

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**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
GRAFTON-FRASER INC.**

(the "Applicant")

**MOTION RECORD OF THE APPLICANT
(Re Approval of Stalking Horse Agreement, SISP & Liquidation Consulting Agreement)
Returnable January 30, 2017)**

January 25, 2017

FASKEN MARTINEAU DuMOULIN LLP

Barristers and Solicitors
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto, ON M5H 2T6

Stuart Brotman (LSUC 43430D)

Tel: 416 865 5419
Email: sbrotman@fasken.com

Dylan Chochla (LSUC 62137I)

Tel: 416 868 3425
Email: dchochla@fasken.com
Fax: 416 364 7813

Lawyers for the Applicant

To: The Attached Service List

SERVICE LIST
(as of January 25, 2017)

GENERAL:	
TO:	<p>FASKEN MARTINEAU DuMOULIN LLP Bay Adelaide Centre 333 Bay Street, Suite 2400 P.O. Box 20 Toronto, ON M5H 2T6</p> <p>Stuart Brotman/ Natasha De Cicco/ Dylan Chochla Tel : 416.865.5419/ 416.868.7856/ 416.868.3425 Fax : 416.364.7813 E-mail : sbrotman@fasken.com/ ndecicco@fasken.com/ dchochla@fasken.com</p> <p><i>Lawyers for the Applicant</i></p>
AND TO:	<p>LAX O'SULLIVAN LISUS GOTTLIEB LLP 145 King Street West Suite 2750 Toronto, ON M5H 1J8</p> <p>Mathew Gottlieb/ Andrew Winton Tel: 416.598.1744 Email: mgottlieb@counsel-toronto.com/ awinton@counsel-toronto.com</p> <p><i>Lawyers for the Board of Directors of the Applicant</i></p>
AND TO:	<p>CASSELS BROCK & BLACKWELL LLP Scotia Plaza 40 King Street West, Suite 2100 Toronto, ON M5H 3C2</p> <p>Jane Dietrich/ Monique Sassi Tel: 416.860.5223/ 416.860.6886 Fax: 416.640.3144 E-mail: jdietrich@casselsbrock.com/ msassi@casselsbrock.com</p> <p><i>Lawyers for Richter Advisory Group Inc., in its capacity as Court-Appointed Monitor of the Applicant</i></p>
AND TO:	<p>RICHTER ADVISORY GROUP INC. 1981, McGill College Montreal, QUE H3A 0G6</p> <p>Gilles Benchaya/ Adam Sherman</p>

	<p>Tel: 514.934.3496/ 416.488.2345 E-mail: gbenchaya@richterconsulting.com/ asherman@richter.ca</p> <p><i>Court-Appointed Monitor</i></p>
AND TO:	<p>NORTON ROSE FULBRIGHT CANADA LLP Royal Bank Plaza, South Tower 200 Bay Street, Suite 3800 P.O. Box 84 Toronto, ON M5J 2Z4</p> <p>Evan Cobb Tel: 416.216.1929 Fax: 416.216.3930 E-mail: evan.cobb@nortonrosefulbright.com</p> <p><i>Lawyers for the Canadian Imperial Bank of Commerce</i></p>
AND TO:	<p>DAVIES WARD PHILLIPS & VINEBERG LLP 155 Wellington Street West, 40th Floor Toronto, ON M5V 3J7</p> <p>Robin B. Schwill/ Natalie Renner Tel: 416.863.5502/ 416.367.7489 E-mail: rschwill@dwpv.com/ nrenner@dwpv.com</p> <p><i>Lawyers for GSO Capital Partners, LP (the Proposed DIP Lender and Stalking Horse Bidder)</i></p>
AND TO:	<p>OSLER, HOSKIN & HARCOURT LLP 1000 rue De La Gauchetière Ouest Bureau 2100 Montréal, QC H3B 4W5</p> <p>Sandra Abitan Tel: 514.904.5648 Email: sabitan@osler.com</p> <p><i>Lawyers for a joint venture composed of Gordon Brothers Canada ULC and Merchant Retail Solutions ULC</i></p>
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AND TO:	<p>73420 MANITOBA LTD. c/o Shindico Realty Inc. 1355 Taylor Avenue, Unit 200 Winnipeg, MB R3M 3Y9</p> <p>Tel: 204.474.2000 E-mail: salesreport@shindico.com</p>
AND TO:	<p>20 VIC MANAGEMENT INC. 333-7th Avenue S.W, Suite 900 Calgary, AB T2P 2Z1</p> <p>Tel: 403.441.4909 E-mail: corereception@20VIC.com</p> <p>AND TO:</p> <p>IVANHOE CAMBRIDGE INC. c/o CEC Leaseholds Inc. 95 Wellington Street West, Suite 300 Toronto, ON M5J 2R2 Tel: 416.369.1200 Email: ivanhoe@cambridge.com</p>

AND TO:	CADILLAC FAIRVIEW CORP. Re: Champlain Place 20 Queen St.W., 5 th Floor Toronto, ON M5H 3R4 E-mail: rachelle.leger@cadillacfairview.com
AND TO:	ONTREA INC. Re: Sherway Gardens 20 Queen St.W., 5 th Floor Toronto, ON M5H 3R4 Tel: 416.621.1071 E-mail: tania.cristello@cadillacfairview.com
AND TO:	WESTGATE SHOPPING CENTRE c/o Ronmor Developers Inc. 5920 1A St. S.W., Unit 250 Calgary, AB T2H 0G3 Tel: 403.253.8180 E-mail: accounting@ronmor.ca
AND TO:	IVANHOE CAMBRIDGE INC. Southgate Ctr. Admin. Office 11100-51 Avenue Edmonton, AB T6H 0G3 Tel: 780.435.3721 E-mail: sou.sales@ivanhoecambridge.com
AND TO:	GUTMAN INVESTMENTS LTD c/o Henry M. Gutman 509-70 Avenue S.W. Calgary, AB T2V OP5 E-mail: raucan@aol.com
AND TO:	ROY RAUSER, REAL ESTATE 515 W. Pender St., Suite 236 Vancouver, BC V6B 6H5 Tel: 604.687.8989 E-mail: raucan@aol.com

AND TO:	OXFORD PRO. RETAIL HOLD. INC Re: Southcentre Mall 100 Anderson Rd. S.E., Unit 142 Calgary, AB T2J 3V1 Tel: 403.225.9100 E-mail: BKellough@oxfordproperties.com
AND TO:	ORLANDO CORPORATION Re: Heartland T.C. 6205B Airport Rd, 5 th Flr Mississauga, ON L4V 1E3 Attention: President E-mail: ramdhanl@orlandocorp.com Fax: 905.677.2824
AND TO:	PRIMARIS MANAGEMENT INC. ITF Stone Road 435 Stone Rd, Suite 204 Guelph, ON N1G 2X6 Tel: 519.821.5780 E-mail: GTurner@primariseit.com
AND TO:	GORDON ROAD PROPERTY HOLDINGS INC. 2965 Gordon Rd. Regina, SK S4S 6H7 Tel: 306.584.1910 E-mail: southlandmall@onereit.ca
AND TO:	ONTREA INC. (MARKVILLE) c/o Cadillac Fairview 20 Queen St. W., 5 th Floor Toronto, ON M5H 3R4 Attention: Executive Vice-President, National Property Operations Tel: 905.477.6600 E-mail: lynn.kerr@cadillacfairview.com

AND TO:	ONTARIO PENSION BOARD c/o 20 VIC Management Inc. 5100 Erin Mills Parkway Mississauga, ON L5N 4Z5 Tel: 905.569.1981 ext. 230 E-mail: dramos@20vic.com
AND TO:	SHOPPING CENTRE MANAGER c/o Morguard Investments Limited Parkland Mall, Management Office 4747-67 th St., Unit 410 Red Deer, AB T4N 6H3 Attention: General Manager Tel: 403.343.8997 Fax: 403.340.1885 E-mail: aeby@morguard.com
AND TO:	CROMBIE DEVELOPMENTS LTD. Re: Avalon Mall #200-610 East River Road, New Glasgow, NS B2H 3S2 Tel: 902.755.8100 E-mail: LindaLee.Chambers@crombie.ca
AND TO:	GUILDFORD TOWN CENTRE LP 10355 152 nd St, Suite 2695, Surrey, BC V3R 7C1 Tel: 604.587.4245 E-mail: sales@guildfordtowncentre.com
AND TO:	PRIMARIS MANAGEMENT INC. ITF Dufferin Mall 900 Dufferin St., Unit 217 Toronto, ON M6H 4B1 E-mail: KBinio@primarisreit.com

AND TO:	PRIMARIS MANAGEMENT INC. Re: Tiptop Cataraqui Town Centre 945 Gardiners Road, Kingston, ON K7M 7H4 Tel: 613.389.7950 E-mail: cfobert@primarisreit.com
AND TO:	OPB REALTY INC. c/o 20 VIC Management Inc. 1355 Kingston Rd. Pickering, ON L1V 1B8 E-mail: JCLAYTON@20VIC.COM
AND TO:	713949 ONTARIO LTD. Ottawa Management Office 1200 St. Laurent Blvd., Ottawa, ON K1K 3B8 Tel:613.745.6850 E-mail: stlaurentsales@morguard.com
AND TO:	PRIMARIS MANAGEMENT INC. Re: St. Albert Centre 300-375 St. Albert Rd., St. Albert, AB T8N 3K8 Tel: 403.225.5368 E-mail: SDalrymple@primarisreit.com
AND TO:	RPS ITF-TRINITY COMMON 499 Main Street South, Suite 56 Brampton, ON L6Y 1N7 Tel: 905.459.1337 ext. 236 E-mail: accounting@ronmor.ca
AND TO:	RIOCAN REIT(ONTARIO II) Five Points Shopping Centre 285 Taunton Rd. East, Oshawa, ON L1G 3V2 Tel: 905.436.7723 E-mail: clena@riocan.com

AND TO:	CHARTER ACQUISITION CORP Cornwall Square 1 Waster Street East Cornwall, ON K6H 6M2 Tel:613.938.2118 E-mail: ejodoin@epicrealtypartners.com
AND TO:	CAPITAL CITY SHOPPING CENTRE LIMITED c/o 20 VIC Mgmt .Inc. Billings Bridge Plaza 2277 Riverside Dr., Suite 208, Mississauga, ON L4V 1E3 Tel: 613.733.2595 E-mail: bbpreception@20vic.com
AND TO:	PRIMARIS MANAGEMENT INC. ITF Park Place Mall 501-1st Ave. S, Unit 131, Lethbridge, AB T1J 4L9 Tel: 403.320.0008 E-mail: GBates@primarisreit.com
AND TO:	IVANHOE CAMBRIDGE II INC. 4720 Kingsway, Suite 604, Burnaby, BC V5H 4N2 Tel: 604.438.4700 E-mail: Kory.Frigstad@ivanhoecambridge.com
AND TO:	RMI-ITF-BURLINGTON MALL c/o RioCan Management Inc 777 GUELPH LINE RD. Burlington, ON L7R 3N2 Tel: 905.632.4777 E-mail: ldias@riocan.com

AND TO:	WHITE OAKS MGMNT OFFICE c/o Bentall Kennedy LP 1105 Wellington Rd., London, ON N6E 1V4 Tel: 519.681.0434 ext. 1802 E-mail: slake@bentallkennedy.com
AND TO:	CROMBIE REIT Re: Highland Square 610 East River Rd, Suite 200, New Glasgow, NS B2H 3S2 Tel: 905.755.8100 E-mail: LindaLee.Chambers@crombie.ca
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AND TO:	ORANGEVILLE MALL PROPERTY HOLDINGS INC. 1 Yorkgate Blvd, Suite 210, Toronto, ON M3N 3A1 Tel: 416.739.6968 ext. 23 E-mail: TFoulds@onereit.ca
AND TO:	OXFORD GROUP DIV. OF ORMC 109 th St. & Prince Elizabeth Avenue, Edmonton, AB T5G 3A6 E-mail: kingswayadmin@oxfordproperties.com
AND TO:	GANDER SHOPPING CENTRE LTD. 1 Westmount Square, Suite 1900 Westmount, QC H3Z 2P9 Tel: 514.938.2266 Fax: 514.938.2457 E-mail: Frances@econo-malls.com
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AND TO:	SCARBOROUGH T.C. M.A. 300 Borough Drive, Suite 26, Scarborough, ON M1P 4P5 Tel: 416.296.5490 Email: mkehr@oxfordproperties.com

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AND TO:	OPB REALTY (ST.VITAL) INC. Re: St. Vital Centre 1225 St. Mary's, Unit 86, Winnipeg, MB R2M 5E5 E-mail: jmathieson@20VIC.com
AND TO:	OSHAWA CENTRE HOLDINGS INC. Office Galleria 419 King St. W., Suite 120, Oshawa, ON L1J 2K5 E-mail: Louise.Walterhouse@ivanhoecambridge.com
AND TO:	MORGUARD INVESTMENTS LTD. In Trust for Bramalea City Centre Equities Inc. 25 Peel Centre Dr., Unit 127, Brampton, ON L6T 3R5 E-mail: BCCsales@morguard.com
AND TO:	MIL ITF HOOPP REALTY INC. Northgate Shopping Centre 1500 Fisher St, Suite 200, North Bay, ON P1B 2H3 Tel: 705.472.8110 Fax: 705.472.6685 E-mail: sdell@morguard.com
AND TO:	AVISON YOUNG ITF 2055190 Ontario Inc. 2325 Preston Ave., Unit 68, Saskatoon, SK S7J 2G2 Tel: 306.343.3838 E-mail: carol.wong@avisonyoung.com

