

C23899

ESTATE NUMBERS 25-2802560

Entered



COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, C B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF VERTEX DOWNHOLE LTD.

DOCUMENT

AFFIDAVIT NO. 1 OF CRAIG FLINT

COM
March 4 2022
Justice Horner

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTIES FILING
THIS DOCUMENT

Burnet, Duckworth & Palmer LLP

2400, 525 - 8 Avenue SW
Calgary, Alberta T2P 1G1

Lawyer: David LeGeyt / Ryan Algar
Phone Number: (403) 260-0120/ 0126
Fax:(403) 260-0332
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com
File No. 74909-14

AFFIDAVIT NO. 1 OF CRAIG FLINT**Sworn February 22, 2022**

I, Craig Flint of the City of Calgary in the Province of Alberta, SWEAR AND SAY THAT:

1. I am the Chief Financial Officer of the Applicant, Vertex Downhole Ltd. ("**Vertex**" or the "**Applicant**"). As such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.

2. I swear this Affidavit in support of Vertex's application scheduled for March 4, 2022 (the "**Application**") seeking, among other things, granting the Administration Charge, granting the Stay Extension to the Proposal Period, the substitution of MNP as Proposal Trustee in the place

and instead of GTL, and authorizing Vertex and the Proposal Trustee to implement the SISP (each as defined below).

3. Unless otherwise stated, all references to currency in this Affidavit are to \$CAD. Unless otherwise defined herein, capitalized terms have the meaning given to them in the Application or the First Report of GTL (as defined below).

Background

4. Vertex is a Canadian Controlled Private Corporation incorporated pursuant to the laws of Alberta, with its registered offices in Calgary, Alberta. An Alberta Corporation/Non-Profit Search of Vertex is attached hereto and marked as **Exhibit "A"**.

5. Vertex is widely held by seventy-five shareholders including institutions, individuals, family trusts, and current and former employees (the "**Vertex Shareholders**"). The largest holding of the issued and outstanding shares by a single Vertex Shareholder is 11.1%.

6. In turn, Vertex is the sole shareholder of:

(a) HPC Energy Services Holdings (USA) Inc. ("**HPC Energy**"), a Delaware corporation; which is the sole shareholder of:

(b) HPC Energy Services Subsidiary (USA) Inc. ("**HPC Subsidiary**"), a Delaware corporation; which is the sole shareholder of

(c) Vertex Downhole Inc; a Delaware corporation ("**Vertex US**"),

(collectively, the "**Vertex Group**").

7. Vertex is an integrated oil and gas service company that provides technologically advanced and patented "measurement while drilling" downhole tools to global companies engaged in oil and natural gas exploration. Over the past 12 months, Vertex tools have been utilized in 12 different countries.

8. Vertex US provides rentals, sales support, and services to Vertex's US-based customers.

9. Vertex has 28 full-time employees working out of its offices in Calgary, Alberta while Vertex US has 7 full-time employees working out of its office in Tomball, Texas. Vertex has entered into a Non-Exclusive Sales Representation Agreement with an unrelated company registered in Dubai, Vertex Downhole Trading LLC (“Sales Representative”). The Sales Representative provides services and parts to Vertex customers and by renting Vertex equipment and making contact with potential customers and submitting bids in the middle east and northern Africa regions.

History

10. Over the past several years, Vertex has not been profitable and consistently reported net losses. In March of 2020, these issues were exacerbated by the declaration of the COVID-19 global pandemic, which resulted in a significant reduction in both global oil and gas prices and exploration activities, which impacted all of Vertex's current and potential customers. For example, in April 2020, Vertex had accumulated inventory to deliver products to a large customer who cancelled an \$8.9 million order.

11. Over the course of 2020 and 2021 Vertex has improved its products, developed a new patented product line, and demonstrated its value proposition to prospective customers throughout North America, China, Russia, the Middle East, and Northern Africa. The ongoing impacts of COVID-19 and reduced capital available for global drilling have led to delays in large tenders and resultant potential sales. Vertex anticipates that many of these tenders and potential sales will be awarded in 2022.

12. As discussed in greater detail below, commencing in or around September 2021, Vertex’s shareholders, board of directors, and President and CEO have initiated discussions with potential investors to attract additional investors.

HSBC

13. On April 18, 2018, Vertex and HSBC Bank Canada (“**HSBC**”) entered into a \$2.05 million Operating Loan Facility (the “**Operating Loan**”) and a MasterCard Facility (collectively the

"**HSBC Loan**"). HPC Energy, HPC Subsidiary and Vertex US guaranteed Vertex's obligations under the HSBC Loan.

14. In February 2019, Vertex and HSBC agreed to amend and restate the HSBC Loan to increase the amounts available thereunder to \$10.1 million.

15. In November of 2019 and May of 2020, Vertex and HSBC renegotiated the Operating Loan to provide Vertex with temporary access to additional funds. Subsequently, in September of 2020, HSBC, in conjunction with Export Development Canada, advanced a loan under the Business Credit Availability Program ("**BCAP Loan**"). In September 2021, the maturity date of the BCAP Loan was extended to September 2022, subject to earlier demand by HSBC.

16. In September 2021, Vertex terminated the employment of its President and CEO and named its then Chief Operating Officer, Mr. Raulie Pederson, to those positions. That same month, Vertex held discussions with the significant Vertex Shareholders to evaluate their interest and willingness to provide an equity injection to Vertex in order to provide access to further working capital. The Vertex Shareholders did not advance an equity injection due to a concern, among others, that HSBC would demand repayment of the HSBC Loan.

17. In September 2021, Vertex and HSBC agreed to amend to the Operating Loan, reducing the amounts available to Vertex from \$10.1 million to \$6.5 million, resulting in an increase in Vertex's borrowing in excess of the available amount under the Operating Loan.

18. On or about November 3, 2021, Vertex was informed that HSBC had assigned the HSBC Loan to its Loans Management Unit. On November 27, 2021, at HSBC's direction, Vertex engaged MNP Ltd. ("**MNP**") to assist HSBC in determining its course of action as it relates to the relationship with Vertex (MNP in such capacity, the "**Financial Advisor**"). Since MNP's appointment as Financial Advisor, Vertex and its management have engaged in good faith with, provided material information to, and devoted significant time and resources to answering the questions of, the Financial Advisor.

19. On January 26, 2022, HSBC issued demand for repayment of the HSBC Loan and the BCAP Loan and delivered Notices of Intention to Enforce Security to the members of the Vertex Group pursuant to s.244 of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**").

20. HSBC has advised through its legal counsel that HSBC will continue to allow Vertex to access the HSBC Loan, and HSBC will support these proceedings generally, provided the pending Application is presented and granted on terms acceptable to HSBC.

NOI and Creditors

21. On February 4, 2022, Vertex filed a Notice of Intention to Make a Proposal (the "**NOI**") with the Official Receiver pursuant to section 50.4(1) of the *BIA*. Grant Thornton Limited ("**GTL**") was appointed as the proposal trustee under the NOI (in such capacity, a "**Proposal Trustee**"). Attached hereto and marked as **Exhibit "B"** is a copy of the NOI.

