

COURT FILE NUMBER 25-2681862  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
APPLICANT NEWSCO INTERNATIONAL ENERGY SERVICES  
INC.

DOCUMENT **REPORT OF PROPOSAL TRUSTEE ON  
PROPOSAL  
BDO CANADA LIMITED  
APRIL 22, 2021**

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**REPORT OF PROPOSAL TRUSTEE ON PROPOSAL  
BDO CANADA LIMITED  
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## **INTRODUCTION**

1. On October 20, 2020 (“**NOI Filing Date**”), Newsco International Energy Services Inc. (“**Newsco**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to the *Bankruptcy & Insolvency Act* (the “**BIA**”). BDO Canada Limited consented to act as trustee (the “**Proposal Trustee**”).
2. Since the NOI Filing Date, upon the applications of the Company, the Court of Queen’s Bench of Alberta (the “**Court**”) has granted four Orders extending the time in which Newsco must file its proposal to its creditors (the “**Proposal**”), the most recent of which extended the filing deadline to April 19, 2021.
3. Additionally, and since the NOI Filing Date, upon the applications of the Company, the Court further issued:
  - i. an Order authorizing the payments of certain employee obligations;
  - ii. an Order authorizing payments to identified pre-filing critical suppliers (the “**Critical Suppliers**”);
  - iii. an Order establishing an administration charge for the professionals in these proposal proceedings (the Proposal Trustee, the Proposal Trustee’s legal counsel and Newsco’s legal counsel, collectively referred to hereinafter as the “**Chargees**”) to a maximum of \$150,000 (the “**Administration Charge**”) and authorizing the Company to pay the fees and disbursements of the Chargees;
  - iv. a Sale Approval and Vesting Order approving the sale transaction (the “**Sale Transaction**”) of substantially all of Newsco’s assets utilized in North America to Sawafi Newsco USA, LLC. (the “**Purchaser**”); and
  - v. a Claims Procedure Order to help facilitate the efficient administration of the Proposal and treatment of creditor claims (the “**Claims Procedure**”), discussed further below.
4. On April 19, 2021, the Company filed its proposal to creditors (the “**Proposal**”).

5. A creditors' meeting will be held to consider and vote on the Proposal on May 10, 2021 at 10:00 a.m. MDT and in adherence with COVID-19 measures, the meeting will be held via conference call.
6. Claimants do not have to attend the creditors' meeting to vote on the Proposal, but can vote on the Proposal by completing the voting letter included in the Proposal Trustee's mailing to claimants and indicating their vote **FOR** or **AGAINST** the Proposal. Claimants can also appoint a person to represent them at the creditors' meeting by submitting a properly completed proxy form. The proxy may be given in favour of the Proposal Trustee or any individual representing you. All corporations must name a proxy.
7. The following information is provided to assist creditors in evaluating the Company's affairs and the Proposal.
8. The purpose of this report (the "**Proposal Trustee's Report on Proposal**") is to provide the Company's creditors with information on the following:
  - background information in respect of the Company and its current status;
  - the terms of the Proposal;
  - the Company's current financial position and an estimated liquidation analysis;
  - the conduct of the Company;
  - the Proposal Trustee's remuneration; and
  - the Proposal Trustee's recommendation to creditors.

## **TERMS OF REFERENCE**

9. In preparing this Proposal Trustee's Report on Proposal to the creditors, the Proposal Trustee has relied upon unaudited financial information, records of the Company and discussions with the Company's management ("**Management**") and the Company's legal counsel as well as an independent third party appraisal prepared by GB Appraisal Canada, ULC ("**Gordon Brothers**"). The Proposal Trustee has not performed an audit, review or other verification of such information.
10. The Proposal Trustee's Report has been prepared pursuant to the BIA and should not be construed or interpreted as an endorsement or recommendation to any creditor or prospective investor to advance credit or goods and services to Newsco or to invest in the Company.
11. All amounts in this Proposal Trustee's Report are reported in Canadian currency. The Company's books and records are reported in USD. Unless otherwise indicated, the Proposal Trustee has converted all USD amounts at the rate of \$1.253 CDN for \$1 USD, the exchange rate reported by the Bank of Canada as at the close of business April 15, 2021.
12. Capitalize terms used herein take on the definitions given to them either within the Proposal or the Proposal Trustee's Report.