AND TO:	WEST EDMONTON MALL PROPERTY INC. P.O. Box 1417, Station M Calgary, AB T2P 2L6 E-mail: wemsales@wem.ca
AND TO:	RIOCAN REIT- (RMI) Re: Northumberland Square 2441 King George Highway, Miramichi, NB E1V 6W2 Tel: 506.773.9417 E-mail: Lmarsh@riocan.com
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AND TO:	PRIMARIS MANAGEMENT INC. ITF Orchard Park 2271 Harvey Ave., Unit 0180, Kelowna, BC V1Y 6H2 Tel: 250.860.3742 E-mail: orchardparksales@primarisreit.com
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AND TO:	PACIFIC CENTRE LEASEHOLDS LIMITED c/o Cadillac Fairview Corp. 20 Queen St. West, 5th Fl, Toronto, ON M5H 3R4 Attention: Executive Vice-President, National Property Operations E-mail: bernice.wong@cadillacfairview.com
AND TO:	IVANHOE CAMBRIDGE II INC. Woodgrove Centre 6631 Island Hwy N, Suite 102, Nanaimo, BC V9T 4T7 E-mail: woodgrove.sales@ivanhoecambridge.com

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AND TO:	HILLCREST MALL MANAGEMENT INC. Attention: Emily Skinner 9350 Yonge St, Suite 205, Richmond Hill, ON L4C 5G2 Tel: 905.883.1403 E-mail: missa@oxfordproperties.com Attention: General Manager

AND TO:	PRIMARIS MANAGEMENT INC. 1381 Regent Street, Fredericton, NB E3C 1A2 Tel: 506.452.1005 E-mail: EMcKay@primarisreit.com
AND TO:	511398 NEW BRUNSWICK INC. File #938 Exploits Valley Mall Inc. 1 Westmount Square, Suite 1900, Westmount, QC H3Z 2P9 Tel: 514.938.2266 Fax: 514.938.2457 E-mail: Frances@econo-malls.com
AND TO:	RMI-ITF-LANGLEY POWER CENTRE c/o Riocan Management Inc. 475 West Georgia, Suite 470, Vancouver, BC V6B 4M7 Tel: 604.739.4224 E-mail: asingh@riocan.com
AND TO:	PURPLE KNIGHTS DEVELOPMENT (2000) c/o First Gulf Corporation 3751 Victoria Park Ave., Westmount, QC H3Z 2P9 Tel: 416.491.7778 E-mail: mgrant@firstgulf.com Attention: Vice President Retail
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AND TO:	AVISON YOUNG c/o of 2058790 Ontario Limited Administration Office 500 Rexdale Blvd. Etobicoke, ON M9W 6K5 Attention: General Manager Tel: 416.674.6240 Ext. 307 E-mail: karen.a@woodbinemall.com
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AND TO:	IVANHOE CAMBRIDGE II INC. Administration Office 1 Bass Pro Mills Drive Vaughan, ON L4K 5W4 Tel: 905.879.1777 E-mail: Michelle.Kinsella@ivanhoecambridge.com
AND TO:	RIOCAN ADMINISTRATION OFF c/o Riocan Manangement Inc. 1599 Marcus Drive, Unit C5, Sudbury, ON P3B 4K6 Tel: 705.561.0895 E-mail: sbyers@riocan.com
AND TO:	LONDON CROSSROADS CENTRE HOLDINGS INC. <u>By mail:</u> PO BOX 982 Barrie, ON L4M 5E1 <u>By courier:</u> 158 Dunlop Street East, Suite 201, Barrie, ON L4M 1B1 Tel: 705.737.1057 ext. 101 Fax: 05.737.0484 E-mail: ashleyvarcoe@rogers.com
AND TO:	FIRST MILTON SHOPPING CENTRES LIMITED 3751 Victoria Park Ave, Toronto, ON M1W 3Z4 Tel: 905.363.3064 E-mail: mgrant@firstgulf.com
AND TO:	CONTROLEX CORPORATION 223 Colonnade Road S., Suite 100, Ottawa, ON K2E 7K3 Tel: 613.723.7490 ext. 102 E-mail: COconnor@controlex.ca

AND TO:	STOCKYARDS (PRINCE ALBERT) GP LTD. 12420-102 AVENUE NW Edmonton, AB T5N 0M1 Tel: 780.488.2044 E-mail: accounting@springwood.ca
AND TO:	MORGUARD REAL ESTATE 3055 Massey Dr, Suite 156, Prince George, BC V2N 2S9 E-mail: SMason@morguard.com
AND TO:	LONDONDERRY MALL Londonderry Shopping Centre Inc. Admin Office 137 Avenue & 66th Street, Suite 258, Edmonton, AB T5C 3C8 Tel: 780.475.9266 Fax: 780.475.4397 E-mail: mdoepel@20VIC.com
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AND TO:	RMI-ITF SUDBURY CENTRE c/o Riocan Management Inc. 1599 Marcus Drive Unit C5 Sudbury, ON P3B 4K6 Tel: 705.760.7045 E-mail: sbyers@riocan.com
AND TO:	OPGI MGMNT LP O/A OXF. ITF Upper Canada Mall 17600 Yonge St, Box 256 Newmarket, ON L3Y 4Z1 Tel: 905.895.1961 E-mail: kcook@oxfordproperties.com

AND TO:	LYNDEN PARK MALL LIMITED Lynden Park Mall 84 Lynden Road Brantford, ON N3R 6B8 E-mail: lwhite@centrecorp.com
AND TO:	ANTHEM CRESTPOINT NORTH Town S.C C/P Anthem Prop. 255,9450-137 Avenue Nw Edmonton, AB T5E 6C2 Tel: 780.475.1673 E-mail: CCastonguay@AnthemProperties.com
AND TO:	RIOCAN (REIT) WEST Northgate Village S.C. 495-36 Street NE, Unit 257, Calgary, AB T2A 6K3 Tel: 403.444.2851 E-mail: dalwazir@riocan.com
AND TO:	KS HERITAGE PLACE INC. 1350-16 th Street East, Owen Sound, ON N4K 6K3 Tel: 519.371.5340 E-mail: swhalley@20VIC.com
AND TO:	ONTREA INC. Re: Masonville-Tiptop 20 Queen St. W. 5th Floor Toronto, ON M5H 3R4 Tel: 705.949.6856 E-mail: jennifer.kraemer@cadillacfairview.com

AND TO:	<p>MIDTOWN PLAZA INC. c/o 20 VIC Management Inc. Management Office 1200A Tower at Midtown Plaza 201 - 1st Avenue S. Saskatoon, SK S7K 1J5</p> <p>Tel: 306.665.4821 Fax: 306.242.888 E-mail: midtownadmin@20vic.com</p>
AND TO:	<p>CORNWALL CENTRE INC. 202-2114 11th AVENUE Regina, SK S4P 0J5</p> <p>Tel: 306.565.3287 Fax: 306.5657727 E-mail: kneald@20vic.com</p>
AND TO:	<p>ONTREA INC. c/o The Cadillac Fairview Corporation Limited 20 Queen St. W. 5th Floor Toronto, ON M5H 3R4</p> <p>Attention: Executive Vice-President, National Property Operations E-mail: POLsales@CadillacFairview.com</p>
AND TO:	<p>RIOCAN HOLDINGS INC. c/o Riocan Georgian Mall 509 Bayfield Street, Barrie, ON L4M 4Z8</p> <p>Tel: 705.726.9411 E-mail: georgianmallsales@riocan.com</p>
AND TO:	<p>GWL REALTY ADVISO. INC. ITF 13575 Commerce Parkway, Suite 150, Richmond, BC V6V 2L1</p> <p>E-mail: rachel.oommen@gwlra.com</p>

AND TO:	20 VIC MANAGEMENT INC. ITF Lansdowne Mall Inc. 645 Lansdowne St. West Peterborough, ON K9J 7Y5 Tel: 705.748.2961 E-mail: smoss@20vic.com
AND TO:	RIOCAN HOLDINGS INC. Re: 1970 Dundas St. East 60 Bristol Rd. East, Unit 1A, Mississauga, ON L4Z 3K8 E-mail: nsmart@riocan.com
AND TO:	FAIRMALL LEASEHOLDS INC. 1800 Sheppard Ave East, Suite 300, PO Box 53, North York, ON M2J 5A7 Tel: 416.491.9711 ext. 214 E-mail: yvette.boyd@cadillacfairview.com
AND TO:	CALLOWAY REIT(BROCKVILLE) Inc. 700 Applewood Cres., Suite 200, Vaughan, ON L4K 5X3 Tel: 905.326.6400 ext. 7673 Fax: 905.760.6220 E-mail: salesreports@smartreit.com
AND TO:	FIRST LONG WEEKEND DEVELOPMENTS INC. Calloway LP Management Inc. 700 Applewood Cres., Suite 200, Vaughan, ON L4K 5X3 Tel: 905.326.6400 ext. 7732 Fax: 905.760.6220 E-mail: salesreports@smartreit.com
AND TO:	MARINE PROMENADE PROPERTIES INC. 1067 West Cordova Street, Suite 501, Vancouver, BC V6C 1C7 Tel: 604.893.1725 Fax: 604.893.1708 E-mail: xinna@westbankcorp.com

AND TO:	MARINE PROMENADE PROPERTIES INC. 1067 West Cordova Street, Suite 501, Vancouver, BC V6C 1C7 Tel: 604.893.1725 Fax: 604.893.1708 E-mail: eimon@westbankcorp.com
AND TO:	IVANHOE CAMBRIDGE INC. Crossiron Mills - Ut 800 261055 Crossiron Blvd Rocky View, AB T4A 0G3 Tel: 403.984.6813 E-mail: sales@crossironmills.com
AND TO:	KS LAMBTON MALL INC. Re: Lambton Mall 1380 London Road, Sarnia, ON N7S 1P8 Tel: 519.542.7784 E-mail: khilton@20vic.com
AND TO:	PRIMARIS MANAGEMENT INC. Re: Carry Drive Plaza 3292 Dumore Rd, SE, Unit 160, Medicine Hat, AB T1B 2R4 E-mail: dhenly@primarisreit.com
AND TO:	PLAZA MASTER G.P LIMITED Bedford Commons Plaza 98 Main Street, Fredericton, NB E3A 9N6 Tel: 504.451.1826 E-mail: margie.loisel@plaza.ca
AND TO:	RRL BURLOAK INC. c/o Riocan Property Services Inc. 60 Bristol Rd. E, Unit 1A, Mississauga, ON L4Z 3K8 Tel: 905.361.3101 E-mail: mmelo@riocan.com

AND TO:	DILWORTH SHOPPING CENTRE LTD. c/o Riocan Mgmnt (Bc) Inc. 1640 Leckie Road, Unit 200, Kelowna, BC V1X 7C6 Tel: 250.861.1831 E-mail: cgrimes@riocan.com
AND TO:	TRIOVEST REALTY ADVIS. INC ITF Barton Centre Ltd 1275 Barton St. E, Suite 200, Hamilton, ON L8H 2V4 Tel: 905.574.1629 E-mail: vsmith@triovest.com
AND TO:	TRIOVEST REALTY ADVIS. INC ITF Barton Centre Ltd 1275 Barton St. E, Suite 200, Hamilton, ON L8H 2V4 Tel: 905.574.1629 ext. 1631 E-mail: vsmith@triovest.com
AND TO:	NORTHLAND VILLAGE MALL HOLDINGS INC. c/o Primaris Management Inc. Northland Village, 5111 Nothland Drive NW, Suite 440, Calgary, AB T2L 2J8 Attention: General Manager Tel: 403.974.0050 E-mail: cseymour@primarisreit.com
AND TO:	KCAP KINGSTON INC. 45 St. Clair Avenue W., Suite 1001, Toronto, ON M4V 1K9 Tel: 416.306.2287 ext. 227 E-mail: lsmith@k-cap.com

AND TO:	ALGOMA CENTRAL PROPERTIES INC. Station Tower 421 Bay St., Suite 608, Sault Ste. Marie, ON P6A 1X3 Attention: Vice President, Real Estate Tel: 705.946.7245 E-mail: joann.king@algonet.com
AND TO:	LETHBRIDGE COLLEGE CENTRE LTD. c/o Ronmor Developers Inc. 5920-1A Street S. W., Suite 250, Calgary, AB T2H 0G3 Tel: 403.692.4644/ 403.253.8180 Fax: 403.255.2516 E-mail: accounting@ronmor.ca
AND TO:	FIRST GULF Milton West Development 3751 Victoria Park Ave, Toronto, ON M1W 3Z4 Tel: 905.363.3064 E-mail: mgrant@firstgulf.com
AND TO:	EAST POINT INC. 479 Rothesay Avenue, P.O. Box 1289, Saint John, NB E2L 4G7 Attention: Troy Northrup Tel: 506.634.5711 Fax: 506.634.2236 E-mail: marla.macdonald@northrupgroup.ca
AND TO:	PRIMARIS MANAGEMENT INC. Re: Medicine Hat Mall 3292 Dunmore Rd. S.E, Unit 160, Medicine Hat, AB T1B 2R4 Tel: 403.526.48888 E-mail: dhenly@primarisreit.com

