

COURT FILE
NUMBER

2001 06423

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL
CENTRE

CALGARY

Clerk's
Stamp

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., ENTREC ALBERTA LTD., ENT CAPITAL
CORP., ENTREC CRANES & HEAVY HAUL INC., ENTREC
HOLDINGS INC., ENT OILFIELD GROUP LTD. and ENTREC
SERVICES LTD.

DOCUMENT

FIFTH REPORT OF THE MONITOR
October 5, 2020

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION
OF PARTY

MONITOR

Alvarez & Marsal Canada Inc.

250 6th Avenue SW, Suite 1110

Calgary, AB T2P 3H7

FILING THIS
DOCUMENT

Phone: +1 604.638.7440

Fax: +1 604.638.7441

Email: atillman@alvarezandmarsal.com /
vchan@alvarezandmarsal.com

Attention: Anthony Tillman / Vicki Chan

COUNSEL

Norton Rose Fulbright Canada LLP

400 3rd Avenue SW, Suite 3700

Calgary, Alberta T2P 4H2

Phone: +1 403.267.8222

Fax: +1 403.264.5973

Email: howard.gorman@nortonrosefulbright.com /
gunnar.benediktsson@nortonrosefulbright.com

Attention: Howard A. Gorman, Q.C. / Gunnar Benediktsson

TABLE OF CONTENTS

1.0	INTRODUCTION	- 3 -
2.0	PURPOSE	- 6 -
3.0	TERMS OF REFERENCE	- 7 -
4.0	ACTIVITIES OF THE MONITOR	- 7 -
5.0	UPDATE ON THE SISP AND OTHER ASSET SALES	- 8 -
6.0	ACTUAL CASH FLOW RESULTS COMPARED TO THIRD CASH FLOW FORECAST -	10 -
7.0	FOURTH CASH FLOW FORECAST	- 11 -
8.0	EXTENSION OF STAY OF PROCEEDINGS	- 13 -
9.0	RECOMMENDATIONS	- 13 -

APPENDICES

Appendix A – Fourth Cash Flow for the period from September 19 to December 4, 2020

1.0 INTRODUCTION

- 1.1 On May 15, 2020, ENTREC Corporation, Capstan Hauling Ltd. (“**Capstan**”), ENTREC Alberta Ltd. (“**ENT Alberta**”), 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**”) 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 May 25, 2020 (the “**Stay Period**”).
- 1.2 Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed as monitor (the “**Monitor**” or “**A&M**”) 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 May 21, 2020, the Monitor filed the First Report of the Monitor (the “**First Report**”) which described the Monitor’s activities to date and provided background in respect of the Applicants’ business and financial affairs, the proposed Sale and Investment Solicitation Process (the “**SISP**”), the key employee retention and incentive plan (“**KERP/KEIP**”), the increase to the sale transaction limits for redundant assets, the extension of the Stay Period, the cash flow projection for the 13 weeks ended August 7, 2020 (the “**First Cash Flow Forecast**”), the cash management system used by the Applicants, and the Interim Facility.
- 1.5 On May 25, 2020, the Court granted an Amended and Reinstated Initial Order (the “**ARIO**”) providing a further extension of the Stay Period until August 7, 2020 and an order (the “**SISP Order**”) which authorized the SISP, appointed Ernst & Young Orenda Corporate Finance Inc. and Sequeira Partners as financial advisors (together, the “**Sales Agents**”) to administer the SISP, approved the KERP/KEIP, and increased the restriction on the maximum amount that may be advanced under the Interim Facility to \$30.0 million.
- 1.6 On May 28, 2020, the U.S. Court recognized the ARIO and the SISP Order in the U.S. Proceedings.

