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| COURT FILE NUMBER   | 2001 06423   |
| COURT   | COURT OF QUEEN'S BENCH OF ALBERTA  |
| JUDICIAL CENTRE   | <b>CALGARY</b>   |
| APPLICANTS  | IN THE MATTER OF THE <i>COMPANIES'</i><br><i>CREDITORS ARRANGEMENT ACT</i> , R.S.C. 1985, c.<br>C-36, AS AMENDED<br><br>AND IN THE MATTER OF THE COMPROMISE OR<br>ARRANGEMENT OF ENTREC CORPORATION,<br>CAPSTAN HAULING LTD., ENTREC ALBERTA<br>LTD., ENT CAPITAL CORP., ENTREC CRANES &<br>HEAVY HAUL INC., ENTREC HOLDINGS INC., ENT<br>OILFIELD GROUP LTD., and ENTREC SERVICES<br>LTD. |
| DOCUMENT  | <b><u>AFFIDAVIT OF JOHN STEVENS (RE: CCAA<br/>TERMINATION ORDER)</u></b>   |
| ADDRESS FOR SERVICE AND<br>CONTACT INFORMATION OF<br>PARTY FILING THIS DOCUMENT | MILLER THOMSON LLP<br>Barristers and Solicitors<br>2700, Commerce Place<br>10155-102 Street<br>Edmonton, AB, Canada T5J 4G8<br>Phone: 780.429.1751      Fax: 780.424.5866<br><br>Lawyer's Name: Rick T.G. Reeson, Q.C.<br>Asim Iqbal<br>Bryan A. Hosking<br>Lawyer's Email: rreeson@millerthomson.com<br>aiqbal@millerthomson.com<br>bhosking@millerthomson.com<br>File No.: 144572.3      |

## AFFIDAVIT OF JOHN STEVENS

Sworn on September 28, 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**"), Capstan Hauling Ltd., ENT Capital Corp., ENTREC Cranes & Heavy Haul Inc., ENTREC Holdings Inc., ENT Oilfield Group Ltd. ("**ENT Oilfield**"), and ENTREC Services Ltd. (collectively, the "**Applicants**") 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. I was the Chief Executive Officer of ENTREC Alberta Ltd. ("**ENT Alberta**"). As described below, the shares of ENT Alberta were sold as part of the Fort McMurray Transaction (as defined below). As a result, I am no longer the CEO as at the closing of the Fort McMurray Transaction. As part of this application, the Applicants seek to remove ENT Alberta as an Applicant to these CCAA proceedings.
3. Unless otherwise stated, monetary figures in this affidavit are expressed in Canadian dollars.
4. This affidavit is sworn in support of the Applicants' application for an order (the "**CCAA Termination Order**"):
  - (a) removing ENT Alberta as an Applicant from these CCAA proceedings;
  - (b) approving the professional fees and disbursements of the Monitor and the Monitor's legal counsel and approving the activities of the Monitor as set out in the Monitor's Fifth Report, to be filed (the "**Fifth Report**");
  - (c) terminating these CCAA proceedings on the filing of a certificate by the Monitor with the Court and discharging the Monitor;
  - (d) granting enhanced powers to the Monitor for the remainder of these CCAA proceedings;

- (e) releasing all claims of third parties against:
    - (i) the Monitor and its legal counsel; and
    - (ii) the Applicants' directors and officers except for certain insured claims and claims that cannot be released under Section 5.1(2) of the CCAA, as described below;
  - (f) approving certain distributions to the Agent; and
  - (g) extending the stay of proceedings until the earlier of: (i) the filing by the Monitor of the Termination Certificate (as defined below), and (ii) December 31, 2020.
5. If granted, the relief sought will allow the Applicants to:
- (a) with the enhanced powers of the Monitor, complete all necessary steps remaining in and required to terminate these CCAA proceedings without incurring the costs of an additional court appearance (or appearances) unless necessary; and
  - (b) fulfill a critical term of the KERP/KEIP with respect to applying for the CCAA Release (as defined below) in favour of the Applicants' current and former officers and directors, which will facilitate the distribution to the Agent of approximately \$1,500,000 that would otherwise be held back as a reserve on account of the Directors' Charge.
6. As described below, the Applicants have employed enhanced notice procedures in respect of this application to ensure that all of the Applicants' stakeholders had ample notice and an opportunity to request to be included on the Service List. As described below, these enhanced notice procedures have led to a number of calls fielded by the Applicants' counsel and the Monitor, but, as at the date of this Affidavit, no party on such calls expressed an intention to oppose the relief sought.
7. I understand that the Monitor and the Agent support this application.

## **BACKGROUND**

8. ENT Parent 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.

9. On May 15, 2020, the Alberta Court of Queen's Bench (the "**Court**") granted the Applicants protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to the Initial Order of the Honourable Madam Justice B.E. Romaine (the "**Initial Order**"). On the same day, the US Bankruptcy Court for the Southern District of Texas granted an order for provisional relief commencing recognition proceedings under Chapter 15 of the US Bankruptcy Code.
10. On May 25, 2020, the Court granted:
  - (a) an amended and restated Initial Order (the "**ARIO**"); and
  - (b) an order (the "**SISP Order**") approving a sale and investment solicitation process (the "**SISP**") and appointing Ernst & Young Orenda Corporate Finance Inc. and Sequeira Partners to administer the SISP, and approving a key employee retention and incentive plan (the "**KERP/KEIP**").
11. Pursuant to the Initial Order and the ARIO, the following was also granted by Madam Justice B.E. Romaine, among other things:
  - (a) a stay of proceedings until August 7, 2020 (the "**Stay Period**");
  - (b) the appointment of Alvarez & Marsal Canada Inc. ("**A&M**") as monitor of the Applicants (the "**Monitor**");
  - (c) approval of an interim financing facility (the "**Interim Financing Facility**") provided by Wells Fargo Capital Finance Corporation (the "**Agent**") as administrative agent for a syndicate of lenders (the "**Syndicate**");
  - (d) established the priority of the Court-ordered charges against the Applicants' property (the "**Charges**"):
    - (i) first, a charge to secure the professional fees of the Applicants' counsel, the Monitor and its legal counsel to a maximum amount of \$750,000;
    - (ii) second, a charge to secure the indemnity in favour of the Applicants' directors and officers (the "**Directors' Charge**") of the applicable Applicant of post-filing claims to a maximum amount of \$1,500,000;
    - (iii) third, a charge to secure the KERP/KEIP to a maximum of \$1,500,000;



- (iv) fourth, the Sales Agent Charge to a maximum of \$1,000,000; and
  - (v) fifth, a charge to secure draws made by the Applicants under the Interim Financing Facility provided by the Syndicate.
12. On August 6, 2020, with the approval of the Applicants' board of directors (the "**Board**"), the Applicants applied for and obtained an order, among other things, extending the Stay Period until September 11, 2020.
  13. On August 14, 2020, with the approval of the Board, the Applicants applied for and obtained an order (the "**Bonnyville AVO**") approving a transaction for the sale of all of the Applicants' assets in connection with its location in Bonnyville, Alberta (the "**Bonnyville Transaction**").
  14. On August 31, 2020, with the approval of the Board, the Applicants applied for and obtained a number of orders, among other things (the "**Transaction Approval Orders**"):
    - (a) approving a transaction (the "**US Transaction**") for the going concern sale of substantially all of the Applicants' US business;
    - (b) approving a transaction (the "**Fort McMurray Transaction**") for the going concern sale of the Applicants' branch located in Grande Prairie, Alberta;
    - (c) approving a transaction in respect of the return of a certain crane located in the United States to the primary lienholder (the "**Crane Transaction**");
    - (d) approving a transaction (the "**Liquidation**" and, together with the US Transaction, Crane Transaction and Fort McMurray Transaction, the "**August 31 Transactions**") for the liquidation of the Applicants' remaining Alberta equipment in respect of which a viable going concern transaction was not identified through the SISP; and
    - (e) authorizing the Monitor to distribute the net sale proceeds to the Agent in partial satisfaction of the Applicants' obligations owing to the Syndicate.
  15. In support of the Transaction Approval Orders, the Applicants filed the Affidavit of John Stevens sworn August 24, 2020 (the "**Fifth Stevens Affidavit**"). A copy of the Fifth Stevens Affidavit (without exhibits) is attached hereto and marked as **Exhibit "A"**.

16. On September 9, 2020, the US Bankruptcy Court issued an Order which, *inter alia*, approved certain of the Transaction Approval Orders.

