

**SCHEDULE "A" TO  
ORDER DATED DECEMBER 12, 2019**

**SALE SOLICITATION PROCESS**

**INTRODUCTION**

On October 29, 2019, the Alberta Court of Queen's Bench (the "**Court**") made an order (the "**Receivership Order**") appointing Hardie & Kelly Inc. ("**HK**") as Receiver and Manager (the "**Receiver**") over the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceedings therefrom (the "**Property**") of Houston Oil & Gas Ltd. ("**Houston**").

The Receiver intends to conduct a sale solicitation process (the "**SSP**") as set out below to market and sell the Business (as defined below) and Property of Houston. The SSP will be conducted with the approval of the Court, and under the SSP, all qualified interested parties will be provided with an opportunity to participate in the SSP. The SSP is intended to solicit interest in a sale of the assets of Houston.

The Receiver has engaged [**AGENT**] as Selling Agent (in such capacity, the "**Selling Agent**") to administer and carry out the marketing steps contemplated by the SSP.

This document (the "**SSP Procedure**") outlines the SSP, which is comprised principally of three stages: pre-marketing, marketing, and offering and evaluation.

**OPPORTUNITY AND SSP SUMMARY**

1. The SSP is intended to solicit interest in, and opportunities for a sale of all or part of the Houston's Property (the "**Opportunity**"), which primarily consist of wells, pipelines, facilities and other oil and gas production assets located in Alberta.
2. In order to maximize the number of participants that may have an interest in the Opportunity, the SSP will provide for the solicitation of interest for the sale of Houston's interest in the Property. In particular, interested parties may submit proposals to acquire all, substantially all or a portion of the Property (a "**Sale Proposal**").
3. Except to the extent otherwise set forth in a definitive sale agreement with a successful bidder, any Sale Proposal will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Receiver, the Selling Agent or Houston, or any of their respective affiliates, agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of Houston in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, except as otherwise provided in such Court orders.
4. Solicitation of interest for Sale Proposals will be on an unpriced basis whereby no set asking price will be stipulated.

5. As described more fully in this SSP, the major stages in the SSP Procedure will be comprised of the following:
- (a) Pre-Marketing: preparation of all marketing material, assembly of all relevant due diligence material, establishment of an electronic data room and preparation of potential buyer lists;
  - (b) Marketing: advertising, contacting potential buyers, responding to requests for information and disseminating marketing material to potential buyers; and
  - (c) Offer Submission and Evaluation: solicitation, receipt of, evaluation and negotiation of offers from potential buyers, as described below.
6. The offer submission and evaluation stage of the SSP will be comprised of a two phase offering process: “**Phase 1**” being the submission of letters of intent (“**LOIs**”) from qualified bidders, and “**Phase 2**” being the submission of formal binding offers from those parties that submitted LOIs and that have been invited by the Selling Agent and the Receiver to participate in Phase 2 (defined below as Phase 1 Qualified Bidders).

## PROPERTY & REGULATOR

7. Houston is the operator or has a working interest in the Property comprised of approximately 1,438 well licenses, 73 facility licenses and 272 pipeline licenses.
8. The Alberta Energy Regulator (“**AER**”) regulates oil and gas and related activities in Alberta, including wells, facilities, oil refineries, natural gas processing plants, pipelines and oil and gas roads, through licenses, authorizations, orders and regulations. Bidders will be required to be licensees in good standing with the AER, or to be otherwise eligible to obtain or hold AER licenses, permits or approvals with respect to the Property.

## TIMELINE

9. The following table sets out the key milestones under the SSP:

Milestone	Deadline
Launch Sales Process	January 24, 2020
Phase 1 Non-Binding LOI Deadline	February 27, 2020
Phase 2 Binding Offer Deadline	March 25, 2020
Closing Dates	May 31, 2020

