



COURT FILE NUMBER 1601-03113

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS 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 QUICKSILVER RESOURCES CANADA INC., 0942065 B.C. LTD., and 0942069 B.C. LTD.

DOCUMENT **TENTH REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS MONITOR OF QUICKSILVER RESOURCES CANADA INC., 0942065 B.C. LTD., and 0942069 B.C. LTD.**

July 5, 2021

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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TENTH REPORT OF THE MONITOR

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INTRODUCTION

1. On March 8, 2016 Quicksilver Resources Canada Inc. (“**QRCI**”), 0942065 B.C. Ltd. (“**LNG Co**”), and 0942069 B.C. Ltd. (“**LNG Subco**”) (collectively, the “**Applicants**”) sought and obtained protection under the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an order granted by this Honourable Court (the “**Initial Order**”).
2. The Initial Order granted, *inter alia*, a stay of proceedings against the Applicants until and including April 7, 2016, and appointed FTI Consulting Canada Inc. as Monitor (the “**Monitor**”) under the CCAA. The proceedings commenced by the Applicants under the CCAA will be referred to herein as the CCAA proceedings (the “**CCAA Proceedings**”).
3. On March 29, 2016, this Honourable Court granted a sale approval and vesting order which, *inter alia*, approved the transaction contemplated by the asset purchase agreement for the Applicants’ Horseshoe Canyon Assets.
4. On April 5, 2016, this Honourable Court granted an order which, *inter alia*, extended the stay of proceedings provided in the Initial Order until and including June 2, 2016, and authorized the Applicants to distribute the net proceeds from the sale of the Horseshoe Canyon Assets to the JP Morgan, the senior secured creditor (the “**Secured Creditor**”).
5. On April 22, 2016, this Honourable Court granted the following Orders:
 - (a) a sale approval and vesting order which, *inter alia*, approved the transaction contemplated by the asset purchase agreement for the Applicants’ Horn River Assets;

- (b) a sale approval and vesting order which, *inter alia*, approved the transaction contemplated by the asset purchase agreement for the LNG Facility; and
 - (c) an order, which *inter alia*, approved the distribution of sale proceeds to the Secured Creditor.
- 6. The Horn River Assets, the LNG Facility and the Horseshoe Canyon Assets comprise the majority of the Applicants' assets (other than miscellaneous receivables and other recoveries). All the proceeds realized from the sale of the Applicants' assets were received by the Applicants and certain of the proceeds have been distributed to the Secured Creditor to repay the Secured Creditor in full. The remaining net proceeds were held by the Monitor pending the implementation of a plan of compromise and arrangement, as discussed below in further detail.
- 7. On May 26, 2016, this Honourable Court extended the Stay Period until August 5, 2016 and authorized QRCI to commence a claims process as further set out in the Claims Procedure Order.
- 8. On June 28, 2016, this Honourable Court granted two orders which, *inter alia*:
 - (a) authorized QRCI, by way of shareholder resolution, to assign Makarios Midstream Inc. ("**MMI**"), a wholly owned subsidiary of QRCI, into bankruptcy;
 - (b) extended the Claims Bar Date to August 5, 2016 for the Fortune Creek Gathering and Processing Partnership ("**Partnership**") to submit a claim against QRCI, if required;

- (c) authorized QRCI to pay certain amounts to the Oil and Gas Commission of British Columbia (“**OGCBC**”) and granted a first ranking priority charge in favor of QRCI to secure the amount of this payment over the assets of the Partnership; and
 - (d) approved the appointment of Representative Counsel for all employees of QRCI who have been terminated in these proceedings and not rehired by CPC Resources ULC (the “**Represented Employees**” and “**CPC**”), approved the funding of the Representative Counsel by QRCI and extended the Claims Bar Date to August 5, 2016 for Representative Counsel to submit a claim on behalf of the Represented Employees.
9. On August 15, 2016 this Honourable Court granted an order extending the stay of proceedings until September 30, 2016 and on September 26, 2016, this Honourable Court granted an order extending the stay of proceedings until November 30, 2016.
10. On November 17, 2016 this Honourable Court granted various orders including;
- (a) An Order approving the settlement agreement (“**Settlement Agreement**”) between QRCI and the Represented Employees and amending the June 28, 2016 Representation Order, by increasing the maximum amount payable to Representative Counsel in respect of its fees from \$50,000 to \$75,000;
 - (b) An Order approving the Applicants’ request for a Meeting Order authorizing the Applicants to file their plan of and compromise and arrangement (“**Plan**”) and conduct a meeting (“**Creditors’ Meeting**”) of the Affected Creditors to consider and vote on the Plan; and
 - (c) An Order extending the stay of proceedings until and including February 28, 2017.

