



COURT FILE NUMBER 1501-06320

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF WELLS FARGO FOOTHILL CANADA ULC

DEFENDANTS BIG EAGLE HYDRO-VAC INC., BIG EAGLE LIMITED PARTNERSHIP, BIG EAGLE HYDRO-VAC (NORTH) INC., and BIG EAGLE (NORTH) LIMITED PARTNERSHIP

DOCUMENT SECOND REPORT OF THE COURT APPOINTED RECEIVER AND MANAGER OF BIG EAGLE HYDRO-VAC INC., BIG EAGLE LIMITED PARTNERSHIP, BIG EAGLE HYDRO-VAC (NORTH) INC., and BIG EAGLE (NORTH) LIMITED PARTNERSHIP

DATED JULY 17, 2015

PREPARED BY DELOITTE RESTRUCTURING INC.

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

Counsel

Gowling Lafleur Henderson LLP
1600, 421 7th Avenue SW
Calgary, Alberta T2P 4K9
Attention: Jeffrey Oliver

Telephone/ Facsimile: 403-298-1000 / 403-263-9193
Email: Jeffrey.Oliver@gowlings.com

Receiver and Manager

Deloitte Restructuring Inc.
700 Bankers Court, 850 – 2nd Street SW
Calgary, AB T2P 0R8
Attention: Jeff Keeble

Telephone/Facsimile: 403-503-1458 / 403-718-3681
Email: jkeeble@deloitte.ca

Table of Contents

Introduction and background.....	2
Introduction	2
Notice to reader	2
Background.....	2
Powers of the Receiver	4
Update on the Receiver's activities	5
Receiver's activities	5
Auction and asset proposal solicitation process	7
Proposed interim distribution.....	9
Statement of Receipts and Disbursements.....	10
Approvals sought	11

APPENDICES

Appendix A – Statement of Receipts and Disbursements for the Period June 8, 2015 to July 14, 2015

Introduction and background

Introduction

1. Pursuant to an Order (the "**Receivership Order**") granted by the Court of Queen's Bench of Alberta (the "**Court**") on June 8, 2015 (the "**Date of Receivership**"), Deloitte Restructuring Inc. ("**Deloitte**") was appointed as receiver and manager (the "**Receiver**") of Big Eagle Hydro-Vac Inc., Big Eagle Limited Partnership, Big Eagle Hydro-Vac (North) Inc., and Big Eagle (North) Limited Partnership (collectively "**Big Eagle**" or the "**Companies**"). A copy of the Receivership Order and other information regarding these proceedings can be accessed on the Receiver's website at <http://www.insolvencies.deloitte.ca/en-ca/Pages/Big-Eagle-Group.aspx>.
2. The Receivership Order was granted pursuant to an application by Wells Fargo Foothill Canada ULC ("**Wells Fargo**"), who holds registered security over all of the Companies' present and after-acquired personal property ("**Wells' Security**").
3. The Receiver's independent legal counsel, Gowling Lafleur Henderson LLP ("**Gowlings**"), has been assisting the Receiver with various matters and has completed an independent review (the "**Security Review**") of the Wells' Security over the property, assets and undertakings of the Companies, except for the three (3) pieces of owned real estate (the "**Owned Properties**"). The Security Review is discussed in further detail later in this report.

Notice to reader

4. In preparing this report, Deloitte has relied on unaudited financial information, the Companies' books and records and discussions with former management, Realization Services, Inc. ("**RSI**"), interested parties and the Companies' stakeholders. The Receiver has not performed an independent review or audit of the information provided.
5. All amounts in this report are in Canadian dollars unless otherwise indicated.
6. Capitalized terms used in this second report ("the **Second Report**") but not defined herein are as defined in the first report of the Receiver dated June 26, 2015 (the "**First Report**"), as applicable.

Background

7. Big Eagle provided industrial and oilfield service solutions across the energy sector in Western Canada and the Northwest Territories. With its fleet of over 450 units, which included Nitrogen, Coiled Tubing, Super Heaters, Vac, Water, Hydro-vac, Combo, Heating and Pressure Equipment, Tank Cleaning,

Pipeline and Plant Turn-around support crews and equipment, the Companies provided a comprehensive range of recurring and non-discretionary facility services, including facility turnaround and maintenance, industrial cleaning, hydro excavating, and tank cleaning. The Companies also provided extensive upstream services, including nitrogen pumping, fluid management, and frac water heating.

