

Court File No. CV-16-11358-00CL

FirstOnSite G.P. Inc.

**SECOND REPORT OF
FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS THE MONITOR**

May 4, 2016

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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
FIRSTONSITE G.P. INC.

**SECOND REPORT OF FTI CONSULTING CANADA INC.,
in its capacity as Monitor**

INTRODUCTION

1. On April 21, 2016 (the “**Filing Date**”), FirstOnSite G.P. Inc. (“**FirstOnSite GP**” or the “**Applicant**”) filed for and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to the Order of this Court granted April 21, 2016 (the “**Initial Order**”), FTI Consulting Canada Inc. (“**FTI**”) was appointed as the Monitor in these proceedings (the “**Monitor**”). The Initial Order provided, *inter alia*, a stay of proceedings against the Applicant through to and including May 20, 2016 (the “**Stay Period**”) and extended the relief under the Initial Order to FirstOnSite Restoration L.P. (“**FirstOnSite LP**”, together with FirstOnSite GP, “**FirstOnSite**” or the “**Companies**”). The proceedings commenced by the Applicant under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

2. The purpose of this report (this “**Report**”) is to provide this Court with information on the following:
 - (a) the Companies’ receipts and disbursements for the period from April 21, 2016 to April 29, 2016;
 - (b) the Applicant’s request for an order, *inter alia*, (i) approving the transaction contemplated by the agreement of purchase and sale dated April 20, 2016 (the “**APA**”) between FirstOnSite LP (by its general partner FirstOnSite GP) and 3297167 Nova Scotia Limited (the “**Purchaser**”) pursuant to which the Purchaser has agreed to acquire substantially all of the assets and the business of FirstOnSite (the “**Proposed Transaction**”), and (ii) vesting in the Purchaser all of FirstOnSite’s right, title and interest in and to the Purchased Assets (as defined in the APA) free and clear of all encumbrances other than permitted encumbrances;
 - (c) the Applicant’s request for certain ancillary relief relating to the Proposed Transaction; and
 - (d) the Applicant’s request for an extension of the stay of proceedings granted under the Initial Order (the “**Stay Extension**”).

TERMS OF REFERENCE

3. In preparing this report, the Monitor has relied upon unaudited financial information of FirstOnSite, FirstOnSite’s books and records, certain financial information prepared by FirstOnSite and discussions with various parties, including senior management (“**Management**”) of the Companies (collectively, the “**Information**”).

4. Except as described in this Report:
 - (a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) the Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
5. Future oriented financial information reported or relied on in preparing this Report is based on Management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.
6. The Monitor has prepared this Report in connection with the Applicant's motion for approval of the Proposed Transaction (the "**Sale Approval Motion**") and for the Stay Extension. This Report should be read in conjunction with the affidavit of Kevin McElcheran sworn April 26, 2016 in support of, *inter alia*, the Sale Approval Motion and the Stay Extension (the "**McElcheran Affidavit**"), and the affidavit of Adam Zalev sworn April 26, 2016 in support of the Sale Approval Motion (the "**Zalev Affidavit**"). The Monitor understands that the Applicant will also be filing a supplemental affidavit in connection with its request for the Stay Extension.
7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings given to them in the Pre-Filing Report (as defined below) or the APA, as applicable.

GENERAL BACKGROUND

8. Background information regarding FirstOnSite and the CCAA Proceedings is provided in the affidavit of Mr. David Demos sworn April 20, 2016 and filed in support of the Initial Order (the “**Demos Affidavit**”) and the pre-filing report of FTI, in its capacity as proposed monitor, dated April 21, 2016 (the “**Pre-Filing Report**”). Copies of these materials, the Initial Order and other documentation relating to these CCAA Proceedings have been posted on the Monitor’s Website at <http://cfcanada.fticonsulting.com/firstonsite> (the “**Monitor’s Website**”).

