

**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 DUNDEE OIL AND GAS LIMITED

**MOTION RECORD OF LAGASCO
(Motion to Extend Outside Date Returnable October 24, 2018)**

October 23, 2018

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TO: THE SERVICE LIST

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ARRANGEMENT OF DUNDEE OIL AND GAS LIMITED

NOTICE OF MOTION
(Returnable October 24, 2018)

Lagasco Inc. (“**Lagasco**” or the “**Purchaser**”) will make a motion to the Court on Wednesday, October 24, 2018 at 8:30 am, or as soon after that time as the motion can be heard, at Courtroom 2-1, 361 University Avenue, Toronto, Ontario.

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

1. **THE MOTION IS FOR:**

- (a) an order extending the Outside Date for closing the Asset Purchase Agreement dated April 4, 2018 (as amended by amending agreements dated May 17, 2018, July 6, 2018 and October 10, 2018, the “**APA**”) by two weeks from October 26, 2018 to November 9, 2018; and
- (b) an order abridging the time for service and filing of this notice of motion and related materials and validating such service; and
- (c) such further and other relief as this Honourable Court may deem just.

2. **THE GROUNDS FOR THE MOTION ARE:**

The APA Transaction

- (a) Under the APA, Dundee Oil and Gas Limited, on its behalf and as general partner on behalf of Dundee Energy Limited Partnership (collectively, the “**Debtor**”) will sell substantially all of their assets to Lagasco. The APA is the result of a long sale and solicitation process that began in August 2017;
- (b) The APA was approved by order of this Court dated June 11, 2018 (the “**Approval and Vesting Order**”);
- (c) Lagasco has already paid a cash deposit to the Monitor, pursuant to the APA (the “**Deposit**”). The remainder of the Purchase Price (as defined in the APA) is due upon closing;
- (d) The outside date for closing under the Purchase Agreement is currently October 26, 2018, in accordance with the terms of the APA;

Financing from PACE to Support the APA Transaction

- (e) Lagasco entered into the APA in reliance on financing commitments from PACE Savings & Credit Union (“**PACE**”), including:
 - (i) a commitment letter and term sheet with Lagasco, for a \$5 million term debt and a \$1 million operating loan, dated February 8, 2018 and amended September 11, 2018; and

(ii) a commitment letter and term sheet with Forbes Resources Corp. (“**Forbes**”), for a \$10 million term debt and a \$1 million operating loan, dated February 8, 2018 and amended September 11, 2018;

(collectively, the “**Commitment Letters**”)

- (f) The Approval and Vesting Order was issued on June 11, 2018 partly in reliance on the existence of the signed Commitment Letters;
- (g) The Fourth Report of the Monitor, dated September 24, 2018, addressed Lagasco’s ability to close the APA transaction. As part of its investigation, the Monitor requested that Lagasco obtain written confirmation from PACE that, among other things, all conditions to its financing have been satisfied and no additional due diligence or internal approvals are required prior to funding;
- (h) On September 26, 2018, Phillip Smith, the Chief Executive Officer of PACE, signed and delivered a letter to Lagasco, which stated:

To whom it may concern,

As confirmation and attention to the honourable Justice Dunphy,

PACE has available for immediate delivery the amount of \$17 million in order for Lagasco Inc. to purchase the Dundee assets, subject only to MNRFP approval to transfer the well licences to Lagasco Inc.

(the “**Confirmation Letter**”)

- (i) The Confirmation Letter was attached to the affidavit of Jane Lowrie, sworn September 26, 2018, in connection with the hearing before Dunphy J. held on September 26, 2018;

PACE Suddenly Under an Administration Order for Unrelated Reasons

- (j) PACE is a credit union incorporated under the *Credit Unions and Caisses Populaires Act*, 1994, S.O. 1994, c. 11, as amended (the “**Credit Unions Act**”). The *Credit Unions Act* establishes the Deposit Insurance Corporation of Ontario (“**DICO**”) as the regulator of credit unions, such as PACE;
- (k) On September 28, 2018, DICO issued an order under section 249(1) of the *Credit Unions Act* by which it assumed administrative control of PACE, effective at 12:01 a.m. on Friday September 29, 2018 (the “**Administration Order**”). The Administration Order suspends all powers and authorities of PACE’s board of directors;
- (l) **DICO’s issuance of the Administration Order was not based upon or related to the financing commitments made by PACE to Lagasco in connection with the APA.** These financing commitments were secured by equipment and real property assets having a significant book and real value, and accrue interest at a rate favourable to PACE (a variable rate currently equal to 7.50%);
- (m) Nevertheless, shortly before the Thanksgiving long weekend, DICO advised Lagasco that it was reviewing the circumstances of the Commitment Letters, and indicated that they was a source of concern with respect to lending limits and connectivity issues. DICO indicated that it was not prepared to permit PACE to provide the financing promised by the Commitment Letters, which had been relied upon by Lagasco for months. However, DICO supported an extension of the outside

date for closing the APA to permit Lagasco and DICO to have further discussions aimed at resolving the funding issue;