#### EXTENSION OF THE SUPPORT AGREEMENT

17. As described in the Fifth Stevens Affidavit, the Applicants and the Syndicate agreed to extend the Restructuring Support Agreement until September 11, 2020.
18. The Applicants and the Syndicate are currently finalizing a second amending agreement of the Restructuring Support Agreement under which the Syndicate will agree to continue to support these CCAA proceedings (the "**Second Amending Agreement**"). Once executed, the Applicants will include a copy of the executed Second Amending Agreement in a supplemental affidavit.
19. The purpose of the Second Amending Agreement is to facilitate the wind-down and termination of these CCAA proceedings, which includes the termination of the Charges.
20. Independent counsel for the Applicants' officers and directors played an active role with negotiating the Second Amending Agreement.
21. Under the terms of the Second Amending Agreement, among other things, the Applicants have agreed that the CCAA Termination Order sought shall include the establishment of a reserve in an amount satisfactory to the Agent and sufficient to wind up these CCAA proceedings and the US Proceedings (the "**Reserve**"). I understand that the amount of the Reserve is being determined by the Applicants, in consultation with the Monitor, and will require the consent of the Agent. The Reserve will be further addressed in the Fifth Report or in a Supplemental Affidavit to be filed in connection with this Application.

#### STATUS OF THE TRANSACTIONS

22. The Applicants continue to work with the respective purchasers of the Applicants' assets to close the August 31 Transactions.
23. On September 1, 2020, the Bonnyville Transaction closed. On September 2, 2020, the Agent confirmed to the Monitor that it received the sale proceeds of the Bonnyville Transaction (approximately \$8,000,000). This Court authorized the distribution of the Bonnyville Transaction sale proceeds to the Agent on August 14, 2020.

24. On September 15, 2020, the Fort McMurray Transaction closed. On September 16, 2020, the Agent confirmed to the Monitor that the Agent was in receipt of the sale proceeds of the Fort McMurray Transaction (approximately \$5.85 million). This Court authorized the distribution of the Fort McMurray Transaction sale proceeds to the Agent on August 31, 2020.
25. As described in the Stevens Affidavit, the Applicants anticipate receiving the proceeds from the Liquidation on or about October 6, 2020, the date of the liquidator's auction. This Court approved the distribution of the proceeds from the Liquidation on August 31, 2020.
26. With respect to the US Transaction, on September 8, 2020, the Applicants received a request from the purchaser of the US Transaction (the "**US Purchaser**") to extend the closing date, which was initially scheduled for September 16, 2020. The US Purchaser advised that they required additional time to finalize the documentation for their financing and further advance the business integration process. The Applicants, in consultation with the Board, and with the consent of the Agent and Monitor, agreed to an extension of the closing date to September 30, 2020.
27. The US Transaction is expected to close on September 30, 2020. This Court approved the distribution of the sale proceeds from the US Transaction to the Agent on August 31, 2020.

#### **REMOVAL OF ENT ALBERTA AS APPLICANT**

28. As described above, the Fort McMurray Transaction closed on September 15, 2020. The purchased assets in the Fort McMurray Transaction included the shares of ENT Alberta.
29. ENT Alberta is an Alberta corporation and was a wholly owned subsidiary of ENT Parent until the closing of the Fort McMurray Transaction.
30. Within the Applicants' operations, the purpose of ENT Alberta was to hold legal title and certain registrations of equipment used in the Applicants' operations.
31. In order to facilitate an orderly transition to the purchaser of the Fort McMurray Transaction (the "**FMM Purchaser**"), from an operational perspective, the purchaser determined that the shares of ENT Alberta were required to be purchased assets to



achieve more efficient integration of the acquired assets with respect to branding, safety, certifications and registrations.

32. As part of the closing of the Fort McMurray Transaction, the Syndicate agreed to release its security interest against ENT Alberta after obtaining an undertaking pursuant to which the FMM Purchaser and ENT Alberta declared, certified and agreed that:
- (a) the FMM Purchaser and ENT Alberta has, and at the closing date of the FMM Transaction shall have, no ownership, right, beneficial title or interest in or to those certain assets that did not form the purchased assets in the FMM Transaction and in respect of which ENT Alberta was the registered owner but ENT Oilfield was the beneficial owner (the "**Vendor Assets**");
  - (b) neither the FMM Purchaser nor ENT Alberta shall gain any ownership, right, title or interest in or to the Vendor Assets by way of the completion of the FMM Transaction; and
  - (c) the FMM Purchaser shall, and shall cause ENT Alberta to, execute and deliver, or cause to be executed and delivered, all such documents and instruments and do, or cause to be done, all such acts and things as the Applicants and/or the Monitor may reasonably require to effectively convey the Vendor Assets to third party purchasers and register the Vendor Assets in the names of such third party purchasers.
33. Attached and marked hereto as **Exhibit "B"** is a copy of the Corporate Profile Report dated September 23, 2020 indicating that:
- (a) the current officers and directors of ENT Alberta are Scott LaPrairie, Roachelle LaPrairie and Raegan LaPrairie, who are not associated with the Applicants and are associated with the FMM Purchaser; and
  - (b) the current Voting Shareholders are none of the Applicants.
34. For the foregoing reasons, the Applicants seek an Order removing ENT Alberta as an Applicant in these CCAA proceedings.



**EXPANSION OF MONITOR'S POWERS AND CCAA TERMINATION ORDER**

35. With the sale of substantially all of the Applicants' assets upon closing of the August 31 Transactions, the Applicants have will no remaining operations and will have fulfilled the purpose of these CCAA proceedings. The final step is to wind down the Applicants' estates.
36. The activities remaining with respect to the Applicants' estates include the following (the "**Remaining Activities**"):
  - (a) collect outstanding accounts receivables and sell any remaining tangible assets;
  - (b) distribute the net proceeds from the August 31 Transactions following their respective closings;
  - (c) complete such administrative steps as are necessary or advisable to wind down each of the Applicants' estates, including, if determined appropriate, assigning the Applicants into bankruptcy; and
  - (d) the filing by the Monitor of a certificate (the "**Termination Certificate**") certifying that all of the Remaining Activities have been completed and these CCAA proceedings are terminated.
37. In the Applicants' view, based on the Cash Flow Forecast (as defined below), the quantum of the Reserve is sufficient to complete the Remaining Activities and wind up these CCAA proceedings and the US Proceedings.
38. It is anticipated that the Applicants' current management will resign following the closing of the August 31 Transactions. Under the Second Amending Agreement, the Applicants' current directors and officers will be required to resign on or before the granting of the CCAA Termination Order (if granted). Following the resignation of the Applicants' directors and officers, the Applicants will not have the management structure in place to ensure an orderly wind-up of the Applicants' CCAA proceedings. As such, the Applicants' seek an order to enhance the powers of the Monitor and terminate these CCAA proceedings.

*Enhanced Powers of the Monitor*

39. The enhanced powers of the Monitor will allow the Monitor, in the name of the Applicants, to, without further order of the Court but subject to the terms of the Restructuring Support Agreement:
  - (a) complete, in the name of the Applicants, any and all steps and actions required to wind down the Applicants' estates;
  - (b) collect the remaining accounts receivables and, if necessary, commence legal proceedings to recover receivables;
  - (c) cause the Applicants to make permitted disbursements;
  - (d) market and sell any of the Applicants remaining assets;
  - (e) engage, negotiate or settle with any creditor or other stakeholder of the Applicants;
  - (f) engage, retain or terminate employees, consultants or contractors;
  - (g) have complete access to the Applicants' books and records;
  - (h) exercise any shareholder rights; and
  - (i) take any and all steps in the name of and on behalf of the Applicants to facilitate the administration of the Applicants' estates.
40. With enhanced powers, the Monitor will have the authority to direct the Applicants to complete the Remaining Activities, recover on remaining assets, allow the officers and directors to resign and reduce professional costs, while maintaining the CCAA proceedings which, in the Applicants' view, will improve net recoveries on the residual assets.
41. Under the Second Amending Agreement, the Applicants have covenanted in favour of the Agent to seek an order enhancing the powers of the Monitor in the form of the CCAA Termination Order. The Agent is the Applicants' senior secured creditor and stands to suffer a substantial shortfall after receiving the proceeds from the sale of substantially all of the Applicants' assets. The Agent supports the enhancement of the Monitor's powers.

