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COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL  
CENTRE

CALGARY



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

**PRE-FILING REPORT OF THE PROPOSED MONITOR**  
**May 14, 2020**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION  
OF PARTY  
FILING THIS  
DOCUMENT

**PROPOSED MONITOR**

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

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## APPENDICES

**Appendix A** – Consent to Act as Monitor

**Appendix B** – CCAA Cash Flow Forecast for the Period of May 9 to August 7, 2020

## 1.0 INTRODUCTION

- 1.1 ENTREC Corporation (“**ENT Parent**”), 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. (collectively, the “**Applicants**” or “**ENTREC**”) provide heavy haul transportation and crane solutions to the oil and natural gas, construction, petrochemical, mining, and power generation industries in Alberta, British Columbia, and select regions of the United States including Texas, North Dakota, Wyoming, and Colorado.
- 1.2 ENT Parent is a publicly traded company listed on the TSX under the trading symbol “ENT” with its head office located in Acheson, Alberta.
- 1.3 The Applicants have applied to this Honourable Court seeking an initial order (“**Initial Order**”) for ENTREC to, *inter alia*:
- a) commence a proceeding (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”);
  - b) establish a stay of proceedings (the “**Stay of Proceedings**”) of not more than 10 days;
  - c) appoint Alvarez & Marsal Canada Inc. as monitor (the “**Monitor**” or “**A&M**”) in the CCAA Proceedings;
  - d) authorize ENTREC to pay reasonable fees and disbursements of the Monitor and its counsel, the Applicants’ professional advisors, independent counsel to the Applicants’ Board of Directors, and the legal and financial advisors retained by the Applicants’ senior secured lender and proposed interim lender, Wells Fargo Capital Finance Corporation Canada (“**Wells Fargo**”) as agent for a syndicate of lenders (the “**Syndicate**”);
  - e) authorize the Applicants, with the consent of the Monitor and subject to and in accordance with the RSA (defined below), to make payment for certain pre-filing expenses with respect to obligations incurred as a result of goods and services supplied to ENTREC by critical and necessary suppliers and insurance providers, in order to carry on business in a manner consistent with the preservation of their business operations and property;
  - f) authorize the Applicants to obtain the Interim Facility (as defined and described below) in an amount not to exceed \$29.9 million pursuant to the terms and conditions of the RSA, provided that the Applicants shall not be entitled to draw from the Interim Facility an amount in excess of \$3.6 million until further Order of this Court; and
  - g) granting the Administration Charge, the Directors’ Charge and the Interim Lender’s Charge (each as defined below).

- 1.4 The Initial Order along with application materials and other documents filed in the CCAA Proceedings will be posted on the proposed Monitor's website at [www.alvarezandmarsal.com/entrec](http://www.alvarezandmarsal.com/entrec).
- 1.5 Capitalized terms not defined in this pre-filing report (the "**Pre-filing Report**") are as defined in the Initial Order or supporting affidavit of John Stevens sworn May 14, 2020 (the "**Stevens Affidavit**").

## **2.0 PURPOSE**

- 2.1 This Pre-filing Report has been prepared by A&M in contemplation of its appointment as the proposed Monitor in the CCAA Proceedings and to provide information to this Honourable Court in respect of the following:
- a) qualifications of A&M to act as Monitor;
  - b) summary of ENTREC's secured debt obligations;
  - c) an overview of the combined cash flow projection of ENTREC and the proposed Monitor's comments regarding the reasonableness thereof pursuant to section 23(1)(b) of the CCAA;
  - d) the proposed interim financing facility; and
  - e) the Court ordered charges sought in the proposed Initial Order.
- 2.2 The Pre-filing Report should be read in conjunction with the Stevens Affidavit for additional background and financial information with respect to ENTREC.

## **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.

- 3.3 All monetary amounts contained in this Pre-filing Report are expressed in Canadian dollars unless otherwise noted.