- (n) On October 10, 2018, Lagasco and the Debtor entered into the Third Amending Agreement to the APA, pursuant to which the outside date for closing was extended from October 12, 2018 to October 26, 2018, on payment by Lagasco of a \$300,000 Extension Fee and \$150,000 fee related to professional expenses incurred by the Monitor, Dundee and the National Bank of Canada. Lagasco paid those additional amounts on October 12, 2018;
- (o) Lagasco has also been working assiduously to secure funding commitments from other investors to fill the gap created by the withdrawal of financing committed by PACE;

Alternative Financing is Being Secured

- (p) On October 11, 2018, Lagasco made an alternative offer to DICO, for a modified financing structure from PACE, which was designed to address DICO's concerns regarding lending limits and connectivity (which Lagasco did to mitigate its circumstances, and without prejudice to its primary position that PACE made a binding commitment to it). Lagasco does not agree with DICO's position on lending limits and its interpretation of connectivity. On October 12, 2018, DICO responded to indicate that it was considering the proposal, but that it did not consider PACE's financing commitment to be legally binding, a position with which Lagasco firmly disagrees;

- (q) On October 18, 2018, DICO rejected Lagasco's October 11th alternative proposal. Lagasco continued, however, in discussions with DICO regarding possible bridge financing from PACE, which could be used on a short-term basis to complete the APA transaction. On October 21, DICO advised that it would not support bridge financing, and had no counter-offer to make to Lagasco, but that Lagasco was free to make any other proposal to it;
- (r) On October 16, 2018, while awaiting a response from DICO, Lagasco secured an indicative term sheet for a \$20 million loan from an alternative lender, whose identity is known to the Monitor and other key parties. The lender is a well-recognized lender in the industry. Lagasco anticipates completing a binding term sheet with this lender on or before October 26, 2018; the executive committee of the lender is scheduled to meet on the morning of October 26 to approve a binding term sheet. Lagasco anticipates that funding will be available to be advanced within two weeks after receiving this binding offer. If the alternative financing closes on the terms contemplated by the term sheet, Lagasco fully expects that it will be able to pay the full Purchase Price;

Lagasco Best Positioned to Obtain MNRF Approval

- (s) Certain of the Debtor's assets cannot be transferred without the approval of the Ministry of Natural Resources and Forestry ("MNRF"). While Lagasco is still awaiting MNRF approval, it is well positioned to obtain such approval in the immediate future, far sooner than would be possible for any other prospective purchaser;

- (t) As the second largest producer in the Province, Lagasco and the MNRF are known to each other and have worked together for many years through the London office of the MNRF. Discussions regarding the transaction began shortly after Lagasco and Dundee executed the APA. Due to the number of wells and leases involved in the transaction, the process is lengthy, and fairly complicated to complete;
- (u) As Lagasco is working with the MNRF on other initiatives, and due to the importance of the resolution of this sale to the Province, the MNRF at the Ministerial staff level is well aware of this transaction. Recent financing efforts, structure and cash flows have been communicated to the MNRF by the Monitor;

Extension of Outside Date

- (v) The extraordinary and unforeseeable step in respect of PACE taken by DICO, for reasons unrelated to Lagasco and beyond Lagasco's control, has led to the need to obtain an extension of time to enable Lagasco to close financing under the term sheet with the new lender. The two-week period requested is not lengthy in the context of this matter, and pays regard to the very significant efforts Lagasco has undertaken to obtain new financing in a short window, while protecting and advancing the interests of Dundee's stakeholders;
- (w) Lagasco remains willing to close this transaction at the earliest opportunity, but requests the two-week extension to permit it to do so. The request is reasonable in all of the circumstances, particularly having regard to the fact that the loss of the PACE financing was a completely unexpected event for all, for which Lagasco bears no blame;