## PRE-MARKETING STAGE

10. As soon as reasonably practicable, but in any event by no later than January 24, 2020 (the “**Commencement Date**”):

- (a) the Selling Agent will prepare: (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SSP and inviting recipients of the Teaser Letter to express their interest pursuant to the SSP; (ii) a non-disclosure agreement (an “**NDA**”); and (iii) a confidential Information Memorandum (“**CIM**”). The Teaser Letter, NDA and CIM shall be in form and substance satisfactory to the Receiver. The CIM will specifically stipulate that the Selling Agent, the Receiver and their respective advisors make no representation or warranty as to the accuracy or completeness of the information contained in the CIM, the Data Room (as defined below), or made available pursuant to the SSP or otherwise, except to the extent expressly contemplated in any definitive sale agreement with a Successful Bidder (as defined below) ultimately executed and delivered by the Receiver;
- (b) the Selling Agent, with the assistance of the Receiver, will gather and review all required due diligence material to be provided to interested parties and shall establish a secure, electronic data room (the “**Data Room**”), which will be maintained and administered by the Selling Agent during the SSP;
- (c) the Selling Agent will develop a draft form of LOI (the “**LOI Form**”) and a purchase and sale agreement for use during the SSP (the “**Draft Purchase Agreement**”), which agreement or agreements shall be in form and substance satisfactory to the Receiver; and
- (d) the Selling Agent, in consultation with the Receiver, will prepare a list of potential bidders, including: (i) parties that have approached one or more of the Selling Agent, Houston or the Receiver indicating an interest in the Opportunity; and (ii) local, national and international strategic and financial parties who the Selling Agent and the Receiver believe may be interested in purchasing all or part of the Property pursuant to the SSP (collectively, “**Known Potential Bidders**”).

## MARKETING STAGE

11. As soon as reasonably possible after the Commencement Date, the Selling Agent shall:

- (a) arrange for a notice of the SSP (and such other relevant information as the Selling Agent, in consultation with the Receiver, considers appropriate) (the “**Notice**”) to be published in the BOE Report and the Calgary Herald and any other newspaper or journals as the Selling Agent, in consultation with the Receiver, considers appropriate, if any; and
- (b) send the Teaser Letter and NDA to all Known Potential Bidders and to any other party who responds to the Notice as soon as reasonably practicable after such identification or request, as applicable.

12. The Selling Agent will send the CIM and grant access to the Data Room to those parties who have executed and delivered the NDA to the Selling Agent as soon as reasonably practicable after such execution and delivery.
13. Requests for information and access to the Data Room will be directed to the Selling Agent, to the attention of the persons listed in **Schedule "A"** hereto. All printed information shall remain the property of the Receiver and, if requested by the Selling Agent or the Receiver, shall be returned without further copies being made and/or destroyed with an acknowledgement that all such material has either been returned and/or destroyed and no electronic information has been retained.
14. Any party who expresses a wish to participate in the SSP (a "**Potential Bidder**") must, prior to being given any additional information such as the CIM and access to the Data Room, provide to the Selling Agent:
  - (a) an NDA executed by it, and which shall inure to the benefit of any ultimate Successful Bidder; and
  - (b) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.
15. If a Potential Bidder has delivered the NDA and the letter contemplated in paragraph 15(b) with disclosure that is satisfactory to the Receiver, acting reasonably, then such Potential Bidder will be deemed to be a "**Phase 1 Qualified Bidder**". No Potential Bidder shall be deemed not to be a Phase 1 Qualified Bidder without the approval of the Receiver.

## OFFER SUBMISSION AND EVALUATION STAGE

### Phase 1

#### *Due Diligence*

16. The Selling Agent in consultation with the Receiver, subject to competitive and other business considerations, will afford each Phase 1 Qualified Bidder such access to due diligence materials through the Data Room and information relating to the Property and Business as it deems appropriate. Due diligence access may further include on-site inspections and other matters which a Phase 1 Qualified Bidder may reasonably request and to which the Selling Agent, with the approval of the Receiver, in its reasonable business judgment, may agree. The Selling Agent will designate a representative to coordinate all reasonable requests for additional information and due diligence access from Phase 1 Qualified Bidders and the manner in which such requests must be communicated. Neither the Selling Agent nor the Receiver will be obligated to furnish any information relating to the Property to any person other than to Phase 1 Qualified Bidders. Further and for the avoidance of doubt, selected due diligence materials may be withheld from certain Phase 1 Qualified Bidders if the Receiver, in consultation with the

Selling Agent, determines such information to represent proprietary or sensitive competitive information.

