Form 49
[Rule 13.19]

CLERK OF THE COURT
FILED
Clerk's Stamp
JAN 20 2015
CALGARY, ALBERTA

COURT FILE NUMBER	**1501-00396**
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	Calgary
APPLICANTS	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, as amended** **AND IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9** **AND IN THE MATTER OF GASFRAC ENERGY SERVICES INC., GASFRAC SERVICES GP INC., GASFRAC ENERGY SERVICES (US) INC., GASFRAC US HOLDINGS INC. and GASFRAC INC.**
DOCUMENT	**AFFIDAVIT**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Patrick McCarthy, Q.C./Robyn Gurofsky Borden Ladner Gervais LLP 1900, 520 3rd Ave. S.W. Calgary, AB T2P 0R3 Telephone: (403) 232-9774 Facsimile: (403) 266-1395 Email: PMcCarthy@blg.com/RGurofsky@blg.com File No. 441817-000015

AFFIDAVIT OF LORI MCLEOD-HILL

Sworn on January 20, 2015

I, Lori McLeod-Hill, of the City of Calgary, in the Province of Alberta, chartered accountant, SWEAR AND SAY THAT:

1. I am the Chief Financial Officer of GASFRAC Energy Services Inc. ("**GESI**"), which is the 100% parent company of GASFRAC Services GP Inc. ("**GSGP**"), GASFRAC US Holdings Inc. ("**Holdings**") and the 99.99865% owner of GASFRAC Energy Services Limited Partnership ("**GES LP**") (GSGP owns the remaining 0.00135% or one unit of GES LP). Holdings is in turn the 100% owner of GASFRAC Inc. ("**GI**") and GASFRAC Energy Services (US) Inc. ("**GESI**

US"). GESI, GSGP, GESI US, Holdings, GI, and GES LP are sometimes hereinafter referred to collectively as the "**Company**".

2. As a result of the foregoing, I have personal knowledge of the facts and matters deposed to herein except where stated to be based on information and belief, and where so stated I do verily believe the same to be true.

3. I make this affidavit as a supplement to the affidavits I previously swore in these proceedings on January 13, 2015 (the "**Original Affidavit**") and January 16, 2015 and the confidential affidavits I swore on January 13, 2015 and January 14, 2015. Capitalized terms not defined in this affidavit are as defined in the Original Affidavit.

Relief Requested

4. I make this Affidavit in support of:

(a) The extension of the stay of proceedings from February 9, 2015 to March 18, 2015;

(b) Approval of the SISP;

(c) Approval of the KERP, Employee Bonus and KERP Charge, as more particularly outlined in my confidential affidavit sworn January 13, 2015 and the Supplemental Confidential Report of the Monitor;

(d) Approval of the forbearance agreement as negotiated between the Company and the Bank, or alternatively, approval of the interim financing and related interim financing charge;

(e) The application of the stay of proceedings to the Bank, either pursuant to the terms of the forbearance agreement or alternatively, pursuant to the terms of the Initial Order as amended from time to time;

(f) The increase of the D&O Charge from $1,400,000 to $1,850,000 and amending the priority of such charge to rank ahead of the Bank; and

(g) Adding the Financial Advisor as a beneficiary under the Administration Charge and increasing the Administration Charge from $500,000 to $1,500,000.

Update

5. Since obtaining the initial order (the "**Initial Order**") in these proceedings on January 15, 2015, the Company has been working diligently and in good faith towards resolving a number of outstanding items that are necessary to undertake a successful restructuring under the CCAA. This includes:

   (a) Negotiating with its secured lender, PNC Bank Canada Branch (the "**Bank**") regarding the terms of a forbearance agreement;

   (b) Working with the Monitor to identify possible sources of interim financing for the Company in the event the negotiations with the Bank in respect of the forbearance are unsuccessful;

   (c) Consulting with the Monitor, CIBC World Markets Inc. (the "**Financial Advisor**") and the Bank in respect of a Sales and Investment Solicitation Process ("**SISP**");

   (d) Working with the Monitor in the preparation of communications strategies for the Company's employees, suppliers and customers and responding to calls from the Company's creditors, suppliers and customers; and

   (e) Working with critical employees to maintain continuity in the Company's operations.

