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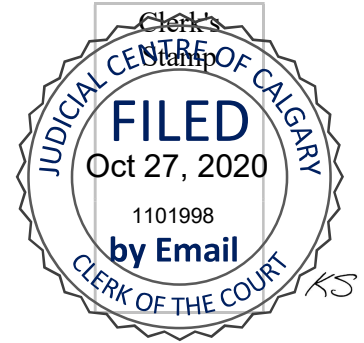
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COURT OF QUEEN'S BENCH OF ALBERTA

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

SIXTH REPORT OF THE MONITOR
October 26, 2020

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION
OF PARTY

MONITOR

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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. (“**ENT USA**”), 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 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 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 “**Wolverine Transaction**”) to Wolverine Energy and Infrastructure Inc. (“**Wolverine**”);
 - d) companion orders in respect of each of the Wolverine 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 sale investment and solicitation process (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 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 Wolverine Transaction, and the RBA Liquidation to Wells Fargo Capital Finance Corporation (the “**Agent**”) as a partial reduction of the Applicants’ obligations to the syndicate of lenders (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 dated August 24, 2020 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.

- 1.5 On September 9, 2020, the U.S. Court approved the Wolverine Transaction and the TBK Transaction and authorized the rejection and return of certain leased equipment located in the U.S.
- 1.6 On September 28, 2020, the Applicants filed a notice of application, returnable on October 5, 2020 (the “**October 5 Application**”) for an order to, *inter alia*, terminate these CCAA Proceedings in anticipation of completing the sale of substantially all of the Applicants’ assets by September 30, 2020.
- 1.7 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 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*.
- 1.8 On October 2, 2020, the Applicants filed a supplemental affidavit of John Stevens, to support seeking an order (the “**November 30 Stay Extension Order**”) to extend the stay of proceedings until November 30, 2020.
- 1.9 On October 5, 2020, the Monitor filed the Fifth Report of the Monitor (the “**Fifth Report**”), which included information regarding the Monitor’s activities since the Monitor’s Fourth Report dated August 24, 2020, an update on the SISP and the remarketing of the U.S. assets, a comparison of actual cash flow results to the Third Cash Flow Forecast (as defined in the Fifth Report), the updated and extended cash flow forecast for the 11-week period ending December 4, 2020 (the “**Fourth Cash Flow Forecast**”), and the extension of the Stay Period.

- 1.10 On October 5, 2020, the Court granted the November 30 Stay Extension Order providing a further extension of the Stay Period until November 30, 2020.
- 1.11 On October 26, 2020 the Applicants filed a notice of application, returnable on November 2, 2020 (the “**October 26 Application**”) for the following orders:
- a) an order (the “**Approval and Vesting Order**”) to authorize the sale of substantially all of the U.S. assets (the “**Prolift Transaction**”) to Prolift Rigging Company, LLC (“**Prolift**” or the “**U.S. Purchaser**”);
 - b) a companion order (the “**U.S. Assignment Order**”) pursuant to Section 11.3 of the CCAA, assigning to Prolift the contracts required to be assigned as part of the Prolift Transaction; and
 - c) an order (the “**Ancillary Order**”) to:
 - i. remove ENT Alberta as an Applicant from the CCAA Proceedings;
 - ii. authorize the Monitor to distribute net sale proceeds from the Prolift Transaction (the “**Prolift Proceeds**”) subject to a reserve approved by the Agent and other sale proceeds all as a partial reduction of the Applicants’ obligation to the Syndicate;
 - iii. amend the limit of the Interim Facility to \$38.0 million from \$30.0 million, effective *nunc pro tunc* to the date of the November 30 Stay Extension Order; and
 - iv. approve the activities of the Monitor as set out in the Fifth Report and this Sixth Report.
- 1.12 It is expected that a U.S. Court hearing and application will proceed on November 2, 2020 to seek approval of the Prolift Transaction and the other relief discussed in this report.
- 1.13 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 sixth report (the “**Sixth Report**”) was prepared to provide information to this Honourable Court in respect of the following:
- a) the activities of the Monitor since the Fifth Report;
 - b) an update on the SISP including the remarketing of the U.S. assets and the proposed distribution of funds;
 - c) the removal of ENT Alberta as an Applicant;

- d) a comparison of ENTREC's actual cash receipts and disbursements as compared to the Fourth Cash Flow Forecast; and
 - e) the recommendations of the Monitor in respect of the foregoing, as applicable.
- 2.2 The Sixth Report should be read in conjunction with the October 26 Application and the supporting affidavit of John Stevens sworn October 26, 2020 (the "**Seventh Stevens Affidavit**"). 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.
- 3.3 Unless otherwise stated, all monetary amounts contained in this Sixth Report are expressed in Canadian dollars.

