



COURT FILE NUMBER 1701-02184
COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE

CALGARY

PLAINTIFF

ALBERTA TREASURY BRANCHES

DEFENDANT

DOLOMITE ENERGY INC.

DOCUMENT

APPLICATION

ADDRESS FOR SERVICE AND CONTACT
INFORMATION OF PARTY FILING THIS
DOCUMENT

Dentons Canada LLP
Bankers Court
15th Floor, 850 - 2nd Street S.W.
Calgary, Alberta T2P 0R8
Attention: Derek Pontin
Ph. (403) 268-6301 Fx. (403) 268-3100
File No.: 016026-1194

NOTICE TO RESPONDENT: DOLOMITE ENERGY INC.

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Judge.

To do so, you must be in Court when the application is heard as shown below:

Date: February 13, 2017
Time: 3:00 p.m.
Where: Calgary Courts Centre
601 5th St SW
Calgary, AB T2P 5P7

Before Whom: The Honourable Madam Justice G.A. Campbell

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

Remedy Claimed or Sought:

1. Alberta Treasury Branches ("**ATB**") respectfully seeks an Order:
 - (a) abridging the time for service of this application and deeming service good and sufficient, if necessary;

- (b) appointing Alvarez & Marsal Canada Inc. ("**A&M**"), as receiver and manager (the "**Receiver**") without security, of all of the assets, undertakings and property of Dolomite Energy Inc. ("**Dolomite**" or the "**Debtor**") pursuant to Section 243 (1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), Section 13 (2) of the *Judicature Act* (Alberta), Section 99(a) of the *Business Corporations Act* (Alberta), and Section 65(7) of the *Personal Property Security Act* (Alberta); and
- (c) such further and other relief as counsel may advise and this Honourable Court deems just.

Grounds for Making this Application:

- 2. On April 27, 2015 ATB extended a term credit facility to Dolomite pursuant to a Commitment Letter, as amended (the "**Loan Agreement**").

Pursuant to the Loan Agreement, ATB extended two credit facilities to Dolomite, in the aggregate amount of \$11,000,000, plus a Letter of Credit in the amount of \$122,500 (the "**Loan**").

- 3. The Loan matured on November 30, 2016 and has not been repaid. Dolomite is in default of its obligations to ATB under the Loan Agreement.
- 4. To secure the repayment of the Loan (and all related indebtedness of Dolomite to ATB), Dolomite executed and delivered to ATB various security, including:
 - (a) a general security agreement, dated May 16, 2011, as amended by the following:
 - (i) an amending agreement (general security agreement), dated April 13, 2015; and
 - (ii) an amending agreement #2 (general security agreement), dated December 1, 2015.

(collectively, the "**Security**").

- 5. As of February 10, 2017, the principal amount owing under the Loan is \$11,016,977.82, plus all accrued and accruing interest, expenses, and costs at the rates and upon the terms set out in the Loan Agreement and Security, including all legal costs on a solicitor and own client, full indemnity basis (the "**Indebtedness**").
- 6. The Indebtedness is secured by the Security.
- 7. ATB, through its legal counsel, demanded repayment of the Indebtedness from Dolomite (the "**Demand**") and delivered to Dolomite a notice of intention to enforce security pursuant to section 244(1) of BIA (the "**NOI**").

8. Notwithstanding receipt of the Demand and NOI, Dolomite has failed to repay the Indebtedness.
9. Dolomite is insolvent, as is its parent company, Virginia Hills Oil Corp ("VHO"). ATB is aware that VHO's senior secured lender (a syndicate led by The Bank of Nova Scotia ("BNS") as agent) is concurrently seeking the appointment of the Receiver over the assets, undertakings and property of ("VHO"), the sole shareholder of Dolomite.
10. For convenience, efficiency and cost saving, ATB wishes to coordinate the receivership of Dolomite with the receivership of VHO, such that a single receivership order should follow. A combined receivership proceeding with respect to Dolomite and VHO will be the most expedient and efficient process to address the assets and liabilities of both companies and the orderly solicitation of a sale of the assets of both Dolomite and VHO.
11. Dolomite has indicated it will consent to the early enforcement of the Security by ATB and the appointment of the Receiver over the property, assets and undertaking of Dolomite.
12. The immediate appointment of the Receiver is necessary to protect and preserve ATB's interests at this time and to recover the Indebtedness.
13. It is just and convenient to appoint the Receiver over Dolomite without delay.
14. A&M has consented to act as the Receiver of Dolomite.
15. Such further and other grounds as counsel may advise and this Honourable Court may permit.

Material or Evidence to be Relied on:

16. The Affidavit of Richard Miller, sworn February 10, 2017.
17. The Affidavit of Rosie Cooney, sworn February 13, 2017.
18. The inherent jurisdiction of this Honourable Court.
19. All pleadings and proceedings herein.

Applicable Rules:

20. Rules 1.3, 1.4, 3.72, 6.3, 6.9(1)(a), 11.27 and 13.5(2) of the *Alberta Rules of Court*.

Applicable Acts and Regulations:

21. *Bankruptcy and Insolvency Act* (Canada), RSC 1985, c B-3.

22. *Judicature Act (Alberta)*, RSA 200, c J-2.
23. *Business Corporations Act (Alberta)*, RSA 2000, c B-9.
24. *Personal Property Security Act (Alberta)*, RSA 2000, c P-7.

How the Application is Proposed to be Heard or Considered:

25. Personally before the Honourable Madam Justice G.A. Campbell in Chambers.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and time shown at the beginning of the form. If you intend to rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.