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April 27 2022

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF ENTREC CORPORATION, CAPSTAN
HAULING LTD., ENT CAPITAL CORP., ENTREC CRANES &
HEAVY HAUL INC., ENTREC HOLDINGS INC., ENT OILFIELD
GROUP LTD. and ENTREC SERVICES LTD.

DOCUMENT

TENTH REPORT OF THE MONITOR
April 18, 2022

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MONITOR

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1.0 INTRODUCTION

- 1.1 On May 15, 2020, ENTREC Corporation, Capstan Hauling Ltd. (“**Capstan**”), ENTREC Alberta Ltd., ENT Capital Corp., ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., ENT Oilfield Group Ltd., and ENTREC Services Ltd. (collectively, the “**Applicants**” or “**ENTREC**”), were granted an initial order (the “**Initial Order**”, and as subsequently amended and restated the “**ARIO**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Among other things, the Initial Order provided for a stay of proceedings in respect of the Applicants for a period initially expiring on May 25, 2020 (the “**Stay Period**”).
- 1.2 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed as monitor (the “**Monitor**”) in the CCAA Proceedings.
- 1.3 The Monitor, as foreign representative, filed petitions for each of the Applicants under Chapter 15 of the U.S. Bankruptcy Code (the “**U.S. Proceedings**”) in the United States Bankruptcy Court for the Southern District of Texas (the “**U.S. Court**”), Jointly Administered Case No. 20-32643. On May 15, 2020, the U.S. Court in the U.S. Proceedings entered an order granting provisional relief providing that the Initial Order be given full force and effect in all respects on an interim basis, including, without limitation, with respect to property of the Applicants located in the U.S.
- 1.4 On August 31, 2020, the Court granted orders, which among other things, authorized the sale of all the Applicants’ assets in the U.S. excluding leased assets and receivables (the “**Wolverine Transaction**”) to Wolverine Energy and Infrastructure Inc. (“**Wolverine**”), which was approved by the U.S. Court on September 9, 2020.
- 1.5 On October 1, 2020, the Applicants notified the Court and the Service List that the asset purchase agreement related to the Wolverine Transaction had been terminated due to a dispute that arose between the parties.
- 1.6 On November 2, 2020, the Court, and subsequently, the U.S. Court, granted orders which, inter alia, authorized the sale of substantially all of the U.S. assets (the “**Prolift Transaction**”) to Prolift Rigging Company, LLC (“**Prolift**”) and assigned to Prolift the contracts required to be assigned as part of the Prolift Transaction pursuant to Section 11.3 of the CCAA.
- 1.7 As at the date of this report, all of the Applicants’ assets have been sold and/or liquidated and operations have ceased in both Canada and the U.S.

- 1.8 On August 23, 2021, the Court granted an order (the “**August 23 Order**”) which extended the Stay Period until the earlier of: (i) the filing of a certificate by the Monitor to terminate the CCAA Proceedings and discharge the Monitor (the “**Termination Certificate**”) and (ii) April 30, 2022, and to approve the activities of the Monitor as set out in the Monitor’s Ninth Report, dated August 16, 2021 (the “**Ninth Report**”).
- 1.9 On April 18, 2022, the Monitor’s counsel filed a notice of application, returnable April 27, 2022 (the “**April 27 Application**”), for an order (the “**Stay Extension Order**”) to extend the Stay Period until the earlier of: (i) the filing of the Termination Certificate and (ii) October 31, 2022, to lift the stay of proceedings in respect of Capstan to permit an application to assign Capstan into bankruptcy, and to approve the activities of the Monitor as set out herein.
- 1.10 Further information regarding these CCAA Proceedings, including copies of the court orders, affidavits, reports of the Monitor and all other court-filed documents and notices are available on the Monitor’s website at www.alvarezandmarsal.com/entrec (the “**Monitor’s Website**”). Information regarding the U.S. Proceedings is available on the website of the U.S. notice agent at <https://cases.stretto.com/entrec>.

