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No. _____
Vancouver Registry

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44

AND

IN THE MATTER OF STERLING SHOES INC. and STERLING SHOES GP INC.

PETITIONERS

PETITION TO THE COURT

ON NOTICE TO: The Bank of Montreal

This proceeding has been started by the Petitioners for the relief set out in Part 1 below.

If you intend to respond to this petition, you or your lawyer must

- (a) file a Response to Petition in Form 67 in the above-named Registry of this Court within the time for Response to Petition described below, and
- (b) serve on the Petitioner
 - (i) 2 copies of the filed Response to Petition, and
 - (ii) 2 copies of each filed Affidavit on which you intend to rely at the hearing

Orders, including orders granting the relief claimed, may be made against you, without any further notice to you, if you fail to file the Response to Petition within the time for response.

Time for Response To Petition

A Response to Petition must be filed and served on the Petitioner,

- (a) if you were served with the Petition anywhere in Canada, within 21 days after that service,
- (b) if you were served with the Petition anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the Petition anywhere else, within 49 days after that service, or
- (d) if the time for response has been set by order of the court, within that time.

(1)	The address of the registry is: The Law Courts 800 Smithe Street Vancouver, BC V6Z 2E1a
(2)	The ADDRESS FOR SERVICE of the Petitioners is: Blake, Cassels & Graydon LLP Barristers & Solicitors Suite 2600, Three Bentall Centre 595 Burrard Street, PO Box 49314 Vancouver, BC V7X 1L3 Attention: Peter Rubin
	Fax number address for service (if any) of the Petitioners: 604-631-3309
	E-mail address for service (if any) of the Petitioners: N/A
(3)	The name and office address of the Petitioners' lawyer is: Blake, Cassels & Graydon LLP Barristers & Solicitors Suite 2600, Three Bentall Centre 595 Burrard Street, PO Box 49314 Vancouver, BC V7X 1L3 Attention: Peter Rubin

CLAIM OF THE PETITIONERS

Part 1: ORDERS SOUGHT

1. A Declaration that the Petitioners are corporations to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") applies.
2. A Declaration that Alvarez & Marsal Canada Inc. (the "**Monitor**") shall be appointed as officer of the Court to monitor the assets, businesses and affairs of the Petitioners.
3. An Order that, until further order of this Court, all proceedings against the Petitioners, their directors and officers, and Sterling Shoes Limited Partnership are stayed, and the Petitioners and Sterling Shoes Limited Partnership's operations be carried out in accordance with the express terms of the Initial Order, with liberty to seek to amend or extend the terms of such Initial Order.
4. An Order substantially in the form of the draft Order attached hereto as Schedule "A" (the "**Initial Order**").
5. An Order authorizing the Petitioners to obtain and borrow under a debtor-in-possession credit facility to finance their working capital requirements and other general corporate purposes and capital expenditures, in an amount, with the priority, and on the terms to be determined by the Court.
6. An Order authorizing and permitting the Petitioners to file with this Court a formal plan of compromise or arrangement between the Petitioners and one or more of their classes of creditors (the "**Plan**"), pursuant to the provisions of the CCAA and the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 ("**CBCA**"), at such time as may be directed by the Court.
7. An Order defining the classes of creditors of the Petitioners for the purposes of meetings with respect to, and voting upon, any Plan or Plans that may be filed.
8. An Order that, upon filing of a Plan, the Petitioners call a meeting (the "**Meeting**") of the affected classes of their creditors to vote upon the Plan.

9. Such directions as may be required from time to time respecting the presentation of a Plan to the creditors of the Petitioners and, if subsequently required, a proof of claim process, conduct of the Meeting and related matters.

10. An Order sanctioning and approving the Plan or Plans with such amendments as may be proposed by the creditors of the Petitioners and approved by the Petitioners or as may be proposed by the Petitioners.

11. An Order that the Petitioners be at liberty to serve all pleadings and notices in this proceeding on any of their respective creditors by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, fax transmission or email to the Petitioners' creditors at their respective addresses as last shown on the records of the Petitioners, and any such service or notice by courier, personal delivery, fax transmission or email shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

12. An Order that the Orders in these proceedings shall have full force and effect in all provinces and territories of Canada and any other foreign country where creditors of the Petitioners are domiciled.

