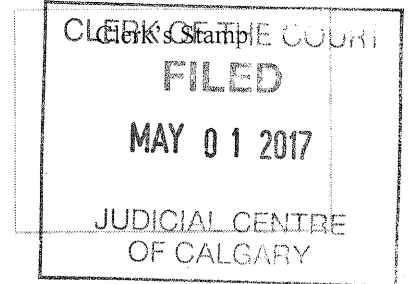


COURT FILE NUMBER      1701-00143  
COURT                      COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE        CALGARY  
PLAINTIFF                **BUSINESS DEVELOPMENT  
BANK OF CANADA**  
DEFENDANT               **QUATTRO EXPLORATION  
AND PRODUCTION LTD.**  
DOCUMENT                **APPLICATION BY RECEIVER:**  
  
                                  **ADVICE AND DIRECTIONS**



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File No. 436743-000019

**NOTICE TO RESPONDENTS: See Service List, attached as Schedule "A" to this Application**

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the master/judge.

To do so, you must be in Court when the application is heard as shown below:

Date                      May 9, 2017  
Time                      11:00 a.m.  
Where                     Calgary Courts Centre, 601-5<sup>th</sup> Street SW, Calgary AB  
Before Whom            The Honourable Justice A.D. McLeod

Go to the end of this document to see what else you can do and when you must do it.

**Remedy claimed or sought:**

1. Hardie & Kelly Inc. (“**HKI**”), in its capacity as the court-appointed receiver and manager (the “**Receiver**”) of Quattro Exploration and Production Ltd. (“**Quattro**”), seeks an Order substantially in the form attached hereto as **Schedule “B”**, for the following relief:
  - (a) Declaring service of this Application good and sufficient, and abridging the time for notice of this Application to the time actually given, if necessary;
  - (b) Declaring that none of the asset purchase agreement between Quattro and Brentwood Energy Corp. (“**Brentwood**”) dated January 19, 2017 (the “**Brentwood APA**”), the letter of intent between Brentwood and Quattro dated January 30, 2017 (the “**Brentwood LOI**”) and together with the Brentwood APA the “**Brentwood Agreements**”) or the Second Brentwood LOI (as defined and detailed in the Second Report of the Receiver, dated May 1, 2017 (the “**Second Report**”)) are enforceable as against the Receiver;
  - (c) Declaring that the right of first refusal (“**ROFR**”) purported to be held by Lifeview Petroleum Inc. (“**Lifeview**”) pursuant to a letter agreement with Quattro dated December 4, 2015 (the “**Letter Agreement**”) is null and void and unenforceable as against the Receiver and that the Receiver does not have any obligations to Lifeview with respect to the ROFR;
  - (d) Directing and authorizing the Receiver to continue to implement the Sales Procedure (as defined below), free and clear of any claim by Brentwood arising from either the Brentwood Agreements or the Second Brentwood LOI and the ROFR asserted by Lifeview; and
  - (e) Sealing the Confidential Supplement to the Receiver’s Second Report, dated May 1, 2017 (the “**Confidential Supplement**”).
2. Such further and other relief as Counsel may advise and this Honourable Court permit.

**Grounds for making this application:**

**Procedural Background**

3. Prior to the Receivership Order, Quattro was engaged in the exploration and production of oil and gas projects in Western Canada. As of the granting of the Receivership Order, Quattro had an interest in approximately 72 producing wells in Alberta, Saskatchewan and British Columbia. Quattro’s operations produced approximately 1,000 barrels of oil equivalent per day.
4. Prior to the granting of the Receivership Order, Quattro was experiencing financial difficulties due primarily to the extended depressed market prices for oil and gas. On August 10, 2016 Quattro commenced restructuring proceedings by filing a Notice of Intention to Make a Proposal pursuant

to the *Bankruptcy & Insolvency Act* (“**BIA**”), and HKI consented to act as proposal trustee. On September 8, 2016 the Court granted Quattro’s application pursuant to the *Companies’ Creditors Arrangement Act* (“**CCAA**”) to transfer its restructuring proceedings from the BIA to the CCAA (the “**CCAA Proceedings**”) and the Court issued an order (the “**Initial Order**”) providing certain relief to Quattro, including extending the stay of proceedings originally established under the BIA proceedings and appointing HKI as monitor (HKI, in that capacity only, the “**Monitor**”).