Extension Serves Objectives of CCAA

- (x) The failure of the APA would create uncertainty and delay in the CCAA process, and would thwart a transaction that all parties have worked diligently to prepare for closing, as the culmination of a sale and solicitation process that began in August 2017;
- (y) The interests of the Debtor and its stakeholders, and the objectives of the CCAA, are best served if an asset sale can proceed as it has, on the terms which were previously scrutinized by the Monitor and supported by the Debtor's primary lender;
- (z) Restarting a sales process will undoubtedly take months to complete with an uncertain outcome;
- (aa) It would not be in the interests of the proceeding to preclude Lagasco from completing the APA, because of circumstances beyond Lagasco's control. Lagasco reasonably relied, as this court did, on the Confirmation Letter and Commitment Letters from PACE;
- (bb) Permitting the extension will be in the best interests of Dundee's stakeholders, for at least the following reasons:
 - (i) it will permit productive long-term continuation and operation of the Dundee oil and gas assets by a well-recognized and experienced operator that is well-respected by the MNRF;

- (ii) it will maintain employment for as many current employees as possible;
- (iii) it will allow the enterprise to continue with Ontario and other suppliers and purchasers; and
- (iv) it will continue the Dundee oil and gas assets as a productive and tax-paying enterprise in the Ontario economy.

Other Grounds

- (cc) Further background facts and circumstances as set forth in the Fourth Report of the Monitor dated September 24, 2018, and the Fifth Report of the Monitor dated October 9, 2018;
- (dd) Section 11 of the *CCAA*;
- (ee) Rules 1.04, 1.05, 2.03, 3.02, 16.04, 37 and 59.06(2)(a) of the *Rules of Civil Procedure*; and
- (ff) such further and other grounds as counsel may advise and this Honourable Court may permit.

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

- (a) the Affidavit of Jane Lowrie sworn October 23, 2018, with exhibits thereto;
- (b) the Fourth Report of the Monitor dated September 24, 2018, with appendices thereto;

- (c) the Fifth Report of the Monitor dated October 9, 2018, with appendices thereto;
- (d) the Supplement to the Fifth Report of the Monitor dated October 11, 2018;
- (e) the Sixth Report of the Monitor dated October 22, 2018;
- (f) the Affidavit of Jane Lowrie sworn June 5, 2018, with exhibits thereto; and
- (g) such further and other materials as counsel may advise and this Honourable Court may permit.

October 23, 2018

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Lawyers for Lagasco Inc.

TO: THE SERVICE LIST

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

PROCEEDING COMMENCED AT
TORONTO

**NOTICE OF MOTION
(Returnable October 24, 2018)**

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Court File No. 18-591908-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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AND IN THE MATTER OF A PLAN OF COMPROMISE OR
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THIRD SUPPLEMENTARY AFFIDAVIT OF JANE LOWRIE
(Sworn October 23, 2018)

I, Jane Lowrie, of the City of London, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the President and Chief Executive Officer of Lagasco Inc. ("**Lagasco**"), and as such, have knowledge of the matters contained in this affidavit. Where I have relied on information received from others, I have stated the source of that information and I believe it to be true.
2. I swear this supplementary affidavit in support of a motion to extend the outside date for closing the APA (as defined below) by two weeks from October 26, 2018 to November 9, 2018.

Committed Financing From PACE

3. In my second supplementary affidavit sworn September 26, 2018, I attested that Lagasco was ready and able to close the transaction for the purchase of assets of Dundee Oil and Gas Limited and Dundee Energy Limited Partnership (collectively, the "**Debtor**"), pursuant to an Asset Purchase Agreement dated April 4, 2018 (as amended by amending agreements dated May 17, 2018, July 6, 2018 and October 10, 2018, the "**APA**"). I described that Lagasco had already paid

a cash deposit to the Monitor, and had secured financing commitments for the remainder of the Purchase Price (as defined in the APA).

4. Included in the committed financing described in my second supplementary affidavit was \$23 million from PACE Savings & Credit Union (“**PACE**”). The terms and conditions of PACE’s commitment were set out in:

- (a) a commitment letter and term sheet with Lagasco, for a \$5 million term debt and a \$1 million operating loan, dated February 8, 2018 and amended September 11, 2018;
- (b) a commitment letter and term sheet with Forbes Resources Corp. (“**Forbes**”) for a \$10 million term debt and a \$1 million operating loan, dated February 8, 2018 and amended September 11, 2018 (collectively with the commitment described above in paragraph (a), the “**Commitment Letters**”); and
- (c) an unconditional term sheet dated September 26, 2018 providing an additional \$6 million bridge loan.