#### **4.0 QUALIFICATION OF A&M TO ACT AS MONITOR**

- 4.1 A&M is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada).
- 4.2 A&M is not, and has never been:
- a) a director, officer or employee of ENTREC;
  - b) related to ENTREC or to any director or officer of ENTREC;
  - c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of ENTREC;
  - d) the trustee under a trust indenture issued by ENTREC or, to the best of its knowledge, any person related to ENTREC, or the holder of a power of attorney under an act constituting a hypothec within the meaning of the Civil Code of Quebec that is granted by ENTREC or, to the best of its knowledge, any person related to ENTREC, or
  - e) to the best of its knowledge, related to the trustee, or the holder of a power of attorney, referred to in paragraph 4.2 (d).
- 4.3 A&M was previously engaged as a financial advisor to ENTREC to assist with its reporting to and dealings with the Syndicate in connection with an amended and restated credit agreement dated October 10, 2017 with the Syndicate (the “**Credit Agreement**”) as well as reviewing ENTREC’s short term liquidity requirements and related obligations and assessment of various strategic alternatives.
- 4.4 A&M is of the view that the restrictions as to who may be appointed as a Monitor under section 11.7(2) of the CCAA do not preclude A&M from acting as Monitor for the Applicants.
- 4.5 A&M has consented to act as Monitor in these proceedings should this Honourable Court grant the Initial Order. A copy of A&M’s consent to act as Monitor is attached hereto as Appendix “A”.

## 5.0 SECURED DEBT OBLIGATIONS

- 5.1 ENTREC is financed by the Syndicate pursuant to a senior secured asset-based credit facility governed by the terms of the Credit Agreement (the “**ABL Facility**”).
- 5.2 Pursuant to the Credit Agreement, the Syndicate made available to the Applicants both a revolving credit facility (the “**Revolving Loans**”) and letters of credit (“**Letters of Credit**”). As at May 11, 2020, the total indebtedness outstanding pursuant to the Credit Agreement is CAD\$72.4 million and USD\$12.8 million and is comprised as follows, excluding fees and other obligations under the Credit Agreement:
- a) Revolving Loans of approximately CAD\$72.3 million and USD \$12.7 million, plus interests and costs; and
  - b) Letters of Credit of approximately CAD\$84,900 and USD\$110,000, plus interests and costs.
- 5.3 All of the obligations of ENTREC under the Credit Agreement are secured by substantially all of ENTREC’s property.
- 5.4 The purpose of the ABL Facility is to fund ENTREC’s capital expenditures, acquisitions, and for general corporate purposes.
- 5.5 ENTREC also has an operating facility (the “**Operating Facility**”) to a maximum principal amount of \$5.0 million with Canadian Western Bank (“**CWB**”) to finance ENTREC’s day-to-day operations. As at May 1, 2020, the amount outstanding under the Operating Facility is approximately \$4.9 million.
- 5.6 Amounts outstanding under the Operating Facility rank *pari passu* with the ABL Facility. CWB is also a participating lender in the Syndicate and has been kept apprised of ENTREC’s circumstances.
- 5.7 The proposed Monitor has retained Norton Rose Fulbright Canada LLP (“**NRF**”) to act as its independent legal counsel in the event A&M is appointed as Monitor. NRF has provided an opinion confirming the validity and enforceability of the security in connection with the Credit Agreement and the Operating Facility in Canada and the US. While not affecting the validity of the security, there may be certain minor priority issues relating to *garage keepers’ liens*, purchase money security interests or other minor competing claims.
- 5.8 Despite undertaking a number of restructuring initiatives to improve its balance sheet and financial performance, as a result of recent poor operating results, various macroeconomic factors impacting energy service companies in North America, and the overlay and impact of COVID-19

on operations, ENTREC is facing a number of financial challenges, and has not been able to maintain compliance with certain financial covenants required to be maintained under the Credit Agreement and is in default of its terms. Accordingly, ENTREC's Board of Directors has resolved to seek relief under the CCAA.