***LOI Submission***

17. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SSP and any transaction they enter into with the Receiver on behalf of Houston.
18. Phase 1 Qualified Bidders who advise the Selling Agent that they wish to submit an offer will be provided with a copy of the LOI Form.
19. A Phase 1 Qualified Bidder who wishes to pursue the Opportunity further must deliver an executed LOI, identifying each specific Property the Phase 1 Qualified Bidder is interested in, to the Selling Agent at the addresses specified in Schedule "A" hereto (including by email or fax transmission), so as to be received by them not later than 12:00 PM (Calgary time) on or before February 27, 2020 (the "**Phase 1 Bid Deadline**").
20. An LOI so submitted will be considered a qualified LOI (a "**Qualified LOI**") only if:
  - (a) it is submitted on or before the relevant Phase 1 Bid Deadline by a Phase 1 Qualified Bidder;
  - (b) it identifies or contains the following:
    - (i) the purchase price, in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation. If a Phase 1 Qualified Bidder wishes to acquire more than one Property, a price for each Property must be stipulated;
    - (ii) a description of each Property that is expected to be subject to the transaction and any of the Property or obligations for each Property expected to be excluded;
    - (iii) a specific indication of the financial capability, together with evidence of such capability, of the Phase 1 Qualified Bidder and the expected structure and financing of the transaction;
    - (iv) a description of the conditions and approvals required for a final and binding offer; and
    - (v) any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction;
  - (c) it contains a statement that the Phase 1 Qualified Bidder is a licensee in good standing with the AER, or is eligible to obtain or hold AER licenses, permits or

approvals with respect to the Property, and its current Liability Management Rating is 1.0 or greater; and

- (d) it contains such other information as reasonably requested by the Selling Agent or Receiver from time to time.
21. The Receiver may waive compliance with any one or more of the requirements specified above and deem such non-compliant bids to be a Qualified LOI. For the avoidance of doubt, the completion of any Sale Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.

***Preliminary Assessment of Phase 1 Bids and Subsequent Process***

22. Following the Phase 1 Bid Deadline, the Receiver will assess the Qualified LOIs with respect to the Property in consultation with the Selling Agent. If it is determined by the Receiver that a Phase 1 Qualified Bidder that has submitted a Qualified LOI (i) has a *bona fide* interest in completing a Sale Proposal or; and (ii) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on the financial information provided, then such Phase 1 Qualified Bidder will be deemed a “**Phase 2 Qualified Bidder**”, provided that the Receiver may, in its reasonable business judgment, limit the number of Phase 2 Qualified Bidders (and thereby eliminate some Phase 1 Qualified Bidders from the process). Only Phase 2 Qualified Bidders shall be permitted to proceed to Phase 2 of the SSP.
23. In the event that no Qualified LOIs are submitted by the Phase 1 Bid Deadline, then the Receiver may terminate the SSP.
24. Upon the determination by the Receiver of the manner in which to proceed to Phase 2 of the SSP, the Receiver will prepare a bid process letter for Phase 2 (the “**Bid Process Letter**”), which will include a Draft Purchase Agreement which will be made available in the Data Room, and the Bid Process Letter will be sent to all Phase 2 Qualified Bidders who are invited to participate in Phase 2.

**Phase 2: Formal Offers and Selection of Successful Bidder**

25. Paragraphs 28 to 39 below and the conduct of Phase 2 bidding are subject to paragraphs 23-26, above, and any adjustments made to Phase 2 in accordance with the Bid Process Letter and any further Court order regarding the SSP.

***Formal Binding Offers***

26. Phase 2 Qualified Bidders that wish to make a formal Sale Proposal shall submit to the Selling Agent a sealed binding offer that complies with all of the following requirements at the addresses specified in Schedule “A” hereto (including by email or fax transmission), so as to be received by the Selling Agent not later than 12:00 PM (Calgary time) on March 25, 2020 or such other date and time as may be modified in the Bid Process Letter (the “**Phase 2 Bid Deadline**”):