RECEIPTS AND DISBURSEMENTS FOR THE PERIOD FROM APRIL 21, 2016 TO APRIL 29, 2016

9. As discussed in the Pre-Filing Report, the Companies, with the assistance of the Monitor, prepared a consolidated weekly cash flow forecast for the Companies (the “**Cash Flow Forecast**”) for the period from April 21, 2016 to June 10, 2016 (the “**Cash Flow Period**”), a copy of which was attached as Appendix “A” to the Pre-Filing Report.
10. Since the Filing Date, the Monitor has been working with the Companies to review disbursements and manage their cash spending during the CCAA Proceedings. The table below presents the actual results versus forecast results of the Companies’ Cash Flow Forecast for the period of April 21, 2016 to April 29, 2016 (the “**Current Period**”):

S000s	Budget	Actual	Variance
Receipts	2,148	2,991	843
Disbursements:			
Payroll & related payments	(2,276)	(2,072)	204
Materials, Supplies and Services	(8,767)	(1,895)	6,873
Net Operating Cash Flows	(8,896)	(975)	7,921
Restructuring Professional Fees	(1,000)	(175)	825
Projected Net Cash flow	(9,896)	(1,150)	8,746
Beginning DIP Balance	-	-	-
Advances Net of Receipts	9,896	2,005	7,891
DIP Interest	59	35	24
Ending DIP Balance	9,955	2,040	7,915

11. Actual net cash flows for the Current Period were approximately \$8.7 million higher than forecast. The positive variance in cash was primarily the result of the following:
 - (a) receipts during the Current Period were approximately \$843,000 higher than forecast. The Cash Flow Forecast took into account potential delays associated with the CCAA filing; however, receipts for the Current Period have continued to follow normal collection patterns;
 - (b) disbursements in respect of Materials, Supplies and Services during the Current Period were approximately \$6.8 million lower than forecast due mainly to timing variances, as further discussed below; and
 - (c) disbursements in respect of Restructuring Professional Fees during the Current Period were approximately \$825,000 lower than forecast due mainly to timing variances, which variances are expected to reverse in future periods.

12. The Cash Flow Forecast included certain vendor payments for the Current Period which have not materialized in the same time frame as estimated in the Cash Flow Forecast. Since the commencement of the CCAA Proceedings, the Companies have been making post-filing vendor payments promptly on receipt of invoices, certain of which invoices have not been delivered or received as soon as had been anticipated in the preparation of the Cash Flow Forecast. In addition, the Cash Flow Forecast had contemplated certain potential critical vendor payments during the first weeks of the CCAA Proceedings in the event they were required, which payments are occurring over a longer period of time than anticipated in Cash Flow Forecast.

PROCESS LEADING TO THE PROPOSED TRANSACTION

FirstOnSite's Restructuring Efforts

13. As discussed in the Demos Affidavit and the Pre-Filing Report, since approximately 2012, FirstOnSite has undertaken a number of operational, cost and revenue improvement efforts and pursued a number of strategies to address its financial difficulties. Notwithstanding these efforts, given the continuing adverse economic conditions affecting FirstOnSite's business, FirstOnSite was not able to continue to fund its operations without additional and ongoing funding from its major stakeholders TorQuest Partners Fund II, L.P. and TorQuest Partners Fund (U.S.) II, L.P. (collectively with other related entities, "**TorQuest**") or another third party. Based on FirstOnSite's ongoing operating losses and financial circumstances, in or around October 2015, TorQuest advised the Companies that it was no longer prepared to continue funding FirstOnSite's operating losses. As such, FirstOnSite needed to pursue strategic alternatives, including seeking a potential third party transaction.
14. In October 2015, FirstOnSite determined to conduct a sale process (the "**Sale Process**") to identify a potential purchaser of the FirstOnSite business, and engaged Alvarez & Marsal Canada Securities ULC ("**A&M**") to manage the Sale Process. As discussed in the Zalev Affidavit, A&M is the Canadian corporate finance and investment banking arm of Alvarez & Marsal, a global professional services firm providing a variety of corporate and financial advisory services.
15. At the commencement of the Sale Process, it had not yet been determined whether any resulting transaction would be executed through a formal court process. As discussed in the McElcheran Affidavit, the Companies determined to conduct the Sale Process prior to the commencement of proceedings under the CCAA as the Companies believed, among other things, that:
 - (a) a going concern sale was necessary to maximize realizable value for stakeholders;