22. Attached hereto and collectively marked as **Exhibit "C"** is the cash flow statement Vertex prepared with the assistance of GTL (the "**Cash Flow Statement**") and the Proposal Trustee's Report on Cash-Flow Statement. I am informed by Vertex's counsel, Burnet, Duckworth & Palmer LLP ("**BD&P**"), that the Proposal Trustee's Report and Cash-Flow Statement have been provided or will be with the Official Receiver by the time the Application is heard.

23. As of the date of the filing of the NOI, Vertex's books and records indicated that it owes HSBC approximately \$8,519,828 and its unsecured creditors approximately \$1,076,897.

Stay Extension and Restructuring Efforts

24. Since the filing of the NOI, Vertex has pursued numerous activities with a view to advancing these proceedings, restructuring its affairs, and working towards its goal of presenting a proposal to its creditors (a "**Proposal**"). These steps have included, but are not limited to:

- (a) preparing and analyzing a list of creditors and identifying issues specific to certain creditors;
- (b) providing the GTL and MNP with access to Vertex's books and records;

- (c) preparing the SISP (defined below);
- (d) working with the GTL, MNP and BD&P generally, and in particular with respect to:
 - (i) exploring and considering the various exit strategies available to Vertex in the context of these proceedings, including the structure and financing of any Proposal; and
 - (ii) preparing cash flow projections and identifying issues with respect to Vertex's financial condition; and
- (e) communicating and engaging with stakeholders, including HSBC, employees, contractors, vendors; and
- (f) reviewing its operating expenses, pursuing the collection of accounts receivables and taking other steps to ensure Vertex remains financially viable without recourse to interim financing during the NOI Proceedings.

25. Vertex requires an extension of the period of time within which it is required to file a Proposal (the "**Proposal Period**") up to and including April 18, 2022 (the "**Stay Extension**"). The Stay Extension will allow Vertex to, among other things:

- (a) continue the restructuring of its business and affairs, and pursue strategic alternatives;
- (b) continue operations and generate revenue; and
- (c) preserve and enhance the value of Vertex's business, for the benefit of all of Vertex's stakeholders.

26. Vertex's creditors will not be prejudiced by the Stay Extension. Rather, the Stay Extension is critical to ensure that Vertex can continue its operations and commence the SISP, maximizing the value of its assets which will benefit its Proposal or restructuring to the benefit of Vertex and all of its stakeholders.

Administration Charge

27. Vertex requires the assistance of BD&P and the Proposal Trustee (as the case may be) to prepare, present and implement a Proposal. Without the continued involvement of BD&P and the Proposal Trustee, the Company will not be able to restructure its affairs. Vertex therefore requests a priority charge be granted in respect of the fees and disbursements of BD&P and Proposal Trustee (including the professional fees and disbursements of the Proposal Trustee's legal counsel), ranking ahead of all other creditors (the "**Administration Charge**").

28. Given the size and extent of Vertex's business and the anticipated complexity of the proceedings, Vertex believes that the Administration Charge as sought is reasonable, adequate and should rank in priority to all other encumbrances.

Sales Process

29. On February 6, 2022, BD&P began discussions with legal counsel to HSBC with respect to the implementation of a Sales and Investment Solicitation Process (the "**SISP**" or "**Sales Process**"). Each of Vertex, HSBC, and MNP have been directly involved in preparing the SISP, and GTL has reviewed and had input into the SISP. Vertex is seeking approval of the SISP substantially in the form attached as Appendix 1 to the SISP Order, a copy of which is attached hereto and marked as **Exhibit "D"**.

30. Details of the SISP are contained in GTL's Report and include the following proposed milestones (as those terms are defined in the SISP)

Milestone	Estimated Deadline
Approval Order	March 4, 2022
SISP Commences	March 7, 2022
Phase 1 Bid Deadline	April 21, 2022
Phase 2 Bid Deadline	May 6, 2022
Qualified Phase 2 Bid Assessment Deadline	May 11, 2022

Approval Hearing

As soon as practicable thereafter

Completion Date

No later than June 23, 2022

Substitution of Proposal Trustee

31. On or about November 2021, HSBC engaged MNP as Financial Advisor with respect to Vertex and the HSBC Loan.

32. When Vertex filed the NOI, GTL was named as Proposal Trustee. Vertex had engaged GTL only a few days prior to filing the NOI.

33. HSBC subsequently advised Vertex of its desire to substitute MNP in place and stead of GTL as Proposal Trustee. Vertex has agreed to this substitution in order to build consensus with HSBC and now seeks an Order of this Honourable Court to effect this substitution.

34. I am informed by BD&P and verily believe that:

- (a) a Proposal Trustee may only be substituted at a meeting of creditors by special resolution or by Order of the Court; and
- (b) under the *BIA*, HSBC has the ability to call a meeting of creditors in order to vote upon the substitution of the Proposal Trustee.

35. Vertex is seeking the substitution in Order at this time to avoid the calling of an unnecessary meeting of creditors for such purpose.

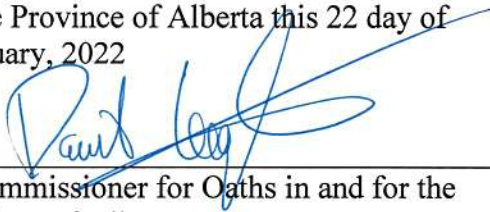
36. Notwithstanding its request for the substitution, Vertex requests that the Administration Charge include the fees and disbursements of both GTL and its counsel as GTL has acted as Proposal Trustee since February 4, 2022. The Administration Charge will secure the outstanding fees and disbursements of GTL and its counsel until such time as their fees and disbursements are paid by Vertex.

Relief Sought

37. Vertex has acted in good faith and with due diligence in filing the NOI and will continue to do so throughout the course of these proceedings. To the best of my knowledge, information and belief, none of the creditors of Vertex will be materially prejudiced if this Honourable Court grants the relief sought.

38. I make this Affidavit in support of the Extension Order, the SISP Order and for no improper purpose.

SWORN BEFORE ME at the City of)
Calgary,)
in the Province of Alberta this 22 day of)
February, 2022)



A Commissioner for Oaths in and for the
Province of Alberta

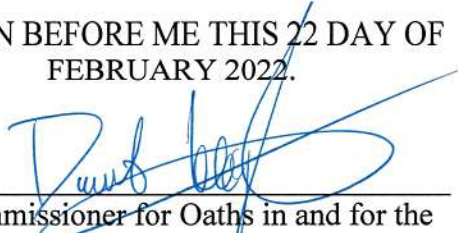
David LeGeyt
Barrister & Solicitor



CRAIG FLINT

THIS IS EXHIBIT "A" REFERRED TO IN
THE AFFIDAVIT OF CRAIG FLINT.

SWORN BEFORE ME THIS 22 DAY OF
FEBRUARY 2022.



A Commissioner for Oaths in and for the
Province of Alberta

David LeGeyt
Barrister & Solicitor

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2022/02/09
 Time of Search: 09:31 AM
 Search provided by: ELDOR-WAL REGISTRATIONS (1987) LTD
 Service Request Number: 37013188
 Customer Reference Number:

Corporate Access Number: 2020121451
Business Number: 736752890
Legal Entity Name: VERTEX DOWNHOLE LTD.