5. The Commitment Letters, as amended, were attached to my second supplementary affidavit. Also attached was a letter from Phillip Smith, the Chief Executive Officer of PACE, dated September 26, 2018, which stated:

To whom it may concern,

As confirmation and attention to the honourable Justice Dunphy,

PACE has available for immediate delivery the amount of \$17 million in order for Lagasco Inc. to purchase the Dundee assets, subject only to MNRD approval to transfer the well licences to Lagasco Inc.

(the “**Confirmation Letter**”)

6. Lagasco’s request for the Confirmation Letter from PACE was initiated by the Monitor. The Fourth Report of the Monitor, dated September 24, 2018, addressed Lagasco’s ability to close the APA transaction. As part of its efforts, the Monitor requested that Lagasco obtain written confirmation from PACE that, among other things, all conditions to its financing have been satisfied and no additional due diligence or internal approvals are required prior to funding.

PACE Suddenly Subject to an Administrative Order by DICO

7. On or about October 2, 2018, Lagasco learned that the Deposit Insurance Corporation of Ontario (“**DICO**”) had assumed control of PACE. Attached as **Exhibit “A”** is a copy of the Administrative Order issued by DICO, dated September 28, 2018, under which it has assumed control of PACE.

8. Richard Swan, a partner with Bennett Jones LLP, who is now representing Lagasco along with Harrison Pensa, has been in communication with counsel for DICO, Joseph Latham and Jason Wadden of Goodmans LLP since on or about October 5, 2018. Further to his discussions with Messrs. Wadden and Latham, it was confirmed by DICO that it did not issue the Administrative Order for reasons connected to PACE’s financing commitments made to Lagasco and Forbes in connection with the APA. These financing commitments were secured by equipment and real property assets and accrue interest at a rate favourable to PACE (a variable rate currently equal to 7.50%).

9. An article published in The Globe and Mail on October 4, 2018, a copy of which is attached as **Exhibit “B”**, characterized DICO as having assumed control in response to “governance problems” at PACE.

10. DICO indicated that it had concerns about lending limits and connectivity issues in respect of the PACE loans and were inquiring further into the matter, but were not prepared to fulfil the commitments to Forbes and Lagasco at that time. Lagasco does not agree with DICO’s interpretation about lending limits and connectivity, and PACE previously confirmed in Mr. Smith’s letter that the funds were available immediately to close on September 26. Lagasco, without prejudice to its primary position that PACE was and remains legally obligated to fund the transaction, nonetheless in an effort to mitigate its circumstances requested that DICO advance a minimum \$16.5-17 million to fund the transaction on or before October 26, 2018.

11. On October 10, 2018, Lagasco and the Debtor entered into the Third Amending Agreement to the APA, pursuant to which the outside date for closing was extended from October 12, 2018 to October 26, 2018. Lagasco was obliged to pay \$450,000 consisting of a \$300,000 Extension Fee and \$150,000 in respect of professional fees incurred by the Monitor, Dundee and the National Bank of Canada. Lagasco made those payments on October 12.

12. Lagasco has also been working assiduously to secure funding commitments from other investors to fill the gap created by the withdrawal of financing committed by PACE.

Alternative Financing is Being Secured

13. On October 11, 2018, Lagasco made a further offer to DICO, without prejudice to its primary position that PACE is contractually obligated to fund, and in an effort to mitigate its

circumstances, for a modified financing structure, which was designed to address DICO's concerns regarding lending limits and connectivity. On October 12, 2018, DICO responded to indicate that it was considering the proposal, but that it did not consider PACE's financing commitment to be legally binding.

14. On October 18, 2018, DICO rejected Lagasco's October 11th alternative proposal. Lagasco continued in discussions with DICO regarding possible bridge financing from PACE, which could be used on a short-term basis to complete the APA transaction, while awaiting financing from an alternative lender. Lagasco made a 60 day bridge financing proposal on October 18, 2018, which DICO rejected on October 21. DICO did not make any counter-offers at any time, but did indicate that it is would consider any other proposal brought to it.