5. Due to insufficient liquidity, Quattro was unable to continue the restructuring process prompting its primary secured lender, the Business Development Bank of Canada (“**BDC**”), to successfully petition Quattro into receivership pursuant to an Order of this Honourable Court dated February 2, 2017 (the “**Receivership Order**”).
6. On April 3, 2017, the Receiver filed two applications with this Court, seeking approval of a proposed sales process procedures (the “**Sales Procedure**”) and approval to assign Quattro into bankruptcy, both returnable on April 12, 2017. On April 12, 2017, this Court granted an order approving the Sales Procedure (the “**Sales Procedure Order**”) and an order adjudging Quattro bankrupt (the “**Bankruptcy Order**”).

#### **Brentwood Transactions**

7. During the CCAA Proceedings, the Receiver conducted an initial sales and investor solicitation process pursuant to the terms of the Initial Order (the “**CCAA SISP**”). During the CCAA SISP, parties were to provide non-binding indications of interest for some or all of Quattro’s assets by October 31, 2016 (the “**Phase I Bid Deadline**”). Brentwood submitted an offer at the Phase I Bid Deadline; however, that offer was not selected to move forward in the CCAA SISP.
8. At the Phase I Bid Deadline, Quattro selected three parties to continue with Phase II of the CCAA SISP (the “**Qualified Phase II Participants**”). The Qualified Phase II Participants were to deliver Qualified Bids (as defined in the CCAA SISP) by November 28, 2016 (the “**Phase II Bid Deadline**”). At the Phase II Bid Deadline, only one of three Qualified Phase II Participants submitted a binding Qualified Bid for the Non-Core Sale.
9. An extension of time was granted to the other two Qualified Phase II Participants into mid to late December 2016, to allow them to complete due diligence and finalize binding bids.
10. Ultimately, Quattro did not receive satisfactory binding offers under the CCAA SISP and BDC filed an application to appoint a receiver over Quattro. This application was adjourned and Quattro

and BDC entered into a further amended and restated interim financing agreement (the “**Amended Interim Financing Agreement**”). The Amended Interim Financing Agreement contemplated two additional tranches of funding to be made by BDC to Quattro. The first tranche was available upon execution of the agreement and the second tranche was available upon Quattro satisfying certain conditions, which conditions included, amongst other things, the delivery of binding offers no later than January 30, 2017 which would satisfy the indebtedness owed to BDC (the “**Disbursement Conditions**”).

11. On January 30, 2017, Quattro delivered three offers, including each of the Brentwood Agreements to the Monitor and BDC. This was the first time the Monitor had received copies of the Brentwood Agreements.
12. On January 31, 2017, the Monitor advised Quattro and BDC that the Disbursement Conditions had not been satisfied and BDC proceeded with its application for the appointment of a receiver, which application was granted on February 2, 2017.
13. Subsequent to the granting of the Receivership Order, Brentwood contacted the Receiver on at least two occasions, the first being February 3, 2017, the day immediately following the granting of the Receivership Order, to inquire as to whether the Receiver intended to pursue the transactions contemplated by the Brentwood Agreements. On each occasion, the Receiver advised Brentwood that it was in the process of reviewing offers and that in all likelihood, Brentwood would be required to participate in a sales process conducted by the Receiver, once a process was commenced.
14. The Receiver was also contacted by NRG Divestitures Inc. (“**NRG**”), one of Quattro’s sales advisors during the CCAA SISP, who inquired whether the Receiver was going to pursue certain offers that had been presented to NRG. These offers included the Brentwood Agreements and a further offer from Brentwood (the “**Second Brentwood LOI**”) in the form of a partially executed letter of intent in respect of a third Quattro property, which NRG advised the Receiver had been “verbally approved”. The Receiver advised NRG that the Receiver would not be pursuing any of the proposed transactions and that a sales process would be revisited in due course.
15. The Receiver never affirmed the Brentwood Agreements or the Second Brentwood LOI.
16. Between February 29, 2017 and April 10, 2017, the Receiver did not receive any formal request from Brentwood to pursue closing of the Brentwood Agreements, nor to bring an application for

Court approval of the agreements. At no time has Brentwood provided any indication to the Receiver that it is desirous of closing on the Second Brentwood LOI.