Name History:

Previous Legal Entity Name	Date of Name Change (YYYY/MM/DD)
NUERA TOOLS LTD.	2017/01/13

Legal Entity Status: Active
Alberta Corporation Type: Named Alberta Corporation
Registration Date: 2016/12/20 YYYY/MM/DD

Registered Office:

Street: 2400, 525 - 8 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P1G1

Records Address:

Street: 2400, 525 - 8 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P1G1

Email Address: CORES@BDPLAW.COM

Directors:

Last Name: ARMSTRONG
First Name: TYLER
Street/Box Number: 934 RIDEAU ROAD SW
City: CALGARY
Province: ALBERTA

Postal Code: T2S0S3
Last Name: BAKER
First Name: TRENT
Street/Box Number: 650, 635 - 8TH AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P3M3

Last Name: HUNTER
First Name: WALLY
Street/Box Number: 801, 1235 BAY STREET
City: TORONTO
Province: ONTARIO
Postal Code: M5R3K4

Last Name: MARTEL
First Name: BRUNO
Street/Box Number: 1140 DES PERDRIX
City: LONGUEUIL
Province: QUEBEC
Postal Code: J4J5J8

Transfer Agents:

Legal Entity Name: ODYSSEY TRUST COMPANY
Corporate Access Number: 3020718460
Street: 1230, 300 - 5 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P3C4

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE SCHEDULE "A" ATTACHED HERETO
Share Transfers Restrictions: SEE SCHEDULE "B" ATTACHED HERETO
Min Number Of Directors: 1
Max Number Of Directors: 11
Business Restricted To: NONE
Business Restricted From: NONE
Other Provisions: SEE SCHEDULE "C" ATTACHED HERETO

Other Information:**Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2020	2021/06/21

Outstanding Returns:

Annual returns are outstanding for the 2021 file year(s).

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2016/12/20	Incorporate Alberta Corporation
2017/01/13	Name Change Alberta Corporation
2018/03/29	Name/Structure Change Alberta Corporation
2020/02/22	Update BN
2021/06/17	Change Director / Shareholder
2021/06/21	Enter Annual Returns for Alberta and Extra-Provincial Corp.

Attachments:

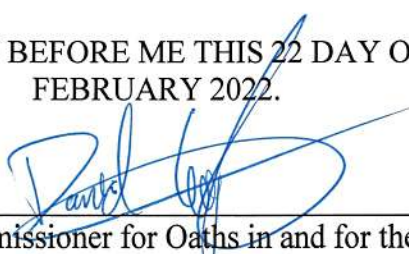
Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2016/12/20
Restrictions on Share Transfers	ELECTRONIC	2016/12/20
Other Rules or Provisions	ELECTRONIC	2016/12/20
Consolidation, Split, Exchange	ELECTRONIC	2018/03/29
Letter - Spelling Error	10000307135643343	2021/06/17

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



THIS IS EXHIBIT "B" REFERRED TO IN
THE AFFIDAVIT OF CRAIG FLINT.

SWORN BEFORE ME THIS 22 DAY OF
FEBRUARY 2022.



A Commissioner for Oaths in and for the
Province of Alberta

David LeGeyt
Barrister & Solicitor

District of: Alberta
Division No. 02 - Calgary
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

Take notice that:

1. I, Vertex Downhole Ltd, an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Grant Thornton Limited of 1100, 332 - 6 Avenue SW, Calgary, AB, T2P 0B2, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Calgary in the Province of Alberta, this 4th day of February 2022.



Vertex Downhole Ltd
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of: Alberta
 Division No. 02 - Calgary
 Court No.
 Estate No.

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
1160984 Alberta Ltd.	307 Mount Victoria Place SE Calgary AB T2Z 1S1		1,661.45
A.R. Thompson Group	3420 - 189th Street Surrey BC V3Z 1A7		22,858.50
Action Security Services Inc	240, 70 Shawville Blvd SE Calgary AB T2Y 2Z3		498.75
ACTivate HR	353 Wood Valley Place SW Calgary AB T2W 5X9		614.25
AWI Machine Ltd	5464 - 54th Avenue SE Calgary AB T2C 3A5		16,175.96
B&E Electronics	444 Manitou Road SE Calgary AB T2G 4C4		461.59
Borden Ladner Gervais LLP	1900, 520 - 3rd Avenue SW Calgary AB T2P 0R3		2,096.64
Burnet, Duckworth & Palmer LLP	2400, 525 8 Avenue SW Calgary AB T2P 1G1		18,099.29
Cal-Pro Cleaning	41 Inverness Court SE Calgary AB T2Z 2W8		2,887.50
Ceramic Technologies Inc.	1015 Redcedar Lane Houston TX 77094 USA		24,239.10
Charger Industries Canada Limited Partnership	#1, 1352 Hastings Street SE Calgary AB T2G 4A8		5,985.00
ChemsearchFE	PO BOX 2413T Toronto ON M5W 2K6		828.45
Concur Technologies, Inc.	c/o 913190 Toronto ON M5W 0E9		1,861.32
Contego Software Solutions Inc	Suite 3100, 715 - 5th Avenue SW Calgary AB T2P 2X6		2,425.51
Corrosion Abrasion Solutions Ltd.	1604 10 Street Nisku AB T6E 0A6		4,054.05
CTECH Consulting Group Inc.	PO Box 231, Station M Calgary AB T2P 2H6		53,301.93

District of: Alberta
 Division No. 02 - Calgary
 Court No.
 Estate No.

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
CyberClan (Network Test Labs Inc.)	170 - 422 Richards Street Vancouver BC V6B 2Z4		4,444.65
Digi-Key Corporation 1781693	P.O. Box 390 Thief River Falls MN 56701-0390 USA		46,904.77
ECI Software Solutions Canada Inc.	C/O Lockbox #917931 Toronto ON M5W 0E9		5,266.56
Ernst & Young LLP	P.O. Box 57104, Postal Stn A Toronto ON M5W 5M5		22,050.00
Expert Rubber Inc	4444 Eastgate Pkwy, Unit 29 Mississauga ON L4W 4T6		14,295.69
Federal Express Canada Ltd.	P.O. Box 4626 Toronto ON M5W 5B4		32,521.89
Field Law LLP	400,444 7 Avenue SW Calgary AB T2P 0X8		323.40
Gearench	P.O. Box 192 Clifton TX 76634 USA		2,799.51
Gowlings WLG (Canada) LLP	1600, 421 7th Ave SW Calgary AB T2P 4K9		13,770.78
Green Line Hose & Fittings	Unit 104-2945 190th Street Surrey BC V3Z 0W5		718.25
Gregg Distributors LP	5755 - 11 Street SE Calgary AB T2H 1M7		1,071.62
Griffin Logistics Ltd	240019 Frontier Place SE Calgary AB T1X 0N2		350.00
Highside Carbide Ltd.	Unit #5 Calgary AB T2H 1J9		8,363.25
Hi-Tech Seals Inc.	9211 - 41 Ave Edmonton AB T6E 6R5		44,936.96
HSBC Bank of Canada	407 - 8th Ave SW, 9th Floor Calgary AB T2P 1E5		8,519,828.20
Hunting Specialty Supply	100 E. Wally Wilkerson Pkwy Conroe TX 77303 USA		5,504.72

District of: Alberta
 Division No. 02 - Calgary
 Court No.
 Estate No.

