



COURT FILE NUMBER 1901-16293
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF WHITE OAK GLOBAL ADVISORS, LLC, IN ITS
CAPACITY AS ADMINISTRATIVE AGENT UNDER
THAT CERTAIN CREDIT AGREEMENT DATED
MARCH 13, 2017, AS AMENDED
RESPONDENTS EAGLE ENERGY INC., EAGLE ENERGY TRUST,
EAGLE ENERGY HOLDINGS INC., AND EAGLE
HYDROCARBONS INC.
DOCUMENT SECOND REPORT OF FTI CONSULTING CANADA
INC., IN ITS CAPACITY AS COURT APPOINTED
RECEIVER AND MANAGER OF EAGLE ENERGY
INC., EAGLE ENERGY TRUST, EAGLE ENERGY
HOLDINGS INC, AND EAGLE HYDROCARBONS
INC.

MAY 11, 2020

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER

FTI Consulting Canada Inc.
Suite 1610, 520 – 5th Avenue SW
Calgary, AB T2P 3R7
Deryck Helkaa / Dustin Olver
Telephone: (403) 454-6031 / (403) 454-6032
Fax: (403) 232-6116
Email: deryck.helkaa@fticonsulting.com
dustin.olver@fticonsulting.com

RECEIVER'S COUNSEL

Norton Rose Fulbright Canada LLP
3700, 400 – 3rd Avenue SW
Calgary, AB T2P 4H2
Howard A. Gorman Q.C. / Meghan Parker
Telephone: (403) 267-8144 / (403) 267-8211
Fax: (403) 264-5973
Email: howard.gorman@nortonrosefulbright.com /
meghan.parker@nortonrosefulbright.com

SECOND REPORT OF THE RECEIVER

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INTRODUCTION

1. On November 19, 2019 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties (the “**Assets**”) of Eagle Energy Inc. (“**Eagle Energy**”), Eagle Energy Trust (“**Eagle Trust**”), Eagle Energy Holdings Inc. (“**Eagle Holdings**”) and Eagle Hydrocarbons Inc. (“**Eagle US**”) (collectively, the “**Eagle Group**” or the “**Debtors**”) pursuant to an Order of this Honourable Court (the “**Receivership Order**”) (the “**Receivership Proceedings**”).
2. The Receivership Order authorized the Receiver to, among other things, manage, operate and carry on the business of the Debtors, market any or all of the Assets, including advertising and soliciting offers to purchase the Assets and to make such arrangements or agreements, as deemed necessary by the Receiver.
3. On November 22, 2019, the Receiver filed a notice of application before the United States Bankruptcy Court for the Northern District of Texas Dallas Division (the “**US Bankruptcy Court**”) for the following orders:
 - a. an order (the “**Initial Recognition Order**”) providing, *inter alia*, that the Receivership Proceedings be recognized as the “foreign main proceeding” as defined in Section 1502(4) of the United States Code (the “**US Bankruptcy Code**”); and
 - b. an order (the “**TRO Order**”) providing a temporary restraining order and relief pursuant to sections 105(A) and 1519 of the US Bankruptcy Code in with respect to the Receivership Proceedings for fourteen days or until the application for the Initial Recognition Order could be heard on December 5, 2019.

4. On November 22, 2019, the TRO was granted by the US Bankruptcy Court and on December 5, 2019, the Initial Recognition Order was granted by the US Bankruptcy Court.
5. On February 19, 2020, the Receiver obtained authorization to initiate sale solicitation procedures (“**SSP Procedures**”), as outline in the Receiver’s first report dated February 11, 2020 (“**First Report**”), and engage two sale agents to implement the sale process:
 - a. CB Securities Inc. (“**Canadian Sale Agent**”) to sell the Canadian assets (“**Canadian Assets**”) of Eagle Energy; and
 - b. EnergyNet.com Inc. (“**US Sale Agent**”) to sell the US assets (“**US Assets**”) of Eagle US. The Canadian Sale Agent and US Sale Agent are collectively referred to as the Sale Agents.
6. On February 24, 2020, the US Bankruptcy Court issued an order approving the SSP Procedures and the retention of the US Sale Agent.
7. The Receiver’s reports and other publicly available information in respect of the Receivership Proceedings are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/EagleEnergy> (the “**Receiver’s Website**”).
8. The purpose of this report (the “**Second Report**”) is to inform the Court as to the following:
 - a. The status of various aspects of the Receivership Proceedings, including the Receiver’s activities since the First Report;
 - b. A summary of the Receiver’s receipts and disbursements since the Date of Appointment;

