

Clerk's stamp:

COURT FILE NUMBER

2001 06423

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

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

AND IN THE MATTER OF THE 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

**AFFIDAVIT OF JOHN STEVENS (RE: COMEBACK
HEARING)**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

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File No.: 144572.3

AFFIDAVIT OF JOHN STEVENS

Sworn on May 21, 2020

I John Stevens, of the City of St. Albert in the Province of Alberta, **MAKE OATH AND SAY THAT:**

1. I am the Chief Executive Officer 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. (collectively, the "**Applicants**" or "**ENTREC**") and I have personal knowledge of the Applicants and the matters to which I depose in this Affidavit. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe such information to be true.
2. Unless otherwise stated, monetary figures in this affidavit are expressed in Canadian dollars.

BACKGROUND

3. On May 15, 2020, the Alberta Court of Queen's Bench (the "**CCAA Court**") granted ENTREC protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to the Initial Order granted by the Honourable Madam Justice B.E. Romaine (the "**Initial Order**"). On the same day, the US Bankruptcy Court for the Southern District of Texas (the "**US Bankruptcy Court**") granted an order for provisional relief commencing recognition proceedings under Chapter 15 of the US Bankruptcy Code (the "**US Proceedings**"). A motion before the US Bankruptcy Court is scheduled for May 28, 2020.
4. In support of the Initial Order, ENTREC filed the Affidavit of John Stevens sworn May 14, 2020 (the "**First Stevens Affidavit**"). Attached hereto and marked as **Exhibit "A"** is a copy of the First Stevens Affidavit (without exhibits). The exhibits to the First Stevens Affidavit can be found on the Monitor's website at the following URL: <https://www.alvarezandmarsal.com/content/entrec-corporation-affidavits>.
5. The relevant background and circumstances giving rise to ENTREC's commencement of these CCAA proceedings are contained in the First Stevens Affidavit and are not repeated here.

6. Under the Initial Order, the CCAA Court granted the following relief, among other things:
 - (a) ENTREC was granted a stay of proceedings until May 25, 2020 (the "**Stay Period**");
 - (b) Alvarez & Marsal Canada Inc. (the "**Monitor**") was appointed as Monitor in these CCAA proceedings;
 - (c) an interim financing facility (the "**Interim Financing Facility**") provided by the Applicants' pre-filing senior secured lending syndicate (the "**Syndicate**") was approved, as well as a charge (the "**Interim Lender's Charge**") securing advances under the Interim Financing Facility;
 - (d) a charge was granted against all of ENTREC's property (the "**Property**") in priority to all other encumbrances to secure the professional fees and disbursements of the Monitor and its Canadian and US legal counsel, ENTREC's Canadian and US legal counsel and legal counsel for ENTREC's board of directors, to a maximum of \$750,000 (the "**Administration Charge**");
 - (e) a charge was granted against ENTREC's Property as security for the indemnification for directors' liabilities that may arise after the date of the Initial Order in priority to all other encumbrances except for the Administration Charge, to a maximum of \$1.5 million (the "**Directors' Charge**", and together with the Interim Lender's Charge and Administration Charge, the "**Charges**"); and
 - (f) the Court set May 25, 2020 as the comeback hearing in these CCAA proceedings (the "**Comeback Hearing**").
7. This affidavit is sworn in support of the relief sought by ENTREC at the Comeback Hearing, including:
 - (a) granting an Amended and Restated Order (the "**Amended and Restated Initial Order**");
 - (b) granting an Order (collectively, the "**Stay Extension, KERP/KEIP and SISP Order**"):
 - (i) extending the Stay Period through and until August 7, 2020;

- (ii) approving the key employee retention and incentive plan (the “**KERP/KEIP**”, and the order approving the KERP/KEIP, the “**KERP/KEIP Approval Order**”) and granting a charge (the “**KERP/KEIP Charge**”) against the Applicants’ Property (as defined in the Initial Order) in priority to all other encumbrances except for the Administration Charge and Directors’ Charge;
 - (iii) elevating the priority of the Charges over all Encumbrances (as defined in the Initial Order), except that the Interim Lender’s Charge will continue to remain subject to the Carve Out (as defined in the Initial Order);
 - (iv) approving a sale and investment solicitation process (the “**SISP**”); and
 - (v) approving the retention of Ernst & Young Orenda Corporate Finance Inc. (“**EY**”) and Sequeira Partners (“**Sequeira**” and together with EY, the “**Sales Agent**”) to administer the SISP in both Canada and the United States, as well as granting a charge (the “**Sales Agent Charge**”) to secure the compensation of the Sales Agent in accordance with their respective engagement letters, to a maximum of \$1 million; and
- (c) a sealing order in respect of **Exhibit “B”** and “**C**”, such exhibits being the KERP/KEIP and the Engagement Letters (as defined below) of the Second Stevens Affidavit (the “**Sealing Order**”).

2. OVERVIEW OF RELIEF SOUGHT

SISP

8. The Applicants, in consultation with the Monitor, the Sales Agent, and the Agent’s advisors, have developed the SISP to solicit a sale or investment transaction in respect of the Applicants’ Canadian and US business and operations. The SISP has been designed to maximize the available opportunities for a sale of, or investment in, all or part of the Applicants’ assets and business operations. These opportunities may include a restructuring, recapitalization transaction, or a sale of all or part of the Applicants’ assets.
9. Attached hereto and marked as **Exhibit “D”** is a true copy of the SISP.

Summary of SISP

10. An overview of the key terms of the SISP are set out below. The summary below is intended to highlight key aspects of the SISP and does not include all of the terms, which are fully outlined at **Exhibit "D"**.
11. Upon court approval of the SISP, the Sales Agent will:
 - (a) by no later than May 27, 2020, publish a notice in the (a) *National Post*, (b) *Wall Street Journal*, or (c) any other publication where the Sales Agent determines notice of the SISP should be published; and
 - (b) by no later than June 1, 2020, prepare (i) a list of potential bidders (including strategic and financial parties), who may have interest in a transaction, and (ii) a teaser letter.
12. In order to participate in the SISP, potential bidders (i) must execute a confidentiality agreement satisfactory to the Applicants, Sales Agent, and Monitor, and (ii) be a party whom the Sales Agent is satisfied has the financial capabilities and technical expertise to make a viable bid.
13. By no later than June 5, 2020, the Sales Agent will prepare a confidential information memorandum describing the opportunity to make a bid and deliver it to each potential bidder.
14. Potential bidders will receive access to the data room established for the SISP.
15. Any potential bidder who wishes to make a bid must deliver a written, non-binding letter of intent (an "**LOI**") to the Monitor no later than 5:00 p.m. EST on Friday June 26, 2020 (the "**LOI Deadline**").
16. Depending on the nature of the proposed transaction, a potential bidder's LOI must meet certain criteria in order to be considered a "**Qualified LOI**". Strict compliance with such criteria may be waived by the Monitor.
17. A potential bidder must submit a Qualified LOI to be considered a "**Qualified Bidder**".
18. Qualified Bidders will have an opportunity to conduct additional due diligence, including receiving additional information not included in the data room and arrange for site visits.

19. Final bids from Qualified Bidders must be received on or before 5:00 p.m. on July 24, 2020 (the "**Final Bid Deadline**").
20. Depending on the nature of the proposed transaction, in order to be a qualified final bid, a final bid must meet certain criteria, which are set out in the SISP. Strict compliance with such criteria may be waived by the Monitor.
21. The Applicants will review all qualified final bids in consultation with the Monitor and the Agent, and may select a winning bid and a back-up bid. Such selection will take place on or about August 4, 2020.
22. On or before August 17, 2020, the Applicants will seek this Court's approval of the successful bid and may concurrently seek to obtain approval of the back-up bid. Approval of the US Bankruptcy Court will also be sought.
23. Closing will occur within 10 days of the court orders from both the Canadian and US court approving the successful transaction become final orders, or such later date as may be agreed upon by the parties.
24. Subject to the approval of the Monitor and the Agent, the Applicants may, at any time prior to the Final Bid Deadline, apply for the approval to accept a stalking horse bid in the SISP.
25. As noted above, the SISP has been developed in consultation with the Applicants, the Monitor, the Agent, and the Sales Agent. With the consent of the Agent, the SISP provides the Monitor with flexibility to amend its terms and the timelines as deemed necessary or desirable. The Agent has certain approval and consent rights in respect of steps taken and decisions made in the SISP.

Retention of Sales Agent

26. Pursuant to paragraph 4(c) of the Initial Order, subject to the terms of the RSA, the Applicants are authorized and empowered to retain such Assistants (as defined in the Initial Order) as the Applicants deem reasonably necessary or desirable.
27. The Applicants, in consultation with the Monitor and with the approval of agent to the Syndicate (the "**Agent**"), seek to engage the services of EY and Sequeira to jointly act as Sales Agents to administer the SISP, subject to approval of this Court. Copies of the

respective engagement letters of EY and Sequeira are attached and marked here to as **Exhibit "C"** (the "**Engagement Letters**"). The specific terms of the Engagement Letters are commercially sensitive and the Applicants are seeking to have Exhibit "C" sealed by order of this Court.

28. In selecting a sales agent, the Applicants' objective was to make a selection that would be the most effective in maximizing the value of the Applicants' US and Canadian business operations and assets. The Applicants recognize that their operations could potentially be marketed as a single or separate going concern or asset sale transactions. The Applicants also considered other factors, such as experience, efficiency, timeliness and cost of the prospective sales agents.
29. The Applicants, in consultation with the proposed Monitor and the Agent's advisors, received proposals from five (5) firms to act as sales agent. The Applicants received presentations from and interviewed each potential candidate. The Monitor (as proposed Monitor) and the Agent's financial advisor participated in the interviews. After considering all of the proposals and presentations, the Applicants determined that the best value-maximizing strategy was to retain both Sequeira and EY to act jointly and cooperatively as the Applicants' Sales Agent to market ENTREC's business and assets. The Applicants presented their recommendation to the Agent, who confirmed their support for the joint selection of Sequeira and EY.
30. In concluding that a joint retention was the best approach in these circumstances, the Applicants, in consultation with the Monitor (as proposed Monitor, at that time), considered, among other things, the following:
 - (a) Both EY and Sequeira are familiar with the Applicants' US and Canadian business and operations with knowledge in both Canada and the USA about entities who may have an interest in the Applicants' business and therefore may be potential bidders in the SISP;
 - (b) EY is an industry leading M&A advisor in the oilfield service space with unique and deep relationships with potential strategic buyers and First Nations partnerships, which the Applicants believe will be important components to a strategic acquisition. In addition, Ernst and Young LLP is ENTREC's auditor. This unique

relationship also attributed to EY's cost-effective pricing structure to act as Sales Agent;

- (c) Sequeira has deep-rooted experience with ENTREC and has been involved in various projects including strategic options analysis, valuations and other advisory projects, which will allow them to commence the SISF in a timely way without the lead time required to familiarize themselves with the Applicants' business. Sequeira's network of relationships in the US, combined with its knowledge of the Applicants' US business, best positions Sequeira to maximize value for the Applicants' US business in a cost-efficient manner;
 - (d) The Applicants considered other US advisory firms but determined that such firms would not be as cost-effective given their lack of familiarity with the Applicants' business.
31. The combined fees of both EY and Sequeira are competitively priced against the proposals received from other candidates. EY will provide its services for an hourly rate with a cap on total fees. Sequeira is entitled to a monthly work fee as well as a success fee calculated as a percentage of the aggregate transaction value derived from the SISF. Disbursements incurred by the Sales Agents will be invoiced to the Applicants in addition to their respective fees. Lastly, in the event these CCAA proceedings are terminated and receivership or bankruptcy proceedings are commenced in respect of ENTREC, EY's fees will be capped to a specified amount, and Sequeira is entitled to a liquidation fee.
 32. Based on a comparison of the proposals received and my experience engaging advisors for similar services in other transactions, I believe the Engagement Letters, including the quantum and structure of the fees, for both EY and Sequeira represent "market terms".
 33. The Applicants are of the view that the retention of the Sales Agent to administer the SISF is most likely to maximize value for the benefit of the Applicants' stakeholders.
 34. To secure the Sales Agents' compensation that may be payable under their respective engagement letters (including work fees, success fees, liquidation fees and disbursements) the Applicants are requesting that the Sales Agent Charge be granted

against the Applicants' Property in priority to all other charges and encumbrances except for the Administration Charge, Directors' Charge and KERP/KEIP Charge.

