

Court File No.

**ALBERTA COURT OF QUEEN'S BENCH
(IN BANKRUPTCY & INSOLVENCY)**

**IN THE MATTER OF THE PROPOSAL OF
CASA ENERGY SERVICES CORP.**

**PURSUANT TO THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3,
AS AMENDED**

**AND IN THE MATTER OF SECTION 191 OF THE *BUSINESS CORPORATIONS ACT*
(ALBERTA), RSA 2000, c B-9, AS AMENDED**

PROPOSAL

CASA Energy Services Corp., hereby submits the following Proposal to all of its unsecured creditors and secured creditors pursuant to the *Bankruptcy and Insolvency Act*.

**ARTICLE 1
DEFINITIONS**

1.1 Definitions

In this Proposal:

- (a) "ABCA" means the *Business Corporations Act* (Alberta), RSA 2000, c B-9, as amended and in force as at the Date of the Proposal;
- (b) "Administrative Fees and Expenses" means the proper fees, expenses and legal fees and disbursements of the Trustee and the Company on and incidental to the negotiation, preparation, presentation, consideration and implementation of the Company's Proposal and the proceedings arising out of or incidental to the Proposal;
- (c) "Articles of Reorganization" means Articles of Reorganization substantially in the form of the Articles of Reorganization as set out in Schedule "1" of the Proposal;
- (d) "BIA" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c.B-3, as amended and in force as at the Date of the Proposal;
- (e) "Business Day" means a day, other than a Saturday or Sunday, on which banks are generally open for business in Calgary, Alberta;
- (f) "Claim" means:

- (i) any right of any Person against the Company in connection with any indebtedness, liability or obligation of any kind of the Company, which indebtedness, liability or obligation is in existence at the NOI Date, including any claim arising from a disclaimer of lease on or before the date of the filing of the Proposal, whether or not reduced to judgement, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise, and whether or not such a right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or at the time of the NOI Date, or on or before the date of the filing of the Proposal in respect of a claim arising from a disclaimer of a lease; and
- (ii) a Director Claim;
- (g) "Company" means CASA Energy Services Corp.;
- (h) "Court" means the Alberta Court of Queen's Bench (in Bankruptcy and Insolvency);
- (i) "Court Approval Date" means the date on which the Court makes the Final Order;
- (j) "Creditor" means any Person having one or more Claims and may, if the context requires, mean a trustee, receiver, receiver-manager or other Person acting on behalf or in the name of such Person;
- (k) "Creditors' Meeting" means the meeting of the Unsecured Creditors called for the purpose of considering and voting upon this Proposal;
- (l) "Creditors' Meeting Date" means 10:00 a.m. on June 10, 2015 or such other date and time as may be called by the Trustee;
- (m) "Date of the Proposal" means May 21, 2015, the date of the filing of the Proposal with the Official Receiver;
- (n) "Director" means a director of the Company on or before the Date of the Proposal;
- (o) "Director Claim" means any right of any Person against a Director in connection with any indebtedness, liability or obligation of the Company for which the Director is at law liable in his or her capacity as a Director of the Company that arose before the NOI Date, but does not include any claims that: (a) relate to contractual rights of one or more Persons arising from contracts with one or more Directors; or (b) are based on allegations of misrepresentation made by Directors to Creditors or wrongful or oppressive conduct by Directors;