- (b) FirstOnSite had access to sufficient liquidity to continue to meet creditor obligations as they were incurred during the implementation of the Sale Process without requiring additional super-priority DIP financing; and
 - (c) the public announcement of the commencement of CCAA proceedings without a committed offer to purchase the FirstOnSite business on a going concern basis would have had a serious and destabilizing effect on the FirstOnSite business and its value.
16. The Monitor understands that A&M agreed with the Companies' determination to pursue the Sale Process outside of proceedings under the CCAA.

Development of the Sale Process

17. As discussed in the Zalev Affidavit and the McElcheran Affidavit, the Sale Process was designed to be consistent with typical post-filing sale processes used and approved in CCAA proceedings.
18. As described in the Zalev Affidavit, the Sale Process was structured as a two-phase process. The first phase of the Sale Process ("**Phase 1 of the Sale Process**") involved contacting potential investors, initial due diligence, access to a preliminary data room and receipt by the Companies of non-binding letters of intent ("**LOIs**") for the purchase of, or investment in, all or part of FirstOnSite's business and assets.
19. The second phase of the Sale Process ("**Phase 2 of the Sale Process**") involved additional due diligence, access to a comprehensive data room, management presentations and the review of a form of asset purchase agreement.
20. Additional detail in respect of the two phases of the Sale Process and the applicable timeline and milestones are discussed in the Zalev Affidavit.

21. The Monitor has been advised that each of Wells Fargo Capital Finance Corporation Canada (“**Wells Fargo**”) as agent and lender under FirstOnSite’s pre-filing senior secured asset-backed loan facility (the “**Pre-Filing ABL Facility**”), Business Development Bank of Canada (“**BDC**”) as lender under the letter offer of credit entered into on November 25, 2014 (the “**Pre-Filing BDC Loan**”), BDC Capital Inc. (“**BDC Capital**”) as lender under the letter offer of credit entered into on November 25, 2014 (the “**Pre-Filing BDC Capital Loan**”) and TorQuest were each supportive of the development and implementation of the Sale Process and were kept apprised of the progress of the Sale Process by way of regular updates.

Implementation and Results of the Sale Process

22. As discussed in the Zalev Affidavit, the Sale Process was commenced on October 30, 2015. In connection with the Sale Process, A&M, among other things:
- (a) undertook a comprehensive assessment of the market for the business of FirstOnSite to identify potential purchasers or investors that might be interested in considering an acquisition or investment transaction involving FirstOnSite;
 - (b) together with executive management, the board of directors of FirstOnSite GP (the “**Board**”), the Companies’ legal advisors and certain of FirstOnSite’s lenders, identified 101 prospective parties (including 35 strategic parties and 66 financial sponsors located in Canada and the United States) to contact and invite to participate in the Sale Process;
 - (c) prepared and provided a teaser document to prospective parties to generate interest in a transaction involving FirstOnSite;
 - (d) held discussions with prospective parties to provide overview information regarding FirstOnSite and the transaction opportunity and

invited interested parties to execute a non-disclosure agreement with FirstOnSite (an “NDA”) to obtain additional information;