8. Wells Fargo and Apollo Global Management LLC et al ("**Apollo**") are the most significant economic stakeholders in Big Eagle (the "**Stakeholders**") with combined indebtedness owing of approximately \$53.9 million as at the Date of Receivership (the "**Secured Debt**"). Wells Fargo is the principal lender to the Companies and holds various security positions as against the Companies and their assets. Apollo is the majority shareholder of Big Eagle. Apollo purchased and has subordinated participation interests in the Secured Debt in the aggregate amount of approximately \$34.9 million at the Date of Receivership, with interest accruing since that date (the "**Apollo Participation**"). The Apollo Participation is secured by the Wells' Security. Wells Fargo's senior portion of the secured debt was approximately \$19.0 million at the Date of Receivership, and this amount has increased with accrued interest since then.
9. Big Eagle Limited Partnership was the operating entity which owned the Companies' assets and retained the employees. Big Eagle (North) Limited Partnership ("**Big Eagle North**") did not own any of the Companies' assets and, as at the Date of Receivership, Big Eagle North had no active employees.
10. The First Report provided an update on the steps taken by the Receiver to take possession and control of the assets of the Companies as well as details of the agency and consulting agreements entered into by the Receiver, the ongoing operations of the Companies and the assets owned and liabilities outstanding. The First Report also provided details of the auction proposal solicitation process undertaken by the Receiver and RSI and the auction services agreement (the "**Great American ASA**") entered into by the Receiver with Great American Global Partners, LLC ("**Great American**"). In the First Report, the Receiver sought approval of the reported actions of the Receiver, approval of the Coil Tubing Sale (as defined later in this Second Report), approval of the Great American ASA, and approval of an auction and asset solicitation process (the "**AASP**").
11. Pursuant to the First Report, the Court granted an Order on June 29, 2015 (the "**AASP Order**") declaring and ordering that, among other things:
 - a) The actions of the Receiver reported to date were ratified and approved;
 - b) The Receivership Order was amended to reflect the proper legal description of the Owned Properties;
 - c) The Great American ASA (the "**Stalking Horse Bid**") was approved;
 - d) The AASP was approved;
 - e) The Receiver was authorized to take any steps that were reasonable necessary or desirable to carry out the AASP; and
 - f) The sale of the five (5) coiled tubing units and trailers to 2015 DHS Capital Co. (the "**Coil Tubing Sale**") was approved.

12. The Second Report is filed in support of the Receiver's application to this Honourable Court on July 23, 2015 seeking the following:
- a) Approval of the reported actions of the Receiver since the First Report in respect of administering these receivership proceedings;
 - b) Approval of the Stalking Horse Bid as the Successful Bid pursuant to the AASP, and vesting the assets that are the subject of the Stalking Horse Bid in the purchasers free and clear of all claims, liens and encumbrances; and
 - c) Approval of an interim distribution to Wells Fargo in the amount of \$3,740,000 (the "**Interim Distribution**"), and the future distribution of funds to Wells Fargo as they become available (subject to such reserves as the Receiver deems necessary, acting reasonably) up until the amount of the Secured Debt, save and except for any proceeds of sale from the Owned Properties.

Powers of the Receiver

13. The Receiver's powers are detailed in Paragraph 4 of the Receivership Order. They include the power to take and maintain possession and control of the assets of the Companies; the power to manage, operate and carry on the business of the Companies; and the power to market and sell the Companies' assets (subject to Court approval if one sale exceeds \$400,000 or if in the aggregate the sales exceed \$2.0 million), among others.
14. The Receivership Order also empowers the Receiver to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$3.0 million (or such greater amount as the Court may by further Order authorize) (the "**Borrowing Facility**").