- 1.7 On July 28, 2020, the Monitor filed the Second Report of the Monitor (the “**Second Report**”), which included information regarding the Monitor’s activities since the First Report, an update of the SISP, the sale of non-core assets, certain insurance matters, a comparison of actual cash flow results to the First Cash Flow Forecast, the updated and extended cash flow forecast for the 8-week period ending September 11, 2020 (the “**Second Cash Flow Forecast**”), the extension of the Support Agreement between the Applicants and the Syndicate (as subsequently defined) dated July 27, 2020, and the extension of the Stay Period.
- 1.8 On August 6, 2020 the Court granted an order (the “**Stay Extension Order**”) providing a further extension of the Stay Period until September 11, 2020, authorizing the Monitor to distribute the proceeds from the sale of a crane and auction of certain office equipment to Wells Fargo Capital Finance Corporation (the “**Agent**”) in partial satisfaction of the Applicants’ obligations owing to the syndicate of lenders (the “**Syndicate**”), and granting of a security interest in favour of FIRST Insurance Funding, a Division of Lake Forest Bank and Trust Company (the “**U.S. Insurance Lender**”) in the unearned premiums in connection with the financing provided by the U.S. Insurance Lender in respect of the renewal of the Applicants’ property insurance in the U.S. On September 1, 2020, the U.S. Court granted comity to the Stay Extension Order.
- 1.9 On August 10, 2020, the Monitor filed the Third Report of the Monitor to provide information regarding the SISP and review the Applicants’ selection of the Winning Bid (as defined in the SISP) in relation to the sale of the assets deployed from the ENTREC branch located in Bonnyville, Alberta to 4-Way Developments Ltd. (the “**Bonnyville Transaction**”) and the terms set out in the Winning Bid.
- 1.10 On August 14, 2020, the Court granted an order authorizing the Bonnyville Transaction and an order which assigned certain customer contracts and operating leases to the purchaser.
- 1.11 On August 24, 2020, the Monitor filed the Fourth Report of the Monitor (the “**Fourth Report**”), which included information regarding the Monitor’s activities since the Second Report, an update of the SISP and review of the Winning Bids for substantially all remaining assets of the Applicants, ENTREC’s operations going forward, a comparison of actual cash flow results to the Second Cash Flow Forecast, the updated and extended cash flow forecast for the 8-week period ending October 9, 2020 (the “**Third Cash Flow Forecast**”), and the extension of the Stay Period.
- 1.12 On August 31, 2020, the Court granted the following:

- a) an order which authorized the proposed sale of all the assets (excluding receivables) located at the ENTREC branch in Fort McMurray, Alberta (the “**Fort McMurray Transaction**”) to LaPrairie Crane Ltd. (the “**FMM Purchaser**”);
 - b) an order which authorized the liquidation of the assets located at the ENTREC branches in Grande Prairie and Whitecourt, Alberta (the “**RBA Liquidation**”) by Ritchie Bros. Auctioneers (Canada) Ltd.;
 - c) an order which authorized the sale of all the U.S. assets excluding leased assets and receivables (the “**U.S. Transaction**”) to Wolverine Energy and Infrastructure Inc. (“**Wolverine**”);
 - d) companion orders in respect of each of the U.S. Transaction and the Fort McMurray Transaction pursuant to Section 11.3 of the CCAA, which assigned to the applicable purchaser the contracts pursuant to the applicable sale agreement;
 - e) an order which approved the credit bid made by TBK Bank, SSB (“**TBK**”) pursuant to the letter of intent submitted by TBK as part of the SISP and vesting in TBK all of the Applicants’ right, title and interest in one crane unit located in the United States free and clear of all encumbrances (the “**TBK Transaction**”); and
 - f) an order (the “**Stay Extension, Distribution, and Sealing Order**”) which provided a further extension of the Stay Period until October 9, 2020, authorized the Monitor to distribute the net sale proceeds from the Fort McMurray Transaction, the U.S. Transaction, and the RBA Liquidation to the Agent as a partial reduction of the Applicants’ obligations to the Syndicate, seal the confidential appendices appended to the supporting affidavit of John Stevens sworn August 24, 2020 and the Monitor’s Second Confidential Report (as previously defined) until 3 months after closing of the Fort McMurray Transaction and the RBA Liquidation or further order of this Court, and approved the activities of the Monitor to date.
- 1.13 On September 9, 2020 the U.S. Court approved the U.S. Transaction and the TBK Transaction and authorized the rejection and return of certain leased equipment located in the U.S.
- 1.14 On September 28, 2020, the Applicants filed a notice of application, returnable on October 5, 2020 (the “**October 5 Application**”) for an order which, *inter alia*:
- a) removes ENT Alberta as an Applicant from the CCAA Proceedings;
 - b) approves the professional fees and disbursements of the Monitor and the Monitor’s legal counsel and approves the activities of the Monitor since the Fourth Report;
 - c) terminates the CCAA Proceedings on the filing of a certificate by the Monitor (the “**Termination Certificate**”) with the Court and discharges the Monitor;

