

COURT FILE NUMBER BK NO: 25-2681862

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*

AND IN THE MATTER OF THE PROPOSAL OF  
NEWSCO INTERNATIONAL ENERGY  
SERVICES INC.

DOCUMENT **SIXTH REPORT OF THE PROPOSAL  
TRUSTEE, BDO CANADA LIMITED  
APRIL 13, 2021**

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**SIXTH REPORT OF THE PROPOSAL TRUSTEE  
BDO CANADA LIMITED  
APRIL 13, 2021**

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## **INTRODUCTION**

1. On October 20, 2020, 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. On November 10, 2020, the Proposal Trustee filed a report with the Court (the “**First Report**”) in advance of the Company’s November 19, 2020 application (the “**November Application**”) to the Court seeking:
  - a. an extension of the time in which the Company must file a proposal to its creditors (“**Proposal**”) and a corresponding extension of the stay of proceedings through to December 23, 2020;
  - b. to have suppliers to its Indian division (the “**Indian Operations**”) declared as critical suppliers (the “**Critical Suppliers**”) and have all payments that may be made to the Critical Suppliers subsequent to the date of the NOI ratified and approved;
  - c. authority to pay all outstanding and future wages, salaries, benefits, vacation pay and expenses in accordance with existing compensation policies (the “**Employee Obligations**”); and
  - d. the establishment of a first-ranking charge against all of Newsco’s present and after-acquired assets, property and undertakings in favour of the Proposal Trustee, the Proposal Trustee’s legal counsel and the Company’s legal counsel to secure the fees of the restructuring professionals (the “**Administration Charge**”).
3. At the November Application, the Court granted an Order (the “**November 19<sup>th</sup> Order**”) providing for the following relief:
  - a. extending the time in which the Company must file a Proposal through to December 23, 2020;

- b. authorizing payments of the Employee Obligations and to the Critical Suppliers; and
  - c. the establishment of the Administration Charge to a maximum of \$150,000.
- 4. On December 8, 2020, the Proposal Trustee prepared a report (the “**Second Report**”) in advance of the Company’s December 18, 2020 application (the “**December Application**”) seeking a further extension of the time in which the Company must file a Proposal and a corresponding extension of the stay of proceedings through to February 1, 2021.
- 5. At the December Application, the Court granted an Order extending the time in which the Company must file a Proposal through to February 1, 2021.
- 6. On January 12, 2021, the Proposal Trustee prepared a report (the “**Third Report**”) in advance of the Company’s January 22, 2021 application (the “**January Application**”) seeking a further extension of the time in which Newsco must file a Proposal and a corresponding extension of the stay of proceedings through to March 8, 2021.
- 7. At the January Application, the Court granted an Order further extending the time in which the Company must file a Proposal through to March 8, 2021.
- 8. On February 2, 2021, the Proposal Trustee prepared a report (the “**Fourth Report**”) in advance of Newsco’s application to the Court to seek approval of a sale transaction of substantially all of its assets utilized in North America to Sawafi Newsco USA, LLC (the “**Transaction**”) pursuant to an *Asset Purchase Agreement* dated February 1, 2021 (the “**Purchase Agreement**”).
- 9. On February 4, 2021, the Proposal Trustee prepared a Confidential Supplement to the Fourth Report (the “**Confidential Supplement**”) containing the Purchase Agreement and a third party independent appraisal commissioned from GB Appraisal Canada, ULC that was utilized by the Proposal Trustee to facilitate its analysis of the Transaction.

10. On February 10, 2021, the Court granted two Orders as follows:
  - a. a Sale Approval and Vesting Order approving the Purchase Agreement and the Transaction; and
  - b. a Sealing Order directing that the Confidential Supplement remain sealed until three months subsequent to the closing of the Transaction.
11. On March 2, 2021, the Proposal Trustee prepared a report (the “**Fifth Report**”) in advance of the Company’s March 8, 2021 application (the “**March Application**”) seeking a further extension of the time in which Newsco must file a Proposal and a corresponding extension of the stay of proceedings through to April 19, 2021.
12. At the March Application, the Court granted an Order further extending the time in which the Company must file a Proposal through to April 19, 2021.
13. The purpose of this report (the “**Sixth Report**”) is to provide the Court with the following:
  - a. an update as to the status of the Company’s restructuring activities; and
  - b. information related to Newsco’s request for the establishment of a claims process and the Proposal Trustee’s recommendation thereon.

#### **TERMS OF REFERENCE**

14. In preparing this Sixth Report, the Proposal Trustee has relied upon unaudited financial information, records of the Company, discussions with the Company’s management (“**Management**”) and its legal counsel. The Proposal Trustee has not performed an audit, review or other verification of such information.

#### **RESTRUCTURING ACTIVITIES**

15. Since the Date of the Fifth Report, Management has continued to work with its legal counsel and the Proposal Trustee to formulate the framework of a viable Proposal. As of the date of this Fifth Report, the Proposal Trustee anticipates that the Proposal will be filed with the Office of the Superintendent of Bankruptcy on April 19, 2021.

16. The Proposal Trustee has now received the independent third-party appraisal of Newsco's remaining assets (principally those being utilized by the Indian Operations) commissioned from GB Appraisal Canada, ULC, which will be utilized by the Proposal Trustee for purposes of its evaluation of the Proposal.
17. The Proposal Trustee has obtained independent legal opinions confirming the validity and enforceability of the security of certain of the Company's secured creditors necessary to complete the Proposal Trustee's evaluation of the Proposal.
18. The Company, in conjunction with its legal counsel and the Proposal Trustee, has developed the claims process (the "**Claims Procedure**") discussed below in order to facilitate the administration of the Proposal.
19. The Proposal Trustee remains satisfied that Management continues to act with due diligence and in good faith and has been working towards ultimately presenting a viable Proposal to its creditors.