## **BACKGROUND**

13. Newsco was incorporated on August 8, 2008 and is a privately owned Company. Mr. William Melville is its sole director.
14. Newsco is an international directional drilling and measurement-while-drilling ("**MWD**") service company with operations in North America, India, and Peru. Newsco's customers are upstream oil and gas producers.

15. Newsco's operations in the United States and Peru were carried out through subsidiaries. The US subsidiaries, Newsco International Energy Services USA Inc. (“**Newsco USA**”) and Telemetrix USA Inc. (“**Telemetrix**”), are a wholly owned subsidiaries of Newsco International Holdings (USA) Inc. (“**Newsco USA Holdings**”), and have no active jobs. Newsco USA filed for restructuring under Chapter 11 of the US Bankruptcy Code in December 2019. The Peruvian subsidiary, Newsco Directional Drilling (Peru) S.A.C. (“**Newsco Peru**” collectively with Newsco USA the “**Subsidiaries**”), similarly has no active jobs, and Newsco does not expect to receive any return from Newsco Peru in the foreseeable future. Newsco USA has since been sold effective February 1, 2021 to a new owner pursuant to a restructuring plan under Chapter 11 of the US Bankruptcy Code. All of the inventory and equipment assets of Telemetrix were also sold effective February 1, 2021 (further information on Telemetrix is set forth below).
16. The Subsidiaries are separate legal entities and are not a part of these proposal proceedings.
17. Given the sustained long-term pressure on oil and gas commodity prices in recent years, Newsco's revenues have been negatively affected by lower drilling activity by its customers. This challenge has been severely exacerbated by the COVID-19 pandemic and further decreases in commodity prices. More specifically:
- i. lower demand for directional drilling and MWD services have resulted in increased competition and downward pressure on the prices that Newsco can obtain for its services. Newsco has been required to provide its services to ongoing customers at discounted prices, shrinking Newsco's margins;
  - ii. a number of Newsco's customers themselves have been unable to carry on in business and have become insolvent or been liquidated;
  - iii. other customers have cancelled planned projects with Newsco;

- iv. certain of Newsco's long-term fixed costs, such as its premises rental costs, had been incurred at a time when Newsco's business levels and revenues were more robust, and could not be reduced to correspond with Newsco's reduced business levels; and
- v. under Newsco's previous ownership, Newsco was party to major litigation relating to an asset purchase agreement. Newsco was ultimately unsuccessful in this litigation that proved to be a drain on Newsco's resources.

18. In light of the above, Newsco currently has had no active jobs in Canada since 2019 and has reduced its local staffing levels to a skeleton administrative staff.

19. Notwithstanding its struggles in North America, Newsco continues to generate income from ongoing projects from its operation in India (the "**Indian Operations**"). The Indian Operations are conducted as a division of Newsco rather than by way of a separate legal entity.

20. As a result of the foregoing, Newsco found itself unable to maintain its day-to-day operations and debt obligations. Accordingly, the Company filed the NOI in an effort to attempt to stabilize its financial situation and seek a settlement with its creditors.

21. Subsequent to the NOI Filing Date, Newsco and the Purchaser closed the Sale Transaction on February 22, 2021. The proceeds from the sale were paid to the Company's legal counsel to be held in trust, to be disbursed, as approved by the Court Order's identified above in paragraph 3, as follows:

- i. to its Critical Suppliers, being suppliers of its Indian Operations, as necessary;
- ii. to pay all employee obligations, consisting of outstanding and future wages, salaries, benefits, vacation pay and expenses; and
- iii. to pay the fees and disbursements owed to the Chargees.

(collectively the "**Authorized Payments**")

22. The Company intends to use the surplus funds from the proceeds of the Sale Transaction, after payment of the Authorized Payments, to fund a Proposal (the “**Distribution Fund**”) to its unsecured creditors, excluding the Critical Suppliers who shall remain unaffected by the Proposal (the “**Unsecured Creditors**”), and the Judith Melville Secured Claim (defined below) (the Judith Melville Secured Claim together with the Unsecured Creditors the “**Affected Creditors**”). The disbursement of the Distribution Fund is further detailed in the Schedule of Estimated Realization below in this Proposal Trustee’s Report on Proposal. The Affected Creditors specifically exclude the Critical Suppliers. At this time, the Distribution Fund is estimated to be \$320,000; however, the quantum available may ultimately vary based on the final quantum of the Authorized Payments.