## **6.0 CCAA CASH FLOW FORECAST**

- 6.1 For the purposes of paragraph 10(2)(a) of the CCAA, the Applicants have prepared a cash flow projection for ENTREC (the "**Cash Flow Forecast**") on a weekly basis for the period from May 9, 2020 to August 7, 2020 (the "**Forecast Period**"), using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. A copy of the Cash Flow Forecast along with its notes, assumptions and Management representation letter are attached hereto as Appendix "**B**", and is summarized below:

**ENTREC Corporation**  
**CCAA Cash Flow Forecast - Prepared by Management**  
**For the 13-week period ending August 7, 2020**  
**(in CAD\$000s)**

	<b>Weeks 1 to 2</b>	<b>Weeks 3 to 13</b>	<b>Total</b>
	<b>Initial Stay Period</b>	<b>11 Week Period</b>	<b>Forecast Period</b>
<b>Operating receipts</b>			
Collection of receivables and forecast sales			
ENTREC Canada	\$ 1,600	\$ 7,800	\$ 9,400
ENTREC US	2,149	10,955	13,104
US Paycheck Protection Program loan	857	3,602	4,459
Canada Emergency Wage Subsidy	-	625	625
<b>Total operating receipts</b>	<b>4,606</b>	<b>22,981</b>	<b>27,588</b>
<b>Operating disbursements</b>			
Payroll and benefits - Canada	635	3,640	4,275
Payroll and benefits - US	572	4,241	4,813
Payroll remittances - Canada	305	1,725	2,030
Payroll remittances - US	285	1,804	2,089
Lease operators	175	500	675
Repairs, maintenance and other operating costs	1,242	5,497	6,739
Equipment lease payments	297	1,762	2,059
Fuel	263	1,444	1,706
General and administrative costs	190	1,347	1,537
Insurance	-	1,075	1,075
Shop rent and employee housing	-	1,118	1,118
Sales tax	-	250	250
Contingency	199	1,097	1,296
<b>Total operating disbursements</b>	<b>4,164</b>	<b>25,500</b>	<b>29,663</b>
<b>Net operating cash flow</b>	<b>443</b>	<b>(2,518)</b>	<b>(2,076)</b>
<b>Other disbursements</b>			
Professional fees	-	3,543	3,543
ABL interest costs	-	1,274	1,274
Interim Facility interest costs	-	247	247
Interim Facility fees	250	19	269
<b>Total other disbursements</b>	<b>250</b>	<b>5,083</b>	<b>5,333</b>
<b>Net cash flow</b>	<b>\$ 193</b>	<b>\$ (7,602)</b>	<b>\$ (7,409)</b>
<b>Continuity of Financing</b>			
<b>Pre-filing debt</b>			
ABL balance	\$ 92,616	\$ 88,867	\$ 92,616
Less: cash receipts	(3,749)	(18,755)	(22,504)
	88,867	70,112	70,112
Operating line	5,000	5,000	5,000
<b>Ending balance</b>	<b>93,867</b>	<b>75,112</b>	<b>75,112</b>
<b>Interim Facility</b>			
Opening balance	-	3,557	-
Draws (repayments)	3,557	26,356	29,913
<b>Ending Interim Facility balance (cash)</b>	<b>3,557</b>	<b>29,913</b>	<b>29,913</b>
<b>Total financing, ending position</b>	<b>\$ 97,423</b>	<b>\$ 105,025</b>	<b>\$ 105,025</b>

6.2 The Cash Flow Forecast projects that the Applicants will experience a net cash outflow of approximately \$7.4 million over the Forecast Period and is based on the following key assumptions:



- a) forecast receipts of \$27.6 million consist primarily of \$22.5 million from collection of pre-filing receivables and \$5.1 million from certain COVID-19 government relief programs in the US and Canada;
- b) forecast disbursements of \$29.7 million relate primarily to ordinary course payments including payroll and related costs, repairs and maintenance, fuel, general and administrative costs, insurance, shop rent and employee housing, lease operators, sales tax and other operating costs;
- c) professional fees are forecast to be approximately \$3.5 million during the Forecast Period and include the Applicants' Canadian and American counsel, counsel to the Board of Directors, the Monitor and its counsel, the Syndicate's financial advisor and its counsel, and other professionals required for the CCAA Proceedings;
- d) the ending balance of total financing is approximately \$105.0 million which represents an incremental increase in financing of \$7.4 million (approximately \$29.9 million of forecast interim financing advances less forecast repayments of \$22.5 million on the Revolving Loans) to the secured debt held by the Syndicate and CWB; and
- e) debt servicing costs include the continued payment of \$1.3 million for interest on the pre-filing ABL Facility and approximately \$500,000 for the interest and fees on the Interim Facility (as defined below).