#### **CLAIMS PROCEDURE**

20. In order to facilitate the timely administration of the Proposal, the Company will be making application for an Order approving the proposed Claims Procedure (the "**Claims Procedure Order**"), the significant terms of which are, *inter alia*, as follows:
  - a. the Claims Procedure shall be a "reverse claims process", wherein a creditor eligible to participate in the Proposal ("**Claimant**") need only take action if they disagree with the Company's categorization as to the nature of a Claimant's claim as secured or unsecured and/or the quantum of the Claim acknowledged by the Company;
  - b. the Claims Procedure contemplates that certain creditors shall be excluded from the Claims Procedure including, *inter alia*:
    - i. certain secured creditors; and

- ii. the Critical Suppliers as they shall remain unaffected by the Proposal. As set out in the First Report, Management is of the view that it would prove to be practically difficult and cost prohibitive for the Company to attempt to enforce the terms of the Proposal in India while also potentially jeopardizing the ongoing Indian Operations.
- c. the establishment of 10:00 a.m. Calgary time on May 10, 2021 (the planned date of the creditors' meeting to consider the Proposal), or any later time or date ordered by the Court, as the deadline for claims (the "**Claims Bar Date**");
- d. by April 23, 2021, the Proposal Trustee shall send a package of materials to those Claimants having a claim ("**Claim**") eligible to participate in the Proposal, such package including:
  - i. a notice stating the Company's categorization of the Claimant's Claim and the amount, if any, owing directly to the Claimant up to the Filing Date ("**Notice to Claimant**"); and
  - ii. a form to be completed and submitted to the Proposal Trustee in the event a Claimant disputes the Company's classification and/or amount of the respective Claimant's Claim ("**Notice of Dispute of Claimant**"). A Notice of Dispute of Claimant must be lodged by the Claims Bar Date, failing which the amount owing to the Claimant and the classification of such amount shall be deemed to be as set out in the Notice to Claimant;

- e. with a view to providing public notice of the Claims Procedure to allow a creditor who may not be reflected on the Company's books and records ("**Unknown Claimant**") the opportunity to file a Claim, the Proposal Trustee will cause notice of the Claims Procedure to be published in the Calgary Herald prior to April 26, 2021 (the "**Notice to Unknown Claimants**"). The Proposal Trustee will also post copies of the Notice to Unknown Claimants, a proof of claim form ("**Proof of Claim**") and the Claims Procedure Order on the Proposal Trustee's website established for the Proceedings. An Unknown Claimant must lodge a Proof of Claim with the Proposal by the Claims Bar Date in order to be eligible to potentially participate in the Proposal;
- f. the Proposal Trustee, with the assistance of the Company, shall review all Proofs of Claim and all Notices of Dispute of Claimant, if any, received by the Claims Bar Date and shall accept, revise or reject the amount of each Claim set out therein for voting and distribution purposes. If any dispute about the amount or classification of a Claim cannot be resolved consensually between the Company, the Claimant, and the Proposal Trustee, then the Proposal Trustee shall send notice ("**Notice of Revision or Disallowance**") to each such Claimant as to whether such Claimant's Claim as set out therein has been revised or rejected for voting and distribution purposes, and the reasons therefore;
- g. a Claimant who intends to dispute a Notice of Revision or Disallowance shall deliver notice of its further objection ("**Notice of Dispute of Revision or Disallowance**") to the Proposal Trustee by no later than 5:00 p.m. on the date that is 15 calendar days after receipt of the Notice of Revision or Disallowance, failing which the amount owing to the Claimant and the classification of such amount shall be deemed to be as set out in the Notice of Revision or Disallowance.



- h. in the event that the Proposal Trustee is unable to resolve a dispute regarding any Claim with a Claimant, the Proposal Trustee, the Company or the Claimant may file an application with the Court for the resolution or adjudication of the Claim for voting and distribution purposes. Any such application must be filed in the Court no later than 21 days after the Claimant has delivered a Notice of Dispute of Revision or Disallowance. Thereafter, the Court shall resolve the dispute and determine the amount and/or classification of the Claimant's Claim for voting and distribution purposes.

### **CONCLUSIONS AND RECOMMENDATIONS**

21. The Proposal Trustee has reviewed the proposed Claims Procedure and associated materials and is supportive of the Company's application to commence a claims process with a view to attempting to expedite the administration of the Proposal.
22. The Proposal Trustee is satisfied with the Claims Procedure being undertaken in the form of a "reverse claims process" for the following reasons:
  - a. since the commencement of the Proceedings, the Proposal Trustee has received minimal contact from creditors advising that they disagreed with the amounts reflected as owing by the Company as set out on the listing of creditors that formed part of the initial NOI filing documents mailed to creditors;
  - b. in its dealings with Management since the commencement of the Proceedings, the Proposal Trustee has been satisfied as to the level of competency of the Company's accounting function; and
  - c. it is likely to prove to be a more cost efficient means of administering a claims process in the circumstances.

All of which is respectfully submitted this 13<sup>th</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 capacity



Per: \_\_\_\_\_  
Marc Kelly  
Senior Vice President