- c. A summary of the results of the SSP Procedures with respect to the Canadian Assets and the US Assets;
 - d. The Receiver's comments on the results of the SSP Procedures and recommendation that the Receiver proceed with two transactions proposed by the Eagle Group's senior secured lender, White Oak Global Advisors, LLC ("**White Oak**"). The two transactions include:
 - i. A transaction ("**Canadian Transaction**") whereby White Oak would complete a corporate arrangement involving the Canadian entities by converting a portion of its senior secured debt in exchange for all the equity in Eagle Energy and utilize the secured cash on hand to fund a proposal for the benefit of the remaining creditors of Eagle Energy. The proposal ("**Division 1 Proposal**") would be implemented by the Receiver pursuant to the provisions of Part III Division 1 of the *Bankruptcy and Insolvency Act*, RSC 1985, c-B-3 as amended ("**BIA**"); and
 - ii. An asset sale of the US Assets ("**US Asset Sale**") whereby White Oak would credit bid a portion of their total secured debt for all of the US Assets.
9. The Receiver is requesting the following relief from this Honourable Court:
- a. Approval of the activities of the Receiver since the First Report;
 - b. Approval of the Receiver's statement of receipts and disbursements for the period from November 19, 2019 to April 30, 2020;
 - c. Permission for the Receiver to return to the Commercial List of this Court for approval of the Division 1 Proposal and Canadian Transaction contemplated therein, in due course; and

- d. Approval of the US Asset Sale.

TERMS OF REFERENCE

10. In preparing this Second Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Debtors' books and records and discussions with the Debtors' management and various other parties (collectively, the "**Information**").
11. Except as described in this Second Report:
 - a. The Receiver 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.
 - b. The Receiver has not examined or reviewed financial forecasts and projections referred to in this Second Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
12. Future oriented financial information reported or relied on in preparing this Second Report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
13. The Receiver has prepared this Second Report in connection with an Application scheduled on May 14, 2020, or as soon thereafter as the Application can be heard, and it should not be relied upon for any other purposes.

14. Information and advice described in this Second Report that has been provided to the Receiver by its legal counsel, Norton Rose Fulbright Canada LLP (the “**Receiver’s Counsel**”), was provided to assist the Receiver in considering its course of action, and is not intended as legal or other advice to, and may not be relied upon by, any other person.

15. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Receivership Order and application motion materials filed in support of the Application (the “**Application Materials**”).

RECEIVER’S ACTIVITIES

ONGOING OPERATIONS

16. Since the date of the First Report, the Receiver has continued to manage operations of the Eagle Group, which include the following initiatives:

- a. Working in consultation with the Eagle Group’s employees, the Receiver’s Counsel and the Sale Agents to execute the sale and solicitation process (the “**SSP**”) pursuant to the terms of the Court approved SSP Procedures; and
- b. Corresponding with creditors and ongoing suppliers on a regular basis.

17. On November 28, 2019, a creditor, Cargas Propane Inc. (“**CanGas**”) presented the Receiver with a demand for repossession of goods under Section 81.1(1) of the BIA (the “**30 Day Goods Claim**”).

18. After reviewing the 30 Day Goods Claim, the Receiver concluded that:

- a. The 30 Day Goods Claim was delivered to the Receiver less than 15 days after the Date of Appointment;

- b. The entirety of goods included in the 30 Day Goods Claim was delivered by CanGas to the Eagle Group after October 20, 2019; and
- c. The Receiver was still in possession of the goods, the goods were identifiable based on a first in first out analysis completed by the Receiver, the goods were in the same state as at delivery and the goods were not resold at arm's length.