- (p) "Distribution Date" means a date that is no later than thirty (30) days after the Final Order approving the proposal;
- (q) "Dividend" means the payment to be made to the Unsecured Creditors by the Trustee as contemplated in section 7.2, and in each case less the levy pursuant to section 147(1) of the BIA;
- (r) "Employees" means all employees at the Company;
- (s) "Employee Claims" means all Claims of employees and former employees of the Company for amounts equal to the amounts that they would be qualified to receive under paragraph 136(1)(d) of the BIA if the Company became bankrupt on the NOI Date;
- (t) "Existing Shareholders" means shareholders who hold Existing Shares as of the NOI Date;
- (u) "Existing Shares" means all shares in the capital of the Company that are issued and outstanding as of the NOI Date;
- (v) "Final Order" in respect of any matter means an order of the Court with respect to such matter, provided that such order will not be a Final Order until after (i) the expiry of applicable appeal periods and (ii) in the event of an appeal or application for leave to appeal, final determination by the applicable appellate tribunal;
- (w) "Implementation" means: (i) the consolidation and redesignation of the Existing Shares held by the Existing Shareholders as set out in Schedule 1; (ii) the issuance by the Company of the New Common Shares to West Face in consideration for West Face releasing and discharging the West Face Secured Claim; (iii) the redemption of the Class "B" common share issued to the Existing Shareholders pursuant to the Reorganization; (iv) delivery to Existing Shareholders of all documents required to be delivered to Existing Shareholders by this Proposal; and (v) payment by the Company of the amount of the Unsecured Creditor Fund to the Trustee on the Implementation Date;
- (x) "Implementation Date" has the meaning ascribed thereto in section 7.1;
- (y) "Landlord" means the lessor of the premises situated at #201, 525 – 11th Avenue SW, Calgary, Alberta T2R 0C9 and subject to a commercial lease dated July 19, 2012, as amended by the lease amending agreements, dated March 14, 2013 and August 1, 2013;
- (z) "New Common Shares" means 2,000,000 Class "A" common shares in the capital of the Company with all of the share rights, privileges, restrictions and conditions set out in Schedule "A" of Schedule "1" to be authorized for issuance by the Company pursuant to the Reorganization;

- (aa) "NOI Date" means April 21, 2015, the date of the filing of the notice of intention to make a proposal with the Official Receiver;
- (bb) "Official Receiver" shall have the meaning ascribed thereto in the BIA;
- (cc) "Person" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other entity howsoever designated or constituted;
- (dd) "Preferred Creditor" means any Creditor entitled to receive payment of any amount owed to it in priority to other creditors as provided under section 136 of the BIA;
- (ee) "Proof of Claim" shall have the meaning ascribed thereto in section 5.1;
- (ff) "Proposal" means this proposal together with any amendments or additions thereto;
- (gg) "Proposal Period": means the period between the Court Approval Date and the Implementation Date;
- (hh) "Proposed Trustee" means Alvarez & Marsal Canada Inc, the Trustee acting in regard to the proposal of the Company;
- (ii) "Proven Claim" means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the BIA and this Proposal;
- (jj) "Reorganization" means a reorganization under section 192 of the ABCA pursuant to Articles of Reorganization providing for, *inter alia* (i) the consolidation of all of the Existing Shares into one (1) common share; (ii) changing the designation of the common shares to Class "B" common shares redeemable by the Corporation on demand for \$1.00; (iii) the redemption by the Company of the one (1) issued and outstanding Class "B" common share; (iv) creating a new class of Class "A" common shares with all of the share rights, privileges, restrictions and conditions set out in Schedule "A" of Schedule "1"; and (v) issuing the New Common Shares to West Face in consideration for West Face releasing and discharging the West Face Secured Claim, substantially in the form of the Articles of Reorganization attached hereto as Schedule "1", which Articles of Reorganization shall be filed immediately before Implementation;
- (kk) "Section 224 Claim" means all claims of Her Majesty in Right of Canada or a province for all amounts of a kind that could be subject to a demand under subsection 224(1.2) of the *Income Tax Act* or under any substantially similar provision of provincial legislation and that were outstanding at the NOI Date;
- (ll) "Secured Creditor" means any Person holding Security against various assets of the Company with respect to their Claims;
- (mm) "Security" means a mortgage, hypothec, pledge, charge, lien, privilege, encumbrance or security interest on or against the property of the Company or

any part thereof as security for a debt due or accruing due to them by the Company and shall include Claims by any Person which may be based upon or secured by a negotiable instrument held as collateral security and upon which the Company is only indirectly or secondarily liable other than the West Face Security;