35. The Sales Agent Charge is a necessary component to the retention of the Sales Agents to allow them to commence work on the SISF with certainty that their fees and disbursements are secured under the Sales Agent Charge. I understand the Monitor supports the Sales Agent Charge. In addition, the Agent supports the Sales Agent Charge. The Applicants believe the Sales Agent Charge is fair and reasonable in the circumstances.

KERP/KEIP

36. As described in the First Stevens Affidavit, the Applicants determined that certain employees (the "**Key Employees**") are critical to the Applicants' ongoing business operations and success during these CCAA proceedings. In consultation with the Monitor and with the support of the Syndicate pursuant to the RSA, ENTREC has developed the KERP/KEIP for these Key Employees. A copy of the KERP/KEIP is attached as **Exhibit "B"**, in respect of which a sealing order is being sought by the Applicants.
37. The Applicants have identified five (5) Key Employees who hold vital senior management and executive positions responsible for the Applicants' Canadian and US operations, finance and executive decision-making. The continued commitment by the Key Employees to ENTREC plays a key role in the Applicants' restructuring efforts.
38. Each of the Key Employees have developed specific and specialized institutional knowledge and relationships with respect to the Applicants' business and operations that I believe would be extremely difficult to replace during these CCAA proceedings. In addition, while preparing this KERP/KEIP in consultation with the Monitor and the Syndicate, certain of the Key Employees were solicited by third parties for other employment opportunities.
39. I believe the KERP/KEIP is necessary to retain the Key Employees' employment with the Applicants during these CCAA proceedings and to provide appropriate incentives to maximize value for the benefit of the Applicants' stakeholders. Absent a KERP/KEIP being approved by the Court, I believe the Key Employees may seek alternative employment, which would be detrimental to the Applicants' restructuring efforts.

40. As described in the First Stevens Affidavit, the KERP/KEIP contemplates a retention payment to Key Employees payable on the earlier of: (a) the closing of a transaction under the SISF, (b) the termination of the CCAA proceedings, and (c) August 30, 2020 or September 30, 2020 (depending on the Key Employee).
41. Key Employees also may be entitled to an additional payment under the KEIP. The quantum of entitlements under the KEIP for each Key Employee is tied to: (i) a percentage of the total value of a potential transaction, subject to certain thresholds and exceptions, and/or (ii) the success of other recovery efforts.
42. To secure the Key Employees' potential entitlements under the KERP/KEIP, the Applicants seek the KERP/KEIP Charge, to a maximum of \$1.5 million, in priority to all other encumbrances except for the Administration Charge and Directors' Charge.
43. The Applicants believe that the KERP/KEIP and the KERP/KEIP Charge are necessary and appropriate in connection with the Applicants' restructuring efforts and that the scope of the Key Employees and their entitlements under the KERP/KEIP are appropriately tailored in the circumstances.
44. The quantum and structure of the KERP/KEIP was extensively negotiated among and is supported by the Applicants, the Monitor and the Syndicate.

Amended and Restated Initial Order

45. The proposed Amended and Restated Initial Order provides for certain amendments to the Initial Order. These include:
 - (a) increasing the threshold limits under paragraph 12(a), which currently authorizes ENTREC to, among other things, dispose of redundant or non-material assets in the current amount of \$500,000 per transaction, or \$1 million in the aggregate. The Applicants are seeking to increase these thresholds to \$1.1 million per transaction and \$5 million in the aggregate (the "**Non-Core Asset Sale Limits**");
 - (b) removing the clause in paragraph 34 restricting the Applicants' ability to borrow more than \$3,600,000 under the Interim Financing Facility without further order of the Court;

- (c) elevating the priority of the Administration Charge, Directors Charge and Interim Lender's Charge ahead of all other Encumbrances (in the case of the Interim Lender's Charge, remaining subject to the Carve Out); and
- (d) re-ordering the priority among the Administration Charge, Directors' Charge, KERP/KEIP Charge, and Interim Lender's Charge to account for the proposed KERP/KEIP Charge and Sales Agent Charge being sought by the Applicants at the Comeback Hearing.

Non-Core Asset Sale Limits

- 46. The Applicants have identified certain redundant and non-material assets for which they expect to receive one or more purchase offers (the "**Non-Core Assets**"). The Non-Core Assets have been identified as either non-essential to the Applicants' core business, or are currently located in remote locations where the Applicants no longer conduct active business operations.
- 47. The Applicants, in consultation with the Monitor, are of the view that the sale of such Non-Core Assets is in the best interests of the Applicants' stakeholders as it generates immediate liquidity without any adverse impact on the Applicants' ability to conduct ongoing business operations, nor does it affect other property owned by ENTREC or the proposed SISF.
- 48. The value of certain of the Non-Core Assets exceeds the current single transaction threshold of \$500,000 and the anticipated total number of one-off sales will likely exceed the current aggregate limit of \$1,000,000. Accordingly, the Applicants request an increase the Non-Core Asset Sale Limits, to \$1.1 million for any single transaction and \$5 million in the aggregate, to allow for the Applicants to facilitate the sale of Non-Core Assets without incurring the costs associated with returning to Court for approval of one-off sales.
- 49. The Applicants' requested increase of the Non-Core Asset Sale Limits is supported by the Agent and the Monitor. Proceeds derived from sales of Non-Core Assets will be applied in reduction of the Applicants' pre-filing obligations to the Syndicate in accordance with the terms of the Interim Financing Facility.

Interim Financing Facility Borrowing Restrictions

50. The Initial Order provides that the Applicants are not permitted to draw from the Interim Financing Facility an amount which exceeds \$3.6 million without further order of the Court (the “**Borrowing Limit**”).
51. As set out in the First Stevens Affidavit, the Applicants anticipated drawing approximately \$3.6 million between the date of the Initial Order and the Comeback Hearing. Accordingly, the Borrowing Limit under the Interim Financing Facility was limited to those amounts needed for the Stay Period as contemplated in the Cash Flow Forecast in order to comply with the requirements of the CCAA.
52. In accordance with the Applicants’ Cash Flow Forecast, the Applicants anticipate drawing approximately \$29.9 million under the Interim Financing Facility during the forecast period in the Cash Flow Forecast. Accordingly, the Amended and Restated Initial Order increases the Borrowing Limit to \$30 million. Availability under the Interim Financing Facility is governed by the terms of the RSA and is subject to the oversight of the Agent and the Monitor.

Elevation of Priority of Charges

53. The Initial Order was sought on notice to only the Syndicate, Canadian Western Bank (in its capacity as provider of ENTREC’s day-to-day Operating Facility) and independent counsel to ENTREC’s board of directors. The Initial Order provided that the Charges would not rank in priority to any Encumbrance that was not served with notice of the originating application in respect of the Initial Order. The Initial Order authorized the Applicants to apply to the Court to elevate the priority of the Charges on notice to those secured creditors likely to be affected.
54. I am advised by the Applicants’ legal counsel and verily believe, the application in support of the relief sought at this Comeback Hearing will be served on the secured creditors likely to be affected by the elevation of the priority of the Charges, as required by the CCAA.

Stay Extension

55. Pursuant to the Initial Order granted on May 15, 2020, the Applicants obtained an initial 10-day stay of proceedings until and including May 25, 2020.

56. Since the granting of the Initial Order, the Applicants have:

- (a) commenced the US Proceedings;
- (b) issued a press release regarding the commencement of the CCAA Proceedings and the US Proceedings;
- (c) through Stretto, the US noticing agent retained by the Monitor, broadly notified the Applicants' stakeholders of the commencement of the US Proceedings (and, by extension, the CCAA Proceedings);
- (d) communicated with the Agent's advisors;
- (e) communicated with customers, employees, vendors and other stakeholders regarding these CCAA proceedings;
- (f) considered various steps to be taken within the CCAA Proceedings in connection with the Applicants' restructuring efforts;
- (g) developed and negotiated with the Syndicate the terms of the SISP;
- (h) negotiated the form of engagement letter with EY and Sequeira;
- (i) with the consent of the Agent in accordance with the terms of the Initial Order, laid off certain non-essential employees;
- (j) liaised with the Monitor;
- (k) prepared and served court materials for this Comeback Hearing; and
- (l) completed other ancillary matters in connection with these CCAA proceedings and the Applicants' restructuring efforts.

57. The Applicants are now seeking to extend the Stay Period to and including August 7, 2020. The Applicants require an extension of the Stay Period to allow the Applicants to conduct a SISP as part of its restructuring efforts. I believe the Applicants have been acting in good faith and with due diligence. I understand the Monitor and the Agent support the requested stay extension.

Sealing Order

58. As noted above, the Applicants request a Sealing Order sealing certain exhibits of the Second Stevens Affidavit, namely (together the "**Confidential Exhibits**");
- (a) Exhibit "B", which is the KERP/KEIP; and
 - (b) Exhibit "C", which are the Engagement Letters of EY and Sequeira to act as Sales Agent.
59. The Engagement Letters contain commercially sensitive information regarding the specific pricing negotiated by the Applicants for the retention of each Sales Agent, which could be detrimental to the SISF and to EY's and Sequeira's commercial interests in future mandates. Each Engagement Letter includes a provision requiring the Applicants to apply for a sealing order.
60. The KERP/KEIP was attached as a schedule to the RSA and was sealed by an order of this Court at the Applicants' initial application commencing these CCAA proceedings as it contained commercially sensitive and personal information. Accordingly, the Applicants request a sealing order in respect of the KERP/KEIP.
61. I do not believe any person will be materially prejudiced by the granting of the Sealing Order. The request for the sealing order is supported by the Monitor.

3. CONCLUSION

62. For the reasons set out herein, the Applicants respectfully request this Court grant the:

- (a) Amended and Restated Initial Order;
- (b) Stay Extension, KERP/KEIP and SISP Order; and
- (c) Sealing Order.

SWORN BEFORE me at the locality of
Acheson, located within Parkland County,
in the Province of Alberta, this 21st day of
May, 2020.



A Commissioner for Oaths in and for the
Province of Alberta.

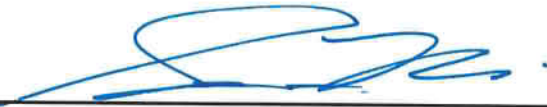
Spencer D. Norris
Barrister and Solicitor

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JOHN STEVENS

**This is Exhibit "A" referred to in the Affidavit
of John Stevens
SWORN before me this 21st day of May, 2020.**



**A Commissioner for Oaths in and for the
Province of Alberta**

Spencer D. Norris
Barrister and Solicitor



Clerk's stamp:

COURT FILE NUMBER

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JUDICIAL CENTRE

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APPLICANTS

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CAPSTAN HAULING LTD., ENTREC ALBERTA
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HEAVY HAUL INC., ENTREC HOLDINGS INC., ENT
OILFIELD GROUP LTD., and ENTREC SERVICES
LTD.