- (e) together with FirstOnSite’s executive management, prepared a confidential information memorandum (the “CIM”) for prospective parties to review upon the execution of an NDA; and
 - (f) in addition to the 101 prospective parties, contacted potential lenders to obtain financing guidance to support a potential transaction under the Sale Process and ascertain such lenders’ potential interest in providing either a staple financing package or debt financing in support of a potential transaction.
23. As discussed in the Zalev Affidavit, 45 parties executed NDAs, were provided with the CIM and were granted access to a preliminary electronic data room containing information in respect of FirstOnSite as part of Phase 1 of the Sale Process.
24. Ultimately 8 parties submitted LOIs pursuant to Phase 1 of the Sale Process, all of which contemplated an acquisition of all or substantially all of the business and property of FirstOnSite. A chart comparing the offers under such LOIs is attached as a confidential exhibit to the Zalev Affidavit.
25. As discussed in the Zalev Affidavit, based on the values of the offers under the submitted LOIs, the Companies, with the assistance of their advisors, and following certain clarifying discussions with potential bidders, invited five parties to continue to Phase 2 of the Sale Process.
26. As discussed in the Zalev Affidavit, Phase 2 of the Sale Process, which commenced on January 4, 2016, involved the conduct of additional due diligence, including access to an expanded data room, the provision of a vendor due diligence report including a working capital analysis that was prepared by KPMG

- LLP, and invitations to participate in management presentations with the senior management team of FirstOnSite.
27. Prior to receiving a management presentation, one bidder withdrew from the Sale Process advising it could not dedicate the required time and resources to participate within the proposed timeline. The four remaining parties received the initial management presentations. Additional details in respect of Phase 2 of the Sale Process are set out in the Zalev Affidavit.
 28. On January 29, 2016, A&M provided a form of asset purchase agreement to each of the remaining participants and requested that such parties provide their mark-up of the form of asset purchase agreement, including their comments and remaining due diligence requests, by February 12, 2016, at 12:00 p.m. to A&M in advance of the final bid deadline of February 19, 2016 (the “**Final Bid Deadline**”).
 29. Two bidders provided their draft mark-ups of the form of asset purchase agreement, one of which was the Purchaser. Upon review with the special committee of the Board (the “**Special Committee**”), which had been formed on January 27, 2016 to, among other things, oversee negotiations of the terms of any proposed transaction and provide recommendations to the Board in connection with a proposed transaction, and FirstOnSite’s advisors, A&M and the Companies’ legal counsel provided feedback on each submission to the relevant bidder.
 30. Ultimately two parties submitted bids by the Final Bid Deadline by way of a marked-up asset purchase agreement. Another party submitted a binding letter of intent; however, there were significant due diligence conditions outstanding. A chart comparing each of the offers received in Phase 2 of the Sale Process is attached as a confidential exhibit to the Zalev Affidavit.

31. The Special Committee reviewed the terms of the final bids submitted under the Sale Process with input from A&M and the Companies' legal advisors.
32. FTI, who had been engaged by the Companies on or about February 21, 2016 to provide certain financial advisory and consulting services to FirstOnSite LP and to act as monitor in the event the Companies commenced proceedings under the CCAA, was also provided with updates and was involved in certain discussions with the Special Committee and FirstOnSite's advisors in connection with the final bids.
33. As discussed in the McElcheran Affidavit, the Sale Process culminated in the selection of the Proposed Transaction as the offer providing superior terms and consideration and resulting in the least disruption for stakeholders and the FirstOnSite business. On April 20, 2016, on the recommendation of the Special Committee, the Board approved the Proposed Transaction and the APA was entered into by FirstOnSite LP (by its general partner FirstOnSite GP) and the proposed Purchaser.

PROPOSED TRANSACTION

34. FirstOnSite is seeking approval of the Proposed Transaction as the best transaction available in the circumstances.
35. The key elements of the APA are discussed in the McElcheran Affidavit, and include the following:

Purchased Assets and Excluded Assets

- (a) The Purchaser will acquire the Purchases Assets, comprising substantially all of the assets of FirstOnSite, free and clear of all encumbrances other than permitted encumbrances pursuant to an Approval and Vesting Order in substantially the form attached as Schedule E to the APA.

