

SUPREME COURT OF NOVA SCOTIA

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

AND IN THE MATTER OF A PLAN OR ARRANGEMENT OF SALTWIRE NETWORK INC.,
THE HALIFAX HERALD LIMITED, HEADLINE PROMOTIONAL PRODUCTS LIMITED, TITAN
SECURITY & INVESTIGATION INC., BRACE CAPITAL LIMITED AND BRACE HOLDINGS
LIMITED

BETWEEN:

Fiera Private Debt Fund III LP and Fiera Private Debt Fund V LP,
each by their general partner, Fiera Private Debt GP Inc.

Applicants

-and-

Saltwire Network Inc., The Halifax Herald Limited, Headline Promotional Products Limited, Titan
Security & Investigation Inc., Brace Capital Limited and Brace Holdings Limited

Respondents

AFFIDAVIT OF RUSSELL FRENCH
(affirmed March 19, 2024)

I make oath and give evidence as follows:

1. I am the Managing Director, Special Situations of Fiera Private Debt GP Inc. ("**Fiera GP**"), the general partner of Fiera Private Debt Fund III LP ("**Fund III**") and Fiera Private Debt Fund V LP ("**Fund V**") and together with Fund III, the "**Lenders**". The Lenders are the senior secured creditors of the Companies (defined below). I have held this position with the Lenders since April 26, 2021.
2. I have personal knowledge of the evidence affirmed in this affidavit except where otherwise stated to be based on information and belief.

3. I state, in this affidavit, the source of any information that is not based on my own personal knowledge, and I state my belief of the source.

4. This affidavit is affirmed in support of the Lenders' motion (the "**Comeback Motion**") for:
- (a) an amended and restated initial order ("**ARIO**") granting the relief described therein and further described below; and
 - (b) an order (the "**SISP Order**") approving, among other things, a sale and investment solicitation process ("**SISP**") in respect of the Media Business (defined below).

5. This affidavit should be read in conjunction with my affidavit affirmed March 8, 2024 (my "**March 8 Affidavit**"). Capitalized terms used herein and not otherwise defined have the meaning given to them in my March 8 Affidavit.

I. BACKGROUND

6. On March 13, 2024, the Lenders brought an application (the "**Lenders' CCAA Application**") for an initial order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") in respect of Saltwire Network Inc. ("**Saltwire**"), The Halifax Herald Limited ("**The Herald**" and together with Saltwire, the "**Media Companies**"), Headline Promotional Products Limited ("**Headline**"), Titan Security & Investigation Inc. ("**Titan**"), Brace Capital Limited ("**Brace Capital**") and Brace Holdings Limited ("**Brace Holdings**" and collectively, the "**Companies**").

7. On the same day, the Companies brought a competing application also seeking an initial order pursuant to the CCAA (the "**Companies' CCAA Application**").

8. After hearing the Lenders' CCAA Application and the Companies' CCAA Application, the Court ruled in favour of the Lenders' CCAA Application and granted the Initial Order which included, among other things, the following relief:

- (a) Approved an initial stay of proceeding up to and including March 22, 2024 (the **"Stay Period"**);
- (b) Appointed KSV Restructuring Inc. as the monitor (the **"Monitor"**) in these CCAA proceedings;
- (c) Appointed David Boyd, a representative of Resolve Advisory Services Ltd., as chief restructuring officer (**"CRO"**);
- (d) Authorized the Companies to obtain and borrow funds pursuant to a secured debtor-in-possession financing facility (**"DIP Facility"**) pursuant to an interim financing term sheet as agreed on between the parties (the **"First Interim Financing Term Sheet"**) which was made available by the Lenders, in the maximum initial amount of \$500,000 (the **"Initial Borrowing Limit"**);
- (e) Granted the following priority charges:
 - (i) First, a charge in the maximum amount of \$300,000 (the **"Administration Charge"**) to secure payment of the fees and disbursements of the Monitor, its counsel, the CRO and counsel to the Lenders, incurred both before and during the CCAA proceedings;
 - (ii) Second, a charge to secure the obligations under the DIP Facility (the **"DIP Lender's Charge"**); and

- (iii) Third, a charge in the maximum of \$1.075 million (the “**Directors’ Charge**”) to secure indemnity in favour of the Companies’ directors and officers for obligations and liabilities they may arise in such capacity post-filing.