17. On April 10, 2017, two days prior to the Receiver's application for approval of the Sales Procedure, Brentwood wrote to the Receiver advising that Brentwood was ready, willing and able to close the transactions contemplated by the Brentwood Agreements and requested the Receiver's confirmation as to when it proposed to close these transactions. Between February 29, 2017 and April 10, 2017, the Receiver had not received a request from Brentwood to pursue closing of the Brentwood Agreements, nor to bring an application for Court approval of the agreements.
18. The Receiver advised Brentwood that: i) it was under no obligation to complete the Brentwood Agreements; ii) there was an upcoming application respecting approval of the Sales Procedure; and iii) if Brentwood intended to pursue an offer respecting Quattro's assets, it must participate in the Sales Procedure.
19. Brentwood disagreed with the Receiver's position and insisted that the Receiver had an obligation to complete the transactions contemplated by the Brentwood Agreements. The Receiver advised Brentwood that its continued assertions would prejudice the Sales Procedure and requested written confirmation that Brentwood would desist from making such assertions. The Receiver did not receive any such confirmation.
20. On April 12, 2017, the Sales Procedure was approved and Brentwood, despite having notice of the application, did not attend at that application.
21. The Brentwood Agreements are each pre-receivership contracts which were never affirmed by the Receiver. The Receiver therefore has no obligations to Brentwood with respect to the Brentwood Agreements.
22. As agreements received outside of the CCAA SISP and on the cusp of the appointment of the Receiver over Quattro, the Receiver has concerns regarding the efficacy and integrity within which the offers for the Brentwood Agreements were entered into.
23. Additionally, requiring the Receiver to consummate the transactions contemplated by the Brentwood Agreements without re-marketing the assets through the Sales Procedure would favour Brentwood to the detriment of other bidders, as well as potentially Quattro's creditors.

24. It is just and appropriate to declare that the Receiver has no obligations with respect to the Brentwood Agreements and direct the Receiver to continue the Sales Procedure free and clear of any claim by Brentwood arising from the Brentwood Agreements or the Second Brentwood LOI.

#### **Liferview ROFR**

25. Prior to the CCAA Proceedings, Quattro executed the Letter Agreement with Liferview. The Letter Agreement was structured as a letter of intent as between Liferview and Quattro contemplating the sale of certain of Quattro's lands in the Kerrobert and Edam areas of Saskatchewan (the "Saskatchewan Lands"). While Quattro executed the Letter Agreement prior to the CCAA Proceedings, it is not clear that Liferview had, as the fully executed agreement provided by Liferview was only provided subsequent to the commencement of the CCAA SISP.
26. The Letter Agreement contains the following clause: "Quattro shall provide Liferview Petroleum Inc. the first right of refusal to purchase surplus equipment being sold in the event that the equipment is sold to a 3<sup>rd</sup> party 15% of net sales of all equipment shall be distributed to Liferview Petroleum Inc."
27. The Letter Agreement contemplated that Quattro and Liferview would enter into one or more definitive agreements consistent with the terms of the Letter Agreement. Subsequently, Quattro and Liferview entered into a purchase and sale agreement dated February 1<sup>st</sup>, 2016 with respect to the Saskatchewan Lands (the "PSA"). The PSA superseded the Letter Agreement. The PSA provided for the sale and transfer to Liferview of petroleum and natural gas rights and interests of Quattro in lands and leases pertaining to the Saskatchewan Lands. The PSA did not contain any reference to a ROFR with respect to the Saskatchewan Lands, equipment or otherwise.
28. The Receiver is of the view that there is no valid and enforceable ROFR as between Liferview and Quattro. As such, subsequent to the approval of the Sales Procedure, the Receiver wrote to Liferview requesting an acknowledgment from Liferview that it had no valid ROFR with respect to the Saskatchewan Lands, equipment or otherwise, and that the Receiver therefore did not have to provide notice of any potential sales to Liferview in the Sales Process. Liferview's counsel advised the Receiver that it would not be providing the requested acknowledgement and that Liferview had a valid ROFR with respect to the Saskatchewan Lands. The Receiver has been unable to resolve this dispute with Liferview.