Update on the Receiver's activities

Receiver's activities

15. Since the First Report, the Receiver has undertaken, with the assistance of RSI in some cases, the following activities:
- a) Supervising and directing RSI, Morley Myden, Chris Anderson, and the other retained employees.
 - b) Corresponding with creditors and parties interested in the assets of Big Eagle;
 - c) Administering the Wage Earner Protection Program and corresponding with employees in regards to same;
 - d) Collecting of accounts receivable and sweeping of funds from Big Eagle's Bank of Montreal account to the Receiver's account on a daily basis;
 - e) Coordinating the consolidation of the Companies assets at the Swift Current, Edmonton and Grande Prairie locations (the "**Remaining Sites**");
 - f) Retaining Colliers International to perform full narrative valuations of the Owned Properties;
 - g) Engaging environmental consultants to complete Phase I environmental assessments on two of the Owned Properties (High Level and Fort Nelson);
 - h) Contacting potential interested parties with respect to the Owned Properties, including the existing tenants, and proceeding to finalize listings for the Owned Properties;
 - i) Reviewing equipment liens, assessing equity positions, and arranging for payment as appropriate, and coordinating the return of the equipment to the Remaining Sites;
 - j) Reviewing disbursements and arranging for payment, including payroll for the retained employees;
 - k) Coordinating site maintenance and clean-up at the Companies' various leased premises;
 - l) Coordinating and assessing equipment maintenance and repair needs and the sale of various parts inventories and other equipment;
 - m) Arranging for payment, as permitted by paragraph 17 of the Receivership Order and as approved by the Stakeholders, of pre-filing outstanding expense claims of 18 employees for a total of approximately \$15,180;
 - n) Continuing to administer and review, in accordance with paragraph 14 of the Receivership Order, the reserve account (the "**Statutory Payment Reserve**") established for the sole purpose of

enabling Big Eagle to pay certain pre-filing statutory obligations. All of the known pre-filing wages, vacation pay and payroll source deductions have been paid and there is only the final GST and provincial sales tax returns (the "Final Returns") to file and pay for the stub period from June 1 to June 8, 2015. There is currently no remaining balance in the Statutory Payment Reserve account and the Receiver has paid \$63,950 to cover a shortfall to date and expects to have to fund a further shortfall of approximately \$20,000 for the Final Returns. This shortfall may increase after trust audits are completed by CRA for GST and payroll source deductions. The Receiver has requested the completion of these audits, but CRA has not responded to these requests and no date has been set for the audits;

- o) Continuing to coordinate the orderly shut-down of the Operating Divisions, which included terminating all retained employees and the transportation of related assets to the Remaining Sites;
- p) Coordinating the Coil Tubing Sale and other asset sales as outlined in the First Report, which are expected to close in the near term; and
- q) Facilitating activities that were reasonably necessary or desirable to carry out the AASP as outlined in the AASP Order and as described in more detail later in this Second Report.

Auction and asset proposal solicitation process

17. Pursuant to the AASP Order, the Court authorized the Receiver to enter into the Stalking Horse Bid and also authorized the Receiver to solicit competing bids pursuant to the terms and conditions of the AASP.
18. The First Report outlined the auction proposal solicitation process undertaken by the Receiver and RSI prior to the Stalking Horse Bid.
19. On June 30, 2015 the Receiver sent e-mail correspondence to twelve (12) interested parties, who were previously identified, containing the following documents (collectively the "**AASP Bidder Documents**"):
 - a) Letter to Potential Bidders for the Assets of Big Eagle substantially in the form attached to the AASP Order (the "**Bidder Letter**");
 - b) The AASP Order which included the Great American ASA;
 - c) Master Asset Listing (as defined later in this Second Report); and
 - d) Asset Listing Bridge (as defined later in this Second Report).
20. As detailed in the First Report, an updated asset listing was provided to existing bidders by RSI on June 25, 2015 (the "**Master Asset Listing**") that was different from the Great American Asset List attached to the ASA. As such, the Receiver prepared a bridge document that reconciled the Great American Asset List to the Master Asset List (the "**Asset Listing Bridge**") that included 41 additions and 18 deletions of assets from the Great American Asset List. The Receiver requested that interested parties bid on the Master Asset List and advised that Great American might adjust the Stalking Horse Bid pursuant to the Great American ASA to reflect the additions and subtractions under the Asset Listing Bridge. The Bidder Letter indicated that the Receiver would notify bidders on or before July 6, 2015 if the Stalking Horse Bid was adjusted by Great American.
21. On July 2, 2015 the Receiver sent the AASP Bidder Documents to two (2) additional parties who expressed an interest in the Big Eagle assets.
22. On July 3, 2015 the Receiver sent the AASP Bidder Documents to one (1) additional party who expressed an interest in the Big Eagle assets.
23. On July 7, 2015 the Receiver sent e-mail correspondence to all fifteen (15) parties who were sent the AASP Bidder Documents advising that Great American had considered all of the additions and deletions detailed in the Asset Listing Bridge and confirmed that they would not be amending the

Stalking Horse Bid, and that the net minimum guarantee detailed in the Great American ASA would remain unchanged at \$18.7 million.