*CCAA Termination and Discharge of the Monitor*

42. The proposed CCAA Termination Order contemplates the termination of these CCAA proceedings upon the filing by the Monitor of the Termination Certificate.
43. This will allow the Monitor to complete the Remaining Activities and terminate these CCAA proceedings without the expense of another court appearance for the purpose of obtaining a discharge. With this proposed structure, the Applicants are attempting to maximize the recoveries of stakeholders by reducing the overall professional costs.
44. On the filing of the Termination Certificate, the CCAA Termination Order will discharge the Monitor. Notwithstanding the Monitor's discharge, the Monitor will retain all of the protection in favour of the Monitor under the CCAA, the ARIO or any other Order granted in these CCAA proceedings, and the Monitor will continue to have the authority necessary to complete or address matters ancillary to these CCAA proceedings following the filing of the Monitor's Certificate.
45. The CCAA Termination Order provides for a release of claims in favour of the Monitor and its legal counsel, save and except for any liability arising out of any fraud, gross negligence or wilful misconduct on the part of the Monitor or its legal counsel. I understand that the release language is based on the Template Receiver's Discharge Model Order of the Alberta Court of Queen's Bench, with necessary modifications.
46. I believe the Monitor, A&M, and its legal counsel have been a critical component of and has contributed significant value to these CCAA proceedings. In the Applicants' view, the release in favour of the Monitor and its legal counsel is appropriate.

**DIRECTORS' RELEASE**

47. As set out paragraphs 33 to 36 of my Affidavit sworn July 27, 2020 in the within Action, it is a term of the KERP/KEIP that, at the appropriate time, the Applicants will seek a Court-ordered release in favour of the Applicants' officers and directors. This Court approved the KERP/KEIP pursuant to the SISP Order.
48. The CCAA Termination Order provides for a release in favour of the Applicants' current and former directors and officers (the "**CCAA Release**") from any and all D&O Claims (as defined in the CCAA Termination Order).



49. The CCAA Release does not include any D&O Claims to the extent that any D&O Claims are covered by an applicable insurance policy of the Applicants' (an "**Insured Claim**"). Any person with an Insured Claim will be limited to recovery in respect of the Insured Claim solely from the proceeds of the applicable insurance policies. Further, the CCAA Release does not release the Applicants' directors and officers from any claims under Section 5.1(2) of the CCAA.
50. The CCAA Release will facilitate the distribution of the Applicants' remaining estate, will decrease the quantum of the Reserve required to be retained and will facilitate the completion of these CCAA proceedings without spending estate resources in connection with the development and implementation of a plan of compromise or arrangement and the associated procedural steps, such as a claims procedure order.
51. The Applicants, in consultation with the Monitor and the Agent, who stands to suffer a substantial shortfall, have determined that there are insufficient resources to undertake the process required to develop and implement a plan of arrangement, and the time and expense associated with a plan of arrangement would not be in the best interests of the Applicants or their stakeholders.
52. The Applicants' directors and officers have been acting in good faith and with due diligence, have played an important role in these CCAA proceedings and have been instrumental in administering the SISF and identifying and facilitating the potential transactions that will lead to the sale of substantially all of the Applicants' assets and the preservation of approximately 131 jobs in Alberta. Upon the closing of the US Transactions, it is expected that an additional 70 jobs in the United States will be preserved.
53. In addition to the foregoing:
- (a) the Applicants' directors and officers have provided critical direction leading up to the commencement of these CCAA proceedings;
  - (b) the Applicants' directors and officers remained with the company during the CCAA proceeding and continued to fulfill their duties;
  - (c) the CCAA Release will facilitate a monetary distribution to the Agent of up to \$1.5 million, which would otherwise be held back on account of the Directors' Charge; and

- (d) in my view, the CCAA Release will provide certainty and finality of these CCAA proceedings in the most efficient manner.

*Notice of CCAA Release*

54. The Applicants have taken extraordinary efforts to give interested parties and the Service List advance notice of the Applicants' intention to seek a release.
55. Reference to the Applicants' intention to seek the CCAA Release on this application was included in paragraphs 74-77 of the Fifth Stevens Affidavit.
56. In addition, on September 17, 2020, the Applicants initiated the mailing of a letter to all of its creditors on the Creditors' List and current and former employees in both Canada and the United States (the "**Letter to Creditors**"). A copy of the Letter to Creditors is attached hereto and marked as **Exhibit "C"**.
57. In summary, the Letter to Creditors:
- (a) advised that the Applicants intend to seek the CCAA Release at an application before this Court scheduled for October 5, 2020;
  - (b) provided the URLs for both the Monitor's website and the website maintained by Stretto (the Applicants' approved noticing agent in the United States) for the US Proceedings and encourages the reader to visit the case websites;
  - (c) advised that the Applicants intend to seek recognition of the CCAA Release in the US Proceeding (if granted);
  - (d) invited the reader to email Mark Siry of Miller Thomson, insolvency counsel for the Applicants, if the reader wishes to be added to the Service List;
  - (e) stated that the reader may wish to retain legal advice regarding their specific rights and concerns in connection with the Applicants' intended application for the CCAA Release; and
  - (f) invited the reader to contact the Monitor or the Applicants' counsel to discuss the Letter to Creditors.
58. I am advised by Asim Iqbal of Miller Thomson LLP, and verily believe, that, as at the date of this Affidavit, Miller Thomson has received approximately twelve (12) phone

calls from recipients of the Letter of the Creditors, and none of the recipients who called expressed an intention to oppose the CCAA Release. I am further advised by Mr. Iqbal that, as at the date of this Affidavit, at least one (1) additional party has requested to be added to the Service List based on receipt of the letter. As at the date of this Affidavit, I am not aware of, and have not directly received, any communication from a recipient of the Letter to Creditors or otherwise expressing an intention to oppose the Applicants' request for an order granting the CCAA Release.

59. As at the date of this Affidavit, I am not aware of any proceeding that has been commenced or threatened in Canada or the United States in respect of a claim against the Applicants' current or former officers or directors.
60. If the Court grants the CCAA Release, the Applicants intend to apply in the US Proceedings for recognition of the CCAA Release.
61. I understand that the Monitor and the Agent support the CCAA Release.

#### STAY EXTENSION

62. The Stay Period expires on October 9, 2020. Given the Applicants' request for the CCAA Termination Order, the Applicants request an extension of the Stay Period until the earlier of: (i) the filing by the Monitor of the Termination Certificate and (ii) December 31, 2020.
63. The Applicants require an extension of the Stay Period in order to, among other things, complete the Remaining Activities in an orderly fashion.
64. I believe the Applicants have been acting in good faith and with due diligence since the commencement of these CCAA Proceedings.
65. I understand the Monitor will be filing a report supporting, among other things, the Applicants request for a stay extension.
66. The Applicants should have sufficient liquidity during the requested extension of the Stay Period. The Applicants will file a revised cash flow forecast (the "**Cash Flow Forecast**") for the Stay Period in a Supplemental Affidavit and/or the Fifth Report.
67. I believe no creditor will be materially prejudiced by the requested extension of the Stay Period. I understand that the Monitor and the Agent support the requested extension.



### APPROVAL OF THE MONITOR'S AND ITS LEGAL COUNSEL'S FEES

68. The CCAA Termination Order contemplates the approval of the fees and disbursements of the Monitor and its legal counsel, which are more particularly set out in Fifth Report.
69. In my view, the Monitor's and its legal counsel's fees are reasonable.

### CONCLUSION

70. For the reasons set out in this Affidavit, the Applicants respectfully request this Court grant the CCAA Termination Order.

**SWORN** BEFORE me at the City of St.  
Albert, in the Province of September, this  
28th day of September 2020.

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

**Spencer D. Norris**  
Barrister and Solicitor

JOHN STEVENS

THIS IS EXHIBIT "A" REFERRED TO IN THE  
AFFIDAVIT OF JOHN STEVENS  
SWORN BEFORE ME THIS 28<sup>TH</sup> DAY OF SEPTEMBER, 2020



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A COMMISSIONER FOR OATHS IN AND FOR THE  
PROVINCE OF ALBERTA

Spencer D. Norris  
Barrister and Solicitor

Clerk's stamp:

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| JUDICIAL CENTRE   | CALGARY  |
| APPLICANTS  | IN THE MATTER OF THE COMPANIES'<br>CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.<br>C-36, AS AMENDED<br><br>AND IN THE MATTER OF THE COMPROMISE OR<br>ARRANGEMENT OF ENTREC CORPORATION,<br>CAPSTAN HAULING LTD., ENTREC ALBERTA<br>LTD., ENT CAPITAL CORP., ENTREC CRANES &<br>HEAVY HAUL INC., ENTREC HOLDINGS INC., ENT<br>OILFIELD GROUP LTD., and ENTREC SERVICES<br>LTD.      |
| DOCUMENT  | <u>AFFIDAVIT OF JOHN STEVENS (RE: APPROVAL<br/>OF TRANSACTIONS, STAY EXTENSION,<br/>DISTRIBUTION AND SEALING ORDER)</u>  |
| ADDRESS FOR SERVICE AND<br>CONTACT INFORMATION OF<br>PARTY FILING THIS DOCUMENT | MILLER THOMSON LLP<br>Barristers and Solicitors<br>2700, Commerce Place<br>10155-102 Street<br>Edmonton, AB, Canada T5J 4G8<br>Phone: 780.429.1751 Fax: 780.424.5866<br><br>Lawyer's Name: Rick T.G. Reeson, Q.C.<br>Asim Iqbal<br>Bryan A. Hosking<br>Lawyer's Email: rreeson@millerthomson.com<br>aiqbal@millerthomson.com<br>bhosking@millerthomson.com<br>File No.: 144572.3 |



