

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.

SEVENTH 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, June 6, 2016, June 9, 2016, August 12, 2016, December 16, 2016, May 24, 2017 (the "**Fifth Orr Affidavit**"), and May 31, 2017, as well as the Affidavits of David Calyniuk sworn August 12, December 16, 2016, May 23, 2017 (the "**Third Calyniuk Affidavit**"), and December 15, 2017 (the "**Fourth Calyniuk Affidavit**").

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 stay of proceedings granted by the Initial Order was extended further by the Order of the Honourable Justice Meschishnick dated August 17, 2016 until and including January 1, 2017.

5. On December 22, 2016, the Companies applied, and the Honourable Justice Meschishnick granted, an order for:
 - (a) a third extension of the stay of proceedings until and including June 12, 2017; and
 - (b) authorizing and empowering the Companies to obtain and borrow additional funds under a credit facility from a lender satisfactory to the Companies.

6. Finally, on May 31, 2017, the Companies applied, and the Honourable Justice Meschishnick granted, an order for:
 - (a) a fourth extension of the stay of proceedings until and including December 24, 2017 (the “**Fourth Extension**”); and
 - (b) authorizing and empowering the Companies to obtain and borrow additional funds under a secondary DIP Credit Facility from Staheli Construction Co. Ltd.

7. Since the Fourth Extension, the Companies’ restructuring efforts have primarily

involved 33330 and North Ridge working to:

- (a) complete the necessary supporting materials for (and ultimately submit) a rezoning application for the Campus aimed at facilitating the future redevelopment of the same;
- (b) successfully navigate the rezoning application process and respond to public concerns raised in the course of the same; and
- (c) progress an intensive remedial plan aimed at improving the Orr Centre facilities and cash flows for the benefit of the stakeholders.

8. This affidavit provides an overview of these activities as a supplement to the Fourth Calyniuk Affidavit to further support the Companies' application for an additional extension of the stay period and additional DIP financing.

II. 825 LAND UPDATE

9. Since the Fourth Extension, 825, its legal counsel, and North Ridge have continued the previously established practice of providing email updates to, as well as participating in conference calls with, Firm Capital and its legal counsel, who also represents Pa in these proceedings, where appropriate or otherwise requested by these stakeholders. Unlike the application for the Fourth Extension, the parties have come to terms on a further extension of the June 13, 2016 Forbearance Agreement until the earlier of June 29, 2018 or termination of the stay of proceedings against the Companies.

10. As explained in the Fourth Calyniuk Affidavit, an important milestone has been achieved on the 825 front, with the completion of Dream's sanitary study and the City's agreement to consider the results, which evidence that there is sufficient current capacity in the Sanitary System to accommodate the next phase of the Willows development. Assuming the Amended Willows Concept Plan is approved, this will include the 825 Land, but the estimated timeline to have the matter before City council for determination has not changed.

11. As before, Dream is still targeting the first or second quarter of 2018, such that an extension of the stay period remains a necessity in order to reach the next stage of the 825 Land development process. The advancement of the Amended Willows Concept Plan to this target date remains in the control of the lead developer, Dream. The professional advice received from North Ridge is that the more immediate concern from 825's perspective is the determination of Dream's proposed parcel density for its multi-family sites, which will in turn determine the extent of the Sanitary System's existing capacity that may be available for 825, as well as whether an upgrade is necessary or desirable.

12. For these reasons (and the additional reasons described below), the Companies are seeking an extension of the stay period to June 18, 2018, as reflected in the 27 week cash flow projections appended to the Seventh Report of the Monitor.

III. THE ORR CENTRE AND CAMPUS

A. Overview

13. The Fourth Calyniuk Affidavit explains the progression of the previously adopted two-pronged strategy to improve the overall value of the Campus and Orr Centre subsequent to the Fourth Extension. By way of supplement, what follows will provide an update to this Honourable Court on:

- (a) the departure of 33330's longtime employee who was to assume the role of Orr Centre Building Operator (as that term is defined below); and
- (b) the transition of the Orr Centre's day-to-day management from 33330 to Colliers.

14. 33330's focus remains on continuing to improve the Orr Centre facilities and cash flows in accordance with the advice and direction received from North Ridge.

B. The Orr Centre Building Operator

15. As explained in paragraph 17 of the Fifth Orr Affidavit, the Property Management Agreement with Colliers was drafted with a view to potentially avoiding the costs of both a Colliers property manager and building operator. At the time, 33330 still had a fulltime employee responsible for onsite building operation and who was proposed to act as the Orr Centre Building Operator under Colliers' direction moving forward.

16. It was originally contemplated that the Orr Centre Building Operator would resign from his employment and instead enter into an independent contractor agreement with 33330 to provide these services to the Orr Centre. Colliers, on the other hand, would still provide senior level supervision, training, and direction to the Orr Centre Building Operator, as well as the following additional services to 33330:

- (a) accounting services, such as bank reconciliations, rent collection, monthly financials, and monthly payables; and
- (b) general administration services, such as communicating with tenants, providing notices, lease preparation updates, and coordinating contractors onsite.

