

COURT FILE NUMBER

1601 - 12571

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, as amended

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LIGHTSTREAM RESOURCES LTD, 1863359 ALBERTA LTD, LTS RESOURCES PARTNERSHIP, 1863360 ALBERTA LTD AND BAKKEN RESOURCES PARTNERSHIP

APPLICANTS

LIGHTSTREAM RESOURCES LTD, 1863359 ALBERTA LTD AND 1863360 ALBERTA LTD

PARTIES IN INTEREST

LTS RESOURCES PARTNERSHIP AND BAKKEN RESOURCES PARTNERSHIP

DOCUMENT

**AFFIDAVIT (STAY EXTENSION)**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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**AFFIDAVIT OF PETER D. SCOTT**

**Sworn on October 5, 2016**

I, PETER D. SCOTT, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Senior Vice President and Chief Financial Officer of Lightstream Resources Ltd. ("**Lightstream**" or "**LTS**"). Lightstream is the parent company to 1863359 Alberta Ltd. ("**1863359**"), 1863360 Alberta Ltd. ("**1863360**" and together with LTS and 1863359, collectively, the "**Applicants**"), LTS Resources Partnership ("**LTS Partnership**") and Bakken Resources Partnership (the "**Bakken Partnership**" and together with LTS Partnership, the "**Partnerships**"). The Applicants and the Partnerships are collectively referred to herein as the "**CCAA Parties**". I am also a director of 1863359 and 1863360. As such, I have personal knowledge of the matters deposed to in this Affidavit, except where stated to be based upon information, in which case I believe the same to be true.
2. I have previously sworn and filed one Affidavit and one Supplemental Affidavit in these *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**") proceedings on September 21, 2016 and September 23, 2016, respectively (collectively, the "**Initial Order Affidavit**").
3. This Affidavit is sworn in support of the Applicants' application seeking an Order extending the Stay Period (as defined below) to and including December 16, 2016.
4. Capitalized terms used but not defined herein have the meaning ascribed to them in the Initial Order Affidavit.

## **I. BACKGROUND**

5. On September 26, 2016, the CCAA Parties sought and obtained protection under the CCAA pursuant to an order of the Honourable Mr. Justice A.D. Macleod (the "**Initial Order**"). Further background details regarding these CCAA proceedings are set out in my Initial Order Affidavit.
6. Pursuant to the Initial Order, FTI Consulting Canada Inc. was appointed as monitor of the CCAA Parties (in such capacity, the "**Monitor**") and a stay of proceedings was granted to and including October 26, 2016 (the "**Stay Period**").

7. The Initial Order also, among other things, approved the Sale Procedures and authorized and directed the CCAA Parties to perform their obligations thereunder.
8. Following the granting of the Initial Order, the Sale Advisor (as defined in the Sale Procedures) distributed a broad notification to approximately 600 parties, being the parties originally contacted by the Sale Advisor in the pre-filing sale process (the “**Sale Procedure Approval Notification**”). The Sale Procedure Approval Notification included, among other things:
  - (a) confirmation that the CCAA Parties have entered CCAA proceedings and that the Sale Procedures have been approved by the Court;
  - (b) a link to the Monitor’s website and the Initial Order;
  - (c) a copy of the Teaser and the form of Confidentiality Agreement (as each term is defined in the Sale Procedures); and
  - (d) the Phase I Bid Deadline (as such term is defined in the Sale Procedures).
9. In addition to the broad distribution of the Sale Procedure Approval Notification, the Sale Advisor made outbound calls to parties that have been identified by the Sale Advisor as key parties in the Sale Process to provide them with an opportunity to seek any clarification that they desired regarding the continuation of the sale process under the supervision of the Court. Such key parties were identified by the Sale Advisor with reference to a number of factors, including, access to capital, interest in the assets of the CCAA Parties and a history of acquiring similar assets.

## **II. EXTENSION OF THE STAY PERIOD**

10. The CCAA Parties have been working diligently since the commencement of the CCAA proceedings. Among other things, the CCAA Parties have, with the assistance of and in consultation with the Monitor:

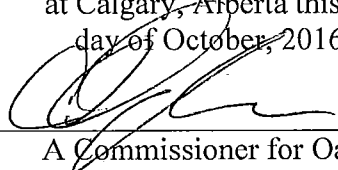
- (a) met regularly with the Monitor and provided the Monitor with full co-operation and complete access to the CCAA Parties' property, premises and books and records;
  - (b) implemented procedures for the monitoring of the CCAA Parties' operations and financial circumstances, including receipts and disbursements;
  - (c) communicated with their stakeholders, including their creditors (including responding to specific inquiries of and providing requested information to the plaintiffs in the Unsecured Noteholder Litigation (the "**Plaintiffs**")), customers and employees;
  - (d) at the request of the Plaintiffs, allowed for the Plaintiffs to question me under oath on my Initial Order Affidavit;
  - (e) continued to perform their duties and obligations under the Sale Procedures; and
  - (f) as contemplated by the Sale Procedures, continued to negotiate the terms of a definitive form of asset purchase agreement in respect of the Secured Noteholder Credit Bid (the "**Credit Bid APA**").
11. The CCAA Parties require an extension of the Stay Period until December 16, 2016 to, among other things:
- (a) advance the determination of the threshold issue in respect of the Unsecured Noteholder Litigation, as directed by the Court at the hearing of the Initial Order application, and to the extent necessary, seek this Court's assistance in that regard;
  - (b) continue to negotiate and finalize the Credit Bid APA; and
  - (c) continue to implement the sale process in accordance with the Sale Procedures, including to seek this Court's approval of any successful bid(s) resulting from the implementation of the Sale Procedures.

- 12. It is my belief that the CCAA Parties have acted and continue to act in good faith and with due diligence.
- 13. I am advised by Dustin Olver of the Monitor that the Monitor will file its first report (the “**Monitor’s First Report**”) which will include, among other things, the Monitor’s recommendation in respect of the requested extension of the Stay Period.
- 14. I am further advised by Dustin Olver of the Monitor that the Monitor’s First Report will include the CCAA Parties’ revised cash flow forecast demonstrating that, subject to the underlying assumptions contained therein, the CCAA Parties will have sufficient funds to continue their operations and fund these CCAA proceedings until December 16, 2016.
- 15. The stability provided by the stay of proceedings is critical to the CCAA Parties’ ability to pursue a sale process that aims to maximize value for all stakeholders.
- 16. I do not believe that any creditor will suffer any material prejudice if the Stay Period is extended as requested and that the extension sought is appropriate in the present circumstances.
- 17. The First Lien Lenders and the *Ad Hoc* Committee of Secured Noteholders are supportive of the relief sought by the CCAA Parties.

**III. CONCLUSION**

- 18. I swear this Affidavit in support of an Order extending the Stay Period until December 16, 2016 and for no other purpose.

SWORN (OR AFFIRMED) BEFORE ME )  
 at Calgary, Alberta this 5<sup>th</sup> )  
 day of October, 2016. )  
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A Commissioner for Oaths  
 in and for Alberta

**Christopher A. Nyberg**  
 Barrister & Solicitor



**PETER D. SCOTT**