9. The background and circumstances leading up to the CCAA application are set out in my March 8 Affidavit and therefore not repeated herein.

II. EVENTS SINCE FILING

10. I am aware the Monitor will be filing its first report (the “**First Report**”) providing a detailed update as to its and the Companies’ activities since the granting of the Initial Order.

III. AMENDED AND RESTATED INITIAL ORDER

11. As set out above, the Stay Period currently expired on March 22, 2024. The Lenders are bringing this motion to seek an extension of the Stay Period to May 3, 2024 along with an ARIO, which also contemplates certain other changes to the Initial Order.

Extension of the Stay Period

12. The initial stay of proceedings in respect of the Companies and their property was granted up to and including March 22, 2024 (the “**Stay Period**”) pursuant to the Initial Order.

13. Under the ARIO, the Lenders are seeking to extend the Stay Period up to the including May 3, 2024 to allow the Monitor to proceed with the implementation of the SISF, should the SISF be approved by this Court.

14. I understand that the First Report will contain an updated cash flow forecast (the “**Cash Flow**”) for the proposed extension period. As set out below, I understand that the Monitor’s view is that, subject to approval by the Court of an increase in the borrowing limit under the DIP

Facility, the Companies will have sufficient liquidity to fund their obligations as they come due during the proposed Stay Period.

15. The Lenders are supportive of the proposed extension of the Stay Period, subject to the other relief in this motion being granted (including the approval of the SISP) as it will provide the Financial Advisor (defined below), CRO and Monitor with sufficient time to complete Phase 1 (defined below) of the SISP. In the event that qualified LOIs (defined below) are submitted, the Lenders would intend to seek a further extension of the stay period at a future motion to allow the SISP to continue through Phase 2 (defined below).

Increase in Borrowing Limit

16. The First Interim Financing Term Sheet was based on a proposed term sheet filed with the Lenders' CCAA Application and reflected changes requested both by the Court and the Companies for the first 10 days of the filing given the circumstances around which the application was made. The primary goal of the First Interim Financing Term Sheet was to ensure the Companies had immediately available interim financing ("**DIP Financing**") in the event that it was required prior to the comeback, but it was understood that subsequent financing would provide for more robust terms which were more consistent with traditional DIP term sheets.

17. Based on the updated Cash Flow attached to the First Report, the Companies may require up to \$1.5 million of DIP Financing during the Stay Period. In connection with that requirement, the Lenders and the Companies (by the CRO) have agreed on terms of an amended and restated interim financing term sheet dated as of March 22, 2024 (the "**Interim Financing Term Sheet**"). A complete summary of the Interim Financing Term Sheet will be set out in the First Report.

18. The Lenders are agreeable to provide this amount of DIP Financing on the terms set out in the Interim Financing Term Sheet, which is forecast to be sufficient to fund the Companies' expenses through the proposed Stay Period and through Phase 1 of the SISP.

Charges

19. Currently, the Initial Order provides for administration charge ("**Administration Charge**") over the Companies' property to secure payment of the fees and expenses of the Monitor, its counsel, the Lenders' counsel and the CRO. The current maximum amount of the Administration Charge is \$300,000.

20. Based on advice from the Monitor and as reflected in the Interim Financing Term Sheet, the Lenders have agreed to seek an increase in the Administration Charge from \$300,000 to \$450,000. It is also proposed that the Administration Charge include security for payment of the fees and expenses of Stewart McKelvey, restructuring counsel to the Companies, subject to certain terms set out in the Interim Financing Term Sheet. The Lenders believe that the terms on which the Companies' counsel have the benefit of the Administration Charge are reasonable in these circumstances and will afford the Companies (through the CRO) the ability to seek legal counsel as required. The Lenders, however, are unwilling to finance the costs of any (a) proposed offer that may be made by Mr. Lever or any member of management or shareholder in the SISP; or (b) litigation against the Lenders. The Companies have agreed to the financing terms as set out in the Interim Financing Term Sheet.