- (b) The Purchased Assets do not include any cash or cash equivalents of the Companies and do not include certain Excluded Contracts, including those listed at Appendix 3 to Schedule A of the APA.
- (c) The Purchaser also has the right at any time prior to the closing of the Proposed Transaction to add to the lists of assets and contracts that form the Excluded Assets and Excluded Contracts under the APA.

Purchase Price

- (d) The aggregate purchase price payable by the Purchaser under the APA is a set amount and is subject to a working capital adjustment pursuant to the terms of the APA, plus the assumption by the Purchaser of the Assumed Obligations.¹

Assumed Obligations and Excluded Obligations

- (e) The Assumed Obligations under the APA include:
 - (i) all debts, liabilities and obligations under the Assumed Contracts (to the extent assigned or transferred to the Purchaser on closing) for the period from and after closing, in each case provided that such debts, obligations or liabilities are not arising from, due to or attributable to: (A) any default existing or breach by FirstOnSite occurring prior to or as a consequence of closing, or (B) any default, breach or violation of FirstOnSite of any term or condition of the APA;

¹ The amount of the purchase price has been redacted from copy of the APA attached to the McElcheran Affidavit. The Applicant is seeking a Court order sealing the unredacted version of the APA.

- (ii) all current liabilities included in the definition of Working Capital, as indicated in and consistent with the methodology in Schedule F of the APA;
 - (iii) the obligation and liability of FirstOnSite to pay Cure Costs in respect of any Assumed Contract;
 - (iv) all debts, liabilities and obligations for which the Purchaser is responsible pursuant to section 4.2 of the APA (Employee Liability); and
 - (v) all debts, liabilities and obligations arising from ownership and use of the Purchased Assets for the period from and after closing.
- (f) Other than the Assumed Obligations, the Purchaser shall not assume any other obligations, including, among others:
- (i) all bank indebtedness, all outstanding secured and unsecured debentures, and all unsecured subordinated promissory notes of FirstOnSite;
 - (ii) all debts, liabilities and obligations of FirstOnSite or related to any Purchased Asset arising out of or related to the period prior to closing;
 - (iii) all obligations and liabilities owing by FirstOnSite pursuant to any Excluded Contract;
 - (iv) obligations or claims under or relating to any Employee Plan including any obligation or liability to make any payment or payments to any Person as a result of the transactions contemplated by the APA, whether or not such

liability or obligation arises prior to, on or following the closing; and

- (v) obligations relating to, resulting from or arising out of the employment or termination of any employee of FirstOnSite prior to closing or of any employee who does not become a Transferred Employee.

Assumed Contracts

- (g) The Purchaser will assume all of the contracts and other written agreements to which FirstOnSite is a party in connection with the Purchased Assets and the FirstOnSite business, including leases of real or personal property or equipment, and any unfilled purchase orders, except for the Excluded Contracts (the “**Assumed Contracts**”), provided that, as noted above, the Purchaser has the right up to closing to include additional contracts to the list of Excluded Contracts under the APA.
- (h) In the event any Assumed Contracts are not assignable without the consent, approval or waiver of another party and such contracts are set out in a list to be provided by the Purchaser no later than one Business Day prior to the service of the Sale Approval Motion (the “**Consent Required Contracts**”),² and any consent, approval or waiver is not obtained prior to the service of the Sale Approval Motion, the Companies are required to bring a motion seeking an Assignment Order together with the Sale Approval Motion, which Assignment Order shall be satisfactory to the Purchaser and provide for, *inter alia*, the approval of the assignment of the Consent Required Contracts for which the required consent, approval or waiver has not been obtained.

² The Monitor understands that the Companies have agreed to extend the timeline for the list of Consent Required Contracts under the APA to 5 p.m. on May 5, 2016.

As further discussed below, the assignment of certain of the Consent Required Contracts set out in the APA (the “**Essential Contracts**”) to the Purchaser is a condition precedent to closing of the Proposed Transaction.

