



COURT FILE NUMBER **1701-03460**

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE Calgary

APPLICANT **ALBERTA ENERGY REGULATOR**

RESPONDENT **LEXIN RESOURCES LTD., 1051393 B.C. LTD., 0989 RESOURCE PARTNERSHIP, LR PROCESSING LTD. and LR PROCESSING PARTNERSHIP**

DOCUMENT **APPLICATION BY RECEIVER
(commercial list)**

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File No. 547730/000021

NOTICE TO RESPONDENTS: See Service List, Schedule "A" to this Application

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

You have the right to state your side of this matter before the master/judge.

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

Date	November 27, 2018
Time	10:00 a.m.
Where	Calgary Courts Centre, 601-5 th Street SW, Calgary AB
Before Whom	The Honourable B.E.C. Romaine

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

Remedy claimed or sought:

1. Grant Thornton Limited, in its capacity as the court-appointed receiver ("**Receiver**") of Lexin Resources Ltd. ("**Lexin**"), 1051393 B.C. Ltd. ("**105**"), 0989 Resource Partnership ("**0989**"), LR Processing Ltd. ("**LR Ltd.**") and LR Processing Partnership ("**LR Processing**" and collectively with Lexin, 105, 0989 and LR Ltd. the "**Lexin Group**"), seeks Orders in substantially the same form as attached hereto as **Schedule "B"** for the following relief:
 - (a) Declaring service of this Application good and sufficient, and abridging the time for notice of this Application to the time actually given, if necessary;
 - (b) Approving and ratifying the Settlement Agreement entered into by the Receiver, MFC Energy Finance Inc. ("**Finance**"), 1049597 BC Ltd. ("**104**"), 1059032 BC Ltd. ("**1059**"), the Alberta Energy Regulator, MFC Power Limited Partnership by its general partner, MFC Power General Partner Ltd. and Energy Leasing Partners Ltd. (the "**Settlement Agreement**"); and
 - (c) Authorizing the Receiver to take all such steps as are necessary to give effect to, and carry out the terms of the Settlement Agreement, including but not limited to the authority to discharge the registrations made by 1049597 BC Ltd. and Energy Leasing Partners Ltd. against the Sales Process Equipment and the ELP Equipment, as such terms are defined in the Settlement Agreement;
2. Such further and other relief as this Honourable Court may deem just in the circumstances.

Grounds for making this application:

3. The grounds for making this application are as set out in the Eighth Report. These grounds include, but are not limited to the following:
 - (a) On March 20, 2017, this Court granted the Alberta Energy Regulator's ("**AER**") application to petition Lexin into receivership (the "**Lexin Receivership Order**"). Subsequently, on June 13, 2017, this Court granted the Receiver's application to petition 105, 0989, LR Ltd. and LR Processing into receivership pursuant to a consent receivership order (the "**Expanded Receivership Order**" and together with the Lexin Receivership Order the "**Receivership Orders**"). All capitalized terms used but not otherwise defined herein shall have the meaning given to them in the Receivership Orders.
 - (b) On July 14, 2017, the Receiver obtained this Court's approval to engage in an extensive sales and solicitation process ("**Sales Process**") to market for sale all of the Lexin Group's assets.
 - (c) The Receiver has been engaged in various litigation with Finance in relation to the claim it asserted against the Lexin Group and other related matters, including but not limited to opposition from Finance or its related parties at sale approval applications and applications questioning the conduct of the Receiver, all of which have delayed sales in the Sales

Process and have increased the cost of administering the estate. Further, after the Court issued its reasons for decision, among other things, re-characterizing the Finance claim as equity, Finance filed a Notice of Appeal and a Stay Application, seeking a stay of the Court's reasons for decision. The pursuit of this litigation will further hinder available recoveries in the Sales Process.

- (d) After lengthy negotiations, the Settlement Agreement was entered into which involves, *inter alia*, the return of certain assets to the Lexin Group estate previously transferred out to entities related to Finance, which assets will be available for marketing and sale for the benefit of stakeholders.
 - (e) The Settlement Agreement involves a stay and ultimate discontinuance of the outstanding litigation between the parties, including the Notice of Appeal and Stay Application which will reduce the costs of administration, and all rights of third party creditors to take assignments of any claims pursuant to section 38 of the *Bankruptcy and Insolvency Act* are preserved.
 - (f) The Receiver believes the Settlement Agreement is fair and reasonable in the circumstances and benefits the Lexin Group estate.
4. Such further and other basis as Counsel may advise and this Honourable Court may permit.

Material or evidence to be relied on:

- 5. The Ninth Report of the Receiver, dated November 6, 2018.
- 6. The pleadings and Receiver's Reports previously filed in these proceedings, and specifically the Fifth Report.
- 7. Such further and other evidence as counsel may advise and this Honourable Court permit.

Applicable rules:

- 8. *Alberta Rules of Court*, AR 124/2010, and in particular, Rules 1.3, 3.75, 6.3, 6.4, 11.27, 11.29 and 13.5
- 9. *Bankruptcy and Insolvency General Rules*, and in particular Rules 3, 6 and 11.
- 10. Such further and other rules as counsel may advise and this Honourable Court permit.