AND TO:	RIOCAN MANAGEMENT INC.ITF Timmins Square 1500 Riverside Drive, Timmins, ON P4R 1A1 Tel: 705.267.5431 E-mail: dryan@riocan.com
AND TO:	GEORGETOWN MARKET PLACE CORP. c/o High Peak Realities Inc #1201-21 St. Clair Ave East, Toronto, ON M4T 1L9 Tel: 647.722.6472 E-mail: kori@georgetownmarketplace.com AND TO: GEORGETOWN MARKET PLACE CORP. 2042170 ONTARIO INC. c/o McCOR Management 21 St. Clair Avenue East, Suite 1201, Toronto, ON M4T 1L9 Attention: Greg Fera E-mail: gfera@mccor.ca
AND TO:	HILLSIDE CENTRE HOLDINGS INC. c/o Bentall Kennedy (Canada) 21-1644 Hillside Avenue Victoria, BC V8T 2C5 Tel: 250.595.7154 E-mail: jadams@Bentallkennedy.com
AND TO:	OPGI MGMT LTD PARTNERSHIP Attention: Loas Mcelwain Suite 1700, Oxford Tower, Edmonton, AB T5J 2Z2 Tel: 780.426.8463 E-mail: edmontoncitycentre@oxfordproperties.com

AND TO:	KS EGLINTON SQUARE INC. c/o Bentall Kennedy 1-70 Eglinton Square, Unit 203, Toronto, ON MIL 2K1 Tel: 416.757.7770 ext. 111 E-mail: vshemetoff@BentallKennedy.com
AND TO:	COMINAR REAL ESTATE INVESTMENT TRUST 1250 South Service Road, Mississauga, ON L5E 1V4 Tel: 905.278.3494 E-mail: sales@dixieoutletmall.com
AND TO:	20 VIC MANAGEMENT INC. In Trust Hoopp Realty Inc. 3100 Howard Avenue Windsor, ON N8X 3Y8 E-mail: ljurkovic@20vic.com
AND TO:	20 VIC MANAGEMENT INC. In Trust Hoopp Realty Inc. 390 North Front Street, Belleville, ON K8P 3E1 E-mail: gholmes@20vic.com
AND TO:	RIOTRIN PROPERTIES (NEWMARKET) INC. Re: East Gwillimbury c/o RioCan Management Inc. Lawrence Square 700 Lawrence Ave West, Unit 315, Toronto, ON M6A 3B4 Tel: 416.847.8014 E-mail: ebriguglio@riocan.com
AND TO:	HOOPP REALTY INC. c/o Vic Management Inc. 433 Marlborough Way NE, Suite 310, Calgary, AB T2A 5H5 E-mail: mrlreception@20VIC.com

AND TO:	ABERDEEN KAMLOOPS MALL LIMITED 1320 West Trans Canada Highway, Kamloops, BC V1S 1J2 E-mail: kjolley@20VIC.com
AND TO:	CADILLAC FAIRVIEW CORP Unit-1400-6551, No 3 Road, Richmond, BC V6Y 2B6 Tel: 604.303.7206 E-mail: ricsales@cadillacfairview.com
AND TO:	HOOPP REALTY INC. 1000 Fort William Road, Suite 203 Box 3, Thunder Bay, ON P7B 6B9 Tel: 807.624.4215 E-mail: DProkopich@morguard.com
AND TO:	RMI-ITF-BEACON HILL 10 Beauvista Court, Woodbridge, ON L4H 3G6 Tel: 416.577.0800 E-mail: Monica@churchillinvestments.com
AND TO:	IVANHOE CAMBRIDGE Tsawwassen Mill- Management Office 5000 Canoe Pass Way Tsawwassen, BC V4M 0B3 E-mail: Jules.Dasilva@ivanhoecambridge.com
AND TO:	WESTDALE CONSTRUCTION CO. LIMITED Management Office 489 Albert Street North Regina, SK S4R 3C4 Attention: Shopping Centre Manager E-mail: CeceliaL@westdaleproperties.com

AND TO:	<p>CHNOOK (2014) INC. c/o The Cadillac Fairview Corporation Limited 20 Queen St. W., 5th Floor Toronto, ON M5H 3R4</p> <p>Attention: Executive Vice-President, National Property Operations E-mail: evangeline.munoz@cadillacfairview.com</p>
AND TO:	<p>HIGH PEAK LEASEHOLD LD. Re: Promotional Fund 800 Grand Lake Road, Sydney, NS B1P 6S9</p> <p>AND TO:</p> <p>MAYFLOWER MALL 21 St. Clair Avenue East, Suite 1201, Toronto, ON M4T 1L9 Tel: 647.7226472 Email: scampbell@mayflowermall.com</p>
AND TO:	<p>CALLOWAY REIT-CAMBRIDGE 700 Applewood Cres., Suite 100 Vaughan, ON L4K 5X3</p> <p>Tel: 905.760.6200 Email: salesreports@smartreit.com</p> <p>AND TO:</p> <p>GPM (12) GP INC. 70 University Avenue, Suite 1200 Toronto, ON M5J 2M4</p> <p>Attention: Vice President of Asset Management</p> <p>AND TO:</p> <p>AVISON YOUNG 600 Cochrane Drive, Suite 220, Mail Box #7 Markham, ON L3R 5K2</p> <p>Attention: 600 Hespeler Road Property Manager</p> <p>AND TO:</p> <p>GPM REAL PROPERTY (12) LTD</p>

	<p>401 Bay Street, 11th Floor, Simpson Tower, Mailbox 11, Toronto, ON M5H 2Y4</p> <p>Tel: 416.479.3799</p>
AND TO:	<p>PLAZA MASTER LIMITED PARTNERSHIP 90 Morgan Road, Suite 200, Baie D'Urfe, QC H9X 3A8</p> <p>Tel: 514.457.700 ext. 226</p>
AND TO:	<p>JETBRO INVESTMENTS LTD. 53 Tycos Drive, Toronto, ON M6B 1W3</p>
AND TO:	<p>CENTRECORP MGMT SERVICES LYNDEN PARK MALL MGMT OFF 84 LYNDEN ROAD Brantford, ON N3R 6B8</p>
AND TO:	<p>RANCHO REALTY (1975) LTD. 5528-1 Street S.E., Suite 1, Calgary, AB T2H 2W9</p> <p>Tel: 403.253.7642</p>
AND TO:	<p>552861 ALBERTA LTD., #822-470 Granville Street Vancouver, BC V6C 1V5</p> <p>Tel: 604.688.8103 ext. 1 Fax: 604.688.6302</p> <p>AND TO:</p> <p>552861 ALBERTA LTD., #1011-470 Granville Street Vancouver, BC V6C 1V5</p>
AND TO:	<p>THE EGLINTON TOWN CENTRE INC. 12045 McCowan Road, Stouffville, ON L4A 8A2 Attention: Joseph Lebovic, President Tel: 905.640.7361 Fax: 905.640.7369</p>

AND TO:	WEST EDMONTON MALL PROMO. 8882-170 Street, Suite 3000, Edmonton, AB T5T 4M2
AND TO:	SHAPE PROPERTY MGMNT CORP 901-64th.Avenue N.E. Calgary, AB T2E 7P4 Tel: 403.274.7024 E-mail: haynes@Shapepm.com AND TO: HOOPP REALTY INC. c/o 1 Queen Street East, Suite 300, Box 88 Toronto, ON M5C 2W5 Tel: 416.681.9320 Fax: 416.955.0569
AND TO:	BOCA LP c/o Maurizio Puzo 44 Apex Road, Toronto, ON M6A 2V2 Tel: 416.780.9922
AND TO:	YORKDALE MERCHANTS ASSCN 1 Yorkdale Road, Suite 500 Toronto, ON M6A 3A1 AND TO: YORKDALE SHOPPING CENTRE HOLDINGS INC. c/o OMERS Realty Management Corporation Oxford Realty Group, 130 Adelaide Street West, 11 th Floor, Toronto, ON M5H 2P5
AND TO:	KINGSWAY GARDEN MALL 320 Kingsway Garden Prince Elizabeth A. & 109 Street, Edmonton, AB T5G 3A6
OTHER POTENTIALLY INTERESTED PARTIES:	
AND TO:	WERKER LAW 393 University Avenue, Suite 200

	<p>Toronto, ON M5G 1E6</p> <p>Ian Werker Tel: 416.593.7552 Fax: 416.593.0668 E-mail: ian@werkerlaw.com</p> <p><i>Lawyer to David McGregor</i></p>
AND TO:	<p>WOOLGAR VAN WIECHEN COSGRIFFE DUCOFFE LLP 70 The Esplanade, Suite 401 Toronto, ON M5E 1R2</p> <p>Christopher J. Cosgriffe / Ryan R. Watkins Tel: 416.867.1666 Fax: 416.867.1434 E-mail: ccosgriffe@woolvan.com / rwatkins@woolvan.com</p> <p><i>Lawyers to 9148655 Canada Inc.</i></p>
AND TO:	<p>BOURGON LAW PROFESSIONAL CORPORATION St. Lawrence Professional Centre 614 Second Street East, Suite 1 Cornwall, ON K6H 1Z8</p> <p>Andre B. Bourgon Tel: 613.933.0059 Fax: 613.933.1159 Email: andre.bourgon@bellnet.ca</p> <p><i>Lawyers to Marianne Gardner</i></p>
AND TO:	<p>ABG-JONES, LLC 1411 Broadway, 4th Floor New York, NY 10018</p> <p>Noah P. Rosen Tel: 646.694.9682 Fax: 212.760.2419 E-mail: nrosen@abg-nyc.com</p>
AND TO:	<p>S.I.P.C. 4 Ter, avenue Hoche 75008 Paris, France E-mail: tmulliez@daniel-hechter.fr</p>
AND TO:	<p>DOMINIC BELLISSIMO FASHIONS INC. 24 Wingold Avenue Toronto, ON M6B 1P5</p>

AND TO:	<p>CANADA REVENUE AGENCY c/o Department of Justice The Exchange Tower 130 King Street West Suite 3400, P.O. Box 36 Toronto, ON M5X 1K6</p> <p>Attention: Diane Winters Phone: 416.973.3172 Fax: 416.973.0810 E-mail: diane.winters@justice.gc.ca</p> <p><i>Counsel to Canada Revenue Agency</i></p>
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- A Draft Stalking Horse & SISP Order
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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**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
GRAFTON-FRASER INC.**

(the "Applicant")

**NOTICE OF MOTION
(returnable January 30, 2017)
(Re Approval of Stalking Horse Agreement, SISP & Liquidation Consulting Agreement)**

GRAFTON-FRASER INC. (the "**Company**"), the Applicant in these proceedings, will make a motion to a judge of the Commercial List on Monday, January 30, 2017 at 10:00 a.m., or as soon after that time as the motion can be heard, at the Court House at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

- (a) an Order substantially in the form attached hereto as Schedule "A" (the "**Stalking Horse & SISP Approval Order**"), *inter alia*:
 - (i) abridging the time for service of the Notice of Motion and the Motion Record herein, if necessary, and validating service thereof;

- (ii) approving the execution of the asset purchase agreement dated as of January 24, 2017 (the “**Stalking Horse Agreement**”) between the Company and 1104307 B.C. Ltd. (an entity related to GSO) (the “**Stalking Horse Purchaser**”);
 - (iii) approving a sale and investment solicitation process (“**SISP**”) with respect to the business and assets of the Company in the form attached as a schedule to the Stalking Horse & SISP Approval Order; and
 - (iv) approving the Stalking Horse Agreement for the purposes of being the “stalking horse credit bid” under the proposed SISP;
- (b) an Order substantially in the form attached hereto as Schedule “B” (the “**Liquidation Consulting Agreement Approval Order**”), *inter alia*:
- (i) approving the transactions contemplated under the liquidation consulting agreement entered into between the Company and a contractual joint venture composed of Gordon Brothers Canada ULC and Merchant Retail Solutions ULC (together, the “**Liquidation Consultant**”) dated January 24, 2017 (the “**Liquidation Consulting Agreement**”); and
 - (ii) approving the sale guidelines attached as a schedule to the Liquidation Consulting Agreement Approval Order (the “**Sale Guidelines**”); and
- (c) such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Background

- (a) on January 25, 2017, the Company sought and obtained an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”);
- (b) among other relief, the Initial Order approved:
 - (i) a forbearance agreement (the “**ABL DIP Forbearance Agreement**”) that the Company entered into with its existing secured operating lender Canadian Imperial Bank of Commerce (“**CIBC**”) and a corresponding charge;
 - (ii) a forbearance agreement (the “**Term Forbearance Agreement**”) that the Company entered into with its existing secured term lender GSO Capital Partners LP (“**GSO**”), among others; and
 - (iii) a DIP facility term sheet with GSO, as administrative agent for itself and for certain other entities related to it, as lenders, and Wilmington Trust, National Association, as servicing agent, dated as of January 24, 2017 (the “**DIP Agreement**”) and a corresponding charge;
- (c) among other terms, it is a condition of the each of the ABL DIP Forbearance Agreement, the Term Forbearance Agreement and advances under the DIP Agreement that the Company obtain the Stalking Horse & SISP Approval Order and the Liquidation Consulting Agreement Approval Order;