19. Consequently, the Receiver determined the 30 Day Goods Claim to be valid and paid out the full amount of the claim to CanGas.

SHUT-IN OPERATIONS

20. In the months since the Receiver's First Report, the market price of crude oil has decreased significantly. The Receiver, in consultation with the Eagle Group's employees, monitored the price of oil in order to determine the profitability of the Eagle Group's operations.

21. Beginning in early March, as the market price of crude oil continued to decrease, the Receiver, in consultation with the Eagle Group's employees, began to explore what options were available as the Canadian Assets' had become uneconomic with the current operating approach.

22. The Receiver briefly implemented new well work-over criteria which only included essential expenses. Shortly after this decision was made, oil prices plummeted, rendering the Canadian Assets uneconomic and cash flow negative at the field level even with only essential expenses being paid. At this time, the Receiver determined it was in the estate's best interest to shut in the Canadian Assets to limit the cash flow losses through to the end of the Receivership Proceedings.

23. The process to shut in the Canadian Assets included, among other tasks, the Receiver completing the following:

- a. Working with Management to create a shut-in plan, which included:
 - i. Processes to properly and safely shut-in production under industry requirements and, to the full extent possible, limit environmental exposure for the period the wells are expected to be inactive; and
 - ii. Measures to preserve the asset value for both the oil reserves and the assets at ground level utilized for extraction; and
- b. Determining which Eagle Energy staff would be required after production was shut-in, as follows:
 - i. The Receiver terminated all field staff effective April 30, 2020;
 - ii. The Receiver provided working notice to the staff that would be terminated at the end of April. The notice that was provided was sufficient to satisfy provincial statutory requirements. No staff that were laid off had any amounts owed to them under the Wage Earner Protection Program; and
 - iii. The Receiver hired back the field operations manager and one field office accounting staff member on as-needed consulting agreements to maintain asset integrity and value during the shut in period.

24. Effective April 30, 2020, the shut-in of the production from the Canadian Assets was successfully completed.

SUMMARY OF RECEIPTS AND DISBURSEMENTS

25. The Receiver's receipts and disbursements from the Date of Appointment to April 30, 2020, are summarized as follows:

Schedule of Receipts and Disbursements
For the period of Nov. 19, 2019 to Apr. 30, 2020
\$000's CAD

Receipts

Production Revenue	\$ 10,921
Joint Venture Billing Receipts	4,156
Transfer from Pre-Receivership Bank Accounts	3,005
Other Miscellaneous Receipts	108
Bank Interest & Charges	25
Total - Receipts	18,213

Disbursements

Operating Expenses	6,169
G&A Expenses	2,301
Royalties Paid	1,267
Term Loan Interest Payments	1,038
Insurance	248
Property Taxes Paid	162
30 Day Goods Claim	92
Net Taxes Received / (Paid)	48
Legal Fees	421
Receiver's Fees	332
Other Professionals	68
FX Loss	1
Total - Disbursements	12,147
Net Cash on Hand	\$ 6,066

- a. Production Revenue – receipts collected relating the crude oil, natural gas, natural gas liquids, royalty revenue and hedging revenue;
- b. Joint Venture Billing Receipts – collection of expenses paid by the Eagle Group for its joint interest working partners share of operating expenses;
- c. Transfer from Pre-Receivership Bank Accounts – amounts in the Eagle Group’s pre-Receivership bank accounts transferred to the Receiver’s trust account on the Date of Appointment;
- d. Other Miscellaneous Receipts – refunds on account and other operating receipts not relating to Eagle Group’s core oil and gas operations;

- e. Bank Interest & Charges – interest collected on balances in the Receiver’s trust accounts and bank fees charged;
- f. Operating Expenses – expenses to operate the oil and gas properties, including but not limited to transportation and market charges, contract operator’s salaries, well repairs and maintenance;
- g. G&A Expenses – expenses relating to corporate overhead, including but not limited to, office staff salaries, payroll source deductions, occupant rent, utilities;
- h. Royalties Paid – amounts paid in respect of oil and gas production royalties owed to the crown and freehold parties;
- i. Term Loan Interest Payments – amounts paid to the Lender as fulfillment of the monthly interest due under the Term Loan;
- j. Insurance – insurance costs including operator’s insurance and general liability insurance;
- k. Property Taxes Paid – annual amounts paid in respect of oil and gas properties;
- l. 30 day Goods – amount paid in respect of a secured claim submitted under section 81.1(1) of the BIA.;
- m. Net Taxes Received / (Paid) – goods and services collected and paid during the Receivership Proceedings;
- n. Legal Fees – Receiver’s Counsel fees and disbursements in respect of the Receivership Proceedings;

