of the attendant costs.

18. A more detailed discussion of the benefits and implications of the 825 Land being included in the Willows development appears in the Calyniuk Affidavit. Suffice it to say that both Dream and the City are agreeable to the proposed amendment, and the work necessary to complete the application is underway. 825's information and belief based on the advice received from North Ridge is that the proposed development will receive greater support from the City. In addition, 825 is hopeful that being able to have the 825 Land ultimately marketed as part of an established, desirable Saskatoon community will have a positive effect on its perceived value to potential buyers.

C. Additional Time Required

19. With respect to the 825 Land specifically, the Companies require an extension of the stay of proceedings in order to allow North Ridge to continue its ongoing work with Dream to complete the submission of the Amended Willows Concept Plan. As deposed in the Calyniuk Affidavit, the application is expected to be submitted no later than the fourth quarter of 2016.

20. The Companies are of the view that it would be appropriate to extend the current stay of proceedings until January 1, 2017 to allow North Ridge and Dream sufficient time to adequately complete all of the necessary work in relation to the pending application for the amendment, as well as to avoid any costs associated with any prospective intervening

court applications. While this may seem like an unusually lengthy extension, the fact of the matter is that the submission of the application for the Amended Willows Concept Plan is the next significant milestone, and it has major implications for both the process itself and Companies' obligations under the Forbearance Agreement with Firm Capital and Frank Pa. Consequently, at that point in time, the Companies will be in a much more effective position to convey to the Court and stakeholders the additional costs and timeframes associated with the completion of the development process.

21. The Companies will continue to work with the Monitor and communicate directly with the primary stakeholders during the extended stay period, and as explained in more detail below, with North Ridge responsible for advancing the interests of 825 on the development front, the Companies' primary focus during the stay period will be on enhancing the viability and consequent value of the other major assets in the CCAA process, the Orr Centre and Campus.

III. THE ORR CENTRE AND CAMPUS

A. Necessary Repair Work

22. Since the date of the last application, 33330 has largely been occupied with identifying and addressing a number of HVAC and roofing issues with the Orr Centre. Specifically:

- (a) while it was initially believed that only three of the Orr Centre's roof-top HVAC units have operational issues, subsequent investigations have revealed that there are six HVAC units in total that require repairs;
- (b) the roofing on the main building suffers from delamination issues; and
- (c) there are interior leaks and water damage arising from wear and tear to the flashing and drainage system.

(collectively, the "**Repairs**")

23. These Repairs are significant, and need to be completed in order to prepare the Orr Centre for the upcoming winter and address concerns raised by the existing tenants, such as the U of S. 33330 has budgeted \$175,000.00 in the most recent cash flow statements in order to effect the Repairs.

B. Retention of a Property Management Consultant for the Orr Centre

24. To a certain extent, the condition of the property giving rise to the need for the Repairs has had a negative effect on 33330's ongoing efforts to secure new tenants. Since the termination of the Orr Centre's former manager, I have had to personally take on a larger role in the Orr Centre's day-to-day operations, which has been exceedingly difficult to balance with attempting to implement my plans for improvement and the demands of the CCAA process itself.

25. For these reasons (and also due to the success the Companies have experienced by employing a similar approach with respect to the development of the 825 Land), 33330 is in the process of retaining a commercial real estate consultant for the Orr Centre (the "**Orr Centre Owner's Consultant**") with the appropriate level of expertise to provide some or all of the following services:

- (a) providing input and management advice in respect of the day-to-day operations of the Orr centre, which potentially would include addressing the existing tenants' needs, and being the point of contact for prospective tenants and renters;
- (b) reviewing the business and present operating costs to determine whether further cuts can be made, and if so, how;
- (c) reviewing the Orr Centre and making recommendations for cost-effective improvements to the premises and existing dormitories in order to make the same more contemporary, functional, and attractive to prospective tenants;
- (d) formulating and overseeing an aggressive marketing strategy to fill the Orr Centre's vacant office, commercial, and/or dormitory space, as well as the underutilized kitchen, theatre, and gymnasium facilities;

- (e) creating an inventory of the personal property of 33330 at the Orr Centre in order to identify non-core assets for liquidation; and
- (f) consider possible sale scenarios for the Orr Centre and Campus, whether these involve selling the property as a whole or in parts.

26. The involvement of a reputable commercial real estate consultant to provide advice and assist with the various moving parts of the Orr Centre and Campus will give the Companies access to the additional resources and contacts it believes are necessary to formulate an effective plan to increase the value of the Orr Centre.

27. At the Companies' request, the Monitor researched and recommended the following Regina-based property management companies as being qualified to fulfill this function:

- (a) Harvard Property Management Inc.;
- (b) Nicor Properties;
- (c) Colliers International; and
- (d) McCor Management.

28. Certain individuals at Colliers International (previously operating in Regina NAI Denro), in particular, are already familiar with the Orr Centre having previously acted as 33330's property manager in 2011.

29. At the Companies' instruction, their legal counsel has emailed these entities with invitations to submit proposals for the Companies' consideration.