Restructuring Plan

- (d) prior to obtaining the Initial Order, the Company, with the assistance of the retail consulting group at Richter Consulting Canada Inc. (the “**Retail Consultant**”) reviewed its present and projected financial performance and considered the strategic alternatives available to the Company;
- (e) following its internal review, the Company discussed with CIBC and GSO the various strategic alternatives identified with the Retail Consultant. Based upon those discussions, GSO made a non-binding restructuring proposal to the Company to implement a sale and investment process involving a going concern “stalking horse credit bid” to be completed through an insolvency proceeding coupled with the liquidation of assets located at underperforming store locations;
- (f) the Company determined, with the assistance of the Retail Consultant, that negotiating such a transaction was the best course of action to maximize value for its stakeholders. As part of that process, the Company has:
 - (i) developed the proposed SISP;
 - (ii) entered into the Stalking Horse Agreement, which will serve as the “stalking horse credit bid” under the proposed SISP, subject to approval of the Court; and
 - (iii) entered into the Liquidation Consulting Agreement pursuant to which the Company proposes to engage the Liquidation Consultant as its exclusive

consultant to advise the Company with respect to the liquidation of certain store locations (the “**Closing Stores**”), subject to approval of the Court;

The Stalking Horse Agreement & SISP

- (g) pursuant to the terms of the Stalking Horse Agreement, the Stalking Horse Purchaser has agreed to purchase substantially all of the Company’s assets necessary to operate the business and assume specified liabilities of the Company (including selected leases and supplier obligations) by way of a “credit bid” transaction;
- (h) the Stalking Horse Agreement contemplates that the Stalking Horse Purchaser will continue to operate the business as a going concern, which will result in the preservation of a significant number of jobs in Canada;
- (i) the Stalking Horse Agreement provides for the marketing of the Company’s business and assets pursuant to the proposed SISP;
- (j) the Stalking Horse Agreement will, subject to Court approval, serve as the “stalking horse credit bid” in the proposed SISP;
- (k) the proposed SISP provides a means for testing the market, gauging interest in the Company and its assets and determining whether a transaction is available that is more advantageous to the Company and its stakeholders than the Stalking Horse Agreement;

- (l) the proposed SISP was designed in the hopes of attracting offers for the Company's business and/or assets that are superior to the offer contemplated in the Stalking Horse Agreement;
- (m) Richter Advisory Group Inc., in its capacity as monitor of the Applicant (the "**Monitor**"), is supportive of the Stalking Horse Agreement and the proposed SISP;

The Liquidation Consulting Agreement

- (n) the Company, in consultation with the Retail Consultant, conducted an analysis of the performance of each of its retail store locations and determined that it is in the best interests of the Company's stakeholders to liquidate the inventory and owned furniture, fixtures and equipment ("**FF&E**") at the Closing Stores (which the Stalking Horse Purchaser has indicated it will not assume on existing lease terms);
- (o) the liquidation consulting opportunity was marketed by the Company to approximately six firms that provide liquidation consultant services. The Company received four bids and selected the Liquidation Consultant as the successful bidder as its bid was the most attractive proposal presented to the Company;
- (p) the Liquidation Consulting Agreement provides that the Liquidation Consultant will assist the Company in liquidating inventory and FF&E at the Closing Stores;
- (q) the liquidation sale is to be conducted in accordance with the Sale Guidelines;

- (r) the Liquidation Consulting Agreement permits the Company to, among other things, increase or decrease the number of stores involved in the liquidation process at any time up to March 15, 2017. The Company will attempt to negotiate rent concessions between the filing date and March 15, 2017 in order to determine if any of the underperforming stores can be continued. Absent rent concessions, the Company would designate such underperforming stores as Closing Stores. If the Company is able to renegotiate the leases for certain stores on favourable terms, such that those stores become desirable to the Stalking Horse Purchaser or another bidder under the proposed SISP, as applicable, those stores may be removed from the liquidation process at any time up to March 15, 2017, so that they may be kept open following completion of a sale or other transaction entered into pursuant to the proposed SISP;
- (s) the Monitor is supportive of the Liquidation Consulting Agreement and the transactions contemplated therein;

Other Grounds

- (a) those further grounds set out in the Affidavit of Mark Sun sworn January 25, 2017, and the Exhibits thereto (the “**Sun Affidavit**”);
- (b) those further grounds set out in the first report of the Monitor, and the Appendices thereto (the “**First Report**”), to be filed;
- (c) the provisions of the *Companies’ Creditors Arrangement Act* and the inherent and equitable jurisdiction of this Court;

- (d) Rules 1.04, 1.05, 2.01, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
- (e) such further other grounds as counsel may advise and this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) the Sun Affidavit;
- (b) the First Report; and
- (c) such other material as counsel may advise and this Honourable Court may permit.

January 25, 2017

FASKEN MARTINEAU DUMOULIN LLP
Barristers and Solicitors
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto, ON M5H 2T6

Stuart Brotman (LSUC#43430D)
Tel: 416 865 5419
Fax: 416 364 7813
sbrotman@fasken.com

Dylan Chochla (LSUC#62137I)
Tel: 416 868 3425
Fax: 416 364 7813
dchochla@fasken.com

Lawyers for the Applicant, Grafton-Fraser Inc.

TO: THE ATTACHED SERVICE LIST

SCHEDULE “A”

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE <@>) MONDAY, THE 30th
JUSTICE <@>) DAY OF JANUARY, 2017
)

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
GRAFTON-FRASER INC.

(the "Applicant")

ORDER
(Stalking Horse & SISP)

THIS MOTION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Mark Sun sworn January 25, 2017 and the Exhibits thereto (the "**Sun Affidavit**"), the report of Richter Advisory Group Inc. ("**Richter**"), in its capacity as the proposed monitor of the Applicant, dated January 25, 2017, and the Appendices thereto, the first report of Richter, in its capacity as monitor of the Applicant (the "**Monitor**"), dated January 25, 2017, and the Appendices thereto, and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, counsel for Canadian Imperial Bank of Commerce ("**CIBC**"), counsel for GSO Capital Partners LP ("**GSO**"), and such other parties as were present, no one else appearing for any other party although duly served as appears from the affidavits of service of Irene Artuso sworn January 25, 2017, filed.

SERVICE & DEFINITIONS

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. THIS COURT ORDERS that capitalized terms used in this Order and not otherwise defined shall have the meaning ascribed to them under (i) the asset purchase agreement dated as of January 24, 2017 (the “**Stalking Horse Agreement**”) between the Applicant and 1104307 B.C. Ltd. (the “**Stalking Horse Bidder**”); or (ii) the sale and investment solicitation process attached hereto as Schedule “A” (the “**SISP**”), as the case may be.

APPROVAL OF STALKING HORSE AGREEMENT

3. THIS COURT ORDERS that the execution, delivery, entry into, compliance with, and performance by the Applicant of the Stalking Horse Agreement be and is hereby ratified, authorized and approved, *provided, however*, that nothing contained in this Order approves the sale or the vesting of the Purchased Assets to the Stalking Horse Bidder pursuant to the Stalking Horse Agreement and that, if the Stalking Horse Agreement is the Successful Bid under the SISP, the approval of the sale and vesting of the Purchased Assets to the Stalking Horse Bidder shall be considered by this Court on a subsequent motion made to this Court following completion of the SISP.
4. THIS COURT ORDERS that the Stalking Horse Agreement be and is hereby approved and accepted solely for the purposes of being the Stalking Horse Bid under the SISP and subject to the further Order of the Court referred to in paragraph 3 above.
5. THIS COURT ORDERS that the Stalking Horse Agreement shall not be rendered invalid or unenforceable and the rights and remedies of the Stalking Horse Bidder thereunder shall not otherwise be limited or impaired in any way by (a) the Applicant’s CCAA proceedings and the declarations of insolvency made in connection therewith; (b) any application(s) for bankruptcy order(s) issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”), or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with

respect to borrowings, incurring debt or the creation of security interests, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) the execution, delivery or performance of the Stalking Horse Agreement shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party; and
- (b) the Stalking Horse Bidder shall not have any liability to any person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the Stalking Horse Agreement.

APPROVAL OF SISP

6. THIS COURT ORDERS that the SISP attached hereto as Schedule “A” (subject to such non-material amendments as may be agreed to by the Applicant, the ABL Agent and the DIP Lenders and approved by the Monitor) be and is hereby approved and the Applicant and the Monitor are hereby authorized and directed to take such steps as they deem necessary or advisable (subject to the terms of the SISP) to carry out the SISP, subject to prior approval of this Court being obtained before completion of any transaction(s) under the SISP.

7. THIS COURT ORDERS that the Applicant and the Monitor and their respective affiliates, partners, directors, employees, agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liability of any nature or kind to any person in connection with or as a result of performing their duties under the SISP, except to the extent of such losses, claims, damages or liabilities resulting from the gross negligence or wilful misconduct of the Applicant or the Monitor, as applicable, as determined by the Court.

8. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Applicant is hereby authorized and permitted to disclose and transfer to each potential bidder (the “**Bidders**”) (including, without limitation, the Stalking Horse Bidder) and to their advisors, if requested by such Bidders, personal information of identifiable individuals, including, without limitation, all human resources and payroll information in the Applicant's records pertaining to the Applicant's past

and current employees, but only to the extent desirable or required to negotiate or attempt to complete a sale of the Assets and/or the Business (“Sale”). Each Bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Applicant, or in the alternative destroy all such information. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the transaction contemplated in the Successful Bid(s), shall be entitled to use the personal information provided to it that is related to the Assets and/or Business acquired pursuant to the Sale in a manner which is in all material respects identical to the prior use of such information by the Applicant, and shall return all other personal information to the Applicant, or ensure that all other personal information is destroyed.

GENERAL

9. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

10. THIS COURT ORDERS that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

SCHEDULE "A"

SALE AND INVESTOR SOLICITATION PROCESS

On January 25, 2017, Grafton-Fraser Inc. (the "**Company**") filed an application for an Initial Order under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") and Richter Advisory Group Inc. was appointed as the monitor (the "**Monitor**").

On January 30, 2017, the Ontario Superior Court of Justice (Commercial List) (the "**Court**") made an order, which, among other things: (a) approved this sale and investor solicitation process (the "**SISP**"), and (b) authorized the execution by the Company of the agreement of purchase and sale between the Company and 1104307 B.C. Ltd. dated January 24, 2017 (the "**Stalking Horse Agreement**") as the stalking horse bid for the purpose of conducting the SISP.

The purpose of the SISP is to identify one or more financiers, purchasers of and/or investors in the Company, the Business and/or Assets (each as defined below) to make an offer (each a "**Bid**") that is superior to the offer contemplated by the Stalking Horse Agreement, and to complete the transactions contemplated by any such offer, or by the Stalking Horse Agreement if no other offers are accepted. Set forth below are the procedures (the "**SISP Procedures**") that shall govern the SISP and any transactions consummated as a result thereof.

1. Defined Terms

The following capitalized terms have the following meanings when used in this SISP:

"**Acknowledgment of the SISP**" means an acknowledgment of the SISP in the form attached as Schedule "A" hereto;

"**Additional Confidential Information**" means information required to match the financial information of a retail store operated by the Company with the location of such a store;

"**Aggregate Bid**" means a combination of Portion Bids that do not overlap for Assets sought to be purchased, and which, when totalled, equal or exceed the Minimum Bid Amount;

"**Assets**" means the assets, undertakings and property of the Company;

"**Auction**" has the meaning given to it in Section 13(b);

"**Auction Procedure**" has the meaning given to it in Section 13(b);

"**Back-Up Bid Expiration Date**" has the meaning given to it in Section 16;

“**Back-Up Bid**” has the meaning given to it in Section 13(a)(ii);

“**Back-Up Bidder**” has the meaning given to it in Section 13(a)(ii);

“**Bid**” has the meaning given to it in the introduction;

“**Business**” means the business of retailing men’s apparel and accessories carried on by the Company;

“**Business Day**” means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which commercial banks in Toronto, Ontario are open for business;

“**CCAA**” has the meaning given to it in the introduction;

“**Company**” has the meaning given to it in the introduction;

“**Confidential Teaser**” means the confidential teaser describing the opportunity to acquire all or substantially all of the Assets or invest in the Business;

“**Confidentiality Agreement**” means the confidentiality agreement, with terms satisfactory to the Monitor and the Company, entered into between the Company and an Interested Party;

“**Court**” has the meaning given to it in the introduction;

“**Data Room**” means an electronic data room compiled by the Company containing confidential information in respect of the Company, the Business and the Assets;

“**Deposit**” has the meaning given to it in Section 9(j);

“**Dollars**” or means Canadian dollars;

“**Form Purchase Agreement**” means the template agreement of purchase and sale posted in the Data Room;

“**Guaranteed Purchase Price**” has the meaning given to it in the Stalking Horse Agreement;

“**Interested Party**” has the meaning given to it in Section 2;

“**Investment Proposal**” has the meaning given to it in Section 7;

“**Management**” has the meaning given to it in Section 4;

“**Minimum Bid Amount**” means in the case of a Sale Proposal or Investment Proposal, an overall result or value which the Company in consultation with the Monitor considers equivalent or better than 102% of an amount required to repay

the Secured Debt and the ABL Obligations (in each case as defined in the Stalking Horse Agreement) and any amounts payable in priority to those obligations in full which sum is estimated to be \$65,000,000 to be updated by the Monitor at least 5 days before the Phase I Bid Deadline;

“**Monitor**” has the meaning given to in the introduction;

“**Outside Date**” means June 15, 2017 or such other date as the Company, the Monitor and Successful Bidder(s) and the Back-Up Bidder may agree, acting reasonably;

“**Participation Notice**” has the meaning given to it in Section 4;