2.0 PURPOSE

- 2.1 This Tenth Report of the Monitor (the “**Tenth Report**”) was prepared to provide information to this Honourable Court in respect of the following:
- a) the activities of the Monitor since the Ninth Report;
 - b) an update on the disputed Wolverine Transaction;
 - c) a comparison of ENTREC’s actual cash receipts and disbursements for the period August 1, 2022 to March 31, 2022, compared to the cash flow forecast, as appended to the Ninth Report (the “**Seventh Cash Flow Forecast**”);
 - d) an updated and extended cash flow forecast for the period from April 1, 2022 to October 31, 2022 (the “**Eighth Cash Flow Forecast**”);
 - e) the funds held in trust by the Monitor;
 - f) other outstanding matters;
 - g) the request for a further extension of the Stay Period and to lift the stay of proceedings for the limited purpose of assigning Capstan into bankruptcy; and
 - h) the recommendations of the Monitor in respect of the foregoing, as applicable.

- 2.2 The Tenth Report should be read in conjunction with the April 27 Application. Background information, including capitalized terms not defined herein, are contained in the Initial Order, the ARIO, and the Monitor's previous reports, and have not been repeated herein.

3.0 TERMS OF REFERENCE

- 3.1 Certain of the information referred to in this report consists of financial forecasts and/or projections prepared by the Monitor. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.
- 3.2 Unless otherwise stated, all monetary amounts contained in this Tenth Report are expressed in Canadian dollars.

4.0 ACTIVITIES OF THE MONITOR

- 4.1 The Monitor's activities since the Ninth Report have included the following:
- a) attending to various legal proceedings in respect of the Wolverine Dispute, as subsequently defined, and the collection of receivables, including accounts that are under litigation, vendor holdbacks, and customer deposits;
 - b) monitoring cash flow and other operational matters, in accordance with the Support Agreement dated May 14, 2020, as amended from time to time (the "RSA"). Though the RSA expired on June 30, 2021, the Monitor and the Agent on behalf of the Syndicate have agreed that it does not need to be renewed, but the Monitor will continue to report to the Agent from time to time as the Agent may reasonably require, until the affairs and administration of ENTREC are concluded;
 - c) preparing monthly reports to the Agent and its advisors;
 - d) preparing the Eighth Cash Flow Forecast;
 - e) collecting vendor holdbacks, tax and other refunds, litigation settlements, and other proceeds;
 - f) assisting with various wind-down activities including attending to compliance matters with tax and other regulatory bodies in Canada and the U.S., and storage of the Applicants' books and records;
 - g) consenting, with approval from the Syndicate, to limited relief from the U.S. stay of proceedings to allow a personal injury claim to proceed under the insurance policy to the extent the claim does not exceed applicable insurance coverage;

- h) approving and preparing disbursements;
- i) communicating with various trade creditors and other stakeholders;
- j) posting of non-confidential materials filed with this Court to the Monitor's Website; and
- k) preparing this Tenth Report.

5.0 UPDATE ON THE WOLVERINE DISPUTE

- 5.1 As detailed in the Monitor's previous reports, the Wolverine Transaction did not close on September 30, 2020, as a dispute arose between the parties in respect of a price adjustment requested by Wolverine, and the Wolverine Transaction was subsequently terminated.
- 5.2 On November 2, 2020, Wolverine filed an adversary complaint against the Applicants in the U.S. Proceedings (the "**Wolverine Dispute**") seeking, among other things, a return of the bid deposit of \$3.35 million (the "**Deposit**") and additional damages and costs of approximately USD \$1.0 million plus costs and interest.
- 5.3 The Monitor, on behalf of ENTREC, filed its Answer and Counterclaim on December 18, 2020. On January 6, 2021, a pre-trial hearing was held and the U.S. Court ordered a mini trial to take place during April on the bifurcated issue of whether a timely "field exam" occurred pursuant to the subject asset purchase agreement (the "**APA**"). On May 10, 2021, the U.S. Court rendered a preliminary determination that the field exam performed by Wolverine complied with the APA.
- 5.4 The trial resumed and concluded on December 9, 2021, however, a decision has not yet been issued and no timing guidance has been provided by the U.S. Court.
- 5.5 The Monitor continues to hold the Deposit pending a consensual resolution or final judicial determination of the Wolverine Dispute.