- d) authorizes the Monitor to hold a reserve of funds (the “**Reserve**”) from remaining proceeds held in respect of the Applicants’ Property (as defined in the ARIO) and make distributions in excess of the Reserve to the Agent;
 - e) grants enhanced powers to the Monitor for the remainder of the CCAA Proceedings;
 - f) releases all claims of third parties against:
 - i. the Monitors and its legal counsel; and
 - ii. the Applicants’ directors and officers (the “**Directors**”), except for certain claims;
 - g) subject to the payment of all obligations secured thereby, discharges and releases the KERP/KEIP Charge and the Sales Agent Charge and, upon filing of the Monitor’s Termination Certificate, the Administration Charge, the Directors’ Charge and the Interim Lender’s Charge (as all defined in the ARIO); and
 - h) extends the stay of proceedings until the earlier of: i) the filing of the Termination Certificate, and (ii) December 31, 2020.
- 1.15 On October 1, 2020, the Applicants notified the Court and the Service List that the asset purchase agreement related to the U.S. Transaction with Wolverine had been terminated and that the Applicants would be seeking an extension of the stay of proceedings until November 30, 2020, and requesting that the Court adjourn the balance of the relief in the October 5 Application *sine die*.
- 1.16 On October 2, 2020, the Applicants filed a supplemental affidavit of John Stevens (the “**Supplemental Affidavit**”), to support seeking an order (the “**November 30 Stay Extension Order**”) to extend the stay of proceedings until November 30, 2020.
- 1.17 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 The Monitor’s fifth report (the “**Fifth Report**”) was prepared to provide information to this Honourable Court in respect of the following:
- a) the activities of the Monitor since the Fourth Report;
 - b) an update on the SISP and remarketing of the U.S. assets;

- c) a comparison of ENTREC's actual cash receipts and disbursements as compared to the Third Cash Flow Forecast;
- d) the Applicants' updated and extended cash flow forecast for the 11-week period from September 19, 2020 to December 4, 2020 (the "**Fourth Cash Flow Forecast**");
- e) the request for a further extension of the Stay Period; and
- f) the recommendations of the Monitor in respect of the foregoing, as applicable.

2.2 The Fifth Report should be read in conjunction with the adjourned October 5 Application, the Supplemental Affidavit and the supporting affidavit of John Stevens sworn September 28, 2020. Background information, including capitalized terms not defined herein, are contained in the Initial Order, the ARIO, the SISP, and the Monitor's previous reports, and have not been repeated herein.

3.0 TERMS OF REFERENCE

3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information supplied, and representations made to it, by certain senior management of ENTREC ("**Management**"). Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management or otherwise provided by the Applicants. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this report, or otherwise used to prepare this report.

3.2 Certain of the information referred to in this report consists of financial forecasts and/or projections prepared by Management. 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.

4.0 ACTIVITIES OF THE MONITOR

4.1 The Monitor's activities since the Fourth Report have included the following:

- a) assisting the Applicants with communications to employees, customers, vendors, and other parties;

- b) conducting ongoing discussions, meetings and communications with the Applicants, their respective legal counsel regarding the CCAA Proceedings, the SISP, and ongoing business and financial affairs, including wind-down plans;
- c) monitoring daily disbursement approvals, cash flow and borrowing base reporting, and other operational matters, in accordance with the Support Agreement dated May 14, 2020, as amended from time to time (the “RSA”);
- d) assisting Management in preparing weekly reports to and attending weekly meetings with the Agent and its advisors;
- e) assisting Management in preparing the Fourth Cash Flow Forecast;
- f) distribution of net sale proceeds;
- g) assisting with the determination of the KERP/KEIP amounts payable;
- h) assisting with various wind-down activities;
- i) assisting Management to disclaim certain contracts in accordance with the relevant provisions of the CCAA;
- j) communicating with various trade creditors and other stakeholders and assisting with ENTREC’s arrangements with various suppliers regarding the ongoing supply of goods and services as well as outstanding letters of credit;
- k) coordinating a mailing to all known creditors to provide notice of the proposed release of the Directors (part of the adjourned October 5 Application);
- l) posting of non-confidential materials filed with this Court to the Monitor’s Website; and
- m) preparing this Fifth Report.

