

COURT FILE NUMBER

1301-04364

Clerk's Stamp

COURT

COURT OF QUEEN'S BENCH
OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

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



AND IN THE MATTER OF
POSEIDON CONCEPTS CORP.,
POSEIDON CONCEPTS LTD.,
POSEIDON CONCEPTS LIMITED
PARTNERSHIP AND
POSEIDON CONCEPTS INC.

DOCUMENT

APPLICATION (Approving Settlement)

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

Norton Rose Canada LLP
3700 Devon Tower
400 Third Avenue SW
Calgary, Alberta T2P 4H2
Phone: 403-267-8222
Fax: 403-264-5973
Attention: Howard A. Gorman
File No. 01024527-0002

NOTICE TO RESPONDENT(S):

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

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

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

Date: Thursday, May 23, 2013

Time: 11:30 a.m.

Where: Calgary Courts Centre

Before Whom: The Honourable Madam Justice C. A. Kent

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. An Order abridging the time for service of this Application and supporting materials and declaring service of same to be good and sufficient.
2. An Order approving the Settlement Agreement between Poseidon Concepts Corp. ("Poseidon") and DryAir 2000 Inc./DryAir Inc. (collectively "DryAir") as set out in the May 17, 2013 correspondence (the "Settlement Agreement") attached as **Schedule A** hereto and directing Poseidon to take all steps and sign such further agreements or documents as are or may be necessary to give effect to the terms of the Settlement Agreement.
3. An Order confirming ownership and entitlement to the various DryAir heater units in accordance with the terms of the Settlement Agreement.
4. Such further and other relief, advice and directions as counsel may request and this Honourable Court may deem just and appropriate.
- 5.

Grounds for making this application:

6. Poseidon and various of its affiliates applied for and obtained an Initial Order under the *Companies' Creditors Arrangement Act* ("CCAA") by Order of this Court dated April 9, 2013 (the "CCAA Initial Order").
7. The Settlement Agreement between Poseidon and DryAir was negotiated between arms-length third parties and benefits both parties by resolving any dispute as to entitlement and distributing the DryAir heater units between Poseidon and DryAir including confirming which heater units may be included by Poseidon in its ongoing Court directed solicitation process.
8. The Settlement Agreement is supported by Poseidon, its Monitor, its Secured Lenders and its Interim Financing Lender.
9. The relief requested by the Applicant is fair, reasonable and in the best interest of Poseidon, its stakeholders and the within CCAA restructuring proceedings.
10. Such further and other grounds as counsel may advise and this Honourable Court may permit.

Materials or evidence to be relied upon:

11. All pleadings and proceedings filed in the within action including the CCAA Initial Order.
12. The Third Report of the Monitor, to be filed.
13. The inherent jurisdiction of this Honourable Court to control its own process.
14. Such further and other materials and evidence as counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

15. The provisions of the CCAA.

Any irregularity complained of or objection relied on:

16. None

How the application is proposed to be heard or considered:

17. Oral submissions by counsel at an application in Justice Chambers as scheduled by counsel.

AFFIDAVIT EVIDENCE IS REQUIRED IF YOU WISH TO OBJECT.**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 rely on an affidavit or other evidence when the application is heard or considered, you must reply by giving reasonable notice of the material to the applicant.

SCHEDULE A



DRYAIR 2000 INC.
Box 126, 606 Highway Drive
St. Brieux, Sask. S0K 3V0
Tel: (306) 275-4848
Fax: (306) 275-4664
www.dryair.ca

DRYAIR INC.
1095 N. Main Street
Bowling Green, OH 43402
Tel: (419) 354-8546
Fax: (419) 354-9706
www.dryair.us

May 17th, 2013

Poseidon Concepts
Att. Mr. Leigh Cassidy

Re: DryAir equipment

Dear Leigh:

I summarize below the outcome of our conversations yesterday and this morning on our settlement regarding the equipment DryAir made for Poseidon, deposits paid by Poseidon, and title to the equipment:

- Poseidon:
 - Confirms that DryAir has free and clear title to 12 of the 16 Volcano units in its possession as of this date and that DryAir is free to sell them to third parties to recoup its losses.
 - Will obtain court approval to this settlement.
- Dryair:
 - Retains the deposits previously paid by Poseidon as part of this settlement
 - Confirms transfer of title and gives possession to Poseidon of 4 of the 16 Volcano units currently in DryAir's possession, free and clear of any of our lien claims. The 4 units include one retrofitted unit (serial number V1C554N9P) and three natural gas ready units (serial numbers V1C558P2, V1C558P3 and V1C558P4). Poseidon may sell these units to third parties and retain all of the proceeds without regard to our claims.
 - Grants Poseidon, and the purchaser of all or substantially all of its assets, the non-transferable right to purchase from DryAir, on or before June 30th, 2013, 1 or 2 additional Volcano's for \$200,000 each (or \$210,000 each if Poseidon wants these units to be natural gas ready).
 - Refrains from selling Volcano's until after June 30th, 2013.

Best regards,

Daco Vroegindewey
President