DOCUMENT

**AFFIDAVIT OF JOHN STEVENS IN SUPPORT OF
ORIGINATING APPLICATION**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

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File No.: 144572.3

TABLE OF CONTENTS

| | |
|--|----|
| RELIEF SOUGHT | 1 |
| OVERVIEW..... | 2 |
| BACKGROUND OF APPLICANTS AND BUSINESS OPERATIONS..... | 3 |
| ENT Oilfield Group Ltd..... | 4 |
| Capstan Hauling Ltd. | 4 |
| ENT Capital Corp..... | 5 |
| ENTREC Holdings Inc. | 5 |
| ENTREC Cranes & Heavy Haul Inc..... | 5 |
| ENTREC Alberta Ltd..... | 6 |
| ENTREC Services Ltd. | 6 |
| Employees | 6 |
| Cash Management System..... | 7 |
| ASSETS AND LIABILITIES | 9 |
| Financial Statements..... | 9 |
| Assets | 9 |
| Liabilities | 9 |
| ABL Facility | 10 |
| Operating Facility | 11 |
| Haden's Hauling Ltd. and 2140303 Alberta Ltd. | 11 |
| Equipment Lessors | 12 |
| Convertible Debentures | 12 |
| Landlords | 13 |
| Trade Creditors | 14 |
| CHALLENGES AND LIQUIDITY ISSUES FACED BY THE APPLICANTS | 14 |
| Defaults under ABL Facility | 14 |
| Actions Taken by Landlords | 15 |
| Strategic Initiatives | 16 |
| <i>Corporate Reorganization</i> | 16 |
| <i>Sale of Assets, Adjustment of Lease Obligations, and Downsizing of Operations</i> | 18 |
| Ritchie Bros. Transaction | 19 |
| Attempts to Raise Equity Financing | 19 |
| Attempts to Obtain Additional Debt Financing | 20 |
| United States Payroll Protection Program..... | 20 |
| Restructuring Support Agreement..... | 21 |
| CCAA PROCEEDINGS AND RELIEF SOUGHT | 22 |
| Need for CCAA Proceeding | 22 |
| Stay of Proceedings | 22 |
| US Chapter 15 Proceedings | 23 |
| Interim Financing..... | 24 |
| Appointment of Monitor | 26 |
| Administration Charge..... | 26 |
| Directors' Charge | 27 |
| Additional Relief | 28 |
| Sealing Order | 29 |
| RELIEF TO BE SOUGHT AT COMEBACK MOTION..... | 29 |
| Elevation of Charges..... | 29 |
| Sales Process | 30 |

| | |
|---|----|
| Key Employee Retention and Incentive Plan | 30 |
| CONCLUSION | 31 |

AFFIDAVIT OF JOHN STEVENS

Sworn on May 14, 2020

I John Stevens, of the City of St. Albert in the Province of Alberta, **MAKE OATH AND SAY THAT:**

1. I am the Chief Executive Officer of ENTREC Corporation ("**ENT Parent**" and together with its Subsidiaries (as defined below), the "**Applicants**" or "**ENTREC**") and I have personal knowledge of the Applicants and the matters to which I depose in this Affidavit. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe such information to be true.
2. Unless otherwise stated, monetary figures in this affidavit are expressed in Canadian dollars.

RELIEF SOUGHT

3. This Affidavit is sworn in support of an application for an Order (the "**Initial Order**") in respect of the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), granting, among other things, the following relief:
 - (a) deeming service of the application for the Initial Order to be good and sufficient;
 - (b) declaring each of the Applicants to be a company to which the CCAA applies;
 - (c) authorizing the Applicants to carry on business in a manner consistent with the preservation of their business and property;
 - (d) appointing Alvarez & Marsal Canada Inc. ("**A&M**") as Monitor of the Applicants in these CCAA proceedings (in such capacity, the "**Monitor**") with the rights and duties set out in the CCAA and the Initial Order, including acting as the foreign representative of the Applicants to apply in the United States Bankruptcy Court for the Southern District of Texas for relief pursuant to Chapter 15 of the United States Bankruptcy Code;
 - (e) staying, for an initial period of not more than ten (10) days, all proceedings, rights, and remedies against or in respect of the Applicants, including their respective

businesses and property, or the Monitor, except as otherwise set forth in the Initial Order;

- (f) authorizing the Applicants to pay the reasonable fees and disbursements of the Monitor and its Canadian and US counsel, the Applicants' Canadian and US legal counsel, and Canadian and US independent counsel to ENTREC's board of directors;
- (g) authorizing the Applicants, with the consent of the Monitor and in accordance with the terms of the RSA (defined below), to pay obligations owing for goods and services supplied to the Applicants prior to the date of the Initial Order if, in the Applicants' opinion in consultation with the Monitor, it is necessary for the preservation of the Applicants' business, provided that such payments shall not exceed \$750,000 in the aggregate without prior authorization of this Court;
- (h) authorizing the Applicants to obtain the Interim Financing Facility (as defined and described below) pursuant to the terms and conditions of the RSA, provided that the Applicants shall not be entitled to draw from the Interim Financing Facility an amount in excess of \$3,600,000 until further order of this Court;
- (i) granting the Administration Charge, the Directors' Charge and the Interim Lender's Charge (each as defined below);
- (j) directing and authorizing the Applicants to utilize the Payroll Relief in strict compliance with the United States *Coronavirus Aid, Relief, and Economic Security Act* (as defined and described below);
- (k) sealing certain confidential schedules to the restructuring support agreement entered into by the Applicants and the Syndicate (defined below);
- (l) scheduling a comeback hearing on or before May 25, 2020.

OVERVIEW

- 4. For the reasons set out herein, I do verily believe that the Applicants are insolvent and are companies to which the CCAA applies.
- 5. ENTREC's head office is located in Acheson, Alberta.

6. ENTREC is a heavy haul transportation and crane solutions provider to the oil and natural gas, construction, petrochemical, mining, and power generation industries in Alberta and parts of the United States.
7. ENTREC has significant liabilities and is in default of the terms of its ABL Facility (defined below), which is provided by the Syndicate.
8. ENTREC's financial performance has lagged due to a number of macroeconomic factors, which resulted in ENTREC completing a number of restructuring initiatives in an attempt to improve its balance sheet, rationalize operations, and increase its liquidity and overall financial performance.
9. Despite taking significant restructuring steps, as a result of various factors that are further described herein, ENTREC continued to face financial challenges resulting in ENTREC's board of directors considering their strategic alternatives, including the commencement of these CCAA proceedings.
10. ENTREC's primary objective with the proposed CCAA proceedings is to commence a formal sale and investment solicitation process (the "**SISP**") to identify a potential purchaser to purchase all or part of ENTREC's business, or alternatively, an investor to sponsor a plan of arrangement, with a view to maximizing value for ENTREC's stakeholders.
11. This CCAA application is being made with the consent of the Syndicate.

BACKGROUND OF APPLICANTS AND BUSINESS OPERATIONS

12. ENTREC operates in Canada and the United States. ENTREC has 11 locations, with its primary place of business in Alberta, Canada and US operations based in the states of Texas, North Dakota, Colorado and Wyoming.
13. ENT Parent is a publicly traded company and is listed on the Toronto Stock Exchange under the trading symbol "**ENT**".
14. ENT Parent's full corporate name is ENTREC Corporation. The initial incorporation of the company took place on October 23, 2009, under the Alberta *Business Corporations Act*, as "EIS Capital Corp." On July 31, 2011, EIS Capital Corp. amalgamated with its wholly owned subsidiary, the former Entrec Transportation Services Ltd., at which time

the name "Entrec Transportation Services Ltd." was adopted. On June 1, 2012, the company filed articles of amendment under the Alberta *Business Corporations Act* to change its corporate name to the current name, "ENTREC Corporation."

15. Most of ENTREC's executive management team is located in Acheson, Alberta. One member of the executive management team is located in North Dakota, USA.
16. ENT Parent is an Alberta corporation and is the direct or indirect owner of a number of subsidiaries (each a "**Subsidiary**", and collectively, the "**Subsidiaries**").
17. Attached hereto and marked as **Exhibit "A"** is a copy of ENTREC's corporate chart. Attached hereto and marked as **Exhibit "B"** are copies of the Corporate Profile Reports of each of the Applicants.
18. Below is a brief description of each Subsidiary.

ENT Oilfield Group Ltd.

19. ENT Oilfield Group Ltd. (Alberta) ("**ENT Oilfield**")¹ is an Alberta corporation and provides heavy haul transportation, picker truck and oilfield transportation services throughout Alberta and north-east British Columbia.
20. ENT Oilfield is a guarantor under the ABL Facility.

Capstan Hauling Ltd.

21. Capstan Hauling Ltd. (Alberta) ("**Capstan**") is an Alberta corporation and is 100% owned by ENT Oilfield.
22. ENTREC acquired Capstan in and around October, 2018 (the "**Capstan Acquisition**") from Haden's Hauling Ltd. and 2140303 Alberta Ltd. (collectively, the "**Former Capstan Owners**"). Capstan provides ENTREC's core business (heavy haul transportation services) in north-west Alberta.
23. Capstan is a guarantor under the ABL Facility.

¹ ENT Parent owns 73% of the equity and the remaining 27% is owned by the former owners and employees of Capstan Hauling Ltd.

ENT Capital Corp.

24. ENT Capital Corp. (Alberta) ("**ENT Capital**") is an Alberta corporation and owns 100% of the shares of ENT Holdings (defined below).
25. ENT Capital provides the ENTREC corporate group with the critical functions described below.
26. ENT Capital is a guarantor under the ABL Facility.

ENTREC Holdings Inc.

27. ENTREC Holdings Inc. ("**ENT Holdings**") is a Texas corporation and owns 100% of the shares of ENT USA (defined below).
28. ENT Holdings is actively managed in Alberta by the management team of ENT Capital. In addition, all of the directors of ENT Holdings reside in Alberta and the corporate books and records are maintained in Canada.
29. ENT Holdings is a guarantor under the ABL Facility.

ENTREC Cranes & Heavy Haul Inc.

30. ENTREC Cranes & Heavy Haul Inc. ("**ENT USA**") is a Texas corporation and is the operating company for ENTREC's US business, operating primarily in the states of Texas, North Dakota, Colorado and Wyoming.
31. ENT USA is actively managed from Alberta by the management team of ENT Capital, which is further described below. In addition, all of the directors of ENT USA reside in Alberta and the corporate books and records are maintained in Canada.
32. ENT USA currently has significant property located in Texas, including cranes and other equipment leased with various equipment lessors with a value exceeding several million dollars.
33. ENT USA is a guarantor under the ABL Facility.

ENTREC Alberta Ltd.

- 34. ENTREC Alberta Ltd. ("**ENT Alberta**") is an Alberta corporation and a wholly owned subsidiary of ENT Parent.
- 35. ENT Alberta's purpose is to hold legal title to certain equipment used in ENTREC's operations.
- 36. ENT Alberta is a guarantor under the ABL Facility.

ENTREC Services Ltd.

- 37. ENTREC Services Ltd. ("**ENT Services**") is an Alberta Corporation and a wholly owned subsidiary of ENT Parent.
- 38. ENT Services is a guarantor under the ABL Facility.

Employees

- 39. ENTREC, as a group, has approximately 370 employees. Approximately 230 employees are located in Alberta and 140 employees are located in the USA.
- 40. ENTREC does not have unionized employees.
- 41. ENT Capital employs the majority of the executive and senior management team of ENTREC, with one exception being the Vice President of Operations for ENT USA who is employed by that company.
- 42. ENT Capital has entered into management assistance agreements with ENT Oilfield, ENT Parent and ENT USA under which ENT Capital provides the entire corporate group with critical executive function, management assistance, and shared services, including:
 - (a) formulating and setting the overall business strategy and strategic direction of ENTREC;
 - (b) retaining management personnel;
 - (c) formulating marketing, sales, and operational plans including the pricing of services;

- (d) providing IT application and back-end support;
- (e) providing support and direction in finance, treasury, insurance and risk management;
- (f) negotiating and executing the acquisition and disposition of capital assets and financing transactions;
- (g) negotiating the terms and provisions of customer contracts;
- (h) establishing and setting employee benefits and compensation; and
- (i) pursuing and settling litigation.

Copies of the management assistance agreements described above are attached hereto and marked as **Exhibit "C"**.

- 43. ENTREC is the sponsor of a defined contribution pension plan, which is administered by Sun Life Financial (the "**Pension Plan**"). The beneficiaries of the Pension Plan are the employees of ENTREC.
- 44. ENTREC employees in Canada participate in a RRSP contribution plan (the "**RRSP Plan**").
- 45. In addition, ENT USA sponsors a 401k plan for ENT USA's employees (the "**401K Plan**").
- 46. All payments required by the applicable Applicant under the Pension Plan, RRSP Plan and the 401K Plan are current.

Cash Management System

- 47. To support its day-to-day business operations, ENTREC utilizes a centralized cash management system which is administered primarily from Alberta (the "**Cash Management System**"). The Cash Management System is summarized below.
- 48. Receipts from ENTREC's operations are deposited into accounts (the "**Deposit Accounts**") with Canadian Western Bank ("**CWB**"). The Deposit Accounts are subject to a blocked account agreement entered into between ENT Parent, ENT Oilfield, Capstan, CWB and Wells Fargo, under which amounts deposited into the Deposit

Accounts are swept at the end of each business day into Wells Fargo's collection accounts with Toronto Dominion Bank (the "**Collection Accounts**"). The amounts swept into the Collection Accounts are applied in reduction of the ABL Facility.