15. On October 16, 2018, while awaiting a response from DICO, Lagasco secured an indicative term sheet for a \$20 million loan from an alternative lender. The identity of the alternative lender is known to the Monitor, Dundee and the National Bank of Canada, and it is a well recognized party in the industry. **Lagasco anticipates completing a binding term sheet by Friday October 26, 2018; the executive committee of the lender is scheduled to meet on the morning of October 26 to approve a binding term sheet.** Lagasco anticipates that funding will be available to be advanced within two weeks after receiving this binding offer. At that point, Lagasco expects that it will be able to pay the full Purchase Price.

MNRF Approval Process

16. As the second largest producer in the Province, Lagasco and the Ministry of Natural Resources and Forestry ("MNRF") are known to each other and have worked together for many years through the London office of the MNRF. Discussions regarding the transaction began

shortly after Lagasco and Dundee executed the APA. Due to the number of wells and leases involved in the transaction, the process is lengthy, and fairly complicated to complete. Lagasco had an initial meeting with MNRF staff and counsel, then bi-monthly meetings to address concerns and move the transaction forward. Technical concerns and the readiness of the MNRF to close at that level was completed and ready to close at the end of August.

17. At that time, in the process for final approval, the MNRF requested that information be sent through FTI for their approval as it began a review of the financial structure.

18. As we are working with the MNRF on other initiatives, and due to the importance of the resolution of this sale to the Province, the MNRF at the Ministerial staff level is well aware of this transaction. In discussions on Monday, October 22nd, it became apparent that the reason that approval had not yet been provided by the MNRF was not a technical issue, or any concern with Lagasco as an operator of the assets, but because it sought information on the structure and financing of the transaction. Recent financing efforts, structure and cash flows have now been communicated to the MNRF by the Monitor.

Benefits of an Extension

19. An extension of the Outside Date is requested to enable Lagasco to close financing under the term sheet with new lender. The two-week period requested is not lengthy in the context of this matter, and pays regard to the very significant efforts Lagasco has undertaken to obtain new financing in a short window, while protecting and advancing the interests of Dundee's stakeholders.

20. Lagasco remains willing to close this transaction at the earliest opportunity, but requests the extension to permit it to do so. I believe that the request is reasonable in all of the circumstances, particularly having regard to the fact that the loss of the PACE financing was a completely unexpected event for all, for which Lagasco bears no blame.

Lagasco Incorrectly Accused of Breaching Confidentiality

21. As described in the Monitor's most recent report, on October 15, 2018, counsel for the Monitor sent a letter to Lagasco alleging that Lagasco had breached confidentiality obligations contained in, among other things, the APA. In fact, it appears that a third party accessed a data room maintained by Szymon Zephan Capital ("SZC"), a financial advisor to Lagasco, and somehow disclosed that information to Canadian Overseas Petroleum Limited ("COPL"). COPL is of course the "bitter bidder" that is doing everything in its power and imagination to upset or block this transaction, and it is more than notable that COPL of all entities in Canada is the one that allegedly received the material and contacted the Monitor. The court will be well familiar with COPL's actions to sue a participant in the Lagasco purchase, MacLeod Energy, and cause it to withdraw its financial commitment.

22. Lagasco retained SZC pursuant to an engagement letter signed on May 9, 2018 that contains a confidentiality clause. SZC entered into non-disclosure agreements with various third parties to negotiate financing terms on behalf of Lagasco. It appears that COPL may have obtained certain documents from an unknown third party with access to the SZC data room. COPL of course knows exactly how it obtained these documents, but it has refused to disclose this information to the Monitor.

23. SZC has confirmed that Lagasco's own confidential structure and financial statements were included among the documents apparently obtained improperly.

24. In any event, COPL had been an exceptionally disruptive party in this process and the court should compel COPL to disclose how it obtained confidential documents in this court-supervised process.

25. The actions of COPL in bringing forward allegations of improper disclosure of financial information necessitated investigation into where the alleged breach originated, including by contacting financing parties who had been contacted for bridge financing and PACE replacement financing. This caused uncertainty, a questioning of integrity that was upsetting to the lenders, and a nervousness on the part of lenders to become involved in a transaction where litigation was contemplated.

26. To be perfectly clear, Lagasco did not and would not authorize the disclosure of confidential information.

Process and Impact of the Loss of this Transaction for Dundee Stakeholders

27. Lagasco is uniquely positioned to productively continue and operate the Dundee oil and gas assets, maintain employment for as many current employees as possible, do business with Ontario-based and other suppliers and purchasers, and continue the Dundee oil and gas assets in a productive and tax-paying enterprise in the Ontario economy. Following the market downturn in 2014-2015, consolidation has become a necessity for oil and gas companies to reduce operating costs and remain viable enterprises. If the APA transaction is completed, Lagasco will take an important step forward in this regard concerning the Dundee oil and gas assets.