5.0 UPDATE ON THE SISP AND OTHER ASSET SALES

Termination of the U.S. Transaction

- 5.1 Wolverine requested an extension of the closing date from September 16, 2020 to September 30, 2020 for the U.S. Transaction. ENTREC, with consent of the Agent and the Monitor, agreed with Wolverine to a \$50,000 increase to the sale price and to the extension of the closing date to September 30, 2020.
- 5.2 The U.S. Transaction did not close on September 30, 2020, as the parties could not agree on a price adjustment requested by Wolverine. Ultimately, the U.S. transaction was terminated.
- 5.3 The Monitor is holding a deposit of \$3.35 million in respect of the U.S. Transaction. The Monitor expects that claims may be advanced by Wolverine and ENTREC in respect of the

deposit and, accordingly, the deposit will be held by the Monitor pending an order of the Court or agreement of the parties to release the deposit.

- 5.4 On October 1, 2020, the Applicants, working with the Sales Agent, and in consultation with the Monitor and the Agent, commenced re-marketing of the U.S. assets. After extensive marketing of the assets by the Sales Agents at the outset of the SISP, a select group of potential purchasers and liquidators are being contacted to determine if a going concern or alternative transaction can be structured and then presented to the Court and the U.S. Court for approval in the near term.

Canadian and Other Transactions

- 5.5 Since the Fourth Report, the Applicants have continued to work with the respective purchasers for the Canadian assets to close the remaining transactions and finalize distributions of the net sale proceeds that have been approved by this Court. An update of these transactions (together, the “**Sale Transactions**”) is provided as follows:
- a) the Bonnyville Transaction closed on September 1, 2020 and on September 2, the Monitor distributed the sale proceeds to the Agent;
 - b) the Fort McMurray Transaction closed on September 15, 2020 and the Monitor distributed the sale proceeds to the Agent;
 - c) the RBA Liquidation is scheduled to occur on October 6 and 7, 2020 in Grande Prairie and later in October in Edmonton for select assets, with the net minimum guarantee to be paid on the date(s) of the Grande Prairie auction, which will be distributed to the Agent, pursuant to the Stay Extension, Distribution, and Sealing Order. Pursuant to a sharing mechanism agreed in the RBA Liquidation additional proceeds may be collected after all assets are sold in the Edmonton auction in late October;
 - d) miscellaneous equipment located in Grande Prairie, Alberta, which was excluded from the RBA Liquidation, as well as the trade name of Capstan and its website, were sold to the FMM Purchaser on September 17, 2020 for proceeds of \$210,000 (including tax); and
 - e) other miscellaneous equipment and remaining assets are in the process of being sold through various liquidators including a vacant industrial lot located in Chipman, Alberta, miscellaneous equipment from the Whitecourt branch, and certain leased pick-trucks which appear to have equity value.
- 5.6 The TBK Transaction closed on September 9, 2020 with the crane being returned to TBK. As the transaction was a credit bid without any apparent equity value in the underlying asset, there were no resulting proceeds for distribution.

6.0 ACTUAL CASH FLOW RESULTS COMPARED TO THIRD 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 weekly cash flow review protocol with the Applicants and Management to compare actual cash flows against the Third Cash Flow Forecast.