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Innovative Manufacturing Source Inc	3855 - 64th Avenue SE Calgary AB T2C 2V5		12,790.13
JAE Electronics, Inc.	142 Technology Drive, Suite 100 Irvine CA 92618-2430 USA		18,871.79
John Brooks Company Limited	2625 Meqadowpine Blvd. Mississauga ON L5N 7K5		12,687.43
Kyle Twynan	828 Riverview Pl SE Calgary AB T2C 4K8		411.60
Lenny-Go-Weld Inc.	PO Box 9, Site 9, RR2 Okotoks AB T1S 1A2		378.00
Matrix Machining Ltd.	5114 80th Ave SE Calgary AB T2C 2X3		124,087.90
McMaster-Carr	Po Box 7690 Chicago IL 60680-7690 USA		9,811.71
Millennium Manufacturing inc	6503 30 Street SE Calgary AB T2C 1R4		25,866.75
MNP Ltd.	1500, 640 - 5th Avenue SW Calgary AB T2P 3G4		45,154.83
Odyssey Trust Company	1230, 300 - 5th Avenue S.W. Calgary AB T2P 3C4		963.09
PEI - Genesis, Inc.	PO Box 5591 Carol Stream IL 60197-5591 USA		2,517.05
Pinch Flatbed, Inc	18515 Aldine Westfield Houston TX 77073 USA		1,965.36
Pricewaterhouse Coopers LLP	111 5 Ave SW Calgary AB T2P 5L3		36,229.25
Rampart Products	13743 Farm to Market Road 529 Houston TX 77041 USA		49,916.90
Robert Half Management Resources	P.O. Box 57349 Toronto ON M5W 5M5		14,470.34
Rohmec Industries	#107, 10505 - 42nd Street S.E. Calgary AB T2C 5B9		33,545.41

District of: Alberta
 Division No. 02 - Calgary
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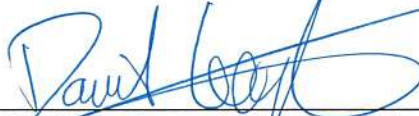
- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
RotoPrecision Inc.	304 Watline Avenue Mississauga ON L4Z 1P4		23,630.78
Simolex Rubber Corporation	14505 Keel Street Plymouth MI 48170 USA		1,518.72
Spinpro Machining	#2, 285005 Wrangler Way Rocky View AB T1X 0K3		142,024.60
Taskmaster Technologies Inc	#5, 6112 - 45 Street Leduc AB T9E 7C2		6,306.55
Thomas Wire Die Limited	#5, 1150 Northside Road Burlington ON L7M 1W8		15,565.21
TTI, INC	2441 Northeast Parkway Fort Worth TX 76106-1816 USA		43,140.13
ULine Canada Corp	Box 3500 Mississauga ON L5M 0S8		2,112.72
Western Crating International	4750 - 30th Street S.E. Calgary AB T2B 2Z1		2,181.51
World Wide Customs Brokers Ltd	P.O. Box 2338, Stn M Calgary AB T2P 2M6		41,547.45
Xact Engineered Manufacturing Solutions	Suite 151, 4447 - 46th Avenue SE Calgary AB T2B 3N6		45,642.52
Xerox Canada Ltd	Po Box 4539 Toronto ON M5W 4P5		2,188.61
Total			9,596,725.88

Vertex Downhole Ltd
 Insolvent Person

THIS IS EXHIBIT "C" REFERRED TO IN
THE AFFIDAVIT OF CRAIG FLINT.

SWORN BEFORE ME THIS 22 DAY OF
FEBRUARY 2022.



A Commissioner for Oaths in and for the
Province of Alberta

David LeGeyt
Barrister & Solicitor

Vertex Downhole Ltd.
Cash Flow Forecast

February 4, 2022 to May 13, 2022

For the week ending, in CAD	Notes	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
		Period to	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	
Opening Cash	1	102,587	105,245	-	-	-	-	-	-	-	-	-	-	-	-	102,587
Receipts																
Customer Payments	2	3,109	2,840	107,967	159,251	2,741	26,786	12,400	64,063	4,445	289,743	-	142,516	-	95,011	910,872
HHBRP	3	-	14,470	32,280	86,504	-	42,076	-	13,000	-	45,346	-	13,000	-	22,673	269,349
GST		32,587	-	-	-	-	25,000	-	-	25,000	-	-	-	-	25,000	107,587
Repatriation from wholly owned subsidiary	4	49,737	53,476	-	-	20,454	3,481	64,242	33,614	119,808	98,504	37,977	18,898	187,576	4,025	691,792
Interim Financing		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		85,433	70,786	140,247	245,755	23,195	97,343	76,642	110,677	149,253	433,593	37,977	174,414	187,576	146,709	1,979,600
Disbursements																
Payroll		114,285	-	103,000	-	113,750	-	103,000	-	113,750	-	103,000	-	103,000	10,750	764,535
Rent		-	4,454	-	31,634	-	-	-	31,634	-	-	-	-	31,634	-	99,356
Insurance	5	-	-	-	-	-	-	-	75,000	-	-	15,000	-	-	-	90,000
General & Administrative		40,594	2,000	14,583	9,333	42,933	14,833	14,583	9,333	19,833	36,683	9,333	14,583	19,833	30,333	278,790
Vendor Payments	6	1,890	108,851	98,334	68,309	70,130	11,799	85,309	38,072	15,075	194,669	37,440	173,502	60,244	68,036	1,031,660
Interest & Bank Charges		45	-	-	22,890	-	-	-	22,890	-	-	-	7,890	15,000	-	68,715
Capital Expenditure		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements		156,814	115,305	215,917	132,166	226,813	26,632	202,892	176,929	148,658	231,352	164,773	195,975	229,711	109,119	2,333,056
Net cashflow from operations		(71,381)	(44,519)	(75,670)	113,589	(203,618)	70,711	(126,250)	(66,252)	595	202,241	(126,796)	(21,561)	(42,135)	37,590	(353,456)
Professional costs																
Legal Counsel Fees		-	40,000	-	-	-	40,000	-	-	-	20,000	-	-	-	-	100,000
Trustee Fees		49,737	-	-	-	-	40,000	-	-	-	50,000	-	-	-	-	139,737
Trustee's Legal Counsel Fees		-	-	-	-	-	30,000	-	-	-	15,000	-	-	-	-	45,000
Total Professional costs		49,737	40,000	-	-	-	110,000	-	-	-	85,000	-	-	-	-	284,737
Net cashflow following professional costs		(121,118)	(84,519)	(75,670)	113,589	(203,618)	(39,289)	(126,250)	(66,252)	595	117,241	(126,796)	(21,561)	(42,135)	37,590	(638,193)
Funding request																
Funding advances and repayments	7	123,776	(20,726)	75,670	(113,589)	203,618	39,289	126,250	66,252	(595)	(117,241)	126,796	21,561	42,135	(37,590)	535,606
Ending Cash Balance		105,245	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative funding request	7	123,776	103,050	178,720	65,131	268,749	308,038	434,288	500,540	499,945	382,704	509,500	531,061	573,196	535,606	535,606

Management of Vertex Downhole Ltd. (the "Company") has prepared this forecasted cash-flow statement (the "Cash Flow Forecast") based on probable and hypothetical assumptions detailed in Notes 1 to 8. The Cash Flow Forecast has been prepared solely for the purpose of supporting the Notice of Intention to Make a Proposal ("NOI") filed by the Company on February 4, 2022. As such, readers are cautioned that it may not be appropriate for their purposes. The Cash Flow Forecast of the Company prepared in accordance with the provisions of the Bankruptcy and Insolvency Act ("BIA") should be read in conjunction with the Trustee's Report on the Cash-flow Statement.