- (nn) "Unsecured Creditor Class" shall have the meaning ascribed thereto in section 4.1;
- (oo) "Unsecured Creditor Fund" means an amount equal to \$100,000 to be paid by the Company to the Trustee on the Implementation Date and to be distributed by the Trustee in accordance with section 7.2;
- (pp) "Unsecured Creditors" means those Persons with Proven Claims, except for Claims that are:
 - (i) Claims of Secured Creditors;
 - (ii) the West Face Secured Claim;
 - (iii) the Employee Claims; and
 - (iv) the Section 224 Claims.
- (qq) "West Face" means West Face Long Term Opportunities Limited Partnership, West Face Long Term Opportunities Master Fund L.P., and West Face Long Term Opportunities (USA) Limited Partnership;
- (rr) "West Face Claim" means an amount equal to \$39,929,049.21 owing pursuant to the West Face Senior Notes, of which \$5,000,000 is hereby deemed to be an Unsecured Claim and \$34,929,049.21 is secured under the West Face Security;
- (ss) "West Face Secured Claim" means \$34,929,049.21, representing that portion of the West Face Claim subject to the West Face Security;
- (tt) "West Face Senior Notes" means the Senior Secured Convertible Notes in the principal amount of \$38,977,242.07 plus interest of \$760,323.19 issued by the Company to West Face, due on or before March 30, 2015; and
- (uu) "West Face Security" means the general security agreement granted by the Company in favour of BNY Trust Company of Canada, as collateral agent on behalf of West Face, dated March 30, 2012.

1.2 Accounting Terms

All accounting terms not otherwise defined herein will have the meaning ascribed to them in accordance with Canadian generally accepted accounting principles including those prescribed by the Canadian Institute of Chartered Accountants. Accounting policies and standards of financial disclosure will be in accordance with Canadian generally accepted accounting principles.

1.3 Articles of Reference

The terms "hereof", "hereunder", "herein" and similar expressions refer to this Proposal and not to any particular article, section, subsection, clause or paragraph of this Proposal and include any agreements supplemental hereto. In this Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.4 Interpretation Not Affected by Headings

The division of this Proposal into articles, sections, subsections, clauses or paragraphs and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.5 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.

1.6 Time

All times expressed herein are local time in Calgary, Alberta, Canada unless otherwise stipulated. Where the time for anything pursuant to this Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Calgary, Alberta, Canada.

1.7 Numbers, etc.

In this Proposal, where the context requires, a word importing the singular number will include the plural and vice versa and a word or words importing gender will include all genders.

1.8 Currency

Unless otherwise stated herein, all references to currency in this Proposal are to lawful money of Canada.

1.9 Statutory References

Except as otherwise provided herein, any reference in this Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supercedes such statute or regulation.

1.10 Successors and Assigns

This Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in this Proposal.

ARTICLE 2

PURPOSE AND EFFECT OF THIS PROPOSAL

2.1 Purpose of Proposal

The purpose of this Proposal is to effect a restructuring of the business and affairs of the Company in the expectation that all Creditors will derive a greater benefit from the continued operation of the business and affairs of the Company than would result from a forced liquidation of its assets.

2.2 Effect of Proposal

This Proposal restructures the affairs of the Company and amends the terms of any and all agreements between the Company and the Creditors existing as at the Implementation Date and provides the essential terms on which all Claims will be fully and finally resolved and settled. During the Proposal Period, all Creditors will continue to be stayed from commencing or continuing any proceeding or remedy against the Company or any of its property or assets in respect of a Claim including, without limitation, any proceeding or remedy to recover payment of any monies owing to Creditors, to recover or enforce any judgment against the Company in respect of a Claim or to commence any formal proceedings against it other than as provided for under this Proposal.

Notwithstanding the terms and conditions of all arrangements or other arrangements with creditors entered into before the NOI Date, for so long as an event of default in the Proposal has not occurred, or if it has occurred, has been waived or cured, all such agreements or other arrangements will be deemed to be amended to the extent necessary to give effect to all the terms and conditions of this Proposal. In the event of any conflict or inconsistency between the terms of such agreements or arrangements and the terms of this Proposal, the terms of this Proposal will govern.

2.3 Persons Affected

This Proposal will, as of the Implementation Date, be binding on the Company, on all Unsecured Creditors included in the Unsecured Creditor Class that approves the Proposal in the manner provided for in the Act including West Face in its capacity as an Unsecured Creditor and on any Person with a Director Claim.

2.4 Post-Proposal Goods and Services

All debts incurred subsequent to the NOI Date shall be paid in the ordinary course of business by the Company. The Company shall, to the fullest extent possible, carry on its normal business operations and shall not dispose of any assets other than is contemplated by this Proposal, or other than is in the normal and regular course of its ongoing business.