29. It is just and appropriate to declare that the Receiver has no obligations with respect to the ROFR asserted by Lifeview and to direct the Receiver to continue the Sales Procedure free and clear of any claim by Lifeview arising from the purported ROFR.
30. Each of the rights asserted by Brentwood and Lifeview respectively, are interfering with the Receiver's ability to administer the Sales Procedure. The Sales Procedure was scheduled to commence on April 24, 2017; however, the Receiver has had to delay commencement of that process in order to determine these issues with Brentwood and Lifeview.
31. The Receiver estimates that it will require \$1 million in interim financing in order to complete the administration of Quattro's receivership proceedings. A delay in the Sales Procedure will only increase this borrowing requirement.
32. The Receiver seeks this Court's advice and directions and declarations set-out herein in order to properly administer the Sales Procedure and prevent further expense to Quattro's estate.
33. The Receiver seeks a sealing order with respect to the Confidential Supplement. The Confidential Supplement contains commercially sensitive information which if disseminated could adversely affect the Receiver's Sales Procedure. Sealing the Confidential Supplement is the least restrictive means of preventing the dissemination of the information.

**Material or evidence to be relied on:**

34. The Second Report of the Receiver, dated May 1, 2017.
35. The Confidential Supplement to the Receiver's Second Report, dated May 1, 2017.
36. The pleadings previously filed in these proceedings.
37. Such further and other material as counsel may advise and this Honourable Court may permit.

**Applicable rules:**

38. *Alberta Rules of Court*, AR 124/2010, and in particular Rules 1.3, 3.75, 6.3, 6.4, 11.27, 11.29 and 13.5.
39. *Bankruptcy and Insolvency General Rules*, and in particular Rules 3, 6 and 11.
40. Such further and other rules as Counsel may advise and this Honourable Court permit.

**Applicable Acts and regulations:**

41. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, and in particular Part XI thereof.
42. *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended.
43. *Judicature Act*, RSA 2000, c J-2, as amended.
44. Such further and other acts and regulations as Counsel may advise and this Honourable Court permit.

**Any irregularity complained of or objection relied on:**

45. None.

**How the application is proposed to be heard or considered:**

46. In person before the Honourable Justice A.D. Macleod with some or all of the parties' present.

**WARNING**

If you do not come to Court either in person or by your lawyer, the Court may give the applicant(s) what they want in your absence. You will be bound by any order that the Court makes. If you want to take part in this application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of the form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.



**SCHEDULE "A"**

**SERVICE LIST**

COURT FILE NUMBER

1701-00143

COURT

COURT OF QUEEN'S BENCH  
OF ALBERTA

JUDICIAL CENTRE

Calgary

PLAINTIFF

**BUSINESS DEVELOPMENT  
BANK OF CANADA**

DEFENDANT

**QUATTRO EXPLORATION AND  
PRODUCTION LTD., QUATTRO  
INNOVATIONS INC. and  
QUATTRO GUATEMALA S.A.**

Clerk's Stamp

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**SCHEDULE "B"**

**DRAFT FORM OF ORDER**

COURT FILE NUMBER 1701-00143  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
PLAINTIFF **BUSINESS DEVELOPMENT BANK OF CANADA**  
DEFENDANT **QUATTRO EXPLORATION AND PRODUCTION LTD.**  
DOCUMENT **ORDER**