#### **SIGNIFICANT TERMS OF THE PROPOSAL**

23. The Company’s assets are fully encumbered by various general security agreements (“**GSA’s**”) in favour of:

- Judith Melville - estimated amount owed \$57,800 (the “**Judith Melville Secured Claim**”);
- Buffalo Oilpatch Supply Inc. (“**Buffalo**”) - estimated amount owed \$1,387,700;
- Edmond Michael Melville (“**E. Melville**”) - estimated amount owed \$250,000;
- William Melville (“**W. Melville**”) - estimated amount owed \$40,000; and
- Bill Melville Productions Ltd. (“**Melville Productions**”) - estimated amount owed \$125,000.

(collectively, the “**Secured Creditors**” and excluding Judith Melville, the “**Unaffected Secured Creditors**”)

24. Despite the various and competing security interests over the Company’s assets, the Unaffected Secured Creditors, have agreed to allow the Company to use the entire Distribution Fund to fund the Proposal and have waived any claim that they would otherwise have to the Distribution Fund.

25. In the event that the statutory majority of the Unsecured Creditors and the Court approves the Proposal, the Distribution Fund will be utilized as follows:

- the Administrative Fees and Expenses will be paid in priority to all creditors' claims;
- all amounts owing to Canada Revenue Agency 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, that were outstanding at the NOI Filing Date, shall be paid in full within 6 months after Court approval of the Proposal. Based on available information, the Proposal Trustee is not aware of any amount owing under this category;
- the Judith Melville Secured Claim shall be paid in full;
- Preferred Creditors will be paid in full in priority to the Unsecured Creditors, including the statutory severance claims of terminated employees;
- the Unsecured Creditors will receive the balance of the remaining funds, to be divided on a pro rata basis, in full and final settlement of their proven ordinary claims; and
- All payments to creditors are subject to a levy payable to the Superintendent of Bankruptcy pursuant to section 147 of the BIA, calculated at 5 percent.

26. The Unaffected Secured Creditors shall be paid in accordance with the existing arrangements between the Company and those Unaffected Secured Creditors, or as may be arranged between the Company and the Unaffected Secured Creditors.

27. Critical Suppliers shall be addressed by the Company in the ordinary course.

28. If the statutory majority of Unsecured Creditors and the Court approve the Proposal:

- a. the Proposal will become legally binding on the Company and all Unsecured and Preferred Creditors; and

b. Creditors will not be able to pursue any claims against the Company's directors that arose prior to the NOI Filing Date and that relate to the obligations of the Company where the directors are by law liable in their capacity as directors for the payment of such obligation (excepting those claims described in s.50(14) of BIA.

29. If the Unsecured Creditors reject the Proposal, the Company will be deemed to have filed an assignment in bankruptcy.

30. **Readers are cautioned that the foregoing summary is meant only as a simplified overview.** The Proposal contains terms and conditions which are not set out above. In the event of any conflict between the summary set out herein and the Proposal, the terms of the Proposal will prevail. Creditors are therefore urged to read the Proposal in its entirety and, if considered necessary, to consult with their professional advisors.

#### **IDENTIFICATION AND EVALUATION OF ASSETS**

31. As identified above, the assets of the Company are subject to various encumbrances of the Secured Creditors. The Proposal Trustee has obtained an independent legal opinion from its counsel, Osler, Hoskin & Harcourt LLP ("**Osler**"), confirming the validity and enforceability of the security held by Judith Melville and Buffalo. The Proposal Trustee has not incurred the cost of obtaining a legal opinion of the respective securities held by E. Melville, W. Melville or Melville Productions at this time as they are effectively redundant for purposes of the contemplated terms of the Proposal.

32. Based on the above, the Proposal Trustee is of the opinion that the Company's assets are **fully encumbered** and believes the Secured Creditors would suffer a shortfall from realizations in the event of the alternative of a bankruptcy proceeding, in which case no funds would be available for Unsecured Creditors

33. The Proposal Trustee has identified the following assets of the Company, which, as discussed above, are fully encumbered:

a. Cash

The Company's books and records as of February 28, 2021, reported Cash and Cash Equivalent of \$51,400. The Company continues to utilize its available cash to fund its Indian Operations. The Company forecasts that all remaining funds will be exhausted by the time the Proposal is approved and implemented.

b. Accounts Receivable - Trades ("A/R Trades")

The book value of the Company's A/R Trades was approximately \$723,000 as at February 28, 2021. Management is confident that most of the A/R Trades are collectable, with the exception of an estimated \$66,400 deemed uncollectible.