“**Phase I Bid**” means an initial bid submitted by an Interested Party pursuant to Section 7 hereof;

“**Phase I Bid Deadline**” as the meaning given to it in Section 7 hereof;

“**Phase I Bidder**” means a bidder submitting a Phase I Bid;

“**Phase I Participant Requirements**” has the meaning given to it in Section 8 hereof;

“**Phase II Bid**” means a Bid submitted by a Qualified Phase I Bidder;

“**Phase II Bidder**” means a bidder submitting a Phase II Bid;

“**Phase II Bid Deadline**” has the meaning given to it in Section 7;

“**Portion Bid**” means a Bid for less than all or substantially all of the Assets that is otherwise a Qualified Phase I Bid or a Qualified Phase II Bid;

“**Portion Bidder**” means a Qualified Phase I Bidder and/or a Qualified Phase II Bidder that submits a Portion Bid;

“**Purchase Price**” has the meaning given to it in Section 9(b)(i);

“**Qualified Phase I Bid**” means a Phase I Bid that satisfies the conditions set out in Section 9 hereof. A Portion Bid may be a Qualified Phase I Bid;

“**Qualified Phase I Bidder**” means a bidder submitting a Qualified Phase I Bid;

“**Qualified Phase II Bid**” means a Phase II Bid that satisfies the conditions set out in Section 12 hereof. A Portion Bid may be a Qualified Phase II Bid;

“**Qualified Phase II Bidder**” means bidder submitting a Qualified Phase II Bid;

“**Qualified Investment Bid**” is an Investment Proposal that is determined to be a Qualified Phase II Bid by the Company and the Monitor pursuant to Section 12;

“**Qualified Sale Bid**” is a Sale Proposal that is determined to be a Qualified Phase II Bid by the Company and the Monitor pursuant to Section 12;

“**Sale Proposal**” has the meaning given to it in Section 7;

“**Secured Lenders**” means the GSO Capital Partners LP and Canadian Imperial Bank of Commerce in their capacity as secured lenders of the Company;

“**SISP**” has the meaning given to it in the introduction;

“**SISP Procedures**” has the meaning given to it in the introduction;

“**Stalking Horse Agreement**” has the meaning given to it in the introduction;

“**Stalking Horse Bidder**” means 1104307 B.C. Ltd., or an affiliate thereof;

“**Successful Bid**” has the meaning given to it in Section 13(a)(i); and

“**Successful Bidder**” has the meaning given to it in Section 13(a)(i).

2. The SISP Procedures

The SISP shall consist of two phases. In the first phase, any interested party (an “**Interested Party**”) that meets the preliminary participant requirements set out herein, including having executed a Confidentiality Agreement and an Acknowledgment of the SISP, shall be provided the Confidential Teaser and access to the Data Room in order to prepare and submit a Phase I Bid by the Phase I Bid Deadline. Phase I Bidders that are determined by the Company, in consultation with the Monitor, to be Qualified Phase I Bidders shall be invited to participate in the second phase wherein they will be given access to the Additional Confidential Information in order to complete diligence prior to submitting a Phase II Bid by the Phase II Bid Deadline.

The Company, in consultation with the Monitor, shall supervise the SISP Procedures and each will generally consult with the other in respect of all matters arising out of these SISP Procedures. The Monitor shall direct and preside over the Auction, if applicable. In the event that there is disagreement as to the interpretation or application of these SISP Procedures, the Court will have the jurisdiction to hear and resolve such dispute.

3. “As Is, Where Is”

The sale of the Business or any part of the Assets or investment in the Company will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature or description by the Company, the Monitor or any of their employees, officers, directors, agents or advisors, except to the extent set forth in the relevant definitive sale or investment agreement with a Successful Bidder.

By participating in this process, each Interested Party is deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Business, the Assets or the Company prior to making its Bid, that it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or regarding the Business, the Assets or the Company in making its Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Business, the Assets or the Company or the completeness of any information provided in connection therewith, except as expressly stated in the terms of any definitive transaction documents.

4. Role of Management of the Company

In the event that any party or parties involved in the management of the Company (“**Management**”) intends to submit a Bid pursuant to the SISP, any such party or parties must advise the Monitor of such intention in writing by February 15, 2017 (the “**Participation Notice**”). Upon receipt of a Participation Notice, the Monitor will assume the role of the Company in the SISP Procedures with such modifications as are necessary, and Management will be excluded from any participation in the SISP that might create an unfair advantage or jeopardize the integrity of the SISP. For greater certainty, any such party or parties delivering a Participation Notice will be subject to the SISP Procedures as an Interested Party.

5. Role of the Monitor

The Monitor’s responsibilities pursuant to the SISP include:

- (a) Consulting with the Company in connection with the bidding procedures included in this SISP and the closing of the transaction contemplated in the Successful Bid(s);
- (b) Overseeing the SISP Procedures;
- (c) Reporting to the Court in connection with the SISP Procedures including the bidding procedures included in this SISP and the closing of the transaction contemplated in the Successful Bid(s);
- (d) Conducting an Auction if necessary in accordance with the Auction Procedures attached hereto as Schedule “C”; and
- (e) Assisting the Company to facilitate information requests including assisting the Company in preparing or modifying financial information to assist with the bidding procedures included in this SISP and the closing of the transaction contemplated in the Successful Bid(s) (including the Stalking Horse Agreement).

6. **Access to Due Diligence Materials**

Only Interested Parties that satisfy the Phase I Participant Requirements will be eligible to receive the Confidential Teaser and access to the Data Room. If the Company, in consultation with the Monitor, determines that a Phase I Bidder does not constitute a Qualified Phase I Bidder, then such Phase I Bidder shall not be eligible to receive the Additional Confidential Information.

The Company, with the assistance of the Monitor, will be responsible for the coordination of all reasonable requests for additional information and due-diligence access from Interested Parties. Neither the Company nor the Monitor shall be obligated to furnish any due diligence information after the Phase I Bid Deadline other than the Additional Confidential Information to Qualified Phase I Bidders before the Phase II Bid Deadline. Neither the Company nor the Monitor shall be obligated to furnish any due diligence information after the Phase II Bid Deadline, provided however that the Company and Monitor may, but are not obligated to, provide further information including, without limitation, financial information to the Successful Bidder (including the Stalking Horse Bidder). Neither the Company nor the Monitor is responsible for, and will bear no liability with respect to, any information obtained by any party in connection with the sale of the Assets and the Business.

7. **Bid Deadlines**

An Interested Party that wishes to make a Bid to (a) acquire the Business or all, substantially all or any part of the Assets, including any offer to acquire some or all of the Company's retail store leases, intellectual property and furniture, fixtures and equipment (a "**Sale Proposal**"), or (b) make an investment in the Company by way of private issuances, sale or placement of newly issued or treasury equity, equity-linked or debt securities, instruments or obligations of the Company with one or more lenders and/or investors or security holders (an "**Investment Proposal**"), must deliver an executed copy of a Phase I Bid to the Monitor, at the address specified in Schedule "B" hereto (including by email) so as to be received by it **not later than 5:00 p.m. (Eastern Time) on March 13, 2017**, or such other later date or time as may be agreed by the Company and the Monitor with the consent of the Secured Lenders (the "**Phase I Bid Deadline**").

All Phase II Bids must be submitted to the Monitor, at the address specified in Schedule "B" hereto (including by email) so as to be received by it **not later than 5:00 p.m. (Eastern Time) on March 24, 2017**, or such other later date or time as may be agreed by the Company and the Monitor with the consent of the Secured Lenders (the "**Phase II Bid Deadline**").

PHASE I

8. **Phase I Participant Requirements.**

To participate in Phase I of the SISF and to otherwise be considered for any purpose hereunder, each Interested Party must provide the Company with an executed copy of each of the following prior to being provided with the Confidential Teaser and access to

the Data Room: (i) a Confidentiality Agreement; and (ii) an Acknowledgement of the SISP (collectively, the “**Phase I Participant Requirements**”).

9. Qualified Phase I Bids

Only Qualified Phase I Bidders shall be allowed to participate in Phase II of the SISP. In order for the Company to determine whether an Interested Party is a Qualified Phase I Bidder, the Interested Party must provide, in form and substance satisfactory to the Company, in consultation with the Monitor, each of the following on or before the Phase I Bid Deadline:

- (a) Irrevocable Bid: A cover letter stating that the Phase I Bid is irrevocable until Court approval of the Successful Bid(s), provided that if such Phase I Bidder is selected as the Successful Bidder or the Back-Up Bidder, its Phase I Bid shall remain irrevocable until the Back-Up Bid Expiration Date (as defined below);
- (b) which includes:
 - (i) Sale Proposal: in the case of a Sale Proposal, a duly authorized and executed definitive purchase agreement together with all completed schedules thereto substantially in the form of the Form Purchase Agreement containing the detailed terms and conditions of the proposed transaction, including identification of the Business or the Assets proposed to be acquired, the obligations to be assumed, the purchase price for the Business or Assets proposed to be acquired (the “**Purchase Price**”), the detailed structure and financing of the proposed transaction, together with a blackline comparing the purchase agreement submitted to the Form Purchase Agreement; and
 - (ii) Investment Proposal: in the case of an Investment Proposal, a duly authorized and executed binding term sheet describing the detailed terms and conditions of the proposed transaction, including details regarding the proposed equity and debt structure of the Company following completion of the proposed transaction, the direct or indirect investment target and the aggregate amount of equity and debt investment (including the sources of such capital, the underlying assumptions regarding the *pro forma* capital structure, as well as anticipated tranches of debt, debt service fees, interest and amortization) to be made in the Company, and the debt, equity, or other securities, if any, proposed to be allocated to creditors of the Company;
- (c) Purchase Price: Evidence that the Purchase Price (in the case of a Sale Proposal) or imputed value (in the case of an Investment Proposal) under the Phase I Bid or Aggregate Bid shall be an amount equal to or greater than the Minimum Bid Amount; provided that any Portion Bidder shall not be subject to the Minimum Bid Amount except to the extent that it forms an Aggregate Bid;

- (d) Proof of Financial Ability to Perform: Written evidence upon which the Company and the Monitor may reasonably conclude that the Interested Party has the necessary financial ability to close the contemplated transaction on or before the Outside Date and provide adequate assurance of future performance of all obligations to be assumed in such contemplated transaction. Such information should include, among other things, the following:
 - (i) evidence of the Interested Party's internal resources and proof of any debt or equity funding commitments that are needed to close the contemplated transaction;
 - (ii) contact names and phone numbers for verification of financing sources; and
 - (iii) any such other form of financial disclosure or credit-quality support information or enhancement requested by and reasonably acceptable to the Company and the Monitor demonstrating that such Interested Party has the ability to close the contemplated transaction;
- (e) Unconditional Bid: Evidence that it is not conditioned on (i) the outcome of unperformed due diligence other than review of the Additional Confidential Information and/or (ii) obtaining financing;
- (f) Identification: Full written disclosure of the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the Phase I Bid, including whether any prior or current member of the Company's board, management, any employee or consultant to the Company or any creditor) or shareholder of the Company is involved in any way with the Phase I Bid or assisted with the Phase I Bid, and the complete terms of any such participation as well as evidence of corporate authority to sponsor or participate in the Phase I Bid;
- (g) Acknowledgment: An acknowledgement and representation that the Interested Party: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents regarding the Business and/or the Assets to be acquired, liabilities to be assumed or the Company in making its Phase I Bid; and (ii) did not rely upon any written or oral statements, representations, promises, warranties conditions or guaranties whatsoever, whether express or implied (by operation of law or otherwise) by the Company, the Monitor or any of their respective employees, directors, officers, agents, advisors or other representatives, regarding the Business, Assets to be acquired, liabilities to be assumed, the Company or the completeness of any information provided in connection therewith, except as expressly provided in any definitive transaction documents;
- (h) Authorization: Evidence, in form and substance reasonably satisfactory to the Company and the Monitor, of authorization and approval from the Interested Party's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by

the Phase I Bid, and identification of any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;

- (i) Break or Termination Fee: Evidence that it does not include any request for or entitlement to any break or termination fee, expense reimbursement or similar type of payment;
- (j) Deposit: A cash deposit (the “**Deposit**”) in an amount equal to 10% of the Purchase Price (in the case of a Sale Proposal) or imputed value (in the case of an Investment Proposal) that shall be paid to the Monitor in trust, which Deposit shall be held and dealt with in accordance with these SISP Procedures;
- (k) Employees: If applicable, full details of the proposed number of employees of the Company who will become employees of the Phase I Bidder if determined to be the Successful Bidder and the proposed terms and conditions of employment to be offered to those employees;
- (l) Other: Such other information as may reasonably be requested by the Company or the Monitor; and
- (m) Phase I Bid Deadline: It is received by the Monitor, at the address specified in Schedule “B” hereto (including by email) on or before the Phase I Bid Deadline.

The Company, with the approval of the Monitor, may waive any one or more minor and non-material violations of the requirements specified for Qualified Phase I Bids and deem such non-compliant Bids to be Qualified Phase I Bids, provided that, proof of financial ability to perform required pursuant to Section 9(d) cannot be waived without consent of the Secured Lenders.

10. Evaluation of Qualified Phase I Bids and Designation as Qualified Phase I Bidder

The Company, in consultation with the Monitor, shall evaluate Qualified Phase I Bids on various grounds including, but not limited to, the Purchase Price or imputed or projected value, the treatment of creditors and related implied recovery for creditors (in each case, as applicable), the assumed liabilities, the certainty of closing the transactions contemplated by the Phase I Bid on or before the Outside Date and any delay or other risks (including closing risks) in connection with the Qualified Phase I Bids.

