



COURT FILE NO. 1403 01612

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE EDMONTON

PLAINTIFF SILVER POINT FINANCE, LLC

DEFENDANTS PARAGON CANADA ALEXIS, ULC;  
ALEXIS/PARAGON LIMITED PARTNERSHIP;  
PARAGON TAMARACK ALEXIS GENERAL PARTNERSHIP; and  
PARAGON ALEXIS HOLDINGS, INC.

DOCUMENT STATEMENT OF CLAIM

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	McLENNAN ROSS LLP #600 West Chambers 12220 Stony Plain Road Edmonton, AB T5N 3Y4	Lawyer: Charles P. Russell, Q.C. Telephone: (780) 482-9115 Fax: (780) 482-9102 Email: crussell@mross.com
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#### NOTICE TO DEFENDANTS

You are being sued. You are a Defendant.

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

#### STATEMENT OF FACTS RELIED ON

1. The Plaintiff, Silver Point Finance, LLC ("**Silver Point**"), is a Delaware limited liability company and has its principal place of business in Greenwich, Connecticut.
2. The Defendant Paragon Canada Alexis, ULC ("**PCA**") is an unlimited liability corporation incorporated pursuant to the laws of Nova Scotia and has its head office in Edmonton, Alberta.

3. The Defendant Alexis/Paragon Limited Partnership ("**APLP**") is a limited partnership formed pursuant to the laws of Alberta and has its head office in Edmonton, Alberta. PCA is the general partner of APLP.

4. The Defendant Paragon Tamarack Alexis General Partnership ("**PTA**") is a partnership formed pursuant to the laws of Alberta and has its head office in Edmonton, Alberta. PTA is the beneficial owner of a 40 percent interest in APLP, which is held by PCA as agent for PTA.

5. The Defendant Paragon Alexis Holdings, Inc. ("**PAHI**") is incorporated pursuant to the laws of the State of Nevada and has its office in Las Vegas, Nevada.

6. PCA, APLP, PTA, and PAHI are collectively referred to herein as the "**Debtors**".

7. The Debtors, together with certain entities controlled by the Alexis Nakota Sioux Nation (the "**Nation**"), own and operate the Eagle River Casino and Travel Plaza (the "**Eagle River Project**"). The Eagle River Project is located northwest of the town of Whitecourt, Alberta on the First Nations reserve lands of the Nation.

8. The Eagle River Project consists of the following major components:

- (a) a restaurant and lounge operated as Timbers Bar & Grill;
- (b) a full service travel centre which includes a convenience store and a gas bar with gasoline and diesel fuel islands;
- (c) a conference facility, including the Whistling Eagle Conference Room and surrounding lobby, which is used for business conferences, company meetings, and other events;

- (d) the Eagle River Casino, which features 250 slot machines, table games such as blackjack, poker and roulette, and off-track betting;
- (e) a hotel pad, which is an area that has been prepared for the possible construction of a hotel on the Eagle River Project site; and
- (f) a waste water lagoon and treatment facility.

9. The Eagle River Casino forms an integral part of the Eagle River Project. The Eagle River Casino is a designated First Nations Casino pursuant to the Alberta First Nations Gaming Policy and the casino terms and conditions of the Alberta Gaming and Liquor Commission. The license required to operate a designated First Nations Casino (the “**Casino Facility License**”) is held by Alexis Casino Limited Partnership (“**ACLP**”) and the license required to operate the Eagle River Casino (the “**Casino License**”) is held by the Northern Isga Foundation (the “**Isga Foundation**”). Both ACLP and the Isga Foundation are wholly owned and controlled, directly or indirectly, by the Nation.

10. Substantially all of the assets related to the Eagle River Project other than the Casino Facility License and the Casino License are owned, directly or indirectly, by the Debtors. The Defendant, PCA, also manages the day-to-day operations of the Eagle River Casino pursuant to a Casino Management Agreement.

11. PCA borrowed funds from Silver Point (the “**Credit Facility**”) pursuant to a credit agreement dated September 11, 2007, as amended (the “**Credit Agreement**”), between and among PCA, as borrower, APLP, PTA, and PAHI, as guarantors, and Silver Point as administrative agent, collateral agent (in such capacity, the “**Collateral Agent**”) and lead

arranger. The funds advanced by Silver Point were used by the Debtors to develop the Eagle River Project.

12. All obligations under the Credit Facility became due on September 12, 2012, the final maturity date of the Credit Facility, and such amounts remain unpaid. As of December 31, 2013, the total amount owing pursuant to the Credit Agreement, inclusive of principal and interest but exclusive of legal expenses and other fees, costs and charges, is \$81,607,424.59. The amounts owing by the Debtors in respect of the Credit Facility are referred to herein collectively as the **"Indebtedness"**.