28. Lagasco first made an offer for the purchase of the Debtor's assets in April 2016. Lagasco then participated in a bid process initiated by Dundee that took place in February 2017. At the conclusion of that process, Lagasco was notified that the Debtor had decided on a re-organization rather than a sale. Then, in July 2017, Lagasco was informed that the re-organization had failed, and soon thereafter, in August 2017, the Debtor filed a notice of intention to make a proposal under the *Bankruptcy and Insolvency Act*. Once again, Lagasco participated in the bid process.

29. Lagasco was informed in November 2017 that it was one of the final bidders. In December 2017, Lagasco submitted a 10% deposit to its lawyer's trust account, which was required as part of the bidding process. In April 2018, after Lagasco increased its bid, the Monitor identified Lagasco as the winning bidder, and it entered into the APA.

30. In June 2018, the APA received court approval. In reliance on that court approval, Lagasco has devoted very considerable time and resources towards legal, financing and other work to complete the transaction, including performing title searches on approximately 2300 PINs, negotiating employee contracts, reviewing and negotiating or transferring sales contracts and supplier contracts, planning the IT transition, and reorganizing our business and systems to meet the challenge of consolidated operations. Not including the Deposit, Lagasco and its related parties have spent approximately \$2 million in connection with the APA transaction, on due diligence, negotiations and pre-closing costs. The expenses were funded by loans from myself and my children. I also personally guaranteed the related party loan used to finance the Deposit.

31. Lagasco has had to expand its internal staffing in order to maintain current operations while participating in the bidding, due diligence and operation integration process. I have personally brought three qualified family members into the corporation to assist. The failure of the APA

transaction would necessitate cutbacks, and will have a severe impact on our ability to continue with current operations. Including the Deposit, the loss of the APA transaction would represent a very significant loss for Lagasco, for myself and for my family.

32. In all the circumstances, I, my family members, and Lagasco stand to lose a great deal if this modest extension is not granted.

Lagasco wants to Close, which is also in the Best Interests of Dundee Stakeholders

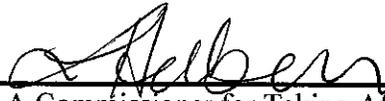
33. Lagasco remains committed to closing this transaction and has worked exceptionally hard to persevere through a number of completed unexpected events beyond its control, including the “black swan” DICO action in respect of PACE, and COPL’s continual efforts to undermine this transaction. Lagasco seeks a two-week extension of time which it views as modest in all the circumstances to permit it to complete the transaction that has been many months in process.

34. Restarting a sales process will undoubtedly take months to complete with an uncertain outcome. In contrast, permitting the present transaction a modest extension to close will, I believe, be in the best interests of the stakeholders of Dundee. It will:

- (a) permit productive long-term continuation and operation of the Dundee oil and gas assets by a well-recognized and experienced operator that is well-respected by the MNRF;
- (b) maintain employment for as many current employees as possible;
- (c) allow business to continue with Ontario and other suppliers and purchasers; and

- (d) allow the Dundee oil and gas assets to continue in use as a productive and tax-paying enterprise in the Ontario economy.

SWORN before me, at the City of London,)
in the Province of Ontario, this 23rd day of)
October, 2018.)
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)
)



A Commissioner for Taking Affidavits



JANE LOWRIE

TAB A

THIS IS EXHIBIT "A" TO
THE AFFIDAVIT OF JANE LOWRIE
SWORN, OCTOBER 23, 2018



Commissioner for Taking Affidavits

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Ontario

**Deposit Insurance Corporation
of Ontario**

**Société ontarienne
d'assurance-dépôts**

**IN THE MATTER OF THE
CREDIT UNIONS AND CAISSES POPULAIRES ACT, 1994,
S.O. 1994, c. 11, AS AMENDED (the "ACT")**

**AND IN THE MATTER OF
PACE SAVINGS & CREDIT UNION LIMITED**

**AND IN THE MATTER OF AN
ORDER OF DEPOSIT INSURANCE CORPORATION OF ONTARIO
PURSUANT TO SECTION 294(1) OF THE ACT**

**ADMINISTRATION ORDER
(September 28, 2018)**

WHEREAS section 294(1)(1) of the *Credit Unions and Caisses Populaires Act, 1994*, S.O. 1994, c.11, as amended (the "**Act**") provides that Deposit Insurance Corporation of Ontario ("**DICO**") may order a credit union subject to administration by DICO if, on reasonable grounds, it believes that a credit union is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims by depositors against the DICO but that a supervision order under section 279(1) of the Act, in the circumstances, would not be appropriate;