Clerk's Stamp

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File No. 436743-000019

**DATE ON WHICH ORDER WAS PRONOUNCED:** May 9, 2017

**NAME OF JUSTICE WHO MADE THE ORDER:** The Honourable Justice A.D. Macleod

**LOCATION OF HEARING:** Calgary, Alberta

UPON the application of Hardie & Kelly Inc., in its capacity as the court-appointed receiver and manager (the "**Receiver**") of Quattro Exploration and Production Ltd. (the "**Debtor**" or "**Quattro**"); **AND UPON** having read the Second Report of the Receiver dated May 1, 2017, filed (the "**Second Report**"), the Confidential Supplement to the Second Report of the Receiver, dated May 1, 2017 (the "**Confidential Supplement**"), the Affidavit of Service of [●] dated May ●, 2017, filed, and the pleadings and proceedings previously filed herein, including the Receivership Order granted on February 2, 2017 and the Order of this Court granted April 13, 2017 (the "**Sales Procedure Order**") approving the Receiver's sales process procedures (the "**Sales Procedures**"); **AND UPON** hearing from counsel for the Receiver and counsel for any other interested party appearing at the hearing of this application;

**IT IS HEREBY ORDERED AND DECLARED THAT:**

1. The time for service of this application together with all supporting materials is hereby declared to be good and sufficient and no other person is required to have been served with such documents, and this application is properly returnable before this Honourable Court today and further service thereof is hereby dispensed with.
2. The Receiver has no obligations to Brentwood Energy Corp. ("**Brentwood**") arising out of any of the asset purchase and sale agreement entered into between Brentwood and Quattro dated January 19, 2017 (the "**Brentwood APA**"), the letter of intent entered into by Brentwood and Quattro dated January 30, 2017 (the "**Brentwood LOI**" and together with the Brentwood APA the "**Brentwood Agreements**"), or the partially executed Second Brentwood LOI (as defined and detailed in the Second Report).
3. The right of first refusal ("**ROFR**") claimed by Lifeview Petroleum Inc. ("**Lifeview**") pursuant to a letter agreement between Lifeview and Quattro dated December 4, 2015 (the "**Letter Agreement**") is null and void and unenforceable as against the Receiver.
4. The Receiver is hereby authorized and directed to continue to carry out the Sales Procedure for the sale of Quattro's assets free and clear of any rights, claims or encumbrances of Brentwood arising out of the Brentwood Agreements or the Second Brentwood LOI, or Lifeview arising out of the ROFR.
5. The Confidential Supplement shall be sealed on the Court file, kept confidential and not form part of the public record, and not be available for public inspection until an Order is granted discharging the Receiver in the within proceedings. The Clerk of the Court shall file the Confidential Supplement in a sealed envelope attached to a notice that sets out the style of cause of these proceedings and states that:

THIS ENVELOPE CONTAINS THE CONFIDENTIAL SUPPLEMENT TO THE RECEIVER'S SECOND REPORT, DATED MAY 1, 2017, WHICH SHALL BE SEALED UNTIL AN ORDER IS GRANTED DISCHARGING THE RECEIVER IN THE WITHIN PROCEEDINGS, PURSUANT TO AN ORDER ISSUED BY THE HONOURABLE JUSTICE A.D. MACLEOD ON MAY 9, 2017, AND IS NOT TO BE PLACED ON THE PUBLIC RECORD OR MADE PUBLICALLY ACCESSIBLE.

6. The Receiver is empowered and authorized, but not directed, to provide the Confidential Supplement (or any portion thereof, or information contained therein) to any interested party, entity

or person that the Receiver considers reasonable in the circumstances, subject to confidentiality arrangements satisfactory to the Receiver.

7. Leave is hereby granted to any person or party affected by this Order to apply to this Honourable Court for a further order modifying or varying the terms of this Order, with such Application to be brought on no less than 7 days' notice to the Receiver and any other affected party pursuant to the Alberta Rules of Court.
8. Service of this Order shall be deemed good and sufficient by serving the same on:
  - a) the persons listed on the service list (attached as Schedule "A" to the Application); and
  - b) by posting a copy of this Order on the Receiver's website at: <http://relieffromdebt.ca/quattro-exploration-production-ltd/>
9. No other persons are entitled to be served with a copy of this Order.
10. Service of this Order shall be deemed good and sufficient regardless of whether service is effected by PDF copy attached to email, facsimile, courier, personal deliver or ordinary mail.

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Justice of the Court of Queen's Bench of Alberta