- (a) the bid shall comply with all of the requirements set forth in respect of Phase 1 Qualified LOIs;
- (b) cash is the preferred form of consideration, but if the bid utilizes other consideration, a description of the material terms of the consideration shall be provided;
- (c) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase some or all of the Property on terms and conditions reasonably acceptable to the Receiver;
- (d) unless otherwise agreed, the bid shall take the form of the Draft Purchase Agreement and shall include a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined below), provided that if such Phase 2 Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with such Successful Bidder;
- (e) the bid includes duly authorized and executed transaction agreements as listed in the Draft Purchase Agreement; including, but not limited to, the purchase price and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto, the name or names of the ultimate beneficial owner(s) of the Phase 2 Qualified Bidder including their respective percentage interests;
- (f) to the extent that a bid is conditional upon new or amended agreements being entered into with other parties, the interested parties shall provide the proposed terms of such amended or new agreements and identify how such agreements may differ from existing agreements to which Houston may be a party. A Phase 2 Qualified Bidder's willingness to proceed without such conditions and, where such conditions are included in the bid, the likelihood of satisfying such conditions shall be an important factor in evaluating the bid;
- (g) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction that will allow the Receiver to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
- (h) the bid should not be conditioned on the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 2 from the Phase 2 Qualified Bidder;
- (i) each Phase 2 Qualified Bidder must provide with its bid details regarding its ability to obtain, and method of financing the transaction, the timetable for obtaining financing and, if appropriate, the amount of senior debt, subordinated

debt, equity and any other source of financing contemplated in the pro forma capital structure;

- (j) the bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such bid;
  - (k) the bid includes a commitment by the Phase 2 Qualified Bidder to provide a refundable deposit in the amount of not less than 10% of the purchase price offered upon the Phase 2 Qualified Bidder being selected as the Successful Bidder, which shall be paid to “Hardie & Kelly Inc. in trust” (the “**Deposit**”). One half of the Deposit shall be paid to “Hardie & Kelly Inc. in trust” upon the submission of the Phase 2 Qualified Bidder’s Phase 2 Bid. The second half of the Deposit shall be submitted upon the Phase 2 Qualified Bidder being selected as the Successful Bidder. The Successful Bidder’s Deposit shall be applied as against the Purchase Price and all other Deposits submitted by Phase 2 Qualified Bidders who are not selected as the Successful Bidder shall be returned within one week of obtaining court approval for the Successful Bid;
  - (l) the bid includes acknowledgments and representations of the Phase 2 Qualified Bidder that: (i) it has had an opportunity to conduct any and all due diligence regarding the Property and Houston or any of them prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 2 from the Phase 2 Qualified Bidder); (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever made by the Selling Agent, Houston or the Receiver or the Receiver’s operational consultants, whether express, implied, statutory or otherwise, regarding the Business, Property or Houston, or the accuracy or completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Receiver on behalf of Houston;
  - (m) all required corporate approvals of the Phase 2 Qualified Bidder will have been obtained prior to the submission of the bid;
  - (n) the bid shall identify any material conditions in favour of the purchaser to be resolved prior to closing the transaction;
  - (o) the bid is received by the relevant Phase 2 Bid Deadline;
  - (p) the bid contemplates court approval; and
  - (q) the bid contemplates a schedule for closing the transaction set out therein which is on or before May 31, 2020 (the “**Closing Date**”).
27. Following the Phase 2 Bid Deadline, the Receiver will assess the Phase 2 bids received with respect to the Property. The Receiver will designate the most competitive bids that

comply with the foregoing requirements to be “**Phase 2 Qualified Bids**”. No Phase 2 bids received shall be deemed to be Phase 2 Qualified Bids without the approval of the Receiver in consultation with the AER. Only Phase 2 Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder(s).