6.2 The Applicants' actual cash receipts and disbursements as compared to the Third Cash Flow Forecast during the period of August 15 to September 18, 2020 (the "Reporting Period") is summarized below:

ENTREC Cash Flow Variance Analysis - Prepared by Management For the five weeks ended September 18, 2020* (in CAD\$000s)			
	For the five weeks ended September 18, 2020		
	Actual*	Forecast**	Variance
Operating receipts			
Collection of receivables and forecast sales			
ENTREC Canada	\$ 3,849	\$ 3,050	\$ 799
ENTREC US	3,824	2,465	1,359
Net proceeds from sale process and redundant assets	13,850	-	13,850
Canada Emergency Wage Subsidy	1,133	1,060	73
Total operating receipts	22,656	6,575	16,081
Operating disbursements			
Payroll and benefits - Canada	1,105	1,284	(179)
Payroll and benefits - US	1,185	1,388	(203)
Payroll remittances - Canada	541	753	(212)
Payroll remittances - US	514	595	(81)
Lease operators	109	100	9
Repairs, maintenance and other operating costs	1,005	1,436	(431)
Equipment lease payments	338	553	(215)
Fuel	436	590	(154)
General and administrative costs	87	168	(81)
Insurance	363	351	12
Shop rent and employee housing	276	267	9
Sales tax	95	100	(5)
Contingency	145	58	87
Total operating disbursements	6,199	7,643	(1,444)
Net operating cash flow	16,457	(1,068)	17,525
Other disbursements			
KERP payments	236	225	11
Professional fees	951	1,102	(151)
ABL interest costs	454	154	300
Interim Facility interest costs	-	140	(140)
Interim Facility fees	-	9	(9)
Total other disbursements	1,641	1,630	11
Net cash flow	\$ 14,816	\$ (2,698)	\$ 17,514
Continuity of Financing			
Pre-filing debt			
ABL balance	\$ 65,371	\$ 65,370	0
Less: cash receipts	(22,656)	(5,515)	(17,141)
Draws (repayments)	599	-	599
FX adjustment	(117)	-	(117)
	43,197	59,855	(16,659)
Operating line	5,000	5,000	-
Ending balance	48,197	64,855	(16,659)
Interim Facility			
Opening balance	18,332	18,332	(0)
Draws (repayments)	7,286	8,213	(927)
FX adjustment	(129)	-	(129)
Ending Interim Facility balance (cash)	25,489	26,545	(1,056)
Total financing, ending position	\$ 73,685	\$ 91,400	\$ (17,715)

*Amounts denominated in US currency were converted into Canadian dollars at the average exchange rate for the applicable period

**Amounts denominated in US currency were converted into Canadian dollars at an exchange rate of C\$1:US\$.7566

- 6.3 During the Reporting Period, ENTREC experienced a net favourable cash flow variance of approximately \$17.5 million. The principal components of the variance are described as follows:
- a) collection of receivables was approximately \$2.2 million higher than forecast due to favourable timing differences over the Reporting Period;
 - b) net sale proceeds include the closing of the Bonnyville Transaction and the Fort McMurray Transaction, which occurred on September 1, 2020 and September 15, 2020, respectively, and which were subsequently remitted to the Agent. These transactions were excluded from the Third Cash Flow Forecast to preserve confidentiality;
 - c) payroll-related expenditures and repairs, maintenance, and other operating costs were \$1.1 million below forecast due to lower than anticipated activity across Canada and the U.S.;
 - d) equipment lease payments were \$215,000 lower than forecast due to the timing of equipment returns; and
 - e) ABL interest costs of \$454,000 includes interest for both the Interim Facility and the ABL Facility as determined under the Credit Agreement and RSA, as amended.
- 6.4 Advances under the Interim Facility were \$7.3 million during the Reporting Period and as detailed in the First Report, funds advanced under the Interim Facility were used to pay post-filing operating and other costs during the Reporting Period. The net repayment on the ABL Facility was \$22.2 million during the Reporting Period primarily from the collection of receivables and net proceeds received for the closed Sale Transactions, and through a sweeping mechanism as described in the First Report, were applied towards the pre-filing ABL Facility.
- 6.5 As detailed in the First Report and the ARIO, the Applicants continue to utilize the existing Cash Management System to process payments, collect receipts, draw advances on the Interim Facility, and pay down the ABL Facility.

7.0 FOURTH CASH FLOW FORECAST

- 7.1 The Applicants have prepared an updated cash flow forecast for the 11-week period from September 19 to December 4, 2020 (the “**Forecast Period**”). A copy of the Fourth Cash Flow Forecast, together with the accompanying notes, is attached to this report as Appendix “A” and is summarized below.

