

**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**

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

**AUGUST 15, 2016**

---

**TABLE OF CONTENTS**

Introduction.....1

Purpose.....2

Terms of Reference.....2

Debtor in Possession Financing .....3

Monitor’s Recommendations.....5

**EXHIBITS**

Exhibit A – New DIP Facility Agreement

## 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 until August 31, 2016 (the “**Stay Period**”).
3. 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 Period; and
  - c) A Second Report of the Monitor dated August 12, 2016 (the “**Second Report**”) in connection with the Applicants’ motion to extend the Stay Period.
4. Copies of the Initial Order, the Pre-Filing Report, the First Report, the Second 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) (the “**Monitor’s Website**”).

## **PURPOSE**

5. The purpose of this third report of the Monitor (the “**Third Report**”) is to provide the Court with information with respect to the Companies’ debtor in possession financing (the “**DIP Facility**”)

## **TERMS OF REFERENCE**

6. In preparing this Third 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, and August 12, 2016, the affidavit of David Calyniuk (Chief Executive Officer of North Ridge Development Corporation) sworn on August 12, 2016 (the “**Calyniuk Affidavit**”), and discussions with management of the Applicants (“**Management**”) and legal advisors to the Applicants.
7. 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 Third 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 Third Report.
8. 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 Third Report. Any use which any party makes of the Third Report, or any reliance or decision to be made based on the Third Report, is the sole responsibility of such party.

9. Unless otherwise stated, all monetary amounts contained in this Third Report are expressed in Canadian dollars.
10. Capitalized terms used in this Third Report but not defined herein are as defined in the Pre-Filing Report, First Report, and Second Report, as applicable.

#### **DEBTOR IN POSSESSION FINANCING**

11. As detailed in the Pre-Filing Report, the First Report, and the Second Report, the DIP Facility was expected to provide sufficient funding to allow the Applicants to begin to reorganize their affairs in these proceedings, including conducting certain rezoning and subdivision activities for the 825 Land. However, the DIP Facility was not expected to be sufficient to complete all reorganization efforts. Based on the Updated Cash Flow attached as Exhibit C to the Second Report, it is estimated that an additional \$500,000 will be required to fund operations and the ongoing development of the 825 Land to January 1, 2017.
12. Subsequent to the filing of the Second Report, the Applicants finalized the terms of a new DIP Facility (the “**New DIP Facility**”) with Staheli Constructs Co. Ltd. (“**Staheli**” or the “**New DIP Lender**”) on August 12, 2016. The New Dip Lender is prepared to advance the Applicants \$1,000,000 comprised of \$500,000 of financing to support the Applicants’ working capital requirements and \$500,000 to repay the existing DIP Facility previously advanced by Pillar Capital Corporation (“**Pillar**”).
13. The Applicants and their advisors have stated to the Monitor that the New 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 825 Land development and undertake certain remediation work at the Orr Centre (as detailed in the Second Report).
14. The New DIP Facility agreement (the “**New DIP Facility Agreement**”) is attached as Exhibit A to the Confidential Affidavit of John Orr dated August 12, 2016 (the “**Confidential Affidavit**”), and is summarized in the table below. Terms capitalized in the table have the meaning ascribed to them in the New DIP Facility Agreement. The Monitor has received authorization from the Applicants to append the New DIP Facility Agreement

to this Third Report and a copy of the New DIP Facility Agreement is attached hereto as Exhibit “A”.

