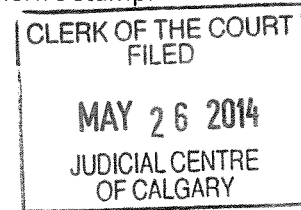


Clerk's stamp:



COURT FILE NUMBER 1401-04022

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, AS AMENDED;  
AND IN THE MATTER OF KYOTO FUELS CORPORATION**

DOCUMENT **APPLICATION BY ERNST & YOUNG INC. AS CCAA MONITOR OF KYOTO FUELS CORPORATION**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT  
Dentons Canada LLP  
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File No.: 131079-90

**NOTICE TO SERVICE LIST**

This application is made on behalf of the Applicant.

You may 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:

Date: Thursday, May 29, 2014  
Time: 10:00 a.m.  
Where: Calgary Courts Centre,  
601 - 5 Street SW,  
Calgary, AB T2P 5P7  
Before: Justice P.R. Jeffrey

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

**Remedy claimed or sought:**

1. Ernst & Young Inc., in its capacity as monitor (the "**Monitor**") of Kyoto Fuels Corporation ("**Kyoto**") through proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA Proceedings**"), respectfully seeks the advice and direction of this Honourable Court in respect of:
  - (i) a proposed amendment to the Facility (as defined below) and charges granted as security for the Facility;
  - (ii) the Monitor's authority to execute the proposed amendment to the Facility on behalf of Kyoto;
  - (iii) an extension of the Stay Period in effect in these CCAA Proceedings to and including August 1, 2014;
  - (iv) in the alternative, leave for the Monitor to seek its discharge as Monitor of Kyoto; and
- (b) such further and other orders as to this Honourable Court may seem just and proper in such circumstances.

**Grounds for making this application:**

2. On April 30, 2014, upon the application of T&E Ventures Inc. ("**T&E**"), a secured creditor of Kyoto, this Honourable Court issued an order (the "**Initial Order**"), approving, *inter alia*:
  - (a) a Stay Period in respect of Kyoto to and including May 29, 2014;
  - (b) certain priority charges against the undertaking, property and assets of Kyoto, including the Administration Charge and the Director's Charge;
  - (c) an interim financing facility authorizing Kyoto to borrow from T&E the maximum amount of \$400,000 (the "**Facility**"), and an Interim Lender's Charge securing the Facility against the undertaking, property and assets of Kyoto in priority to all other encumbrances, subject only to the Administration Charge; and
  - (d) an expanded role for the Monitor, including authority to retain a Restructuring Consultant to assist the Monitor with carrying out its mandate under the Initial Order.

3. Since the commencement of the CCAA Proceedings, the Monitor has been working with Kyoto and its senior secured lenders in the manner described in its First Report to the Court (the "**Report**").
4. At the time of the filing of the Report, discussions among Kyoto's stakeholders are ongoing. Various options are presently available, including a proposed plan by a creditor, Integrated Industrial Solutions (2011) Inc. ("**IIS**"), and various sale/liquidation scenarios.
5. In each of these cases, further financing will be required to fund either continued operations, full or partial decommissioning of the Kyoto plant, and any sale process that may ultimately result.
6. The Monitor has been advised of a proposal by T&E to provide additional interim financing (the "**T&E Facility Amendment**") on the terms described in the Report. The T&E Facility Amendment would require:
  - (a) an extension of the Stay Period for at least 60 days;
  - (b) approval of amendments to certain terms of the Facility, as described in the Report;
  - (c) an increase to the Interim Lender's Charge to secure any additional advances under the Facility, as amended; and
  - (d) authorization for the Monitor to sign the T&E Facility Amendment for and on behalf of Kyoto.
7. At this time, no other party has made an application for extension of the Stay Period, appointment of a receiver, or any other process, nor provided any proposal to the Monitor for continued funding of Kyoto beyond May 29, 2014.
8. The proposed T&E Facility Amendment would be sufficient to allow Kyoto's operations to safely continue at the current levels for the next 60 days, allowing negotiation among the senior secured lenders, IIS and other parties to continue at the same time as a sales process would be commenced.

9. In the event this Honourable Court does not approve the T&E Facility Amendment and related relief, the Monitor believes it will have completed its mandate upon the expiry of the Stay Period and would seek discharge from its duties as Court-appointed Monitor of Kyoto in due course.

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

10. The Monitor's First Report, dated May 26, 2014, filed;
11. The pleadings and materials filed in the within action.

**Applicable Acts and regulations:**

12. The *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, the *Judicature Act*, RSA 2000, c J-2, and 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:**

13. Orally, in Chambers.

**WARNING**

You have been served with this document because you may have an interest in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order in your absence. You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the Applicant is entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form. If you intend to rely on an affidavit or other evidence when the originating application is heard or considered, you must reply by giving reasonable notice of that material to the Applicant.