6.3 Accordingly, ENTREC will require total interim financing of \$29.9 million, which is to be provided by the Syndicate (as subsequently defined) subject to Court approval of the interim financing set out in the restructuring support agreement (the “RSA”) and the related Interim Lender’s Charge as discussed in section 7.0 of this report. This interim financing amount includes funding of post filing operations and expenses as ENTREC will not have continued access to its Operating Facility.

6.4 Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the proposed Monitor hereby reports as follows:

- a) the Cash Flow Forecast has been prepared by Management for the purpose described in the notes to the Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;
- b) the proposed Monitor’s review of the Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were

- limited to evaluating whether they were consistent with the purposes of the Cash Flow Forecast. The proposed Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Cash Flow Forecast;
- c) based on the proposed Monitor's preliminary review of the Cash Flow Forecast, nothing has come to its attention that causes A&M to believe that, in any material respects:
    - i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
    - ii. as at the date of this Pre-filing Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
    - iii. the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
  - d) since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, A&M does not express any assurance as to whether the Cash Flow Forecast will be accurate. A&M does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report; and
  - e) the Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

## **7.0 INTERIM FINANCING**

7.1 In order to provide the required liquidity needed to fund the operations of ENTREC during the CCAA Proceedings, the Applicants are seeking the approval of interim financing in the form of a revolving credit facility (the “**Interim Facility**”). The proposed Initial Order also provides for the creation of a court-ordered priority charge to secure advances made under the Interim Facility (the “**Interim Lender's Charge**”) to match the maximum allowable borrowing amount as proposed in the Initial Order.

7.2 The following is a summary of the material terms of the RSA:

- a) the Interim Facility shall be utilized in accordance with the Cash Flow Forecast and availability will not exceed the Applicants' operating cash flow requirements as set out in the Cash Flow Forecast;
- b) all advances accrue interest at the rate of CDOR/LIBOR Rate plus 8% per annum;

- c) all advances, including interest, fees and expenses will be secured by the Interim Lender's Charge;
- d) the Interim Lender's Charge shall rank in priority to all other encumbrances other than the Administration Charge (as subsequently defined), the Directors' Charge (as subsequently defined) and a planned key employee retention and incentive plan;
- e) fees include (1) an Amendment Fee in the amount of \$250,000 and (2) Unused Line Fee calculated in accordance with section 2.9(b) of the Credit Agreement; and
- f) the Applicants are entitled to continue to utilize their existing cash management system and all post-filing receipts will be applied to repay pre-filing debt held by the Syndicate. Post-filing operating and other costs of the Applicants would be funded as required by advances from the Interim Facility. The Interim Lender's Charge does not secure any obligation that existed prior to the date of filing.

7.3 There are certain encumbrances set out in the Alberta Personal Property Registry of the Applicants that the Interim Lender's Charge is not intended to prime (the "**Carve Out**"). The registrations subject to the Carve Out are generally in respect of equipment subject to a purchase-money security interest, equipment leases and assets that do not form part of Wells Fargo's collateral package securing the ABL Facility. In addition, the Carve Out applies to security interests in respect of which Wells Fargo has contractually agreed to subordinate the priority of the Syndicate's security relative to such encumbrances.

7.4 Because the Applicants may only utilize the Interim Financing Facility in accordance with the Cash Flow Forecast, the structure of the Interim Financing Facility limits the amount available to the Applicants in any given week to what is necessary and approved by both Wells Fargo and the Monitor.

7.5 As set out in the Cash Flow Forecast, the forecast draw is approximately \$3.6 million under the Interim Facility between the date of filing and the Comeback Hearing.

7.6 The proposed Monitor has been involved in the negotiation of the terms of the proposed Interim Financing Facility. The proposed Monitor believes that this proposed third party Interim Financing Facility represents market terms and is necessary and appropriate in ENTREC's financial circumstances.