Forbearance Agreement and Interim Financing

6. The Company has been working with the Bank on the terms of a forbearance agreement that are both acceptable to the Bank and the Company, and that would allow the Company to attempt a restructuring under the CCAA.

7. As at the time of swearing this Affidavit, the Company and the Bank have not yet reached agreement in respect of the forbearance terms. In the event the forbearance agreement is not negotiated by the time this application is heard on January 21, 2015, the Company will likely seek approval for interim financing. I understand that the Monitor has discussed the possibility of interim financing with three parties, not including the Bank. Attached hereto and marked as

Exhibit "A" to this my Affidavit is a term sheet provided by Maynards Financial Limited Partnership (the "**Maynards Financing**").

8. The significant terms with respect to the Maynards Financing are as follows:

   (a) Credit facility will be available to a maximum amount of $10,000,000, with the first $5,000,000 being available upon payment of fees and issuance of Court order approving and authorizing a DIP Borrowing Charge and the second $5,000,000 being available upon completion of an appraisal satisfactory to the lender;

   (b) Interest rate of 12.0% per annum;

   (c) Term of the earlier of July 31, 2015 or the date of the expiration of the stay of proceedings in the CCAA, or 10 days following written notice of an unremedied event of default;

   (d) Security in the form of a fully perfected first ranking super priority charge against the assets of the Company.

9. The Company has discussed the terms of the Maynards Financing with the Monitor and believes them to be fair and reasonable in the circumstances and a good financing alternative if the forbearance agreement cannot be negotiated between the Company and the Bank.

Sales and Investment Solicitation Process

10. As indicated, the Company has worked diligently with input from the Monitor and the Financial Advisor to design a SISP that is reasonable in the circumstances and sufficient to generate interest in the business, undertakings or assets of the Company, or a combination thereof.

11. The Company continues to be in negotiations with the Bank regarding the terms of the SISP. As such, the final version of the SISP will be presented to the Court at the application. In the interim, the important timelines in the SISP may be summarized as follows:

   (a) No later than January 22, 2015 - The Financial Advisor will distribute an information package to potential bidders;

(b) January 26, 2015 – the Confidential Information Memorandum describing the opportunity will be made available by the Financial Advisor to those bidders that have executed a non-disclosure agreement and will be given access to an electronic data room;

(c) January 30, 2015 – the Monitor will publish notice of the SISP and opportunity in the Daily Oil Bulletin and the Houston Chronicle;

(d) February 24, 2015 – Final and binding proposals are to be submitted to the Financial Advisor with a copy to the Monitor;

(e) March 13, 2015 – the Financial Advisor, in consultation with the Monitor and the Company will have selected the most favourable proposal (the "**Successful Bid**") and have negotiated and settled the terms of a definitive agreement; and

(f) March 17, 2015 – the Company will apply to Court for approval of the Successful Bid.

12. I am advised by the Monitor and Financial Advisor that due to the Company's financing requirements over the next few months, the timelines set out in the proposed SISP are slightly shorter than one would normally see in this process. However, both the Monitor and Financial Advisor have advised and I do verily believe that they are satisfied that the SISP as proposed is reasonable in view of the Financial Advisor's prior involvement in marketing the business and assets of the Company and the interest generated from potential bidders prior to the CCAA proceedings.

13. The Renewed Engagement Letter with the Financial Advisor was approved by the Court on January 16, 2015. I am advised by the Monitor and do verily believe that it is reasonable in the circumstances to request a charge for the Financial Advisor's fees approved by the Court, and that the Financial Advisor will provide services that are not otherwise available from the professional advisors that are currently beneficiaries of the Administration Charge.

14. I am also advised by the Company's legal counsel and do verily believe that CIBC has stated that if they are not provided adequate protection for their fees by way of a priority charge on the assets of the Company, they will terminate their involvement with the Company pursuant to the terms of the Renewed Engagement Letter. This would cause significant disruption to the proposed SISP and the Company's restructuring efforts.

15. I believe it is important to seek protection for the Financial Advisor's fees, to help ensure that the Financial Advisor works diligently on the SISP and properly explores and evaluates a range of strategic alternatives available to maximize value for the Company and its stakeholders in these proceedings.