17. The estimated costs of the Orr Centre Building Operator were included in the Companies' cash flows in anticipation of concluding an agreement; however, the Orr Centre Building Operator ultimately refused the arrangement and resigned, citing dissatisfaction with aspects of the proposed scope of work. The departure of this longtime employee left 33330 with no one to fulfill the building operator role, and with a number of matters requiring immediate attention onsite, 33330 needed Colliers to provide its own building operator at an increased cost.

18. As noted in paragraph 20 of the Fifth Orr Affidavit, the Orr Centre's fulltime groundskeeper was initially terminated in anticipation of his scope of work being subcontracted as contemplated by the Property Management Agreement. In an effort to offset the increased costs of Colliers' building manager, this employee was re-hired

pursuant to a written employment contract with a defined scope of work encompassing essentially all of the Orr Centre's day-to-day janitorial and grounds-keeping at a reasonable wage.

C. The Management Transition

19. The retention of Colliers has been an extremely positive development for both the Orr Centre and the tenants; however, as one would expect, the transition of the day-to-day management of the Orr Centre was not without growing pains. Put simply, the Orr Centre is a unique property with a variety of different tenants, and managing the issues arising from the age of the facilities and disrepair occasioned by 33330's previous cash flow problems presents challenges.

20. In an effort to assist Colliers in becoming familiar with the property and to address immediate concerns on an expedited basis, weekly conference calls with a formal agenda were instituted. This process continued through the summer and into the fall, and allowed the parties to effectively troubleshoot problems as they arose, as well as price and implement the initiatives outlined in paragraph 32 of the Fourth Calyniuk Affidavit.

21. As a result of these efforts, the day-to-day management of the Orr Centre has significantly improved, with the primary tenant issue since the Fourth Extension being SALPN having instructed its legal counsel to serve correspondence on Colliers purporting to terminate SALPN's lease agreement effective December 31, 2017. Without prejudice discussions ensued between legal counsel resulting in a surrender of the space on mutually agreeable terms.

22. With the previously recommended repairs to the SALPN space complete to address the temperature, odour, and water issues noted in the Third Calyniuk Affidavit, the SALPN space is one of the Orr Centre's more attractive units, and 33330 hopes to re-let the same as early as possible in the New Year.

IV. ADDITIONAL TIME AND DIP REQUIRED

23. As with the 825 Land, the timeline for having the Campus' rezoning application before the City of Regina council has not changed since the Fourth Extension. The professional advice received from North Ridge remains that, absent any unforeseen problems, the approval will be sought at a council meeting in February or March of 2018. More time is therefore needed to allow this matter to proceed.

24. The Companies are therefore respectfully requesting the stay of proceedings be extended to June 17, 2018, which it is anticipated will allow the Companies additional time to:

- (a) have both the Amended Willows Concept Plan and Campus rezoning application to come before the relevant municipal authorities for final consideration;
- (b) meet with Affinity and its legal counsel in the New Year to formulate a strategy for the marketing and sale of the Campus and Orr Centre, which will dictate the next steps in the restructuring process, including the timing and structure of the eventual plan of arrangement and compromise;
- (c) consider strategies for the role the 825 Land will ultimately play in the Companies' plan of arrangement and compromise (e.g., whether to market and sell the land along with the Campus versus available refinancing options); and
- (d) to demolish the Dorms in the spring of 2018 (provided that is the preferred course of action at that time based on future discussions with the stakeholders).

25. As shown in the 27 week cash flows, the Companies are estimating a deficiency of \$1,183,275.00 by June 17, 2018. Of this total amount:

- (a) \$400,000.00 is attributable to the anticipated costs of demolishing the Dorms;
- (b) \$50,000.00 has been reserved for unanticipated repairs and ongoing maintenance for the Orr Centre's HVAC equipment; and

- (c) \$54,900.00 has been reserved for renovations and repairs to the Orr Centre facilities.

26. The Companies are respectfully requesting authorization to borrow additional funds pursuant to a new DIP facility in the amount of \$3.8 million (the “**New DIP Facility**”) with:

- (a) \$2.5 million being used to repay the existing DIP Facility and Secondary DIP Facility; and
- (b) \$1.3 million to fund restructuring operations during the six month extension period.

27. The \$1.3 million advance has been structured in two tranches:

- (a) a first tranche of \$800,000.00 to fund ongoing operations and restructuring efforts during the stay period; and
- (b) a second tranche of up to \$500,000.00, which can be drawn down at any time prior to June 30, 2018, should the Companies decide to proceed with the demolition of the Dorms in the spring.

28. At the Companies’ direction, a term sheet was prepared for the proposed New DIP facility based on the terms proposed by the current DIP Lender, Staheli Construction Co. (“**Staheli**”). A copy of this term sheet executed by Staheli is attached as **Exhibit “A.”** The Companies intend present an executed term sheet to this Honourable Court at the hearing of this matter, as there has been discussions with Affinity with respect to that entity potentially presenting its own term sheet for the Companies’ consideration.