- (i) The applicable Cure Costs related to any Consent Required Contracts on closing of the Proposed Transactions shall be paid by the Purchaser without any inclusion of such costs in Working Capital under the APA.

Potential Trust Claims

- (j) On closing, the Purchaser shall deliver to the Monitor in its capacity as escrow agent under the APA (the “**Escrow Agent**”), at the option of the Purchaser, either \$5,000,000 or one or more unconditional, irrevocable standby letters of credit in an aggregate face amount of \$5,000,000 (the “**Potential Trust Claimant Reserve**”) to satisfy, subject to the terms and process set out in the APA, potential trust claims (“**Potential Trust Claims**”) which may be asserted against FirstOnSite by a person owed funds by FirstOnSite (each a “**Potential Trust Claimant**”) under the Construction Lien Act (Ontario), the Mechanics Lien Acts of New Brunswick and Prince Edward Island or the Builders Lien Acts of Nova Scotia, Manitoba, British Columbia, Saskatchewan and Alberta (“**Applicable Lien Legislation**”) and that are reflected on the list of Potential Trust Claimants who may, in the judgment of FirstOnSite, acting reasonably, be entitled to assert a Potential Trust Claim against FirstOnSite (the “**Potential Trust Claimant List**”), which list shall not include amounts that are not Assumed Liabilities and shall be delivered to the Purchaser on closing.
- (k) In addition, a portion of the purchase price paid on closing shall be retained by the Monitor, in an amount determined by the Monitor, to

satisfy potential trust claims which may be asserted against FirstOnSite pursuant to Applicable Lien Legislation, and FirstOnSite's potential payment obligations, if any, arising in connection with the working capital adjustment under the APA (the "**Additional Trust Claim Reserve**"), which reserve shall not be less than \$3,000,000.

- (l) The Additional Trust Claim Reserve is to be subject to a first ranking \$2,000,000 charge in favour of the Purchaser subject only to (i) an amount sufficient to repay all amounts owing by FirstOnSite to Wells Fargo in respect of Pre-Filing ABL Facility, and (ii) the Monitor's ability to pay or settle trust claims made against FirstOnSite pursuant to Applicable Lien Legislation out of the Additional Trust Claim Reserve after first seeking recourse to the Potential Trust Claimant Reserve (to the extent available for such trust claim).

- (m) Following closing, on the fourteenth day following closing and on every fourteenth day thereafter, the Purchaser will provide FirstOnSite and the Monitor with a report, certified by an officer of the Purchaser, detailing which of the amounts owing to persons on the Potential Trust Claimant List have not been paid or satisfied.

Transferred Employees

- (n) The Purchaser will offer employment to no less than 90% of the employees of FirstOnSite on terms substantially similar to those existing as of the closing, and will be responsible for the following with respect to such employees who accept such offer of employment (the "**Transferred Employees**"):
 - (i) all liabilities (accrued or not) for salary, wages, bonuses, commissions, vacation pay and other compensation relating

to employment of all Transferred Employees, for the period prior to, on and after the closing date;

- (ii) all severance payments, damages for wrongful dismissal and all related costs in respect of the termination by the Purchaser of the employment of any Transferred Employee after the closing time;
- (iii) all liabilities for claims for injury, disability, death, workers' compensation or other employment-related penalties or assessments arising from or related to the employment of the Transferred Employees arising on or subsequent to the closing date; and
- (iv) vacation accruals no less than those which have accrued with FirstOnSite immediately prior to the closing time.