## **8.0 PROPOSED COURT-ORDERED CHARGES**

8.1 The proposed Initial Order provides for three Court-ordered charges which are summarized below.

### *Administration Charge*

- 8.2 The proposed Initial Order provides for a charge on the Applicants' property in an amount not to exceed \$750,000 in favour of the Monitor and the Canadian and American counsel to the Monitor, the Applicants, and ENTREC's directors and officers to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order (the "**Administration Charge**"). The Administration Charge is to be granted in priority to all other charges.
- 8.3 To date, the Applicants have incurred significant professional fees in preparation for the CCAA Proceedings which are currently outstanding and anticipate further fees to be incurred from the filing date until the Comeback Hearing with respect to preparing for the Comeback Hearing, obtaining recognition of the CCAA Proceedings in the US, communicating with employees and stakeholders following the initial filing, developing a Sale and Investor Solicitation Process ("**SISP**"), reporting to the Syndicate, and complying with statutory notices, mailings and communications.
- 8.4 It is the view of the proposed Monitor that the quantum of the proposed Administration Charge is reasonable and appropriate in the circumstances, having regard to the scale and complexity of the CCAA Proceedings, the services to be provided by the beneficiaries of the Administration Charge and the size of the charges approved in similar proceedings.

### *Directors' Charge*

- 8.5 The proposed Initial Order provides for a charge in an amount not to exceed \$1.5 million in favour of the directors and officers of the Applicants on ENTREC's property in priority to all other charges other than the Administration Charge (the "**Directors' Charge**").
- 8.6 The Directors' Charge is intended to address potential claims that may be brought against directors and officers that are not covered under existing insurance or to the extent coverage is insufficient to cover such claims.
- 8.7 As described the Stevens Affidavit, the Applicants' directors and officers have the benefit of directors' and officers' liability insurance coverage, which is maintained by ENT Parent as the policy holder (the "**D&O Coverage**"). The D&O Coverage provides for \$10 million in primary coverage and \$10 million in excess coverage, and the current policies will expire on June 1, 2020, which will be during the CCAA Proceedings.

- 8.8 The Applicants are currently assessing the feasibility of purchasing a long-tail run-off directors' liability insurance. The purchase of such coverage is contemplated in the Cash Flow Forecast; however, such insurance has not been purchased as at the date of this report.
- 8.9 It is the proposed Monitor's view that the continued support and services of the directors and officers of the Applicants during the CCAA Proceedings would be beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders through completion of CCAA Proceedings. The proposed Monitor has reviewed the underlying assumptions upon which the Applicants have based the estimate of the potential liability in respect of the directors' statutory obligations and is of the view that the Directors' Charge is reasonable in relation to the quantum of the estimated potential liability and is appropriate in the circumstances.

#### *Interim Lender's Charge*

- 8.10 The proposed Initial Order provides for an Interim Lender's Charge, subject to the Carve Out, as security for outstanding advances made under the Interim Facility provided that the borrowings shall not exceed \$3.6 million unless permitted by further order of this Court, as described above in section 7.0. The Interim Lender's Charge ranks subordinate to the Administration Charge and the Directors' Charge.
- 8.11 The proposed Monitor is of the view that the Interim Lender's Charge represents necessary financing which affords the Applicants the opportunity to move towards commencement of the SISP and/or otherwise reorganize its affairs and it does not appear that there will be material financial prejudice to other ENTREC stakeholders as a result of this financing. As noted above, the Interim Lender's Charge is also subject to the Carve Out.

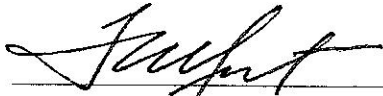
### **9.0 CONCLUSION**

- 9.1 The Initial Order and Stay of Proceedings will provide ENTREC with stability to run its operations while it moves towards commencing a SISP to identify a potential purchaser for all or part of its business, or alternatively, an investor to sponsor a plan of arrangement.
- 9.2 Subject to approval of the Interim Lender's Charge, the Applicants will have available liquidity for the initial Stay of Proceedings and are planning to seek to increase the Interim Lender's Charge at a subsequent hearing in front of this Honourable Court in the coming weeks.
- 9.3 The proposed Monitor anticipates filing a further report with this Honourable Court in respect of the additional relief being sought at the proposed Comeback Hearing.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 14<sup>th</sup> day of May, 2020.

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



Per: Todd M. Martin  
Senior Vice President



Per: Anthony Tillman  
Senior Vice President

## **APPENDIX A**

Clerk's stamp:

COURT FILE NUMBER

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APPLICANTS

COURT OF QUEEN'S BENCH OF ALBERTA

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OILFIELD GROUP LTD., and ENTREC SERVICES  
LTD.

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**CONSENT TO ACT AS MONITOR**

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Lawyer's

Name: Howard Gorman, Q.C.