11. On December 15, 2016 this Honourable Court granted an Order sanctioning the Plan (the “**Sanction Order**”).

PURPOSE

12. The purpose of this report (the “**Tenth Report**”) is to provide this Honourable Court with an update with respect to the following:
 - (a) Activities of the Monitor, including the completion of various administrative and wind-down matters, since the Monitor’s ninth report dated December 14, 2016 and the Monitor’s implementation of the Plan;
 - (b) The Monitor’s statement of receipts and disbursements from the monies held in its trust account on behalf of the Applicants in accordance with the Plan and Sanction Order;
 - (c) Summary of the fees and disbursements of the Monitor and the Monitor’s counsel, McCarthy Tétrault LLP (the “**Monitor’s Counsel**”);
 - (d) Matters related to the discharge of the Monitor; and,
 - (e) The Monitor’s request for an Order: (i) approving the fees and disbursements of the Monitor and the Monitor’s Counsel, including accrued unbilled work to date and administrative work to complete the CCAA Proceedings, as described in further detail hereinafter; (ii) approving the activities of the Monitor; and, (iii) discharging the Monitor as Monitor of the Applicants.
13. Further background and information regarding the Applicants and these CCAA proceedings can be found on the Monitor’s website at <http://cfcanada.fticonsulting.com/qrci/>.

TERMS OF REFERENCE

14. In preparing this report, the Monitor has relied upon unaudited financial information of the Applicants' books and records, certain financial information prepared by the Applicants and discussions with the Applicants' management.
15. Except as described in the report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report or relied on in its preparation. 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.
16. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
17. Capitalized terms not otherwise defined herein have the meaning given to them in the previous reports of the Monitor, the Plan or the Meeting Order.

ACTIVITIES OF THE APPLICANT AND THE MONITOR

18. On December 16, 2016, the Monitor delivered the Monitor's Implementation Certificate pursuant to paragraph 19 of the Sanction Order and Section 8.4 of the Plan, which certified that:
 - (a) The Monitor had received written notice from the Applicants that the conditions set out in Section 9.1 of the Plan had been satisfied or waived in accordance with the Plan; and

- (b) The Plan Implementation Date had occurred, and the Plan has become effective in accordance with the terms of the Plan and the Plan Sanction Order.
19. After issuing the Monitor’s Implementation Certificate the Monitor proceeded to implement the Plan in consultation with the Applicants which included making an initial distribution from the Applicants cash on hand, less various holdbacks, to the Affected Creditors.
20. On or around December 19, 2016, the Applicants, under the supervision of the Monitor, made an initial distribution of approximately \$18.05 million (the “**Initial Distribution**”) to the Affected Creditors in accordance with the Plan. This distribution was materially in line with the \$18.09 million estimate for initial distribution provided by the Monitor in its eighth report dated November 9, 2016 (the “**Eighth Report**”).
21. In addition to the Initial Distribution, on December 19, 2016, the Applicants, under the supervision of the Monitor, made the settlement payment of \$325,000 to the Represented Employees in accordance with the Settlement Agreement.

