

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.

**NOTICE OF APPLICATION**  
**(Second Extension and DIP Facility #2)**

**NOTICE TO RESPONDENTS: All parties listed on the attached Service List**

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  
Judicial Centre of Saskatoon  
520 Spadina Crescent East

**Date:**                August 17, 2016

**Time:**               1:30 pm

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

**Remedy claimed or sought:**

1.      The Applicants seek an order pursuant to the *Companies' Creditors Agreement Act*, R.S.C. 1985 c. C-36, as amended (the "**CCAA**"):
  - (a)    deeming service of this notice of application and materials in support thereof good, valid, timely and sufficient;

- (b) providing that the Initial Order, the stay of proceedings in favour of the Applicants contained in the Initial Order and the period of time within which the Applicants shall be permitted to file one or more plans of compromise or arrangement with one or more classes of their creditors shall be and are hereby extended to and including 11:59 p.m. (Saskatchewan Time) on Sunday, January 1, 2017;
- (c) providing that the Pre-Filing Report of the Monitor dated May 12, 2016, the First Report of the Monitor dated June 8, 2016, and the Second Report of the Monitor dated August 12, 2016, and the activities described therein, are approved;
- (d) authorizing and empowering the Applicants to enter into an agreement with Staheli Construction Co. Ltd. (the "**DIP Lender**") on the terms and conditions referenced in the term sheet appended as Exhibit "A" to the Confidential Supplementary Affidavit of John Orr dated August 12, 2016 (the "**Commitment Letter**"), and to take all such steps as are necessary to comply with the said agreement, including, among other things, granting the security outlined therein;
- (e) directing that the Confidential Supplementary Affidavit of John Orr sworn August 12, 2016, shall be sealed, *nunc pro tunc* the date of filing, and shall not be opened by any person other than a Justice of the Court of Queen's Bench for Saskatchewan without further Order of this Court;
- (f) authorizing and directing the Applicants to repay all indebtedness owing to Pillar Capital Corp. pursuant to the DIP Facility Order of the Honourable Mr. Justice N.G. Gabrielson dated May 20, 2016 ("**DIP Facility #1**"), upon payment of which indebtedness, all liability and obligations of the Applicants in regard to DIP Facility #1 shall be deemed to be satisfied; and
- (g) granting such other and further relief as the circumstances may require and this Honourable Court deems appropriate.

2. In addition, the Applicants seek an order pursuant to Rule 13-7(2) abridging the time for service of this Notice of Application and all materials filed in support of such application.

**Grounds for making this application:**

3. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Initial Order, Affidavit of John Orr sworn on May 12, 2016, the Affidavit of John Orr sworn June 6, 2016, the Affidavit of John Orr sworn on August 12, 2016, and the Affidavit of David Calyniuk sworn August 12, 2016, respectively.

4. Each of the Applicants is a "Debtor Company" to which the CCAA applies and in respect of which the Initial Order has been granted.

5. The stay of proceedings granted by the Initial Order was extended by the Order of the Honourable Mr. Justice G.A. Meschishnick dated June 13, 2016 (the "**First Extension Order**"), and expires on Wednesday, August 31, 2016, at 11:59 p.m. Saskatchewan time.

6. Since the granting of the Initial Order on May 20, 2016, the Applicants have continued to carry on business in the ordinary course, except insofar as affected by the Initial Order, and have been acting and are acting diligently and in good faith in the conduct of their business and towards the development of a plan of arrangement to restructure their business and financial affairs in a manner designed to achieve the best possible results for the Applicants and their stakeholders.