## AFFIDAVIT OF JOHN STEVENS

Sworn on August 24, 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**"), Capstan Hauling Ltd., ENTREC Alberta Ltd., ENT Capital Corp., ENTREC Cranes & Heavy Haul Inc. ("**ENT USA**"), ENTREC Holdings Inc., ENT Oilfield Group Ltd. ("**ENT Oilfield**"), 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.
3. This affidavit is sworn in support of the Applicants' application for:
  - (a) an order (the "**Fort McMurray Transaction AVO**"), among other things:
    - (i) authorizing a transaction (the "**Fort McMurray Transaction**") contemplated by the asset purchase agreement (the "**FMM Sale Agreement**") between certain of the Applicants and LaPrairie Crane (Alberta) Ltd. (the "**FMM Purchaser**") dated August 24, 2020; and
    - (ii) vesting in the FMM Purchaser all of the Applicants' right, title and interest in and to the purchased assets as set out in the FMM Sale Agreement free and clear of all encumbrances;
  - (b) an order (the "**US Transaction AVO**"), among other things:
    - (i) authorizing a transaction (the "**US Transaction**") contemplated by the asset purchase agreement (the "**US Sale Agreement**") between certain of the Applicants and Wolverine Energy and Infrastructure Inc. (the "**US Purchaser**") dated August 24, 2020;

- (ii) vesting in the US Purchaser all of the Applicants' right, title and interest in and to purchased assets as set out in the US Sale Agreement, free and clear of all encumbrances;
- (c) companion orders in respect of each of the US Transaction and the Fort McMurray Transaction (the "**Assignment Orders**") pursuant to Section 11.3 of the CCAA, assigning to the applicable purchaser the contracts required to be assigned pursuant to the applicable sale agreement;
- (d) an order (the "**Liquidation AVO**"), among other things, approving the agreement (the "**Liquidation Agreement**") between the Applicants and Ritchie Bros. Auctioneers (Canada) Ltd. ("**Ritchie Brothers**") dated August 24, 2020 and vesting in Ritchie Brothers all of the Applicants' right, title and interest in and to the purchased assets described in the Liquidation Agreement (the "**Liquidation**");
- (e) an order (the "**Crane AVO**", among other things, approving the Credit Bid (as defined below) made by TBK Bank, SSB ("**TBK Bank**") pursuant to the letter of intent submitted as part of the SISP (defined below) and vesting in TBK Bank all of the Applicants' right, title and interest in and to the Crane (as defined below) free and clear of all encumbrances;
- (f) an order (the "**Stay Extension, Distribution and Sealing Order**"):
  - (i) extending the Stay Period (as defined below) until and including October 9, 2020;
  - (ii) authorizing the Monitor to distribute to the Agent (as defined below) the Net Sale Proceeds (as defined below) from the US Transaction, the Fort McMurray Transaction and the Liquidation in partial reduction of the Applicants' obligations due and owing to the Syndicate (each as defined below);
  - (iii) sealing the Sealed Documents (as defined below) until the earlier of three (3) months following the last closing of the Fort McMurray Transaction and the Liquidation (collectively, the "**Transactions**") or further order of this Court; and

- (iv) approving the conduct and activities of the Monitor described in the Fourth Report of the Monitor, to be filed in connection with this Application.
- 4. The relief sought will result in the Applicants having sold substantially all of their assets through these CCAA proceedings. If the relief sought is granted, the Applicants will proceed to close each of the Transactions and wind up the Applicants' estates.

## BACKGROUND

- 5. ENT Parent 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.
- 6. On May 15, 2020, the Alberta Court of Queen's Bench (the "**Court**") granted the Applicants protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to the Initial Order of the Honourable Madam Justice B.E. Romaine (the "**Initial Order**"). On the same day, the US Bankruptcy Court for the Southern District of Texas granted an order for provisional relief commencing recognition proceedings under Chapter 15 of the US Bankruptcy Code.
- 7. On May 25, 2020, the Court granted:
  - (a) an amended and restated Initial Order (the "**ARIO**"); and
  - (b) an order (the "**SISP Order**") approving a sale and investment solicitation process (the "**SISP**") and appointing Ernst & Young Orenda Corporate Finance Inc. ("**EY**") and Sequeira Partners ("**Sequeira**" and together with EY, the "**Sale Advisors**") to administer the SISP, and approving a key employee retention and incentive plan (the "**KERP/KEIP**").
- 8. Pursuant to the Initial Order and the ARIO, the following was also granted by Madam Justice B.E. Romaine, among other things:
  - (a) a stay of proceedings until August 7, 2020 (the "**Stay Period**");
  - (b) the appointment of Alvarez & Marsal Canada Inc. as monitor of the Applicants (the "**Monitor**"); and



- (c) approval of an interim financing facility (the "**Interim Financing Facility**") provided by Wells Fargo Capital Finance Corporation (the "**Agent**") as administrative agent for a syndicate of lenders (the "**Syndicate**").
9. On August 6, 2020, the Applicants obtained an order, among other things, extending the Stay Period until September 11, 2020 (the "**Stay Extension Order**"). In support of the Stay Extension Order, the Applicants filed the Affidavit of John Stevens sworn July 27, 2020 and a Supplementary Affidavit of John Stevens sworn July 29, 2020 (collectively, the "**Stay Extension Affidavit**"). A copy of the Stay Extension Affidavit can be found on the Monitor's Website: <https://www.alvarezandmarsal.com/entrec>.
  10. On August 14, 2020, the Court granted an order (the "**Bonnyville AVO**") approving a transaction for the sale of all of the Applicants' assets in connection with its location in Bonnyville, Alberta (the "**Bonnyville Transaction**"). In support of the Bonnyville AVO, the Applicants filed the Affidavit of John Stevens sworn August 7, 2020 (the "**Fourth Stevens Affidavit**"), and the Monitor filed the Third Report of the Monitor dated August 10, 2020 (the "**Third Report**"). Copies of the Fourth Stevens Affidavit and Third Report (each without exhibits/appendices) are attached hereto as **Exhibits "A" and "B"**, respectively. The Bonnyville Transaction is expected to close on August 31, 2020.
  11. In addition to the Applicants' Bonnyville location, the Applicants have branches in the following locations in Canada, all of which were marketed in the SISP:
    - (a) Grande Prairie, Alberta;
    - (b) Fort McMurray, Alberta; and
    - (c) Whitecourt, Alberta.
  12. The Applicants also have significant operations in the United States, as outlined in my Affidavit sworn in the within Action on May 14, 2020, which were also marketed in the SISP.

## RESULTS OF THE SISP

13. On May 25, 2020, the Court granted the SISP Order. A copy of the SISP and the SISP Order are attached hereto as **Exhibit "C"**.

*Initial Solicitation of Interest and LOI Process*

14. In accordance with the SISP, the Sale Advisors:
  - (a) advertised the SISP in the *National Post* on May 27, 2020, as well as eight (8) other publications in Canada and the USA between May 27, 2020 and June 4, 2020;
  - (b) prepared a list of potential bidders;
  - (c) developed and distributed a teaser letter regarding the SISP opportunity to approximately 394 potential bidders; and
  - (d) established an online data room (the "**Data Room**").
15. As a result of the advertisement and distribution of the teaser letter, sixty-six (66) parties executed confidentiality agreements. The Sale Advisors, in consultation with the Applicants and Monitor, prepared and provided a confidential information memorandum and granted access to the Data Room to interested parties who executed the confidentiality agreement.
16. Pursuant to the terms of the SISP, interested parties were required to submit a non-binding letter of intent ("**Non-Binding LOI**") to the Monitor by 5:00 p.m. EDT on June 26, 2020 (the "**LOI Deadline**").
17. In total, the Monitor received 19 Non-Binding LOIs by the LOI Deadline for the Applicants' assets in both Canada and the United States. Based on the Non-Binding LOIs received, the Applicants, in consultation with the Sale Advisors, the Monitor, and the Agent determined that there was sufficient interest in the Applicants' assets to move to Phase 2 of the SISP.
18. Under Phase 2, prospective bidders were required to submit to the Monitor a final, binding asset purchase agreement by 5:00 p.m. EDT July 24, 2020 (the "**Final Bid Deadline**", and any bid received being a "**Final Bid**").
19. With respect to the Final Bid Deadline in the United States, based on the recommendation of the Sale Advisor, Sequeira, and with the consent of the Agent and the Monitor, the Final Bid Deadline for the Applicants' US assets was extended to August 7, 2020.