4.0 ACTIVITIES OF THE MONITOR

- 4.1 The Monitor's activities since the Fifth 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) collecting sale proceeds and distributing same to the Agent;
- f) assisting with the determination of the amounts payable under the key employee retention and incentive plan;
- g) assisting with various wind-down activities including the sale of residual Canadian assets;
- h) communicating with various trade creditors and other stakeholders;
- i) assisting with customer related matters;
- j) posting of non-confidential materials filed with this Court to the Monitor’s Website; and
- k) preparing this Sixth Report.

5.0 **UPDATE ON THE U.S. SISP**

Termination of the Wolverine Transaction

- 5.1 As detailed in the Fifth Report, 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 transaction was subsequently terminated. The Monitor continues to hold a deposit of \$3.35 million in respect of the Wolverine Transaction and it is expected that claims will be advanced in respect of the deposit.

Re-marketing Efforts

- 5.2 Following the termination of the Wolverine Transaction, the Applicants along with Sequeira Partners (“**Sequeira**”), and in consultation with the Monitor and the Agent, commenced re-marketing of the U.S. assets. The Monitor provided an overview and summary of the earlier phases of the SISP in the Monitor’s previous reports and details are not repeated herein.
- 5.3 Sequeira contacted seven strategic parties who had expressed interest in the U.S. assets and business and appeared to have the wherewithal and capability to conclude a transaction on a timely basis (the “**Potential Strategic Buyers**”), along with four liquidation firms.

- 5.4 The Potential Strategic Buyers were provided access to a virtual data room containing operational details of ENTREC’s business and assets, as well as with due diligence support, where requested.
- 5.5 Of the Potential Strategic Buyers, three parties submitted non-binding expressions of interest (the “**Expressions of Interest**”) and all four liquidation firms provided proposals based on ‘desktop appraisals’.
- 5.6 The Applicants and Sequeira, in consultation with and approval from the Monitor, determined it was in the best interests of the Applicants’ stakeholders to pursue a transaction with Prolift. The Syndicate provided its support to conclude the Prolift Transaction.

The Prolift Transaction

- 5.7 The Prolift Transaction is in the form of a definitive asset purchase agreement (“**APA**”), in respect of substantially all of the assets of the U.S. locations. A copy of the APA is attached to the Seventh Stevens Affidavit as Exhibit A.
- 5.8 Detailed discussion of the terms of the Prolift Transaction is included in the Seventh Stevens Affidavit. A summary of the key terms of the APA is as follows:
- a) the U.S. Purchaser offers to purchase ENTREC’s right, title, interest in and to all ENTREC’s assets, undertakings, and properties, excluding receivables, most leased assets, and 56 light-duty trucks (the “**Excluded Assets**”) relating to the U.S. locations free and clear of any encumbrances (the “**Purchased Assets**”) for the purchase price of USD\$24.4 million, subject to adjustments;
 - b) the closing date for the subject transaction will be four business days following the date on which the transaction is approved by the U.S. Court, which is scheduled to be heard on November 2, 2020;
 - c) a deposit of 10% of the purchase price has been remitted and is being held in trust by the Monitor. The deposit is non-refundable in the event the U.S. Purchaser does not close after Court approval and satisfaction of conditions. Upon closing, the deposit shall be credited against the purchase price;
 - d) multiple contracts are to be assigned including customer contracts (the “**Assigned U.S. Contracts**”); and
 - e) the sale is on a “where is” and, as to condition of the Purchased Assets, “as is” basis.
- 5.9 The U.S Transaction includes a limited number of customary closing conditions but is not conditional on financing or any additional due diligence. Management expects that these closing conditions are achievable and that none of them are likely to prevent the Prolift Transaction from

closing. The Applicants have already started to work with Prolift to address the closing conditions with a view to closing the subject transaction, subject to the granting of the Approval and Vesting Order and approval from the U.S. Court.