Dated at the City of Calgary in the Province of Alberta, this 14th day of February 2022.

Vertex Downhole Ltd.

Per:



Craig Flint
Chief Financial Officer

Grant Thornton Limited

Per:



Andrew Basi, CPA, CA, CIRP, LIT
Senior Vice President

Vertex Downhole Ltd.
Notes to the Cash Flow Forecast
February 4, 2022 to May 13, 2022

Note 1

The Company had a cash balance equivalent to \$102,586.63 CAD in its USD account with HSBC Bank Plc ("**HSBC**") on February 4, 2022, the commencement date of these proceedings. The Company's CAD account with HSBC was \$5,636,588.07 overdrawn on February 4, 2022. For the purposes of the Cash Flow Forecast, and to more clearly present changes in the Company's cash position during the period, the overdrawn balance at the commencement of the proceedings has not been included in the opening cash. Any further funding projected to be required from HSBC by the Company during the period is reflected in the listed Funding Request.

Note 2

Customer payments represents projections for collection of existing accounts receivable balances as well as collection of new revenues resulting from the sale and rental of equipment manufactured by the Company.

Note 3

The amount projected to be received under the Hardest-Hit Business Recovery Program ("**HHBRP**"), relates to eligible wages and rent paid during the period from November 2021 through April 9, 2022. It is projected that HHBRP will be received approximately 5 business days following submission to CRA of the documentation required. An approximate \$60,000 claim was filed on January 17 and is currently subject to a 45-day review by CRA. It is assumed that this will be received at the end of the review period.

Note 4

Repatriation from and transfer to wholly-owned subsidiary represent amounts transferred from and to Vertex Downhole Inc. ("**Vertex US**"), a wholly-owned US subsidiary of the Company. Vertex US rents equipment manufactured by the Company to US customers and provides servicing and part sales for the equipment. Excess cash flows for Vertex US are transferred to the Company as available.

Note 5

The Company's insurance is due for renewal on March 17, 2022. For the purposes of the Cash Flow Forecast, it is assumed that premiums will increase approximately 15% and that the same payment terms will be available to the Company as the prior year.

Note 6

Vendor payments represents projected payments for inventory required to complete sales orders and generate revenues during the period. Payment terms have been adjusted to reflect discussions with key vendors undertaken by the Company since the commencement of these proceedings.

Note 7

The Company is in ongoing discussions with HSBC, the Company's primary lender, regarding the Funding Request and the Cash Flow Forecast assumes the support of HSBC during the period.

Note 8

The Cash Flow Forecast assumes an exchange rate of 1.2702 CAD to 1 USD for the period.

THIS IS EXHIBIT "D" REFERRED TO IN
THE AFFIDAVIT OF CRAIG FLINT.

SWORN BEFORE ME THIS 22 DAY OF
FEBRUARY 2022.



A Commissioner for Oaths in and for the
Province of Alberta

David LeGeyt
Barrister & Solicitor

SALE AND INVESTMENT SOLICITATION PROCEDURES

Preamble

1. This Sales and Investment Solicitation Process (the "**SISP**") will be implemented under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**") in the proposal proceedings initiated by Vertex Downhole Ltd. ("**Vertex**" or the "**Company**") on February 4, 2022 in Court of Queen's Bench of Alberta (the "**Court**") Estate No. 25-2802560 (the "**NOI Proceedings**").
2. Effective March 4, 2022, MNP Ltd. has been appointed as the proposal trustee of the Company in the NOI Proceedings (in such capacity, the "**Proposal Trustee**").
3. This SISP was approved by an order of the Court (the "**Approval Order**") on application by the Company heard on March 4, 2022 and shall be concluded within five Business Days after court approval of the Successful Bid (as defined herein), or no later than June 23, 2022, or such later date as may be agreed to in writing by HSBC Bank of Canada (the "**Lender**"), the Company, and the Proposal Trustee (the "**Completion Date**").
4. The Approval Order, the procedures in respect of the SISP as contained herein (the "**SISP Procedures**"), and any subsequent order issued by the Court pertaining to the SISP Procedures shall exclusively govern the process for soliciting and selecting bids for the sale of shares or assets of the Company, or of a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving the Company, or some combination thereof (each, a "**Transaction**").
5. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein, any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.

Defined Terms

6. All capitalized terms used and not otherwise defined herein shall have the meanings given to them in **Schedule "A"** hereto.

Sale and Investment Solicitation Process

7. These SISP Procedures describe, among other things:
 - (a) the manner and timelines by which any interested party (each a "**Potential Bidder**") may gain access to due diligence materials concerning the Company and its business;
 - (b) the manner and timelines by which Potential Bidders may submit an offer for an investment in or an offer to purchase some or all of the Company's assets, property, undertakings and shares;

- (c) the manner and timelines for a Qualified LOI to be submitted for participation in the SISP and the required content of a Qualified LOI;
- (d) the manner and timelines for Qualified Phase 2 Bids to be submitted for participation in Phase 2 of the SISP and the required content of Qualified Phase 2 Bids; and
- (e) the process for obtaining Court approval of one or more Successful Bids.

Conduct of SISP Procedures

- 8. The Proposal Trustee, in consultation with the Company, but subject to section 41 of these SISP Procedures, shall implement the SISP Procedures as outlined herein. Certain stages of the SISP Procedures may be conducted in conjunction with the preparation, solicitation or confirmation of a proposal under the *BIA* involving the Company. In addition, the closing of any Transaction or Transactions may involve additional intermediate steps or Transactions to facilitate consummation of such Transaction, including additional Court filings.
- 9. In the event that there is a disagreement or a clarification is required as to the interpretation or application of these SISP Procedures or the responsibilities of any Person hereunder, including disagreement between the Proposal Trustee and the Company, the Court will have the jurisdiction to resolve such dispute or provide such clarification, and provide any advice or directions as is necessary, upon application of the Company, the Proposal Trustee, the Lender or any other interested Person.
- 10. A potential Transaction with the Company (a "**Bid**") may involve a Person making an investment in the Company, including through the purchase or acquisition of the shares (or additional shares) of the Company (each an "**Investment Bid**"), through the provision of additional financing in the Company (each a "**Financing Bid**"), an offer to purchase some or all of the assets, or newly issued shares, of the Company (each a "**Purchase Bid**") or some combination thereof (each a "**Hybrid Bid**").