13. An Order that the Monitor, with the prior consent of the Petitioners, shall be authorized to apply as it may consider necessary or desirable, with or without notice, to any other court or administrative body, whether in Canada, the United States of America or elsewhere, for orders which aid and complement this Order and any subsequent Orders of this Court and, without limitation to the foregoing, an Order under Chapter 15 of the U.S. Bankruptcy Code, for which the Monitor shall be the foreign representative of the Petitioners and that all courts and administrative bodies of all such jurisdictions be requested to make such orders and to provide such assistance to the Monitor as may be deemed necessary or appropriate for that purpose.

14. An Order requesting the aid and recognition of any court or administrative body in any province or territory of Canada, the Federal Court of Canada, any administrative tribunal or other court constituted pursuant to the authority of the Parliament of Canada or any of its provinces or

territories and any Federal or State court or administrative body in the United States of America or any other foreign courts of any nation or state in act in aid of and to be complementary to this Court in carrying out the terms of any Order pronounced in these proceedings.

15. Such further and other Orders as this Court may deem just and as may be proper under the circumstances.

Part 2: FACTUAL BASIS

The Sterling Shoes Enterprise

16. The Petitioner Sterling Shoes Inc. ("**Sterling**") is a company incorporated under the CBCA. Sterling, together with the Limited Partnership (as defined below) and the GP (as defined below), are referred to herein as the "**Company**".

17. The principal and head office of the Company is located at 2580 Viscount Way, Richmond, British Columbia. The registered office of Sterling is located at suite 2600 – 595 Burrard Street, Vancouver, British Columbia.

18. Sterling was incorporated to effect the conversion of Sterling Shoes Income Fund to a corporate structure pursuant to a plan of arrangement under the *Business Corporations Act*, S.B.C. 2002 c. 57, which was completed on July 1, 2010 (the "**2010 Conversion**"). This conversion was undertaken in light of the implementation of the tax to be imposed on the taxable income of income funds effective January 1, 2011. Sterling is the successor to Sterling Shoes Income Fund pursuant to the 2010 Conversion.

19. Sterling Shoes Limited Partnership (the "**Limited Partnership**") is a limited partnership formed under the laws of the province of Manitoba. The registered office of the Limited Partnership in Manitoba is located at 30th floor - 360 Main Street, Winnipeg, Manitoba. The Limited Partnership was created for a number of corporate and tax purposes to assist with the Company's operations and to acquire and hold substantially all of the assets of the Business (as defined below). The Limited Partnership is extra-provincially registered in British Columbia and has a records office in British Columbia located at suite 2600 – 595 Burrard Street, Vancouver, British Columbia.

20. All of the issued and outstanding limited partnership units in the Limited Partnership are held by Sterling.

21. The Petitioner Sterling Shoes GP Inc. (the “GP”) is the general partner of the Limited Partnership. The GP is a company incorporated under the laws of the province of British Columbia with a registered office located at suite 2600 – 595 Burrard Street, Vancouver, British Columbia.

22. The authorized share capital of the GP consists of an unlimited number of common shares and an unlimited number of special voting shares. All of the common shares of the GP are owned by Sterling. There are no special voting shares outstanding.

23. Attached as Exhibit “H” to the Affidavit #1 of Daniel Gumprich is a corporate chart of the Company.

The Sterling Shares

24. The authorized capital of Sterling consists of an unlimited number of shares. Sterling has approximately 6,641,860 million shares issued and outstanding (the “Shares”).

25. Sterling is a publically traded entity which trades on the Toronto Stock Exchange under the symbol TSX:SSI. As at the close of trading on October 19, 2011 the Shares traded at \$0.09.

26. Sterling has not paid any dividends on the Shares since its incorporation.

The Company’s Business

27. The Company is a Vancouver based footwear retailer operating 158 retail stores in five provinces across Canada: British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The Company offers a broad selection of private label and brand name shoes through five main retail banners: Sterling, Joneve, Shoe Warehouse, Freedman Shoes and Gia. The Company also operates a wholesale division under the name B-Code Imports which represents less than 2% of total annual revenues. The Company’s products include dress and casual footwear as well as a

range of accessories including handbags, shoe care products and hosiery (collectively the “**Business**”).

28. In 2005, prior to the 2010 Conversion, Sterling Shoes Income Fund completed an offering and raised gross proceeds of approximately \$53 million. In the years following the offering, the Company opened approximately 75 stores (approximately 60 net openings) and renovated and relocated many others. In 2005, the Company also started up its wholesale division, B-Code Imports.