- o. Receiver's Fees – Receiver's fees and disbursements in respect of the Receivership Proceedings;
- p. Other Professionals – fees and disbursements paid in respect of the services of the Sale Agents' fees for and US mailing agent; and
- q. FX Loss – change in cash due to changes in USD and CAD on transfers between the Receiver's trust accounts.

26. As at April 30, 2020, the Receiver holds \$6.1 million in cash on hand.

PROPOSED USE OF FUNDS ON HAND

- 27. The cash on hand at April 30, 2020 is being held by the Receiver in two bank accounts, one holding Canadian dollars and one holding US dollars.
- 28. The cash on hand will be used first to fund the completion of the Receivership Proceedings, including payment of operating expenses, professional fees and any required holdbacks for estate wrap up.
- 29. The remaining Canadian dollar amounts held by the Receiver at closing of Canadian Transaction will be transferred along with the other Canadian Assets, less any holdback amounts required by the Receiver to complete the administration of the estate and wrap up operations in Canada.
- 30. The US dollar amounts held by the Receiver at closing of the US Asset Sale will be considered part of the US Assets and will be transferred along with the other US Assets, less any holdback amounts required by the Receiver to complete the administration of the estate and wrap up operations in the United States.

SALE AND SOLICITATION PROCESS

IMPLEMENTATION

31. On February 19, 2020, this Court granted the SSP Order authorizing the Receiver to engage the Sale Agents and initiate a sale process in accordance with the SSP Procedures. On February 24, 2020, the US Bankruptcy Court approved the SSP Procedures and the retention of the US Sale Agent. On February 25, 2020, the sale process was launched.

Canadian Sale and Solicitation Process

32. On February 25, 2020, the Canadian Sale Agent launched the Canadian sale and solicitation process (the “**Canadian SSP**”). A summary of the Canadian Sale Agent’s marketing efforts include the following:

- a. Drafting a marketing teaser (“**Canadian Asset Teaser**”), summarizing the opportunity, the Canadian SSP and how interested parties could obtain additional information;
- b. Distributing the Canadian Asset Teaser to a list of potential strategic and foreign buyers (collectively, the “**Potential Canadian Purchasers**”) compiled by the Canadian Sale Agent. The Canadian Asset Teaser was sent to approximately 1,172 Potential Canadian Purchasers;
- c. Advertising the opportunity in the Daily Oil Bulletin on March 3, 2020;
- d. Posting the Canadian Asset Teaser, the SSP and a draft form of confidentiality agreement on the Canadian Sale Agent’s website and on the Receiver’s Website on February 25, 2020;
- e. Publishing the opportunity to the BOE Report’s website from March 3 to March 7, 2020;

- f. Making targeted phone calls to potential buyers that were known by the Canadian Sale Agent to have potential interest in the opportunity; and
- g. Preparing a detailed information memorandum that summarized the opportunity and SSP and launching a virtual data room that included diligence information to parties who executed confidentiality agreements.

33. In the Receiver's view, the marketing efforts exposed the Canadian Assets to the marketplace and resulting in strong interest in the opportunity because:

- a. A total of 44 confidentiality agreements ("**Canadian CAs**") were signed;
- b. The BOE Report website generated 857 pages views in the 5 days it was live; and
- c. The Canadian Sale Agent's website page for the opportunity was visited 584 times since going live.

Canadian SSP – Phase 1

34. The SSP contemplated a two-phase bid structure. Qualified Bidders were advised that the SSP Procedures called for non-binding indications of interest ("**Phase 1 Canadian Bids**") by March 27, 2020.