7. Since the granting of the First Extension Order, the Applicants have, among other things, conducted the following activities diligently and in good faith, namely:

- (a) have fully drawn down the debtor-in-possession financing loan and have secured further debtor-in-possession financing;
- (b) worked diligently to prevent any material changes to the Applicants' cash flows and other circumstances from occurring;

- (c) worked to reduce expenses in relation to the Orr Centre, controlled by the Applicant 101133330 Saskatchewan Ltd.;
- (d) worked to resolve a number of HVAC and roofing issues with the Orr Centre to prepare the building for the upcoming winter and address stakeholder concerns;
- (e) worked to increase revenues in relation to the Orr Centre, including through the planned retention of a property management consultant (to perform the services more particularly described in the Affidavit of John Orr) and ongoing discussions with a seniors' housing provider in Regina regarding a potential long-term lease;
- (f) retained professional land developer, North Ridge Developments Inc., to act as 825's consultant in navigating the development process for the 825 Lands; and
- (g) continued to work with North Ridge to further develop the 825 Lands.

8. An extension of the stay of proceedings to January 1, 2017, is necessary to enable the Applicants to continue their restructuring efforts, including to allow the Monitor and the Applicants to continue communicating and working with the various professional advisors and stakeholders of the Applicants in order to develop and present a plan of compromise and arrangement.

9. If the requested extension is granted, the Applicants will be able to continue to operate and to formulate a plan of arrangement whereby their creditors and other stakeholders will derive greater benefit than they would through the immediate liquidation of the assets of the Applicants.

10. The most recent cash flow projections for the Applicants are appended to the Second Report of the Monitor. As detailed therein, the Applicants require additional debtor in possession financing ("**DIP Financing**") in order to repay the prior DIP lender,

Pillar Capital Corp., move forward with the development of the 825 Lands and complete improvements to the Orr Centre.

11. The Applicants have secured a commitment for DIP Financing in the amount of \$1,000,000.00 from Staheli Construction Co. Ltd. (the "**Proposed DIP Lender**"), to be advanced by the Proposed DIP Lender to the Applicants on the terms contained in the commitment letter (the "**Commitment Letter**") attached as Exhibit "A" to the Confidential Supplementary Affidavit of John Orr. The Applicants respectfully submit that the benefits of accepting the financing arrangement outlined in the Commitment Letter outweigh any potential prejudice to the creditors.

12. The secured creditors likely to be affected by this application have received notice of the same.

13. It may be necessary in the course of these proceedings to obtain new or further DIP financing. In order that the negotiation of the terms of any such future financing is not compromised by disclosure of the present financing terms (including interest rate and fees), it is necessary and appropriate that the Confidential Affidavit of John Orr be sealed until further order of the court.

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

- (a) this Notice of Application;
- (b) the Affidavit of John Orr sworn August 12, 2016;
- (c) the Affidavit of David Calyniuk sworn August 12, 2016;
- (d) Confidential Supplementary Affidavit of John Orr dated August 12, 2016;
- (e) the Second Report of the Monitor;
- (f) a Brief of Law;

- (g) a draft Order; and
- (h) such further and other material as counsel may advise and this Honourable Court may permit.

**Applicable rules:**

14. The Applicants rely on Rule 13-7(2).

**Applicable Acts and Regulations:**

15. The Applicants rely on the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and, in particular, sections 11 and 11.02(2) and (3).

**NOTICE**

If you wish to oppose the application, you or your lawyer must prepare an affidavit in response, serve a copy at the address for service given at the end of this document, and file it in the court office, with proof of service, at least 7 days before the date set for hearing the application. You or your lawyer must also come to court for the hearing of the application on the date set.

AND FURTHER TAKE NOTICE that if you do not appear at the hearing an order may be made in your absence and enforced against you. YOU WILL NOT RECEIVE FURTHER NOTICE OF THIS APPLICATION.

Dated at the City of Saskatoon, in the Province of Saskatchewan this 12<sup>th</sup> day of August, 2016.

**McDOUGALL GAULEY LLP**

Per: 

Solicitors for the applicants,  
101133330 Saskatchewan Ltd., and  
101149825 Saskatchewan Ltd.

## **CONTACT INFORMATION AND ADDRESS FOR SERVICE**

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