29. The Company employs approximately 1,100 people. Approximately 80 people are employed in Richmond, British Columbia in a variety of head office and warehouse functions and the remainder are employed in the retail operations. The Company does not have any unionized employees and does not operate a pension plan. The Company’s bi-weekly payroll obligations are approximately \$1 million.

30. The Company’s annual revenue for the fiscal year ended December 31, 2010 was approximately \$127 million. The Company’s typical peak season is in the fourth quarter from October to December with sales representing in excess of 30% of total annual revenues. Leading up to this peak season, working capital funding requirements increase with the higher purchase order volumes required prior to October which has caused recent financial constraints.

31. The Company’s retail outlets are primarily located in shopping malls, strip malls and at street front locations. The Company does not own any real property. The Company is a party to numerous lease agreements with many different landlords for the use of the leased retail space, warehouse operations and head office.

32. The current complement of 158 stores are located across Canada as described in the table below.

Province	Shoe Warehouse	Sterling	Joneve	Freedman	Gia	TOTAL
British Columbia	38	19	5	10	1	73
Alberta	14	9	3	1	-	27
Saskatchewan	2	2	-	-	-	4
Manitoba	9	3	-	-	-	12
Ontario	11	23	6	2	-	42
TOTAL	74	56	14	13	1	158

33. The Company has developed strong relationships with leading suppliers of branded products, with manufacturers of private label shoes, and with key purchasing agents. The Company does not own or operate any manufacturing facilities and relies primarily on third party manufacturers in other countries for the production of its private label merchandise. The Company sources approximately 40% of its products from various Canadian suppliers with the balance sourced from offshore suppliers.

34. The Company has a central distribution centre in Richmond, British Columbia that receives, inspects, processes and distributes most of the Company's merchandise. The distribution centre is comprised of two separate civic addresses in Richmond, British Columbia. The Company utilizes a third-party warehouse in Mississauga, Ontario to receive, inspect, process and distribute the remainder of the Company's merchandise.

The Consolidated Operations

35. The Company's operations and financial reporting are done on a consolidated basis. The Company operates under centralized senior management and is subject to combined cash management and accounting functions, all of which are directed from the Company's head office in Richmond, British Columbia.

Cash Management

36. The Company's operations require the collection and movement of funds through a number of bank accounts held at various Canadian chartered banks (the "**Cash Management System**"). Sterling uses the Cash Management System in the ordinary course, which involves the deposit of funds from several "collection" deposit accounts held with various banks to the "central collection" account (the "**Central Account**") held at the Bank of Montreal ("**BMO**"). Funds are then transferred as needed from the Central Account to make required operational disbursements through the Company's central disbursement accounts held in Canadian and US currency.

37. The Cash Management System comprises seventeen (17) bank accounts in the name of the Limited Partnership:

- (a) Twelve (12) accounts are held at the BMO, including seven (7) in Canadian currency, of which one is for credit card deposit purposes (American Express), and five (5) in U.S. currency;
- (b) Four Canadian currency accounts held at other major Canadian chartered banks for purposes of depositing store cash collections at branches nearby store locations; and
- (c) One credit and debit card deposit account (for Mastercard, Visa and debit cards) held at a major Canadian chartered bank.

38. The Cash Management System is funded by receipts generated by store revenues ordinarily deposited at accounts at BMO or one of the other four major Canadian chartered banks, in addition to the credit card and debit collection system deposited in the credit and debit card deposit accounts. On a daily basis, cash is transferred from these accounts to the Central Account.

39. In addition to the above, there are three bank accounts held at BMO in the name of Sterling. However, these accounts have no on-going activity at this time.

40. On an operational basis, all of the Business's activities are conducted through the GP and the Limited Partnership, including leasing, product supply and employment agreements.

Furthermore, the GP and the Limited Partnership are responsible for generating substantially all of the Company's revenues.

Indebtedness of the Company

41. As of September 30, 2011, the Company's draft internal financial statements indicate that the primary indebtedness was, generally, as follows:

- (a) Secured Debt: approximately \$14,000,000;
- (b) Unsecured Debentures: approximately \$25,000,000 (with an additional \$800,000 interest payment due on October 31, 2011, of which approximately \$680,000 is accrued to September 30, 2011); and
- (c) Unsecured Trade Creditors and Other Indebtedness: approximately \$18,000,000.