Conditions to Closing

- (o) The completion of the Proposed Transaction is conditional upon the satisfaction or waiver of, among others things, the following conditions:
 - (i) each of the Initial Order and Approval and Vesting Order shall have been obtained and shall be final and shall not have been stayed, varied, or vacated;
 - (ii) the Purchaser shall have received the benefit of the Essential Contracts, whether through consents by applicable counter-parties or pursuant to the Approval and Vesting Order or an Assignment Order, subject to the payment of Cure Costs by the Purchaser; and

- (iii) FirstOnSite shall have obtained an order from the Court in a form acceptable to the parties and the Monitor giving effect to the Additional Trust Clams Reserve provisions of the APA and the Purchaser's secured priority interest therein.
 - (p) The outside date under the APA for completion of the Proposed Transaction is June 15, 2016.
- 36. In connection with the execution of the APA, and pursuant to the terms of the APA, the Purchaser delivered to the Monitor in its capacity as Escrow Agent a \$2,000,000 deposit (the "**Deposit**") to be held in escrow pending the closing of the Proposed Transaction. If the closing of the Proposed Transaction takes place, the Deposit will be credited and set off against the Purchase Price. If closing does not occur on or before June 15, 2016 solely as a result of a failure by the Purchaser to perform any of its obligations pursuant the APA, the Deposit will be forfeited in favour of FirstOnSite as liquidated damages for the termination of the APA. In all other instances, the Deposit shall be returned to the Purchaser upon termination of the APA if the closing has not occurred or if the APA is terminated by the Purchaser in certain other circumstances set out in the APA.
- 37. As discussed above and in the McElcheran Affidavit, the Special Committee and the Board, in consultation with A&M and the Companies' legal counsel, determined that the Proposed Transaction is the best available transaction in the circumstances and in the best interests of FirstOnSite and its stakeholders.
- 38. The Monitor has been advised by the Applicant that Wells Fargo, BDC and BDC Capital each support the Proposed Transaction.

CERTAIN ANCILLARY RELIEF

Assignment of Contracts

39. As discussed above, to the extent that consent to assign any of the Consent Required Contracts has not been granted prior to the service of the Sale Approval Motion, FirstOnSite is required under the APA to seek assignment of any such contracts by way of a Court order (as such timeline has been extended by FirstOnSite and the Purchaser). In particular, as noted above, the assignment (by consent or by Court order) of the Essential Contracts is a condition precedent to closing of the Proposed Transaction.
40. The Monitor understands that FirstOnSite has distributed requests for consents to all counterparties of the existing Consent Required Contracts requested by the Purchaser to date and will continue communicating directly with these counterparties in an attempt to obtain executed consent agreements. In parallel with these discussions, FirstOnSite intends to seek an order assigning any Consent Required Contracts for which consents are not obtained (an “**Assignment Order**”).
41. The Monitor is advised that the Applicant will file a supplemental affidavit with updated information regarding the status of the Companies’ efforts to obtain consents to the assignment of the Consent Required Contracts in advance of the hearing of a motion seeking an Assignment Order.
42. The Monitor is not providing any recommendations with respect to an order assigning contracts that may be sought by the Applicant in connection with the Proposed Transaction at this time, and will file a subsequent report in connection with such matters as it determines necessary or appropriate.

Distribution of Proceeds

43. The Monitor understands that the Applicant also intends to seek, prior to the completion of the Proposed Transaction, an order authorizing the Monitor to make certain distributions from the proceeds of the Proposed Transaction.
44. As discussed in the Pre-Filing Report, pursuant to the DIP Agreement, FirstOnSite has agreed to (a) take reasonable steps to repay the DIP Facility and the outstanding obligations under the Pre-Filing ABL Facility (the “**Pre-Filing ABL Obligations**”) simultaneously with the closing of the Proposed Transaction (if approved); and (b) seek a distribution order from the Court prior to the closing of the Proposed Transaction with respect to the repayment of the DIP Facility and the Pre-Filing ABL Obligations. Such distribution order to be sought by the Applicant is to be acceptable to the DIP Lender and to the Monitor, and will require providing for certain reserves, including for amounts relating to, *inter alia*, the Administration Charge, certain priority payables, and certain potential claims given priority pursuant to applicable provincial construction lien or similar legislation.
45. The Monitor is not providing any recommendations with respect to the distribution of proceeds from the Proposed Transaction at this time and will file a subsequent report in connection with such matters. The Monitor intends to work with the Applicant and its secured creditors to effectuate a distribution from the proceeds of the Proposed Transaction (if approved) in a timely and efficient manner.