Assigned U.S. Contracts

- 5.10 The Applicants intend to assign the Assigned U.S. Contracts included in the APA pursuant to section 11.3 of the CCAA and section 365 of the U.S. Bankruptcy Code. The Monitor is of the opinion that the assignment of contracts is appropriate and the U.S. Purchaser appears to be capable of performing the obligations under the Assigned U.S. Contracts after consideration of each of the following factors:
- a) the U.S. Purchaser has experience and is familiar with the Assigned U.S. Contracts, as it is a full-service rigging and transport organization headquartered in Memphis, Tennessee with operating experience in various U.S. jurisdictions and intends to retain ENT USA's management;
 - b) the assignment of the Assigned U.S. Contracts would satisfy a condition of the APA, facilitate the going-concern sale of the U.S. locations, and be in the best interests of the Applicants' stakeholders;
 - c) the U.S. Purchaser appears to have the ability and financial wherewithal to perform its obligations under the Assigned U.S. Contracts, and written confirmation has been provided by the U.S. Purchaser's lender that Prolift has sufficient resources immediately available to consummate the subject transaction including assumption of the obligations under the Assigned U.S. Contracts; and
 - d) as detailed in the Seventh Stevens Affidavit, according to the Applicants' books and records, there are no monetary defaults under the Assigned U.S. Contracts that are required to be cured prior to closing of the Prolift Transaction. In any event, under the APA, the U.S. Purchaser is responsible for all cure costs in respect of the Assigned U.S. Contracts.
- 5.11 For the reasons listed above, the Monitor supports the assignment of the Assigned U.S. Contracts and any additional contracts that are required to be assigned but were not included in the U.S. Assignment Order and which may later be identified as Assigned U.S. Contracts.

Monitor's Review of the U.S. Transaction

- 5.12 The Monitor's review of the U.S. Transaction included consideration of the following factors:
- a) the U.S. Purchaser's expressed intention to continue most of the U.S. business and hire some of the employees;

- b) the purchase price in comparison to the terminated Wolverine Transaction and other Final Bids (as defined in the SISP) received during the earlier phases of the SISP;
- c) the purchase price in comparison to the Expressions of Interest received in the Applicants' re-marketing efforts, and the liquidation values indicated in 'desktop appraisals' provided by liquidation firms, after considering current market conditions and costs to prepare the equipment for sale, and other wind-up costs;
- d) the financial wherewithal of the U.S. Purchaser and the likelihood of the U.S. Purchaser being able to conclude a successful transaction;
- e) the absence of any conditions to closing that would be likely to delay or prevent the closing of the Prolift Transaction;
- f) the potential for additional costs to be incurred, including sale and wind-up costs and professional fees, if a transaction is not concluded in a timely manner and/or if the U.S. locations were to be wound up; and
- g) the Syndicate's (the primary economic stakeholder in the Applicants) support of the Prolift Transaction.

5.13 The Monitor is of the view that the U.S. assets were marketed extensively and in a manner which was fair and reasonable, that the market has been adequately canvassed for potential purchasers and that the Prolift Transaction is in the best interest of the stakeholders of the Applicants. Accordingly, it is the Monitor's opinion that the Prolift Transaction provides the highest and best value for the U.S. assets and recommends the approval of the Prolift Transaction. Should the Approval and Vesting Order be granted, the Applicants have scheduled a hearing with the U.S. Court for the afternoon of November 2, 2020 for recognition of the Approval and Vesting Order.

6.0 UPDATE ON THE CANADIAN SISP AND REMAINING ASSETS

6.1 Since the Fifth 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 sale proceeds that have been approved by this Court. An update of these transactions is provided as follows:

- a) the RBA Liquidation concluded on October 7, 2020 in Grande Prairie, Alberta with the net minimum guarantee net of equipment clean-up costs, registration fees, and other costs paid to the Monitor and subsequently distributed to the Agent on October 9, 2020. Additional proceeds may be collected after a few remaining assets are sold in the Edmonton, Alberta auction in late October;

- b) 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 (the “**Grande Prairie Transaction**”) and the funds are currently held in the Monitor’s trust account;
- c) certain leased pick-up trucks, which appear to have equity value, excess trailers and miscellaneous equipment were sold between October 7 and 15, 2020 to a liquidator and the FMM Purchaser, and the Monitor is in the process of collecting the net proceeds from these sales; and
- d) 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, excess vehicles, and the Excluded Assets (collectively, the “**Remaining Assets**”).