Secured Debt - The BMO Facility

42. Pursuant to certain financing arrangements under an amended/updated commitment letter dated July 6, 2010, as amended by a letter dated March 15, 2011, as further amended by an amendment to credit facilities dated August 25, 2011, and as further amended by an agreement dated October 14, 2011 (collectively, the "**Existing Credit Agreement**"), the Limited Partnership has a \$4 million term facility (the "**Term Loan**") and a \$20 million revolving loan (the "**Operating Loan**") with BMO. Loans under the Existing Credit Agreement bear interest at a floating rate based on the Canadian dollar prime rates plus an applicable margin to those rates.

43. As of October 19, 2011, 2011, the indebtedness of the Limited Partnership under the Existing Credit Facility was approximately \$14,700,000. This amount includes approximately \$2,100,000 in outstanding letters of credit and \$4,000,000 outstanding under the Term Loan.

44. Both the Term Loan and the Operating Loan are guaranteed by Sterling and the GP and are secured by, among other security, a general security agreement creating a first ranking charge over all of the assets of the Company.

45. The Existing Credit Agreement is subject to customary terms and conditions, including limits on incurring additional indebtedness, granting liens or selling assets without the consent of

BMO, and financial covenants, including the maintenance of a minimum senior fixed charge coverage ratio. The Existing Credit Agreement also requires the Company to meet certain conditions in order to maintain interest payments on the Unsecured Debentures described below. The maximum aggregate availability under the Existing Credit Agreement is subject to a borrowing base calculation that is reduced by an availability block, as well as certain reserves and adjustments.

46. The availability under the Existing Credit Agreement is calculated and changes on a week-to-week basis. In addition, there are step-down provisions in the Existing Credit Agreement which permanently reduced the availability of the overadvance limit on September 16, 2011, October 1, 2011 and October 16, 2011.

47. The overadvance limit under the Existing Credit Agreement was originally designed (and provided) by BMO to provide the Company with the additional liquidity necessary to address seasonal fluctuations. Prior to the amendment entered into by the Company and BMO on October 14, 2011, the overadvance limit was to be reduced to \$0, thereby reducing availability under the Existing Credit Agreement by \$3 million on October 16, 2011.

48. The Company's financial performance has fallen short of forecast and without access to a sufficient overadvance limit, the Company would not have sufficient liquidity to meet the Company's trade obligations as they became due.

49. The Company and BMO entered into negotiations regarding the terms and conditions of financing required to address the Company's liquidity needs while it sought to restructure its affairs under the *Companies' Creditors Arrangement Act* (the "CCAA"). BMO indicated that it would be agreeable to continuing to provide financing to the Company under the Existing Credit Agreement, including access to an overadvance limit, pursuant to the terms and conditions of a forbearance agreement.

50. Pending finalization and execution of a forbearance agreement, on October 14, 2011 the Company and BMO agreed to an amended overadvance limit as an interim measure to bridge the Company's liquidity needs between October 16, 2011 (the date the overadvance limit was

reduced to \$0) and the date the forbearance agreement was to be executed by BMO and the Company. That overadvance limit expires on October 21, 2011.

51. The Limited Partnership is currently in default of the Existing Credit Agreement in respect of the minimum required EBITDA. BMO has agreed to forbear on a day to day basis until the execution of a forbearance agreement.

52. On October 20, 2011, the Company and BMO concluded negotiations as to the terms and conditions of the forbearance agreement (the “**Forbearance Agreement**”). Pursuant to the Forbearance Agreement, BMO will continue to provide availability under the Existing Credit Agreement to the Limited Partnership, including an overadvance limit of up to \$2.5 million, on the terms and conditions set out in the Existing Credit Agreement, as amended by the Forbearance Agreement.

53. Although the Forbearance Agreement expires on December 31, 2011 (or such earlier time as provided in the Forbearance Agreement on the occurrence of certain events), the parties intend to commence negotiations on a revised cash flow forecast and the terms of an overadvance limit and availability after December 31, 2011 sufficient to allow the Company to complete its restructuring.

The Unsecured Debentures

54. On October 3, 2007 Sterling Shoes Income Fund closed an offering of \$25 million of convertible unsecured subordinated debentures (the “**Unsecured Debentures**”) at a price of \$1,000 per debenture. The Unsecured Debentures are an obligation of Sterling. Neither the GP nor the Limited Partnership have guaranteed the obligations under the Unsecured Debentures.