35. By the Phase 1 Bid Deadline, a total of 23 Phase 1 Canadian Bids were received. The Phase 1 Canadian Bids included:

- a. A credit bid offer from White Oak in compliance with paragraph 31 of the SSP Procedures to purchase all of the Canadian Assets for \$21 million either by en bloc asset purchase or corporate arrangement;
- b. 10 en bloc offers to purchase all of the Canadian Assets; and

c. 12 offers to purchase various individual packages of the Canadian Assets.

36. A summary of the Phase 1 Canadian Bids is presented below. Due to the commercially sensitive nature of the information, the names of the bidders have been removed.

Bidder	Offer (CAD)	Transaction Structure	Offer Consideration
All Canadian Assets			
White Oak	\$ 21,000,000	Corporate Arrangement	- Credit Bid
Canadian Bidder 2	\$ 31,500,000	Asset Purchase	- No cash consideration - Assignment of \$31.5 million of debt - No debt re-payment for 5 years
Canadian Bidder 3	\$ 21,000,000	Asset Purchase	- No cash consideration - Assignment of \$21 million of debt
Canadian Bidder 4	\$ 15,650,000	Asset Purchase	- Cash consideration of \$650,000 - Assignment of \$15 million of debt
Canadian Bidder 5	\$ 9,100,000	Asset Purchase	- All cash consideration
Canadian Bidder 6	\$ 5,000,000	Corporate Arrangement	- All cash consideration
Canadian Bidder 7	\$ 2,200,000	Asset Purchase	- All cash consideration
Canadian Bidder 8	\$ 2,100,000	Asset Purchase	- All cash consideration
Canadian Bidder 9	\$ 1,428,571	Asset Purchase	- All cash consideration
Canadian Bidder 10	\$ 1,300,000	Asset Purchase	- All cash consideration
Canadian Bidder 11	\$ 100,000	Asset Purchase	- All cash consideration
Dixonville Only			
Canadian Bidder 12	\$ 15,550,000	Asset Purchase	- Cash consideration of \$550,000 - Assignment of \$15 million of debt
Canadian Bidder 13	\$ 850,000	Asset Purchase	- All cash consideration
Canadian Bidder 14	\$ 2,000,000	Asset Purchase	- No cash consideration - Payment in shares in O&G company
Royalty Interest and Minor WI			
Canadian Bidder 15	\$ -	Asset Purchase	-No cash consideration - Payment by way of 1.67mm Shares in O&G company (Undetermined Value)
Canadian Bidder 16	\$ 1,200,000	Asset Purchase	- All cash consideration
Canadian Bidder 17	\$ 625,010	Asset Purchase	- All cash consideration
Canadian Bidder 18	\$ 510,000	Asset Purchase	- All cash consideration
Canadian Bidder 19	\$ 360,000	Asset Purchase	- All cash consideration
Canadian Bidder 20	\$ 250,000	Asset Purchase	- All cash consideration
Canadian Bidder 21	\$ 165,000	Asset Purchase	- All cash consideration
Canadian Bidder 22	\$ 70,000	Asset Purchase	- All cash consideration
Canadian Bidder 23	\$ 55,000	Asset Purchase	- All cash consideration

37. The Receiver reviewed the Phase 1 Canadian Bids in consultation with the Receiver's Counsel and the Canadian Sale Agent to determine which Phase 1 Canadian Bids should be advanced to Phase 2. The following factors were considered in making this determination:

- a. Overall purchase price;
- b. Purchase price consideration;
- c. Assets being purchased;
- d. Transaction structure, including expected recovery for creditors of the estate;
- e. Statutory, regulatory or internal approvals required;
- f. Key dates including proposed effective date and closing date of the transaction; and
- g. Financing conditions and the Phase 1 Canadian Bidders' financial ability to close.

38. As described in the First Report and in accordance with paragraph 35 and 36 of the SSP Procedures, the Phase 1 Canadian Bids were shared with White Oak.

39. The Receiver noted that the larger purchase price offers from Canadian Bidder 2, Canadian Bidder 3 and Canadian Bidder 4 all required an assignment of White Oak's debt to the purchaser. Accordingly, the Receiver discussed these bids with White Oak and their willingness to assign their debt over these bidders. White Oak did not have an interest in assigning or providing funding going forward to any of these bidders and accordingly, these bidders were not advanced to Phase 2.