The A/R Trades is broken up further between the Indian Operations and Canada as follows:

- A/R Trades (Canada) - \$104,750, of which approximately 96.5% is over 90 days; and
- A/R Trades (Indian Operations) - \$618,250 of which approximately 21% is over 90 days.

The Proposal Trustee estimates that A/R Trades will have a lower realizable value in a bankruptcy scenario. The realizable value reflects the following:

- Certain aged receivables will be deemed uncollectible;
- the Company's management may be less inclined to assist in the collection process in a bankruptcy shut-down;
- Customers may be less receptive to the accounts receivable collection efforts of a trustee in bankruptcy;
- a trustee in bankruptcy will incur additional costs; and
- The Secured Creditors may enforce their rights under their security.

c. Accounts Receivable – Interco (“A/R Interco”)

The book value of the Company’s A/R Interco was approximately \$3,130,000 as at February 28, 2021. Management advises the A/R Interco has accumulated over the years through the sale of parts, allocation of costs, etc. Management is further of the opinion the collection of A/R Interco is doubtful considering the current state of the entities having no operations.

The A/R Interco is due mainly from two entities:

- i. *Newsco Peru* – Estimated A/R Interco totaling \$1,343,500. As reported above, Newsco Peru has no active jobs and management does not expect any return from Newsco Peru in the foreseeable future. Management has provided the Proposal Trustee with Newsco Peru’s internal financial statements as of January 31, 2021 (the “**Peru Financials**”). A review of the Peru Financials suggests Newsco Peru is insolvent as its liabilities far exceed the net book value of reported assets. Management further advises:
  - Despite a net book value (“**NBV**”) of approximately \$900,000, Newsco Peru’s machinery and equipment is very old and outdated for the North American market;
  - Newsco Peru is depreciating its assets at 5%, thereby artificially increasing the NBV reported;
  - Newsco Peru’s records report Inventory of approximately \$760,500, most of which is old parts and proprietary to Newsco Peru’s tools. Management does not ascribe any realizable value to their Inventory at this time;

- Newsco Peru owns a building located in a small town far from the city. Book value of the real property is approximately \$430,000, however, management does not ascribe much market value to the real property;
- Newsco Peru has multiple legal actions ongoing for which adequate provisions have not been made;
- Newsco has been attempting to sell Newsco Peru for last 4 years and has not been successful;
- the depressed economic situation plus the unknown employment dues as a result of the termination of employees further adds to the difficulty in selling the business.

Given the above and the likelihood that Newsco Peru is insolvent, management advises the Interco A/R is uncollectible and will be written off. The Proposal Trustee has not undertaken a formal valuation of Newsco Peru's assets or audit of its books and records.

- ii. *Telemetrix USA Inc.* - Estimated A/R Interco totaling \$1,755,000. Telemetrix is a wholly owned subsidiary of Newsco USA Holdings, whose other wholly owned subsidiary, Newsco USA, just completed its own Chapter 11 restructuring. Management has provided the Proposal Trustee with Telemetrix's internal financial statements as of April 20, 2021 (the "**Telemetrix Financials**"). A review of the Telemetrix Financials suggests Telemetrix is insolvent. The Telemetrix Financials report approximately \$116,000 in cash and \$4,500 in accounts receivable, which is insufficient to cover current liabilities of Telemetrix. Management further advises:
- Telemetrix has no operations;
  - Telemetrix has no tangible assets or inventory;

- Management’s intention is to file tax returns current and shut down operations; and
- The existing funds will be used for legal fees, professional fees, tax filing, etc.

Given the above and the likelihood that Telemetrix is insolvent, management advises the Interco A/R is uncollectible and will be written off. The Proposal Trustee has not undertaken a formal valuation of Telemetrix’s assets or audit of its books and records.

d. Furniture and fixtures (“Furniture”)

The Company’s Furniture consists of office furniture, computers and related hardware. The book value of the Company’s parts is \$36,540, as at February 28, 2021. The Proposal Trustee is of the opinion, that in the event of bankruptcy, there would be minimal, if any realizable value in the Furniture.

e. Machinery and equipment (“Equipment”)

The Company’s remaining Equipment consists of certain horizontal and directional drilling tools, electromagnetic telemetry, gamma tools and related support equipment. The majority of the Equipment is located at Newsco’s Indian Operations or customer work sites in India.