<b>Summary of New DIP Facility Agreement Terms</b>	
Financing	<ul style="list-style-type: none"> <li>• Senior secured super-priority facility in an amount of up to CDN \$1,000,000 by way of a single advance.</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>• \$500,000 to finance the Borrowers’ working capital requirements and \$500,000 to repay the existing DIP Facility advanced by Pillar.</li> </ul>
Maturity	<ul style="list-style-type: none"> <li>• The entire \$1,000,000 New DIP Facility, plus interest, is due in full January 31, 2017, 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 New 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>• 1.16% per month (14% per annum) on the daily balance outstanding.</li> <li>• \$20,000 facility fee being 2% of the approved New DIP Facility.</li> </ul>
Security	<ul style="list-style-type: none"> <li>• New DIP Financing Agreement evidencing a perfected first priority court ordered charge (the “<b>DIP Charge</b>”) on all of the existing and after-acquired real and personal property, assets, and undertakings of the Borrowers.</li> <li>• The Borrowers shall also provide to the New DIP Lender a promissory note and an assignment of insurance.</li> </ul>
DIP Charge	<ul style="list-style-type: none"> <li>• DIP Charge to rank subordinate to the Firm Capital and Frank Pa mortgages on the 825 Land and the Administration Charge. DIP Charge in the amount of CDN \$1,000,000 to ensure fees, costs, and expenses are covered.</li> </ul>

15. Management of the Applicants has advised the Monitor that it believes the Applicants can abide by all of the terms of the New DIP Facility Agreement.
16. The Monitor notes that the costs of the New 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 more favorable than the prior DIP Facility advanced by Pillar.
17. The Monitor notes that funding under the New DIP Facility is required on an urgent basis. The quantum of the New DIP Facility reflects the cash needs of the Applicants, taking into consideration the Applicants' planned course of action.

18. Based upon information provided to it by the Applicants, the Monitor anticipates that the New DIP Facility will be administered in a manner that furthers the goals of these proceedings.

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

19. The Applicants are working diligently to manage their financial and operational restructuring. In accordance with the Updated Cash Flow (attached as Exhibit C to the Second Report), the Companies are forecasting to be able to operate within the New DIP Facility during the requested extension period.

20. The Monitor respectfully recommends that the Court approve the New DIP Facility as it will enable the Applicants to continue to operate on an uninterrupted basis during these proceedings.

21. The Monitor also respectfully requests that the Court approve this Third Report and the conduct and activities of the Monitor described herein.

All of which is respectfully submitted at Saskatoon, Saskatchewan, this 15<sup>th</sup> day of August, 2016.

#### **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, CA, CIRP  
Senior Vice-President

**Exhibit A – New DIP Facility Agreement**

---





STAHელი CONSTRUCTION CO. LTD.  
11210 – 215 Street  
EDMONTON AB T5S 2B5

PH. 780-447-3518

August 12, 2016

McDougall Gauley LLP  
500-616 Main Street  
Saskatoon SK  
S7H 0J6

Attention: Mike Russell, McDougall Gauley LLP, Counsel for the Borrower

**Re: Term Sheet – Debtor in Possession Facility (the “DIP Facility”) of CAD\$1,000,000.00 for 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd.**

You have advised us that 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd. (collectively, the “**Borrowers**”) applied to the Court of Queen’s Bench for Saskatchewan, Judicial Centre of Saskatoon in QB No. 643 of 2016 and were granted an order from Mr. Justice N.G. Gabrielson under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”).

You have further advised us that it is the Borrowers’ intention to remain in possession and control of their assets and business during the course of the CCAA proceedings. Staheli Construction Co. Ltd. (the “**Lender**”) is pleased to offer its commitment to provide to the Borrower up to an aggregate of CAD\$1,000,000 of financing during the CCAA Proceeding, subject to the terms and conditions of this Term Sheet.

**BORROWER:** 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd.

**PURPOSE OF FINANCING:** CAD\$1,000,000, comprised of \$500,000 DIP financing to support working capital requirements and to repay existing DIP financing of \$500,000.

**PROPOSED FINANCING:** Single advance loan in the maximum amount of CAD \$1,000,000 (the “**DIP Facility**”).

**INTEREST:** 1.16% per month (14.00% per annum) calculated on the daily balance outstanding under the DIP Facility.

**TERM:** The entire \$1,000,000 DIP Facility plus interest is due in full January 31, 2017, subject to renewal on mutually-satisfactory terms.