49. Prior to these CCAA proceedings, to fund day-to-day operating expenses in Canada, ENTREC utilizes its Operating Facility (defined below) provided by CWB which functions as an overdraft facility. Payments are made from the Operating Facility, which is then replenished from time to time from advances from the ABL Facility. As part of its borrowing base calculation under the ABL Facility, the Syndicate reserves the amounts available to ENTREC under the ABL Facility on account of amounts drawn on the Operating Facility. During these CCAA proceedings, the Applicants will no longer have access to the Operating Facility and day-to-day expenses will be managed by advances under the Interim Financing Facility.
50. In the United States, ENTREC's day-to-day banking facilities are provided by Wells Fargo in the USA ("**Wells Fargo USA**"). Day-to-day operations in the United States are funded by advances made under the ABL Facility which are then transferred into ENT USA's disbursement account with Wells Fargo USA. US cash receipts from ENT USA's operations are deposited into a blocked account with Wells Fargo USA and are swept into the Collection Accounts.
51. In connection with the proposed CCAA proceedings, ENTREC is seeking the authority to continue to operate the Cash Management System, subject to the terms of the RSA, to fund ENTREC's obligations and to maintain its existing banking arrangements in both Canada and the United States. The continued operation of the Cash Management System will minimize disruption to ENTREC's operations caused by the proposed CCAA proceedings by avoiding the need to source alternative banking arrangements.
52. During the proposed CCAA proceedings, the Monitor will have oversight of the Cash Management System and, in conjunction with the Syndicate's financial advisor, PricewaterhouseCoopers Inc. ("**PwC**"), will provide the Syndicate with regular updates and information regarding cash receipts and disbursements as set out in the RSA.

ASSETS AND LIABILITIES

Financial Statements

53. Attached hereto and marked as **Exhibit "D"** are ENTREC's Audited Consolidated Financial Statements for the fiscal year ended December 31, 2019 (the "**Financial Statements**").

Assets

54. According to the Financial Statements, as at December 31, 2019, the assets of ENTREC were as follows:

| Current Assets | |
|--|----------------------|
| Cash | \$1,355,000 |
| Trade and other receivables | \$34,874,000 |
| Inventory | \$1,567,000 |
| Current portion of finance lease receivables | \$1,765,000 |
| Assets held for sale | \$20,021,000 |
| Non-Current Assets | |
| Finance lease receivables | \$3,394,000 |
| Long Term deposits and other assets | \$327,000 |
| Property, plant and equipment | \$163,483,000 |
| Right of use assets | \$54,626,000 |
| Intangible assets | \$84,000 |
| Total Assets | \$284,345,000 |

Liabilities

55. Attached hereto and marked as **Exhibit "E"** are true copies of the Alberta Personal Property Registry search results for each of Applicants as well as the United States Uniform Commercial Code statements for each of ENT USA and ENT Holdings (collectively the "**PPR Searches**"). Attached hereto and marked as **Exhibit "F"** is a summary of the PPR Searches for Alberta.

ABL Facility

56. ENT Parent is the borrower under a secured asset-based credit facility (the "**ABL Facility**") provided by the Syndicate of which Wells Fargo is the agent. A copy of the Amended and Restated Credit Agreement dated October 10, 2017 in respect of the ABL Facility is attached hereto and marked as **Exhibit "G"** (the "**Credit Agreement**").
57. Under the ABL Facility, the Syndicate made available the following credit facilities:
 - (a) USD and CAD Revolving loans – as at May 11, 2020, the amount outstanding under the revolving loans was USD\$12,688,618.43 and CAD\$72,298,817.96, plus interest and costs; and
 - (b) USD and CAD Letters of Credit – as at May 11, 2020, ENTREC had obligations to the Syndicate totaling USD\$110,000.00 and CAD\$84,850.00 under various outstanding letters of credit, plus interest and costs.
58. The purpose of the ABL Facility is to fund ENTREC's capital expenditures, acquisitions and for general corporate purposes.
59. As security for ENT Parent's obligations to Wells Fargo under the ABL Facility, ENT Parent granted security in favour of Wells Fargo in all of its property. Attached hereto and marked as **Exhibit "H"** is a copy of the security agreement executed by ENT Parent in favour of Wells Fargo.
60. In addition, each of the Subsidiaries executed guarantees in favour of Wells Fargo to secure the obligations of ENT Parent under the ABL Facility (collectively the "**Guarantees**"). Attached hereto and marked as **Exhibit "I"** are copies of the Guarantees.
61. As security for their respective obligations under the Guarantees, each of the Subsidiaries granted security in favour of Wells Fargo against all of their respective assets. Attached hereto and marked as **Exhibit "J"** are copies of the security agreements executed by each of the Subsidiaries in favour of Wells Fargo.
62. I understand the proposed Monitor's independent counsel has reviewed the security held by Wells Fargo against the Applicants and has provided the Monitor with an

opinion that, subject to the customary assumptions and qualifications, such security is valid and enforceable in accordance with its terms.

63. As further described below, the Applicants are in default of the terms of the ABL Facility.

Operating Facility

64. ENTREC also has an operating facility (the "**Operating Facility**") to a maximum principal amount of \$5 million with CWB to finance ENTREC's day-to-day operations. Attached hereto and marked as **Exhibit "K"** is a true copy of the Operating Facility agreement.
65. The Operating Facility requires interest only payments until it matures in October, 2022. Any and all amounts outstanding under the Operating Facility bear interest at CWB's prime lending rate plus 150 basis points.
66. The Operating Facility is secured by substantially all of ENTREC's assets. Amounts outstanding under the Operating Facility rank *pari passu* with the ABL Facility.
67. CWB is also a member of the Syndicate and has been kept apprised of ENTREC's circumstances.
68. As at May 1, 2020, the principal amount outstanding under the Operating Facility was approximately \$4.9 million.
69. Pursuant to the terms of the RSA, prior to these CCAA proceedings, the Operating Facility was terminated with no further overdraft being made available (including for drawn cheques), and no payment of pre-filing indebtedness will be made, other than in accordance with the RSA.

Haden's Hauling Ltd. and 2140303 Alberta Ltd.

70. In connection with the Capstan Acquisition, ENT Oilfield issued a promissory note in the aggregate principal amount of \$3 million in favour of each of the Former Capstan Owners (\$1.5 million each) (the "**Promissory Notes**"). Attached hereto and marked as **Exhibit "L"** are true copies of the Promissory Notes.
71. As security for the Promissory Notes, ENT Oilfield granted security in favour of the Former Capstan Owners in certain specified pieces of equipment pursuant to a specific

security agreement (together, the "**Specific Security Agreements**"). Attached hereto and marked as **Exhibit "M"** are true copies of each Specific Security Agreement.

72. The indebtedness owing to, and security in favour, of the Former Capstan Owners is subordinate to the obligations owing to and security held by the Syndicate. Attached hereto and marked as **Exhibit "N"** are copies of the relevant subordination agreements between the Syndicate and the Former Capstan Owners.
73. Interest accrues on the indebtedness to the Former Capstan Owners at 5% per annum and is payable semi-annually. ENT Oilfield did not pay the interest payment due and payable on April 1, 2020 and accordingly is in default of the terms of the Promissory Notes.

Equipment Lessors

74. ENTREC operates an equipment fleet of approximately 125 cranes and picker trucks, 550 multi-wheeled trailers, and 115 tractors. Of these assets, approximately 25 cranes, picker trucks and tractors are subject to various equipment leases. I understand the proposed Monitor has conducted an analysis and made determinations regarding whether the equipment leases are true leases or financing leases.

Convertible Debentures

75. On October 30, 2012, ENTREC issued convertible unsecured subordinated debentures (the "**Debentures**") in the principal amount of \$21,800,000 with a coupon rate of 7.00% (payable semi-annually) pursuant to the terms of a Trust Indenture dated October 30, 2012 (the "**Trust Indenture**"). The coupon rate of the Debentures was increased to 8.50% pursuant to the terms of a Second Supplemental Trust Indenture (the "**Supplemental Trust Indenture**"). Attached hereto and marked as **Exhibit "O"** is a true copy of the Trust Indenture and Supplemental Trust Indenture.
76. The Debentures mature on June 30, 2021, and are convertible at the holder's option into common shares of ENT Parent. The Debentures trade on the Toronto Stock Exchange under the symbol "ENT.DB".
77. On April 29, 2020, ENTREC issued a press release announcing that it will not make the scheduled interest due on April 30, 2020. Under the terms of the Trust Indenture, it is a default if a scheduled interest payment is not made within 15 days of the due date.

Accordingly, ENTREC is in default of the terms of the Trust Indenture as of May 14, 2020.

78. Under the Trust Indenture, on the occurrence of an event of default, Debenture holders may vote to instruct the indenture trustee to declare all amounts outstanding under the Debentures to be immediately due and payable.

Landlords

79. The Applicants are also tenants under a number of real property leases in both Canada and the United States. ENTREC has offices in:
- (a) Fort McMurray, Alberta;
 - (b) Acheson, Alberta;
 - (c) Bonnyville, Alberta;
 - (d) Grande Prairie, Alberta;
 - (e) Whitecourt, Alberta;
 - (f) Odessa, Texas;
 - (g) Williston, North Dakota;
 - (h) Watford City, North Dakota;
 - (i) Dickinson, North Dakota;
 - (j) Platteville, Colorado; and
 - (k) Casper, Wyoming.
80. In addition to the real property leases utilized for ENTREC's operations, ENTREC is also a tenant under a number of residential apartment and condominium leases in Canada and the United States, which premises are utilized by ENTREC's workforce.

Trade Creditors

81. ENTREC incurs obligations in the ordinary course of business to various trade creditors.
82. As at March 31, 2020, the total amount owing to trade creditors was approximately \$15.9 million.

CHALLENGES AND LIQUIDITY ISSUES FACED BY THE APPLICANTS

83. In 2019, due to a number of negative macro-economic factors, including pipeline constraints, discounts in the market price for oil produced in western Canada, rising carbon taxes, and increasing regulatory requirements, the profitability of ENTREC's Canadian business faced challenges.
84. The COVID-19 global pandemic, a historic decrease in oil demand and the Russia-OPEC oil price war are all factors which have contributed to ENTREC's financial challenges. ENTREC's primary source of financing is an asset-based lending facility. These factors have led to depressed asset values, reducing availability under ENTREC's ABL Facility and creating liquidity constraints.
85. These factors also resulted in oil companies significantly reducing their capital expenditure programs, which directly and adversely affected ENTREC's business

Defaults under ABL Facility

86. As a result of the challenges described herein, among other things, ENTREC was unable to maintain compliance with certain financial covenants under the ABL Facility.
87. Between 2019 and 2020, Wells Fargo, as agent for the Syndicate, issued ten (10) default and reservation of rights letters (the "**Default and Reservation Letters**"). The most recent letters were issued on April 29, 2020 (the "**Existing Defaults**"). Attached hereto and marked as **Exhibit "P"** is a true copy of the April 29, 2020 Default and Reservation letter.
88. ENTREC remains in default of the terms of the ABL Facility.
89. ENTREC, with the assistance of A&M in its capacity as financial advisor, continued to work with Wells Fargo regarding the Existing Defaults and ENTREC's efforts to improve

financial performance and liquidity. ENTREC provided regular reporting to the Syndicate about its liquidity position, its upcoming liquidity needs and continued restructuring initiatives, and provided a 13-week cash flow forecast that was updated periodically.

90. In addition, ENTREC, Wells Fargo, and their respective advisors, engaged in discussions surrounding the terms of a forbearance agreement to give ENTREC time to complete its restructuring initiatives. Ultimately, a forbearance agreement was not executed.
91. On May 14, 2020, in connection with the Applicants' proposed CCAA proceedings, Wells Fargo issued formal demands for payment declaring all amounts owing under the ABL Facility as immediately due and payable (the "**Demand Letters**"). In addition, Wells Fargo issued Notices of Intention to Enforce Security pursuant to Section 244 of the *Bankruptcy and Insolvency Act* in respect of each Applicant (the "**BIA Notices**"). Copies of the Demand Letters and accompanying BIA Notices are attached hereto and marked as **Exhibit "Q"**. Further, on May 14, 2020, CWB issued demands and section 244 notices with respect to the Operating Facility, demanding payment in full.

Actions Taken by Landlords

92. In order to preserve liquidity, ENTREC reduced the lease payments made (approximately \$400,000 per month) in respect of its Acheson and Fort McMurray leased facilities.
93. The landlord of ENTREC's leased premises in Acheson, AB (the "**Acheson Landlord**") issued a Statement of Claim seeking, among other things, payment of lease arrears in the amount of \$1,970,374.74.
94. ENTREC filed a Statement of Defence and issued a counterclaim against the Acheson Landlord, alleging, among other things, breaches of certain representations made by the Acheson Landlord. In its Counterclaim, ENTREC sought a declaration that the amended lease agreement with the Acheson Landlord was void, and further sought damages in the amount of \$2,977,743 (the "**Counterclaim**"). Attached hereto and marked as **Exhibit "R"** is a copy of the Counterclaim.