*Final Bid Process in Canada*

20. In Canada, the Applicants, in consultation with EY (as one of the Sale Advisors), the Monitor, the Agent and the Agent's financial advisor, designated six (6) parties who submitted Non-Binding LOIs by the LOI Deadline as qualified bidders to advance to Final Bid Process of the SISP (the "**Qualified Bidders**").
21. Following the LOI Deadline, the Sale Advisors facilitated six (6) site visits, three (3) management meetings with the Canadian Qualified Bidders, and addressed all due diligence concerns as they were received from Qualified Bidders.
22. At the conclusion of the Final Bid Process, the Applicants received three (3) bids at the Final Bid Deadline (the "**Final Bids**"). I understand the Monitor will be filing a summary of the Final Bids received in a Confidential Report (as defined below) in respect of which a sealing order is being sought.

*Final Bid Process in the United States*

23. In the United States, the Applicants, in consultation with the Sequeira (as one of the Sale Advisors), the Monitor, the Agent and the Agent's financial advisor, designated three (3) parties who submitted Non-Binding LOIs by the LOI Deadline as qualified bidders to advance to Final Bid Process of the SISP (the "**US Qualified Bidders**").
24. Following the LOI Deadline, the Sale Advisors facilitated site visits and management meetings with each of the US Qualified Bidders and addressed all due diligence concerns as they were received.
25. On the Final Bid Deadline for the Applicants' US business, the Applicants received two (2) Final Bids. Following the submission of the Final Bids, the Applicants and the Sales Advisors engaged in additional discussions and negotiations with the bidders regarding the terms of the Final Bids.
26. After reviewing and considering the Final Bids received in consultation with the Sale Advisors, the Monitor and the Agent, the Applicants accepted the US Sale Agreement as the successful transaction for the Applicants' US assets.

27. I am unaware of any agreement among potential bidders to control the purchase price or any collusive or improper conduct with respect to the sale, and have no reason to believe that such conduct occurred.
28. Below is an overview of the Transactions for which approval is being sought in this application.

*Fort McMurray Transaction*

29. Subsequent to the Final Bid Deadline in Canada, EY identified and held discussions with a select group of parties who had participated in Phase 1 of the SISP and who expressed interest in submitting a bid for individual branches as opposed to an *en bloc* transaction for the Applicants' Canadian assets. In addition, the Applicants' solicited liquidation proposals for the Applicants' remaining Canadian assets from reputable liquidation firms.
30. As a result of these efforts, the Applicants received a bid from the FMM Purchaser for the purchase of substantially all of the Applicants' assets in connection with the Applicants' Fort McMurray location. The Fort McMurray Transaction, if approved and closed, will result in the going concern sale of the Fort McMurray location.
31. Below is a summary of the key terms of the FMM Sale Agreement:

| Type of Bid        | Asset Purchase   |
|--------------------|--|
| Purchase Price     | Confidential. Subject to sealing order request.  |
| Purchased Assets   | All of the Vendors' right, title and interest in and to the Applicants' assets in connection with the Fort McMurray location, including authorizations, prepaid expenses, deposits, inventory, machinery and equipment, books and records, claims, intangibles, IT systems, and goodwill |
| Assigned Contracts | All contracts with Fort McMurray customers   |
| Excluded Assets    | Cash, accounts receivable, tax refunds and credits, deposits on excluded   |



|            |   |
|------------|---|
|            | assets, non-assignable authorizations, and claims against third parties |
| Conditions | Customary, including the issuance of the Fort McMurray Transaction AVO  |

32. The Fort McMurray Transaction is conditional on obtaining the Fort McMurray Transaction AVO.
33. The Applicants are of the view that the Fort McMurray Transaction represents the best available transaction and is fair and reasonable because of the following:
- (a) the Applicants' Canadian assets were broadly marketed under a Court-approved SISP with the assistance of EY (as one of the Sale Advisors) and the oversight of the Monitor, and no viable bids were received on the Final Bid Deadline for the Fort McMurray location;
  - (b) the purchase price of the Fort McMurray Transaction was higher than the liquidation proposals received in respect of the Fort McMurray location;
  - (c) it is anticipated that the Fort McMurray Transaction will result in the continuation of the Fort McMurray location and the preservation of approximately 40 employees' jobs;
  - (d) the Fort McMurray Transaction will avoid further wind-down and liquidation costs associated with the liquidation of the Fort McMurray location; and
  - (e) the Monitor and the Agent support the Fort McMurray Transaction.
34. A redacted copy of the FMM Sale Agreement is attached hereto and marked as **Exhibit "D"**. An unredacted copy of the FMM Sale Agreement is attached hereto and marked as **Confidential Exhibit "1"**. A sealing order is being sought in respect of **Confidential Exhibit "1"**.

*US Transaction*

35. Below is a summary of the key terms of the US Transaction:

|                    |   |
|--------------------|---|
| Type of Bid        | Asset Bid   |
| Purchase Price     | CAD \$33.5 million  |
| Purchased Assets   | All of the assets of ENT USA (i.e., the Applicants' US assets)  |
| Assigned Contracts | Assigned contracts to be assigned by consent or pursuant to an assignment order and an order pursuant to Section 363 of the US Bankruptcy Code              |
| Excluded Assets    | Cash and cash equivalents, accounts receivable, tax refunds and credits, deposits related to excluded assets, claims, documents related to excluded assets. |
| Conditions         | Customary, including the issuance of the US Transaction AVO and approval of the US Transaction by the US Bankruptcy Court.                                  |

36. The Applicants are of the view that the US Transaction represents the best available transaction and is fair and reasonable because of the following:
- (a) the Applicants' US assets were broadly marketed under the SISP with the assistance of Sequeira (as one of the Sale Advisors) and the oversight of the Monitor;
  - (b) the US Transaction was the highest price of the Final Bids received in connection with the Applicants' US assets;
  - (c) it is anticipated that the US Transaction will result in the continuation of the Applicants' US business as a going concern and the preservation of approximately 97 employees' jobs;
  - (d) the Monitor and the Agent support the US Transaction; and

- (e) the alternative is a liquidation of Applicants' US business operations.
- 37. Should the US Transaction AVO be granted, the Applicants' have scheduled time before the US Bankruptcy Court for, among other ancillary relief, recognition of the US Transaction AVO.
- 38. An unredacted copy of the US Sale Agreement is attached hereto and marked as **Exhibit "E"**.

#### ASSIGNMENT ORDER

- 39. The Applicants seek Assignment Orders in connection with each of the US Transaction and the Fort McMurray Transaction to assign to the applicable purchaser, pursuant to section 11.3 of the CCAA, the contracts that are required to be assigned pursuant to the applicable sale agreement (collectively, the **"Assigned Contracts"**).
- 40. I am advised by Asim Iqbal of Miller Thomson LLP, insolvency counsel for the Applicants, and do verily believe, that, among other things, the following factors are considered under Section 11.3(3) of the CCAA:
  - (a) Whether the Monitor has approved the proposed assignment. I am advised by the Monitor and believe that the Monitor supports the assignment of the Assigned Contracts;
  - (b) Whether the assignee would be able to perform the obligations. In the Applicants' view, this factor is satisfied based on the following:
    - (i) With respect to the US Purchaser:
      - (A) the US Purchaser is a diversified energy and infrastructure services provider headquartered in Niksu, Alberta with over 70 years of operating history. The US Purchaser is a publicly traded corporation listed on the TSX-V;
      - (B) according to the US Purchaser's most recent consolidated audited financial statements, the US Purchaser has total assets in excess of \$200 million as at March 31, 2020, with total current liabilities of approximately \$75 million. A copy of the US Purchaser's audited



financial statements, which are publicly available on SEDAR, are attached hereto and marked as **Exhibit "F"**;

- (C) I believe the Applicants and Monitor are comfortable that the US Purchaser has sufficient financing available to complete the US Transaction; and
- (D) I understand that the US Purchaser intends to retain the Applicants' senior management with significant experience overseeing the Applicants' US operations, which should facilitate a smooth transition of the Applicants US operations' and ability to perform the customer contracts.