55. As an unsecured obligation, the Unsecured Debentures are subordinate to the Amended Facility.

56. The Unsecured Debentures do not restrict the Company from incurring additional indebtedness or from mortgaging, pledging or charging its assets to secure any indebtedness.

57. The 25,000 Unsecured Debentures bear interest at an annual rate of 6.50% payable semi-annually in arrears on October 31 and April 30 in each year. The maturity date for the Unsecured Debentures is October 31, 2012.

58. The Unsecured Debentures are convertible at any time at the option of the holders into shares of Sterling at a conversion rate of approximately 47.281 shares per \$1000 principal amount of debenture, which is equal to a conversion price of \$21.15 per share.

59. The Unsecured Debentures trade on the Toronto Stock Exchange under the symbol SSI.DB. The Unsecured Debentures trade in increments of \$100, notwithstanding their face value of \$1,000. On January 1, 2011 the Unsecured Debentures traded in the range of \$80.00 per \$100 unit of a debenture. As of the close of the trading day on October 19, 2011 the Unsecured Debentures were trading at \$12.90.

60. On September 27, 2011 Sterling issued a press release announcing that it would not be making the interest payment of approximately \$800,000 on the Unsecured Debentures that is due to be paid on October 31, 2011.

61. As far as the Company is aware, the single largest, and only, holder with in excess of 10% of the Unsecured Debentures is BII Acquisition Inc. which holds \$2,573,000 of principal amount of Unsecured Debentures.

Unsecured Trade Creditors & Other Indebtedness

62. As outlined above, the amount owing to unsecured trade creditors and suppliers and other creditors is approximately \$18,000,000. Of this amount, approximately \$14,000,000 is related to trade creditors and approximately \$4,000,000 is due to non-trade payables, including \$585,000 for gift card credit notes and the remaining balance primarily relates to accrued employee wages, vacation pay, sales taxes and rent.

Efforts Taken To Date

63. In the fourth quarter of 2010 the Company undertook a number of steps directed at improving the Business. These steps included:

- Hiring a new President and CEO, Dave Alves, who joined Sterling and GP's board of directors on November 10, 2010 following an international search;
- Embarking on a strategic review and beginning a comprehensive re-organization of the Company's operating structure and business processes; and
- Accelerating the Company's strategy of clearing out aged inventory and reducing its investment in inventory thereby decreasing warehousing and logistic costs.

64. The efforts described above focused on inventory, operations, merchandising and branding. These efforts resulted in a number of improvements to the Business, including in the areas of gross margin, reduced inventory, store and selling expenses.

65. In August 2011, a special committee of the Sterling board of directors engaged Capital West Partners as financial advisor to assist in exploring strategic alternatives for the Company, including corporate finance efforts.

66. In addition to the efforts described above, the Company engaged, and continues to engage, in a critical evaluation of its retail stores. The Company has identified a number of retail locations that do not effectively reach the Company's target audience or fit the Company's long term vision of the Business.

67. In the first nine months of 2011 the Company has closed five under-performing stores.

The Company's Consolidated Financial Position

68. The Company's interim consolidated financial statements for the six months ending June 30, 2011 are attached as Exhibit "J" to the Affidavit of Daniel Gumprich. The Company's consolidated financial statements for the year ending December 31, 2010 are attached as Exhibit "T" to the Affidavit of Daniel Gumprich.

69. For the fiscal year ended December 31, 2010, the Company had sales revenue of \$127,028,000 as compared to \$131,170,000 for the year ended December 31, 2009. The

Company's sales revenue is generated in the Limited Partnership from retail sales in its 158 stores and in small part from its wholesale division.

70. For the six-month period ended June 30, 2011, sale revenue was \$46.3 million, compared to \$55.5 million for the same six-month period in 2010, representing a 16.5% decline. For that same six-month period ending June 30, 2011 the Company's net loss after taxes was \$4.2 million as compared to \$2.7 million in the first six months of 2010. A number of retail stores and banners have negative contribution margins while others have positive contribution margins.

71. As at June 30, 2011, the Company had total consolidated assets of \$71,611,000. This included consolidated current assets of \$36,326,000 and consolidated non-current assets of \$35,285,000.

72. As at June 30, 2011, the Company had total consolidated current liabilities of \$25,644,000 and total consolidated non-current liabilities of \$25,233,000.