The Proposal Trustee retained Gordon Brothers to provide an appraisal of the Equipment. Gordon Brothers opined the forced liquidation value of the Equipment, as at March 8, 2021, to be \$677,785 before related liquidation/disposition costs, which may be substantial considering the location and nature of the Equipment. Gordon Brothers valued the Equipment located in India at approximately \$538,790, and the Equipment located in Canada at approximately \$139,000.

Gordon Brothers further opined that due to the depressed nature of the oil and gas market, the economic environment for the exploration of oil and gas has greatly diminished. This has caused uncertainty in the need for assets used specifically or primarily in the oil and gas industry, which may affect the demand/interest and realizable value for the Company's Equipment.

f. Inventory

The Company's inventory consists of various parts. The book value of the Company's parts is \$939,750, as at February 28, 2021. Gordon Brothers opined the forced liquidation value of the Inventory, as at March 8, 2021, to be \$50,000 before related liquidation/disposition costs. Management advises the Inventory is made up of proprietary items and old parts which would be difficult to sell on the market. The Gordon Brothers valuation reflects this.

g. Taxes withheld

The Company books and records report a current tax asset of approximately \$167,900. Management advises this is the tax withheld by Indian customers on projects. Upon filing its tax returns in India, this tax withheld will either be applied to taxes owing, or will be refunded to Newsco. Management believes it will take two years for a final determination.

h. Cash Security India

The Company has provided ICICI Bank Canada with cash collateral totaling approximately \$753,000 as guarantee for the completion of certain projects under the Indian Operations. The guarantees are set to expire December 31, 2022 and September 30, 2023. In the event Newsco breaches customer contracts, the cash collateral will be called upon. Accordingly, in the event of bankruptcy proceeding, it is highly unlikely a trustee in bankruptcy would continue the Indian Operations, and thus the Proposal Trustee does not ascribe

any value to this cash collateral.

i. Investment in Subsidiaries

As mentioned earlier in this Proposal Trustee's Report on Proposal, the Subsidiaries are not a part of these proceedings. In the event of the bankruptcy of Newsco, the trustee in bankruptcy would control the shares of the Subsidiaries. As noted above, Newsco USA filed for restructuring under Chapter 11 of the US Bankruptcy Code in December 2019. The Proposal Trustee is of the opinion, in the event of a bankruptcy, there would be no realizable value in the shares of Newsco USA Holdings.

Further, Newsco Peru has no active jobs, and Newsco does not expect to receive any return from Newsco Peru in the foreseeable future. In addition, and as reported above, a review of the Peru Financials evidences the company to be insolvent. Accordingly, it is the Proposal Trustee's opinion, that in the event of a bankruptcy, there would be no realizable value in the shares of Newsco Peru.

j. Prepaid

The Company's books and records report Prepaid Expenses of approximately \$17,500. The Trustee estimates that the Prepaid Expenses have no realizable value in a bankruptcy scenario as they will be applied toward current arrears, damages, etc.

**ESTIMATED REALIZATION TO CREDITORS**

34. A Schedule of Estimated Realization comparing the estimated realization in bankruptcy scenario to the estimated realization from the offered Proposal is outlined below:

	Per books at February 28, 2021 (unaudited)	Estimated realization in a bankruptcy	Proposal
Estimated gross realization from assets, note 1			
Cash	\$ 51,400	\$ -	
Accounts receivable - Trades	723,000	656,600	
Accounts receivable - Interco	3,130,000	Nil	
Furniture	36,540	Nil	
Equipment (net of liquidators cost), note 2	924,000	572,000	
Inventory	939,750	50,000	
Tax refunds	167,900	Nil	
Cash security (India)	753,000	Nil	
Investment in Subsidiaries	1	Nil	
Prepaid	17,500	Nil	
Sale proceeds	-	320,000	
Proposal funding			\$ 320,000
Estimated gross realization from assets	<u>\$ 6,743,091</u>	<u>1,598,600</u>	<u>320,000</u>
Estimated amount available for total distribution		<u>\$ 1,598,600</u>	<u>\$ 320,000</u>
Estimated Secured Claims, note 3		\$ 1,861,000	\$ 57,800
Estimated distribution		<u>1,278,600</u>	<u>57,800</u>
Total distribution to Secured Creditors		<u>\$ 1,278,600</u>	<u>\$ 57,800</u>
Estimated amount available for total distribution/(shortfall)		<u>\$ (262,400)</u>	<u>\$ 262,200</u>
Estimated amount available for distribution to Preferred Creditors		<u>\$ -</u>	<u>\$ 262,200</u>
Estimated claims of preferred creditors		\$ 50,500	\$ 50,500
Estimated distribution			
Superintendent's levy		-	2,525
Distribution to Preferred Creditors		-	47,975
Total dividend and levy to Preferred Creditors		<u>\$ -</u>	<u>\$ 50,500</u>
Estimated amount available for distribution to Unsecured Creditors		<u>\$ -</u>	<u>\$ 211,700</u>
Estimated claims of unsecured creditors		\$ 2,700,000	\$ 2,700,000
Estimated distribution			
Superintendent's levy		-	10,585
Distribution to Unsecured Creditors		-	201,115
Total dividend and levy to Unsecured Creditors		<u>\$ -</u>	<u>\$ 211,700</u>
Estimated distribution to Unsecured Creditors		<u>0%</u>	<u>8%</u>