The Company agrees that the Trustee shall not in any case be responsible for ensuring that payment is duly made to all those persons supplying goods and services for any period subsequent to the NOI Date. All Creditors hereby release and forever discharge the Proposal Trustee from any and all liability relating to the Company's non-payment of any liabilities under this paragraph.

ARTICLE 3 RESTRUCTURING OF THE COMPANY

3.1 Share Capital

CASA is a private company incorporated under the ABCA. CASA has approximately 50,730,801 common shares issued and outstanding and its share capital is approximately \$46,500,000. Alberta Treasury Branches is the operating lender, however at the date of the NOI no amount was drawn on the Operating Line. West Face is a secured lien creditor and is owed approximately \$39,929,049.21. The West Face Senior Notes matured on March 31, 2015, are due and payable now, but the Company has no ability to repay or refinance the debt. The value of the Company's assets is considerably less than the West Face Senior Notes.

3.2 History

Historically the Company had three operating divisions including a Drilling Rig Division, a Coil Tubing Unit Division and a Service Rig Division. Over the past year, the Drilling Rig and Coil Tubing Unit Divisions were sold and the proceeds utilized to repay secured creditors. CASA, with only the Service Rig Division is a much smaller operating entity, with reduced revenues and margins. The sale of the two divisions combined with the downturn in the energy sector due to a significant decline in oil prices has led to a capital structure that cannot be supported, operating facilities and assets that are not required and a lack of liquidity to continue to operate without the support of West Face, its second lien lender. The Company is insolvent and needs to restructure if it is to continue.

3.3 Operational Restructuring

The operational restructuring of Company has commenced with the termination of employees and its premise leases in Red Deer and Calgary, Alberta. The Red Deer operations are being relocated to Brooks, Alberta and a lease for smaller head office space in Calgary is being arranged. Certain asset leases have also been terminated and some employees have or will be terminated.

3.4 Financial Restructuring

The financial restructuring of the Company is being undertaken through this Proposal and the Reorganization and includes a compromise of the Claims of its Unsecured Creditors and the issuance of the New Common Shares to West Face in consideration for West Face releasing and discharging the West Face Secured Claim.

3.5 Reorganization

As a condition to the Implementation of the Proposal, the Company will also Reorganize its share structure pursuant to the applicable provisions of the ABCA by (i) consolidating all of the Existing Shares in the capital of the Company into one common share; (ii) changing the designation of the common shares to Class "B" common shares redeemable by the Corporation on demand for \$1.00; (iii) the redemption by the Company of the one (1) issued and outstanding Class "B" common share; (iv) creating a new class of Class "A" common shares with all of the share rights, privileges, restrictions and conditions set out in Schedule "A" of Schedule "1"; (v)

issuing the New Common Shares to West Face in consideration for West Face releasing and discharging the West Face Secured Claim. Consequently Existing Shareholders will essentially receive no consideration for their Existing Shares. The Reorganization is set out in Schedule 1 to the Proposal.

3.6 Benefit of Proposal

The Proposal is the best option for the Company and its stakeholders at this time. If the Proposal is not approved by the Unsecured Creditors the Company will be deemed bankrupt and stakeholders, including employees, suppliers and creditors will receive nothing and be worse off than if the Proposal is implemented.

ARTICLE 4 CLASSIFICATION OF CREDITORS AND TREATMENT OF CLAIMS

4.1 For the purpose of considering and voting on the Proposal there shall be one class of Creditors:

- (a) Unsecured Creditor Class

There shall be one general class of unsecured creditors consisting of all Unsecured Creditors (the "**Unsecured Creditor Class**").

The Proven Claims of all Unsecured Creditors will be paid by the Trustee in accordance with section 7.2.

4.2 Secured Creditors

The Claims of Secured Creditors, other than the West Face Secured Claim, shall be paid in full in accordance with their terms and shall be unaffected by the terms of this Proposal. Secured Creditors, other than ATB and West Face, shall be required to prove their claims in this Proposal by filing a Proof of Claim but shall not be entitled to vote on this Proposal.

West Face shall release and discharge the West Face Secured Claim in consideration for the issuance of the New Common Shares to West Face pursuant to the Reorganization.

4.3 Preferred and Priority Claims

All Administrative Fees and Expenses shall be paid in priority to all Claims. All Section 224 Claims and Employee Claims, if any, shall be paid in full immediately after Implementation of this Proposal.

