



COURT FILE NUMBER 1601-12571
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

**IN THE MATTER OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, R.S.C. 1985,
c. C-36, as amended**

**AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF
LIGHTSTREAM RESOURCES LTD, 1863359
ALBERTA LTD, LTS RESOURCES
PARTNERSHIP, 1863360 ALBERTA LTD AND
BAKKEN RESOURCES PARTNERSHIP**

DOCUMENT **TRANSCRIPT OF QUESTIONING OF PETER D.
SCOTT HELD OCTOBER 3, 2016**

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Clerk's stamp:

QUESTIONING OF PETER D. SCOTT

BY C. SIMARD

AFFIDAVIT SWORN SEPTEMBER 21, 2016

HELD OCTOBER 3, 2016

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IN THE MATTER OF THE
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LIGHTSTREAM RESOURCES LTD,
1863359 ALBERTA LTD, LTS
RESOURCES PARTNERSHIP, 1863360
ALBERTA LTD AND BAKKEN
RESOURCES PARTNERSHIP

1 APPLICANTS LIGHTSTREAM RESOURCES LTD,
2 1863359 ALBERTA LTD AND
3 1863360 ALBERTA LTD
4

5 PARTIES IN INTEREST LTS RESOURCES PARTNERSHIP AND
6 BAKKEN RESOURCES PARTNERSHIP
7

8 DOCUMENT QUESTIONING ON AFFIDAVIT
9

10

11 Taken before Heather Bowie, Official Court Reporter,
12 pursuant to Rules 5.26, 6.20, and 13.46 of the Court of
13 Queen's Bench of Alberta, at the offices of Blake,
14 Cassels & Graydon LLP, Calgary, Alberta.

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1 (PROCEEDINGS COMMENCED AT 10:04 AM)

2 PETER D. SCOTT, Sworn, Examined by Mr. Simard

3 Q MR. SIMARD: Good morning, Mr. Scott.

4 Sir, you just gave an oath on the Bible. Can you
5 confirm for me that that oath is binding on your
6 conscience such that you do feel compelled to tell the
7 truth in this questioning?

8 A Yes.

9 Q And you will tell the truth in this questioning?

10 A Yes, I will.

11 Q Okay. Just in terms of a couple of formalities that I'd
12 like to try to have you and I will try to observe as well
13 is please try to wait for the end of my question. You
14 will see Madam Court Reporter is taking a verbatim
15 transcript. So if you can wait until I am done before
16 you speak; I will try to do the same.

17 And, also, if you're going to answer a question
18 affirmatively, try to say "yes" as opposed to "mm-hmm" or
19 something like that; similarly, for a negative response.
20 I will try to help you with that as well.

21 A Okay.

22 Q And if you don't understand any of my questions, by all
23 means, ask me to rephrase. We will be getting into some
24 areas on which you are very expert and I am not expert so
25 I will ask you to educate me as we go through some of the
26 stuff. But, by all means, if it's not clear or you want
27 to get a better understanding, let me know.

1 Sir, you swore an affidavit on September 21st, 2016,
2 in Lightstream's CCAA proceedings?

3 A Yes, I did.

4 Q And I take it, sir, you read that affidavit before you
5 swore it.

6 A Yes, I did.

7 Q And, to the best of your knowledge at the time,
8 everything in that affidavit was accurate?

9 A Yes, it was.

10 Q Okay. Sir, I understand you're the CFO of Lightstream.

11 A Yes, that's correct.

12 Q How long have you held that position?

13 A Since January 2010.

14 Q Okay. And just at a very high level --

15 A No. Sorry. Excuse me.

16 Q Sure.

17 A I joined in January of 2010. I was appointed CFO in May
18 of 2010.

19 Q Okay. And what was your position between January and
20 May?

21 A I was the vice president, finance.

22 Q Okay. Can you just, at a very high level, let me know
23 what your responsibilities include as CFO of Lightstream?

24 A My responsibilities include overall financial management
25 of the company, managing the accounting, tax, investor
26 relations, and legal areas of the company.

27 Q As part of the overall financial management of the

1 company, you would have oversight with respect to
2 financial reporting?

3 A Correct.

4 Q And you would have input with respect to the preparation
5 of financial statements on behalf of the company?

6 A Correct.

7 Q And as part of that, I take it you play a role -- we'll
8 get into this a bit later -- but you take a role in the
9 process by which the company commissions reserve reports
10 from Sproule and then reports the results received from
11 Sproule?

12 A I take a role in that, yes.

13 Q And in terms of strategy, sir, at the company,
14 specifically with respect to capital expenditure and
15 business planning, you play a role in those areas?

16 A That's correct.

17 Q I don't need a huge background here, but can you tell me
18 briefly what formal training or degrees or designations
19 you have that would be relevant to your role of CFO of
20 Lightstream?

21 A I have a commerce degree from the University of Alberta
22 and an MBA from the University of Calgary, and I have
23 been CFO of companies since March 1997.

24 Q And since you have been playing CFO roles or similar
25 roles since March 1997, have those all been with
26 exploration and production companies?

27 A All but three years.

1 Q Okay. So other than three years between March of 1997
2 and now, so roughly 17 years, you have played CFO or
3 similar roles with oil and gas exploration/production
4 companies?

5 A Correct.

6 Q Okay. Sir, I just want to -- and you might want to refer
7 to paragraphs 21 and following of your affidavit. I just
8 want to ask you a few questions about the company's wells
9 and undeveloped locations.

10 A 21, you say?

11 Q Sure. Yeah, paragraph 21 and then -- paragraph 20 and
12 the following paragraphs where you discuss the different
13 business units.

14 So I see from pages 7 through 9 of your affidavit a
15 description of the three business units in the company,
16 and I see there also a description of identified drilling
17 locations. I assume those are locations that have been
18 identified as prospective locations by the company but
19 have not yet been drilled.

20 A Correct.

21 Q And my rough math is that there are about 1,500 or so
22 such undeveloped locations in the three business units.

23 A That would be correct.

24 Q And then what about drilled wells, either producing or
25 nonproducing? I didn't get a clear number when I looked
26 through some of the financial statements. Can you give
27 me an approximate number of drilled wells in the

1 company's portfolio, whether producing or nonproducing?

2 A I believe that is listed in the affidavit as paragraph 32
3 under "Operatorship," approximately 2,600 wells in which
4 we have a working interest in.

5 Q Okay. And that's the gross number of wells. Presumably
6 the net number would be lower because in some wells you
7 have partners.

8 A Correct.

9 Q So at a high level, approximately -- the company has
10 approximately 1,500 undeveloped locations and 2,500 or so
11 gross natural gas or oil wells.

12 A Yes.

13 Q Sir, if you could look at paragraph 78 of your affidavit.
14 And we're getting into an area where I will need you to
15 help educate me, but obviously there are some statements
16 in your affidavit and some other evidence in this case
17 about the value of the company's assets, and so I want to
18 go through that a little bit with you and ask you to help
19 me understand how the company's assets are valued. And
20 so I will start with some general statements.

21 Am I correct in understanding, sir, that exploration
22 and production companies like Lightstream, their oil and
23 gas assets are valued, at least in part, on the basis of
24 reserve reports?

25 A I would suggest that would be one metric that would be
26 used.

27 Q And that's one metric that is used by Lightstream and

1 reported to the public in its financial statements?

2 A It's a requirement to report that; so we report that
3 information.

4 Q Okay. And, sir, again, keeping it at a general level,
5 first of all, reserve reports -- well, I will give you my
6 understanding and you can put it in your own words. But
7 reserve reports are an assessment of the net present
8 value of the current and future revenue stream based on a
9 company's oil and gas assets. Is that a fair statement?

10 A In part. It's based on the rules prescribed by
11 NI 51-101, which is the security commission rules about
12 how to value those reserves and what can be included in
13 the valuation of those reserves and then obviously what
14 price deck is ascribed by our independent valuator of
15 those reserves.

16 Q Sure. And we'll get into some of those components. But
17 at a high level, it's an assessment, both based on the
18 requirements of NI 51-101 and also, I think, in the case
19 of Sproule and all third-party valuers in Calgary, the
20 COGE Handbook as well. That's another input or another
21 set of rules or guidelines that's used?

22 A Yeah, my under -- I am not an engineer. My understanding
23 is 51-101 incorporates the COGE Handbook.

24 MR. SIMARD: Just off the record.

25 (DISCUSSION OFF THE RECORD)

26 Q MR. SIMARD: Okay. So moving into a little
27 more detail, again staying with the concept of reserve

1 reports, my understanding is that there are a number of
2 components that go into what ends up being a reserve
3 report. One would be an estimate of the recoverable oil
4 and gas in place, in the company's portfolio. You would
5 agree that's one component?

6 A Correct. Yes.

7 Q Another would be an assessment of what production is
8 expected from those reserves?

9 A Yes, that's correct, by the independent valuator.

10 Q Yes, of course.

11 And another one would be, building on that, the
12 future revenue stream expected from that production?

13 A Yes, using their price deck and assessment of royalties
14 and costs.

15 Q That's right.

16 And so in coming to that future revenue stream, the
17 independent engineering firm -- in this case, Sproule for
18 Lightstream -- uses some kind of estimate of future
19 commodity prices as one input.

20 A Yes, that's correct.

21 Q And Sproule publishes their price decks on their website,
22 and they're available to --

23 A Yes, that's right.

24 Q And obviously as part of that assessment of the revenue
25 stream, as you said, it's not only an assessment of
26 revenue based on future commodity prices but also the
27 costs that will have to be spent by the company to obtain

1 that revenue.

2 A Correct.

3 Q So other than those high-level components -- and I know
4 there are a lot of subcomponents, but I just want to
5 identify the general components. Are there any others
6 that you would say go into the reserve report creation
7 process other than the estimate of recoverable oil and
8 gas reserves, the assessment of the production attainable
9 from those reserves, an estimate of future revenue based
10 on forward commodity pricing, and an estimate of the
11 costs that the company will bear to generate that revenue
12 stream? Are there any other major components that you
13 would include in what goes into a reserve report
14 assessment?

15 MS. BOURASSA: So Mr. Scott has indicated he
16 is not an engineer. So I assume your question is from
17 his information as CFO, the information that he
18 understands goes in.

19 MR. SIMARD: Absolutely. I am not asking
20 him for an expert opinion because he is not an engineer,
21 but just with his knowledge and experience as a CFO of
22 oil and gas companies.

23 Q MR. SIMARD: Are there any other major
24 inputs into that assessment?

25 A Well, the other assessment that Sproule, in this case,
26 would do would be looking at undeveloped locations and
27 classifying them as either approved undeveloped locations

1 or probable undeveloped locations and the reasonable
2 capital plan and capital costs around that as to when
3 those could be developed and the time frame.

4 Q Okay.

5 A So that would be the other input that would go in there.

6 Q Okay. So the first component I stated was an estimate of
7 recoverable oil and gas in place. That would -- I won't
8 get into all the different subcomponents, but that
9 obviously includes producing, nonproducing, and
10 undeveloped lands.

11 A Correct. And the other component they would take into
12 account on the cost side is any abandonments associated
13 with wells that are included in the reserve report.

14 Q Okay. So we have identified a number of components that
15 go into a reserve report that ultimately lead to a
16 valuation of a company's assets. You will agree with me
17 that any change in those components will change the
18 ultimate assessment of the company's asset value?

19 A Yes, it's a point-in-time valuation based on those
20 assumptions.

21 Q Okay. Obviously a change in costs can have a somewhat
22 predictable effect. If the expected costs of generating
23 a future revenue stream go up, the netback goes down, and
24 the asset value would go down in some form.

25 A Correct. I'd agree with that.

26 Q Okay. And we'll get into a little more detail later on
27 the company's business plan and some other statements,

1 but, sir, just at a very high level, based on your
2 experience, are we currently in a situation in the oil
3 and gas industry in the Western Canadian Sedimentary
4 Basis [sic] where costs are relatively -- based on
5 historicals -- costs relatively affordable to carry out
6 drilling, recompletion, workover, all the normal types of
7 operations an E&P company would contract for?

8 A The way that I would answer that is costs have -- appear
9 to have come down. We haven't drilled a lot. We've
10 participated in some wells. So we're relying on, you
11 know, information when we talk to suppliers about what's
12 happened to costs. So costs have come down. But with
13 respect to does that mean you can go out and continue and
14 drill and recomplete wells also depends on the revenue
15 side of the equation which has also come down.

16 Q Absolutely.

17 A So I would say, yes, costs have come down, but revenue
18 has come down. So it does not mean it's necessarily an
19 environment that leads to a lot of capital investment.

20 Q Nobody has unlimited capital if they're relying on oil
21 and gas revenue these days obviously.

22 And obviously, again talking about how changes in
23 those components can change a company like Lightstream's
24 asset valuation, if the forward price curve goes up, the
25 logical consequences that future revenue expectation goes
26 up with the consequent increase in -- possible increase
27 in asset value, correct?

1 A Correct, but costs can also go up in that environment as
2 well.

3 Q That's right. That's right. Obviously that's just one
4 component, but an increase in the forward curve could
5 have a positive increase in asset value.

6 A Correct.

7 Q Okay. And in terms of -- as you said earlier, sir, I
8 think you said the assessments are carried out at a
9 particular point in time.

10 A Yes.

11 Q And obviously, in addition to what is known by somebody
12 like Sproule at a point in time, they are looking forward
13 and making estimates on what may happen to things like
14 costs and future commodity prices, correct?

15 A Correct.

16 Q And is it fair to say that with respect to future
17 commodity prices, there is a relatively dynamic market
18 for crude oil in this case, largely with the consequence
19 that forward commodity pricing changes somewhat
20 dynamically in this industry?

21 A Sorry. What do you mean by "dynamically"?

22 Q Good question. What I mean is that a lot of trades
23 happen daily in this industry, including future trades,
24 such that news today can have an effect today or the next
25 day on future commodity prices.

26 A Particularly short-term prices I would say, yes.

27 Q So when we saw, for example, the news last week about a

1 possible OPEC deal to cut crude oil production, that is
2 the type of news that can lead to short-term price
3 movements in the crude oil market.

4 A Agreed. And I think we did see a short-term price
5 movement.

6 Q And obviously, again going back to the components that go
7 into a reserve report and an asset valuation, if there is
8 a change in the amount of the company's reserves,
9 recoverable reserves, that can lead to an increase in the
10 ultimate asset valuation.

11 A If there is an increase in those reserves, yes.

12 Q And is it fair to say that the two primary ways that a
13 company like Lightstream increases its oil and gas
14 reserves are either by making acquisitions of new oil and
15 gas reserves or carrying out capital expenditures --
16 drilling, recompletion, workovers, or the like -- to
17 increase the reserves or upgrade the reserves in its
18 current holdings?

19 A Yes, but with respect to wells that are undeveloped
20 locations that are already included in the reserve report
21 and you drill those wells, those wells are already
22 included in that reserve report.

23 Q That's right. And, in that case, you would be
24 increasing -- potentially increasing asset value, not
25 necessarily by increasing the quantity of reserves but by
26 upgrading them, by drilling them, and moving them up to a
27 higher category of reserves. Is that a fair general

1 statement?

2 A No, I wouldn't agree with that. I would say when you
3 drill those wells, depending on the cost of the well --
4 because the reserve report will include a cost. So
5 whether your cost was higher or lower will impact that
6 value. And the result of the well, depending on what the
7 result of the well was compared to what the Sproule
8 estimate for the well was, in this case, will affect that
9 value.

10 Q Okay.

11 A So it could be up or down depending on the actual
12 results.

13 Q So the way in which a company increases its overall asset
14 value by carrying out capital expenditures is by -- I am
15 going to use terminology, and you can correct me if I am
16 using the wrong terminology -- but carrying out what it
17 hopes will be an accretive operation whereby the cost of
18 the capital expenditure will result in greater revenue
19 than that cost. Is that fair?

20 A Well, greater revenue and lower costs or greater reserves
21 that were identified than what was identified in the
22 report in that specific case. A company would also be
23 looking to see that they were -- be able to add
24 additional locations as a result of that drilling.

25 Q So there are a number of different ways in which the
26 expenditure of capital on wells can increase the overall
27 asset value of the company. Is that fair?

1 A I would say change the overall asset value, yes.

2 Q Sure. Depending on results.

3 A Yes.

4 Q Obviously when you're planning these things --

5 A You hope to be increasing.

6 Q You're looking at prospects; you're looking at locations
7 that you hope will be accretive.

8 A Correct.

9 Q Okay. And just to explore that concept a bit more, sir,
10 I take it that Lightstream and the other E&P companies
11 for which you've worked in the past, they -- Lightstream
12 does conduct analyses -- in this case, of its 1,500-plus
13 locations -- to assess what it hopes will be accretive
14 locations, to analyze what type of results it can achieve
15 by making capital expenditures on particular wells and
16 what kind of accretion to the company's value it hopes to
17 achieve.

18 A Yeah, we assess what we would call "economic locations"
19 so that they would have a positive value to the company.

20 Q Okay. So that's what you would call that process,
21 "assessing economic locations for the company"?

22 A Yeah. Correct.

23 Q And, I take it, as part of that assessment of economic
24 locations, the company prioritizes or has an
25 understanding of the priority of what it hopes to be the
26 most accretive locations -- the low-hanging fruit, so to
27 speak -- but there is some assessment of the relative

1 priority of locations.

2 A That's correct.

3 Q And so for the 1,500 or so undeveloped locations that are
4 mentioned in your affidavit, Lightstream would have
5 assessed those locations for their economics and would
6 have prioritized those which it believes offer the most
7 economic potential results to develop?

8 A We would have prioritized those wells.

9 Q And can you tell me -- just tell me a little bit about
10 how that process works in the company. Who works on
11 that? Does that ultimately get reported up to you? Is
12 there particular engineering groups? Just in your own
13 words tell me briefly how that is carried out in the
14 company.

15 A So within each business unit, they would have
16 engineering, geological, land professionals assigned to
17 them to work through all of those locations and
18 considering a number of different components. So
19 obviously, you know, the geology is important, the
20 engineering side is important, the land component side of
21 it is important, and so they will work through that
22 assessment and using an estimate of costs and future
23 revenues, et cetera, to come up with those economic
24 locations.

25 And then with respect to the process in our company,
26 as we're setting out a drilling budget, we will look to
27 see, you know, what the economic environment is like, so

1 what kind of drilling budget would that support, and then
2 individual prioritize or groups of wells will come up for
3 a capital approval process which I would be part of.

4 Q And so you have described the detailed work that goes
5 into the economic assessment within each of the three
6 business units. And I presume that at some stage, when
7 you're looking at the overall corporate budget, it gets
8 reported up from the three individual business units to
9 you or someone in your group as part of the budgeting
10 process where decisions are made.

11 A It's a multi-department exercise, but, yes, my group is
12 involved.

13 Q "Multi-department." What departments are involved in
14 that whole decision-making process?

15 A So, again, the engineering side of things, the
16 geological/geophysical side of things, and the land side
17 of things are also involved.

18 Q And then ultimately the financial and accounting group as
19 well?

20 A Yes. Sorry. I thought you mentioned that at the
21 beginning so ...

22 Q Okay. And, I take it, sir, that when the company's
23 expectation of future commodity prices increases, that
24 has the effect that more locations become possibly
25 accretive to value. Is that fair?

26 A When our expectation of prices increases, I would say it
27 increases the prospect of what the near-term drilling

1 budget might look like.

2 Q And is this an assessment that is made within the company
3 on an ongoing basis, or is it done periodically?

4 A The work is ongoing. The exercise of updating potential
5 capital budgets and what those may look like happens on a
6 periodic basis.

7 Q How often are potential capital budgets updated?

8 A They can be updated as frequently as quarterly or less
9 than that depending on what is going on in the
10 macroeconomic environment.

11 Q And what about this year? What periodic updates have
12 occurred with respect to the company's capital
13 expenditure budgets or budget? Do you know when the
14 review --

15 A Well, we --

16 Q -- dates have been?

17 A We do a review every quarter of the budget, but in terms
18 of whether it's going to be increased or decreased,
19 depending on what the environment goes on, that doesn't
20 happen necessarily every quarter because sometimes
21 there's no change to it. But we do review our budgets
22 every quarter.

23 Q And -- I'm sorry -- are you on a calendar year so that --

24 A Calendar-year basis.

25 Q So September 30th would be the end of a quarter.

26 A Correct.

27 Q Okay.

1 A And so when you think of that timeline, think of it in
2 terms of being done in advance of our reporting
3 requirements which obviously are not, in this case,
4 September 30th.

5 Q Sure. So September 30th you have financial and other
6 cutoffs, and then you're going to report your quarterly
7 results within 45 or 60 days after September 30th?

8 A 45, correct.

9 Q 45 days. So what will happen now that we're in the post-
10 September 30th period is that as part of that quarterly
11 reporting there will be a capital expenditure budget
12 review and possibly update as part of the quarter end
13 reporting?

14 A Correct.

15 Q Okay. And obviously right now, given that you're in the
16 middle of restructuring proceedings, there are
17 complications that make it not like a regular vanilla
18 year, I assume.

19 A Correct. I wouldn't anticipate any increase to capital
20 expenditures.

21 Q Until you have a little more certainty on what's going to
22 happen.

23 A Correct.

24 Q Understood.

25 Let me back up. We talked about Sproule and reserve
26 reports. Can you tell me -- and this is not a memory
27 test. So I will give you something that I think will

1 help.

2 So I have taken from the Internet Lightstream's
3 annual information form for the year ended December 31,
4 2015.

5 MR. SIMARD: Let's just go off for a
6 second.

7 (DISCUSSION OFF THE RECORD)

8 Q MR. SIMARD: Sir, I have given you a copy
9 of the company's annual information form for the year
10 ended December 31, 2015. That document is dated
11 March 30, 2016. I can advise you I pulled it off the
12 Internet, off Lightstream's website. Can you confirm,
13 sir, that that is a document that you reviewed at the
14 time it was posted?

15 A Yes, I can.

16 Q And to the best of your knowledge, the statements in this
17 document, subject to the qualifications and conditions
18 set out therein, were accurate at the time?

19 A Yes, they were.

20 MR. SIMARD: Could we please mark that as
21 the first exhibit.

22 EXHIBIT 1 - Lightstream's annual
23 information form for the year ended
24 December 31, 2015

25 Q MR. SIMARD: Sir, if I can ask you to turn
26 to page 16 and just read to yourself that top paragraph
27 on page 16. And I just draw that to your attention

1 because it's obviously something that's been published by
2 the company.

3 And what I wanted to ask you is if you could
4 describe for me, from your perspective as CFO of the
5 company, the process by which the company and Sproule
6 working together come up with the reserve report which
7 then makes it into the company's financial reporting as
8 we have discussed. Can you just at a high level tell me
9 what happens, how long it takes, and what time period is
10 involved?

11 A So our technical teams -- when I say "technical," that
12 would include the engineering, geological teams, land
13 teams to a certain extent -- would exchange the
14 information to Sproule. They would give them an update
15 of our production performance, our lease operating
16 statements, et cetera. Any new wells drilled, they would
17 go through and provide them that information as well as
18 regarding to plans. The process usually takes probably
19 four to five months from start to finish.

20 Q And does it start after a year end?

21 A No, it will start in the fall.

22 Q Okay. And the goal obviously is -- I take it that the
23 reserve report is done in time for the company to report
24 on asset values as part of its year-end financial
25 statements.

26 A Correct.

27 Q And that is by the end of March, generally?

1 A Yes. So we -- by that time frame.

2 Q Okay.

3 A Usually before then.

4 Q So when we look at the paragraph at the top of page 16,
5 you just told me that the technical teams provide a bunch
6 of information to Sproule, and I take it that the
7 statement there in the first sentence is a good, general
8 description of the types of information provided to
9 Sproule.

10 A Correct.

11 Q And I take it that some or maybe all of that information
12 is information that Lightstream would consider to be
13 proprietary and confidential.

14 A A lot of it, I would suggest, would be.

15 Q Some of it might be public but --

16 A Some of it would be available publicly, yeah.

17 Q Okay. And then Sproule obviously, as an independent
18 engineering firm, goes away and does its work. I presume
19 it presents a draft to the company and then there's
20 discussion about the draft between the company and
21 Lightstream.

22 A Correct.

23 Q And then over the course of the first couple of months of
24 the year, you get to the point where Sproule finishes its
25 work and publishes its independent reserve report.

26 A Correct.

27 Q And then the company takes that and builds it into its

1 year-end financial reporting.

2 A Yes.

3 Q Okay. So from start to finish, are we talking about a
4 process of three or four months, something like that?

5 A Yeah, I said four to -- somewhere in that range. Some
6 years -- depending on how much activity has happened,
7 some years it's a little quicker, probably on the three
8 side; some years it takes a little longer.

9 Q I understand from correspondence with your counsel on
10 Friday and maybe Saturday that the data room that is
11 currently open for Lightstream in its sale process does
12 contain the year-end December 31st, 2015, reserve report
13 from Sproule.

14 A That's my understanding.

15 Q Okay. There are no older reserve reports in the data
16 room, though?

17 A Not to my knowledge.

18 Q Is that, in your experience, industry standard -- or
19 maybe not industry standard -- but relatively common for
20 the marketing of oil and gas assets in this market?

21 A In my experience, that's very common.

22 Q Putting in the last reserve report is the standard.

23 A The latest reserve report, yes.

24 Q And in terms of all the information that's set out in the
25 first paragraph of page 16 in this annual information
26 form, that proprietary, confidential information, would
27 all of that information -- or is all of that information

1 in the data room or only a subset of that information?

2 A I can't answer that directly.

3 Q Okay. I am just going to show you again a document I
4 acquired from Lightstream's website, and it is the annual
5 information form for the year ended December 31, 2014.
6 If you could just take a moment to flip through that and
7 confirm to yourself that that is the document I have
8 described.

9 A That looks correct.

10 Q Again, this is a document with respect to which you had
11 input prior to it being published by Lightstream?

12 A Yes.

13 Q To the best of your knowledge and subject to the
14 qualifications and conditions stated in the document, the
15 information was accurate when it was published by
16 Lightstream?

17 A Yes.

18 MR. SIMARD: Could we please mark that as
19 Exhibit Number 2.

20 EXHIBIT 2 - Lightstream's annual
21 information form for the year ended
22 December 31, 2014

23 Q MR. SIMARD: And I have just shown you
24 again another document I have acquired from Lightstream's
25 website. It is, I believe, Lightstream's report on its
26 second quarter results in 2016. Could you just flip
27 through it and confirm that that is the document I have

1 identified?

2 A Yes, that seems to be the document.

3 Q Okay. And, again, that's a document that you had input
4 into prior to its publication by Lightstream?

5 A Yes, I did.

6 Q And subject to the qualifications and conditions set out
7 therein, to the best of your knowledge, the statements
8 therein were correct when published?

9 A Yes.

10 Q Thank you.

11 MR. SIMARD: Let's mark that as Exhibit 3,
12 please.

13 EXHIBIT 3 - Lightstream's report on
14 second quarter results in 2016

15 Q MR. SIMARD: And then this document is a
16 management presentation dated May 31st, 2016, again
17 obtained from Lightstream's website. I think in this
18 case the author of the document was the company's
19 financial advisor Evercore and not Lightstream, but
20 please have a quick flip and let me know if I have
21 identified it correctly.

22 A That's correct.

23 Q So this is not a document that was authored by
24 Lightstream?

25 A It was prepared by Evercore.

26 Q But you did have the ability to review it and have input
27 on the contents prior to it being made publicly

1 available?

2 A Yes.

3 Q And to the best of your knowledge, subject to the
4 qualifications and conditions set out therein, and
5 obviously the fact that it is an expression of opinion in
6 some cases, the statements in this document were accurate
7 when published?

8 A Well, what I would say is this document is one of a
9 number of scenarios of projections. That's all it was.

10 Q Sure. So it may not have been a statement of fact other
11 than a projection based on some assumptions and that type
12 of thing set out therein.

13 You're not aware, though -- subject, again, to all
14 the qualifications and conditions herein -- about any
15 material misstatement in that document when it was
16 published?

17 A Again, I would just say this is a number of scenarios and
18 projections that were prepared for the purposes of those
19 discussions, and, no, I am not going to say there was any
20 material misstatement or not.

21 Q Okay. That's fine.

22 A It's simply a set of projections, scenarios.

23 Q Understood.

24 MR. SIMARD: Let's mark that as Exhibit 4,
25 if we could.

26 EXHIBIT 4 - Lightstream management
27 presentation dated May 31, 2016

1 Q MR. SIMARD: Turning back to a topic we
2 spoke about a few minutes ago, sir, the company's
3 assessment of economic locations, my understanding is
4 that those types of analyses are treated in the industry
5 as proprietary, confidential information. Is that
6 correct?

7 A Correct. Yeah.

8 Q So Lightstream would consider its economic assessments to
9 be proprietary and confidential?

10 A Yes.

11 Q In your experience when you go to look at acquiring the
12 assets of an E&P company in this market, you don't expect
13 to see that type of information from the target company
14 in their data room? You don't expect to have it
15 disclosed to you?

16 A You may or may not. It depends on the situation.

17 Q You have been involved in situations where it has been
18 disclosed?

19 A Yes.

20 Q And in situations where it has not been disclosed?

21 A In a number of cases, what happens sometimes is that the
22 agent, the advisor, would prepare a list of locations,
23 information that they have worked up.

24 Q Okay. And that's what would be disclosed?

25 A In those cases.

26 Q Okay. Is it generally the case that the company -- that
27 the information prepared by the company itself is not

1 disclosed in a marketing scenario?

2 A I wouldn't say generally. It's a mix.

3 Q Okay. In the current sale process being run by
4 Lightstream, am I correct in assuming that Lightstream's
5 economic assessments of its locations are not being made
6 available to bidders?

7 A My understanding, there is a listing of potential
8 locations that could be considered for value.

9 Q But Lightstream's own economic assessment of those
10 locations that it has worked up, as we've discussed, and
11 its prioritization of those locations, that information
12 is not being put into the data room?

13 A I would have to check directly to see if it was.

14 Q You're not sure?

15 A I'm not positive.

16 Q Okay. I presume that within the list of locations that
17 Lightstream has conducted an economic assessment on,
18 there are locations which Lightstream projects would be
19 accretive to value to develop, even at today's commodity
20 costs. Is that fair as a --

21 A There would --

22 Q -- general statement?

23 A -- be some.

24 Q Okay.

25 A We would suggest that today's commodity cost and
26 assumption of what we think the capital cost for those
27 wells would be.

1 Q So based on your assumption about commodity costs and
2 based on your estimate of capital costs, there would be
3 some locations that Lightstream would currently view as
4 accretive to value.

5 A Yes. I think we've said as much. We would be interested
6 in, absent current circumstances, in pursuing a capital
7 program in light of that.

8 Q Following up on that, I will show you a corporate
9 presentation from Lightstream's website from the end of
10 Q2 in this year, 2016. Have I correctly identified that
11 document?

12 A Yes.

13 Q And that's a document with respect to which you had input
14 prior to its publication?

15 A Yes, I did.

16 Q Subject to the qualifications and conditions stated
17 therein, as far as you were aware at the time, the
18 statements in this document were accurate?

19 A Yes.

20 MR. SIMARD: Could we mark that as the next
21 exhibit, please.

22 EXHIBIT 5 - Lightstream corporate
23 presentation from the end of Q2 2016
24 (DISCUSSION OFF THE RECORD)

25 Q MR. SIMARD: And just on that point we were
26 discussing, sir, if you could go to page 15. And, of
27 course, this document, among other things, spoke about

1 what was the recapitalization plan that the company was
2 pursuing at the end of May this year.

3 And on page 15, under the "Preserve Long-Term Value"
4 heading there are a couple of points there. I will just
5 read the first one to you. (as read)

6 Recapitalization plan avoids selling
7 assets in low commodity price
8 environment.

9 As far as you're aware, that statement was true at
10 the time it was made; in other words, the
11 recapitalization plan, had it succeeded or if it
12 succeeds, would have avoided selling assets in what you
13 viewed to be a low commodity price environment at the
14 time? Is that fair?

15 A Yes.

16 Q Okay. And at that time, sir, was it your view that long-
17 term value could be maximized by recapitalizing as
18 opposed to selling the assets in those market conditions?

19 A Sorry. At what time?

20 Q As at the date of this document, May 31st, 2016.

21 A That would be correct, but we had gone through an
22 extensive process to see if we could maximize value other
23 ways.

24 Q And is that statement still true today, in today's market
25 conditions?

26 A I would believe it would still be true, but I think we'll
27 find out through this process.

1 Q And you'll agree with me that under the restructuring and
2 recapitalization plan that was being pursued in the CBCA
3 proceedings, existing shareholders were to receive new
4 shares and warrants in the company?

5 A Correct.

6 Q Do you understand, sir, that under the CCAA, the
7 insolvency statute, that no CCAA plan can be made
8 providing recovery to existing shareholders unless all
9 creditors are paid in full? Do you understand that?

10 A Under CCAA, yes, I'm aware of that.

11 Q And, sir, just to confirm, has the company tried to
12 negotiate a restructuring or recapitalization plan with
13 its stakeholders since these CCAA proceedings commenced?

14 A We have not.

15 Q The company's pursuing the sales process that was
16 approved by the Court at this time?

17 A Correct.

18 Q And it's your understanding that the company is required
19 to pursue that sales process by virtue of the support
20 agreement entered into with initial consenting
21 noteholders?

22 A That would be correct.

23 Q So, then, back to page 15 on Exhibit 5. The second
24 bullet under the heading "Preserve Long-Term Value" says:
25 (as read)

26 Current economic conditions warrant
27 drilling program upon completion of

1 the recapitalization plan.

2 And you agreed with that statement at the time it
3 was made, at the end of May 2016?

4 A Sorry. This was in August.

5 Q Oh, I'm sorry. Okay. Thank you.

6 At the time the statement was made in August, you
7 agreed with that statement?

8 A Yes. I think I just said a few minutes ago we would,
9 absent these circumstances, be looking to have a drilling
10 program in place.

11 Q Yes. And that's what I wanted to -- I wanted to bring it
12 forward to today's date. You still view in these current
13 economic conditions today, October 3rd, that there are
14 locations that warrant bringing a drilling program for
15 the benefit of the company and its stakeholders?

16 A Yeah, and I classify that as a modest drilling program.

17 Q And the current exit strategy, if the credit bid is
18 accepted and if the exit financing is put in place, I
19 understand that, using rough numbers, what will be
20 available to the company is approximately \$80 million of
21 liquidity or working capital. Is that roughly correct?

22 A Again, depending exactly what commodity prices would do
23 would be the qualification I would put on that statement,
24 but there should be at least 80 million.

25 Q Okay. And I take it that, based on this statement and
26 what you have told me earlier today, that if those things
27 come to pass and the company has that liquidity available

1 to it upon the exit from these proceedings that it does
2 have locations or prospects on which it would like to
3 make capital expenditures.

4 MS. BOURASSA: I think you're asking about
5 what -- if the credit bid is successful, you're asking
6 what CreditBidCo will do.

7 MR. SIMARD: Fair enough.

8 MS. BOURASSA: And I don't know that
9 Mr. Scott is in a position to answer that question.

10 MR. SIMARD: No. Thank you for clarifying.

11 Q MR. SIMARD: Based on the company's
12 assessment, as we have spoken of, its economic assessment
13 of its locations, the company has locations that you're
14 aware of today that if you had the 80 million in exit
15 financing today, there are locations you would execute on
16 or recommend execution on.

17 A We would recommend a program.

18 Q Okay. And the recommended program, would that spend the
19 full 80 million in liquidity, or do you have a
20 recommended program that's smaller than that?

21 A Sorry. I can't give you a specific number at this point
22 in time because as we go through this process and
23 depending on what the circumstances are exiting this
24 process would dictate what type of program we have
25 because, as we've seen, commodity prices are very
26 variable, and so we'd have to make a reassessment at that
27 point in time.

1 Q Okay.

2 A But as of today, our recommendation would be -- the
3 prices that we see today and the capital costs that we
4 believe are attainable today that we would recommend a
5 program as of today.

6 Q And what number would be on that capex expenditure
7 program today?

8 A Sorry. I don't have a definitive number for you.

9 Q Okay. Do you have an approximation?

10 A No.

11 Q Okay. So I think I understand, though. I mean,
12 obviously costs are dynamic, future --

13 A Right.

14 Q -- commodity prices are dynamic, and so it's really
15 something that can be reassessed almost on a daily basis;
16 you look at what you think will happen and what you can
17 achieve, and that determines how many locations you view
18 as accretive or not accretive. Fair?

19 A I think you just can't limit it to locations that are
20 accretive. I think you have to look at the overall
21 financial wherewithal of the company at that point in
22 time as well and what it can go ahead and pursue.

23 (DISCUSSION OFF THE RECORD)

24 Q MR. SIMARD: So it's really difficult to
25 assess as we sit here today what capital expenditures you
26 would recommend at some point in the future, even a few
27 months from now.

1 A To clarify, we would plan based on how we think prices
2 would be -- how we see prices and where that unfolds.
3 But before making the what I will call "final go
4 decision" on a capital program, you want to check that
5 assessment. You know, OPEC could meet and they could
6 agree to increase production and all of a sudden prices
7 are down \$10 a barrel.

8 Q Sure.

9 A I would suggest we probably are not going to recommend a
10 program in that environment.

11 Q Understood.

12 As we sit here today, there are locations and
13 opportunities that the company has assessed that would
14 allow it to go forward with a capital expenditure program
15 of somewhere 80 million or less. There are opportunities
16 that you would view as accretive today.

17 A As we sit here today, yes.

18 Q And I take it that the economic assessment of locations
19 and, as you have said, more broadly prospects or
20 developments includes not only looking at whether the
21 expenditure of this gross amount of costs will create
22 value greater than that amount but it also looks at the
23 real-time cash flow aspects; in other words, if we have
24 to borrow money, there is a cost of borrowing, and you
25 also assess whether the revenue that will be generated
26 will be greater than that cost. Is that part of the
27 assessment?

1 A Yes. At a high level, a couple of things that we look
2 at -- and this is not the only things that we look at but
3 to kind of get the concept across -- what we are looking
4 to achieve with a capital program is payout of the
5 capital costs of those wells within two years or less
6 because the nature of the wells that we drill are all
7 high-declining wells; so we're looking to get that
8 capital reinvestment back within that period.

9 And the other thing that we like to look at is over
10 the life of the project that we generate what's called a
11 recycling ratio of two or more based on an operating
12 netback and the F&D costs. So if the operating netback
13 for the project is greater than twice of what the finding
14 and development costs would be for the project, then we
15 would view those as positive hurdles that we've met.

16 Q Okay. Thank you.

17 If you could look at Exhibit K to your affidavit,
18 please. That's the third amended and restated credit
19 agreement. And I will ask you to look actually at the
20 very last page, which is where the individual commitment
21 amounts of the lenders are listed.

22 A I'm sorry. I don't know if I have that.

23 MR. SIMARD: Just off.

24 (DISCUSSION OFF THE RECORD)

25 Q MR. SIMARD: So, sir -- sorry -- to
26 clarify, we're looking at -- within Exhibit K, there is
27 not only the third amended and restated credit agreement

1 but there is a first amending agreement and a second
2 amending agreement. We are now looking at the last page
3 of the second amending agreement dated December 2nd,
4 2015. And on that page, you will see that the individual
5 commitment amounts of the lenders are listed.

6 And so my question is, obviously the amount
7 outstanding under the facilities is different than what
8 we see here, but, to your knowledge, are the relative
9 levels of the commitments of the individual lenders the
10 same as represented here?

11 A To my knowledge, yes.

12 Q And so in the syndicated facility, Royal Bank, Bank of
13 Nova Scotia, and Canadian Imperial Bank of Commerce are
14 the largest three lenders, to your knowledge?

15 A In the syndicated -- the operating and the syndicated are
16 combined. So TD would be the largest.

17 Q That's right. On the syndicated side by itself, without
18 factoring in the operating facility, the largest three
19 would be RBC, BNS, and CIBC?

20 A Correct.

21 Q And then when you combine -- well, first of all, the
22 operating facility, is it still the case that TD is the
23 sole lender on that part of the facility?

24 A Correct.

25 Q And so when you combine the two sides of the facility, TD
26 is the largest single lender?

27 A Correct.

1 Q Okay. I know there are different interest rates that
2 apply to different parts of the facilities. Can you tell
3 me what the interest rates were that were being charged
4 under the facility at the end of the second quarter in
5 2015? Approximation will do.

6 A Sorry. I have to go back and ... I believe it would
7 have been approximately -- and I'm not certain on this --
8 but 4.25 percent.

9 Q Okay. And I understand obviously that with the borrowing
10 base redetermination in the spring of --

11 A Sorry. Which time period did you say?

12 Q I was asking about the end of Q2 2015.

13 A 2015. I thought you meant 2016.

14 We would have been paying approximately three and a
15 quarter percent.

16 Q Okay. And after the borrowing base redetermination and
17 notice in the spring of this year, the company was in
18 covenant default under the -- or the company is now in
19 covenant default under the credit facility?

20 A We're not in covenant default. It's always been
21 borrowing base shortfall.

22 Q Okay. Borrowing base shortfall.

23 And obviously there's a forbearance arrangement in
24 place now.

25 A Correct.

26 Q What is the interest rate that's being paid currently on
27 the credit facility?

1 A I think that's about the four and a quarter.

2 A Okay.

3 Q If you could look at paragraph 80 of your affidavit,
4 please. So I want to ask you about the process that was
5 commenced in December of 2014. I understand that that
6 process involved the marketing of the Bakken business
7 unit.

8 A Correct.

9 Q But just the Bakken.

10 A At that time, yes.

11 Q Okay. And at that time, there was no borrowing base
12 default or other default under the credit agreement at
13 the time the process was started in December 2014?

14 A Correct.

15 Q And so am I correct in characterizing this as not a
16 process that was mandated or asked for by the lending
17 syndicate but was more of a proactive step by the
18 company?

19 A Correct.

20 Q And how long did that process carry on under which the
21 Bakken business unit was being offered for sale?

22 A It was still ongoing right up through until our process
23 on -- we announced on July 13th.

24 Q Okay. Obviously no acceptable offers had been received
25 by Lightstream which led to a purchase and sale
26 transaction for all of the Bakken unit.

27 A There was no purchase and sale transaction.

1 Q Were there some small sales of assets from the Bakken
2 unit --

3 A No.

4 Q -- coming out of this process?

5 So there were no sales.

6 A No.

7 Q Were any offers received?

8 MS. BOURASSA: Just before we get too far
9 into this, we have had a bit of back and forth over the
10 weekend about the fact that your clients have indicated
11 in court materials that they intend to bid, and so I
12 think we have to be very careful discussing both the pre-
13 CCAA and post-CCAA sale process to not give information
14 that isn't available to other bidders. So I was fine
15 with your questions about a sale being concluded. I
16 think on the offer front, that goes into the territory of
17 other bidders don't have that information.

18 (OBJECTION)

19 MR. SIMARD: Well, understood. I
20 understand the sensitivity. I have a series of questions
21 that I will put on the record.

22 With respect to other bidders having access to them,
23 if they are answered, they will become part of the public
24 record and everyone will have access to them.

25 But let me put my record -- my questions on the
26 record, Ms. Bourassa, and you can determine whether you
27 think he should answer or whether they're objectionable

1 for that or any other reason. So let's do that first.

2 So the questions I would have in addition to that
3 first one:

4 Were any offers received from bidders for the
5 purchase of some or all of the Bakken assets?

6 Were any single offer or combination of offers
7 received which would have exceeded the current amount of
8 the bank debt, that is, approximately 371 million?

9 Those were the two questions.

10 MS. BOURASSA: Then I will put my objection
11 to both of them, and maybe we can move on.

12 (OBJECTION)

13 MR. SIMARD: Okay.

14 Q MR. SIMARD: Sir, you mentioned in your
15 affidavit the secured notes exchange or issuance
16 transaction that occurred in 2015.

17 And, again, I'll just ask you. And if you need to
18 refer to your affidavit, you can, but I think these will
19 be simple questions.

20 I understand that the amount of that transaction was
21 for a total of US \$650 million.

22 MS. BOURASSA: So before we go down this
23 path, we've had this discussion as well. I understand
24 that your clients object to certain of the relief granted
25 in the initial order. Your clients had also brought a
26 cross-application for a trial of an issue; and in respect
27 of that, the Court determined that a threshold question

1 be framed and threshold determination be made. And so to
2 the extent we're doing questioning on affidavit right
3 now, going into the litigation is outside of the scope of
4 the comeback application.

5 MR. SIMARD: And I won't -- I think you
6 will see -- as we go through a brief series of questions
7 on that transaction, you will see that none of it relates
8 to the issues that are live in the oppression action.
9 It's merely background questions for the purpose of the
10 comeback hearing.

11 MS. BOURASSA: Okay. Continue.

12 Q MR. SIMARD: So the first question, sir,
13 which I think you did answer, was that the face amount of
14 that transaction US \$650 million?

15 A Ultimately US 650 million.

16 Q And I --

17 A Second lien notes were issued.

18 Q Yes.

19 And I understand that one part of the transaction,
20 one part of that total amount, was the issuance of US
21 \$450 million of new secured lien notes in exchange for
22 546 million, again US, of unsecured notes.

23 A 450 million US was what was issued in exchange. Sorry.
24 I can't remember the total amount of what was exchanged.

25 MR. SIMARD: Let's just go off for a
26 second.

27 (DISCUSSION OFF THE RECORD)

1 Q MR. SIMARD: Sir, we have had a discussion
2 off the record, and you have had a look at your
3 affidavit, and you agree that that exchange was for US
4 450 million of new secured lien notes, for US 546 million
5 of unsecured notes?

6 A Correct.

7 Q And then the balance of the proceeds of that transaction
8 US \$200 million were used to pay down the amount
9 outstanding under Lightstream's credit facility with its
10 lending syndicate?

11 A Correct.

12 Q And so none of the proceeds of the secured note exchange
13 transaction went to working capital of the company?

14 A Well, at that time, when our facility was revolving, we
15 were using all excess cash to pay down the revolving
16 facility; and then as we needed working capital, we would
17 draw it up. So that's why it was done in that fashion.

18 Q So paying down the credit facility had the effect of
19 freeing up working capital.

20 A Correct.

21 Q The interest rate on the new secured notes is
22 9.875 percent per annum?

23 A Correct.

24 Q The interest rate on the unsecured notes for which those
25 were partially exchanged was 8.625 percent per annum?

26 A Correct.

27 Q The sales process that was commenced --

1 MR. SIMARD: I am mindful of your warnings,
2 Ms. Bourassa, but I think these questions will be -- some
3 of them will be unobjectionable.

4 Q MR. SIMARD: The sale process that was
5 commenced in July of this year was not only for the
6 Bakken business unit but also for the Cardium business
7 unit and the Alberta/BC business unit?

8 A Correct, corporate sale.

9 Q And that's the first time Lightstream had offered all of
10 its business units for sale in the process?

11 A Correct.

12 Q If you could look at paragraphs 85 to 87 of your
13 affidavit. Just read those to yourself for a moment.

14 (DISCUSSION OFF THE RECORD)

15 (ADJOURNMENT)

16 Q MR. SIMARD: So, sir, before we broke, I
17 asked you to read paragraphs 85 to 87 of your affidavit,
18 and I wanted to ask you some questions about the current
19 process that was commenced on July 13th, 2016. I
20 understand that the deadline that parties were notified
21 of for indicative nonbinding bids was the week of
22 October 7th.

23 A That's correct. Under the CBCA process, yes.

24 Q Yes, the CBCA process. Thank you.

25 MR. SIMARD: And so, yes, Ms. Bourassa,
26 there are some questions you may object to which I think
27 are proper, but I will give you warning at this time.

1 Q MR. SIMARD: Were any indicative nonbinding
2 bids received by the company?

3 MS. BOURASSA: So we'll object to that on the
4 same basis as earlier.

5 (OBJECTION)

6 Q MR. SIMARD: Did the company make any
7 management presentations to bidders as part of that CBCA
8 sale process?

9 MS. BOURASSA: Same objection.

10 (OBJECTION)

11 Q MR. SIMARD: To your knowledge, sir, did
12 any bidders go to the extent of retaining reservoir
13 engineers to conduct reserves analyses of the company's
14 assets?

15 MS. BOURASSA: Same objection.

16 (OBJECTION)

17 Q MR. SIMARD: To your knowledge, did any
18 bidders go to the extent of having financial advisors
19 retained to model revenue projections?

20 MS. BOURASSA: Objection.

21 (OBJECTION)

22 Q MR. SIMARD: Did the company as part of
23 that CBCA sale process receive any requests for site
24 visits?

25 MS. BOURASSA: Objection.

26 (OBJECTION)

27 Q MR. SIMARD: As part of the CBCA sale

1 process, did the party receive any requests for
2 additional environmental reviews or reports?

3 MS. BOURASSA: Objection.

4 (OBJECTION)

5 MR. SIMARD: Those are all my questions on
6 that sales process.

7 Q MR. SIMARD: If I could ask you, sir, to
8 look at Exhibit 3. Sorry. Wrong document. I will skip
9 that for now.

10 If we could refer to paragraph 112 of your
11 affidavit, please. Read that to yourself.

12 So I wanted to ask you about the APA with
13 CreditBidCo. Have drafts of that document been
14 exchanged?

15 A Yes.

16 Q Has that document been finalized?

17 A No.

18 Q It hasn't been executed obviously.

19 A No.

20 Q Okay. So if you could look at Exhibit 3, page 39. This
21 is a discussion under the "Impairment" heading. So at
22 the top of page 39, there is discussion there of, I
23 guess, two methods of valuation which were considered in
24 terms of assessing the company's impairment at the end of
25 the second quarter for this reporting.

26 There is mention there of an external analyst. Can
27 you tell me who that external analyst was?

1 A TD.

2 Q Not TD the lender bank but TD --

3 A TD is our --

4 Q -- the financial advisor.

5 A TD is our financial advisor.

6 Q And the external analyst valuation, was that a document
7 that TD produced and provided to the company?

8 A Yes.

9 Q Okay. Wait for your counsel before you answer this
10 question: Can you tell me what TD's -- what the number
11 was in TD's asset valuation of the company?

12 MS. BOURASSA: Object.

13 (OBJECTION)

14 Q MR. SIMARD: And can you undertake to
15 provide a copy of that document? Which I think would be
16 acceptable if it was provided on a confidential basis to
17 the Court.

18 MS. BOURASSA: We'll take that under
19 advisement.

20 MR. SIMARD: Okay.

21 UNDERTAKING 1 - To provide a copy of the
22 external analyst valuation TD produced
23 and provided to the company (Taken Under
24 Advisement)

25 Q MR. SIMARD: So if you could look at
26 paragraph 113 of your affidavit. Recognizing that we do
27 not yet have an APA that's finalized or executed, is it

1 your understanding and expectation that the credit bid
2 will pay the first lien lenders, the lending syndicate,
3 in full?

4 A Yes, through the exit financing.

5 Q And is it also your understanding of the credit bid that
6 the secured noteholders making the credit bid will
7 exchange -- will receive the ownership of all the assets
8 of the company in exchange for all their outstanding
9 secured notes?

10 A Correct.

11 Q Is it also your expectation and understanding that
12 CreditBidCo, if its bid is accepted via the credit bid,
13 will assume all debt owed to trade creditors of
14 Lightstream?

15 A Yes.

16 Q And that includes unsecured trade debt predating the CCAA
17 proceedings?

18 A Correct.

19 Q Is it the case that under that credit bid scenario, the
20 only creditor group that will not be repaid if the credit
21 bid is accepted is the unsecured noteholders?

22 A That would be my understanding.

23 Q And there were -- I just noticed in one of the financial
24 statements there were convertible debentures that were
25 outstanding and were repaid by the company in February
26 2016.

27 A Correct.

1 Q Were those unsecured debentures?

2 A Yes, they were.

3 Q Again recognizing we don't have a finalized APA but we do
4 have commentary on the credit bid in the sales process
5 that was approved by the Court, the price of the credit
6 bid, I understand, was set based on the amount of debt
7 outstanding to the lending syndicate and then the amount
8 of the debt outstanding to the secured noteholders. Is
9 that fair?

10 A Yes.

11 Q Okay. The price wasn't negotiated with the secured
12 noteholders. It was fixed based on the debt levels.

13 A It was based on what they were offering up as what they
14 would put in as a credit bid.

15 Q Okay. And you understand that what they were offering up
16 to put in as a credit bid was based on the amount of debt
17 owed to them and the amount of debt owed to priority
18 creditors.

19 A Correct.

20 Q Ms. Bourassa provided at my request this weekend a copy
21 of the exit financing commitment letter, and we had a
22 discussion about how we would deal with that document.

23 MR. SIMARD: I understand, Ms. Bourassa,
24 that I can put this to Mr. Scott, we can mark it as an
25 exhibit, but that exhibit will be put before the Court
26 only on a confidential basis. Is that acceptable?

27 MS. BOURASSA: That's correct.

1 MR. SIMARD: Can I give a copy to the
2 monitor?

3 MS. BOURASSA: Yes, I don't see an issue with
4 the monitor.

5 MR. SIMARD: Okay.

6 Q MR. SIMARD: So, sir, I have given you a
7 document, as I said, that was provided in response to my
8 request. Can you just confirm for me that that document
9 is the exit financing commitment letter?

10 A That's correct.

11 Q Okay.

12 MS. BOURASSA: Mr. Simard, I think in my
13 email to you over the weekend I had indicated some
14 matters in the exit financing which are on the public
15 record but also, of course, indicated that the actual
16 commitment letter, we view, is confidential. So to the
17 extent your questions relate to those matters that are
18 already referenced on the record, then I have no issue;
19 but, otherwise, we should mark part of the transcript as
20 confidential.

21 MR. SIMARD: Sure. Let's deal with that as
22 we come to the questions.

23 MS. BOURASSA: Sure.

24 MR. SIMARD: But for present purposes,
25 let's mark this as a confidential exhibit on the
26 understanding that the only thing I will do with it in
27 advance of next week is provide it to the Court but

1 indicating that it's confidential, and obviously we won't
2 file it and we won't provide it to any other parties.
3 So should we call it "Confidential Exhibit Number 1" or
4 "Confidential Exhibit Number 6"?

5 Let's just go off.

6 (DISCUSSION OFF THE RECORD)

7 CONFIDENTIAL EXHIBIT 6 - Exit financing
8 commitment letter

9 Q MR. SIMARD: Sir, to your knowledge, have
10 any other agreements been entered into or negotiated with
11 the exit facility lenders regarding the exit financing
12 besides this commitment letter?

13 A No.

14 Q So I understand that what is intended as part of the exit
15 financing is a \$400 million lending facility.

16 A Correct.

17 Q Of that \$400 million, one use will be to repay the
18 current lending facility with the first lien lenders?

19 A Correct.

20 Q And then the balance of the funds, loaned to CreditBidCo
21 in this case, will be available for -- be available as
22 working capital; is that correct?

23 A Correct.

24 Q And it is contemplated in some of the documents, I
25 believe the support agreement and maybe even the
26 forbearance agreement, that CreditBidCo, subject to the
27 circumstances that exist at the time, will carry out a

1 capital expenditure program.

2 A Well, again, going back to our previous discussion, there
3 would be perhaps a recommendation for a program if we
4 found ourselves in the same type of economic environment.

5 Q Sure. So it's subject to everything that you would
6 normally assess at that time, but the plan is that
7 CreditBidCo will have up to \$80 million in liquidity
8 available to potentially carry out a capital expenditure
9 program.

10 A Again, subject to board approvals, et cetera.

11 Q Since the CCAA proceedings started, sir, has the company
12 sought out or explored any alternative sources, and that
13 is the company now Lightstream, any alternative sources
14 for \$80 million to carry out the capital expenditure
15 program that is potentially being considered for
16 CreditBidCo?

17 A No.

18 Q So I take it, sir, that the company hasn't explored
19 whether those funds might be available in the form of a
20 DIP loan which would not be tied to the credit bid or the
21 exit facility.

22 A We have not.

23 Q Is it fair to say, sir, that the company would consider
24 such alternatives if it determined that that alternative
25 was in the best interests of the company and its
26 stakeholders?

27 A If I am not mistaken, I think a DIP loan concept is dealt

1 with under the forbearance agreement.

2 Q So subject to the whatever legal obligations the company
3 might be under in the forbearance agreement or the
4 support agreement, I take it that the company would
5 consider any alternative if it determined that that
6 alternative was in the best interests of the company and
7 its stakeholders.

8 A We would consider looking at something.

9 Q I want to show you a letter sent by my partner Mr. Zweig
10 to the monitor but a copy of which was sent to
11 Ms. Bourassa on Friday, September 30th. Have you seen
12 that letter?

13 A Yes, I have.

14 MR. SIMARD: Can we mark that as the next
15 exhibit? Exhibit 7.

16 EXHIBIT 7 - Letter sent by Mr. Zweig to
17 the monitor with a copy of which sent to
18 Ms. Bourassa on Friday, September 30,
19 2016

20 Q MR. SIMARD: Sir, I take it that the
21 company's goal in these CCAA proceedings is to maximize
22 value for the benefit of all its stakeholders.

23 A Correct.

24 Q You'll see in paragraph 1 of this letter that there is a
25 request made to the monitor to prepare a report to
26 consider and report on all restructuring alternatives
27 available to the company and the circumstances.

1 I take it, sir, that there is no reason you're aware
2 of that the company would not facilitate such an effort
3 by the monitor.

4 A We would have to discuss that with the monitor.

5 Q Is there any reason you're aware of today why the
6 company -- subject to and leaving aside whatever legal
7 obligations it has under the support agreement and the
8 forbearance agreement, are you aware of any reason
9 factually why the company would not participate with the
10 monitor if such a report were to be prepared?

11 A Again, I would like to discuss it with the monitor and
12 their counsel. I mean, we have gone through, as you
13 pointed out, back to as early as 2014 looking at a number
14 of different initiatives all around various alternatives
15 so ...

16 Q You would agree with my statement that the company in
17 these CCAA proceedings, which are about a week old now,
18 is prepared to consider all alternatives that are in the
19 best interests of the company and its stakeholders?

20 A Yes.

21 Q In response to this letter, we received a memorandum from
22 the monitor. It's dated September 30th, 2016. I think
23 it may have been sent on October 1st, 2016.

24 MR. SIMARD: And this is another document,
25 Ms. Bourassa, that we agreed use could be made of but
26 only by maintaining confidentiality. So I would propose
27 that we mark this as Confidential Exhibit Number 8.

1 CONFIDENTIAL EXHIBIT 8 - Memorandum from
2 the monitor dated September 30, 2016

3 MR. SIMARD: I don't have any questions
4 about that document; but just so we have it clearly on
5 the record, I will provide it to the Court advising the
6 Court that it is confidential but will not provide it to
7 any other parties; and then, as we discussed, this and
8 any other confidential documents, if anyone wishes to
9 make reference to them at the comeback hearing, it will
10 be done on the general basis we always do for those types
11 of things.

12 Q MR. SIMARD: Sir, the support agreement
13 with the initial consenting noteholders is an exhibit to
14 your affidavit, Exhibit 10 to your September 21st
15 affidavit. There are references in that document to
16 something called a "disclosure letter." I don't believe
17 the disclosure letter is in evidence.

18 MR. SIMARD: Or is it, Ms. Bourassa?

19 MS. BOURASSA: I don't believe it is. Can
20 you give me the reference to that? I know what you're
21 talking about. I just have to find it in the document.

22 MR. SIMARD: It's defined on page 3 of
23 Schedule A to the support agreement.

24 MS. BOURASSA: I don't believe that's on the
25 record.

26 Q MR. SIMARD: I am just asking if you can
27 undertake to produce that, Mr. Scott.

1 MS. BOURASSA: We'll take that under
2 advisement.

3 UNDERTAKING 2 - To produce the
4 disclosure letter as defined on page 3
5 of Schedule A to the support agreement
6 (Taken Under Advisement)

7 MR. SIMARD: Reference is also made in this
8 agreement to a backstop agreement. And, again, I do not
9 believe the backstop agreement is in evidence.

10 MS. BOURASSA: I'm not sure. If we can just
11 go off for a minute.

12 MR. SIMARD: Sure.

13 (DISCUSSION OFF THE RECORD)

14 Q MR. SIMARD: So I would ask you to give me
15 an undertaking to provide that backstop agreement so it
16 is --

17 MS. BOURASSA: We'll take that --

18 Q MR. SIMARD: -- before the Court.

19 MS. BOURASSA: -- under advisement as well.

20 MR. SIMARD: Thank you.

21 UNDERTAKING 3 - To provide the backstop
22 agreement referenced in the support
23 agreement (Taken Under Advisement)

24 Q MR. SIMARD: Sir, if you could turn to the
25 term sheet that is Exhibit B to the support agreement and
26 specifically page 9. On page 9, there is a reference
27 just above the "Corporate Governance" heading to:

1 (as read)

2 A maximum of 8 million new common
3 shares or stock options shall be
4 reserved for issuance pursuant to the
5 new employee incentive plan at the
6 discretion of the post-
7 recapitalization board of directors.

8 I take it, sir, that the 8 million -- up to
9 8 million in new common shares are being reserved for
10 employees, directors, or officers, not by virtue of their
11 debt holdings or status as existing shareholders but by
12 virtue of their positions as employees, directors, or
13 officers.

14 A Correct. It's part of a -- it would be part of the
15 standard compensation program for public companies.

16 Q And has any further agreement been negotiated or entered
17 into with respect to what that incentive or compensation
18 package would look like for directors, officers, and
19 employees of CreditBidCo?

20 A Not at this time, other than what's been described as ...
21 Sorry. No, not at this time other than the concept of
22 keeping on the employees and the same management team of
23 the company.

24 Q Sure. So that's been discussed. The contemplation is if
25 the credit bid goes ahead, that all of the current
26 employees and officers of the company would carry on with
27 CreditBidCo.

1 A Correct.

2 Q Okay.

3 A To our understanding.

4 Q To your understanding.

5 And then obviously we see the board is subject to
6 what is planned here in the "Corporate Governance"
7 heading. To your knowledge, has the population of the
8 board of CreditBidCo been finalized?

9 A No.

10 Q That is something that will be the subject of a future
11 discussion, if necessary, between the secured noteholders
12 and the company.

13 A Well, I think it will be a discussion by the -- if
14 CreditBidCo wins, they will be the shareholders and can
15 decide which board to put in.

16 Q That's right.

17 Sir, have there been any other agreements negotiated
18 or finalized that provide additional consideration to
19 directors or officers of Lightstream in connection with
20 this support agreement or the credit bid or the sale
21 process?

22 A No.

23 Q So no indemnities, releases, or any consideration of that
24 nature has been offered to the current directors or
25 officers?

26 A Sorry. We're still negotiating the credit bid, the APA,
27 so ...

1 Q Other than --

2 A Subject to the finalization of that negotiation.

3 Q Okay. There is no side letter, other agreement that's
4 been negotiated that provides any additional
5 consideration to --

6 A No.

7 Q -- directors or officers?

8 Turning to some CCAA issues, sir, the administration
9 charge, as I understand it, the parties included who have
10 the benefit of the administration charge are the
11 company's counsel; the monitor; the monitor's counsel;
12 the first lien lenders' counsel, which is Torys; the
13 first lien lenders' financial advisor, which is
14 PricewaterhouseCoopers Inc.; counsel to the secured
15 noteholders, or at least the initial consenting
16 noteholders, Goodmans; and the financial advisor to
17 the -- I guess the ad hoc committee of secured
18 noteholders, which is BMO.

19 Are there any other parties, to your knowledge, who
20 currently benefit from the administration charge?

21 A No.

22 MS. BOURASSA: I would say they're as listed
23 in the initial order.

24 MR. SIMARD: Okay.

25 MS. BOURASSA: One point of clarification is,
26 as set out in the initial order, BMO's coverage is to the
27 extent of their monthly work fee.

1 MR. SIMARD: Thank you.

2 Q MR. SIMARD: We have seen, sir -- and you
3 can look at it again, if you want -- the list of lenders
4 under the first lien note which was Schedule B to the
5 second amended credit agreement. That is the last page
6 in your Exhibit K.

7 A Got it.

8 Q And so there you see the list of first lien lenders. To
9 your knowledge, all those parties are still in the
10 syndicated credit facility?

11 A To my knowledge.

12 Q To your knowledge, sir, I take it you would agree with me
13 you're not aware of any of those parties being insolvent.

14 A To my knowledge, I don't believe so.

15 Q You're not aware of any of those parties having an
16 inability to pay their legal or financial advisors?

17 A I don't believe so but ...

18 Q And then with respect to the parties who have signed on
19 as initial consenting noteholders to the support
20 agreement, the identity of those parties is confidential
21 in these proceedings, but I take it you have seen the
22 list of who has signed on.

23 MS. BOURASSA: Can we go off for a minute?

24 MR. SIMARD: Yeah.

25 (DISCUSSION OFF THE RECORD)

26 Q MR. SIMARD: So, sir, with respect to the
27 parties -- the secured noteholders who have signed the

1 support agreement, I take it, as well, that you're not
2 aware of any of those parties being insolvent.

3 A I am not aware of that.

4 Q And you're not aware of any of those parties having an
5 inability to pay their own lawyers or financial advisors?

6 A I am not aware of that.

7 Q So I take it, sir, the parties who are beneficiaries of
8 the administration charge, as Ms. Bourassa said, listed
9 in the initial order granted last week, those parties
10 have been rendering bills and Lightstream has been paying
11 their bills on a current basis --

12 A Correct.

13 Q -- thus far.

14 Can you undertake to provide for me, sir, the amount
15 of each of those parties' invoices that have been billed
16 to the company and paid to date?

17 MS. BOURASSA: We'll take that under
18 advisement.

19 And, to be clear, you're referring to Torys, PwC,
20 Goodmans, BMO?

21 MR. SIMARD: All the parties subject to
22 the --

23 THE WITNESS: The charge.

24 MS. BOURASSA: So you want --

25 MR. SIMARD: Oh, no. Okay. That's fair.
26 I can limit that undertaking to the parties retained,
27 directly retained, by stakeholders other than the

1 company. So not the monitor, not company counsel, not
2 the monitor's counsel.

3 MS. BOURASSA: And presumably --

4 MR. SIMARD: The other parties.

5 MS. BOURASSA: -- you would include D&O
6 counsel as --

7 MR. SIMARD: Yes.

8 MS. BOURASSA: Which side? Sorry. What does
9 "yes" mean?

10 MR. SIMARD: Are they beneficiaries of the
11 admin charge?

12 MS. BOURASSA: They are.

13 MR. SIMARD: Okay. So they would be
14 included in the undertaking request.

15 MS. BOURASSA: Okay. So I will take under
16 advisement providing the amounts paid to those five
17 firms, I think we've covered now.

18 MR. O'NEILL: Sorry. Chris, for what
19 period are you asking?

20 MR. SIMARD: Let's cover the period from --
21 let's cover all of 2016 because I don't know when the
22 work commenced that led to the CBCA filings and support
23 agreement, but I can limit it to calendar 2016.

24 UNDERTAKING 4 - To provide the amounts
25 paid to parties directly retained by
26 stakeholders other than the company --
27 Torys, PwC, Goodmans, BMO, and D&O

1 counsel -- in calendar 2016 (Taken Under
2 Advisement)

3 Q MR. SIMARD: Sir, you understand that my
4 firm and our co-counsel, Cassels Brock, act for an ad hoc
5 group of unsecured noteholders?

6 A I understand you act for two unsecured noteholders.

7 Q Sure.

8 And am I correct in understanding that the company
9 paid the portion of the legal fees of those unsecured
10 noteholders for a certain period of time this summer?

11 A Correct.

12 Q Okay. And I understand -- am I correct in understanding
13 that the fees paid were capped at \$100,000 but that
14 amount was paid?

15 A Correct.

16 Q That was something that the company agreed to pay?

17 A The two noteholders asked us to do that, and we agreed to
18 pay that.

19 Q And that was something that the secured noteholder
20 parties to the support agreement and the lending
21 syndicate either agreed with or allowed?

22 A They would have been aware of it.

23 Q Okay. As I understand it, the agreement to pay the fees
24 of our client was, when the agreement was made or
25 committed to by the company, it was limited to \$100,000.

26 A I believe at their suggestion..

27 Q But since the payment of that amount, there has been no

1 further payment by the company with respect to my
2 clients' legal fees.

3 A Correct.

4 Q So the current contemplation, if the credit bid is
5 approved and closed -- we have already talked about all
6 the creditor/stakeholder groups that will be paid. There
7 would also be some other payments that I just want to run
8 through with you.

9 The financial advisors, to the extent they have
10 success fees, would also be paid?

11 A Correct. My understanding, yes.

12 Q The beneficiaries of the -- K-E-I-P -- the KEIP and the
13 KERP, they will not be paid in the event of a successful
14 credit bid subject to some conditions, but generally
15 they're paid if the credit bid does not go ahead --

16 A Correct.

17 Q -- under the KERP and the KEIP programs.

18 A Correct.

19 Q Obviously directors and officers, their expenses and fees
20 will be paid if the credit bid transaction goes ahead.

21 A Sorry. Normal course expenses? I am not sure what
22 you're getting at.

23 Q Their legal advisor's fees.

24 A Oh, yes.

25 Q I take it you will agree with me, sir, that, as we sit
26 here today, no one yet knows if a bid will be received
27 that is superior to the credit bid.

1 A Correct.

2 Q And so we don't know as we sit here today if unsecured
3 noteholders will receive any recovery from this process?

4 A Correct.

5 Q Since the commencement of the CCAA proceedings, sir, am I
6 correct in assuming that the company has not held
7 discussions with its creditor groups about a
8 restructuring plan to be implemented under the CCAA?

9 A That's correct.

10 Q I take it there is nothing you're aware of that would
11 mean --

12 A So -- sorry -- prior to that we did have discussions.

13 Q Yes. Sure. I am talking about since the CCAA started.

14 A There was active discussion prior to.

15 Q Yes. Until the end of the CBCA process.

16 A Correct.

17 Q I take it, sir, there is no reason you're aware of why
18 the company would not be willing to hold discussions with
19 creditor groups about a CCAA restructuring plan if the
20 company determined that was in the best interests of the
21 company and its stakeholders.

22 A As I mentioned before, we look -- we can consider it.

23 Q With respect to TD, so Toronto-Dominion Bank obviously
24 is, as we have seen, a lender in the syndicated facility
25 and also a lender in the operating facility.

26 A Correct.

27 Q It's the agent in the lending syndicate?

1 A Yes.

2 Q And it is proposed to be one of the lenders in the exit
3 financing?

4 A Correct.

5 Q It's also proposed to be the agent of the syndicate in
6 the exit facility?

7 A That's my understanding, yeah.

8 Q And I take it that the current contemplation is that if
9 the credit bid is accepted and that transaction closes,
10 the lenders who have committed to the exit facility in
11 that circumstance will be committed to make the exit
12 financing available.

13 A Correct.

14 Q But if a different bid is accepted and closes in the sale
15 process, the lenders in the exit facility are not
16 necessarily obligated to still provide the exit financing
17 in that scenario.

18 A Different bid. Not involving the second lien holders?

19 Q Yes.

20 A Correct.

21 MS. BOURASSA: If we can just pause for a
22 minute.

23 MR. SIMARD: Yes.

24 MS. BOURASSA: For you guys in Toronto, I see
25 we have lost our connection. Like I said, this is old
26 technology. I assume you can still hear us, though.

27 MR. O'NEILL: Yeah, the sound is fine. It's

1 no problem.

2 MS. BOURASSA: Okay. So we'll just keep
3 going.

4 MR. O'NEILL: Yes. Thank you.

5 Q MR. SIMARD: Sir, am I correct in
6 understanding that TD, Toronto-Dominion Bank, was a
7 holder of unsecured notes issued by Lightstream?

8 A I am not aware of that.

9 Q Other than TD's participation in the credit facility, are
10 you aware in 2015 if TD was a holder of any other
11 securities, debt or equity securities, of the company?

12 A I am not aware what ...

13 Q Your understanding is that they didn't have any other
14 holdings or, if they did, you weren't aware of them.

15 A I wasn't aware. TD's a big organization.

16 Q Okay. And the same question for not Toronto-Dominion
17 Bank but any affiliates of Toronto-Dominion Bank. Are
18 your answers the same?

19 A They are the same.

20 Q Okay. So you're not aware of TD as a holder of unsecured
21 notes having those notes repurchased by the company in
22 2015?

23 A No.

24 Q With respect to the KERP, sir, it's my understanding from
25 the publicly filed court materials that the proposal is
26 that 193 employees will be covered by the KERP.

27 A Correct.

1 Q And, in your view, are all of those employees essential
2 to the company's operations?

3 A So the company has been through several layoffs. We
4 reduced staff. As we've talked about through the reserve
5 report, it's a complex business requiring lots of
6 professionals. So our view is, for the value protection
7 of the company, it's important to retain as many of that
8 staff as possible, and this type of program does that,
9 and so that's why there was 193 included.

10 Q And for each of those 193, did the company go through a
11 process of considering whether those people had
12 alternative job prospects in Calgary offering an equal or
13 higher salary, was that part of the assessment, on an
14 individual basis?

15 A As we went through, obviously it doesn't include every
16 employee in the company. There are certain employees
17 that are in the field that are, what we say, closer to
18 the asset. So if there is a transaction that was to
19 occur, those employees, more than likely, would be
20 retained by the purchasing company and move with the
21 asset; and so on that basis, they weren't included in the
22 KERP program. And so as we looked at the prospects of
23 the remaining staff, we considered it under the basis
24 that the likelihood of them obtaining additional
25 employment was probably low.

26 Q If I could ask you to look at the management presentation
27 that we marked as Exhibit 4, please, and specifically if

1 you could turn to page 3, the executive summary.

2 And so when I asked you earlier about this document,
3 you had said these were projections, these were forward-
4 looking statements, for lack of a better term, based on a
5 number of assumptions.

6 A Not forward-looking statements.

7 Q Sorry. I shouldn't use a term of art with you. Okay.

8 These were projections based on --

9 A Scenarios.

10 Q -- scenarios based on a number of assumptions about the
11 future. Fair?

12 A Correct.

13 Q Okay. So we see mention on this page 3 in the third
14 square bullet of a three-year base case business plan.
15 So I assume that that was at least one of the possible
16 projected business plans that was discussed by the
17 company and its advisor Evercore.

18 A Correct.

19 Q And it says in the very first line that that three-year
20 base case business plan was developed at strip pricing
21 and flat production. So I assume the reference to strip
22 pricing was the then-existing strip pricing as at May
23 2016 when this document was created.

24 A Yeah. Correct. I don't know the exact date of the
25 pricing but around that time.

26 Q Has strip pricing changed materially from that day to the
27 current date?

1 A I guess it would depend how you define "material"; but
2 compared to where prices used to be, I would say it's
3 probably largely in line.

4 Q And as we go down under that same third bullet, you see
5 the three subparagraphs, and I am reading the second one.
6 It says: (as read)

7 Notably, neither the base case nor
8 the upside case require an investment
9 of new money into the company beyond
10 a new cash flow revolver to finance
11 the existing RBL and the downside
12 case requires minimal new money
13 investment through 2018.

14 And then the final subparagraph: (as read)
15 The base case, upside case, and
16 downside case assume equitization of
17 the existing second lien and
18 unsecured notes.

19 So I just want to understand the assumptions that
20 went into this three-year base case business plan.

21 So obviously it was assumed in this business plan
22 that the second lien and the unsecured notes would be
23 gone.

24 A They would be converted to equity.

25 Q So obviously there would be no more interest payments to
26 those creditor groups.

27 A Correct.

1 Q But does it assume that the then-existing RBL would
2 remain in place or would be refinanced at the same debt
3 level?

4 A It assumed that the RB -- there would be a new exit
5 financing that would replace the existing one.

6 Q Okay. And what assumption was built into the base case
7 business plan with respect to the size of that exit
8 financing facility?

9 A 450 million. So higher than what actually was achieved.

10 Q And at about this time, the amount outstanding under the
11 existing RBL facility was 350-, 360-, something like
12 that?

13 A 371- including the letters of credit.

14 MR. SIMARD: Okay. Subject to your
15 responses to my undertakings, those are all my questions.
16 Thank you.

17 MS. BOURASSA: Okay. If we can just take a
18 minute. I might have a little redirect. I just want to
19 look at my notes.

20 MR. SIMARD: Sure.

21 (ADJOURNMENT)

22 MS. BOURASSA: Mr. Scott, I just have a
23 couple questions by way of redirect.

24 Ms. Bourassa Re-examines the Witness

25 Q MS. BOURASSA: You said earlier: Absent
26 current circumstances, the company may be interested in a
27 capital program. What aspects of the current

1 circumstances impact the company not undertaking a
2 capital program today?

3 A Well, the fact that we're in the CCAA process, we have
4 limited funds available, making sure that we are using
5 those limited funds in the most appropriate way possible.
6 So to embark on an additional capital program at this
7 time probably would not be a decision that we would think
8 would make a lot of sense.

9 Q And I believe Mr. Simard asked you about the company's
10 commencement of the sale process under the CCAA and the
11 fact that it was a requirement of the support agreement.
12 Were there other factors that dictated pursuing the sale
13 process at the commencement of the CCAA?

14 A Well, given the fact that the CBCA process became
15 derailed and offtrack, it seemed to us as well the only
16 logical thing to do was to pursue the sales process to
17 try and maximize value.

18 Q Okay. And in terms of entering into the -- in terms of
19 entering into the support agreement which includes the
20 credit bid concept, how was that agreement negotiated by
21 the company?

22 A Sorry. The support agreement?

23 Q Yes.

24 A So prior to entering into the support agreement, we went
25 through an extensive process, of which we were public
26 about, of identifying three different avenues to preserve
27 long-term value for the company, one being seeking out

1 additional first lien financing which was permitted under
2 the agreements, the second was looking at the sale of
3 partial -- of some of the assets of the company, and the
4 third was looking at restructuring the balance sheet
5 through equitization of certain elements of the balance
6 sheet.

7 In going through all of those initiatives -- and we
8 spent a lot of time going through those initiatives --
9 our conclusion was that the most logical step and the
10 best step to try and preserve value for Lightstream was
11 ultimately to pursue a restructuring.

12 Q And as far as the credit bid concept in the support
13 agreement, how did that factor into it?

14 A Well, as part of that process, we were wanting to pursue
15 a CBCA process but recognizing that if we weren't able to
16 reach a support under a CBCA process that then we needed
17 a fallback position, and the fallback position being
18 following the -- the continued sale process through CCAA.

19 Q And you mentioned -- Mr. Simard took you to the paragraph
20 in your affidavit where you mentioned the ongoing
21 negotiations of the credit bid APA. You noted in your
22 questioning that that APA has not yet been signed. And
23 what is the delay to having that APA signed?

24 A So in working with the second lien noteholders' counsel
25 or group, we are just trying to finalize some of the
26 terms under the APA so that we have a credit bid that the
27 company can support through that agreement, and so there

1 are -- while the macro terms have been settled, there are
2 some minor terms that need to be finalized.

3 Q So, put another way, would it be fair to say you're
4 trying to negotiate --

5 MR. SIMARD: I think that --

6 Q MS. BOURASSA: -- this deal?

7 MR. SIMARD: -- will be a leading question,
8 just hearing how you're phrasing it at the start. So if
9 you could try to rephrase.

10 (OBJECTION)

11 Q MS. BOURASSA: So you're trying to come to
12 conclusion on some more -- I think you said you have the
13 macro deal and there are outstanding pieces, but how are
14 those negotiations proceeding?

15 A Sorry. We're exchanging drafts of the credit APA and
16 trying to finalize the wording in the APA. So the --
17 there are drafts that are being exchanged; and as, you
18 know, any asset purchase agreement, there's lots of
19 clauses in there that need to make sure that they are
20 properly finalized; and part of it relates to overall
21 process if the credit bid was to be successful in terms
22 of conveyancing, et cetera. So there's a number of
23 things that are, I'd say, technical in nature that have
24 to be signed off.

25 MS. BOURASSA: Thank you.

26 MR. SIMARD: Thank you.

27 (WHICH WAS ALL THE EVIDENCE TAKEN AT 12:13 PM)

1 CERTIFICATE OF TRANSCRIPT:

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3

I, Heather Bowie, certify that the foregoing pages
4 are a complete and accurate transcript of the
5 proceedings, taken down by me in shorthand and
6 transcribed from my shorthand notes to the best of my
7 skill and ability.

8

Dated at the City of Calgary, Province of Alberta,
9 this 4th day of October 2016.

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Heather Bowie



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Heather Bowie, CSR(A)

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Official Court Reporter

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1	EXHIBITS ENTERED IN THE QUESTIONING OF
2	PETER D. SCOTT
3	OCTOBER 3, 2016
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7	EXHIBIT 1 - Lightstream's annual information form 23
8	for the year ended December 31, 2015
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10	EXHIBIT 2 - Lightstream's annual information form 27
11	for the year ended December 31, 2014
12	
13	EXHIBIT 3 - Lightstream's report on second quarter 28
14	results in 2016
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16	EXHIBIT 4 - Lightstream management presentation 29
17	dated May 31, 2016
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20	the end of Q2 2016
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22	CONFIDENTIAL EXHIBIT 6 - Exit financing commitment 54
23	letter
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25	EXHIBIT 7 - Letter sent by Mr. Zweig to the monitor 56
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1 CONFIDENTIAL EXHIBIT 8 - Memorandum from the monitor 58
2 dated September 30, 2016

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1 UNDERTAKINGS GIVEN IN THE QUESTIONING OF
2 PETER D. SCOTT
3 OCTOBER 3, 2016
4

5 (Undertakings are inserted and indexed as a courtesy
6 service to be utilized at the discretion of counsel.
7 They are interpretations by the court reporter and
8 it is requested counsel refer to the appropriate page
9 to ensure accuracy.)
10

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13 UNDERTAKING 1 - To provide a copy of the external	50
14 analyst valuation TD produced and provided to the	
15 company (Taken Under Advisement)	
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17 UNDERTAKING 2 - To produce the disclosure letter as	59
18 defined on page 3 of Schedule A to the support	
19 agreement (Taken Under Advisement)	
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21 UNDERTAKING 3 - To provide the backstop agreement	59
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