6.0 ACTUAL CASH FLOW RESULTS COMPARED TO SEVENTH CASH FLOW FORECAST

- 6.1 As part of the ongoing oversight and monitoring of the business and financial affairs of ENTREC, the Monitor has set-up a monthly cash flow review protocol to compare actual cash flows against the Seventh Cash Flow Forecast.
- 6.2 The Applicants' actual cash receipts and disbursements as compared to the Seventh Cash Flow Forecast during the period of August 1, 2021 to March 31, 2022 (the "**Reporting Period**") are summarized below:

ENTREC Corporation Cash Flow Variance Analysis For the period August 1, 2021 to March 31, 2022* (in CAD\$000s)			
	For the period August 1 to March 31, 2022		
	Actual*	Forecast**	Variance
Operating receipts			
Other receipts	\$ 592	\$ 265	\$ 327
Total operating receipts	592	265	327
Operating disbursements			
Contractor costs	19	10	9
Wind-up and general administration	30	35	(5)
Contingency	-	25	(25)
Total operating disbursements	49	70	(21)
Net operating cash flow	544	196	348
Other disbursements			
Professional fees	1,017	895	121
Interim Facility interest costs and fees	1,729	1,680	49
Total other disbursements	2,746	2,575	170
Net cash flow	\$ (2,202)	\$ (2,380)	\$ 178
<u>Continuity of Reserve Fund</u>			
Opening balance	\$ 96	\$ 96	\$ -
Funding	878	889	(11)
Less: net draws	(474)	(965)	491
FX adjustment	(3)	-	(3)
Ending balance	\$ 498	\$ 20	\$ 477
<u>Continuity of Financing</u>			
Pre-filing debt			
Operating line	5,000	5,000	-
Ending balance	5,000	5,000	-
Interim Facility			
Opening balance	26,798	26,798	-
Draws (repayments)	2,606	2,304	302
Ending Interim Facility balance (cash)	29,404	29,102	302
Total financing, ending position	\$ 34,404	\$ 34,102	\$ 302
<i>*Amounts denominated in US currency were converted into Canadian dollars at the average exchange rate for the applicable period</i> <i>**Amounts denominated in US currency were converted into Canadian dollars at an exchange rate of C\$1:US\$.797</i>			

6.3 During the Reporting Period, ENTREC experienced a net favourable cash flow variance of approximately \$178,000. The principal components of the variance are described as follows:

- a) other receipts were higher than forecast by \$327,000 due to the collection of proceeds from settlement of a receivable account and return of a retainer, both of which were not forecast; and
- b) professional fees were \$121,000 higher than forecast due to additional litigation costs incurred in relation to the Wolverine Dispute.

6.4 The cash flow reporting does not include the Deposit, which is currently invested in a guaranteed investment certificate (“GIC”) issued by a Canadian chartered bank.

6.5 As detailed and defined in the Seventh Report, the Monitor is holding the Reserve to satisfy post-filing obligations incurred by the Applicants in the ordinary course of business and through the

wind-down of the CCAA Proceedings. During the Reporting Period, the net increase to the Reserve was \$402,000, which primarily was a result of the following:

- a) the Agent provided funding totaling \$878,000 as consistent with the Seventh Cash Flow Forecast; and
- b) net draws of \$474,000 over the Reporting Period, includes receipts collected by the Monitor totaling \$591,000, which were not distributed to the Agent, and disbursements of \$1.1 million to cover professional fees and operating disbursements.

6.6 Net advances under the Interim Facility were \$2.6 million over the Reporting Period, which consisted of monthly interest costs and a transfer of \$878,000 by the Agent to fund the Reserve.

7.0 EIGHTH CASH FLOW FORECAST

The Applicants have prepared an updated cash flow forecast for the period from April 1, 2022 to October 31, 2022 (the “Forecast Period”). A copy of the Eighth Cash Flow Forecast, together with the accompanying notes, is attached to this report as Appendix “A” and is summarized below:

ENTREC Corporation Eighth Cash Flow Forecast For the period April 1, 2022 to October 31, 2022 (in CAD\$000s)	
Operating receipts	
Other receipts	\$ 80
GST refunds	12
Total operating receipts	<u>92</u>
Disbursements	
Professional fees	\$ 260
Interim Facility interest costs	1,610
Contingency	20
Total disbursements	<u>1,890</u>
Net cash flow	<u>\$ (1,798)</u>
<u>Continuity of Reserve Fund</u>	
Opening balance	498
Receipts collected by the Monitor	92
Less: draws	(280)
Ending balance	<u>\$ 310</u>
<u>Continuity of Financing</u>	
Pre-filing debt	
Operating line	5,000
Ending balance	<u>5,000</u>
Interim Facility	
Opening balance	29,404
Draws (repayments)	1,610
Ending Interim Facility balance (cash)	<u>31,014</u>
Total financing, ending position	<u>\$ 36,014</u>