The Company, with the approval of the Monitor, shall have the option, in its discretion, to aggregate Portion Bids.

The Company shall be under no obligation to accept the highest or best offer or any offer (other than the offer contained in the Stalking Horse Agreement if no other higher or better offer is accepted).

As soon as practical after the Phase I Bid Deadline, the Company, in consultation with the Monitor, will advise an Interested Party whether or not its Phase I Bid constitutes a

Qualified Phase I Bid and that it is a Qualified Phase I Bidder and, if such Phase I Bidder is a Qualified Phase I Bidder, that it is invited to participate in Phase II of the SISP. For certainty, the Stalking Horse Agreement is a Qualified Phase I Bid and the Stalking Horse Bidder is a Qualified Phase I Bidder for all purposes of these SISP Procedures.

11. No Qualified Phase I Bids

If no Qualified Phase I Bid other than a Bid pursuant to the Stalking Horse Agreement is received by the Phase I Bid Deadline, the Stalking Horse Bidder shall be declared the Successful Bidder and the Stalking Horse Agreement shall be declared the Successful Bid.

PHASE II

12. Qualified Phase II Bid Requirements

Only Qualified Phase I Bidders shall be entitled to submit a Phase II Bid. In order to be considered a Qualified Phase II Bid, as determined by the Company, in consultation with the Monitor, a Phase II Bid must: (i) satisfy all of the requirements for a Qualified Phase I Bid contained in Section 9; and (ii) shall not be conditional in any way on the outcome of unperformed due diligence including with respect to the Additional Confidential Information. For certainty, the Stalking Horse Agreement is a Qualified Phase II Bid and the Stalking Horse Bidder is a Qualified Phase II Bidder for all purposes of these SISP Procedures.

13. Evaluation of Qualified Phase II Bids and Subsequent Actions

The Company, in consultation with the Monitor, shall evaluate Qualified Phase II Bids on various grounds including, but not limited to, the Purchase Price or imputed or projected value, the treatment of creditors and related implied recovery for creditors (in each case, as applicable), the assumed liabilities, the certainty of closing the transactions contemplated by the Qualified Phase II Bid on or before the Outside Date and any delay or other risks (including closing risks) in connection with the Qualified Phase II Bids.

Following such evaluation, the Company, with the approval of the Monitor, may:

- (a) In the case of a Qualified Sale Bid or Qualified Investment Bid, including to the extent such Qualified Phase II Bids are Portion Bids:
 - (i) Accept, subject to Court approval, one (or more than one, if for distinct and compatible transactions) of the Qualified Phase II Bids (each, a “**Successful Bid**” and the offeror(s) making such Successful Bid being a “**Successful Bidder**”) and take such steps as may be necessary to finalize definitive transaction documents for the Successful Bid(s) with Successful Bidder(s); or

- (ii) Conditionally accept one (or more than one, if for distinct and compatible transactions) of the Qualified Phase II Bids, which acceptance will be conditional upon the failure of the transaction(s) contemplated by the Successful Bid to close (the “**Back-up Bid**” and offeror(s) making such Back-up Bid being the “**Back-Up Bidder**”); and
- (b) If more than one Qualified Sale Bids have been received, pursue an auction (an “**Auction**”) in accordance with the procedures set out in the attached Schedule “C” (the “**Auction Procedure**”) or if the Company in consultation with the Monitor otherwise determines that an Auction is appropriate under the circumstances.

The Company, with the approval of the Monitor, shall have the option, in its discretion, to aggregate Portion Bids. Notwithstanding anything to the contrary herein, the Company, with the approval of the Monitor, shall be permitted to include Qualified Investment Bids or Qualified Sale Bids in the Auction, including to the extent such Qualified Phase II Bids are Portion Bids.

The Company shall be under no obligation to accept the highest or best offer or any offer (other than the offer contained in the Stalking Horse Agreement if no higher or better offer is accepted) or to pursue or hold an Auction or to select any Successful Bidder(s) and any Back-Up Bidder(s). For greater certainty, any accepted offer, whether at the Auction or otherwise, must provide consideration sufficient to satisfy the Minimum Bid Amount requirements.

No later than five Business Days after the Phase II Bid Deadline, the Company shall advise the Qualified Phase II Bidders if Successful Bid(s) and Back-Up Bid(s) have been accepted, or conditionally accepted, as the case may be. If the Company, with the approval of the Monitor, determines to conduct an Auction pursuant to the SISP Procedures, the Company or the Monitor will advise the Qualified Phase II Bidders of the date, time, location and the rules (if any) of the Auction in accordance with the Auction Procedure.

14. No Qualified Phase II Bids

If no Qualified Phase II Bid other than a Bid pursuant to the Stalking Horse Agreement is received by the Phase II Bid Deadline, then the Stalking Horse Bidder shall be declared the Successful Bidder and the Stalking Horse Agreement shall be declared the Successful Bid.

APPROVAL MOTION

15. Approval Motion

The Company shall use reasonable efforts to make a motion to the Court to approve the Successful Bid(s) and Back-Up Bid(s) as soon as practical following the determination by it and the Monitor of the Successful Bidder(s). The Company will be deemed to have accepted the Successful Bid(s) only when it has been approved by the Court. All

Qualified Phase II Bids (other than the Successful Bid(s) and the Back-Up Bid(s)) shall be deemed rejected by the Company on and as of the date of approval of the Successful Bid(s) by the Court.

16. Back-Up Bidder

If a Successful Bidder fails to close the transaction contemplated by the Successful Bid(s) on or before the Outside Date for any reason, then the Company will be deemed to have accepted the Back-Up Bid(s) and will proceed with the transaction pursuant to the terms thereof. The Back-Up Bid(s) shall remain open for acceptance until the closing of the Successful Bid(s), or such other later date as the Company and the Back-Up Bidder may agree, acting reasonably (the “**Back-Up Bid Expiration Date**”).

MISCELLANEOUS

17. Information From Interested Parties

Each Interested Party shall comply with all reasonable requests for additional information by the Company regarding such Interested Party and its contemplated transaction. Failure by an Interested Party to comply with requests for additional information will be a basis for the Company to determine that the Interested Party is not a Qualified Phase I Bidder or a Qualified Phase II Bidder, as applicable.

18. Deposits

All Deposits shall be held by the Monitor in a single interest bearing account designated solely for such purpose. A Deposit paid by a Successful Bidder shall be dealt with in accordance with the definitive documents for the transactions contemplated by the Successful Bid. Deposits, and any interest earned thereon, paid by Phase I Bidders not selected as either a Qualified Phase I Bidder or a Qualified Phase II Bidder shall be returned to such Phase I Bidder within three Business Days of being advised that it is not a Qualified Phase I Bidder or a Qualified Phase II Bidder, as the case may be. Deposits, and any interest thereon, paid by Qualified Phase II Bidders not selected as either a Successful Bidder or a Back-Up Bidder shall be returned to such Qualified Phase II Bidders within three Business Days of Court approval of the Successful Bid. In the case of Back-Up Bid(s), the Deposit and any interest earned thereon shall be retained by the Monitor until the Back-Up Bid Expiration Date and returned to the Back-Up Bidder within three Business Days thereafter or, if a Back-Up Bid becomes a Successful Bid, shall be dealt with in accordance with the definitive documents for the Back-Up Bid.

19. Modifications and Termination

The Company, in consultation with the Monitor, and subject to Section 20, the Secured Lenders, shall have the right to adopt such other rules for the SISP Procedures (including rules that may depart from those set forth herein) that will better promote the sale of the Business or all or any part of the Assets or investment in the Company under these SISP Procedures. The Company, in consultation with the Monitor, shall apply to the Court if it wishes to materially modify or terminate the process set out in these SISP Procedures.

For certainty, any amendments to the Phase I Bid Deadline or the Phase II Deadline or other dates set out in these SISP Procedures, including those relating to the Auction, shall not constitute a material modification but shall require the consent of the Secured Lenders.

20. Consultation with the Secured Lenders

The Company, in consultation with the Monitor, shall, as appropriate, consult with the Secured Lenders throughout the SISP; provided that, to the extent the Secured Lender is related to a Bidder, including the Stalking Horse Bidder, the Company and the Monitor shall not provide such Secured Lender with information that might create an unfair advantage or jeopardize the integrity of the SISP.

21. Other

Neither the Company nor the Monitor shall be liable for any claim for a brokerage commission, finder's fee or like payment in respect of the consummation of any of the transactions contemplated under the SISP arising out of any agreement or arrangement entered into by the parties that submitted the Successful Bid(s) and Back-Up Bid(s). Any such claim shall be the sole liability of the parties that submitted such Successful Bid(s) and Back-Up Bid(s).

SCHEDULE "A"

Acknowledgement of the SISP

The undersigned hereby acknowledges receipt of the Sale and Investor Solicitation Process approved by the Order of the Honourable Justice ● of the Ontario Superior Court of Justice (Commercial List) dated January ●, 2017 (the "SISP") and that compliance with the terms and provisions of the SISP is required in order to participate in the SISP and for any Bids to be considered by the Company.

This ____ day of _____, 2017.

[NAME]

By:

[Signing Officer]

SCHEDULE "B"
ADDRESS PARTICULARS

Richter Advisory Group Inc.

181 Bay Street, Suite 3320
Bay Wellington Tower
Toronto, ON M5J 2T3

Attention: Gilles Benchaya/ Adam Sherman
Phone: 514.934.3496/ 416.642.4836
Fax: 514.934.3504/ 416.488.3765
Email: gbenchaya@richterconsulting.com/ asherman@richter.ca

SCHEDULE "C" AUCTION PROCEDURES

Auction

1. If the Company, with the approval of the Monitor, determines to conduct an Auction pursuant to the SISP Procedures, the Company or the Monitor will notify the Qualified Phase II Bidders who made a Qualified Phase II Bid that the Auction will be held at the offices of Fasken Martineau DuMoulin LLP, 333 Bay Street, Suite 2400, Toronto, Ontario at 9:00 a.m. (Eastern Time) on date that is determined by the Company or the Monitor, provided that it is a date that is not later than seven Business Days after the Phase II Bid Deadline, or such other place, date and time as the Company or the Monitor may advise. Capitalized terms used but not defined herein have the meaning given to them in the SISP Procedures. The Auction shall be conducted in accordance with the following procedures:
 - (a) Participation At the Auction. Only a Qualified Phase II Bidder is eligible to participate in the Auction. Each Qualified Phase II Bidder must inform the Company and the Monitor whether it intends to participate in the Auction no later than 12:00 p.m. (Eastern Time) on the Business Day prior to the Auction. Only the authorized representatives of each of the Qualified Phase II Bidders, the Monitor and the Company and the Secured Lenders and their respective counsel and other advisors and any other parties acceptable to the Company in consultation with the Monitor shall be permitted to attend the Auction.
 - (b) Bidding at the Auction. Bidding at the Auction shall be conducted in rounds. The highest Qualified Phase II Bid at the beginning of the Auction shall constitute the "**Opening Bid**" for the first round and the highest Overbid (as defined below) at the end of each round shall constitute the "**Opening Bid**" for the following round. In each round, a Qualified Phase II Bidder may submit no more than one Overbid. Only Qualified Phase II Bidder who bids in a round (including the Qualified Phase II Bidder that submitted the Opening Bid for such round) shall be entitled to participate in the next round of bidding at the Auction. For greater certainty, an Aggregate Bid may be determined to be the Opening Bid for any round including the opening round.
 - (c) Monitor Shall Conduct the Auction. The Monitor and its advisors shall direct and preside over the Auction. At the start of the Auction, the Monitor shall provide the terms of the Opening Bid to all participating Qualified Phase II Bidders at the Auction. The determination of which Qualified Phase II Bid constitutes the Opening Bid for each round shall take into account any factors that the Monitor reasonably deems relevant to the value of the Qualified Phase II Bid, including, among other things, the following: (i) the amount and nature of the consideration, including the value of any non-cash consideration; (ii) the proposed assumption of any liabilities and the related implied impact on recoveries for creditors; (iii) the Monitor's reasonable assessment of the certainty of the Qualified Phase II Bidder to close the proposed transaction on or before the Outside Date; (iv) the likelihood, extent and impact of any potential delays in closing; (v) the impact of

the contemplated transaction on any actual or potential litigation; (vi) the net economic effect of any changes from the Opening Bid of the previous round; (vii) the net after-tax consideration to be received by the Company; and (viii) such other considerations as the Monitor deems relevant in its reasonable business judgment (collectively, the “**Bid Assessment Criteria**”). For greater certainty, the Monitor may ascribe monetary values to non-monetary terms in Overbids for the purposes of assessing and valuing such Overbids, including without limitation, the value to be ascribed to any liabilities or contracts to be assumed. All Bids made after the Opening Bid shall be Overbids, and shall be made and received on an open basis, and all material terms of the highest and best Overbid shall be fully disclosed to all other Qualified Phase II Bidders that are participating in the Auction. The Monitor shall maintain a record of the Opening Bid and all Overbids made and announced at the Auction, including the Successful Bid and the Back-Up Bid.