40. After reviewing the Phase 1 Canadian Bids, the Receiver in consultation with the Receiver's Counsel and the Canadian Sale Agent, determined that the bid submitted by White Oak to purchase the Canadian Assets (the "**White Oak Canadian Offer**") was superior to all other Phase 1 Canadian Bids. For the following reasons, only the White Oak Canadian Offer was advanced to Phase 2:

- a. The White Oak Canadian Offer represents the highest total recoveries for each class of creditor;
- b. Transaction structure would provide recoveries to unsecured creditors of the estate if implemented by way of corporate plan of arrangement;
- c. White Oak is financially capable of completing the transaction and as the secured creditor has a vested interest in completing a transaction in a timely manner; and
- d. The depressed state and uncertainty surrounding the oil and gas industry in Alberta at the time of the Phase 1 Bid Deadline made it highly unlikely that any Phase 1 Canadian Bidders would significantly increase their offer to a level that would provide comparable recoveries to the creditors of Eagle Energy when compared to the White Oak Canadian Offer.

US Sale and Solicitation Process

41. On February 25, 2020, the US Sale Agent launched the US sale and solicitation process (the "**US SSP**"). A summary of the US Sale Agents marketing efforts include the following:

- a. Drafting a marketing teaser ("**US Asset Teaser**"), summarizing the opportunity, the US SSP and where interested parties could obtain additional information;

- b. Distributing the US Asset Teaser to a list of potential strategic and foreign buyers (collectively, the “**Potential US Purchasers**”) compiled by the US Sale Agent. The US Asset Teaser was sent to approximately 30,000 Potential US Purchasers;
- c. Advertising the opportunity in the Houston Chronicle on February 28, 2020;
- d. Posting the US Asset Teaser and the SSP on the US Sale Agent’s website and on the Receiver’s Website on February 25, 2020;
- e. Posting the opportunity on the HART Energy website, which is one of the largest energy publications in the United States;
- f. Making targeted phone calls to potential buyers that were known by the US Sale Agent to have potential interest in the opportunity; and
- g. Preparing a detailed information memorandum that summarized the opportunity and SSP and launching a virtual data room that included diligence information to parties. Access to the virtual data room was only granted to parties who completed the US Sale Agent’s bidder profile and agreed to the terms and conditions required by the US Sale Agent’s website which include standard US oil and gas marketing confidentiality clauses.

42. In the Receiver’s view, the marketing efforts exposed the US Assets to the marketplace and resulting in strong interest in the opportunity based on the following:

- a. A total of 1,158 bidder profiles from 385 different companies viewed the US virtual data room; and

- b. Public marketing by contacting the US Sale Agent’s large bidder data base and by publishing on the HART Energy website made the opportunity known to an extremely wide range of Potential US Purchasers.

US SSP – Phase 1

- 43. By the Phase 1 Bid Deadline, a total of 14 non-binding bids respecting the US Assets (“**Phase 1 US Bids**”) were received. The Phase 1 US Bids were all en bloc offers to purchase the US Assets and included a credit bid from White Oak for USD \$11 million in compliance with paragraph 31 of the SSP Procedures.
- 44. A summary of the Phase 1 US Bids is presented below. Due to the commercially sensitive nature of the information, the names of the bidders have been removed.

Bidder	Offer (USD)	Consideration
All US Assets		
White Oak	\$ 11,000,000	- Credit Bid
US Bidder 1	\$ 3,210,000	- All cash consideration
US Bidder 2	\$ 3,125,000	- All cash consideration
US Bidder 3	\$ 3,000,000	- All cash consideration
US Bidder 4	\$ 1,750,000	- All cash consideration
US Bidder 5	\$ 1,250,000	- All cash consideration
US Bidder 6	\$ 1,200,000	- All cash consideration
US Bidder 7	\$ 1,000,000	- All cash consideration
US Bidder 8	\$ 700,000	- All cash consideration
US Bidder 9	\$ 550,000	- All cash consideration
US Bidder 10	\$ 250,000	- All cash consideration
US Bidder 11	\$ 250,000	- All cash consideration
US Bidder 12	\$ 242,500	- All cash consideration
US Bidder 13	\$ 144,000	- All cash consideration