V. RELIEF REQUESTED

29. The Companies are therefore seeking an extension of the current stay of proceedings until June 17, 2018, and a \$1.3 million increase to the DIP Charge.


30. I 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 15th day of December,)
2017.)



A COMMISSIONER FOR OATHS for
Saskatchewan - Being a Solicitor.

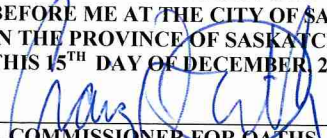


JOHN ORR

CONTACT INFORMATION AND ADDRESS FOR SERVICE:

Name of firm:	McDougall Gauley LLP
Name of lawyer in charge of file:	Ian A. Sutherland / Craig Frith
Address of legal firm:	500-616 Main Street Saskatoon, SK S7H 0J6
Telephone / Fax number:	(306) 665-5417 / (306) 652-1323
Email address:	isutherland@mcdougallgauley.com cfrith@mcdougallgauley.com

THIS IS EXHIBIT "A" REFERRED TO IN
THE AFFIDAVIT OF JOHN ORR
BEFORE ME AT THE CITY OF SASKATOON,
IN THE PROVINCE OF SASKATCHEWAN
THIS 15TH DAY OF DECEMBER, 2017.


A COMMISSIONER FOR OATHS
FOR THE PROVINCE OF SASKATCHEWAN
BEING A SOLICITOR

December 15, 2017

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

Attention: Ian A. Sutherland, McDougall Gauley LLP, Counsel for the Borrower

Re: Term Sheet – Debtor in Possession Facility for 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd.

You have advised us that 101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd. (collectively, the "**Borrowers**") intend to apply to the Court of Queen's Bench for Saskatchewan, Judicial Centre of Saskatoon for an extension of \$2,500,000 in existing DIP financing plus an additional \$1,300,000 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 with the financing described herein during the CCAA proceeding, subject to the terms and conditions of this Commitment Letter.

BORROWERS:	101133330 Saskatchewan Ltd. and 101149825 Saskatchewan Ltd.
PURPOSE OF FINANCING:	To consolidate previous DIP Facilities of CAD \$2,000,000 And Secondary DIP Facility of CAD \$500,000 Plus additional DIP financing of CAD <u>\$1,300,000</u> Total DIP Facility CAD \$3,800,000
INTEREST:	1.05% per month (12.60% per annum) compounded monthly calculated on the daily balance outstanding under the DIP Facility.
PROPOSED FUNDING:	The first tranche of the additional DIP financing in of a minimum amount of CAD\$800,000 with the second tranche of CAD \$500,000 at any time prior to the maturity of this DIP facility.
TERM:	The entire DIP Facility plus interest is due in full June 30, 2018, subject to renewal on mutually-satisfactory terms.
PAYMENT:	Interest only payments payable on the 1 st of each month with the entire principal and interest 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 without notice, bonus or penalty.

DOCUMENTATION AND SECURITY:

The Borrowers 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 First priority court ordered charge on all of the existing and after-acquired real and personal property, assets, and undertakings of the Borrowers that is subject only to:

- (a) the Administration Charge granted by the Court up to maximum amount of \$150,000;
- (b) 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 Administration Charge, the mortgage in favour of Firm Capital Mortgage Fund Inc. registered as Interest Register No. 121088167, the mortgage in favour of Frank Pa registered as Interest Register No. 121113155,

2. 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 Borrowers.

ONGOING COVENANTS:

The Borrowers shall pay when due all statutory liens, trust and other Crown claims including employee source deductions, GST, PST, EHT, WEPPA and WSIB premiums arising from and after the date of the first CCAA Order.

Borrowers to provide monthly reporting to the Lender and an Endorsement of adequate insurance with a first loss payable to The Lender.

CONDITIONS:

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

1. Acceptance by the Borrowers of this Commitment Letter;
2. The Borrowers obtaining an Order in form and content satisfactory to the Lender and Lender’s Counsel, authorizing the borrowing under the Total DIP Facility;
3. An Order granting a First Charge in favour of the Lender over all existing and after-acquired real and personal property, assets and undertakings of the Borrowers as security for repayment of the Total

DIP Facility, and all interest, fees, expenses and other amounts payable by the Borrowers;

4. Delivery and registration of the security in a form acceptable to the Lender;

5. The Borrowers having paid statutory liens, trust and other Crown Claims including confirmation of paid property taxes on the subject property

FACILITY FEE:

\$49,000 upon acceptance of this DIP Facility Commitment.

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 Secondary DIP Facility and the preparation, execution, delivery, registration and discharge of the security or in the collection of any amount owing under the terms of the Secondary DIP Facility shall be for the account of the Borrowers and may be debited to advances to be made under the terms of the Secondary DIP Facility. Until paid, all such costs and expenses shall bear interest at the rate described under the Interest Rate section of this Agreement.

ACCEPTANCE:

This Commitment Letter must be accepted by the Borrowers by January 19, 2018 after which this commitment before null and void.

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: