

SUPERINTENDENT ESTATE NUMBER 25-2689843 & 25-2689838

COURT FILE NUMBER 25-2689843 & 25-2689838
CALGARY JUDICIAL CENTRE

**REPORT OF THE TRUSTEE ON THE BANKRUPTCY OF
ACCEDE ENERGY SERVICES LTD. AND ACCEDE FIRE & SAFETY LTD.**

**of the City of Calgary
in the Province of Alberta**

December 2, 2020

BACKGROUND AND CAUSES OF INSOLVENCY

1. On March 23, 2020 (the “**Receivership Date**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all the assets, undertakings and properties (the “**Property**” or “**Business**”) of Accede Energy Services Ltd. (“**Accede Energy**”), Accede Fire & Safety Ltd. (“**AFS**”), 1537723 Alberta Inc. (“**153 AB**”), and Access Valve Ltd. (“**Access Valve**”), collectively referred to as the “**Debtors**” or the “**Company**”, pursuant to an Order of the Honourable Justice K.M. Horner (the “**Receivership Order**”).

2. Prior to the Receivership Date, the Company had been experiencing financial difficulties for several years due to the extended period of depressed commodity prices and resulting downturn in oil and gas activity. The Company had committed numerous events of default under the loan documents (the “**Loan Documents**”), which govern the indebtedness to its secured creditor Sandton Credit Solutions Master Fund IV, LP (“**Sandton**” or the “**Secured Lender**”). The defaults committed by the Debtors included, but were not limited to, failing to maintain a minimum EBITDA covenant, failing to make interest payments, making capital expenditures in excess of a stipulated amount as prescribed in the Loan Documents, and failing to repay the indebtedness under the Loan Documents.
3. As at the Receivership Date, the total indebtedness owed by the Debtors to the Secured Lender under the Loan Documents was approximately \$28.8 million (the “**Senior Secured Debt**”), not including interest accruing thereafter and all legal and other costs and expenses incurred by the Secured Lender. The Senior Secured Debt is cross guaranteed by AFS, 153 AB and Access Valve.
4. The Debtors operate in various areas within the oilfield service industry. A summary of the operating activities of the Debtors is described below:
 - a. Accede Energy - provides oilfield equipment rentals with branches located in Calmar, Edson, Estevan, Kindersley, Grande Prairie and Blackfalds. During the Receivership Proceedings, operations across all branches except for Calmar were wound down. The Calmar branch continued to operate as a going concern business with the intent to market it as an en bloc sale;
 - b. AFS - provides oil and gas industry tailored medical and emergency services;

- c. Access Valve - provides valve and control services, inclusive of on-site repairs, and operates out of Blackfalds and Edson. During the Receivership Proceedings, Access Valve continued to operate as a going concern entity with the objective to market as an en bloc sale; and
 - d. 153 AB - this company was voluntarily dissolved on April 30, 2019.
5. After reviewing the operations and assessing the state of the business the Receiver, in consultation with Sandton, determined the approach to optimize recoveries to the estate would be a combination of:
 - a. piecemeal/*en-bloc* asset sales; and
 - b. packaging up certain profitable business lines (Access Valve and Calmar) for sale as going concerns.
6. The Receiver commenced a sales process (the “**Sale Process**”) on or around April 9, 2020. In consultation with Sandton, the Receiver determined that the best course of action to optimize value to the stakeholders, was to engage a Sales Agent to facilitate the Sales Process. On or around April 22, 2020, West Grove Capital Advisors (“**West Grove**”) were engaged to act as sales advisors (“**Selling Agent**”) to the Receiver and progress the Sales Process.
7. The intent of the Sales Process was to market Access Valve and Calmar as *en-bloc* sales, while also allowing interested parties to bid on assets of the Company as a whole or in part.
8. Interested parties and auction houses were asked to submit their offers by May 8th and May 15th, respectively. 11 Letters of Interest (“**LOI**”) in respect of various pieces of the business and assets were received, along with four (4) bids from auction houses.

9. In consultation with the Selling Agent, the Receiver concluded that the combination of four offers resulted in the maximum value to the estate. These offers were formalized and resulted in the following definitive transactions (collectively, the “**Sale Agreements**”):
 - a. a share purchase agreement to sell the shares of Access Valve to 2268197 Alberta Ltd. (the “**226 AB SPA**”);
 - b. an asset purchase agreement to sell certain assets located at the Calmar branch of Accede Energy (the “**Calmar Assets**”) to 1128775 Alberta Ltd. (the “**112 AB APA**”);
 - c. an asset purchase agreement to sell certain rental assets located offsite (“**Rental Assets**”) to Captive Rentals Ltd. The Rental Assets were sold on an “as-is, where-is” basis (the “**Captive APA**”); and
 - d. an auction services agreement with McDougall Auctioneers Ltd. with respect to the sale of all remaining assets of the Debtors by way of public auction (the “**McDougall ASA**”).
10. On June 25, 2020 this Honourable Court granted four (4) sale approval and vesting orders (“**Approval and Vesting Orders**”), providing the Receiver with the Court’s approval to close the Sale Agreements, which contemplated, in aggregate, the sale of all the assets of the Company.
11. Subsequently, pursuant to the Approval and Vesting Orders, the Receiver closed the Sale Agreements, and the Receiver has collected the net proceeds from each transaction (the “**Sale Proceeds**”).