95. On December 12, 2019, the Court issued judgment in favour of the Acheson Landlord in the amount of \$1,970,374.74 (the "**Acheson Judgment**"). The Acheson Landlord registered a writ of enforcement against ENT Parent in the Alberta Personal Property Register on March 10, 2020.
96. The Acheson Landlord also served a Notice of Distraint, and ENTREC subsequently filed a Notice of Objection.
97. ENTREC ultimately settled the Acheson Judgment with the Acheson Landlord, which included payment of rental arrears and additional terms and consideration (the "**Acheson Settlement**"). As a result, the Acheson Landlord filed a Satisfaction Piece with the Court acknowledging that it has received satisfaction of the Acheson Judgment. The Acheson Landlord confirmed that all registrations in the Alberta PPR had been discharged. Attached hereto and marked as **Exhibit "S"** is a copy of the Satisfaction Piece and Discharge of Writ of Enforcement, filed.
98. ENTREC's Counterclaim was not extinguished by the Acheson Settlement.
99. As described below, a settlement was also reached with the landlord of the Fort McMurray leased premises.

Strategic Initiatives

100. As a result of the difficulties it faced in 2018 and 2019, ENTREC, in consultation with its advisors, pursued several strategic initiatives to improve its balance sheet and place an increased focus on its core business of providing crane and heavy haul transportation services, which included a corporate reorganization, the sale of certain assets and the downsizing of business operations, as described below.

Corporate Reorganization

101. In 2019, ENTREC took a number of corporate reorganization steps in an effort to consolidate its entities to capitalize on growth opportunities, improve its balance sheet and to restructure the organization to emphasize growth in ENTREC's US business. These steps resulted ENTREC's current corporate structure (see Exhibit "A") (the "**Reorganization**"). However, ENTREC was unable to achieve all of its desired objectives. Below is a description of the steps in the Reorganization that were completed.

102. Prior to the Reorganization, ENTREC's corporate structure included the following additional entities:
- (a) ENTREC Cranes & Heavy Haul (Western) Ltd. ("**Western**") - Western was a British Columbia corporation and a wholly owned subsidiary of ENT Parent;
 - (b) ENTREC Engineering Ltd. (Alberta) ("**Engineering**") – Engineering was an Alberta corporation and a wholly owned subsidiary of ENT Parent;
 - (c) ENTREC Cranes and Heavy Haul Inc. (Arizona) ("**ENT AZ**") – ENT AZ was an Arizona corporation under which ENTREC operated its US business; and
 - (d) ENTREC Lift Services Inc. ("**Lift Services**") – Lift Services was an Alberta corporation and a wholly owned subsidiary of ENT Parent.
103. Effective December 31, 2019, Western, Engineering and Lift Services (together, the "**Dissolved Entities**") were wound up and dissolved. The assets and liabilities of the Dissolved Entities were assigned to and assumed by ENT Parent.
104. ENT Parent further completed the following intercompany transactions:
- (a) ENT Parent sold to ENT AZ equipment owned by ENT Parent but already in use by ENT AZ in exchange for an intercompany advance (~\$42 million);
 - (b) ENT Parent sold to ENT AZ equipment previously used by ENTREC's Canadian business for an intercompany advance (~\$8.5 million); and
 - (c) ENT Parent sold to ENT Oilfield equipment previously used in ENTREC's Canadian business in exchange for an intercompany advance (~\$12 million).
105. ENT AZ was relocated to and continued in Texas under ENT USA.
106. ENT Capital, ENT Holdings, and ENT USA were created. ENT Parent sold all of its shares in ENT USA to ENT Capital in exchange for equity in ENT Capital. As a result, ENT Capital became a wholly owned subsidiary of ENT Parent, and ENT USA became a wholly owned subsidiary of ENT Capital.

107. ENT Capital then sold all of its shares in ENT USA to ENT Holdings in exchange for equity in ENT Holdings. As a result, ENT Holdings became a wholly owned subsidiary of ENT Capital, and ENT USA became a wholly owned subsidiary of ENT Holdings.
108. The result of the Reorganization is the corporate structure attached as Exhibit "A".
109. The Reorganization resulted in ENT Holdings becoming the direct parent of ENT USA. Under the terms of the ABL Facility (see Sections 5.11 and 5.12 of the Credit Agreement, located at **Exhibit "G"** of this Affidavit), ENT Parent covenanted in favour of Wells Fargo and the Syndicate that any new direct or indirect subsidiary of ENT Parent shall execute such necessary guarantees and security agreements as may be required to ensure that the obligations under the ABL Facility are guaranteed by all of ENTREC's subsidiaries and secured by substantially all of the assets of ENT Parent and its subsidiaries, including ENT Holdings. Prior to the commencement of these CCAA proceedings, it was identified that ENT Holdings had not executed a guarantee and security agreement as contemplated by the Credit Agreement. Accordingly, on April 29 2020, pursuant to the terms of the Credit Agreement, ENTREC delivered a guarantee and security agreement executed by ENT Holdings in favour of Wells Fargo. The ENT Holdings guarantee and security agreement are attached hereto in **Exhibit "I"** and **Exhibit "J"**, respectively.

Sale of Assets, Adjustment of Lease Obligations, and Downsizing of Operations

110. In January 2020, ENT Parent completed the sale of the majority of its Canadian crane assets and business to a third party. The proceeds from this sale, being approximately \$21.2 million, less certain holdback amounts, were applied to reduce long-term debt.
111. In February 2020, ENTREC revised its lease agreement with the landlord (the "**Fort McMurray Landlord**") with respect to ENTREC's premises in Fort McMurray, Alberta. As a result, ENTREC terminated its existing long-term lease agreement and entered into a month-to-month lease agreement with the Fort McMurray Landlord. Under the terms of the agreement with the Fort McMurray Landlord, the Fort McMurray Landlord was paid outstanding rental arrears and ENTREC further agreed to pay \$2.9 million over 5 years and issue 18,000,000 common shares of ENT Parent, subject to certain terms and conditions. ENT Capital guaranteed the \$2.9 million payment.

112. In March 2020, ENTREC announced that it was significantly downsizing its hydraulic platform trailer business and closed its Acheson location. This line of business in western Canada faced significant profitability challenges since the beginning of the oil and gas downturn in 2014 and the significant decline in oil sands construction activity.

Ritchie Bros. Transaction

113. As part of its restructuring initiatives, ENTREC, with the support of the Syndicate, sought to sell various redundant equipment owned by ENT Parent.
114. ENTREC initially pursued a transaction with a leading national liquidator. While negotiations and documentation of a transaction had progressed significantly, the transaction did not materialize due to the impact of the COVID-19 global pandemic.
115. ENTREC then pursued a transaction with Ritchie Bros. Auctioneers (Canada) Ltd. ("**Ritchie Bros.**"). On March 26, 2020, ENT Parent executed an agreement of purchase and sale (the "**Sale Agreement**") with Ritchie Bros. and Ironplanet Canada Ltd. ("**Ironplanet**") for the purpose of reselling the redundant equipment at Ritchie Bros.' public auction. The Sale Agreement was subsequently amended to remove Ironplanet such that only ENT Parent and Ritchie Bros. are parties to the Sale Agreement.
116. The Sale Agreement contemplated a closing in two tranches. The first payment was upon the delivery by ENTREC of a portion of the equipment to Ritchie Bros.' auction site. ENTREC was paid the first tranche of the purchase price on April 9, 2020. ENTREC was paid the balance of the purchase price and the second tranche of the sale closed on May 8, 2020.
117. Subject to the payment in respect of certain liens placed against the equipment sold to Ritchie Bros., the net proceeds of sale were applied in reduction of the ABL Facility.
118. Under the terms of the Sale Agreement, ENTREC may receive an additional payment depending on the final outcome of Ritchie Bros.' auction.

Attempts to Raise Equity Financing

119. As part of its restructuring initiatives, ENTREC sought a further equity investment for its business in the USA. ENTREC identified and commenced negotiations with potential investors.

120. While negotiations continued between November 2019 and April 2020, a transaction did not materialize.
121. The proposed equity investment was contingent on ENTREC consummating a loan transaction with another potential lender, which could not be completed as is described below.

Attempts to Obtain Additional Debt Financing

122. As part of its efforts to raise equity financing, ENTREC sought to establish a new credit facility with a new syndicate of lenders in the amount of approximately USD \$85 million.
123. The new credit facility was contemplated to provide financing for ENTREC's US business operations and to allow for a significant reduction of the ABL Facility.
124. ENTREC, with the assistance of A&M, kept the Syndicate apprised of its negotiations with the prospective lenders as the transaction would have required the Syndicate to release its security against the assets of ENT USA.
125. A transaction did not materialize, primarily because ENTREC was unable to raise additional equity, the unanticipated impact of the COVID-19 global pandemic and depressed oil prices.

United States Payroll Protection Program

126. In response to the COVID-19 global pandemic, the US Government passed the *Coronavirus Aid, Relief, and Economic Security Act* (the "**CARES Act**") for the purpose of aiding US businesses impacted by COVID-19. The CARES Act established the Paycheck Protection Program (the "**PPP**") to provide emergency forgivable loans for businesses operating in the United States to stabilize their US payroll and certain other business expenditures.
127. ENTREC determined that ENT USA qualified for the PPP program. With the assistance of TBK Bank in Dallas, Texas, ENT USA submitted an application under the PPP (the "**PPP Application**").
128. The PPP is administered through various financial institutions whereby the financial institution processes the application and, if approved, issues a promissory note for the amount of the approved loan. The loan documents include a promissory note, board

- resolutions, and various other documents (the "**PPP Loan Documents**"). Attached hereto and marked as **Exhibit "T"** are true copies of the PPP Loan Documents.
129. On or about April 22, 2020, the PPP Application was approved and as a result, ENT USA received forgivable loans in the approximate amount of USD \$3,943,300 to be administered in strict compliance with the CARES Act (the "**Payroll Relief**").
 130. The Payroll Relief was deposited, and is being held, in a US disbursement account with Wells Fargo USA (the "**US Disbursement Account**").
 131. The Payroll Relief will be utilized by ENT USA to fund payroll costs of those employees of ENT USA who reside in the United States or make rent payments as they become due and payable in the ordinary course of business, in strict compliance with the CARES Act.
 132. Under the proposed Initial Order, ENT USA is authorized and directed to utilize the Payroll Relief strictly in accordance with and for the purposes authorized under the CARES Act. The Payroll Relief will continue to be held in the US Disbursement Account and any payments will be made in accordance with the Cash Flow Forecast and subject to the oversight of the Monitor. The intention of this provision is to ensure the Payroll Relief is utilized solely for the purposes for which it was obtained and to avoid such funds being inadvertently swept under the Applicants' existing Cash Management System.

Restructuring Support Agreement

133. Despite the restructuring initiatives that ENTREC successfully completed during 2019 and early 2020, ENTREC continued to face liquidity constraints for the reasons described above.
134. In addition, Wells Fargo issued the Demand Letters and BIA Notices in respect of the ABL Facility. The Applicants are unable to make timely repayment of the ABL Facility or secure alternative financing and, as a result, ENTREC faces a looming liquidity crisis and is unable to pay its obligations as they become due.
135. ENTREC's board of directors, in consultation with ENTREC's legal and financial advisors, considered its strategic alternatives to maximize value for its stakeholders, including potentially making an application under the CCAA. As a result, the Applicants,

through their advisors, approached Wells Fargo and its advisors to solicit the Syndicate's support.

136. The ensuing discussions and negotiations between ENTREC, the Syndicate, and their respective advisors, resulted in the parties entering into a restructuring support agreement (the "**RSA**"), pursuant to which the Syndicate agreed to support these CCAA proceedings, including providing the Interim Financing Facility. A partially redacted copy of the RSA is attached hereto and marked as **Exhibit "U"**. As described below, the Applicants seek a sealing order to seal certain schedules to the RSA. I understand an unredacted copy of the RSA will be provided to the Court.