(ii) With respect to the FMM Purchaser:

- (A) similar to the Bonnyville Transaction, the FMM Purchaser intends to retain nearly all of the Applicants' employees at the Fort McMurray location. The transferred employees have the operational knowledge and experience with the Assigned Contracts; and
- (B) the FMM Purchaser is part of the "La Prairie Group of Companies". The FMM Purchaser is one of Canada's largest crane rental companies, servicing all key industries in Alberta, British Columbia, Saskatchewan, Yukon and the Northwest Territories. The Fort McMurray Transaction adds to the FMM Purchaser's existing operations in Fort McMurray.

(c) Whether it would be appropriate to assign the Assigned Contracts. In the Applicants' view, the Assignment Orders would each satisfy a condition of the applicable Sale Agreement, facilitate the going concern sale of the Applicants' US business and the Fort McMurray location in Alberta, and be in the best interests of the Applicants' stakeholders.

41. Based on the Applicants' books and records, none of the Assigned Contracts have any monetary defaults that are required to be cured.

42. The Assignment Orders include a procedure for the assignment, pursuant to Section 11.3 of the CCAA, without a further court order, of any additional contracts that are required to be assigned but were not included in the schedule to the applicable Assignment Order but are later identified as Assigned Contracts (the "**Additional Assigned Contracts**");
- (a) following the date of the applicable Assignment Order (if granted), the Applicants seek authority to provide counterparties to Additional Assigned Contracts written notice of the intended assignment pursuant to Section 11.3 of the CCAA (the "**Additional Assignment Notice**"). The Additional Assignment Notice will set out the Additional Assigned Contract, the Applicants' assessment of any monetary defaults based on the Applicants' books and records and any other relevant information;
  - (b) any counterparty to an Additional Assigned Contract who receives an Additional Assignment Notice will have seven (7) business days (the "**Objection Deadline**") to provide a written objection to the Monitor and the Applicants objecting to the proposed assignment (an "**Objection Notice**");
  - (c) if the Monitor and Applicants do not receive an Objection Notice by the applicable Objection Deadline, the Applicants will be authorized to assign the Additional Assigned Contract pursuant to Section 11.3, and the applicable Assignment Order will apply *mutatis mutandis* to such assignment without any further order of the Court; and
  - (d) if the Monitor and the Applicants receive an Objection Notice by the applicable Objection Deadline, the Applicants are authorized to schedule an application before the Court to resolve such objection.

#### LIQUIDATION AVO

43. Pursuant to the terms of the RSA Extension Agreement, if the Applicants, did not receive an acceptable final bid in respect of the Applicants' Canadian assets on or before July 24, 2020 (*i.e.*, the final bid deadline for the Canadian assets in the SISF), the Applicants were required, subject to the Agent's agreement otherwise, to immediately cease pursuing all existing or potential going concern bids in the SISF in



respect of the Canadian assets and promptly close a bid which provides for the liquidation of the Applicants' Canadian assets.

44. The Applicants were unable to identify a going concern purchaser with respect to its Grand Prairie and Whitecourt locations in Alberta (the "**Remaining Locations**"). In accordance with the RSA Extension Agreement, the Applicants sought and received proposals from two (2) large, reputable liquidation firms (the "**Liquidation Proposals**").
45. After receiving the Liquidation Proposals, the Applicants, in consultation with the Monitor and the Agent, agreed to enter into the Liquidation Agreement with Ritchie Brothers for the liquidation of the Remaining Locations. A redacted copy of the Liquidation Agreement is attached hereto and marked as **Exhibit "G"**. An unredacted copy of the Liquidation Agreement is attached hereto and marked as **Confidential Exhibit "2"**. A sealing order is being sought in respect of **Confidential Exhibit "2"**.
46. It is a term of the Liquidation Agreement that the Applicants seek the Liquidation AVO, among other things, approving the Liquidation Agreement and vesting in Ritchie Brothers all of the Applicants' right, title and interest in and to the purchased assets described in the Liquidation Agreement free and clear of all encumbrances.
47. The Liquidation AVO is based on the Alberta Model Order, with some necessary modifications. The modifications were required to address that the Liquidation Agreement is structured as a net minimum guarantee, with the ultimate parties who require clear title being the auction buyers (the "**Final Buyers**"). Pursuant to the terms of the Liquidation Agreement, the Applicants are required to obtain an approval and vesting order vesting the equipment purchased by Final Buyers at Ritchie Brothers' auction. The modifications to the Model Approval and Vesting Order are aimed at giving Ritchie Brothers and a Final Buyer comfort that the assets subject to the Liquidation are being conveyed free and clear of all encumbrances, as required by the Liquidation Agreement.
48. The Applicants respectfully request that the Court grant the Liquidation AVO for the following reasons:
  - (a) no going concern transaction arose under the SISP for the Remaining Locations;



- (b) the Applicants are required to liquidate their remaining Canadian assets (*i.e.*, the Remaining Locations) pursuant to the terms of the RSA Extension Agreement;
- (c) the Applicants have insufficient resources to continue seeking a going concern sale for the Remaining Locations under the SISP;
- (d) the Liquidation Agreement was the highest of the Liquidation Proposals received; and
- (e) the Monitor and the Agent support the Liquidation Agreement.

#### CRANE AVO

- 49. The Applicants seek approval of the sale of one crane unit located in the United States (the "**Crane**") to TBK Bank pursuant to the terms of a letter of intent (the "**Credit Bid**") submitted by TBK Bank as part of the SISP.
- 50. TBK Bank has a first priority security interest in the Crane. As part of Phase 1 of the SISP, TBK Bank submitted the Credit Bid pursuant to which TBK Bank bid the full amount owing to TBK Bank plus accrued interest and legal fees for the Crane.
- 51. A copy of the Credit Bid is attached hereto and marked as **Exhibit "H"**. In order to avoid incurring additional costs, as part of the SISP, TBK Bank was not required to prepare and submit an asset purchase agreement in connection with the Credit Bid.
- 52. The Crane is not a purchased asset in the US Transaction, and no superior bid was received in respect of the Crane. The Monitor has received an opinion from its counsel that TBK Bank's security against the Crane is valid and enforceable in accordance with its terms.
- 53. Counsel for TBK Bank advised the Applicants' counsel by email that, as at September 9, 2020 (being the anticipated return date), the amount owing by the Applicants to TBK Bank will be approximately \$1,277,492.43. A copy of TBK Bank's counsel's email is attached hereto and marked as **Exhibit "I"**.
- 54. The Applicants seek the Crane AVO, among other things, approving the Credit Bid and vesting in TBK Bank all of the Applicants' right, title and interest in and to the Crane free and clear of all encumbrances.

55. The Applicants, in consultation with the Monitor, are of the view that the indebtedness owing to TBK Bank exceeds the value of the Crane and a return of the Crane to TBK Bank is in the best interests of the Applicants' stakeholders. The Crane AVO will facilitate the return of the Crane to TBK Bank.

#### SEALING ORDER

56. The Assignment, Distribution and Sealing Order contemplates the sealing of Confidential Exhibits "1" and "2", as well as the Confidential Report of the Monitor, which I understand the Monitor will be filing in anticipation of the within Application (collectively, the **"Sealed Documents"**).
57. The Sealed Documents contain commercially sensitive information regarding the commercial terms of the Fort McMurray Transaction and the Liquidation Agreement, as well as the other bids received pursuant to the SISF. In the event the Fort McMurray Transaction or the Liquidation do not close, the Applicants would be significantly prejudiced in their ability to market these purchased assets if the information in the Sealed Documents were made available to the public, including potential future bidders.
58. Accordingly, the Applicants respectfully request the Sealed Documents be sealed by this Court until the earlier of 3 months following the last closing of the Fort McMurray Transaction or the Liquidation, or until further order of this Court.