ADMINISTRATIVE AND WIND-DOWN MATTERS

22. As set out in paragraph 37 of the Eighth Report, the Monitor and the Applicants were pursuing additional recoveries that, if collected, would increase recoveries to the Affected Creditors under the plan and result in an additional distribution. The following provides an update with respect to the status of each potential additional recovery identified:

- (a) Tax refunds – the Applicants, in consultation with the Monitor, continued efforts to collect GST and withholding tax refunds that were under review by the CRA. The CRA review was completed and the Applicants collected approximately \$1.5 million. The tax refund collection is consistent with the estimate provided in the Monitor’s Eighth Report;

- (b) Final statement of adjustments (“FSOA”) related to Alberta Horseshoe Canyon asset sale – after significant negotiation and mediation, the Monitor and the Applicants settled the dispute with the purchaser CPC and the Monitor collected approximately \$3.4 million in full and final satisfaction of the FSOA; which is consistent with the \$3.0 million estimate provided in the Monitor’s Eighth Report;

- (c) Partnership Property Tax Payment and OGCBC Payment – the Applicants filed secured claims into the bankruptcy of the Partnership. The secured claims totaled \$817,898 and related to the Partnership Property Tax Payment and the OGCBC Payment, as more fully described in paragraph 37(c) of the Eighth Report. The secured claims in the bankruptcy of the Partnership were paid in full and accordingly, on or around December 22, 2016, the Applicants received a dividend payment from the Partnership’s estate in the amount of \$795,542. The dividend payment was marginally lower than the full claim of \$817,698 because the bankruptcy trustee was required to deduct the bankruptcy levy from the dividend paid to the Applicants;

- (d) Potential MMI Recoveries – at paragraph 37(d) of the Eighth Report the Monitor noted that after discussions with QRCI management there may be a potential for additional recoveries to QRCI related to its wholly owned subsidiary, MMI, which has a 50% partnership interest in the proceeds generated through the bankruptcy sale of the Partnerships assets. However, the Monitor and the Monitor’s Counsel independently reviewed the agreements between the QRCI, MMI and the Partnership and determined that QRCI (through its wholly owned subsidiary MMI) does not have a claim to the funds that have been generated from the bankruptcy sale of the Partnership’s assets.
23. In connection with the above, and in accordance with enhanced powers afforded to it in paragraph 32(j) of the Sanction Order, the Monitor made additional distributions to the Affected Creditors of \$4.75 million on or around March 15, 2019 and \$141,000 on or around May 13, 2021.
24. The Monitor has determined that there are no further collections or recoveries available to the Applicants, and that QRCI has completed its duties to effect distributions, disbursements, and payments in accordance with the Plan.
25. Accordingly, on July 5, 2021, the Monitor submitted the Monitor’s Plan Completion Certificate for filing concurrently with this Tenth Report and intends to post the filed copy of same to its website forthwith upon receipt, in accordance with Section 5.3(d) of the Plan and paragraph 20 of the Sanction Order.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

26. In accordance with Section 4 of the Plan the remaining funds from the Quicksilver Canada Entities Disputed Claims Reserve Account and the Administrative Reserve Account were transferred to the Quicksilver Cash Pool Account for distribution in accordance with Section 5.3 of the Plan. On November 2, 2018, the remaining funds from the Quicksilver Cash Pool Account were transferred to the Monitor in accordance with the enhanced power provided to it under paragraph 32 of the Sanction Order.
27. The table below presents a summary of the statement of receipts and disbursements from the funds transferred to the Monitor in accordance with paragraph 32 of the Sanction Order along with a description of the major accounts

Statement of Receipts and Disbursements	
(CAD \$)	
Receipts	
Settlement Agreements	3,728,156
Bank account transfer	1,765,831
Interest	57,030
GST Refund	48,740
Other	2,070
Total - Receipts	5,601,828
Disbursements	
Dividend payments	4,893,958
Legal fees and disbursements	262,257
Consulting	218,771
Monitor's fees and disbursements	111,539
Monitor's Counsel fees and disbursements	66,788
GST paid	26,687
Bank charges	385
Total - Disbursements	5,580,385
Cash on Hand	21,443

- (a) Settlement agreements include amounts collected from the FSOA and amounts held in trust for the Represented Employees in accordance with the Settlement Agreement;