7.0 DISTRIBUTION OF SALE PROCEEDS TO AGENT

7.1 Pursuant to the RSA, the Applicants agreed to seek approval from the Court to distribute the net proceeds from various asset sale transactions to the Agent, subject to a reserve (the “**Reserve**”), which must be acceptable to the Syndicate and sufficient to:

- a) satisfy post-filing obligations incurred by the Applicants in the ordinary course of business;
- b) complete such steps as are necessary to wind-down the Applicants’ Canadian and U.S. operations; and
- c) account for amounts payable to parties with claims against any of the purchased assets in priority to the Agent’s security, including the Court-ordered Charges (as defined in the ARIIO).

7.2 Following the closing of the Prolift Transaction, the Applicants propose to distribute to the Agent the Prolift Proceeds net of the Reserve. The Applicants are in the process of preparing an estimate of the Reserve for expected future costs associated with the sale of ENTREC’s assets and the subsequent wind-down of operations. Once the Reserve amount has been finalized and funded, it will be held in trust by the Monitor pending further order of the Court.

7.3 Additionally, the Petitioners have generated sale proceeds from the Grande Prairie Transaction and additional proceeds are anticipated from the Remaining Assets, all of which must be distributed to the Agent.

7.4 The Syndicate is the Applicants’ largest senior secured creditor and as at October 16, 2020, is owed approximately \$66.2 million. An immediate distribution upon receipt of the Prolift

Proceeds net of the Reserve, and other sale proceeds as available, will partially reduce the indebtedness owing to the Syndicate, thereby reducing the Applicants' ongoing interest costs for the benefit of all stakeholders.

- 7.5 The Monitor received an opinion from its Canadian legal counsel that, subject to customary assumptions and qualifications, the security held by the Agent is valid and enforceable in accordance with its terms.

8.0 REMOVAL OF ENT ALBERTA AS APPLICANT

- 8.1 The Fort McMurray Transaction included the purchase of the shares of ENT Alberta. ENT Alberta was previously a wholly owned subsidiary of ENT Parent and held legal title and registrations for certain equipment used in ENTREC's operations.
- 8.2 As part of the closing of the Fort McMurray Transaction, the Syndicate agreed to release its security interest against ENT Alberta after obtaining an undertaking to which the FMM Purchaser and ENT Alberta agreed, among other things, that the FMM Purchaser would not gain ownership or title of ENT Alberta's assets which did not form part of the purchased assets under the Fort McMurray Transaction.
- 8.3 A copy of the Corporate Profile Report dated September 23, 2020 is appended to the affidavit of John Stevens sworn on September 28, 2020, which indicates:
- a) the current officers and directors of ENT Alberta are associated with the FMM Purchaser and not associated with the Applicants; and
 - b) the current Voting Shareholders are none of the Applicants.
- 8.4 To facilitate a more efficient integration of the acquired assets, the Monitor is of the view that the sale of the ENT Alberta shares and the removal of ENT Alberta as an Applicant is appropriate in the circumstances.

9.0 AMENDMENT TO THE INTERIM FINANCING LIMIT

- 9.1 The ARIIO established a limit of \$30.0 million to the Interim Financing available to the Applicants.
- 9.2 In support of the November 30 Stay Extension Order application, the Fourth Cash Flow Forecast was filed with this Honourable Court which indicated that total borrowings under the Interim Financing facility may exceed \$37.5 million by the week ended December 4, 2020.
- 9.3 The November 30 Stay Extension Order did not permit additional borrowings under the Interim Financing facility, and, accordingly, ENTREC is seeking an increase to the limit of the Interim

Financing to \$38.0 million effective *nunc pro tunc* to the date of the November 30 Stay Extension Order.

9.4 Pursuant to the recent extension of the RSA, the Syndicate has confirmed its support to continue funding ENTREC through these CCAA Proceedings.

9.5 The Monitor notes that the Applicants require Interim Financing above \$30.0 million to support its ongoing operations and to eventually conclude these CCAA Proceedings.

10.0 ACTUAL CASH FLOW RESULTS COMPARED TO FOURTH CASH FLOW FORECAST

10.1 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 Fourth Cash Flow Forecast.