#### DISTRIBUTION OF NET SALE PROCEEDS TO AGENT

59. The Applicants executed an extension agreement (the **"RSA Extension Agreement"**) with the Agent and Syndicate to extend the terms of the Restructuring Support Agreement dated May 14, 2020 between the parties pursuant to which the Syndicate agreed to support the Applicants' CCAA proceedings, including providing the Interim Financing Facility. The RSA Extension Agreement is contained in the Supplemental Affidavit of John Stevens, sworn July 29, 2020 and filed in the within Action.
60. Pursuant to the terms of the RSA Extension Agreement, the Applicants agreed that at any hearing for the approval of a sale transaction under the SISF, the Applicants shall also seek approval from the Court to immediately distribute the net proceeds of such



transaction to the Agent, subject to a reserve (the "**Reserve**"), which must be acceptable to the Syndicate and sufficient to:

- (a) satisfy post-filing obligations incurred by the Applicants in the ordinary course of business;
  - (b) complete such steps as are necessary to wind-down the Applicants' Canadian operations; and
  - (c) account for amounts payable to parties with claims against any of the purchased assets in priority to the Agent's security, including the Charges (as defined in the ARIQ).
61. The Applicants seek to distribute to the Agent the proceeds from the FMM Transaction, US Transaction and Liquidation, net of the Reserve (the "**Net Sale Proceeds**"). I understand that the Monitor will be filing a report in connection with this Application that should further describe the Reserve.
62. The Syndicate is the Applicants' senior secured and largest creditor, owed in excess of \$90 million. An immediate distribution on closing of the Net Sale Proceeds will partially reduce the indebtedness owing to the Agent, thereby reducing the Applicants' ongoing interest costs.
63. The Monitor has received an opinion from its legal counsel that, subject to customary assumptions and qualifications, the security held by the Agent is valid and enforceable in accordance with its terms.
64. In the Applicants' view, no party will be prejudiced by the distribution, particularly in light of the Applicants retaining the Reserve, which, as described above, will account for claims in priority to the Agent's security against any of the assets purchased in the Transaction.

#### STAY EXTENSION

65. The Stay Period is currently set to expire on September 11, 2020. The Applicants seek an extension of the Stay Period through and until October 9, 2020.



66. The Applicants require an extension of the Stay Period in order to complete the Bonnyville Transaction and, if approved, the Fort McMurray Transaction, the US Transaction and the Liquidation.
67. I believe the Applicants have been acting in good faith and with due diligence since the commencement of these CCAA proceedings.
68. Attached hereto and marked as **Exhibit "J"** is a copy of the Applicants' revised cash flow forecast, which indicates that the Applicants should have sufficient liquidity during the requested extension of the Stay Period.
69. I believe no creditor will be materially prejudiced by the requested extension of the Stay Period. The Monitor supports the requested extension.

## NEXT STEPS

### *Rejection of Contracts in United States*

70. The Applicants will seek rejection of certain leases covering equipment used in the Applicants' ordinary course of business within the United States (the "**Rejected Leases**") in the United States Bankruptcy Court. The Buyer has determined that it does not wish to have the Rejected Leases assigned to it as part of the US Transaction. Once the US Transaction Closes, the Applicants will have no need for the equipment covered by the Rejected Leases. Upon rejection of the Rejected Leases the equipment covered by the Rejected Leases will be returned to the lessors.

### *Final Application*

71. Subject to the orders sought in this Application being granted and the Transactions closed, the Applicants' will have sold substantially all of their assets in both Canada and the United States.
72. The only remaining operational activities to be completed is the collection of accounts receivables that were excluded assets from the various transactions and the wind-up of the Applicants' estates, including, among other activities:
  - (a) operating the Applicants' business in the ordinary course until closing of the Transactions;

- (b) rejection and return of leased equipment, which is anticipated to occur on September 9, 2020 subject to obtaining approval of the US Bankruptcy Court;
- (c) disclaimer of leased assets and premises in Alberta; and
- (d) significant reduction of the Applicants' operations, as appropriate, in preparation for carrying out wind down activities such as the collection of remaining accounts receivables.

73. The Applicants anticipate returning to this Court for an application (the "**Final Application**") in early to mid-October for an order, among other things, granting the Monitor enhanced powers, approving the professional fees of the Monitor and its counsel and terminating these CCAA proceedings subject to the filing by the Monitor of a termination certificate after completion of any remaining activities.
74. In addition, at the Final Application, the Applicants intend to seek an order releasing the Applicants directors and officers from any and all claims (other than insured claims and claims that otherwise cannot be released under Section 5.1(2) of the CCAA) (the "**CCAA Release**"). As set out paragraphs 33 to 36 of my Affidavit sworn July 27, 2020 in the within Action, it is a term of the KERP/KEIP that, at the appropriate time, the Applicants will seek the CCAA Release. This Court approved the KERP/KEIP on May 25, 2020.
75. The Applicants, in consultation with the Monitor and the Agent, who will suffer a substantial shortfall, have determined that there are insufficient resources to undertake the process required to develop and implement a plan of arrangement. The Applicants have determined that the time and expense associated with the development and implementation a plan of arrangement would not be in the best interests of the Applicants' stakeholders.
76. The Applicants' directors and officers have played an important role in these CCAA proceedings and have been instrumental in administering the SISP and identifying the potential transactions that will lead to the sale of substantially all of the Applicants' assets and the preservation of over 100 jobs. The CCAA Release will facilitate the distribution to the Agent of up to \$1.5 million, which will be held back on account of the Directors' Charge. The Agent will suffer a substantial shortfall in its recovery.

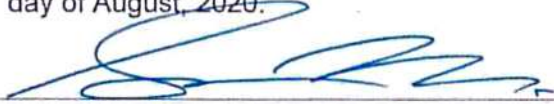
77. Accordingly, in the absence of a plan of arrangement and to comply with its obligations under the KERP/KEIP, the Applicants intend to seek the CCAA Release.

## CONCLUSION

78. For the reasons set out in this Affidavit, the Applicants respectfully request this Court grant the:

- (a) US Transaction AVO and the companion Assignment Order;
- (b) Fort McMurray Transaction AVO and the companion Assignment Order;
- (c) Liquidation AVO;
- (d) Crane AVO; and
- (e) Stay Extension, Distribution and Sealing Order.

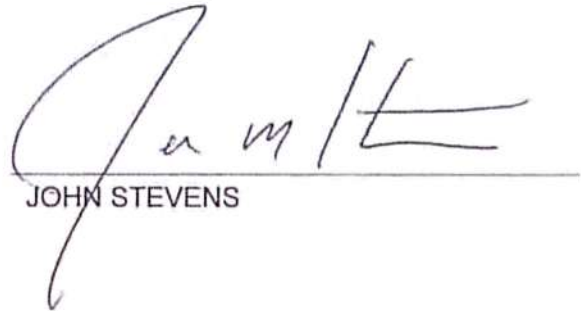
SWORN BEFORE me at the City of St.  
Albert, in the Province of Alberta, this 24th  
day of August, 2020.



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 "B" REFERRED TO IN THE  
AFFIDAVIT OF JOHN STEVENS  
SWORN BEFORE ME THIS 28<sup>TH</sup> DAY OF SEPTEMBER, 2020



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A COMMISSIONER FOR OATHS IN AND FOR THE  
PROVINCE OF ALBERTA

Spencer D. Norris  
Barrister and Solicitor

# **Government of Alberta ■ Corporation/Non-Profit Search**

## **Corporate Registration System**

Date of Search: 2020/09/23  
Time of Search: 01:44 PM  
Search provided by: MILLER THOMSON LLP- EDMONTON  
Service Request Number: 34111834  
Customer Reference Number: 144572.3 RTR

**Corporate Access Number:** 2016892511  
**Business Number:** 818104135  
**Legal Entity Name:** ENTREC ALBERTA LTD.

**Legal Entity Status:** Active  
**Alberta Corporation Type:** Named Alberta Corporation  
**Registration Date:** 2012/07/12 YYYY/MM/DD

### **Registered Office:**

**Street:** 3400, 350 - 7TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P3N9

### **Records Address:**

**Street:** 3400, 350 - 7TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P3N9

**Email Address:** CGYCORP@FASKEN.COM

### **Directors:**

**Last Name:** LAPRAIRIE  
**First Name:** SCOTT  
**Street/Box Number:** 3791 WEST 37TH AVENUE  
**City:** VANCOUVER  
**Province:** BRITISH COLUMBIA  
**Postal Code:** V6N2W1

**Last Name:** LAPRAIRIE  
**First Name:** ROACHELLE  
**Middle Name:** COLLEEN  
**Street/Box Number:** 80 VICTORIA CROSS BLVD. SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T3E7V2

**Last Name:** LAPRAIRIE  
**First Name:** REAGAN  
**Street/Box Number:** 236 BURTON PLACE  
**City:** FORT MCMURRAY  
**Province:** ALBERTA  
**Postal Code:** T9K1W4

**Voting Shareholders:**

**Legal Entity Name:** LAPCORP HOLDINGS LTD.  
**Corporate Access Number:** 2017909520  
**Street:** 3400, 350 - 7TH AVENUE SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T2P3N9  
**Percent Of Voting Shares:** 76