- (b) Transfer of funds from the Quicksilver Cash Pool Account to the Monitor in accordance with Section 5.3 of the Plan and paragraph 32 of the Sanction Order;
- (c) Dividend payments paid to Affected Creditors with Proven Claims in accordance with the Plan;
- (d) Legal fees and disbursements paid to Bennet Jones LLP in its capacity as counsel to the Applicants and includes amounts paid in connection with the settlement of the FSOA;
- (e) Consulting fees including amounts paid to assist the Monitor in the administration of the CCAA proceedings, filing and collection of tax/GST returns/refunds and assisting in the dispute with CPC in connection the FSOA;
- (f) Monitor's fees and disbursements paid directly by the Monitor in accordance with paragraph 32 of the Sanction Order and comprise only fees and expenses since the granting of the Sanction Order. An additional \$485,075.81 was paid directly by the Applicants prior to the amounts listed above;
- (g) Monitor's Counsel's fees and disbursements paid directly by the Monitor in accordance with paragraph 32 of the Sanction Order and comprise only fees and expenses since the granting of the Sanction Order. An additional \$152,425.34 was paid directly by the Applicants prior to the amounts listed above.

FEE APPROVAL

28. Invoices rendered by the Monitor for fees and expenses, exclusive of GST, since the commencement of the CCAA Proceedings total \$596,614.31 and the Monitor anticipates an additional approximately \$10,000 accrued unbilled work to date and administrative work to complete the CCAA Proceedings (collectively, the “**Monitor’s Fees**”). The Monitor paid \$111,538.50 after the Sanction Order and \$485,075.81 was paid by the Applicants prior to the Sanction Order.
29. Invoices rendered by the Monitor’s Counsel for fees and expenses, exclusive of GST, from the commencement of the CCAA Proceedings total \$219,213.76 and the Monitor’s Counsel anticipates an additional approximately \$10,000 accrued unbilled work to date and administrative work to complete the CCAA Proceedings (collectively, the “**Monitor’s Counsel’s Fees**”). The Monitor paid \$66,788.42 after the Sanction Order and \$152,425.34 was paid by the Applicants prior to the Sanction Order.
30. The accounts of the Monitor and the Monitor’s Counsel can be made available to this Honourable Court upon request.
31. The Monitor respectfully submits that the Monitor’s Fees and the Monitor’s Counsel’s Fees are reasonable and appropriate in the circumstances, proportionate in view of the scope and complexity of the required activities, and have been validly incurred in accordance with the provisions of the Orders issued in these CCAA Proceedings, based on the following:
 - (a) The Applicants had total claims against them in excess of \$820 million;
 - (b) The sale transactions were successfully completed and resulted in:
 - i. The Secured Creditor being fully repaid;

- ii. Dividend payments of approximately \$23 million to unsecured creditors of the Applicants; and
 - iii. several employees retaining employment with the purchasers.
- (c) The sale transactions were completed in a timely and efficient fashion (within three months of the granting of the Initial Order);
- (d) The work completed by the Monitor and the Monitor's Counsel was delegated to junior staff members, where appropriate;
- (e) The Monitor's Fees and the Monitor's Counsel's Fees have been billed periodically at their standard rates and charges pursuant to paragraph 30 of the Initial Order; and
- (f) In the experience of the Monitor and the Monitor's Counsel, the fees are consistent with fees charged by similar firms with the capacity and expertise to handle matters of comparable size and complexity and were performed in a prudent and economic manner.

CONCLUSIONS AND RECOMMENDATIONS

- 32. The Monitor is of the view that there are no further collections or recoveries available to the Applicants and accordingly, it recommends that this Honourable Court terminate the CCAA Proceedings. The remaining funds on hand will be used to satisfy professional fees accrued in connection with this application, subject to approval of this Honourable Court.
- 33. The Monitor is of the view that the administration of the CCAA Proceedings is complete in all material respects and requests that this Honourable Court discharge it from its capacity as Monitor.

34. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the Applicants' request for an Order:

- (a) approving the activities of the Monitor; and
- (b) approving the Monitor's Fees and the Monitor's Counsel's Fees.

All of which is respectfully submitted this 5th day of July 2021.

FTI Consulting Canada Inc.
in its capacity as the Court-Appointed Monitor
of Quicksilver Resources Canada Inc.



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