As Is, Where Is

- 11. Any Transaction involving the Company, shares of the Company, or the assets of the Company will be on an "**as is, where is**" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Company, the Proposal Trustee or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent set forth in a written agreement with the Person who is a counterparty to such a Transaction.

Free of Any and All Claims and Interests

- 12. All of the right, title and interest of the Company in and to any assets sold or transferred within the NOI Proceedings will, at the time of such sale or transfer, be sold or transferred free and clear of any security, charge or other restriction (collectively, the "**Claims and Interests**") pursuant to approval and vesting orders made by the Court under section 65.13

of the *BIA*. Contemporaneously with such approval and vesting orders being made, all such Claims and Interests shall attach to the net proceeds of the sale of such assets (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the Definitive Agreement with the Successful Bidder (each as defined below) and as approved by the Court.

Solicitation of Interest

13. As soon as reasonably practicable after the granting of the Approval Order, the Proposal Trustee, in consultation with the Company, will prepare:
 - (a) a list of prospective bidders. Such list will include both strategic and financial parties who, in the reasonable business judgment of the Proposal Trustee and the Company, may be interested in and have the financial capacity to make a Bid ("**Prospective Bidders**"); and
 - (b) an initial offering summary (the "**Teaser**") describing and outlining the SISP and inviting Prospective Bidders to express their interest in making a Bid.

14. After the issuance of the Approval Order, the Proposal Trustee shall, in consultation with the Company:
 - (a) cause a notice regarding the SISP and such other relevant information which the Proposal Trustee, in consultation with the Company, considers appropriate to be published in *BOE Report and The National Post (National Edition)*. At the same time, the Company shall issue a press release providing the above notice and such other relevant information with Canada Newswire and a United States equivalent newswire for dissemination in Canada and major financial centers in the United States, Europe, Asia Pacific, Australia and the Middle East; and
 - (b) distribute to Prospective Bidders the Teaser and a draft confidentiality and non-disclosure agreement among any Prospective Bidder, the Proposal Trustee and the Company in a form that is satisfactory to the Proposal Trustee, in consultation with the Company (the "**Confidentiality Agreement**").

Participation Requirements

15. Unless otherwise ordered by the Court, any Person who wishes to participate in this SISP must deliver the following to the Proposal Trustee, with a copy to the Company:
 - (a) an executed Confidentiality Agreement;
 - (b) an executed letter acknowledging receipt of a copy of the Approval Order (including these SISP Procedures) and agreeing to accept and be bound by the provisions contained therein and herein.

16. If, in the opinion of the Proposal Trustee, a Person has complied with each of the requirements described in section 15 of these SISP Procedures, such Person shall be deemed a "**Potential Bidder**" hereunder.
17. The Proposal Trustee, with assistance from the Company, will provide to each Potential Bidder the Teaser, the Confidentiality Agreement and access to an online database created for the SISP for Potential Bidders due diligence purposes ("**Data Room**"). Each Potential Bidder shall have such access in the Data Room to materials and financial, tax and other information relating to the shares, the assets, the property and the business of the Company as the Proposal Trustee, in its reasonable business judgment and in consultation with the Company, deems appropriate for Potential Bidders to conduct their due diligence.
18. At the discretion of the Proposal Trustee, in consultation with the Company, due diligence access may also include presentations by the Company, access to physical data rooms, on-site inspections and such other items as a Potential Bidder may reasonably request.
19. The Proposal Trustee and its respective professionals and advisors are not responsible for, and shall have no liability with respect to, any information obtained by any Potential Bidder. The Proposal Trustee, the Company and their respective advisors do not make any representations or warranties whatsoever as to the information or the materials provided, including as to the accuracy of same.

Phase 1 Bid Deadline

20. A Potential Bidder will be deemed a "**Qualified Bidder**" if, in the opinion of the Proposal Trustee, such Potential Bidder submits a non-binding, qualified letter of intent (a "**Qualified LOI**") to the Proposal Trustee, with a copy to the Company, at anytime before 5:00 pm (Calgary time) on April 21, 2022(the "**Phase 1 Bid Deadline**") or such other date as the Proposal Trustee selects and confirms in the Teaser and other informational notices relevant to the SISP. A letter of intent (an "**LOI**") will only qualify as a Qualified LOI if it meets all of the following conditions:
 - (a) it is received by the Proposal Trustee on or before the Phase 1 Bid Deadline;
 - (b) it provides an indication of whether the Qualified Bidder wishes to tender an Investment Bid, Financing Bid, Purchase Bid or Hybrid Bid;
 - (c) it includes a summary of:
 - i) the type and amount of consideration to be paid by the Qualified Bidder;
 - ii) the property or shares to be included in the Transaction;
 - iii) a specific indication of the anticipated sources of capital and/or credit for such Person and satisfactory evidence of the availability of such capital and/or credit so as to demonstrate that such Person has the financial capacity to complete a Transaction;

- iv) the structure and financing of the Transaction (including, but not limited to, the sources of financing and evidence of the availability of such financing);
 - v) any anticipated corporate, shareholder, internal or regulatory approvals required to close the Transaction and the anticipated time frame and any anticipated impediments for obtaining such approvals;
 - vi) any additional due diligence required or desired to be conducted prior to the Phase 2 Bid Deadline (as defined below), if any;
 - vii) any conditions to closing that the Qualified Bidder may wish to impose; and
 - viii) any other terms or conditions of the Transaction which the Qualified Bidder believes are material to the Transaction;
- (d) it provides for the completion of the Transactions contemplated therein on or before the Completion Date; and
- (e) such other information reasonably requested by the Proposal Trustee, in consultation with the Company.
21. The Proposal Trustee may waive non-compliance with any one or more of the requirements specified in section 20 of these SISP Procedures and may deem any non-compliant LOI to be a Qualified LOI.
22. The Proposal Trustee, in consultation with the Company, will assess any Qualified LOIs received and determine whether or not there is a reasonable prospect that the one or more of the Transactions that are the subject of the Qualified LOIs are likely to complete. Such assessment will be made as promptly as practicable but no later than five (5) Business Days following the Phase 1 Bid Deadline. In the event that the Proposal Trustee, after consultation with the Company, determines that one or more Qualified LOIs contemplate Transactions that are likely to complete, the SISP shall proceed to the next phase as described below.
23. If the Proposal Trustee is not satisfied with the number or terms of the Qualified LOIs, the Proposal Trustee, in consultation with the Company, may extend the Phase 1 Bid Deadline without further Court approval and, unless otherwise provided for by the Proposal Trustee, the Phase 2 Bid Deadline, Qualified Phase 2 Bid Assessment Deadline and the Completion Date shall be extended by the same time period.