**Legal Entity Name:** REAGAN LAPRAIRIE INVESTMENTS LTD.  
**Corporate Access Number:** 218982437  
**Street:** 236 BURTON PLACE  
**City:** FORT MCMURRAY  
**Province:** ALBERTA  
**Postal Code:** T9K1W4  
**Percent Of Voting Shares:** 14

**Legal Entity Name:** RO HOLDINGS LTD.  
**Corporate Access Number:** 2018054797  
**Street:** 80 VICTORIA CROSS BLVD. SW  
**City:** CALGARY  
**Province:** ALBERTA  
**Postal Code:** T3E7V2



Percent Of Voting Shares: 10

## Details From Current Articles:

### The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE SCHEDULE "A" ATTACHED HERETO AND MADE A PART  
HEREOF

Share Transfers  
Restrictions: SEE SCHEDULE "B" ATTACHED HERETO AND MADE A PART  
HEREOF

Min Number Of Directors: 1

Max Number Of  
Directors: 11

Business Restricted To: NONE

Business Restricted From: NONE

Other Provisions: SEE SCHEDULE "C" ATTACHED HERETO AND MADE A PART  
HEREOF

## Other Information:

### Last Annual Return Filed:

| File Year | Date Filed (YYYY/MM/DD) |
|-----------|-------------------------|
| 2019      | 2020/01/21              |

### Outstanding Returns:

Annual returns are outstanding for the 2020 file year(s).

### Filing History:

| List Date (YYYY/MM/DD) | Type of Filing  |
|------------------------|---|
| 2012/07/12             | Incorporate Alberta Corporation                             |
| 2020/01/21             | Enter Annual Returns for Alberta and Extra-Provincial Corp. |
| 2020/02/21             | Update BN   |
| 2020/09/15             | Change Address  |
| 2020/09/15             | Change Director / Shareholder                               |


**Attachments:**

| Attachment Type                                 | Microfilm Bar Code | Date Recorded (YYYY/MM/DD) |
|---|--------------------|----------------------------|
| <a href="#">Share Structure</a>                 | ELECTRONIC         | 2012/07/12                 |
| <a href="#">Restrictions on Share Transfers</a> | ELECTRONIC         | 2012/07/12                 |
| <a href="#">Other Rules or Provisions</a>       | ELECTRONIC         | 2012/07/12                 |

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



THIS IS EXHIBIT "C" REFERRED TO IN THE  
AFFIDAVIT OF JOHN STEVENS  
SWORN BEFORE ME THIS 28<sup>TH</sup> DAY OF SEPTEMBER, 2020



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A COMMISSIONER FOR OATHS IN AND FOR THE  
PROVINCE OF ALBERTA  
Spencer D. Norris  
Barrister and Solicitor





**MILLER THOMSON**  
AVOCATS | LAWYERS

MILLER THOMSON LLP  
COMMERCE PLACE  
10155 - 102 STREET, SUITE 2700  
EDMONTON, AB T5J 4G8  
CANADA

T 780.429.1751  
F 780.424.5866

MILLERTHOMSON.COM

September 16, 2020

**Delivered Via Mail**

**Asim Iqbal**  
Direct Line: 416.597.6008  
aiqbal@millerthomson.com

File: 144572.3

Dear **Creditor**:

**Re: In re 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.**

**Judicial Centre of Calgary, Action No. 2001 06423**

You are receiving this letter because you are listed as a creditor of ENTREC Corporation and/or one of its subsidiaries, as listed above (collectively, "**ENTREC**"). We are counsel to ENTREC.

As you may know, on May 15, 2020, ENTREC was granted creditor protection by the Alberta Court of Queen's Bench under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). ENTREC's CCAA proceeding was also recognized by the United States Bankruptcy Court in the Southern District of Texas under Chapter 15 of the US Bankruptcy Code.

As part of ENTREC's CCAA proceedings, the Alberta Court appointed Alvarez & Marsal Canada Inc. to act as ENTREC's Court-appointed Monitor.

The Monitor maintains a website for this case, which is where you can find copies of all of the Canadian court materials that have been filed in ENTREC's CCAA proceeding, as well as all of the orders granted by the Alberta Court. The URL for the Monitor's case website is <https://www.alvarezandmarsal.com/entrec>.

In the United States, the US Court appointed Stretto to act as ENTREC's agent for notice of the Chapter 15 proceeding. Stretto maintains a website where you can find court and other materials for ENTREC's Chapter 15 proceeding in the United States. The URL for Stretto's case website is <https://cases.stretto.com/entrec>. If you haven't already, we encourage you to visit the case websites.

At this time, ENTREC has sold substantially all of its assets in both Canada and the United States to various third parties under a court-supervised and approved sale process. Copies of the sale process order and the court orders approving the various transactions on the Monitor's website.

We expect the transactions to close in the near term, at which point ENTREC will be wound up. As part of that wind-up process, ENTREC intends to apply to the Alberta Court and the US Court for an order granting a broad release in favour of ENTREC's directors and officers of all claims of any kind against them, known or unknown, contingent or liquidated, by any person, including any claim against ENTREC's directors and officers that the debtor and

creditors (including you) may have, to the extent permissible under the CCAA and not covered by ENTREC's existing directors' and officers' liability insurance (the "**CCAA Release**"). Enclosed as Schedule "A" to this letter is the language of the CCAA Release. The enclosed is for reference only and remains subject to further changes.

We are writing this letter to give you advance notice of ENTREC's intention to apply for the CCAA Release. In due course, ENTREC will be serving and filing court materials in support of the CCAA Release to parties who are on the Service List. Instructions to be included on the Service List are below.

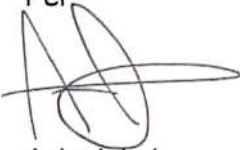
ENTREC has booked court time in Calgary for Monday, October 5, 2020 at 2:00 Mountain Time for the application seeking a CCAA Release. At that time, ENTREC will also seek an order establishing a procedure to terminate this CCAA proceeding, and other miscellaneous relief. ENTREC intends to apply to the US Court to seek recognition of the CCAA Release. A court date has not been set at this time. The court materials for the US proceedings will be available on Stretto's case website.

Please visit the Monitor's website for copies of the court materials after they are filed. If you wish to receive a copy of the materials directly, send an email to Mark Siry of Miller Thomson (msiry@millerthomson.com) and request to be put on the "Service List". We will need your email address and full name. You may wish to retain legal advice regarding your specific rights and concerns in connection with ENTREC's intended application.

If you wish to discuss this letter, you may contact the undersigned or the Monitor at [entrec@alvarezandmarsal.com](mailto:entrec@alvarezandmarsal.com) or 1-888-368-7311. We anticipate serving the court materials and posting same on the Monitor's website on or about September 28, 2020.

Yours truly,

MILLER THOMSON LLP

Per:  
  
Asim Iqbal  
AI/sg





**Schedule "A"**  
**CCAA Release**

1. Effective upon the filing of the Monitor's Termination Certificate, save and except any D&O Claims that are Insured Claims, any and all D&O Claims shall be and shall be deemed to be fully, finally and irrevocably and forever compromised, released, discharged, canceled and barred, and the ability of any person to proceed against any other person in respect of or relating to D&O Claims, whether directly, indirectly, derivatively or otherwise is hereby forever discharged, enjoined and restrained, and all proceedings with respect to, in connection with or relating to D&O Claims are hereby permanently stayed, provided that nothing in this paragraph shall waive, discharge, release cancel or bar any claim against the directors and officers that is not permitted to be released pursuant to Section 5.1(2) of the CCAA. For greater certainty, nothing in this paragraph shall waive, discharge, release, cancel or bar any claim against the directors and officers that:
  - (a) relate to contractual rights of one or more creditors;
  - (b) are based on allegations of misrepresentations made by the directors or officers to creditors or are based on allegations of wrongful or oppressive conduct by the directors or officers; or
  - (c) relate to any action that a trustee in bankruptcy or creditors may bring against any director or officer pursuant to sections 38 or 95-101 of the Bankruptcy and Insolvency Act (Canada), including for greater certainty, preferences, transfers at undervalue and improper dividends.
2. Effective upon the filing of the Monitor's Termination Certificate, notwithstanding this paragraph, Insured Claims shall not be compromised, released, discharged, cancelled or barred by this Order, and any person having an Insured Claim shall be irrevocably limited to recovery in respect of such Insured Claim solely from the proceeds of the applicable insurance policies, and persons with Insured Claims shall have no right to, and shall not, directly or indirectly, seek any recoveries in respect thereof from the Applicants or any director or officers of the Applicants, other than enforcing such person's rights to be paid by the applicable insurer(s) from the proceeds of the applicable insurance policies.