All Creditors who have Section 224 Claims and Employee Claims shall not be required to prove their claims in this Proposal and shall not be entitled to vote on this Proposal.

4.4 Post Filing Goods and Services

All goods supplied and services rendered to the Company on or after the NOI Date shall be paid for in full by the Company in the ordinary course.

4.5 Effect of Proposal on Claims of Creditors

The effect of this Proposal on Creditors shall be:

- (a) to fully satisfy, release and extinguish all Claims (including all interest accruing or accrued thereon) of all Unsecured Creditors; and
- (b) to bar, extinguish and discharge all Claims of the Secured Creditors, other than West Face and ATB, for which a Proof of Claim is not filed in accordance with the terms hereof;

upon Implementation of the Proposal after acceptance of this Proposal by the requisite majorities of the Unsecured Creditors and approval of this Proposal by the Court, all subject to satisfaction of the conditions precedent provided for in section 9.5.

4.6 Different Capacities

Persons who are affected by this Proposal may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person is entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person in writing or unless its Claims overlap or are otherwise duplicative.

ARTICLE 5 PROCEDURE FOR VALUATION OF CLAIMS

5.1 Filing Proofs of Claim

- (a) Unsecured Creditors, other than West Face, are required to file a completed proof of claim ("**Proof of Claim**") with the Trustee (a) on or before the time allotted for the Creditors Meeting in order to vote on the Proposal, and (b) on or before the Implementation Date to receive its share of any distributions provided for in the Proposal.
- (b) The Landlord may file a Proof of Claim with the Trustee for the actual losses resulting from the disclaimer of the Company's lease with the Landlord, such disclaimer having been delivered by the Company to the Landlord on May 21, 2015 pursuant to section 65.2(1) of the BIA.

5.2 Allowance or Disallowance of Claims by the Trustee

Upon receipt of a completed Proof of Claim, the Trustee shall examine the Proof of Claim and shall allow or disallow same, and shall notify each applicable Unsecured Creditor of the amount of its Proven Claim, as applicable, all in accordance with the provisions of the BIA. Without limiting the generality of the foregoing, the provisions of section 121 and sections 124 to 135 of the BIA, as applicable, shall apply to the filing of Proofs of Claims and the determination by the Trustee of the Proven Claims of each Unsecured Creditor. For greater certainty, other than providing the Trustee with access to its records, the Company shall have no responsibility to examine, allow or disallow any Claim or Proof of Claim.

ARTICLE 6 MEETING OF CREDITORS

6.1 Creditors' Meeting

On the Creditors' Meeting Date, the Company shall hold the Creditors' Meeting in order for the Creditors constituting the Unsecured Creditor Class to consider and vote upon the Proposal.

6.2 Time and Place of Meetings

Unless otherwise ordered by the Court, the Unsecured Creditors' Meeting shall be conducted by the Trustee and shall be held at 10:00 a.m. on June 10, 2015 at Barclay Room, #300, 205- 5th Ave SW Calgary, AB T2P 2V7. All Proofs of Claim shall be delivered in accordance with the provisions of this Proposal, the BIA and any Order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting to be held for the purposes of voting upon the Proposal. The Creditors comprising the Unsecured Creditor Class shall vote on the terms of the Proposal as a separate class.

6.3 Conduct of Meeting

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting and their legal counsel, if any, and the officers, directors, auditors, advisors and legal counsel of the Company, together with such representatives of the Trustee as the Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Creditors, as the case may be.

6.4 Adjournment of Meeting

The Creditors' Meeting may be adjourned in accordance with section 52 of the BIA. If the Creditors' Meeting is adjourned, no further Proofs of Claim nor proxies shall be filed with or accepted by the Trustee or the Company for the purpose of voting at any reconvening of the Creditors' Meeting.

6.5 Voting by Creditors

In order to be entitled to vote at the Creditors' Meeting, an Unsecured Creditor, other than West Face, must file its Proof of Claim with the Trustee prior to the commencement of the Creditors' Meeting. Subject to section 6.6 below and to the extent provided for herein, only Unsecured Creditors shall vote at the Creditors' Meeting and each Unsecured Creditor will be entitled to vote to the extent of the amount which is equal to that Unsecured Creditors' Proven Claim and West Face shall be entitled to vote the amount which is equal to the unsecured portion of the West Face Claim.