AND WHEREAS DICO believes, on reasonable grounds, that PACE Savings & Credit Union Limited (the "**Credit Union**") is conducting its affairs in a way that might be expected to harm the interests of members or depositors or that tends to increase the risk of claims by depositors against DICO;

AND WHEREAS DICO believes that a supervision order under section 279(1) of the Act would, in the circumstances, not be appropriate;

AND WHEREAS DICO may, pursuant to section 240.1(7) of the Act, order a credit union subject to administration by DICO without giving notice or allowing the credit union to make submissions if DICO is of the opinion that the interests of the members, depositors or shareholders of any credit union may be prejudiced or adversely affected by a delay in making the order;

AND WHEREAS DICO is of the opinion that any delay in making an order under section 279(1) of the Act in respect of the Credit Union may, in the circumstances, prejudice or adversely affect the interests of the Credit Union's members, depositors or shareholders;

AND WHEREAS section 240.1(8) of the Act provides that where DICO makes an order pursuant to section 240.1(7) of the Act the person subject to such order or any person affected by the order may request an opportunity to make written submissions to DICO by giving notice of such request to DICO within fifteen (15) days after the person subject to the order receives the order;

DEPOSIT INSURANCE CORPORATION OF ONTARIO HEREBY ORDERS THAT:

1. PACE Savings and Credit Union Limited is hereby placed under administration by DICO pursuant to section 294(1) of the Act effective at 12:01 a.m. on Friday, September 28, 2018, until such time as DICO orders otherwise.
2. All powers and authority of the board of directors of the Credit Union (the "**Board**") are hereby suspended except as expressly provided herein.
3. Notwithstanding paragraph 2 above, the Board may, on behalf of the Credit Union:
 - (a) formally request to make submissions to DICO regarding the issuance of this Order pursuant to section 240.1(8)(1) of the Act ("**Submissions**"), and in the event Submissions are made, DICO will issue a further Order pursuant to section 240.1(8)(3) of the Act following its consideration of the Submissions advising whether it will confirm, vary or revoke this Order;
 - (b) appeal this Order pursuant to section 294(3);
 - (c) with respect to the making of any decisions or taking any actions in connection with the filing of submissions or appealing an Order as permitted by paragraphs 3(a) and (b) above, the Board shall continue to operate according to its current policies and procedures for the conduct of meetings, establishing quorum, establishing committees and passing resolutions (which resolutions, for greater certainty, may only be with respect to the filing of Submissions and the appeal); and

- (d) nothing in paragraphs 3(a), (b) or (c) above permits the Board to approve, by resolution or otherwise, the expenditure of any funds by the Credit Union; in the event the Board wishes to request funding from the Credit Union for the payment of the professional fees and disbursements directly associated with the filing of Submissions or the bringing of an appeal as authorized by paragraphs 3(a) and (b) above, the Board may make a request for such funding in writing to DICO, which written request must contain a copy of the resolution of the Board authorizing such request.
4. The Board shall have until 5:00 p.m. Monday, October 15, 2018, to provide DICO with written notice pursuant to section 240.1(8)(1) that it requests an opportunity to file Submissions with DICO. In the event that the Board requests to file Submissions, the Submissions must be delivered to DICO by no later than 5:00 p.m. on Monday, October 22, 2018, or such other time as DICO may agree to in writing.
5. Pursuant to section 240.1(8)(2) of the Act, notwithstanding the filing of any Submissions or the commencement of any appeals, this Order shall remain in full force and effect unless DICO issues an Order otherwise.

DATED at Toronto, this 28th day of September, 2018.

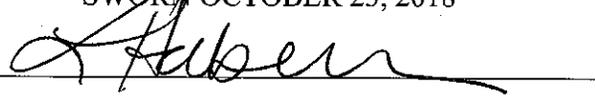
DEPOSIT INSURANCE CORPORATION OF ONTARIO



Guy Hubert
President and Chief Executive Officer
Deposit Insurance Corporation of Ontario

TAB B

THIS IS EXHIBIT "B" TO
THE AFFIDAVIT OF JANE LOWRIE
SWORN OCTOBER 23, 2018

A handwritten signature in cursive script, appearing to read "A. Huber", is written over a horizontal line.