ENTREC Corporation	
Fourth Cash Flow Forecast - Prepared by Management	
For the 11-week period ending December 4, 2020	
(in CAD\$000s)	
Operating receipts	
Collection of receivables and forecast sales	
ENTREC Canada	\$ 5,408
ENTREC US	4,604
Net proceeds from sale process and redundant assets	675
Canada Emergency Wage Subsidy	150
Other receipts	80
Total operating receipts	10,917
Operating disbursements	
Payroll and benefits - Canada	476
Payroll and benefits - US	2,478
Payroll remittances - Canada	223
Payroll remittances - US	1,072
Lease operators	128
Repairs, maintenance and other operating costs	1,539
Equipment lease payments	19
Fuel	512
General and administrative costs	176
Insurance and licensing	345
Shop rent and employee housing	233
Sales tax	175
Contingency	155
Total operating disbursements	7,531
Net operating cash flow	3,387
Other disbursements	
KERP/KEIP payments	630
Professional fees	2,141
Sales Agent fees	443
ABL interest costs	608
Interim Facility interest costs	684
Interim Facility fees	36
Total other disbursements	4,541
Net cash flow	\$ (1,155)
<u>Continuity of Financing</u>	
Pre-filing debt	
ABL balance	\$ 43,222
Less: cash receipts	(10,767)
	32,454
Operating line	5,000
Ending balance	37,454
Interim Facility	
Opening balance	25,600
Draws (repayments)	11,922
Ending Interim Facility balance (cash)	37,522
Total financing, ending position	\$ 74,977

7.2 The Fourth Cash Flow Forecast indicates that the Applicants will experience a net cash outflow of \$1.2 million over the Forecast Period and is based on the following key assumptions:

- the closing of certain miscellaneous assets during the Forecast Period. To preserve confidentiality, the Fourth Cash Flow Forecast does not include the net proceeds resulting from the RBA Liquidation;
- forecast receipts of \$10.9 million consist primarily of \$10.0 million from the collection of receivables, \$675,000 from the sale of miscellaneous assets, and \$150,000 from the Canada Emergency Wage Subsidy program;
- forecast disbursements of \$7.5 million relate primarily to ordinary course payments and include payroll and related costs, repairs and maintenance, fuel, general and administrative costs, insurance, shop rent and employee housing, sales tax and other operating costs and

wind-down costs of the Canadian division. The Canadian payroll relates to a small number of Canadian employees who are wrapping up the Canadian locations and attending to final asset realizations, and providing management, accounting and other services for the ongoing U.S. operations;

- d) KERP/KEIP are payments for select key employees critical to the restructuring efforts of the Applicants were paid on October 1 with select payments to be paid during the week ending October 9, 2020, depending on the employee;
- e) professional fees and Sales Agent fees are forecast to be approximately \$2.6 million during the Forecast Period and include the Applicants' counsel in Canada and the U.S., the Directors' counsel, the Monitor and its legal counsel, the Syndicate's financial advisor and its legal counsel in Canada and the U.S., and the applicable success and/or work fees to the Sales Agents; and
- f) debt servicing costs of approximately \$1.3 million are for interest on the pre-filing ABL Facility and the interest and fees on the Interim Facility.

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

8.0 EXTENSION OF STAY OF PROCEEDINGS

8.1 Pursuant to the Stay Extension, Distribution and Sealing Order, the Stay Period will expire on October 9, 2020. The Applicants are seeking an extension of the Stay Period to November 30, 2020.

8.2 The Monitor supports extending the Stay Period for the following reasons:


- a) during the proposed extension of the Stay Period, the Applicants will have an opportunity to remarket the U.S. assets and conclude the RBA Liquidation in an attempt to maximize value to its stakeholders;
- b) no creditor of the Applicants would be materially prejudiced by the extension of the Stay Period and the Syndicate is in support of the extension; and
- c) the Applicants have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order.

9.0 RECOMMENDATIONS


9.1 The Monitor respectfully recommends that this Honourable Court grant the November 30 Stay Extension Order.

All of which is respectfully submitted to this Honourable Court this 5th day of October, 2020.