**PAYMENT:** Interest only payments payable on the 1<sup>st</sup> of each month with the principal due at maturity. The Borrowers may repay any or all of their obligations under the DIP Facility (including principal, interest, costs and any other amounts) at any time.

**DOCUMENTATION AND SECURITY:**

The Borrower shall provide or cause to be provided, the security and agreements listed below, in form and substance satisfactory to the Lender, including, but not limited to:

1. DIP Financing Agreement, evidencing a perfected first priority court ordered charge (the "**Charge**") on all of the existing and after-acquired real and personal property, assets, and undertakings of the Borrowers, except that, in respect of all current and future assets, undertakings and property of any nature and kind whatsoever, and wherever situate, including all proceeds thereof, of 101149825 Saskatchewan Ltd. (collectively, the "**Saskatoon Property**"), the Charge shall rank behind the mortgage in favour of Firm Capital Mortgage Fund Inc., registered as Interest Register No. 121088167, and the mortgage in favour of Frank Pa, registered as Interest Register No. 121113155, and otherwise subject only to the Administration Charge granted by the Court up to maximum amount of \$150,000;
2. Promissory Note;
3. Borrowers to provide monthly reporting to the Lender;
4. Assignment of insurance; and
5. Such further security and other documentation that the Lender and its solicitor may reasonably require.

**ASSIGNMENTS:** The Lender may assign or transfer or grant participations in its rights or obligations in whole or in part at any time without notice to or consent of the Borrower.

**ONGOING COVENANTS:** The Borrower shall pay when due all statutory liens, trust and other Crown claims including employee source deductions, GST, PST, EHT, WEPPA and WSIB premiums.

**CONDITIONS:** Availability of the DIP Facility is conditional upon, but not limited to:

1. Acceptance by the Borrower of this Term Sheet;
2. The Borrower obtaining an Order in form and content

- satisfactory to the Lender and Lender's Counsel, authorizing the borrowing under the DIP Facility;
3. An Order granting the Charge in favour of the Lender as security for repayment of the DIP Facility, and all interest, fees, expenses and other amounts payable by the Borrower;
  4. Delivery and registration of the security in a form acceptable to the Lender;
  5. The Borrower having paid statutory liens, trust and other Crown Claims including confirmation of paid property taxes on the subject property.

**FACILITY FEE:**

2.00% of the approved DIP Facility (to be paid from the proposed advance upon draw down of the DIP Facility).

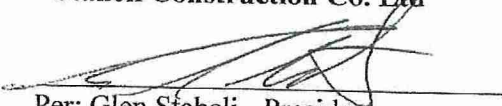
**ACCEPTANCE:**

This Term Sheet must be accepted by The Borrower no later than 5pm on August 15, 2016, after which the offer will expire.

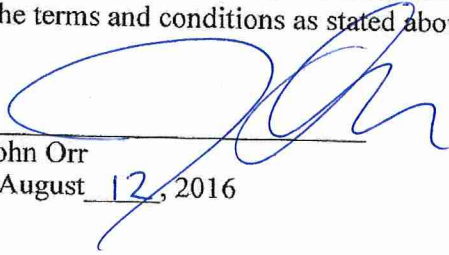
**Costs:**

The costs of all appraisals and environmental reports, the legal costs of the Lender, cost consultant and insurance consultant and all other out-of-pocket costs and expenses incurred in the approval and making of the Loan and the preparation, execution, delivery, registration and discharge of the Security and Supporting or in the collection of any amount owing under the terms of the Loan shall be for the account of the Borrower and may be debited to advances to be made under the terms of the Loan. Until paid, all such costs and expenses shall bear interest at the rate described under the Interest Rate section of this Agreement

Yours truly,  
**Staheli Construction Co. Ltd**

  
Per: Glen Staheli - President

On behalf of 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd., I agree with the terms and conditions as stated above:

  
Per: John Orr

Date: August 12, 2016