D. Memorandum of Understanding with Seniors' Home Provider

30. The Applicants have already explored certain opportunities to attract new revenue streams without the need to formally subdivide the Campus. One such opportunity

involves a plan to access one of the currently underutilized dorm buildings to provide seniors housing. This is a significant opportunity as seniors' housing is permitted under the present zoning designation, such that no application to amend the same is necessary and any necessary construction could be scheduled without delay.

31. 33330 has engaged in ongoing discussions with Orange Tree Management Inc. ("**Orange Tree**"), a seniors' housing provider in Regina, which is interested in entering into a long-term lease arrangement for one of the presently underutilized dorm buildings in the event the same could be renovated to meet its requirements. 33330 has instructed the Companies' counsel to draft a Memorandum of Understanding (the "**MOU**") to reflect the terms of the lease agreement, which Orange Tree has yet to execute; however, it is anticipated that the MOU will be finalized very shortly.

32. Orange Tree has indicated that it is specifically interested in the Campus due to its potential to provide a community element for its residents through the implementation of specific programming at the theatre, use of the Orr Centre's restaurant, and expanding the existing Orr Centre day care program to accommodate seniors' care as well.

33. With respect to the latter proposition, intergenerational day care is a concept that I understand Orange Tree has implemented at its other facilities. I further understand the primary goals of the program model are to add an additional facet to the children's development through the interaction with the elder participants, which would in turn is intended to enhance the quality of the elder residents' social lives.

34. With the executed MOU, 33330's intention is to put together a business proposal and look for financing options, as well as a company with whom it could develop a joint venture for the completion of the necessary renovations. Another possible option would involve an application to subdivide off the portion of the Campus upon which the dorm building in question is situated, and selling the same to a developer.

D. Dorm Space

35. Finally, as also referenced in my Second Affidavit, the principal of an existing tenant, Queen City Collegiate High School, is in China in the process of finalizing the number of tenants that will be utilizing the Orr Centre's currently vacant dorm space for the upcoming year. The goal is to secure no less than 20 students, which will translate into an additional \$20,000.00 per month in income for 33330, as well as increased revenue for the Orr Centre's restaurant and other facilities.

E. Additional Time and DIP Financing Required

36. The practical reality is that the situation with the 825 Land has monopolized both the Companies' and their counsel's time since the First Extension. The Companies therefore require an extension of the stay of proceedings in order to allow the Companies the opportunity to focus on maximizing the value of the Orr Centre and Campus through the actions detailed above and to continue to work towards the development of a viable plan of arrangement.

37. With respect to the Orr Centre and Campus specifically, a stay of proceedings until January 1, 2017 will permit the Companies to be in a much more realistic position to demonstrate progress with respect to the ongoing initiative to increase the value of the Orr Centre and Campus, and have a more concrete plan for its ultimate role in the CCAA process.

38. The most recent cash flow projections for 33330 are appended to the Second Report of the Monitor. As detailed therein, the Companies require additional debtor in possession financing ("**DIP Financing**") in order to move forward with not only the Willows Concept Plan, but also their plans with respect to the Orr Centre and Campus. It is worth noting that nearly half of the funds sought under the additional DIP Financing facility are earmarked for improving the Orr Centre and/or Campus.

IV. RELIEF REQUESTED

39. The Companies are seeking an extension of the current stay of proceedings until January 1, 2017.

40. Looking forward, the Companies and their counsel and consultants, along with the Monitor, intend to undertake not only the actions particularly summarized above, but also to:

- (a) work with the Monitor to further develop and refine projections for cash flow requirements;
- (b) conduct further discussions with all stakeholders as to the progress on the Willows Development Plan, the Repairs, and additional efforts to improve the Orr Centre and Campus; and
- (c) develop, at least from a basic conceptual perspective, the outline of a Plan of Arrangement and continue negotiations with creditors to formulate that plan of arrangement once the application to amend to the Willows Concept Plan has been submitted to the City, the Repairs have been completed, and any additional sources of revenue from the Orr Centre and Campus have been fully identified and the appropriate procedures put in place.

41. An additional benefit to extending the stay of proceedings to January 1, 2017 is that its expiry will then dovetail with the end of the cash flow projections and it will then be incumbent upon the Companies, if seeking further extensions at that time, to provide more up to date information to all of the various stakeholders in terms of additional anticipated costs and revenue.

42. Since the issuance of the Initial Order and the First Extension, the Companies have continued to act in good faith and with due diligence, taking the incremental steps deemed necessary to allow the Companies to prepare a proposal for presentation to their creditors, and ultimately exit the CCAA process.


43. I therefore swear this affidavit in support of the application that is presently

before this Honourable Court.

SWORN (OR AFFIRMED) BEFORE ME)
at the City of Saskatoon, in the Province of)
Saskatchewan, this 12th day of August, 2016.)

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A COMMISSIONER FOR OATHS for
Saskatchewan - Being a Solicitor.



JOHN ORR

CONTACT INFORMATION AND ADDRESS FOR SERVICE:

Name of firm: McDougall Gauley LLP

Name of lawyer in charge of file: Ian A. Sutherland

Address of legal firm: 500-616 Main Street
Saskatoon, SK S7H 0J6

Telephone / fax number: (306) 665-5417 / (306) 652-1323

Email address (if any): isutherland@mcdougallgauley.com