7.1 The Eighth Cash Flow Forecast has been prepared solely for the purpose described in Note 1 of the Eighth Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

- 7.2 The Eighth Cash Flow Forecast indicates that the Applicants will experience a net cash outflow of \$1.8 million over the Forecast Period based on the following key assumptions:
- a) forecast receipts of \$92,000 includes collection of a vendor deposit, settlement proceeds in respect of a receivable account, and GST refunds;
 - b) professional fees are forecast to be approximately \$260,000 during the Forecast Period and include the Monitor and its legal counsel, the Syndicate's financial advisor and its legal counsel in Canada and the U.S., and the U.S. noticing agent. In addition, \$25,000 has been allocated for a bankruptcy trustee to administer the Bankruptcy Proceedings (as subsequently defined);
 - c) Interim Facility interest costs of approximately \$1.6 million as determined under the Credit Agreement and RSA, as amended; and
 - d) the ending balance of total financing is approximately \$36.0 million, which represents an increase in financing of \$1.6 million to the secured debt held by the Syndicate and Canadian Western Bank as at October 31, 2022.
- 7.3 Pursuant to the CCAA Termination Order granted by the Court on November 24, 2020, and as detailed in the Monitor's Seventh Report, the Reserve will be utilized to satisfy post-filing obligations incurred by the Applicants during the Forecast Period and to complete such steps as are necessary to wind-down the Applicants' operations. If there are any excess funds remaining in the Reserve, these funds are to be distributed to the Agent, provided that the aggregate amount of all distributions does not exceed the aggregate obligations owing to the Syndicate by the Applicants.
- 7.4 The Reserve does not include any amounts held back for the Deposit, which is currently invested in a GIC pending resolution of the Wolverine Dispute.

8.0 FUNDS HELD IN MONITOR'S ACCOUNTS

- 8.1 As at March 31, 2022, the Monitor currently holds in trust approximately \$3.8 million which is comprised of the following:

(in \$000s)	
Wolverine Deposit*	\$ 3,350
Reserve	498
Total	\$ 3,848

**The Wolverine Deposit is invested in a guaranteed investment certificate issued by a Canadian chartered bank.*

- 8.2 The Monitor expects to continue to draw down the Reserve to fund operating and other costs to complete the administration of the CCAA Proceedings and the anticipated Bankruptcy

Proceedings, and to distribute any remaining funds to the Agent upon the completion of the CCAA Proceedings.

9.0 OTHER MATTERS

- 9.1 The Syndicate has requested the Monitor to consent to and seek a lifting of the stay of proceedings in respect of Capstan, for the limited purpose of assigning Capstan into bankruptcy (the “**Bankruptcy Proceedings**”). Should this Honourable Court grant the Stay Extension Order, the Monitor understands that the Syndicate expects to initiate the Bankruptcy Proceedings prior to the expiry of the stay on October 31, 2022.

10.0 EXTENSION OF STAY OF PROCEEDINGS


- 10.1 Pursuant to the August 23 Order, the Stay Period will expire the earlier of: (i) the date of the filing of the Termination Certificate; and (ii) April 30, 2022. The Monitor, on behalf of the Applicants, is seeking an extension of the Stay Period to the earlier of: (i) the date of the filing of the Termination Certificate; and (ii) October 31, 2022.
- 10.2 The Monitor supports extending the Stay Period for the following reasons:
- a) the proposed extension of the Stay Period will provide the necessary stability and certainty to enable the Monitor to facilitate the wind-down of the CCAA Proceedings including collecting and resolving any outstanding accounts, initiating the Bankruptcy Proceedings, and concluding the Wolverine Dispute, which if not resolved by October 31, 2022, will result in additional extensions of the Stay Period;
 - b) with the Reserve in place, there is sufficient liquidity to fund the remaining costs anticipated as being required to complete the administration of the CCAA Proceedings and fund the Bankruptcy Proceedings; and
 - c) no creditor of the Applicants would be materially prejudiced by the extension of the Stay Period and the Monitor understands that the Syndicate is in support of the extension.