73. Current assets, excluding cash and bank indebtedness, have increased during the second and third quarter of 2011 to approximately \$41 million at September 30, 2011 in anticipation of the normal build up of the Company's inventory requirements for the peak fall and winter selling season. Current assets, excluding cash and bank indebtedness, as at September 30, 2011 comprises:

- (a) Accounts receivable: \$100,000 (primarily representing credit card deposits in transit)
- (b) Inventory: \$40.3 million
- (c) Prepaids and other: \$400,000

74. Bank indebtedness, including letters of credit of \$2,100,000, as at October 19, 2011 is approximately \$14,700,000. Letters of credit include \$1,500,000 posted as collateral in favour of a financier who has provided accounts receivables financing due to the Company's creditors and \$600,000 outstanding as collateral payment for inventory on purchase order. Inventory of \$600,000, which relates to a portion of the outstanding letter of credits, has not yet been received by the Company and is not included in the above noted current assets.

75. The Company expects to reduce bank indebtedness by December 31, 2011 as indicated in the cash flow forecast to approximately \$8,000,000 while reducing current assets, excluding cash and bank indebtedness, to approximately \$32,000,000.

Summary of Current Financial Difficulties

76. The Company is facing liquidity and profitability issues caused by an aggressive expansion undertaken in 2005-2008 which collided with the financial crisis and resulting weak economic and retail environment.

77. Despite progress being made in streamlining processes and cost-reduction initiatives, the Company continues to face balance sheet and declining and/or negative same store sales challenges. In particular, the Business overall has experienced negative year over year same store sales during 2010 and 2011.

78. The Company has experienced significant and unexpected declines in sales revenue. The worsening financial performance of the Company has made it impossible for the Company to service its debt obligations, including its trade creditors. The financial performance of the Company, demonstrated by the decline in the share price of Sterling, together with the troubled financial markets and poor economic conditions, have undermined the Company's efforts to address the issues it faces.

79. The Company's senior management and board of directors have concluded that in view of the Company's financial and operational challenges the need for a restructuring should be carried out in a CCAA proceeding.

80. The Company's senior, and only secured lender, BMO, has consented to this approach.

Proposed Restructuring

81. The Company operates a number of divisions, some of which are unprofitable. The Company believes that there is a viable core business. However, the Company is no longer able to meet all of its obligations.

82. In order to avoid possible enforcement proceedings by creditors, and other potential events that could harm the Business, the Company requires the protections afforded by a stay of proceedings to permit them to implement a restructuring for the benefit of all stakeholders.

83. It is expected that the restructuring of the Company, and the key elements of a plan of compromise or arrangement, may include the following:

- Closing non-performing or under-performing stores and/or banners;
- Reducing corporate overhead; and
- Pursuing strategies to grow the more successful aspects of the Business.

84. The Company believes that the best way to preserve enterprise value for the Company and its stakeholders is for an Initial Order to be granted and a restructuring to be pursued through a plan under the CCAA.

Monitor

85. Alvarez & Marsal Canada Inc. (“A&M”) has consented to act as Monitor in these proceedings to provide court supervision, monitoring and to generally assist the Company with its restructuring efforts, including the preparation of the Plan to be put to its creditors, pursuant to the terms of the proposed Initial Order and the statutory provisions of the CCAA.

86. The Company expects that, with the assistance of its legal and financial advisors, and A&M, it will be able to develop a restructuring plan that will demonstrate the benefits to all stakeholders of preserving the Company.

Part 3: LEGAL BASIS

87. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

88. *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended.

89. *Supreme Court Civil Rules*, Rules 2-1(2), 4-4, 8-1, 8-2, 16-1, 22-1 and 22-4.

90. *Law and Equity Act*, R.S.B.C. 1996, c. 253.

91. The inherent and equitable jurisdiction of this Honourable Court.

Part 4: MATERIALS TO BE RELIED ON

92. Affidavit #1 of Daniel Gumprich, sworn October 20, 2011

93. The Pre-Filing Report of Alvarez & Marsal Canada Inc.

The Petitioner estimate that the hearing of the Petition will take 60 minutes.

Date: October 21, 2011



Signature of
☐ Petitioner ☒ lawyer for Petitioners
Peter Rubin

To be completed by the court only:

Order made

☐ in the terms requested in paragraphs of Part 1 of
this petition

☐ with the following variations and additional terms:

.....
.....
.....

Date:[dd/mm/yyyy].....

.....
Signature of ☐ Judge ☐ Master