6.6 Procedure for Valuing Claims

The procedure for valuing Claims and resolving disputes with respect to Claims will be as set forth in Article 5 hereof and the BIA. The Trustee reserves the right to seek the assistance of the Court in valuing the Claim of any Unsecured Creditor, if required, to ascertain the result of any vote on the Proposal or the amount payable or to be distributed to such Unsecured Creditor under the Proposal, as the case may be.

For greater certainty, the Proven Claims of Unsecured Creditors shall not include any interest thereon from the NOI Date and all rights to such interest shall be released and extinguished upon Implementation of this Proposal.

6.7 Appointment of Inspectors

At the Creditors' Meeting, the Creditors may appoint up to five (5) Inspector(s) whose powers will be limited to:

- (a) advising the Proposal Trustee concerning any dispute which may arise as to the validity of Claims, and
- (b) advising the Proposal Trustee from time to time with respect to any other matter that the Proposal Trustee may refer to them.

Any decision, direction or act of the Inspector(s) may be referred to the Court by the Proposal Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it thinks just.

The authority and term of office of the Inspector(s) will terminate upon the discharge of the Proposal Trustee.

ARTICLE 7 PROPOSAL IMPLEMENTATION STEPS

7.1 Consolidation and Redesignation of Existing Shares and Issuance of the New Common Shares to West Face

One (1) Business Day after the date on which the Court order approving the Proposal and the Reorganization has become a Final Order and the Reorganization has occurred (the "**Implementation Date**") the Company shall: (i) consolidate all of the Existing Shares into one (1) common share; (ii) change the designation of the common shares to Class "B" retractable common shares; (iii) retract the one (1) issued and outstanding Class "B" common share; (iv) create a new class of Class "A" common shares with all of the share rights, privileges, restrictions and conditions set out in Schedule "A" of Schedule "1"; (v) issue the New Common Shares to West Face in consideration for West Face releasing and discharging the West Face Secured Claim – for which West Face shall provide a full and final release in form satisfactory to the Company; and (vii) pay the amount comprising the Unsecured Creditor Fund to the Trustee. Upon Implementation of the Proposal, the Company shall have performed all of its obligations under the Proposal including any action or step of the Company required to comply with or give effect to the conditions set out in section 9.5.

7.2 Unsecured Creditor Distributions

- (a) Unsecured Creditors with a Proven Claim shall receive payment from the Unsecured Creditor Fund for the lesser of the amount of their Proven Claim or \$1,500 up to a maximum aggregate Dividend equal to the amount of the Unsecured Creditor Fund. In the event that the aggregate Dividend payable to the Unsecured Creditors exceeds the amount of the Unsecured Creditor Fund then each Unsecured Creditor shall receive its *pro rata* share from the Unsecured Creditor Fund based on a Dividend payable to each unsecured creditor of the lesser amount of their Proven Claim or \$1,500.
- (b) To the extent that there are any funds remaining in the Unsecured Creditor Fund following the payment of the Proven Claims of the Unsecured Creditors in accordance with section 7.2(a), such remaining funds shall be returned to the Company one (1) Business Day following the Distribution Date.

7.3 Distribution of Dividends

The Trustee shall distribute the Dividends on the Distribution Date.

ARTICLE 8 PROPOSAL TRUSTEE

8.1 Confirmation of Appointment

Alvarez & Marsal Canada Inc. will be the Trustee under this Proposal.

8.2 Responsibilities and Powers of Proposal Trustee

The Trustee is acting in its capacity as trustee under this Proposal and shall not be responsible or liable for any obligations of the Company. The Trustee shall have the powers granted to it by the Proposal, by the BIA, and by any order of the Court. The Trustee will be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon it by the Proposal or generally in carrying out the terms of this Proposal unless such acts have been carried out in bad faith and constitute a willful or wrongful act or default. Sections 95 to 101 of the BIA (with the exception of section 97(3)) shall not apply in connection with this Proposal, and the Trustee shall have no responsibility, liability or authority whatsoever in connection therewith.

8.3 Administrative Fees and Expenses of the Trustee

The Administrative Fees and Expenses of the Trustee shall be determined based on the Trustee's standard rates time hours spent.