10.2 The Applicants' actual cash receipts and disbursements as compared to the Fourth Cash Flow Forecast during the period of September 19 to October 16, 2020 (the "**Reporting Period**") is summarized below:

ENTREC Cash Flow Variance Analysis - Prepared by Management For the four weeks ended October 16, 2020* (in CAD\$000s)			
	For the four weeks ended October 16, 2020		
	Actual*	Forecast**	Variance (\$)
Operating receipts			
Collection of receivables and forecast sales			
ENTREC Canada	\$ 2,447	\$ 2,835	\$ (388)
ENTREC US	1,613	1,791	(178)
Net proceeds from sale process and redundant assets	8,598	200	8,398
Canada Emergency Wage Subsidy	237	150	87
Total operating receipts	12,895	4,976	7,919
Operating disbursements			
Payroll and benefits - Canada	274	275	(1)
Payroll and benefits - US	846	1,005	(159)
Payroll remittances - Canada	160	163	(3)
Payroll remittances - US	267	382	(115)
Lease operators	103	103	-
Repairs, maintenance and other operating costs	721	667	54
Equipment lease payments	66	19	47
Fuel	182	203	(21)
General and administrative costs	63	65	(3)
Insurance	152	173	(21)
Shop rent and employee housing	112	112	(0)
Sales tax	83	100	(17)
Contingency	-	45	(45)
Total operating disbursements	3,028	3,312	(284)
Net operating cash flow	9,867	1,664	8,203
Other disbursements			
KERP payments	445	630	(185)
Professional fees	1,137	1,127	10
Sales Agent fees	423	421	3
ABL interest costs	408	251	157
Interim Facility interest costs	-	181	(181)
Interim Facility fees	-	12	(12)
Total other disbursements	2,413	2,622	(209)
Net cash flow	\$ 7,454	\$ (958)	\$ 8,411
<u>Continuity of Financing</u>			
Pre-filing debt			
ABL balance	\$ 43,197	\$ 43,222	\$ (25)
Less: cash receipts	(12,895)	(4,826)	(8,069)
Draws (repayments)	408	-	408
	30,710	38,396	(7,686)
Operating line	5,000	5,000	-
Ending balance	35,710	43,396	(7,686)
Interim Facility			
Opening balance	25,488	25,600	(112)
Draws (repayments)	5,037	5,784	(747)
FX adjustment	7	-	7
Ending Interim Facility balance (cash)	30,532	31,384	(852)
Total financing, ending position	\$ 66,241	\$ 74,780	\$ (8,538)
*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\$.7465			

10.3 During the Reporting Period, ENTREC experienced a net favourable cash flow variance of approximately \$8.4 million. The principal components of the variance are described as follows:

- a) collection of receivables was approximately \$566,000 lower than forecast due to unfavourable timing differences over the Reporting Period;

- b) net sale proceeds includes proceeds from the RBA Liquidation which concluded on October 7, 2020 and was subsequently distributed to the Agent. This transaction was excluded from the Fourth Cash Flow Forecast to preserve confidentiality;
 - c) payroll-related expenditures were \$278,000 below forecast primarily due to lower than anticipated activity in the U.S.;
 - d) KERP payments were \$185,000 below forecast due to a temporary timing difference; and
 - e) ABL interest costs of \$408,000 includes interest for both the Interim Facility and the ABL Facility as determined under the Credit Agreement and RSA, as amended.
- 10.4 The cash flow variance analysis does not include the deposit of \$3.35 million in respect of the Wolverine Transaction, which is currently held by the Monitor in trust.
- 10.5 Advances under the Interim Facility were \$5.0 million during the Reporting Period and as detailed in the First Report of the Monitor dated May 21, 2020, 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 \$12.5 million during the Reporting Period primarily from the collection of receivables and net sale proceeds received for the RBA Liquidation, and through a sweeping mechanism as described in the First Report, were applied towards the pre-filing ABL Facility.
- 10.6 As detailed in the First Report and the ARIIO, 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.

11.0 RECOMMENDATIONS

- 11.1 The Monitor respectfully recommends that this Honourable Court grant the following:
- a) the Approval and Vesting Order;
 - b) the U.S. Assignment Order; and
 - c) the Ancillary Order.

All of which is respectfully submitted to this Honourable Court this 26th 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