REQUEST FOR THE STAY EXTENSION

46. As noted above, pursuant to the Initial Order, a stay of proceedings was granted to and including May 20, 2016 or such later date as the Court may order.

47. The Monitor understands that the Applicant intends to seek a short stay extension for the Companies to pursue their restructuring efforts, including implementation of the Proposed Transaction (should it be approved by the Court) and completion of related closing matters. The continuation of the stay of proceedings is necessary to provide the stability needed during that time.
48. As set out in the Cash Flow Forecast, the Companies are expected to have sufficient funds to satisfy their projected uses of cash during the Cash Flow Period, subject to having access to amounts available under the DIP Facility.
49. The Monitor will be discussing the proposed Stay Extension with the Companies and the DIP Lender. Based on the information presently available, the Monitor believes that creditors will not be materially prejudiced by a short extension of the Stay Period.
50. The Monitor is not aware of any non-compliance by the Companies with requirements under the CCAA or pursuant to any Order issued by this Court in the CCAA Proceedings. The Monitor believes that the Companies have acted, and are continuing to act, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.
51. The Monitor is advised by the Applicant that Wells Fargo, BDC and BDC Capital support an extension of the Stay Period.

MONITOR'S CONCLUSIONS

52. The Proposed Transaction, if completed, will enable the FirstOnSite business to continue as a going concern.
53. As set out in the Zalev Affidavit, A&M undertook a comprehensive assessment of the market to identify parties potentially interested in purchasing the FirstOnSite business and is of the view that the Purchaser provided superior terms and consideration, and that the purchase price set out in the APA, following extensive

arms-length negotiations and thorough due diligence, is the best indication of the market value of the FirstOnSite business and is reflective of current market conditions.

54. The Applicant believes that the Proposed Transaction represents the best available transaction in the circumstances and that completion of the transaction will benefit the Companies and their stakeholders.
55. The Applicant believes that the timing for approval of the Proposed Transaction is important. Any delay in obtaining Court approval and completing the Proposed Transaction could have a negative effect on the FirstOnSite business.
56. The Monitor considered the process leading to the proposed sale of, and the consideration received for the Purchased Assets in light of the requirements of section 36 of the CCAA. The Monitor is satisfied that the process was fair and reasonable in the circumstances and that the consideration to be received for the Purchased Assets represents the results of a thorough canvassing of the market.
57. The Monitor is of the view that the Companies have acted in good faith to maximize value for their stakeholders, made satisfactory efforts to obtain the best price for the Purchased Assets and have not acted improvidently.
58. The Monitor does not believe that realization on the Purchased Assets under a bankruptcy would be more beneficial to the creditors of the Companies.
59. The Monitor is advised by the Applicant that Wells Fargo, BDC and BDC Capital support the Proposed Transaction.
60. The Monitor is advised by the Applicant that FirstOnSite and the Purchaser are not related persons within the meaning of the CCAA.

61. The Monitor is also advised by the Applicant that the Companies intend to continue to make the payments required under sections 6(5)(a) and 6(6)(a) of the CCAA in the ordinary course to the extent applicable.
62. Accordingly, the Monitor respectfully recommends approval of the Proposed Transaction by the Court.
63. For the reasons discussed above, the Monitor also respectfully recommends that a short extension of the Stay Period be granted by the Court.

All of which is respectfully submitted this 4th day of May, 2016.

FTI Consulting Canada Inc.
In its capacity as Monitor of
FirstOnSite G.P. Inc.



Paul Bishop
Senior Managing Director



Michael Basso
Director

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
FIRSTONSITE G.P. INC.

Court File No: CV-16-11358-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

SECOND REPORT OF THE MONITOR

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