13. PCA is the borrower of the Indebtedness pursuant to the Credit Agreement. APLP and PTA are guarantors of the Indebtedness pursuant to the Credit Agreement and a Guaranty dated September 11, 2007 granted in favour of the Collateral Agent. PAHI is a guarantor of the Indebtedness pursuant to the Credit Agreement and a limited recourse guarantee dated September 11, 2007 granted in favour of the Collateral Agent.

14. PCA, APLP and PTA granted the Collateral Agent a first-ranking security interest in all of their existing and after-acquired assets, property, and undertaking, each pursuant to a General Security Agreement dated as of September 11, 2007. The Collateral Agent also holds the following security in respect of the assets and property of the Debtors (together with the security interests granted pursuant to the General Security Agreements, the **"Security"**):

- (a) a first-ranking security interest in all of APLP's right, title, estate and interest in and to the Charged Premises, as such term is defined, pursuant to a debenture dated September 11, 2007 made in favour of the Collateral Agent;

- (b) pursuant to a Specific Assignment of Casino Sublease dated September 11, 2007, all of APLP's right, title, estate and interest in and to the Casino Facility Sublease, a sublease which governs the use of the land on which the Eagle River Project is located;
- (c) a Pledge Agreement dated September 11, 2007, pursuant to which PAHI pledged to the Collateral Agent all of its shares, then-existing or after acquired, in the capital of PCA; and
- (d) pursuant to a Collateral Assignment Agreement dated September 11, 2007, the right to assume all of the rights and obligations of PCA and APLP under certain agreements relating to the operation of the Eagle River Project.

15. All of the Indebtedness is secured by the Security, and all of the Security has been validly registered in accordance with the laws of Alberta.

16. PCA has committed a number of events of default under the Credit Agreement, including, without limitation, a failure to satisfy the Interest Coverage Ratio, the Fixed Charge Coverage Ratio, and the Leverage Ratio (as such terms are defined in the Credit Agreement), failing to make interest payments when and as due, and failing to repay all amounts due under the Credit Facility when it matured on September 12, 2012.

17. The Indebtedness became due and payable to Silver Point in full on September 12, 2012. All such amounts remain overdue and unpaid.

18. The Collateral Agent has demanded that the Debtors make immediate payment in full of all Indebtedness owing under the Credit Agreement. The Indebtedness in the amount of

\$81,607,424.59, inclusive of principal and interest but exclusive of legal expenses and other fees, costs and charges, remains overdue and unpaid.

19. On December 19, 2013, the Debtors declared themselves to be insolvent and filed Notices of Intention to make a proposal pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended.

20. Silver Point is entitled to the immediate repayment in full of all of the Indebtedness.

### **REMEDY SOUGHT**

21. The Plaintiff seeks the following remedies:

- (a) a declaration that the Credit Agreement and the Indebtedness thereunder are valid, binding, and fully enforceable against the Debtors;
- (b) a declaration that the Debtors are jointly and severally indebted to Silver Point in the amount of \$81,607,424.59 (inclusive of principal and interest through December 31, 2013) plus all applicable legal expenses and other fees, costs and charges in respect of the Indebtedness;
- (c) a judgement against the Debtors in the amount of \$81,607,424.59 (inclusive of principal and interest through December 31, 2013) plus all applicable legal expenses and other fees, costs and charges in respect of the Indebtedness;
- (d) in the alternative to relief under the paragraphs 21(b) and 21(c), damages against the Debtors in the amount of \$81,607,424.59 (inclusive of principal and interest

through December 31, 2013) plus all applicable legal expenses and other fees, costs and charges in respect of the Indebtedness;

- (e) pre-judgment and post-judgment interest as against the Debtors in respect of the Indebtedness at the rate of interest specified in the Credit Agreement, being the Prime Rate (with a floor of 4.00%) plus 14.10 percent;
- (f) in the alternative to the relief under paragraph 21(e), pre-judgment and post-judgment interest as against the Debtors in respect of the Indebtedness at the rates prescribed by the *Judgment Interest Act*, R.S.A., 2000, c. J-1;
- (g) the appointment of a receiver and manager of all the property, assets and undertaking of PCA, APLP, and PTA;
- (h) Silver Point's costs of this action, including the costs of any receivership, on a solicitor client or full indemnity basis; and
- (i) such further and other relief as this Honourable Court may deem just.

**NOTICE TO THE DEFENDANTS**

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta;

1 month if you are served outside Alberta but in Canada; or

2 months if you are served outside Canada.

You can respond by filing a Statement of Defence or a Demand for Notice in the office of the clerk of the Court of Queen's Bench at Edmonton, Alberta, AND serving your Statement of Defence or a Demand for Notice on the Plaintiff's address for service.

**WARNING**

If you do not file and serve a Statement of Defence or a Demand for Notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a Court may give a judgment to the Plaintiff against you.