Phase 2 Bid Deadline

24. In order to continue to participate in the SISP after the Phase 1 Bid Deadline, a Qualified Bidder must deliver a binding and definitive agreement to the Proposal Trustee, with a copy to the Company by no later than 5:00 p.m. (Calgary time) on May 6, 2022 or such other date as the Proposal Trustee selects and confirms in informational notices relevant to the SISP (the "**Phase 2 Bid Deadline**"). A binding offer will only qualify as a qualified phase 2 bid (a "**Qualified Phase 2 Bid**") in the event that it meets the following conditions:

- (a) it is received by the Proposal Trustee on or before the Phase 2 Bid Deadline;
- (b) it includes the sources of capital and/or credit for such Person and definitive evidence of the availability of such capital and/or credit so as to demonstrate that such Person shall have the financial capacity to complete a Transaction;
- (c) it includes either:
 - i) a fully binding and definitive agreement, duly authorized and executed, setting out the terms and conditions of the proposed Transaction, including the aggregate amount of the proposed equity and debt investment, assumption of debt, if any, financing and details regarding the proposed equity and debt structure of the Company following completion of the proposed transaction (a "**Definitive Restructuring Agreement**"); or,
 - ii) a fully binding and definitive agreement, substantially in the form provided for in the Data Room, duly authorized and executed purchase and sale agreement, together with all exhibits and schedules thereto, and such ancillary agreements as may be required with all exhibits and schedules thereto (a "**Definitive Purchase Agreement**"); or
 - iii) some combination of a Definitive Restructuring Agreement and a Definitive Purchase Agreement, provided that such agreement is a fully binding definitive agreement that is duly authorized and executed (a "**Definitive Hybrid Agreement**"),

(each a "**Definitive Agreement**");
- (d) it is irrevocable for a minimum of thirty-five (35) days following the Phase 2 Bid Deadline;
- (e) it provides for the completion of the Transactions contemplated therein on or before the Completion Date;
- (f) it is not conditional on (i) the outcome of unperformed due diligence; or (ii) obtaining any credit, capital or other form of financing;
- (g) it is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Proposal Trustee), payable to the Proposal Trustee, in trust, in an amount equal to ten percent (10%) of the cash consideration or other consideration to be paid pursuant to the Qualified Phase 2 Bid, to be held and dealt with in accordance with these SISP Procedures;
- (h) it includes written evidence of a firm and irrevocable commitment for all required funding and/or financing from a creditworthy Person to consummate the proposed Transaction;

- (i) it fully discloses the identity of each Person that is bidding or that will otherwise be sponsoring or participating in the Qualified Phase 2 Bid, including the identification of the Qualified Bidder's direct and indirect owners and their principals and the full and complete terms of any such participation;
 - (j) it includes evidence, in form and substance reasonably satisfactory to the Proposal Trustee, of compliance or anticipated compliance with any and all applicable regulatory approvals, the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals; and
 - (k) such other information reasonably requested by the Proposal Trustee.
25. The Proposal Trustee may waive non-compliance with any one or more of the requirements specified in these SISP Procedures and may deem any non-compliant Definitive Agreement, as the case may be, a Qualified Phase 2 Bid.
26. If the Proposal Trustee is not satisfied with the number or terms of the Qualified Phase 2 Bids, the Proposal Trustee, in consultation with the Company, may extend the Phase 2 Bid Deadline without Court approval and, unless otherwise provided for by the Proposal Trustee, the Qualified Phase 2 Bid Assessment Deadline and the Completion Date shall be extended by the same time period.
27. The Proposal Trustee, in consultation with the Company, will assess any Definitive Agreement and will determine whether any such Definitive Agreement constitutes a Qualified Phase 2 Bid. Such assessment will be made as promptly as practicable but no later than five (5) Business Days after the Phase 2 Bid Deadline (the "**Qualified Phase 2 Bid Assessment Deadline**").
28. The Company, in consultation with the Proposal Trustee, shall (to the extent that there is more than one Qualified Phase 2 Bid) select the superior Qualified Phase 2 Bid (the "**Successful Bid**") and file an application to the Court to approve such Successful Bid within ten (10) Business Days of the Qualified Phase 2 Bid Assessment Deadline, and seek a hearing of such application as soon as practicable thereafter. The Company shall thereafter complete the Transaction(s) contemplated by the Successful Bid in accordance with the terms thereof and any order issued by the Court.
29. In the event the Company does not select a Successful Bid pursuant to section 28 hereof, the Proposal Trustee may file an application to the Court seeking a (i) declaration that what the Proposal Trustee believes to be the superior Qualified Phase 2 Bid is the Successful Bid and (ii) an order:
- (a) approving such Qualified Phase 2 Bid as the Successful Bid;
 - (b) directing the Company, or the Proposal Trustee, as the case may be, to enter into and complete the Definitive Agreement representing underlying the Qualified Phase 2 Bid as the Successful Bid; and
 - (c) such ancillary and related relief as the Proposal Trustee may deem necessary.

Deposits

30. All Deposits shall be retained by the Proposal Trustee in a trust account located at financial institution in Canada.
31. If there is a Qualified Phase 2 Bid that constitutes a Successful Bid, the Deposit (plus accrued interest) paid by the Person making such Successful Bid shall be applied to the consideration to be paid by such Qualified Bidder upon closing of the Transaction constituting the Successful Bid.
32. The Deposit(s) from all Qualified Bidders submitting Qualified Phase 2 Bids that do not constitute a Successful Bid shall be returned to such Qualified Bidder within five (5) Business Days of the earlier of the date that the Company selects a Successful Bid pursuant to section 27 hereof or the Court declares a Successful Bid pursuant to section 29 hereof.
33. If the Qualified Bidder making a Qualified Phase 2 Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the Transaction in respect of Successful Bid it shall forfeit its Deposit to the Proposal Trustee for and on behalf of the Company; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Company has in respect of such breach or default.
34. If the Company is unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) than the Deposit shall be returned to the Successful Bidder.

Notice

35. The addresses used for delivering documents as prescribed by the terms and conditions of these SISP Procedures are set out in **Schedule "B"** hereto. A Bid and all associated documentation shall be delivered to the Proposal Trustee by electronic mail. Persons requesting information about these SISP Procedures should contact the Proposal Trustee at the contact information contained in **Schedule "B"**.

Reservation of Rights

36. Subject to sections 29 and 41 hereof, the Company may, at any time, and in consultation with the Proposal Trustee, reject or choose not to accept any Transaction, Bid, Qualified LOI, Qualified Phase 2 Bid or Successful Bid. In the event the Proposal Trustee disagrees with the Company's rejection or choice not to accept a Transaction, Bid, Qualified LOI, Qualified Phase 2 Bid or Successful Bid, the Proposal Trustee may file an application to the Court and upon two days notice seek such relief as the Proposal Trustee may deem necessary.

No Amendment

37. Except for amendments which are: (i) non-substantive in nature and necessary to ensure the efficacy of the SISP; and (ii) approved by the Proposal Trustee, the Company and the Lender, there shall be no amendments to these SISP Procedures unless ordered by the Court

upon application by the Proposal Trustee, the Company or the Lender on appropriate notice.