12. Following the collection of the Sale Proceeds, the Receiver has made two interim distributions to Sandton, as directed by the Interim Distribution Order and the Second Interim Distribution Order granted by this Honourable Court on July 9, 2020 and October 22, 2020, respectively.

13. A calculation of the repayment of the Senior Secured Debt to Sandton following the collection of the Sale Proceeds is provided below:

Repayment of Secured Debt	
\$ CAD	
Sandton's Secured Claim	\$ 28,818,846
Less:	
Interim Distribution	6,585,989
Second Interim Distribution	3,262,405
Unpaid Amount of Sandton's Secured Debt	\$ 18,970,452

14. The Debtors are still subject to the Receivership Order granted on March 23, 2020. With all the Sale Agreements now closed, the Receiver only has administrative tasks remaining under the Receivership Proceedings.

15. A full summary of the Receivership Proceedings, can be found at the Receiver's website: <http://cfcanda.fticonsulting.com/accedeenergy>

16. Pursuant to an order granted by this Honourable Court on October 22, 2020, the Receivership Order was amended to provide the Receiver with the authority to assign the Debtors (or any one of them) into bankruptcy without further Order of this Honourable Court. Accede Energy Services Ltd. and Accede Fire & Safety Ltd. were subsequently assigned into bankruptcy on November 18, 2020.

17. FTI Consulting Canada Inc. will be referred to as both Receiver and Trustee and is acting independently in both roles and has referred to its actions in its roles separately at different points in this Report.

APPOINTMENT OF A TRUSTEE IN BANKRUPTCY

18. The Trustee has performed the following duties as required under the *Bankruptcy and Insolvency Act*, RSC 1985, c-B-3 as amended (the “**BIA**”):

- a. obtained control of Accede Energy and AFS’ available books and records from the Receiver;
- b. obtained a copy of the legal opinion completed by the Receiver's independent legal counsel which reviewed the validity of the security held by Sandton; and
- c. attended to the various statutory notice requirements.

SECTION A – SUMMARY OF THE ASSETS

19. All assets of Accede Energy and AFS have been sold as part of the Receivership Proceedings as described above.

20. There are no assets, including cash, in either bankruptcy estate. All expenses incurred, or to be incurred by the Trustee, have been guaranteed by the Receiver, with payment of such expenses to be paid from the Receivership estate.

SECTION B

CONSERVATORY AND PROTECTIVE MEASURES

21. Given all assets of Accede Energy and AFS have been sold as part of the Receivership Proceedings. No property has been transferred into the bankruptcy estates, therefore there is no property requiring conservatory or protective measures to be preformed by the Trustee.

CARRYING ON BUSINESS

22. As all assets of Accede Energy and AFS have been sold, there are no operations for the Trustee to carry on.

SECTION C – LEGAL PROCEEDINGS

23. The Trustee is not aware of any on-going litigation where Accede Energy or AFS are the plaintiff.

SECTION D - PROVABLE CLAIMS

24. In regard to Accede Energy, at the date of this report, the Trustee has received 6 unsecured claims in the amount of \$195,905.00.

25. In regard to AFS, at the date of this report, the Trustee has received 2 unsecured claims in the amount of \$28,902.44.

SECTION E – SECURED CREDITORS AND TRUST CLAIMS

26. In regard to both Accede Energy and AFS, at the date of this Report, the Trustee has received nil secured or trust claims.

SECTION F – ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

27. With all the Sale Agreements for the Company's assets being closed, the Trustee does not expect there to be any additional recoveries and as a result does not expect a distribution to the creditors.

SECTION G – PREFERENCES AND TRANSFERS AT UNDERVALUES

28. At the date of this report, the Trustee has not identified any payments that would be considered preference payments under the BIA or any transfers at undervalue.

29. The Trustee has completed a cursory review of the accounts of Accede Energy and AFS prior to the Receivership Date. In reviewing the Debtors bank statements, the Trustee an EFT payment for approximately \$260,000 made on March 6, 2020. The Trustee has been unable to identify to whom the payments were made or what the payments relate to, as such further investigation would be required to determine the nature of the respective payments. Permission to investigate this payment further, and incur the respective costs to conduct an investigation, would need to be voted on and agreed to by the inspectors. Aside from this noted payment the Trustee did not find any indication of, and has no reason to believe there were, any preference payments or transfers at undervalue made during the Receivership proceeding or in the year prior to the Receivership Date.

SECTION H – THIRD PARTY DEPOSITS AND GUARANTEES

30. In order to fund the bankruptcy proceedings of Accede Energy and AFS, the Receiver has guaranteed the Trustee's fees and any administrative expenses that are required with payment of such expenses to be paid from the Receivership estate.

31. Both bankruptcy estates have nil asset values. All fees and expenses will be paid from the Receivership estate of Accede Energy.

SECTION I – OTHER MATTERS

32. The Receiver requested its independent legal counsel to provide a legal opinion on the validity of the Loan Documents. The legal opinion confirmed the validity of the secured position held by Sandton, subject to standard qualifications.


All of which is respectfully submitted this 2nd day December 2020.

Yours truly,

FTI Consulting Canada Inc.

In its capacity as Trustee of
Accede Energy Services Ltd. and Accede Fire & Safety Ltd.
and not in its personal capacity

Per:



Deryck Helkaa
Senior Managing Director