11.0 RECOMMENDATIONS


- 11.1 The Monitor respectfully recommends that this Honourable Court grant the Stay Extension Order.

All of which is respectfully submitted to this Honourable Court this 18th day of April, 2022.

**Alvarez & Marsal Canada Inc.,
in its capacity as Monitor of
ENTREC Corporation and its subsidiaries**



Per: Anthony Tillman
Senior Vice President



Per: Vicki Chan
Vice President

APPENDIX A

ENTREC**Eighth Cash Flow Forecast¹****For the 7-month period April 1, 2022 to October 31, 2022****(in CAD\$000s)**

Period		1	2	3	4	5	6	7	
Period ending	Notes	30-Apr	31-May	30-Jun	31-Jul	31-Aug	30-Sep	31-Oct	Total
Operating receipts									
Other receipts	2	\$ 35	\$ -	\$ 45	\$ -	\$ -	\$ -	\$ -	\$ 80
GST refunds		1	1	5	2	1	1	1	12
Total operating receipts		36	1	50	2	1	1	1	92
Disbursements									
Professional fees	3	\$ 24	\$ 133	\$ 38	\$ 15	\$ 20	\$ 15	\$ 15	\$ 260
Interim Facility interest costs	4	230	230	230	230	230	230	230	1,610
Contingency	5	5	-	5	-	5	-	5	20
Total Disbursements		259	363	273	245	255	245	250	1,890
Net cash flow		\$ (223)	\$ (362)	\$ (223)	\$ (243)	\$ (254)	\$ (244)	\$ (249)	\$ (1,798)
Continuity of Reserve Fund									
Opening Balance		498	505	373	380	366	343	329	498
Receipts collected by the Monitor		36	1	50	2	1	1	1	92
Less: draws	6	(29)	(133)	(43)	(15)	(25)	(15)	(20)	(280)
Ending balance		\$ 505	\$ 373	\$ 380	\$ 366	\$ 343	\$ 329	\$ 310	\$ 310
Continuity of Financing									
Pre-filing debt									
Operating line		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Ending balance		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Interim Facility									
Opening balance		29,404	29,634	29,864	30,094	30,324	30,554	30,784	29,404
Draws (repayments)		230	230	230	230	230	230	230	1,610
Ending Interim Facility balance (cash)		29,634	29,864	30,094	30,324	30,554	30,784	31,014	31,014
Total financing, ending position		\$ 34,634	\$ 34,864	\$ 35,094	\$ 35,324	\$ 35,554	\$ 35,784	\$ 36,014	\$ 36,014

ENTREC Corporation
Eighth Cash Flow Forecast
Notes and Assumptions

1. These cash flow projections in respect of ENTREC Corporation and its subsidiaries ("ENTREC") for the 7-month period from April 1, 2022 to October 31, 2022 (the "Eighth Cash Flow Forecast") have been prepared by the Monitor based on unaudited financial information, and estimates of projected receipts and disbursements. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary, even if the assumptions materialize, and such variations may be material.

There are no representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized. The projections are based upon certain estimates and assumptions discussed below with respect to operations, including the assumption that ENTREC continues to operate within the protections afforded as a result of the Amended and Restated Initial Order granted on May 25, 2020 and as may be amended from time to time during the CCAA Proceedings.

The Eighth Cash Flow Forecast is presented in thousands of Canadian dollars and amounts denominated in US currency have been converted into Canadian dollars at an exchange rate of C\$1:US\$.8001 throughout the period.

2. Receipts include the collection of a vendor deposit refund, GST refunds, and proceeds from settlement of a receivable account.
3. Professional fees have been forecast based on estimates of professional service firm costs relating to the CCAA Proceedings and include the Monitor and its legal counsel, the Syndicate's financial advisor and its legal counsel in Canada and the U.S., and the U.S. noticing agent. In addition, \$25,000 has been allocated to administer the bankruptcy of one ENTREC entity.
4. Interim Facility interest is payable on the first of the month in arrears and is estimated based on the average facility balance outstanding during the month.
5. Contingency costs include unanticipated expenses over the forecast period.
6. The Reserve Fund is expected to fund approximately \$280,000 of ongoing disbursements during the forecast period.