- (d) Terms of Overbids. An “**Overbid**” is any Bid made at the Auction subsequent to the Monitor’s announcement of the Opening Bid. To submit an Overbid, in any round of the Auction, a Qualified Phase II Bidder must comply with the following conditions:
- (i) *Minimum Overbid Increment*: Any Overbid shall be made in such increments as the Monitor may determine in order to facilitate the Auction (the “**Minimum Overbid Increment**”). The amount of the cash purchase price consideration or value of any Overbid shall not be less than the cash purchase price consideration or value of the Opening Bid, plus the Minimum Overbid Increment(s) at that time plus any additional Minimum Overbid Increments. In respect of the Stalking Horse Agreement and any Overbid by the Stalking Horse Purchaser, the value shall include the amount of any indebtedness owing to it that is to be deemed repaid or otherwise released and any priority indebtedness to be assumed pursuant to and in accordance with the terms of the Stalking Horse Agreement.
 - (ii) *The Bid Requirements same as for Qualified Phase II Bids*: Except as modified herein, an Overbid must comply with the bid requirements contained herein, provided, however, that the Phase II Bid Deadline shall not apply. Any Overbid made by a Qualified Phase II Bidder must provide that it remains irrevocable and binding on the Qualified Phase II Bidder and open for acceptance until the closing of the Successful Bid(s).
 - (iii) *Announcing Overbids*: At the end of each round of bidding, the Monitor shall announce the identity of the Qualified Phase II Bidder and the material terms of the then highest and/or best Overbid, including the nature of the proposed transaction contemplated by the best Overbid, the assets proposed to be acquired and the obligations proposed to be assumed, the basis for calculating the total consideration offered in such Overbid, and the resulting benefit to the Company based on, among other things, the Bid Assessment Criteria. For greater certainty, an Aggregated Bid may be determined to be the highest and/or best Overbid.

- (iv) *Consideration of Overbids:* The Monitor reserves the right, in consultation with the Company, to make one or more adjournments in the Auction to, among other things: (A) facilitate discussions between the Company and individual Qualified Phase II Bidders; (B) allow individual Qualified Phase II Bidders to consider how they wish to proceed; (C) consider and determine the current highest and/or best Overbid at any given time during the Auction; and (D) give Qualified Phase II Bidders the opportunity to provide the Monitor with such additional evidence as it, or the Company, may require, that the Qualified Phase II Bidder has obtained all required internal corporate approvals, has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount. The Monitor and Company may have clarifying discussions with a Qualified Phase II Bidder, and the Monitor may allow a Qualified Phase II Bidder to make technical clarifying changes to its Overbid following such discussions.
- (v) *Portion Bids:* Notwithstanding the forgoing, each Portion Bidder entitled to participate in the Auction shall be entitled to submit an Overbid (in a minimum increment to be determined by the Monitor) with respect to the Assets on which it is bidding without being required to submit an Overbid with respect to all Assets or the applicable Opening Bid; provided that any Aggregated Bid that is an Overbid shall be subject to these Auction procedures as any other Overbid, including that such Aggregated Bid that is an Overbid shall be subject to the Minimum Overbid Increment. Portion Bids can be aggregated with any other Qualified Phase II Bid, as determined by the Company and the Monitor.
- (vi) *Failure to Bid:* If at the end of any round of bidding a Qualified Phase II Bidder (other than a Portion Bidder, or the Qualified Phase II Bidder that submitted the then highest and/or best Overbid or Opening Bid, as applicable) fails to submit an Overbid, then such Qualified Phase II Bidder shall not be entitled to continue to participate in the next round of the Auction.
- (e) Discussion with other Bidders. A Qualified Phase II Bidder shall not strategize or discuss with other Qualified Phase II Bidders for the purpose of submitting an Overbid without the consent of the Monitor.
- (f) Additional Procedures. The Monitor may, in consultation with the Company, adopt rules for the Auction at or prior to the Auction that will better promote the goals of the Auction, including rules pertaining to the structure of the Auction, the order of bidding provided they are not inconsistent with any of the provisions of the SISP Procedures and provided further that no such rules may change the requirement that all material terms of the then highest and/or best Overbid at the end of each round of bidding will be fully disclosed to all other Qualified Phase II Bidders.

- (g) Closing the Auction. The Auction shall be closed after the Monitor, with the assistance of the Company and their respective legal counsel, has (i) reviewed the final Overbid of each Qualified Phase II Bidder on the basis of financial and contractual terms and the factors relevant to the sale process, including those factors affecting the speed and certainty of consummating the proposed sale, and (ii) identified the Successful Bid and the Back-Up Bid and advise the Qualified Phase II Bidders participating in the Auction of such determination. One or more Portion Bids can, in the discretion of the Monitor, form part of a Successful Bid and Back-Up Bid so long as such Portion Bids do not overlap in respect of the Assets sought to be purchased and in such case, such Portion Bid shall be included in the definition of Successful Bidder or Back-Up Bid, as applicable.
- (h) Finalizing Documentation. Promptly following a Bid of a Qualified Phase II Bidder being declared the Successful Bid or the Back-Up Bid, the applicable Qualified Phase II Bidder shall execute and deliver such revised and updated definitive transaction agreements as may be required to reflect and evidence the Successful Bid or Back-Up Bid.
- (i) Qualified Investment Bids. Notwithstanding any other provision of these SISP Procedures, if a Qualified Phase II Bidder submits a Qualified Investment Bid, which the Company or the Monitor considers would result in a greater value being received for the benefit of the Company's creditors than the Qualified Sale Bids, then the Monitor may allow such Qualified Phase II Bidder to participate in the Auction, notwithstanding that such Qualified Investment Bid may not otherwise comply with the terms of these Auction Procedures. In such case, the Monitor may adopt appropriate rules to facilitate such Qualified Phase II Bidder's participation in the Auction.

Court File No.: CV-17-11677-00CL

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 GRAFTON-FRASER INC.

(the "Applicant")

**ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]**

Proceedings commenced in Toronto

**ORDER
(STALKING HORSE & SISP)
(Returnable January 30, 2017)**

FASKEN MARTINEAU DuMOULIN LLP

333 Bay Street – Suite 2400
Bay Adelaide Centre, Box 20
Toronto, ON M5H 2T6

Stuart Brotman (LSUC#43430D)

Tel: 416 865 5419
Fax: 416 364 7813
sbrotman@fasken.com

Dylan Chochla (LSUC#62137I)

Tel: 416 868 3425
Fax: 416 364 7813
dchochla@fasken.com

Lawyers for the Applicant, Grafton-Fraser Inc.

SCHEDULE “B”

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record herein is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that any capitalized term used and not defined herein shall have the meaning ascribed thereto in the Initial Order and the Consulting Agreement, as applicable.

APPROVAL OF THE CONSULTING AGREEMENT

3. **THIS COURT ORDERS** that the Consulting Agreement, including the Sales Guidelines attached hereto as Schedule "A" hereto (the "**Sales Guidelines**"), and the transactions contemplated thereunder are hereby approved, authorized and ratified and that the execution of the Consulting Agreement by Applicant is hereby approved, authorized, and ratified with such minor amendments as Applicant (with the consent of the Monitor) and the Consultant may agree to in writing. Subject to the provisions of this Order, and the Initial Order, the Applicant is hereby authorized and directed to take any and all actions, including, without limitation, execute and deliver such additional documents, as may be necessary or desirable to implement the Consulting Agreement and each of the transactions contemplated therein.

THE SALE

4. **THIS COURT ORDERS** that the Applicant with the assistance of the Consultant is authorized to conduct the Sale in accordance with this Order, the Consulting Agreement and the Sales Guidelines and to advertise and promote the Sale within the Closing Stores in accordance with the Sales Guidelines. If there is a conflict between this Order, the Consulting Agreement and the Sales Guidelines, the order of priority of documents to resolve such conflicts is as follows: (1) the Order; (2) the Sales Guidelines; and (3) the Consulting Agreement.
5. **THIS COURT ORDERS** that subject to paragraph 12 of the Initial Order, the Applicant with the assistance of the Consultant, is authorized to market and sell the Merchandise and the FF&E free and clear of all liens, claims, encumbrances, security interests, mortgages, charges, trusts, deemed trusts, executions, levies, financial, monetary or other claims, whether or not such claims have attached or been

perfected, registered or filed and whether secured, unsecured, quantified or unquantified, contingent or otherwise, whensoever and howsoever arising, and whether such claims arose or came into existence prior to the date of this Order or came into existence following the date of this Order, (in each case, whether contractual, statutory, arising by operation of law, in equity or otherwise) (all of the foregoing, collectively "**Claims**"), including, without limitation the Directors' Charge, the Administration Charge, the Term Lenders' DIP Charge, the ABL Lender's DIP Charge or the KERP Charge, and any other charges hereafter granted by this Court in these proceedings (collectively, the "**CCAA Charges**"), and all Claims, charges, security interests or liens evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal or movable property registration system (all of such Claims, charges (including the CCAA Charges), security interests and liens collectively referred to herein as "**Encumbrances**"), which Encumbrances will attach instead to the proceeds of sale of the Merchandise and FF&E other than amounts due and payable to the Consultant by the Applicant under the Consulting Agreement, in the same order and priority as they existed on the Sale Commencement Date and, subject to paragraph 17 of this Order, such proceeds shall be dealt with in accordance with paragraph 48 of the Initial Order.

6. **THIS COURT ORDERS** that subject to the terms of this Order and the Initial Order, the Sales Guidelines and the Consulting Agreement, the Consultant shall have the right to enter and use the Closing Stores and all related Closing Store services and all facilities and all furniture, trade fixtures and equipment, including the FF&E, located at the Closing Stores, and other assets of Applicant as designated under the Consulting Agreement, for the purpose of conducting the Sale and for such purposes, the Consultant shall be entitled to the benefit of the Applicant's stay of proceedings provided under the Initial Order as such stay of proceedings may be extended by further Order of the Court.
7. **THIS COURT ORDERS** that until the applicable Sale Termination Date for each Closing Store (which shall in no event be later than April 30, 2017), the Consultant shall have access to the Closing Stores in accordance with the applicable leases and the Sales Guidelines on the basis that the Consultant is assisting the Applicant and the Applicant has granted the right of access to the applicable Closing Store to the Consultant. To the extent that the terms of the applicable leases are in conflict with

any term of this Order or the Sales Guidelines, the terms of this Order and the Sales Guidelines shall govern.

8. **THIS COURT ORDERS** that nothing in this Order shall amend or vary, or be deemed to amend or vary the terms of the leases for Applicant's leased Closing Stores. Nothing contained in this Order or the Sales Guidelines shall be construed to create or impose upon Applicant or the Consultant any additional restrictions not contained in the applicable lease or other occupancy agreement.
9. **THIS COURT ORDERS** that except as provided for in Section 4 hereof in respect of the advertising and promotion of the Sale within the Closing Stores, subject to, and in accordance with this Order, the Consulting Agreement and the Sales Guidelines, the Consultant is authorized to advertise and promote the Sale, without further consent of any Person other than the Applicant and the Monitor as provided under the Consulting Agreement or a Landlord as provided under the Sales Guidelines.
10. **THIS COURT ORDERS** that the Consultant shall have the right to use, without interference by any intellectual property licensor, the Applicant's trademarks and logos, as well as all licenses and rights granted to the Applicant to use the trade names, trademarks, and logos of third parties, relating to and used in connection with the operation of the Closing Stores solely for the purpose of advertising and conducting the Sale of the Merchandise or FF&E in accordance with the terms of the Consulting Agreement, the Sales Guidelines, and this Order, provided that the Consultant provides the Applicant with a copy of any advertising prior to its use in the Sale.

CONSULTANT LIABILITY

11. **THIS COURT ORDERS** that the Consultant shall act solely as an independent consultant to Applicant and that it shall not be liable for any claims against Applicant other than as expressly provided in the Consulting Agreement (including the Consultant's indemnity obligations thereunder) or the Sales Guidelines. More specifically:

- (a) the Consultant shall not be deemed to be an owner or in possession, care, control or management of the Closing Stores, of the assets located therein or

associated therewith or of Applicant's employees (including the Closing Store Employees) located at the Closing Stores or any other property of Applicant;

- (b) the Consultant shall not be deemed to be an employer, or a joint or successor employer or a related or common employer or payor within the meaning of any legislation governing employment or labour standards or pension benefits or health and safety or other statute, regulation or rule of law or equity for any purpose whatsoever, and shall not incur any successorship liabilities whatsoever; and
- (c) Applicant shall bear all responsibility for any liability whatsoever (including without limitation losses, costs, damages, fines or awards) relating to claims of customers, employees and any other persons arising from events occurring at the Closing Stores during and after the Sale Term in connection with the Sale, except to the extent such claims are the result of events or circumstances caused or contributed to by the gross negligence or wilful misconduct of the Consultant, its employees, agents or other representatives, or otherwise in accordance with the Consulting Agreement.

12. **THIS COURT ORDERS** to the extent the Landlords (or any of them) may have a claim against Applicant arising solely out of the conduct of the Consultant in conducting the Sale for which Applicant has claims against the Consultant under the Consulting Agreement, Applicant shall be deemed to have assigned free and clear such claims to the applicable Landlord (the "**Assigned Landlord Rights**").

CONSULTANT AN UNAFFECTED CREDITOR

13. **THIS COURT ORDERS** that the Consulting Agreement shall not be repudiated, resiliated or disclaimed by Applicant nor shall the claims of the Consultant pursuant to the Consulting Agreement be compromised or arranged pursuant to any plan of arrangement or compromise among Applicant and its creditors (a "**Plan**"). The Consultant shall be treated as an unaffected creditor in these proceedings and under any Plan.
14. **THIS COURT ORDERS** that Applicant is hereby authorized to remit, in accordance with the Consulting Agreement, all amounts that become due to the Consultant thereunder.