Lawyer's Email: howard.gorman@nortonrosefulbright.com

File No.:

**CONSENT TO ACT AS MONITOR**

Alvarez & Marsal Canada Inc. does hereby consent to act as Court appointed Monitor 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.

DATED this 11<sup>th</sup> day of May, 2020.

**ALVAREZ & MARSAL CANADA INC.**

Per:

  
\_\_\_\_\_  
Authorized Signatory



## **APPENDIX B**

ENTREC Corporation  
 CCAA Cash Flow Forecast<sup>1</sup> - Prepared by Management  
 For the 13-week period ending August 7, 2020  
 (in CAD\$000s)

Week	Notes	Initial Stay Period		Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total
		Week 1	Week 2												
Week ending		15-May	22-May	29-May	5-Jun	12-Jun	19-Jun	26-Jun	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	7-Aug	
<b>Operating receipts</b>															
Collection of receivables and forecast sales															
ENTREC Canada	2	\$ 800	\$ 800	\$ 800	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 700	\$ 9,400
ENTREC US	2	1,075	1,075	1,075	1,075	1,075	1,075	951	951	951	951	951	951	951	13,104
US Paycheck Protection Program loan	3	794	63	760	498	823	63	823	498	138	-	-	-	-	4,459
Canada Emergency Wage Subsidy	4	-	-	625	-	-	-	-	-	-	-	-	-	-	625
<b>Total operating receipts</b>		<b>2,668</b>	<b>1,938</b>	<b>3,259</b>	<b>2,272</b>	<b>2,598</b>	<b>1,838</b>	<b>2,474</b>	<b>2,149</b>	<b>1,789</b>	<b>1,651</b>	<b>1,651</b>	<b>1,651</b>	<b>1,651</b>	<b>27,588</b>
<b>Operating disbursements</b>															
Payroll and benefits - Canada	5	535	100	535	125	535	125	340	320	340	320	340	320	340	4,275
Payroll and benefits - US	5	572	-	538	285	570	-	570	285	570	-	570	285	570	4,813
Payroll remittances - Canada	5	80	225	80	255	80	225	80	255	80	255	80	255	80	2,030
Payroll remittances - US	5	222	63	222	63	253	63	253	63	253	63	253	63	253	2,089
Lease operators	6	-	175	-	-	-	-	250	-	-	-	250	-	-	675
Repairs, maintenance and other operating costs	7	621	621	621	445	445	445	656	445	445	445	445	445	656	6,739
Equipment lease payments	7	232	65	232	165	-	232	65	397	-	232	65	376	-	2,059
Fuel	7	131	131	131	131	131	131	131	131	131	131	131	131	131	1,706
General and administrative costs	8	95	95	95	195	95	95	195	95	95	95	95	95	195	1,537
Insurance	9	-	-	475	600	-	-	-	-	-	-	-	-	-	1,075
Shop rent and employee housing	10	-	-	-	331	-	-	-	412	-	-	-	375	-	1,118
Sales tax	-	-	-	-	-	-	-	-	125	-	-	-	125	-	250
Contingency	11	100	100	100	100	100	100	100	100	100	100	100	100	100	1,296
<b>Total operating disbursements</b>		<b>2,588</b>	<b>1,575</b>	<b>3,029</b>	<b>2,695</b>	<b>2,209</b>	<b>1,417</b>	<b>2,329</b>	<b>2,940</b>	<b>2,014</b>	<b>1,642</b>	<b>2,329</b>	<b>2,570</b>	<b>2,325</b>	<b>29,663</b>