Directors and Officers

16. I wish to supplement my evidence in the Original Affidavit regarding the Directors and Officers of the Company, and in particular, the D&O Charge discussed at paragraphs 35 to 38 of the Original Affidavit.

17. I have been advised by each of the directors of the Company that they will resign without adequate protection under a directors' and officers' charge because of their concerns for potential personal liability and exposure under the existing insurance policies.

18. As previously indicated in my Original Affidavit, I believe that if the directors and officers of the Company leave their positions, the value of the Company could diminish, thereby jeopardizing the proposed SISP and negatively impacting any restructuring undertaken by the Company.

KERP and Employee Bonus

19. I have described the KERP and the Employee Bonus in my Original Affidavit and my Original Confidential Affidavit. I understand a revision to the KERP is included in the Confidential Supplemental Report of the Monitor.

20. Further to the information contained in those documents, I can advise that three employees have left the Company in the past month, including the payroll supervisor, the accounts payable supervisor and the asset accountant. As the Company's Chief Financial Officer, I am aware that their departure has placed significant pressure the Company's accounting department to fulfil the responsibilities required during this restructuring period.

21. I am aware that other critical employees are updating their resumes and have advised that they are prepared to seek employment opportunities elsewhere, if necessary.

22. While the Company's operations have not been negatively impacted to date by the CCAA proceedings, I believe that if additional employees leave their positions, the Company will have difficulty, among other things, completing its ongoing contracts, and associated receivables

accounted for in the cash flow projections will be significantly at risk. The KERP and the Employee Bonus are designed to prevent this from occurring and are essential to maintaining value while the Company implements its SISP and evaluates restructuring options for the benefit of all of its stakeholders.

Stay Extension

23. In order to give adequate protection to the Company, it is important that the Bank be subject to the stay of proceedings granted in the Initial Order. Without this protection in place, the Company and its stakeholders will not have sufficient comfort that a SISP can be properly implemented or a plan effected without disruption arising as a result of the Bank commencing enforcement proceedings. If a forbearance agreement is negotiated with the Bank by the time the application is heard, the Company proposes that the stay of proceedings be imposed on the Bank in accordance with the terms of that forbearance agreement. Alternatively, if no forbearance is arranged, I believe that the Bank should be subject to the stay of proceedings as provided for in the Initial Order, as amended from time to time, for the reasons already mentioned.

24. The Company is seeking an extension of the stay of proceedings to March 18, 2015, which is one day after the anticipated court approval date for the SISP. This will allow the Company to properly implement the SISP without interruption and if a Successful Bid is approved by the Court, will give the Company an opportunity to come back to Court to seek a further extension to close the transaction and finalize the terms of a plan of arrangement or compromise for its creditors.

25. Based on the cash flow forecasted for the proposed SISP period, it is apparent that the Company will eventually have additional cash needs beyond what it is negotiating with the Bank in a forbearance agreement, or alternatively pursuant to the initial draw under the Maynards Financing. The Company will work diligently with the Monitor over the next proposed stay period to negotiate either with the Bank, Maynards or other third parties to obtain the necessary interim financing for the stay period.

26. Based on the foregoing, I believe that the Company has acted in good faith and with due diligence thus far in these proceedings. I believe an extension of the stay of proceedings is reasonable and necessary in the circumstances to allow the Company to properly implement the SISP and otherwise work towards a restructuring by way of plan of compromise or arrangement for the benefit of stakeholders.

Relief Requested

27. I make this Affidavit in support of:

(a) The extension of the stay of proceedings from February 9, 2015 to March 18, 2015;

(b) Approval of the SISP;

(c) Approval of the KERP, EBE and KERP Charge, as more particularly outlined in my confidential affidavit sworn January 13, 2015 and the Supplemental Confidential Report of the Monitor;

(d) Approval of the forbearance agreement as negotiated between the Company and the Bank, or alternatively, approval of the interim financing and related interim financing charge;

(e) The application of the stay of proceedings to the Bank, either pursuant to the terms of the forbearance agreement or alternatively, pursuant to the terms of the Initial Order as amended from time to time;

(f) The increase of the D&O Charge from $1,400,000 to $1,850,000 and amending the priority of such charge to rank ahead of the Bank; and

(g) Adding the Financial Advisor as a beneficiary under the Administration Charge and increasing the Administration Charge from $500,000 to $1,500,000.