15. **THIS COURT ORDERS** that, no Encumbrances shall attach to any amounts payable or to be credited or reimbursed to, or retained by, the Consultant pursuant to the Consulting Agreement and, at all times, the Consultant will retain such amounts, free and clear of all Encumbrances, notwithstanding any enforcement or other process or Claims, all in accordance with the Consulting Agreement.
16. **THIS COURT ORDERS** that notwithstanding (a) the pendency of these proceedings; (b) any application for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* ("**BIA**") in respect of Applicant or any bankruptcy order made pursuant to any such applications; (c) any assignment in bankruptcy made in respect of Applicant; (d) the provisions of any federal or provincial statute; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other document or agreement (collectively "**Agreement**") which binds Applicant:
- (i) the Consulting Agreement and the transactions and actions provided for and contemplated therein, including without limitation, the payment of amounts due to the Consultant,

shall be binding on any trustee in bankruptcy that may be appointed in respect to Applicant and shall not be void or voidable by any Person, including any creditor of Applicant, nor shall they, or any of them, constitute or be deemed to be a preference, fraudulent conveyance, transfer at undervalue or other challengeable reviewable transaction, under the BIA or any applicable law, nor shall they constitute oppressive or unfairly prejudicial conduct under any applicable law.

FF&E PROCEEDS

17. **THIS COURT ORDERS** that the Applicant is hereby authorized to transfer on a regular basis, as determined is appropriate in consultation with the Monitor, to an account of the Monitor the sale proceeds, on a motion supported by the Borrower, from the disposition of the FF&E and the Monitor is hereby authorized to hold such funds in trust for the Applicant in an account opened at a Canadian chartered bank

for this purpose, subject to further Order of the Court authorizing and directing the distribution of such proceeds. Any distribution of the sale proceeds generated from the sale of the FF&E shall be net of the fees and the out of pocket expenses related to the disposition of such FF&E reimbursed by the Applicant in accordance with the Consulting Agreement and approved by the Monitor.

BULK SALES ACT AND OTHER LEGISLATION

18. **THIS COURT ORDERS AND DECLARES** that the transactions contemplated under the Consulting Agreement shall be exempt from the application of the *Bulk Sales Act* (Ontario) and any other equivalent federal or provincial legislation.
19. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.
20. **THIS COURT HEREBY REQUESTS** the aid and recognition of any Court, tribunal, regulatory or administrative bodies, having jurisdiction in Canada or in the United States of America, to give effects to this Order and to assist Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

SCHEDULE A

SALES GUIDELINES

The following procedures shall apply to the Sale to be conducted at the Closing Stores of Grafton-Fraser Inc. (the "**Merchant**"). All terms not herein defined shall have the meaning set forth in the Consulting Agreement by and between a contractual joint venture composed of Gordon Brothers Canada ULC and Merchant Retail Solutions ULC (together the "**Consultant**") and the Merchant dated as of January ●, 2017 (the "**Consulting Agreement**").

1. Except as otherwise expressly set out herein, and subject to: (i) the Approval Order or any further Order of the Court; or (ii) any subsequent written agreement between the Merchant and the applicable landlord(s) (individually, a "Landlord" and, collectively, the "Landlords") and approved by Consultant, or (iii) as otherwise set forth herein, the Sale shall be conducted in accordance with the terms of the applicable leases/or other occupancy agreements to which the affected landlords are privy for each of the affected Closing Stores (individually, a "Lease" and, collectively, the "Leases"). However, nothing contained herein shall be construed to create or impose upon the Merchant or the Consultant any additional restrictions not contained in the applicable Lease or other occupancy agreement.
2. The Sale shall be conducted so that each of the Closing Stores remain open during their normal hours of operation provided for in the respective Leases for the Closing Stores until the respective Sale Termination Date of each Closing Store. The Sale at the Closing Stores shall end by no later than April 30, 2017. Rent payable under the respective Leases shall be paid as provided in the Initial Order.
3. The Sale shall be conducted in accordance with applicable federal, provincial and municipal laws and regulations, unless otherwise ordered by the Court.
4. All display and hanging signs used by the Consultant in connection with the Sale shall be professionally produced and all hanging signs shall be hung in a professional manner. Notwithstanding anything to the contrary contained in the Leases, the Consultant may advertise the Sale at the Closing Stores as a "everything on sale", "everything must go", "store closing" or similar theme sale at the Closing Stores (provided however that no signs shall advertise the Sale as a "bankruptcy", a "going out of business" or a "liquidation" sale it being understood that the French equivalent of "clearance" is "liquidation" and is permitted to be used). Forthwith upon request from a Landlord, the Landlord's counsel, the Merchant or the Monitor, the Consultant shall provide the proposed signage packages along with the proposed dimensions and number of signs (as approved by the Merchant pursuant to the Consulting Agreement) by e-mail or facsimile to the applicable Landlords or to their counsel of record. Where the provisions of the Lease conflict with these Sales Guidelines, these Sales Guidelines shall govern. The Consultant shall not use neon or day-glow or handwritten signage (unless otherwise contained in the sign package, including "you pay" or "topper" signs). In addition, the Consultant shall be permitted to utilize exterior banners/signs at stand alone or strip mall Closing Stores or enclosed mall

Closing Stores with a separate entrance from the exterior of the enclosed mall, provided, however, that where such banners are not permitted by the applicable Lease and the Landlord requests in writing that the banners are not to be used, no banners shall be used absent further Order of the Court, which may be sought on an expedited basis on notice to the Service List. Any banners used shall be located or hung so as to make clear that the Sale is being conducted only at the affected Closing Store and shall not be wider than the premises occupied by the affected Closing Store. All exterior banners shall be professionally hung and to the extent that there is any damage to the façade of the premises of a Closing Store as a result of the hanging or removal of the exterior banner, such damage shall be professionally repaired at the expense of the Consultant. If a Landlord is concerned with "store closing" signs being placed in the front window of a Closing Store or with the number or size of the signs in the front window, the Consultant and the Landlord will discuss the Landlord's concerns and work to resolve the dispute.

5. The Consultant shall be permitted to utilize sign walkers and street signage; provided, however, such sign walkers and street signage shall not be located on the shopping centre or mall premises.
6. Conspicuous signs shall be posted in the cash register areas of each Closing Store to the effect that all sales are "final".
7. The Consultant shall not distribute handbills, leaflets or other written materials to customers outside of any of the Closing Stores on any Landlord's property, unless permitted by the applicable Lease or, if distribution is customary in the shopping centre in which the Closing Store is located. Otherwise, the Consultant may solicit customers in the Closing Stores themselves. The Consultant shall not use any giant balloons, flashing lights or amplified sound to advertise the Sale or solicit customers, except as permitted under the applicable Lease, or agreed to by the Landlord.
8. At the conclusion of the Sale in each Closing Store, the Merchant shall arrange that the premises for each Closing Store are in "broom-swept" and clean condition, and shall arrange that the Closing Stores are in the same condition as on the commencement of the Sale, ordinary wear and tear excepted. No property of any Landlord of a Closing Store shall be removed or sold during the Sale. No permanent fixtures (other than FF&E which for clarity is owned by the Applicant) may be removed without the Landlord's written consent unless otherwise provided by the applicable Lease. Any fixtures or personal property left in a Closing Store after the Sale Termination Date in respect of which the applicable Lease has been disclaimed by the Merchant shall be deemed abandoned, with the applicable Landlord having the right to dispose of the same as the Landlord chooses, without any liability whatsoever on the part of the Landlord.
9. Subject to the terms of paragraph 8 above and the Consulting Agreement, the Consultant may sell FF&E which is located in the Closing Stores during the Sale. The Merchant and the Consultant may advertise the sale of FF&E consistent with these guidelines on the understanding that any Landlord may require that such signs be placed in discreet locations within the Closing Stores acceptable to the Landlord, acting reasonably. Additionally, the purchasers of any FF&E sold during the Sale shall only be permitted to remove the FF&E either through the back shipping areas designated by the Landlord, or through other areas after regular store business hours, or through the front door of the Closing Store during store business hours if the

FF&E can fit in a shopping bag, with Landlord's supervision as required by the Landlord. The Consultant shall repair any damage to the Closing Stores resulting from the removal of any FF&E by Consultant or by third party purchasers of FF&E from Consultant.

10. The Consultant shall not make any alterations to interior or exterior Closing Store lighting, except as authorized pursuant to the applicable Lease. The hanging of exterior banners or other signage, where permitted in accordance with the terms of these guidelines, shall not constitute an alteration to a Closing Store.
11. The Merchant hereby provides notice to the Landlords of the Merchant and the Consultant's intention to sell and remove FF&E from the Closing Stores. The Consultant will arrange with each Landlord represented by counsel on the service list and with any other Landlord that so requests, a walk through with the Consultant to identify the FF&E subject to the sale. The relevant Landlord shall be entitled to have a representative present in the Closing Store to observe such removal. If the Landlord disputes the Consultant's entitlement to sell or remove any FF&E under the provisions of the Lease, such FF&E shall remain on the premises and shall be dealt with as agreed between the Merchant, the Consultant and such Landlord, or by further Order of the Court upon application by the Merchant on at least two (2) days' notice to such Landlord. If the Merchant has disclaimed or resiliated the Lease governing such Closing Store in accordance with the CCAA and the Initial Order, it shall not be required to pay rent under such Lease pending resolution of any such dispute (other than rent payable for the notice period provided for in the CCAA and the Initial Order), and the disclaimer or resiliation of the Lease shall be without prejudice to the Merchant's or Consultant's claim to the FF&E in dispute.
12. If a notice of disclaimer or resiliation is delivered pursuant to the CCAA and the Initial Order to a Landlord while the Sale is ongoing and the Closing Store in question has not yet been vacated, then: (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Merchant and the Consultant 24 hours' prior written notice; and (b) at the effective time of the disclaimer or resiliation, the relevant Landlord shall be entitled to take possession of any such Closing Store without waiver of or prejudice to any claims or rights such landlord may have against the Merchant in respect of such Lease or Closing Store, provided that nothing herein shall relieve such Landlord of its obligation to mitigate any damages claimed in connection therewith.
13. The Consultant and its agents and representatives shall have the same access rights to the Closing Stores as the Merchant under the terms of the applicable Lease, and the Landlords shall have the rights of access to the Closing Stores during the Sale provided for in the applicable Lease (subject, for greater certainty, to any applicable stay of proceedings).
14. The Merchant and the Consultant shall not conduct any auctions of Merchandise or FF&E at any of the Closing Stores.
15. The Consultant shall designate a party to be contacted by the Landlords should a dispute arise concerning the conduct of the Sale. The initial contact person for Consultant shall be ● who may be reached by phone at ● or email at ●. If the parties

are unable to resolve the dispute between themselves, the Landlord or Merchant shall have the right to schedule a "status hearing" before the Court on no less than two (2) days written notice to the other party or parties, during which time the Consultant shall cease all activity in dispute other than activity expressly permitted herein, pending the determination of the matter by the Court; provided, however, subject to para. 4 of these Sales Guidelines, that if a banner has been hung in accordance with these Sale Guidelines and is thereafter the subject of a dispute, the Consultant shall not be required to take any such banner down pending determination of the dispute.

16. Nothing herein is, or shall be deemed to be a consent by any Landlord to the sale, assignment or transfer of any Lease, or to grant to the Landlord any greater rights than already exist under the terms of any applicable Lease.
17. These Sale Guidelines may be amended by written agreement between the Merchant, the Consultant and any applicable Landlord (provided that such amended Sale Guidelines shall not affect or bind any other Landlord not privy thereto without further Order of the Court approving the amended Sales Guidelines

Court File No.: CV-17-11677-00CL

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 GRAFTON-FRASER INC.

(the "Applicant")

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced in Toronto

**NOTICE OF MOTION
(returnable January 30, 2017)
(Re: Approval of Stalking Horse Agreement, SISP &
Liquidation Consulting Agreement)**

**FASKEN MARTINEAU DUMOULIN LLP
Barristers and Solicitors
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto, ON M5H 2T6**

Stuart Brotman (LSUC#43430D)
Tel: 416 865 5419
Fax: 416 364 7813
sbrotman@fasken.com

Dylan Chochla (LSUC#62137I)
Tel: 416 868 3425
Fax: 416 364 7813
dchochla@fasken.com

Lawyers for the Applicant, Grafton-Fraser Inc.

**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 GRAFTON-FRASER INC.**

Applicant
Court File No.: CV-17-11677-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
Commercial List**

**Proceeding commenced at
Toronto**

**MOTION RECORD OF THE APPLICANT
(Re Approval of Stalking Horse Agreement, SISP &
Liquidation Consulting Agreement)
Returnable January 30, 2017**

FASKEN MARTINEAU DuMOULIN LLP
Barristers and Solicitors
333 Bay Street, Suite 2400
Bay Adelaide Centre, Box 20
Toronto, ON M5H 2T6

Stuart Brotman (LSUC: 43430D)
Tel: 416 865 5419
Email: sbrotman@fasken.com

Dylan Chochla (LSUC: 62137I)
Tel: 416 868 3425
Email: dchochla@fasken.com
Fax: 416 364 7813

Lawyers for the Applicant