<b>Net operating cash flow</b>		<b>80</b>	<b>363</b>	<b>230</b>	<b>(422)</b>	<b>388</b>	<b>421</b>	<b>145</b>	<b>(791)</b>	<b>(226)</b>	<b>9</b>	<b>(678)</b>	<b>(919)</b>	<b>(675)</b>	<b>(2,076)</b>
<b>Other disbursements</b>															
Professional fees	12	-	-	1,018	-	-	880	-	-	673	-	498	-	474	3,543
ABL interest costs	13	-	-	-	458	-	-	-	426	-	-	-	391	-	1,274
Interim Facility interest costs	14	-	-	-	24	-	-	-	77	-	-	-	145	-	247
Interim Facility fees	14	250	-	-	7	-	-	-	7	-	-	-	6	-	269
<b>Total other disbursements</b>		<b>250</b>	<b>-</b>	<b>1,018</b>	<b>488</b>	<b>-</b>	<b>880</b>	<b>-</b>	<b>509</b>	<b>673</b>	<b>-</b>	<b>498</b>	<b>542</b>	<b>474</b>	<b>5,333</b>
<b>Net cash flow</b>		<b>\$ (170)</b>	<b>\$ 363</b>	<b>\$ (788)</b>	<b>\$ (911)</b>	<b>\$ 388</b>	<b>\$ (459)</b>	<b>\$ 145</b>	<b>\$ (1,301)</b>	<b>\$ (899)</b>	<b>\$ 9</b>	<b>\$ (1,176)</b>	<b>\$ (1,461)</b>	<b>\$ (1,149)</b>	<b>\$ (7,409)</b>
<b>Continuity of Financing</b>															
<b>Pre-filing debt</b>															
ABL balance		\$ 92,616	\$ 90,741	\$ 88,867	\$ 86,992	\$ 85,217	\$ 83,443	\$ 81,668	\$ 80,017	\$ 78,366	\$ 76,716	\$ 75,065	\$ 73,414	\$ 71,763	\$ 92,616
Less: cash receipts		(1,875)	(1,875)	(1,875)	(1,775)	(1,775)	(1,775)	(1,651)	(1,651)	(1,651)	(1,651)	(1,651)	(1,651)	(1,651)	(22,504)
		90,741	88,867	86,992	85,217	83,443	81,668	80,017	78,366	76,716	75,065	73,414	71,763	70,112	70,112
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	5,000	5,000
<b>Ending balance</b>		<b>95,741</b>	<b>93,867</b>	<b>91,992</b>	<b>90,217</b>	<b>88,443</b>	<b>86,668</b>	<b>85,017</b>	<b>83,366</b>	<b>81,716</b>	<b>80,065</b>	<b>78,414</b>	<b>76,763</b>	<b>75,112</b>	<b>75,112</b>
<b>Interim Facility</b>															
Opening balance		-	2,044	3,557	6,219	8,904	10,291	12,524	14,030	16,982	19,532	21,174	24,001	27,113	-
Draws (repayments)		2,044	1,512	2,662	2,685	1,387	2,233	1,506	2,952	2,550	1,642	2,827	3,112	2,800	29,913
<b>Ending Interim Facility balance (cash)</b>	<b>14</b>	<b>2,044</b>	<b>3,557</b>	<b>6,219</b>	<b>8,904</b>	<b>10,291</b>	<b>12,524</b>	<b>14,030</b>	<b>16,982</b>	<b>19,532</b>	<b>21,174</b>	<b>24,001</b>	<b>27,113</b>	<b>29,913</b>	<b>29,913</b>
<b>Total financing, ending position</b>		<b>\$ 97,786</b>	<b>\$ 97,423</b>	<b>\$ 98,211</b>	<b>\$ 99,122</b>	<b>\$ 98,733</b>	<b>\$ 99,192</b>	<b>\$ 99,048</b>	<b>\$ 100,348</b>	<b>\$ 101,248</b>	<b>\$ 101,239</b>	<b>\$ 102,415</b>	<b>\$ 103,876</b>	<b>\$ 105,025</b>	<b>\$ 105,025</b>