Notes:

1. In the event of a bankruptcy scenario, it is anticipated the Secured Creditors will enforce under their security and will incur a shortfall in their efforts. Accordingly, the Trustee does not anticipate any surplus assets available for the general benefit of creditors in the event of bankruptcy.
2. The forced liquidation realization for the Equipment and Inventory does not include the additional costs to realize that will be incurred by the trustee in bankruptcy. These costs may include, but are not limited to, occupation costs, utilities, disposal, insurance, maintenance and repairs.
3. For the sole purpose of the proposal filing, the Unaffected Secured Creditors have agreed to forgo their priority to the Distribution Fund to allow the Company to make a proposal to its creditors. The Judith Melville Secured Claim will participate in the proposal.

35. The estimated total claim of the Secured Creditors is \$1,861,000. Given the above analysis and assumptions, we estimate the recoveries available for Unsecured Creditors in the event of bankruptcy to be \$Nil. The Proposal provides for a recovery of approximately 8 percent for Unsecured Creditors.

#### **CONDUCT OF THE COMPANY**

36. In or around November 2019, Newsco granted security, in the form of a GSA, to Buffalo. The Proposal Trustee has satisfied itself that this grant of security was pursuant to an agreement which dates back to April 2017, and hence does not raise the issue of a reviewable transaction.

37. Further, the Proposal Trustee is not aware of any preferential payments or transfers made at undervalue which would be pursuable according to the BIA; however, the Proposal Trustee has not undertaken a review of the books and records of the Company or reviewed the details of any historical transactions.

38. In the Proposal Trustee's view, management has been working diligently and with good faith to formulate the Proposal and provide all relevant information to the Proposal Trustee.

#### **PROPOSAL TRUSTEE'S REMUNERATION**

39. The Proposal Trustee's fees and expenses, and those of its legal counsel, will be based on the time spent by the Proposal Trustee, and its counsel, and members of its staff at their respective billing rates plus any out of pocket expenses incurred.

#### **PROPOSAL TRUSTEES RECOMMENDATIONS**

40. If the Proposal is rejected, the Company will be deemed bankrupt. The Secured Creditors would proceed to realize on the assets to recover their security. The assets of the Company are fully encumbered; accordingly, the anticipated recovery under a bankruptcy scenario is expected to be \$Nil. The Proposal provides a greater recovery for the Unsecured Creditors.

41. The main advantages of the Proposal are as follows:

- Management has co-operated with maximizing realization of the Company's assets for the benefit of creditors, and at a cost more economical than a bankruptcy trustee would have incurred;
- Management has negotiated the ability of using a portion of the liquidation proceeds, which would otherwise be subject to the Secured Creditors respective security, for the benefit of the Affected Creditors under the proposal administration;
- Unsecured Creditors will experience a recovery that they would otherwise not obtain in a bankruptcy;
- The Secured Creditors hold GSA's over all of the Company's assets. It is anticipated in a bankruptcy the Secured Creditors will enforce on their security, and will suffer a shortfall on their realization. There will be no surplus assets available for the general benefit of creditors; and
- A quantum and timing of the recovery to the Unsecured Creditors is certain.

42. Based on all of the information that has come to the Proposal Trustee's attention to date, the Proposal Trustee recommends that the Unsecured Creditors accept the Company's Proposal.

Dated at Calgary, Alberta this 22<sup>nd</sup> day of April 2021.

BDO Canada Limited,  
in its capacity as Trustee of the Proposal of Newsco International Energy Services Inc.  
and not in its personal or corporate capacities



Per: Peter Naumis  
Vice President



Marc Kelly  
Senior Vice President