

CANADA)
PROVINCE OF SASKATCHEWAN)

Court No.: 22-2400416
Estate No.: 22-2400416

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.

ORIGINATING APPLICATION

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 520 Spadina Crescent East, Saskatoon, SK S7K 3G7
Date	August 8, 2018
Time	2:00 p.m.

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

PARTICULARS OF APPLICATION

1. The applicant, Canadian Exotic Grains Ltd. ("CEG"), seeks an order:
 - (a) validating service of this notice of application and supporting materials;
 - (b) extending the period within which CEG is required to file a proposal to its creditors with the Official Receiver from August 16, 2018 to 11:59 p.m. on September 28, 2018;
 - (c) 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 Confidential Report of the Proposal Trustee dated August 3, 2018 (the “**Confidential Report**”);

- (d) vesting clear title to the CEG assets sold in the name of the Purchaser;
 - (e) 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
 - (f) such further and other relief as CEG may request and this Honourable Court may allow.
2. The grounds for making this application are:
- (a) CEG filed a notice of intention to file a proposal pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3 on July 17, 2018, since which time it has acted in good faith and with due diligence towards making a proposal to its creditors;
 - (b) the direct marketing approach utilized by CEG to secure the Sale Agreement with the Purchaser was reasonable in the circumstances, given the:
 - (i) location, nature, and appraised value of the assets;
 - (ii) anticipated surplus from the proceeds to fund a proposal for consideration by CEG’s unsecured creditors; and
 - (ii) perceived benefits flowing to CEG’s non-financial stakeholders;
 - (c) the Confidential Report of the Proposal Trustee opines that the proposed sale is more beneficial to the creditors than a sale under a bankruptcy;
 - (d) CEG’s principal secured creditor, Farm Credit Corporation (“**FCC**”), was consulted about the sale and is supportive of the same;
 - (e) CEG is unaware of any material prejudice flowing to any creditor if the extension being applied for is granted; and
 - (f) the balance of the evidence supports CEG’s submission that the purchase price is reasonable and fair in the circumstances.
3. CEG’s summary of the material facts is as follows:

- (a) CEG is a specialty crops, spice processing, and marketing company based in Eston, Saskatchewan;
 - (b) CEG's secured creditors are:
 - (i) FCC, which has a first mortgage against CEG's landholdings, and a perfected, first-in-time security interest against all of CEG's present and after acquired personal property; and
 - (ii) AGCO Finance Canada, Ltd., which has a perfected security interest against three pieces of CEG's equipment;
 - (c) CEG's revenues have significantly declined due to, among other things, the following:
 - (i) the inability to obtain operating financing;
 - (ii) the loss of a key employee and shareholder, which resulted in CEG selling its landholdings and focusing purely on marketing;
 - (iii) uncollected receivables; and
 - (iv) poor crop years in 2016 and 2017;
 - (d) after exploring available options, CEG entered into the Agreement with the Purchaser, which represents the best possible outcome for CEG's various stakeholders; and
 - (e) CEG filed a notice of intention to file a proposal pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3 on July 17, 2018, and requires additional time to close the transaction pursuant to the Sale Agreement, and thereafter to make a proposal.
4. In support of this application, CEG relies on the following material or evidence:
- (a) this originating application;
 - (b) the Affidavit of Jocelyn Harstook sworn August 3, 2018;
 - (c) the draft order;
 - (d) the brief of law;
 - (e) proof of compliance with General Application Practice Directive #3;

- (f) the First Report and Confidential Report of the Proposal Trustee, Deloitte Restructuring Inc.; and
- (g) such further and other material as this Honourable Court may allow.

DATED at Saskatoon, Saskatchewan, this 3rd day of August, 2018

McDOUGALL GAULEY LLP

Per: 

Solicitors for the applicant,
Canadian Exotic Grains Ltd.

This notice is issued at the above-noted judicial centre on the 3rd day of August, 2018.

(Deputy) Local Registrar

NOTICE

You are named as a respondent because you have made or are expected to make an adverse claim with respect to this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes. 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.

The rules require that a party moving or opposing an originating application must serve any brief of written argument on each of the other parties and file it at least 3 days before the date scheduled for hearing the originating application.

If you intend to rely on an affidavit or other evidence when the originating application is heard or considered, you must serve a copy of the affidavit and other evidence on the originating applicant at least 10 days before the originating application is to be heard or considered.

CONTACT INFORMATION AND ADDRESS FOR SERVICE:

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