24. On or about July 9, 2015, the Receiver began contacting all of the parties who were sent the AASP Bidder Documents to confirm that they received the documents, and to enquire if any parties had questions.
25. On July 10, 2015, the Receiver sent the AASP Bidder Documents to one (1) additional party who expressed an interest in the Big Eagle assets.
26. During the period between June 30, 2015 and July 15, 2015, the Receiver and RSI had various communications with interested bidders, explaining the AASP process and answering questions.
27. Pursuant to the AASP, all bids were to be delivered to the Receiver by no later than 5:00 PM Calgary time on July 15, 2015 (the "**Bid Deadline**"). At the Bid Deadline, the Receiver had not received any Qualified Auction Bids or Qualified Asset Purchase Bids (as defined in the AASP) and, accordingly, no Auction was necessary (as defined in the AASP).
28. The Receiver has complied with the AASP Order and is now seeking the approval of the Great American ASA.

Proposed interim distribution

29. Gowlings has performed the Security Review and has concluded that the Wells' Security is valid, enforceable and in a first-in-priority position in relation to the personal property of Big Eagle.
30. The Receiver will report to the Court on a future date with respect to the outcome of the Security Review regarding the Owned Properties.
31. At the July 23, 2015 Application, the Receiver will seek Court approval of a distribution of funds collected by the Receiver to Wells Fargo as follows:
 - a) The Receiver shall pay the Interim Distribution to Wells Fargo; and
 - b) All additional funds determined to be available for distribution (except for proceeds from the sale of the Owned Properties) shall be disbursed by the Receiver to Wells Fargo as soon as practicable until the senior secured portion of the Secured Debt is repaid in full, including all interest and other amounts properly claimable by Wells Fargo under the Wells' Security, subject to such reserves as the Receiver deems necessary, acting reasonably. The reserve is intended to cover the outstanding professional fees, potential statutory obligations and other costs related to the ongoing administration of the receivership.

Statement of Receipts and Disbursements

32. The Receiver has prepared a Statement of Receipts and Disbursements for the period of June 8, 2015 to July 14, 2015 for Big Eagle, as shown in Appendix A.
33. As at the date of this Second Report, the Receiver has realized sufficient funds from the collection of accounts receivable and, as a result, has not drawn on the Court authorized Borrowing Facility.

Approvals sought

34. As a result of the foregoing, the Receiver respectfully requests the following:
- a) Approval of the reported actions of the Receiver since the First Report in respect of administering these receivership proceedings;
 - b) Approval of the Stalking Horse Bid as the Successful Bid pursuant to the AASP, and vesting the assets that are the subject of the Stalking Horse Bid in purchasers free and clear of all claims, liens and encumbrances; and
 - c) Approval of the distributions of funds to Wells Fargo as described in paragraph 31 of this Second Report.

DELOITTE RESTRUCTURING INC.,
in its capacity as Receiver and Manager of
Big Eagle Hydro-Vac Inc, Big Eagle Limited
Partnership, Big Eagle Hydro-Vac (North) Inc.,
and Big Eagle (North) Limited Partnership
and not in its personal capacity.



Jeff Keeble, CA • CIRP, CBV
Senior Vice President

Appendix A –
Statement of Receipts and
Disbursements for the Period
June 8, 2015 to July 14, 2015

BIG EAGLE HYDRO-VAC INC., BIG EAGLE LIMITED PARTNERSHIP, BIG EAGLE HYDRO-VAC (NORTH) INC. and BIG EAGLE (NORTH) LIMITED PARTNERSHIP
STATEMENT OF RECEIPTS AND DISBURSEMENTS
for the period of June 8, 2015 to July 14, 2015

Accounts receivable collections	\$	1,333,728
Funds swept by Wells Fargo prior to June 17, 2015 and paid to Receiver		1,231,509
Great American Group LLC bid deposit		3,740,000
Transfer from Bank of Montreal disbursement account		70,761
Total Receipts		6,375,998
Contract consultants - C. Anderson and M. Myden		87,786
Employee expenses		18,654
Fuel		44,033
Filing fee		70
GST paid on disbursements		19,917
Locksmith charges		4,974
Miscellaneous		1,816
Occupation rent		119,427
Payments to secured creditors (equipment release)		59,499
Pre-funding statutory reserve shortfall		63,950
Property taxes		27,739
PST paid on operations		85
Realization Services Inc. (RSI)		169,074
Repairs and maintenance		8,291
Safety audit		7,918
Source deductions		131,023
Transportation costs		135,500
Wages		234,331
Total Disbursements		1,134,087
Excess of Receipts over Disbursements	\$	5,241,911