CCAA PROCEEDINGS AND RELIEF SOUGHT

Need for CCAA Proceeding

137. With the support of the Interim Financing Facility, the Applicants intend to continue operations in the ordinary course, subject to certain reductions as a result of the ongoing rationalization of ENTREC's business.
138. At the Comeback Hearing (defined below), ENTREC intends to seek approval of a SISP. ENTREC is of the view that a court-supervised SISP under the CCAA is the best value maximizing strategy in the circumstances and is in the best interests of ENTREC and its stakeholders.
139. Pursuant to the terms of the RSA, the Syndicate is supportive of the Applicants' decision to apply for the Initial Order and commence these CCAA proceedings.
140. The Applicants seek the proposed Initial Order substantially in the form of the Alberta template initial order found on the Commercial List website. Key aspects of the relief sought are highlighted below.

Stay of Proceedings

141. Given the challenges faced by the Applicants described herein, Wells Fargo's demands and BIA notices, ENTREC requires a stay of proceedings to maintain the status quo and to give the Applicants the breathing space they require to develop a SISP in consultation with its advisors, the Monitor and Wells Fargo and its advisors.

142. The proposed Initial Order contemplates a stay of proceedings for a period of 10 days, which I understand is the maximum that can be authorized by a court at the initial application under the CCAA.
143. Wells Fargo and the Syndicate are unaffected creditors under the proposed Initial Order and are not subject to the stay of proceedings.
144. The Applicants propose to return to this Court for a comeback hearing on or before May 25, 2020 (the "**Comeback Hearing**").
145. At the Comeback Hearing, the Applicants intend to seek an extension of the stay of proceedings for a sufficient length of time to allow the Applicants to complete the SISF without having incur additional costs during the SISF to return to Court to seek a further extension of the stay of proceedings.
146. The Applicants have considered their alternatives in consultation with their financial and legal advisors. I believe that, at this time, it is necessary for ENTREC to obtain protection from its creditors under the CCAA in order to give the enterprise the breathing space and liquidity it requires to commence and administer a SISF for the benefit of its stakeholders.

US Chapter 15 Proceedings

147. Immediately upon the issuance of the Initial Order, the Applicants intend to seek provisional recognition of the Initial Order and these CCAA proceedings in the United States under Chapter 15 of the US Bankruptcy Code (the "**US Proceedings**") in the United States Bankruptcy Court for the Southern District of Texas.
148. While most of the executive decision-making for the Applicants is done Alberta, which is also where the head office is located, ENTREC does have operations and assets in the USA that could be adversely affected without the commencement of the US Proceedings.
149. Under the Initial Order, the proposed Monitor will be the Applicants' foreign representative in the US Proceedings. The Applicants are of the view that the US Proceedings are necessary in order to protect the Applicants' US business operations during the CCAA proceedings and to seek recognition of any transactions that may arise from the Applicants' contemplated SISF.

Interim Financing

150. Pursuant to the RSA, the Syndicate has agreed to continue to make advances and over-advances under the ABL Facility as an interim financing facility under the CCAA (the "**Interim Financing Facility**").
151. In addition to the terms set out in the Credit Agreement, below is a summary of the terms in the RSA (see **Exhibit "U"** attached hereto) governing the Interim Financing Facility:
 - (a) **Purpose and Availability.** The Interim Financing Facility shall be utilized in accordance with the Cash Flow Forecast (defined below), and availability will not exceed the Applicants' operating cash flow requirements as set out in the Cash Flow Forecast;
 - (b) **Interest.** All advances accrue interest at the rate of CDOR/LIBOR Rate plus 8% per annum;
 - (c) **Interim Lender's Charge.** All advances, including interest, fees and expenses (collectively, the "**Post-filing Obligations**") will be secured by a court-ordered priority charge (the "**Interim Lender's Charge**"). The priority of the Interim Lender's Charge is subject to the Carve Out (defined and described below);
 - (d) **Priority.** The Interim Lender's Charge shall rank in priority to all other encumbrances other than the Administration Charge, the Directors' Charge and, if granted at the Comeback Hearing, the KERP/KEIP Charge (each as defined below);
 - (e) **Fees:**
 - (i) Amendment Fee in the amount of \$250,000; and
 - (ii) Unused Line Fee, calculated in accordance with section 2.9(b) of the Credit Agreement;
 - (f) **Post-filing Collections.** The Applicants are entitled to continue to utilize their existing Cash Management System. All post-filing receipts (the "**Post-Filing Collections**") will be applied to repay pre-filing obligations. For greater certainty

the Interim Lender's Charge does not secure any obligation that existed prior to the date of filing;

(g) **Conditions:** customary, including that the Interim Lender's Charge be granted; and

(h) **Defaults:** customary.

152. There are certain encumbrances set out in the Alberta PPR of the Applicants that the Interim Lender's Charge is not intended to prime (the "**Carve Out**"). The particulars of those registrations are attached hereto and marked as **Exhibit "V"**. The registrations subject to the Carve Out are generally in respect of equipment subject to a purchase-money security interest, equipment leases or 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.
153. Attached hereto and marked as **Exhibit "W"** is a 13-week cash flow prepared by the Applicants in consultation with A&M (the "**Cash Flow Forecast**"). As indicated from the Cash Flow Forecast, the Applicants require the Interim Financing Facility in order to fund its operations, as well as restructuring costs, during these CCAA proceedings. Without the Interim Financing Facility, ENTREC will be unable to operate in the ordinary course, to the detriment of its stakeholders.
154. 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.
155. As set out in the Cash Flow Forecast, the Applicants forecast drawing approximately \$3,600,000 under the Interim Financing Facility between the date of filing and the Comeback Hearing. I believe this amount is what is reasonably necessary for the Applicants to operate in the ordinary course and fund restructuring costs during this period.

Appointment of Monitor

156. The Applicants seek the appointment of A&M as Monitor of the Applicants in these CCAA proceedings.
157. A&M is familiar with the operations of ENTREC, as A&M was previously engaged as a financial advisor to ENTREC to assist with its dealings with the Syndicate, as well as an assessment of ENTREC's strategic alternatives and restructuring initiatives.
158. A&M has further reviewed and assisted in the preparation of the Cash Flow Forecast, and has provided guidance and assistance in the commencement of these CCAA Proceedings.
159. As a result, A&M has developed critical knowledge about ENTREC, its business operations, financial challenges, and strategic and restructuring efforts to date.
160. A&M has not acted as ENTREC's auditor and is a licensed insolvency trustee.
161. A&M has consented to act as the Monitor, subject to Court approval. A copy of the Consent to Act as Monitor provided by A&M is attached hereto and marked as **Exhibit "X"**.

Administration Charge

162. It is contemplated that a Court-ordered charge over the Applicants' Property (as defined in the Initial Order) would be granted in favour of the Monitor, the Canadian and American counsel to the Monitor, the Canadian and American counsel to the Applicants and the independent Canadian and American counsel to ENTREC's board of directors (the "**Administration Professionals**"), to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order (the "**Administration Charge**").
163. The proposed Administration Charge being sought is for a maximum amount of \$750,000.
164. In preparation of the Cash Flow Forecast, the Applicants, in consultation with the Monitor and Wells Fargo's advisors, considered the professional fees forecasted to be incurred on a weekly basis during the cash flow period. Until the week of the Comeback Hearing (Week 2), the Applicants forecast to incur significant professional fees

(including retainers) in connection with the CCAA proceedings and US Proceedings, such as preparing for the Comeback Hearing, commencing the US Proceedings, communicating with employees and stakeholders following the initial filing, developing a SISP, reporting to Wells Fargo, and complying with statutory notices, mailings and communications.

165. The Applicants do not forecast making a payment on account of accrued professional fees until Week 3 in the Cash Flow Forecast. This payment should include payment of pre-filing professional fees in connection with these CCAA proceedings. The amount forecast in Week 3 also includes payment of the professional fees incurred by Wells Fargo.
166. Accordingly, I believe the quantum of the Administration Charge sought is reasonably necessary at this time to secure the professional fees of the Administration Professionals.
167. All of Administration Professionals have contributed, and will continue to contribute, to the Applicants' restructuring efforts.
168. The Applicants, in consultation with the Monitor, the Syndicate, and their respective advisors, will consider whether an increase to the Administration Charge will be required at the Comeback Hearing.

Directors' Charge

169. It is contemplated that the Applicants' directors and officers would be granted a priority Court-ordered charge (the "**Directors' Charge**") on the Applicants' property in priority to all other charges other than the Administration Charge and the Interim Lender's Charge, up to a maximum amount of \$1,500,000.
170. The Directors' Charge is intended to address potential claims that may be brought against directors and officers that are not covered under existing insurance described below or to the extent coverage is insufficient to cover such claims.
171. 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 basic coverage and an

additional \$10 million for excess coverage. However, the D&O coverage will expire on June 1, 2020, which will likely be during these CCAA proceedings.

172. The Applicants are currently assessing the feasibility of purchasing additional run off directors' liability insurance. The purchase of such coverage is contemplated in the Cash Flow Forecast; however, such insurance has not been secured at this time.
173. The Applicants' directors and officers have expressed their desire for certainty regarding their personal liability if they are to continue as directors during these CCAA proceedings. The Directors' Charge is vital to the continued participation of the directors in these CCAA proceeding.
174. The directors have specialized expertise and relationships with the Applicants' stakeholders. In addition, the directors and officers have gained significant knowledge that cannot be easily replicated or replaced. A successful restructuring will only be possible with the continued participation of the Applicants' directors and officers.
175. The quantum of the Directors' Charge was developed with the assistance and support of the proposed Monitor and is supported by the Syndicate pursuant to the RSA.
176. As set out in the Cash Flow Forecast, the Applicants' payroll costs in Canada and the US will exceed the quantum of the Directors' Charge prior to the Comeback Hearing. In addition, the Applicants' ordinary course operations give rise to sales tax in both Canada and the USA, which may be subject to directors' liability. In light of these amounts and potentially other unforeseen circumstances that may give rise to directors' liability prior to the Comeback Hearing, the Applicants are of the view that the quantum of the Directors' Charge is reasonably necessary at this time.

Additional Relief

177. In connection with the US proceedings, the proposed Initial Order includes in the Monitor's powers the authority to retain a noticing agent. I understand from ENTREC's US counsel that the notice procedures in Chapter 15 proceedings in the United States are typically handled by third party service providers that specialize in such procedures. I understand that the retention of a noticing agent produces considerable savings in comparison to the professional fees incurred for the Chapter 15 debtor's counsel (or the Monitor's counsel) to satisfy the US Chapter 15 notice requirements.

178. The Applicants and the Monitor obtained proposals from three (3) reputable noticing agents in the United States. All three proposals were competitive in terms of experience, offerings and pricing. The Applicants and Monitor selected Bankruptcy Management Solutions, Inc. d/b/a Stretto (the "**Noticing Agent**") to act as noticing agent in this case.
179. In preparation for the proposed CCAA proceedings, the Monitor has engaged the Noticing Agent on a preliminary basis. Canadian notice requirements under the CCAA will be addressed by the Monitor.
180. In addition, the Applicants rely on certain service providers in its day-to-day operations. To preserve its business and maintain critical relationships, the Applicants seek the Court's approval to make payment of pre-filing expenses or to honour cheques issued to providers of goods and services prior to the date of filing that the Applicants, with the consent of the Monitor, believe are necessary to facilitate the Applicants' ongoing operations and preserve value during these proceedings.

Sealing Order

181. The Applicants seek a sealing order with respect to certain schedules to the RSA. These schedules include sensitive (i) commercial information regarding the Company's financial circumstances and appraised asset values, and (ii) personal information of key employees (the "**Confidential Information**").
182. The Applicants are of the view it is necessary that the Confidential Information be sealed from the public as its exposure could detrimentally affect the Applicants' restructuring efforts.

RELIEF TO BE SOUGHT AT COMEBACK MOTION

183. For the benefit of this Court and the Applicants' stakeholders, this section highlights critical relief that the Applicants intend to seek at the Comeback Hearing. The Applicants may seek additional relief if determined to be necessary or advisable.

Elevation of Charges

184. The Applicants intend to seek to elevate the priority of the Administration Charge, Directors Charge and Interim Lender's Charge (in the case of the Interim Lender's

Charge, subject to the Carve Out) over all other encumbrances. In accordance with the CCAA, parties affected by this relief will be served with the Notice of Application in advance of the Comeback Hearing.