Commissioner for Taking Affidavits



PACE credit union placed under regulatory administration amid governance probe

JAMES BRADSHAW > BANKING REPORTER

INCLUDES CORRECTION

PUBLISHED OCTOBER 4, 2018

UPDATED 20 HOURS AGO

FOR SUBSCRIBERS

A provincial regulator has taken control of PACE Savings & Credit Union Ltd. amid an investigation into governance issues.

Late last week, the Deposit Insurance Corporation of Ontario (DICO) placed PACE “under administration,” invoking a rare measure typically reserved for firms that are in serious financial or operational distress. Administration allows the credit union to continue functioning under the regulator’s watch to protect depositors.

In the meantime, PACE’s two most senior executives – chief executive Phillip Smith, and his father, Larry Smith, the former CEO who now serves as president – have been placed on administrative leave. PACE operates primarily in the Greater Toronto Area.

An investigation into PACE was launched as a result of the regular work DICO does to oversee the credit union, as well as “issues raised by a third party,” according to Guy Hubert, the regulator’s CEO. That investigation continues, but Mr. Hubert said it is “business as usual” for PACE’s day-to-day operations. More than 37,000 PACE members can still access their funds and make transactions normally. And the governance problems are “contained within PACE,” according to an update DICO shared with other credit unions that was obtained by The Globe and Mail.



A PACE employee told The Globe the credit union has “no comment,” and neither Phillip Smith nor Larry Smith responded to requests for comment. The credit union’s chief marketing and community relations officer, Dan Coldwell, referred inquiries to DICO.

PACE was created to serve employees of the Peel Region, near Toronto, but has grown by amalgamating with smaller credit unions and now has about \$1.1-billion in assets, with branches stretching from London, Ont., to Whitby. For nearly three decades, Larry Smith led the credit union as CEO, but stepped down in March, 2016, and took on the president’s role. Phillip Smith has been PACE’s CEO since then, and the future of both with the credit union is now unclear.

“What role they might play at the Credit Union in the future will be determined in due course during the Administration proceedings,” DICO said in a statement.

An e-mail circulated by Central 1 Credit Union – which provides services to credit unions in Ontario and British Columbia – said PACE is “currently solvent and operating profitably.” In 2017, PACE reported a \$5.3-million profit, according to its annual report.

The chair of PACE’s board, Ian Goodfellow, did not respond to requests for comment.

The credit union also has oversight from two prominent former politicians. Frank Klees, who was an MPP for the Ontario Progressive Conservative Party from 1995 to 2014, joined the credit union’s board last April. And, in 2014, when PACE created an investment dealer subsidiary, PACE Securities Corp., former Ontario premier Ernie Eves was named its chairman.

Last year, executives at other credit unions raised concerns with DICO about an investment product created and marketed by PACE Securities, according to a source with knowledge of the discussions and correspondence reviewed by The Globe. But Mr. Hubert said the issues that led DICO to take control of PACE “had nothing to do with PACE Securities” or its subsidiaries.



COMMENTS



TRENDING

- 1 Populism’s rise points to real problems in our world. We ignore it at our peril
- 2 Doug Ford joins Jason Kenney at rally to rail against carbon tax: ‘The biggest lie in Alberta history’
- 3 Once the star of the show, Conor McGregor has become UFC’s unwelcome guest
- 4 A farewell to Brazil, country of broken dreams
- 5 The Good Doctor creator muses about moving production from Vancouver to Hollywood

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BUSINESS SERVICES



The image shows a dark grey mobile navigation bar. On the left is a white hamburger menu icon. Next to it is the 'THE GLOBE AND MAIL' logo in white text on a red background. On the right side of the bar, there is a white maple leaf icon, a white search bar, and a white play button icon. Below the bar are two white buttons: 'App Store' with the Apple logo and 'Google Play' with the Google Play logo. At the bottom of the bar are five social media icons: Facebook, Twitter, Instagram, LinkedIn, and YouTube.

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

PROCEEDING COMMENCED AT
TORONTO

**THIRD SUPPLEMENTARY AFFIDAVIT OF
JANE LOWRIE**

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Lawyers for Lagasco 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 DUNDEE OIL AND GAS LIMITED

Court File No. CV-18-591908-00CL

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

PROCEEDING COMMENCED AT
TORONTO

**MOTION RECORD OF LAGASCO
(Motion to Extend Outside Date
Returnable October 24, 2018)**

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