Jason Vandenberg, Chief Financial Officer  
 ENTREC Corporation

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

1. The cash flow projections have been prepared by Management of ENTREC Corporation and its subsidiaries ("ENTREC") to set out the cash flow of ENTREC (the "Cash Flow Forecast") during the Companies' Creditors Arrangement Act proceedings (the "CCAA Proceedings").

The Cash Flow Forecast has 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 Initial Order granted on May 15, 2020 and as may be amended from time to time during the CCAA Proceedings. Upon such amendments, Management will update its cash flow forecast accordingly as included herein.

The 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\$.711 throughout the period.

2. Receipts from receivables and sales have been adjusted for seasonability based on Management's experience as well as a slow down or deferral by customers affected by COVID-19 and other factors.
3. On April 24, 2020, ENTREC received funding of US \$3.9 million from the Paycheck Protection Program ("PPP") loan under the US CARES Act of the Small Business Administration. If 75% of the loan amount is applied towards payroll related costs, the PPP loan may be forgiven. It is estimated that USD\$730,000 of the PPP loan will be utilized for pre-filing payroll costs.
4. On April 27, 2020, Management applied for the Canada Emergency Wage Subsidy ("CEWS"). The CEWS may cover up to 75% of salaries for up to 3 months for a maximum of \$847/week per employee. If ENTREC is determined as an eligible employer, it is estimated that the company may qualify for \$625,000 for the period of March 15 to April 11, 2020. Though the timing is uncertain, it is forecast that the first subsidy amount may be received by the end of May.
5. Payroll, benefits, and source deductions are forecast based on actual payroll expenses assuming that operations at all locations continue uninterrupted with all payroll tax remittances kept current during the CCAA Proceedings. It is expected that there will be lower activity in the US operations through until the end of May due to COVID-19 and the low price of oil.
6. There are 10 equipment operators who generally work solely for ENTREC and are paid on a monthly basis. The Cash Flow Forecast includes payment of approximately \$175,000 for April arrears.
7. Operating costs include repairs, maintenance and parts purchases of approximately \$5.6 million, permits of \$1.1 million, fuel of \$1.7 million, and equipment lease payments of \$2.1 million during the 13 week forecast period. Disbursements are based on expected run rates and assumed to be paid based on accelerated payment terms or cash-on-delivery due to the impact of the CCAA Proceedings on supplier credit. Equipment lease payments are expected to be paid in the US; however, Management continues to assess equipment needs which may reduce lease costs going forward.
8. General and administrative expenses include utilities of \$325,000 and other administrative costs of \$1.2 million during the 13 weeks forecast period and are based on expected run rate in 2020.
9. Insurance costs include premiums due for a three-month renewal of the commercial general liability and property and casualty policies totaling approximately \$1.0 million and purchase of a long-tail Directors & Officers policy forecast to cost approximately \$100,000.
10. Rent is forecast based on actual rent payments assuming operations continue uninterrupted at all locations in the short term. Monthly rent include facilities in Alberta, North Dakota, Wyoming, Texas and Colorado, as well as property taxes. Rent for the Acheson, AB facility was prepaid prior to the CCAA Proceedings up until the end of May and the premises are expected to be vacated by May 31, 2020.
11. A weekly contingency of approximately \$100,000 is included in the Cash Flow Forecast to account for any unexpected expenses.
12. Professional fees have been forecast based on preliminary 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 US, and the advisor to be engaged for the Sales or Investor Solicitation Process.
13. 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.
14. Interim lending of \$29.9 million is forecast to be required in the 13-week period. Interim Facility interest costs and fees are subject to the Restructuring Support Agreement.



May 12, 2020

Alvarez & Marsal Canada Inc.  
Commerce Place  
Suite 1680, 400 Burrard Street  
Vancouver, BC, Canada V6C 3A6

Attention: Jason Vandenberg, CFO

**Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") for 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. (collectively, "ENTREC" or the "Company") Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections**

In connection with the application by ENTREC for the commencement of proceedings under the CCAA in respect of the Company, the management of the Company ("Management") prepared the attached cash flow statement and the assumptions on which the cash flow statement is based.

ENTREC confirms that:

1. the cash flow statement and the underlying assumptions are the responsibility of ENTREC;
2. all material information relevant to the cash flow statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
  - a. that the individual assumptions underlying the cash flow statement are appropriate in the circumstances;
  - b. that the assumptions underlying the cash flow statement, taken as a whole, are appropriate in the circumstances; and
  - c. that all relevant assumptions have been properly presented in the cash flow statement or in the notes accompanying the cash flow statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of our monitoring the on-going activities of the Debtor, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.
5. Management understands its duties and obligations under the CCAA and that breach of these duties and obligations could make ENTREC's Management liable to fines and imprisonment in certain circumstances.



6. The cash flow statement and assumptions have been reviewed and approved by the Company's board of directors or Management has been duly authorized by ENTREC's board of directors to prepare and approve the cash flow assumptions.

Yours Truly,

A handwritten signature in black ink, appearing to read "JV", is written over a horizontal line.

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Jason Vandenberg  
CFO