Sales Process

185. As stated above, ENTREC, in consultation with the Monitor and PwC, intends to develop and seek approval of a SISP at the Comeback Hearing.
186. At this time, the SISP is contemplated to be administered by an investment bank that is supported by the Applicants, the Monitor, and the Syndicate (the "**Sale Advisor**"). The Applicant, in consultation with Wells Fargo and its advisors, are considering proposals of potential Sale Advisors. As such, the Applicants intend to seek the approval of the retention of the Sale Advisor at the Comeback Hearing to administer the SISP.

Key Employee Retention and Incentive Plan

187. ENTREC determined that certain employees (the "**Key Employees**") are critical to the Applicants' operations and success during these CCAA proceedings. In consultation with the proposed Monitor and with the support of the Syndicate pursuant to the RSA, ENTREC has developed a key employee retention and incentive plan (the "**KERP/KEIP**") in respect of such Key Employees.
188. The KERP/KEIP contemplates a retention payment to Key Employees payable on the earlier of: (a) the closing of a sale transaction under the anticipated SISP, (b) the termination of the CCAA proceedings, and (c) August 30, 2020 or September 30, 2020 (depending on the Key Employee).
189. Key Employees also may be entitled to an additional payment under the KEIP. The quantum of entitlements under the KEIP for each Key Employee is tied to: (i) a percentage of the total value of a potential transaction, subject to certain thresholds and exceptions, and (ii) the success of other recovery efforts.
190. Key Employees' potential entitlements under the KERP/KEIP are contemplated to be secured by a Court-ordered charge in priority to all other encumbrances except for the Administration Charge and Directors' Charge (the "**KERP/KEIP Charge**").

191. The Applicants intend to seek approval of the KERP/KEIP and the KERP/KEIP Charge at the Comeback Hearing. A copy of the KERP/KEIP will be provided to the Court for approval on a confidential basis and a sealing order will also be sought.

CONCLUSION

192. The Applicants, with the assistance of their legal and financial advisors, in consultation with the Syndicate and its advisors, have determined that the proposed CCAA proceedings represent the best available strategy to maximize value for ENTREC's stakeholders.

SWORN BEFORE me at the City of
Acheson, in the Province of
 Alberta, this 14th day of May, 2020.



A Commissioner for Oaths in and for the
 Province of Alberta.

Spencer D. Norris
 Barrister and Solicitor



JOHN STEVENS

EXHIBIT "B"

REDACTED

SUBJECT TO REQUESTED SEALING ORDER

EXHIBIT "C"

REDACTED

SUBJECT TO REQUESTED SEALING ORDER

**This is Exhibit "D" referred to in the Affidavit
of John Stevens
SWORN before me this 21st day of May, 2020.**



**A Commissioner for Oaths in and for the
Province of Alberta**

Spencer D. Norris
Barrister and Solicitor

SALES AND INVESTMENT SOLICITATION PROCESS ENTREC CORPORATION & SUBSIDIARIES

INTRODUCTION

1. On May 15, 2020, ENTREC Corporation ("**ENTREC**") and its subsidiaries Capstan Hauling Ltd., Entrec Alberta Ltd., Ent Capital Corp., Entrec Cranes & Heavy Haul Inc., Ent Oilfield Group Ltd., Entrec Holdings Inc. and Entrec Services Ltd. (collectively with ENTREC, the "**Applicants**") obtain an Initial Order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**") from the Alberta Court of Queen's Bench (the "**CCAA Court**"). The Applicants' proceedings under the CCAA are referred to herein as the "**CCAA Proceedings**".
2. Pursuant to the Initial Order, Alvarez & Marsal Canada Inc. was appointed as monitor (in such capacity, the "**Monitor**") of the Applicants in the CCAA Proceedings.
3. Pursuant to proceedings (the "**Chapter 15 Proceedings**", and together with the CCAA Proceedings, the "**Insolvency Proceedings**") commenced in the United States Bankruptcy Court for the Southern District of Texas (the "**US Bankruptcy Court**", and together with the CCAA Court, the "**Insolvency Courts**") under Chapter 15, Title 11, of the United States Code (the "**US Bankruptcy Code**"), ENTREC obtained, among other things, recognition of the CCAA Proceedings.
4. Wells Fargo Capital Finance Corporation Canada is Administrative Agent (in such capacity, the "**Agent**") for a syndicate of secured lenders (collectively, the "**Lenders**") that have agreed to provide certain interim financing to ENTREC during the Insolvency Proceedings pursuant to, among other things, a Support Agreement made May 14, 2020 between the Lenders and the Applicants.
5. Pursuant to the Order of the CCAA Court dated May 25, 2020 (the "**SISP Order**"), the CCAA Court approved the sale and investment solicitation process set out herein (the "**SISP**"). Capitalized terms used herein are as defined in the SISP Order unless defined otherwise herein.
6. Pursuant to the SISP Order, each of Ernst & Young Orenda Corporate Finance Inc. ("**EY**") and Sequeira Partners ("**Sequeira**") were appointed to act as Sales Agent in accordance with the SISP Order and the SISP.
7. While EY will focus on Canadian opportunities and Sequeira will focus on US opportunities, their marketing efforts will be highly coordinated and they will cooperate in activities such as developing a list of Known Potential Bidders (as defined below), communicating and meeting with interested parties, preparing and distributing marketing materials and managing the Data Room (as defined below).

SISP OVERVIEW

8. The purpose of the SISP is to solicit interest in one or more or any combination of (1) a restructuring, recapitalization or other form of reorganization of the business and affairs of one or more of the Applicants as a going concern, or (2) a sale of all, substantially all or

one or more components of the Applicants' assets (the "**Property**") and / or business operations of the Applicants (the "**Business**") as a going concern or otherwise.

9. The SISP describes the manner in which individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures, governmental organizations or other entities (each, a "**Person**") may gain access to or continue to have access to due diligence materials concerning the Applicants, the Property and the Business, how bids involving the Applicants, the Property or the Business will be submitted to and dealt with by the Applicants, Monitor, the Sales Agent and the Agent and how Court approval will be obtained in respect of any Transaction (as defined below).
10. As described below, the various deadlines herein may be extended by and at the discretion of the Monitor and the Applicants, subject to approval by the Agent, in its sole discretion (in consultation with the Lenders). The Monitor will consider extending the various deadlines herein in the event that the Monitor determines that such an extension will generally benefit the Applicants' creditors and other stakeholders.

"AS IS, WHERE IS" BASIS

11. Any transaction involving the Applicants, the Property or the Business (in each case, a "**Transaction**") will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Sales Agent, the Monitor, the Applicants, or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent expressly set forth in the relevant Final Agreement (as defined herein).

THE SISP PROCESS

A. Initial Solicitation of Interest

12. The Sales Agent may contact any Persons to solicit expressions of interest in a Transaction either before or after the granting of the SISP Order.
13. As soon as reasonably practicable after the granting of the SISP Order and in any event by no later than May 27, 2020, the Sales Agent will cause a notice regarding this SISP, in a form satisfactory to and previously approved by the Applicants, the Monitor and the Agent, to be published in (a) the *National Post*, (b) *The Wall Street Journal* or other national daily publication acceptable to the Applicants, the Agent and the Monitor, and (c) any other publication in which the Sales Agent determines notice of this SISP should be published.
14. As soon as reasonably practicable after the granting of the SISP Order and in any event by no later than June 1, 2020, in consultation with the Applicants, the Monitor and the Agent, the Sales Agent will prepare a list of potential bidders (the "**Known Potential Bidders**") who may have interest in a Transaction. Such list will include both strategic and financial parties who may be interested in acquiring an interest in the Applicants and/or their assets pursuant to an asset purchase transaction (an "**Asset Bid**"), a restructuring of the debt, share or capital structure of the Applicants (a "**Restructuring Bid**") or some combination of a of an Asset Bid and a Restructuring Bid (such combination bid, a "**Hybrid**").

Bid). Concurrently, the Sales Agent will prepare an initial offering summary (the "**Teaser Letter**") notifying Known Potential Bidders of the SISP and inviting the Known Potential Bidders to express interest in making an Asset Bid, Restructuring Bid or Hybrid Bid (each, a "**SISP Bid**").

15. By no later than June 2, 2020, the Sales Agent shall distribute to the Known Potential Bidders and any other interested Persons the Teaser Letter, as well as a draft form of confidentiality agreement (the "**Confidentiality Agreement**") that shall inure to the benefit of the Person or Persons who make the Winning Bid (as defined herein) pursuant to this SISP. Copies of the Teaser Letter and Confidentiality Agreement shall be provided to any appropriate Persons who becomes known to the Sales Agent after the initial distribution of such documents.
16. Any Person (a) who executes a Confidentiality Agreement in form and substance satisfactory to the Applicants, Sales Agent and the Monitor, and (b) whom the Sales Agent is satisfied has the financial capabilities and technical expertise to make a viable SISP Bid, shall be deemed to be a potential bidder (each, a "**Potential Bidder**").

B. Due Diligence

17. The Sales Agent will prepare a confidential information memorandum ("**CIM**") by no later than June 5, 2020, describing the opportunity to make a SISP Bid and shall deliver the CIM to each Potential Bidder as soon as practicable after such Person is deemed to be a Potential Bidder in accordance with this SISP.
18. The Sales Agent shall provide each Potential Bidder with information, including access to an electronic data room established by the Sales Agent by no later than June 5, 2020 (the "**Data Room**"), that the Sales Agent determines to be necessary for the Potential Bidder to evaluate a transaction involving a SISP Bid.

C. LOI Process

19. Any Potential Bidder who wishes to submit a SISP Bid must deliver a written, non-binding letter of intent (each, a "**LOI**") to the Monitor at the address specified in and in accordance with Schedule "A" hereto so as to be received by the Monitor not later than 5:00 p.m. EST on Friday June 26, 2020, or such other date or time as the Monitor and the Applicants may determine with the approval of the Agent (the "**LOI Deadline**").
20. Following the LOI Deadline, all LOIs shall be reviewed by the Applicants, in consultation with the Monitor, the Sales Agent and the Agent.
21. An LOI shall be a qualified LOI (each, a "**Qualified LOI**") provided that it contains:
 - (a) a specific indication of the anticipated sources of capital for such Potential Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit support or enhancement that will allow the Monitor and its legal advisors, to make, in their reasonable business or professional judgment, a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a SISP Bid;

- (b) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect owners of the Potential Bidder and their principals;
- (c) an indication of whether the Potential Bidder wishes to tender (i) an Asset Bid; (ii) a Restructuring Bid; or (iii) a Hybrid Bid;
- (d) in the case of an Asset Bid, it identifies:
 - (i) the purchase price range (including liabilities to be assumed by the Potential Bidder and any credit bid);
 - (ii) whether the Asset Bid is *en bloc*, the Property included, any of the Property expected to be excluded, and/or any additional assets desired to be included in the transaction;
 - (iii) the structure and financing of the transaction (including, but not limited to, the sources of financing for the purchase price, preliminary evidence of the availability of such financing and the steps necessary and associated timing to obtain the financing and consummate the proposed transaction and any related contingencies, as applicable);
 - (iv) the proposed treatment of employees of the Applicants;
 - (v) the proposed treatment of any leases and other material contracts;
 - (vi) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - (vii) any additional due diligence required or desired to be conducted by the Potential Bidder, if any;
 - (viii) any conditions to closing that the Potential Bidder may wish to impose; and
 - (ix) any other terms or conditions of the Asset Bid which the Potential Bidder believes are material to the transaction;
- (e) in the case of a Restructuring Bid, it identifies:
 - (i) the aggregate amount of the equity and debt investment, including liabilities to be assumed by the Potential Bidder and any credit bid component (including the sources of such capital, preliminary evidence of the availability of such capital and the steps necessary and associated timing to obtain the capital and consummate the proposed transaction and any related contingencies, as applicable) to be made in the Applicants;
 - (ii) the underlying assumptions regarding the *pro forma* capital structure (including, the anticipated debt levels, debt service fees, interest and amortization);
 - (iii) the consideration to be allocated to the stakeholders including claims of any secured or unsecured creditors of the Applicants and the proposed treatment of employees;
 - (iv) the structure and financing of the transaction including all requisite financial assurance;

- (v) any anticipated corporate, shareholder, internal or regulatory approvals required to close the transaction, the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - (vi) any additional due diligence required or desired to be conducted by the Potential Bidder, if any;
 - (vii) any conditions to closing that the Potential Bidder may wish to impose; and
 - (viii) any other terms or conditions of the Restructuring Bid which the Potential Bidder believes are material to the transaction;
- (f) in the case of a Hybrid Bid, all of the information contained in subparagraphs (a) through (e) above, as applicable;
- (g) such other information as may be requested by the Monitor or the Sales Agent; and
- provided however, that any Qualified LOI must be in form and substance satisfactory to the Agent (in consultation with the Lenders).