8.4 Discharge of Trustee

The Trustee, after making the distributions of the Dividends as provided for herein and the repayment, if any, of the Unsecured Creditor Fund to the Company referred to in section 7.2 hereof, will have fully discharged its obligations and duties as Trustee under this Proposal and the Trustee shall be entitled to apply for its discharge as Trustee.

ARTICLE 9 MISCELLANEOUS

9.1 Confirmation of the Proposal

In the event that the Proposal is approved by the requisite majorities of Unsecured Creditors, the Trustee shall, within five (5) days after such acceptance, apply to the Court to obtain the Final Order for the sanction and approval of the Proposal and Reorganization. Following such Unsecured Creditor approval of the Proposal, the Trustee shall forthwith mail a notice of the hearing to the Company and to all Unsecured Creditors, as provided in section 58 of the BIA.

9.2 Compromise Effective for all Purposes

The payment, compromise, extinguishment, other satisfaction of, or other dealing with any Claim under this Proposal, if sanctioned and approved by the Court, will be binding upon each Unsecured Creditor, its heirs, executors, administrators, successors and assigns, for all purposes.

9.3 Modification of Proposal

The Company or any relevant Unsecured Creditor may propose an alteration or modification to the Proposal at the Creditors' Meeting, but no such alteration or modification shall bind West Face unless it consents thereto. After the Creditors' Meeting, the Company may vary, amend, modify or supplement the Proposal in accordance with the BIA but only if West Face consents thereto.

9.4 Consents, Waivers and Agreements

As at 12:01 a.m. on the Implementation Date, each Unsecured Creditor will be deemed to have consented and to have agreed to all of the provisions of this Proposal in its entirety. In particular, and without limiting the generality of the foregoing, unless restricted by the provisions of the BIA, each Creditor will be deemed:

- (a) to have executed and delivered to the Company and the Directors all consents, releases, waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) to have waived any default by the Company in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor, other than the West Face Secured Claim which shall be dealt with separately from this Proposal as set out herein, and the Company that has occurred on or prior to the Date of the Proposal;
- (c) to have agreed that if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Company as at the Date of the Proposal (other than those entered into by the Company on, or with effect from, the Date of the Proposal) and the provisions of this Proposal, then the provisions of this Proposal take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly;

- (d) to have released the Trustee and all employees, agents, directors, officers, shareholders, advisors and solicitors of the Trustee from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, execution liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with the matters herein, other than based on the fraud, gross negligence or wilful misconduct by the Trustee or the employees, agents, directors, officers, shareholders, advisors and solicitors of the Trustee; and
- (e) to have released each and every present and former employee, agent, Director, officer, shareholder, auditor, advisor and solicitor of the Company from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgements, expenses, execution liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including, without limitation, any and all claims in respect of potential statutory liabilities of the former or present Directors and officers of the Company, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Date of the Proposal.

9.5 Conditions Precedent of Proposal Implementation

In addition to the requirements contemplated by the BIA, the Implementation of the Proposal by the Company will be conditional upon the following:

- (a) the Company providing the Unsecured Creditor Fund to the Trustee on the Implementation Date;
- (b) the taking of all necessary actions and proceedings to approve the Proposal and effect the Reorganization and the performance by the Company of its obligations under the Proposal and of all agreements and instruments contemplated thereby;
- (c) a Final Order approving the Proposal being granted;
- (d) the implementation of the Reorganization by the Company by filing the Articles of Reorganization substantially in the form attached hereto as Schedule "1" with the appropriate governmental authorities; and
- (e) in consideration for the issuance of the New Common Shares to West Face, West Face shall release and discharge the West Face Secured Claim.

9.6 Notices

Any notices or communication to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, by prepaid mail, by telecopier or e-mail addressed to:

- (a) if to the Company:

CASA Energy Services Corp.
Suite 201, 525 11th Avenue S.W.
Calgary, Alberta T2R 0C9

Attention: Brad Kingston, Vice President of Operations
Email: bradkingston@casaenergyservices.com

with a copy to:

Gowling Lafleur Henderson LLP
Suite 1600, 421 7th Avenue S.W.
Calgary, Alberta T2P 4K9

Attention: Maxine Mongeon
Fax: 403-695-3550
Email: maxine.mongeon@gowlings.com

- (b) if to the Trustee:

Alvarez & Marsal Canada Inc.
Bow Valley Square I
Suite 570, 202 - 6th Avenue SW
Calgary, Alberta T2P 2R9

Attention: Tim Reid, Managing Director
Email: treid@alvarezandmarsal.com

- (c) if to West Face:

West Face Capital Inc.
2 Bloor Street East, Suite 3000
Toronto, Ontario M4W 1A8

Attention: Thomas P. Dea, Partner
Email: tom.dea@westfacecapital.com

with a copy to:

Davies Ward Phillips & Vineberg LLP
155 Wellington Street West, 40th Floor
Toronto, Ontario M5V 3J7

Attention: Robin B. Schwill
Fax: 416-863-0871
Email: rschwill@dwpv.com

(d) if to an Unsecured Creditor, other than West Face:

to the address, telecopier number or email address for such Unsecured Creditor specified in the Proof of Claim filed by such Unsecured Creditor or, if no Proof of Claim has been filed, to such other address or telecopier number at which the notifying party may reasonably believe that the Unsecured Creditor may be contracted.

In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or by telecopier and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. All such notices and communications will be deemed to have been received, in the case of notice by telecopier, by delivery or by e-mail prior to 5:00 p.m. (local time) on a Business Day, when received or if received after 5:00 p.m. (local time) on a Business Day or at any time on a non-Business Day, on the next following Business Day and, in the case of notice mailed as aforesaid, on the fifth (5th) Business Day following the date on which such notice or other communication is mailed. The unintentional failure by the Company to give a notice contemplated hereunder to any particular Unsecured Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.

9.7 Foreign Currency Obligations

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange thereof of the Bank of Canada on the NOI Date.

9.8 Applicable Law

This Proposal shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract.

9.9 Non Severability

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is found to be void, voidable or unenforceable for any reason whatever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect.

9.10 Deeming Provisions

In this Proposal the deeming provisions are not rebuttable and are conclusive and irrevocable.

DATED at the City of Alberta, in the Province of Calgary, this 21st day of May, 2015.

CASA ENERGY SERVICES CORP.

By:



Name: David P. Smith

Title: Director

I have the authority to bind the
Corporation.

SCHEDULE "1"

CASA ENERGY SERVICES CORP.

ARTICLES OF REORGANIZATION

1. In accordance with the order for reorganization, the articles of incorporation are amended as follows:
 - (a) to consolidate all the issued and outstanding common shares of the Company into one (1) common share;
 - (b) to change the designation of the common shares to Class "B" common shares redeemable by the Company on demand for \$1.00;
 - (c) to create an unlimited number of Class "A" common shares with the rights, privileges, restrictions and conditions attaching thereto as set forth in Schedule "A" hereto
 - (d) to remove the authorized, but unissued preferred shares, and all the rights, privileges, restrictions and conditions attaching thereto and to delete the current Schedule "A" of the Company's Articles of Incorporation;
 - (e) to provide that the number of directors of the Company and the number of directors to be elected at each annual meeting of the shareholders shall be three (3) directors;
 - (f) to provide that Thomas P. Dea, Nandeep Bamrah and David P. Smith are elected as directors of the Company until the next annual meeting of shareholders or until their successors are elected;
 - (g) to provide that the directors of the Company be empowered to determine, by ordinary resolution, (A) the number of directors and (B) to appoint, from time to time, one or more directors within the limits established by the *Business Corporations Act (Alberta)*; and
 - (h) to declare that the capital of the Company after giving effect to the foregoing consists of an unlimited number of Class "A" common shares with the rights, privileges, restrictions and conditions attaching thereto as set forth in Schedule "A" hereto and of one (1) redeemable Class "B" common share.

SCHEDULE "A"

SHARE CONDITIONS OF NEW COMMON SHARES

1. Voting Rights

Each holder of New Common Shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to vote thereat, except meetings at which only holders of a specified class of shares (other than New Common Shares) or specified series of shares are entitled to vote. At all meetings of which notice must be given to the holders of the New Common Shares, each holder of New Common Shares shall be entitled to one vote in respect of each New Common Share held by such holder.

2. Dividends

The holders of the New Common Shares shall be entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Corporation, to receive any dividend declared by the Company.

3. Liquidation, Dissolution or Winding-up

The holders of the New Common Shares shall be entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, to receive the remaining property of the Company on a liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.