21. As set out in the First Report, the Financial Advisor Engagement Letter (defined below) contemplates the granting of a first priority charge to a maximum of \$500,000 (the "**Financial Advisor's Charge**"), which would rank *pari passu* with the Administration Charge, subject to the terms of the Financial Advisor Engagement Letter. I understand that the Financial Advisor

(defined below) requires the granting of the Financial Advisor's Charge as a term of its engagement. The Lenders are supportive of the granting of the Financial Advisor's Charge.

Enhancement of CRO and Monitor Powers

22. As set out in my March 8 Affidavit, it was an important part of the original relief sought that the CRO be appointed and that KSV be appointed as Monitor. My March 8 Affidavit also provided that the Lenders intended to seek relief further enhancing the powers of the CRO and / or the Monitor in subsequent motions.

23. The Lenders are now proposing additional enhanced powers for the CRO as well as limited additional enhanced powers for the Monitor. The principal reasons for the Lenders' request for these additional powers are as follows:

- (a) To ensure compliance with the Cash Flow and that all disbursements are permitted and appropriate in the circumstances;
- (b) To ensure integrity to the SISP process given, among other things, Mr. Lever's intention to resign from the Companies and his express desire to participate as a buyer in that process;
- (c) Given the concerns expressed by the Lenders in their faith in management, such powers will provide the Lenders with the confidence required to continue to fund these proceedings; and
- (d) Continuation of these proceedings with the support of the Lenders provides the best chances for maximization of recovery by way of a going concern transaction for the benefit of all stakeholders.

IV. THE SISP

The Financial Advisor Engagement Letter

24. The Lenders have agreed and consented to (a) the terms of an engagement letter (the “**Financial Advisor Engagement Letter**”) for the retention by the Media Companies (through the CRO) of FTI Capital Advisors Canada ULC (the “**Financial Advisor**”) to conduct a SISP for the sale of or investment in the business of the Media Companies (the “**Media Business**”); and (b) the terms of the proposed SISP.

25. The Companies (through the CRO) have retained the Financial Advisor to conduct the SISP for the Media Business. I understand that further details of the Financial Advisor Engagement Letter will be set out in the First Report. The Lenders are supportive of the approval of the Financial Advisor Engagement Letter including the granting of the Financial Advisor’s Charge.

The SISP

26. As set out in my March 8 Affidavit, the Companies, through the Financial Advisor, had been conducting the Recapitalization Process since October 2023. Although the Lenders believe that the Financial Advisor thoroughly canvassed the market and a number of parties have expressed an interest in the Media Business, no acceptable LOI has resulted from the Recapitalization Process to date. The Lenders believe the structure of a SISP in these CCAA proceedings will best determine whether a going concern transaction for the Media Business can be achieved and, as such, the Lenders support re-canvassing the market through the SISP.

27. The Financial Advisor has been engaged by the Companies to conduct the SISP for the Media Business. The details of the SISP are set out in the First Report but contemplate key

milestone dates of, (a) non-binding letters of intent (“**LOIs**”) by no later than April 25, 2024 (“**Phase 1**”); (b) binding offers by no later than May 24, 2024 (“**Phase 2**”).

28. The Lenders remain hopeful that a third party buyer for a going concern transaction can be found and are committed to working with the Financial Advisor, CRO and the Monitor to achieve this objective.

29. With respect to the assets and businesses not included in the SISP (namely, the real property and the Titan business), the Lenders will work with the Monitor and the CRO to assess the best monetization strategy separately for such assets in these proceedings.

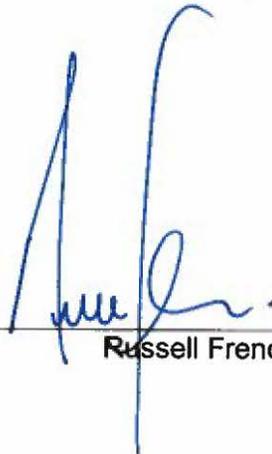
V. CONCLUSION

30. I affirm this affidavit in support of this Motion and for no other improper purpose.

AFFIRMED by Russell French at the City of Toronto, in the Province of Ontario, before me on March 19, 2024.



Commissioner for Taking Affidavits
(or as may be)



Russell French

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