Conflicts Of Interest/Confidentiality

38. Until such time as any director, officer, employee or other member of senior management of the Company (each, an "**Insider Bidder**") (i) has irrevocably declared his or her intention not to submit a Bid in accordance with section 40; (ii) his or her Bid (an "**Insider Bid**") has been irrevocably disqualified under the SISP; (iii) his or her Insider Bid has been irrevocably determined not to be the Successful Bid, or (iv) is no longer considered an Insider Bidder in accordance with section 42, such Insider Bidder:
- (a) shall only receive information regarding the SISP in keeping with his or her capacity and obligations as a Potential Bidder or Qualified Bidder (as the case may be);
 - (b) shall not participate in the SISP as a representative of the Company unless the Proposal Trustee, in its sole discretion, determines that information or participation from the Insider Bidder is required for the facilitation of the SISP, with such participation being under the supervision of the Proposal Trustee, including under such terms as to confidentiality as the Proposal Trustee may deem advisable; and
 - (c) shall receive no information whatsoever regarding other Bids in the SISP or be involved in the selection of any Bids.
39. If the Proposal Trustee determines that the participation or information from an Insider Bidder is required pursuant to section 38(b), such Insider Bidder shall participate and provide all information requested by the Proposal Trustee, including adhering to any timelines and terms as to confidentiality as set by the Proposal Trustee.
40. If any Insider Bidder determines that he or she will not submit an Insider Bid, such Insider Bidder shall advise the Proposal Trustee of such intent as soon as reasonably practicable and, in any event, not later than seven (7) days prior to the Phase 1 Bid Deadline.
41. Notwithstanding sections 15 to 27 of these SISP Procedures, in the event that an Insider Bid is submitted, then, until the earlier of (i) all Insider Bids having been irrevocably disqualified under the SISP, (ii) all Insider Bids having been irrevocably determined not to be the Successful Bid, and (iii) the Proposal Trustee receiving all Qualified Phase 2 Bids and the Qualified Phase 2 Bid Assessment Deadline has passed, the Company shall not:
- a) receive any information or documents relating to any Potential Bidders, Qualified LOIs, Qualified Bidders or Qualified Phase 2 Bids, including any Confidentiality Agreements or executed letters acknowledging receipt of a copy of the Approval Order from Potential Bidders; or
 - b) be consulted by, or otherwise assist, the Proposal Trustee regarding the selection of any Qualified LOIs, Qualified Bidders or Qualified Phase 2 Bids.

42. In the event that any Insider Bidder ceases to be employed or otherwise resigns from his or her position at the Company, such Insider Bidder shall no longer be considered an Insider Bidder but rather a Potential Bidder or Qualified Bidder (as the case may be).

Disclosure of Information to Lender

43. Subject to section 44 hereof, the Lender shall have full and complete access to all Qualified LOIs, Qualified Phase 2 Bids and related materials (the "**Qualified Bid Materials**") and the Proposal Trustee, in consultation with the Company shall periodically update the Lender on the SISP and the prospect of a Successful Bid being completed thereunder.
44. The Lender will not participate in the SISP except as set out herein, and may not be a Potential Bidder.

Further Orders

45. At any time during the SISP, the Proposal Trustee, the Company or the Lenders may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder, if any.

Schedule "A" – Defined Terms

"**Approval Order**" has the meaning given to it in section 3.

"**BIA**" has the meaning given to it in section 1.

"**Bid**" has the meaning given to it in section 10.

"**Business Day**" means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are open for business in the City of Calgary.

"**Claims and Interest**" has the meaning given to it in section 12.

"**Company**" has the meaning given to it in section 1.

"**Completion Date**" has the meaning given to it in section 3.

"**Confidentiality Agreement**" means a confidentiality agreement in favour of the Company executed by a Prospective Bidder, in form and substance satisfactory to the Proposal Trustee, which shall enure to the benefit of any Prospective Bidder.

"**Court**" has the meaning given to it in section 1.

"**Data Room**" has the meaning given to it in section 17.

"**Definitive Hybrid Agreement**" has the meaning given to it in section 24(c)iii).

"**Definitive Purchase Agreement**" has the meaning given out it in section 24(c)ii).

"**Definitive Restructuring Agreement**" has the meaning given to it in section 24(c)i).

"**Deposit**" has the meaning given to it in section 24(g).

"**Financing Bid**" has the meaning given to it in section 10.

"**Hybrid Bid**" has the meaning given to it in section 10.

"**Insider Bid**" has meaning given to it in section 38.

"**Insider Bidder**" has meaning given to it in section 38.

"**Investment Bid**" has the meaning given to it in Section 10.

"**Lender**" has the meaning given to it in section 3, but specifically excludes any assignee of the Lender.

"**LOI**" has the meaning given to it in section 20.

"**NOI Proceedings**" has the meaning given to it in the recitals to these Sale and Investment Solicitation Procedures.

"**Person**" means any individual, firm corporation, limited or unlimited liability company general or limited partnership, association, trust, unincorporated organization, joint venture, government or any agency or instrumentality thereof or any other entity.

"**Phase 1 Bid Deadline**" has the meaning given to it in section 20.

"**Phase 2 Bid Deadline**" has the meaning given to it in section 24.

"**Potential Bidders**" has the meaning given to it in section 16.

"**Proposal Trustee**" means MNP Ltd. in its capacity as proposal trustee in the NOI Proceedings and not in its personal or corporate capacity.

"**Prospective Bidders**" has the meaning given to it in section 7(a).

"**Purchase Bid**" has the meaning given to it section 10.

"**Qualified Bid Materials**" has the meaning given to it in section 43.

"**Qualified Bidder**" has the meaning given to it in section 20.

"**Qualified LOI**" has the meaning given to it in section 20.

"**Qualified Phase 2 Bid**" has the meaning given to it in section 24.

"**Qualified Phase 2 Bid Assessment Deadline**" has the meaning given to it in section 27.

"**SISP**" has the meaning given to it in section 1.

"**SISP Procedures**" has the meaning given to it in section 4.

"**Successful Bid(s)**" has the meaning given to it in section 27.

"**Teaser**" has the meaning given to it in section 13(b).

"**Transaction**" has the meaning given to it in section 4.

Schedule "B"**Address for Notices and Deliveries**

To the Company:

Vertex Downhole Ltd.
2400, 525 8th Avenue SW
Calgary, AB T2P 1G1

Attention: Raulie Pederson / Craig Flint
Email: rpederson@vertexdownhole.com / cflint@vertexdownhole.com

With a copy to:

Burnet, Duckworth & Palmer LLP
2400, 525 8th Avenue SW
Calgary, AB T2P 1G1

Attention: David LeGeyt/Ryan Algar
Email: dlegeyt@bdplaw.com / ralgar@bdplaw.com

To the Proposal Trustee:

MNP Ltd.
1500, 640 - 5th Avenue SW
Calgary, AB T2P 3G4

Attention: Victor P. Kroeger / Rick Anderson
Email: vic.kroeger@mnp.ca / rick.anderson@mnp.ca

With a copy to:

Dentons Canada LLP
15th Floor Bankers Court
850 - 2nd Street SW
Calgary, AB T2P 0R8

Attention: Sam Gabor
Email: sam.gabor@dentons.com