28. The Receiver may waive strict compliance with any one or more of the requirements specified above and deem such non-compliant bids to be a Phase 2 Qualified Bid.
29. The Selling Agent, upon receiving instructions from the Receiver, shall notify each Phase 2 Qualified Bidder in writing as to whether its bid constituted a Phase 2 Qualified Bid within ten (10) business days of the Phase 2 Bid Deadline, or at such later time as the Receiver deem appropriate.
30. If the Receiver is not satisfied with the number or terms of the Phase 2 Qualified Bids, the Receiver, in consultation with the Selling Agent, may extend the Phase 2 Bid Deadline without Court approval, or the Receiver may seek Court approval for an amendment to the SSP.
31. The Receiver may terminate further participation in the Phase 2 Bid Process by any interested party, or modify dates or procedures in this SSP as deemed appropriate or necessary, or terminate the process altogether.
32. The Receiver may aggregate separate bids from unaffiliated Phase 2 Qualified Bidders to create one or more “**Phase 2 Qualified Bid**”.
33. In the event that no Phase 2 Qualified Bids are submitted by the Phase 2 Bid Deadline, then the Receiver may terminate the SSP.

### *Evaluation of Competing Bids*

34. A Phase 2 Qualified Bid will be evaluated based upon several factors, including, without limitation, items such as the Purchase Price and the net value and form of consideration to be paid provided by such bid, the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions, including any conditions attached to the bid and the expected feasibility of such conditions, the proposed transaction documents, factors affecting the speed, certainty and value of the transaction, the assets included or excluded from the bid, any related restructuring costs, compliance with AER requirements, the likelihood and timing of consummating such transactions, and the ability of the bidder to finance and ultimately consummate the proposed transaction within the timeline established by the Receiver.

### *Selection of Successful Bid*

35. The Receiver: (a) will review and evaluate each Phase 2 Qualified Bid with the applicable Phase 2 Qualified Bidder, and such Phase 2 Qualified Bid may be amended, modified or varied as a result of such negotiations, and (b) identify the highest or otherwise best bid (the “**Successful Bid**”), and the Phase 2 Qualified Bidder making such Successful Bid (the “**Successful Bidder**”) for any particular Property in whole or part.

The determination of any Successful Bid by the Receiver shall be subject to approval by the Court.

36. The Receiver shall have no obligation to enter into a Successful Bid, and the Receiver reserves the right to reject any or all Phase 2 Qualified Bids.

### ***Sale Approval Hearing***

37. At the hearing of the application to approve any transaction with a Successful Bidder (the “**Sale Approval Application**”), the Receiver shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Phase 2 Qualified Bids other than the Successful Bid, if any, shall be deemed rejected by the Receiver on and as of the date of approval of the Successful Bid by the Court.

### ***Confidentiality and Access to Information***

38. Participants and prospective participants in the SSP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Phase 1 Qualified Bidders, LOIs, Phase 2 Qualified Bidders, Phase 2 Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Receiver and such other bidders or Potential Bidders in connection with the SSP. The Receiver may however, with the consent of the applicable participants, disclose such information to other bidders for the purpose of seeking to combine separate bids from Phase 1 Qualified Bidders or Phase 2 Qualified Bidders.

### ***Supervision of the SSP***

39. The Receiver will participate in the SSP in the manner set out in this SSP Procedure and the SSP Order and is entitled to receive all information in relation to the SSP.
40. This SSP does not, and will not be interpreted to create any contractual or other legal relationship between Houston, the Selling Agent or the Receiver and any Phase 1 Qualified Bidder, any Phase 2 Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be signed with the Receiver on behalf of Houston and approved by the Court.
41. Without limiting the preceding paragraph, neither the Receiver nor the Selling Agent shall have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, the Successful Bidder, or any other creditor or other stakeholder of Houston, for any act or omission related to the process contemplated by this SSP Procedure, except to the extent such act or omission is the result of gross negligence or willful misconduct of the Receiver or Selling Agent. By submitting a bid, each Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Receiver or Selling Agent for any reason whatsoever, except to the extent such claim is the result of gross negligence or willful misconduct of the Receiver or Selling Agent.

42. Participants in the SSP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any LOI, Phase 2 bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
43. The Receiver shall have the right, in consultation with the Selling Agent, to modify the SSP and the deadlines set out herein (including, without limitation, pursuant to the Bid Process Letter) if, in its reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SSP.

## SCHEDULE "A"

### **Selling Agent**

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1620, 540 – 5<sup>th</sup> Avenue SW  
Calgary, AB T2P 0M2

TPavic@sayeradvisors.com  
(403) 266-6133

**Attention: Tom Pavic**

### **Receiver**

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T2H 0H2

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(403) 536-8506

**Attention: Charla Smith**