- 45. The Receiver reviewed the Phase 1 US Bids in consultation with the Receiver’s Counsel and the US Sale Agent to determine which Phase 1 US Bids should be advanced to Phase 2. The following factors were considered in this determination:

- a. Overall purchase price;

- b. Purchase price consideration;
- c. Assets being purchased;
- d. Transaction structure, including expected recovery for creditors of the estate;
- e. Statutory, regulatory or internal approvals required;
- f. Key dates including proposed effective date and closing date of the transaction; and
- g. Financing conditions and the Phase 1 US Bidders' financial ability to close.

46. As described in the First Report and in accordance with paragraph 35 and 36 of the SSP Procedures, the Phase 1 US Bids were shared with White Oak.

47. After reviewing the Phase 1 US Bids, the Receiver in consultation with the Receiver's Counsel and the US Sale Agent, determined that the bid submitted by White Oak to purchase the US Assets (the "**White Oak US Offer**") was superior to all other Phase 1 US Bids. For the following reasons, only the White Oak US Offer was advanced to Phase 2:

- a. The White Oak US Offer represents the highest total value purchase price;
- b. White Oak is financially capable of completing the transaction and as the secured creditor has a vested interest in completing a transaction in a timely manner; and

- c. The depressed state and uncertainty surrounding the oil and gas industry at the time of the Phase 1 Bid Deadline made it highly unlikely that any parties who submitted Phase 1 US Bids would significantly increase their offer to a level that would be considered comparable to the White Oak US Offer.

Canadian and US SSP – Phase 2

- 48. As described above, only the White Oak Canadian Offer and the White Oak US Offer were advanced to Phase 2 of the SSP Procedures.
- 49. The SSP Procedures required binding agreements to be submitted by April 24, 2020 (“**Phase 2 Bid Deadline**”).
- 50. In advance of the Phase 2 Bid Deadline, White Oak requested a one-week extension to submit their binding offer with respect to the US Assets. This extension request was granted by the Receiver.
- 51. On April 17, 2020, the Phase 2 Bid Deadline, White Oak submitted their binding offer to purchase the Canadian Assets by way of corporate plan of arrangement of Eagle Energy Inc. in conjunction with a Division 1 Proposal.
- 52. On April 24, 2020, White Oak submitted their binding offer to purchase the US Assets by way of an asset purchase agreement.

WHITE OAK SECURED DEBT CREDIT BIDS

- 53. As of May 1, 2020, the total indebtedness of the Eagle Group to White Oak was approximately \$45.3 million, including interest accrued to May 1, 2020, and all legal and other costs and expenses incurred by White Oak.

54. As noted in the First Report, the Receiver’s Counsel completed an independent security review of White Oak’s loan and security documents and determined that White Oak has valid and enforceable first secured charges against the Eagle Group’s assets.
55. As described above, White Oak has presented superior offers by way of credit bids for the Canadian Assets and the US Assets. White Oak intends to credit bid its debt in the following manner:

Treatment	Amount (CAD)
Credit bid consideration for US Asset Sale	\$ 15,493,500
Credit Bid consideration in Canadian Transaction	21,000,000
Converted to unsecured claim against Eagle Energy	8,780,890
Total	\$ 45,274,390

Note: Credit bid of USD \$11mm for US Asset Sale has been converted at an FX Rate of USD/CAD \$1.41

CANADIAN TRANSACTION

56. Between the Phase 1 Bid Deadline and the Phase 2 Bid Deadline, White Oak determined it would be advantageous to proceed with the acquisition of the Canadian Assets by way of corporate acquisition of all the shares of Eagle Energy.
57. This proposed transaction structure would allow White Oak to benefit from certain corporate attributes that would not be available in an asset sale, including operating licenses and procedures, corporate safety and operations policies/handbooks, and tax assets. The Canadian Transaction contemplates use of the Division 1 Proposal. Although the Canadian Transaction is currently being negotiated, it contemplates the following broad terms:

ARRANGEMENT AGREEMENT

58. An arrangement agreement, which includes the following major terms:

- a. Redeeming or cancelling all existing and outstanding common shares of the company for nil value and removing all holders of the existing shares from the register;
- b. Issuing new shares to White Oak (or its designee), in exchange for White Oak releasing \$21 million of its secured claim. The remainder of White Oak's secured claim would be converted to an unsecured claim ("**White Oak Unsecured Claim**") to be dealt with in the Division 1 Proposal;
- c. Eagle Energy taking all required actions and do all things necessary to implement the Division 1 Proposal; and
- d. The Receiver, in its capacity as proposal trustee, calling a creditor's meeting for unsecured creditors affected by the Division 1 Proposal to vote.

59. The proposed Division 1 Proposal contemplates the following:

Purpose

60. The purpose of the Division 1 Proposal is to affect a compromise of the unsecured indebtedness of Eagle Energy. Based on the results of the SSP, the Receiver is of the view that the unsecured creditors of Eagle Energy would receive a nil return in a bankruptcy or receivership asset sale. Accordingly, the Division 1 Proposal would represent a greater benefit to unsecured creditors of Eagle Energy.

Funding

61. A fund ("**Unsecured Creditors' Fund**") would be established in an amount from the cash on hand currently held by the Receiver, which is subject to White Oak's security. The Unsecured Creditors' Fund would be utilized to fund dividends to unsecured creditors who file valid proofs of claim ("**Proven Claims**").

US ASSET SALE

62. The terms of the US Asset Sale are outlined in a purchase and sale agreement between the Receiver and a Delaware Limited Liability Company (affiliate of White Oak), to be finalized and provided under separate cover to the Court (“**US Asset PSA**”). A summary of the key terms of the US Asset PSA are as follows:

- a. Properties – the properties include all of the oil and gas assets of Eagle US;
- b. Purchase Price – USD \$11 million credit bid satisfied by release of secured claim against Eagle US;
- c. Effective date and Closing date – shall be the same date, which is the later of 7 business days after the US Bankruptcy Court order approving the transaction becomes a final order, or as otherwise agreed;
- d. Not subject to any material conditions other than Court approval.

COMMENTS ON THE CANADIAN TRANSACTION AND THE US ASSET SALE

63. In the Receiver’s view, the SSP Procedures adequately and fully exposed to Eagle Group’s assets to the market. This was demonstrated by strong interest in the opportunity and multiple bids being received for the Canadian and US Assets.

64. The timing of the SSP Procedure was unfortunate in that oil prices dropped precipitously during the process. Market conditions for oil and gas producers both in Canada and the US continue to be severely challenged due to the COVID-19 pandemic and oversupply as major oil producing nations fight for market share. There is no clear line of sight to when market conditions will improve.

65. White Oak’s credit bids present the highest and best offers for both the Canadian Assets and the US Assets in the circumstances.

66. The structure of the Canadian Transaction attempts to salvage the value of certain corporate attributes. Some of this value will be passed on to unsecured creditors through the Division 1 Proposal. Further details in respect of the Canadian Transaction will be presented to this Honourable Court once finalized.

RECEIVER'S RECOMMENDATIONS

67. The Receiver respectfully requests that this Honourable Court grant the following relief:

- a. Approval of the Receiver's actions and activities;
- b. Approval of the Receiver's statement of receipts and disbursements for the period of November 19, 2019 to April 30, 2020;
- c. Permission for the Receiver to return to the Commercial List of this Court for approval of the Proposal and underlying transaction in due course.
- d. Approval of the US Asset Sale PSA.

All of which is respectfully submitted this 11th day of May, 2020.

FTI Consulting Canada Inc.
in its capacity as receiver and manager
of the assets, undertakings and properties of
Eagle Energy Inc., Eagle Energy Trust,
Eagle Energy Holdings Inc. and Eagle Hydrocarbons Inc.



Deryck Helkaa
Senior Managing Director



Dustin Olver
Senior Managing Director