22. Any Potential Bidder who submits a Qualified LOI on or before the LOI Deadline shall be designated a **"Qualified Bidder"**.
23. The Applicants, with the approval of the Monitor and the Agent (in consultation with the Lenders) may waive the strict compliance of one or more of the requirements specified above and deem any LOI to be a Qualified LOI, notwithstanding any noncompliance with the terms and conditions of this SISP.
24. In the event that no Person submits an LOI, or that no LOI qualifies as or is deemed to qualify as a Qualified LOI, or that no LOI is deemed commercially reasonable to the Applicants, the Agent and the Monitor, the Applicants may, with the Approval of the Monitor and the Agent, terminate the SISP. If no Qualified LOIs are received by the LOI Deadline, the Applicants may, in consultation with the Monitor and the Agent, may consider other forms of bids for the Property and the Business. At any time during the SISP, the Applicants, may, with the approval of the Monitor and the Agent, determine that any bid is a Winning Bid and seek Approval Orders in respect of such Winning Bid(s) from the Insolvency Courts.

D. Final Bid Process

25. The Sales Agent may invite Qualified Bidders to conduct additional due diligence or otherwise make available to Qualified Bidders additional information not posted in the Data Room, arrange for inspections and site visits at ENTREC's premises, as determined by the Sales Agent and subject to paragraph 44. The Data Room will include, among other things, a form of purchase agreement for use by Qualified Bidders.
26. Any Qualified Bidder may submit an Asset Bid, a Restructuring Bid or a Hybrid Bid (each, a **"Final Bid"**) to the Monitor at the address specified in Schedule "A" hereto on or before 5:00 pm EST on Friday July 24, 2020, or such later time and date that the Applicants may determine, with the approval of the Monitor and the Agent (the **"Final Bid Deadline"**).
27. Final Bids shall be reviewed by the Monitor, the Sales Agent, the Applicants and the Agent.

28. A Final Bid submitted as an Asset Bid shall be a "**Qualified Asset Bid**" the event that:

- (a) it includes a letter stating that the Asset Bid is irrevocable until the earlier of (i) the approval by the Insolvency Courts, and (ii) forty five (45) days following the Final Bid Deadline; provided, however, that if such Asset Bid is selected as the Winning Bid or the Backup Bid, it shall remain irrevocable until the closing of the Winning Bid or the Backup Bid, as the case may be;
- (b) it includes a duly authorized and executed purchase and sale agreement specifying the all consideration payable, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by the Qualified Bidder with all exhibits and schedules thereto;
- (c) it does not include any request or entitlement to any break fee, expense reimbursement or similar type of payment;
- (d) it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Monitor to allow the Monitor to make a reasonable determination as to the Qualified Bidders (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Asset Bid;
- (e) it is not conditional on (i) the outcome of unperformed due diligence by the Qualified Bidder and/or (ii) obtaining any financing capital and includes an acknowledgment and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its Asset Bid;
- (f) it is not conditional upon any governmental or regulatory approval;
- (g) it fully discloses the identity of each Person that is bidding or otherwise that will be sponsoring or participating in the Asset Bid, including the identification of the bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- (h) it is accompanied by a refundable cash deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Monitor), in an amount equal to ten percent (10%) of the consideration be paid in respect of the Asset Bid, to be held and dealt with in accordance with this SISP;
- (i) it contains other information requested by the Sales Agent, the Applicants, the Monitor or the Agent; and
- (j) it is received by no later than the Final Bid Deadline.

29. A Final Bid submitted as a Restructuring Bid shall be a "**Qualified Restructuring Bid**" the event that:

- (a) it includes definitive documentation, duly authorized and executed by the Qualified Bidder, setting out the terms and conditions of the proposed transaction, including the aggregate amount of the proposed equity and debt investment, assumption of debt if any, and details regarding the proposed equity and debt structure of the Applicants following completion of the proposed transaction;

- (b) it includes a letter stating that the Restructuring Bid is irrevocable until the earlier of (i) the approval by the Insolvency Courts, and (ii) forty five (45) days following the Final Bid Deadline; provided, however, that if such Restructuring Bid is selected as the Winning Bid or the Backup Bid, it shall remain irrevocable until the closing of the Winning Bid or the Backup Bid, as the case may be;
 - (c) it does not include any request or entitlement to any break fee, expense reimbursement or similar type of payment;
 - (d) it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed transaction, or other evidence satisfactory to the Monitor to allow the Monitor to make a reasonable determination as to the Qualified Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the transaction contemplated by the Restructuring Bid;
 - (e) it is not conditional on (i) the outcome of unperformed due diligence by the Qualified Bidder and/or (ii) obtaining any financing capital and includes an acknowledgment and representation that the bidder has had an opportunity to conduct any and all required due diligence prior to making its Restructuring Bid;
 - (f) it is not conditional upon any governmental or regulatory approval;
 - (g) it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Restructuring Bid, including the identification of the Qualified Bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
 - (h) it is accompanied by a refundable Deposit in the form of a wire transfer (payable to a trust account specified by the Monitor) in an amount equal to ten percent (10%) of the consideration to be paid pursuant to the Restructuring Bid, to be held and dealt with in accordance with this SISP;
 - (i) it contains other information requested by the Sales Agent, the Applicants, the Monitor or the Agent; and
 - (j) it is received by no later than the Final Bid Deadline.
30. A Hybrid Bid submitted by the Final Bid Deadline will be considered a **"Qualified Hybrid Bid"** if it is in substantial compliance with the portions of paragraphs 28 and 29 of this SISP, as determined by the Monitor.
31. All Qualified Asset Bids, Qualified Restructuring Bids and Qualified Hybrid Bids shall constitute **"Qualified Final Bids"**. The Applicants, with the approval of the Monitor and the Agent (in consultation with the Lenders) may waive the strict compliance of one or more of the requirements specified above and deem any Final Bid(s) to be a Qualified Final Bid and notwithstanding any non-compliance with the terms and conditions of this SISP.

E. Selection of Winning Bid

32. The Applicants shall review all Qualified Final Bids in consultation with the Monitor, the Sales Agent and the Agent (in consultation with the Lenders). Subject to the approval of the Monitor and the Agent, the Applicants may, but shall have no obligation to, enter into a

definitive agreement or agreements (each a "**Final Agreement**") with the Person or Persons who submitted the highest, best or otherwise most favourable Qualified Final Bid(s).

33. In the event that the Applicants enter into one or more Final Agreements on or before Tuesday August 4, 2020, or such later time and date that the Monitor may determine (the "**Final Agreement Deadline**"), any Qualified Bid so selected shall be a "**Winning Bid**" and the next highest, best or otherwise most favourable Qualified Bid received, as determined by the Applicants, shall be the "**Backup Bid**". Any Qualified Bidder that makes a Winning Bid shall be a "**Successful Bidder**" and any Qualified Bidder that makes a Backup Bid shall be a "**Backup Bidder**".
34. The Monitor will notify each Successful Bidder and Backup Bidder of the Final Agreement and the Backup Bid shall remain open until the consummation of the transaction contemplated by the Winning Bid (and, for greater certainty, the Monitor shall be entitled to continue to hold the Deposit in respect of the Backup Bid until such time as the transaction contemplated by the Winning Bid is consummated).
35. In the event that (a) no Qualified Bidder submits or is deemed to have submitted a Qualified Final Bid, (b) the Applicants, with the approval of the Monitor and the Agent (in consultation with the Lenders), determines that none of the Qualified Final Bids should be accepted, or (c) that a Final Agreement has not been entered into before the Final Agreement Deadline, this SISP shall terminate.
36. The highest Qualified Final Bid may not necessarily be accepted by the Applicants. The Applicants, with the approval of the Monitor and the Agent (in consultation with the Lenders), reserve the right not to accept any Qualified Final Bid or to otherwise terminate the SISP. The Applicants, with the Approval of the Monitor and the Agent (in consultation with the Lenders), further reserve the right to deal with one or more Qualified Bidders to the exclusion of other Persons, to accept a Qualified Final Bid or Qualified Final Bids for some or all of the Property, the Applicants or the Business, to accept multiple Qualified Final Bids and enter into multiple Final Agreements.

APPROVAL ORDERS

37. In the event that the Applicants enter into a Final Agreement, on or before Monday August 17, 2020 the Applicants shall apply for orders (the "**Approval Orders**") from the Insolvency Courts, in form and substance, satisfactory to the Monitor and the Agent (in consultation with the Lenders), approving the transaction contemplated by the Winning Bid and any necessary related relief required to consummate the transaction contemplated by the Winning Bid, subject to the terms of the Final Agreement.
38. The Applicants may also concurrently obtain relief approving the transaction contemplated by the Backup Bid and any necessary related relief required to consummate the transaction contemplated by the Backup Bid.
39. An Approval Order shall become a "**Final Order**" upon satisfaction of the following conditions: (i) it is in full force and effect; (ii) it has not been reversed, modified or vacated and is not subject to any stay; and (iii) all applicable appeal periods have expired and any

appeals therefrom have been finally disposed of, leaving the Approval Order wholly operable.

CLOSING

40. Closing of the transactions contemplated in any Final Agreement shall occur within ten (10) days of the date upon which the Approval Orders have become Final Orders, or as may be extended with the approval of the Monitor and the Agent.

DEPOSITS

41. All Deposits paid pursuant to this SISP shall be held in trust by the Monitor. The Monitor shall hold Deposits paid by each of the Winning Bidder and the Backup Bidder in accordance with the terms outlined in this SISP. In the event that a Deposit is paid pursuant to this SISP and the Applicants elect not to proceed to negotiate and settle the terms and conditions of a definitive agreement with the Person that paid such Deposit, the Monitor shall return the Deposit and any interest accrued thereon to that Person.
42. In the event that either of the Successful Bidder or the Backup Bidder default in the payment or performance of any obligations owed to the Applicants, the Monitor or the Sales Agent pursuant to any Final Agreement the Deposit paid by the Winning Bidder or the Backup Bidder, as applicable, shall be forfeited to such party as liquidated damages and not as a penalty.

GENERAL

43. Subject to approval of the Monitor and the Agent, the Applicants may at any time prior to the Final Bid Deadline apply to the Insolvency Courts for approval to accept a "stalking horse" bid in the SISP.

COVID-19

44. This SISP shall be interpreted so as to comply and be consistent with any applicable laws, regulations or public health directives related to the COVID-19 pandemic, and may be amended at any time with the approval of the Monitor and the Agent to the extent necessary or advisable to comply with same.

SCHEDULE "A"

Addresses for Deliveries

Any notice or other delivery made to the Monitor pursuant to this SISP shall be made to:

ALVAREZ & MARSAL CANADA INC.
400 Burrard Street, Unit 1680
Vancouver, BC
V63 3A6
Attention: Todd Martin / Anthony Tillman
Email: tmartin@alvarezandmarsal.com / atillman@alvarezandmarsal.com

with copy to:

NORTON ROSE FULBRIGHT CANADA LLP
400 3 Ave SW
Calgary, AB
T2P 4H2
Attention: Howard Gorman and Louis R. Strubeck, Jr.
Email: howard.gorman@nortonrosefulbright.com / louis.strubeck@nortonosefulbright.com

Any notice or delivery made to the Sales Agent pursuant to this SISP shall be made to:

SEQUEIRA PARTNERS
Suite 2250 TD Tower
10088 102 Avenue
Edmonton, AB
T5S 2Z1
Attention: Julie Afanasiff
Email: jafanasiff@sequeirapartners.com
Facsimile: 1-877-790-6172

and to:

ERNST & YOUNG ORENDA CORPORATE FINANCE INC.
10423 – 101 Street, Suite 1400
PO Box 44
Edmonton, AB
T5H 0E7
Attention: Darcy Yamada
Email: darcy.yamada@ca.ey.com
Facsimile: 780-429-5097

Deliveries pursuant to this SISP by email or by facsimile shall be deemed to be received when sent. In all other instances, deliveries made pursuant to this SISP shall be deemed to be received when delivered to the relevant address, as identified above.