**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

Fourth Cash Flow Forecast¹ - Prepared by Management
For the 11 weeks ending December 4, 2020
(in CAD\$000s)

Week Week ending	Notes	Week 1 25-Sep	Week 2 2-Oct	Week 3 9-Oct	Week 4 16-Oct	Week 5 23-Oct	Week 6 30-Oct	Week 7 6-Nov	Week 8 13-Nov	Week 9 20-Nov	Week 10 27-Nov	Week 11 4-Dec	Total
Operating receipts													
Collection of receivables and forecast sales													
ENTREC Canada	2	\$ 960	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 625	\$ 200	\$ 200	\$ 200	\$ 100	\$ 5,408
ENTREC US	2	292	500	500	500	402	402	402	402	402	402	402	4,804
Net proceeds from sale process and redundant assets	3	-	-	200	-	300	25	-	-	-	-	150	675
Canada Emergency Wage Subsidy	-	-	-	-	150	-	-	-	-	-	-	-	150
Other receipts	-	-	-	-	-	-	-	-	-	-	-	80	80
Total operating receipts		1,252	1,125	1,325	1,275	1,327	1,052	1,027	601	601	601	732	10,917
Operating disbursements													
Payroll and benefits - Canada	4	51	164	-	60	-	45	-	35	-	35	86	476
Payroll and benefits - US	4	-	803	-	402	-	402	134	402	-	402	134	2,478
Payroll remittances - Canada	4	48	100	-	15	-	15	-	15	-	15	15	223
Payroll remittances - US	4	-	174	33	174	33	174	33	174	33	174	67	1,072
Lease operators	5	103	-	-	-	25	-	-	-	-	-	-	128
Repairs, maintenance and other operating costs	5	169	196	158	145	145	145	121	121	121	121	100	1,539
Equipment lease payments	-	19	-	-	-	-	-	-	-	-	-	-	19
Fuel	5	63	47	47	47	47	47	47	47	47	47	27	512
General and administrative costs	6	2	26	13	23	13	23	13	13	13	33	-	178
Insurance and licensing	7	-	173	-	-	-	-	173	-	-	-	-	345
Shop rent and employee housing	8	-	112	-	-	-	-	112	-	-	-	8	233
Sales tax	-	-	100	-	-	-	75	-	-	-	-	-	175
Contingency	9	-	32	7	7	7	38	7	7	7	32	13	155
Total operating disbursements		455	1,726	258	873	270	964	640	814	221	859	451	7,531
Net operating cash flow		797	(602)	1,067	402	1,057	87	387	(212)	380	(257)	281	3,387
Other disbursements													
KERP/KEIP payments	10	-	445	185	-	-	-	-	-	-	-	-	630
Professional fees	11	319	691	25	92	135	15	349	-	189	-	327	2,141
Sales Agent fees	11	-	421	-	-	-	-	23	-	-	-	-	443
ABL interest costs	12	-	251	-	-	-	-	188	-	-	-	169	608
Interim Facility interest costs	13	-	181	-	-	-	-	239	-	-	-	263	684
Interim Facility fees	13	-	12	-	-	-	-	12	-	-	-	12	36
Total other disbursements		319	2,001	210	92	135	15	810	-	189	-	771	4,541
Net cash flow		\$ 478	\$ (2,603)	\$ 857	\$ 310	\$ 922	\$ 72	\$ (423)	\$ (212)	\$ 192	\$ (257)	\$ (490)	\$ (1,155)
Continuity of Financing													
Pre-filing debt													
ABL balance		\$ 43,222	\$ 41,970	\$ 40,845	\$ 39,520	\$ 38,396	\$ 37,069	\$ 36,017	\$ 34,990	\$ 34,389	\$ 33,787	\$ 33,186	\$ 43,222
Less: cash receipts		(1,252)	(1,125)	(1,325)	(1,275)	(1,327)	(1,052)	(1,027)	(601)	(601)	(601)	(732)	(10,767)
		41,970	40,845	39,520	38,396	37,069	36,017	34,990	34,389	33,787	33,186	32,454	32,454
Operating line		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Ending balance		46,970	45,845	44,520	43,396	42,069	41,017	39,990	39,389	38,787	38,186	37,454	37,454
Interim Facility													
Opening balance		25,600	26,374	30,102	30,570	31,384	31,789	32,769	34,219	35,033	35,442	36,301	\$ 25,600
Draws (repayments)		774	3,727	468	814	405	979	1,450	814	410	859	1,221	11,922
Ending Interim Facility balance (cash)		26,374	30,102	30,570	31,384	31,789	32,769	34,219	35,033	35,442	36,301	37,522	37,522
Total financing, ending position		\$ 73,344	\$ 75,947	\$ 75,090	\$ 74,780	\$ 73,858	\$ 73,785	\$ 74,209	\$ 74,421	\$ 74,229	\$ 74,487	\$ 74,977	\$ 74,977