Applicable Acts and regulations:

- 11. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, and in particular Part XI thereof.
- 12. *Judicature Act*, RSA 2000, c J-2.

Any irregularity complained of or objection relied on:

13. None.

How the application is proposed to be heard or considered:

14. In person before the Honourable Justice B.E. Romaine, with some or all of the parties present.

WARNING

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

Schedule “A” Service List

COURT FILE NUMBER	1701-03460
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	Calgary
APPLICANT	ALBERTA ENERGY REGULATOR
RESPONDENT	LEXIN RESOURCES LTD.
DOCUMENT	SERVICE LIST

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Municipal District of Willow Creek No. 26 26 Highway 520 W Claresholm AB T0L 0T0	
AltaGas Processing Partnership 1700, 355 – 4 Avenue SW Calgary AB T2P 0J1	
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Schedule “B” Form of Order: Approval of Settlement Agreement

COURT FILE NUMBER **1701-03460**

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE Calgary

APPLICANT **ALBERTA ENERGY REGULATOR**

RESPONDENT **LEXIN RESOURCES LTD., 1051393 B.C. LTD., 0989 RESOURCE PARTNERSHIP, LR PROCESSING LTD. and LR PROCESSING PARTNERSHIP**

DOCUMENT **ORDER APPROVING SETTLEMENT**

Clerk's Stamp

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File No. 547730/000021

DATE ON WHICH ORDER WAS PRONOUNCED: November 27, 2018

LOCATION WHERE ORDER WAS PRONOUNCED: Calgary, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice B.E. Romaine

UPON the Application of Grant Thornton Limited in its capacity as the court-appointed receiver (the "**Receiver**") of Lexin Resources Ltd. ("**Lexin**"), 1051393 B.C. Ltd. ("**105**"), 0989 Resource Partnership ("**0989**"), LR Processing Ltd. ("**LR Ltd.**") and LR Processing Partnership ("**LR Processing**") and collectively with Lexin, 105, 0989 and LR Ltd. the "**Lexin Group**"; **AND UPON** having read the Ninth Report of the Receiver, dated November 6, 2018 (the "**Ninth Report**") and the Affidavit of Service of Stella Kim, filed, and the pleadings and Receiver's reports previously filed herein, including the receivership order granted on March 20, 2017 (the "**Lexin Receivership Order**") and the consent receivership order granted on June 13, 2017 (the "**Expanded Receivership Order**", sometimes referenced herein with the Lexin Receivership Order as the "**Receivership Orders**") and the Fifth Report of the Receiver dated October 12, 2017; **AND UPON** having heard submissions from counsel for the Receiver, and any other counsel in attendance at this Application; **AND UPON** it appearing that the

Settlement Agreement appended to the Ninth Report as Appendix 3 (the “**Settlement Agreement**”) is fair and reasonable in the circumstances and in the best interests of the Lexin Group estate,

IT IS HEREBY ORDERED AND DECLARED THAT:

Service

1. The time for service of this Application together with all supporting materials is hereby declared to be good and sufficient and no other person is required to have been served with such documents, and this hearing is properly returnable before this Honourable Court today and further service thereof is dispensed with.

Settlement Agreement

2. Capitalized terms not defined herein shall have the meaning given to them in the Settlement Agreement.
3. The Settlement Agreement is hereby approved and the Receiver is authorized and directed to take all such necessary steps to give effect to the terms of, and carry out the terms of the Settlement Agreement.
4. Within two business days of this order becoming a Final and Binding Order, the Receiver is hereby authorized to discharge from the Personal Property Registry and the Land Titles Office, the registrations listed in Schedule “A” hereto and:
 - (a) The Registrar of the Alberta Personal Property Registry is expressly authorized and directed, upon application by the Receiver to the Personal Property Registry, to discharge the registration bearing registration number 16011925136; and
 - (b) The Registrar of Land Titles is directed to discharge the caveat bearing registration number 151 311 322 and is directed to register this order against title to any of the property affected thereby, and shall be registered by the Registrar of Land Titles notwithstanding the requirements of section 191(1) of the *Land Titles Act*, RSA 2000, c L-7.

5. Within two business days of this order becoming a Final and Binding Order, the Receiver is hereby authorized to make a payment to Finance in the total amount of \$55,000, representing repayment of the Warehouseman's Lien asserted over the Seismic, pursuant to section 1.6 of the Settlement Agreement.

Justice of the Court of Queen's Bench of Alberta

SCHEDULE “A”

TO ORDER APPROVING SETTLEMENT AGREEMENT

Personal Property Registrations to be Discharged

- (1) Secured Party: 1049597 BC Ltd.
Registration Number: 16011925136
Registration Date: January 19, 2016
Debtors: 0989 Resource Partnership, Lexin Resources Ltd.
Collateral: various serial numbered equipment

Land Titles Registrations to be Discharged

- (2) Registration Number: 151 311 322
Date: November 30, 2015
Particulars: Notice of Security Interest re: Fixtures in favour of Energy Leasing Partners Ltd.
Debtor: MFCE Resources Ltd.
Amount: \$1,128,000