Jason Vandenberg, Chief Financial Officer
ENTREC Corporation

ENTREC Corporation
Fourth Cash Flow Forecast - Prepared by Management
Notes and Assumptions

1. The weekly cash flow projection has been prepared by Management of ENTREC Corporation and its subsidiaries ("ENTREC") to set out the cash flow of ENTREC during the Companies' Creditors Arrangement Act proceedings (the "CCAA Proceedings") from September 15, 2020 until December 4, 2020 (the "Forecast Period").

The cash flow projections (the "Fourth Cash Flow Forecast") have been prepared by Management based on unaudited financial information, and Management's estimates of its 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. Upon such amendments including the results from the ongoing SISP process, Management will update its cash flow forecast accordingly.

The Fourth Cash Flow Forecast excludes the expected net proceeds from the sale of the Whitecourt and Grande Prairie assets at the Ritchie Bros. auction scheduled for October 6-7, 2020.

The Revised Fourth 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\$ 7465 throughout the period.

2. Receipts from receivables and sales forecast to account for the wind-up of the Canadian operations and the continuing U.S. operations.
3. Net proceeds from sale transactions and redundant assets includes:
 - sale of miscellaneous equipment located in Grand Prairie, as well as Capstan's trade name and website, for \$200,000 plus tax;
 - estimated equity from the sale of certain leased pick-up trucks; and
 - sale of certain miscellaneous equipment by Century Services.
4. Payroll includes key staff members of the corporate head office as well as the employees in the U.S. operations.
5. Operating costs include repairs, maintenance parts purchases and permits of approximately \$1.5 million, fuel of \$500,000, and the final payments to the lease operators in Canada of approximately \$130,000 during the Forecast Period. Disbursements are based on expected run rates and assumed to be paid largely on normal credit terms.
6. General and administrative expenses include utilities and other administrative costs during the Forecast Period and are based on expected run rate in 2020.
7. The insurance policy for commercial general liability and property and casualty were renewed for the period June 1, 2020 to May 31, 2021. The U.S. policy includes monthly payments of approximately USD \$114,000 under a financing arrangement and the Canadian policy was renewed for an annual premium of \$1.6 million, which was paid in June 2020.
8. Rent is forecast based on actual rent payments assuming operations continue uninterrupted at all locations in the U.S. in the short term. Monthly rent include facilities in Alberta, North Dakota, Texas and Colorado, as well as property taxes.
9. A total contingency of \$150,000 is included for the Forecast Period for any unanticipated expenses.
10. The Key Employee Retention and Incentive Plans ("KERP/KEIP") are payments for key employees critical to the restructuring efforts of the company pursuant to the Support Agreement as amended. Payments for the KERP/KEIP amounts occurred on October 1, 2020 and select payments are expected to be paid during the week ending October 9, 2020.
11. Professional fees have been forecast based on estimates of professional service firm costs relating to the CCAA Proceedings and include ENTREC's legal counsel in Canada and the US, the Directors' legal counsel, the Monitor and its legal counsel, the Syndicate's financial advisor and its legal counsel in Canada and the U.S., and the Sales Agents.
12. ABL interest is payable on the first of the month in arrears and is estimated based on the average ABL balance outstanding during the month.
13. Interim Facility interest costs and fees are subject to the Support Agreement, as amended.