SWORN BEFORE ME at Calgary, Alberta, this 20th day of January, 2015.	)))))	
Commissioner for Oaths in and for the Province of Alberta **JESSICA DUHN** **BARRISTER & SOLICITOR**	)))	**LORI MCLEOD-HILL**

This is Exhibit "A" referred to
In the Affidavit of Lori McLeod-Hill
Sworn before me this 20th day of January, 2015

Commissioner for Oaths
In and for the Province of Alberta

JESSICA DUHN
BARRISTER & SOLICITOR

Maynards SINCE 1902 | CAPITAL SERVICES

SUMMARY OF TERMS FOR SENIOR SECURED SUPER-PRIORITY DEBTOR-IN-POSSESSION (DIP) CREDIT FACILITY (the "Term Sheet")

DATE: **January 7, 2015**

TO: **GASFRAC Energy Services Inc.**

FROM: **Maynards Financial Limited Partnership (the "Lender")**

1837 Main Street
Vancouver, BC, V5T 3B8

WHEREAS the Lender has agreed to make a credit facility available to the Monitor pursuant to its court-appointed power to borrow.

Borrower:	GASFRAC Energy Services Inc., GASFRAC Services GP Inc., GASFRAC Energy Services Limited Partnership, GASFRAC US Holdings Inc., GASFRAC Inc., GASFRAC Energy Services (US) Inc. and GASFRAC Lux Co **(collectively, the "Borrower")**
Lender:	Maynards Financial Limited Partnership
CCAA Case:	CCAA Order, TBD (the "**Initial Order**"), in proceedings in the Supreme Court of Alberta, Calgary Registry, and such future orders as may be granted by the Court(the "**CCAA**").
Purpose:	Credit Facility for Debtor-In-Possession (the "DIP") Borrowing Charge (as defined in the Initial Order), as authorized in the CCAA.
Maximum Availability:	Subject to the court approval of sufficient powers of the DIP borrowing facility, a credit facility will be available to a maximum amount of $10,000,000.00 (the "Credit Facility").
Security:	Security (the "**Security**") for repayment of the Credit Facility is a fully perfected first-ranking $10,000,000.00 court-ordered super-priority charge against the assets of the Borrower.
Conditions Precedent to Closing:	a) Issuance of the Initial Order (and any other required order in the CCAA), satisfactory in the form and substance to the Lender, approving and authorizing the DIP Borrowing Charge (as defined in the Initial Order or as amended by subsequent orders in CCAA) with the priority contemplated herein, authorizing the payment by the Lender of all the Credit Facility, and such orders being in full force and effect, unamended and not stayed; and b) The Borrower shall have paid all fees then owing to the Lender (collectively, the "Conditions Precedent").
Availability	Provided that no Event of Default has occurred and is then continuing, on and after the date on which the Conditions Precedent shall have been satisfied, the Borrower may request advances under the Credit Facility in the following thresholds:

(i) up to $5,000,000 – available upon satisfaction of Conditions Precedent;

(ii) $5,000,001 to $10,000,000 – available upon completion of a physical appraisal/audit performed by Maynards Industries supporting a minimum Forced Liquidation Value of $15,000,000.

Drawdowns:	Drawdowns may be made in minimum instalments of $100,000.00.
Termination Date:	The maturity of the Credit Facility (the "**Termination Date**") shall be the earliest of: (i) July 31st, 2014; (ii) The date the stay of proceedings expires in the CCAA; and (iii) 10 days following written notice being provided by the Borrower to the Lender of an unremedied Event of Default.
Renewal:	Subject to the terms and conditions of this Term Sheet and receipt of a renewal fee of $100,000.00, the Credit Facility may be renewed for another 6 months from the Termination Date.
Closing Date:	The date on which the Conditions Precedent shall have been satisfied and not later than January 31, 2014, or such a later date as the Lender may approve. (the "**Closing Date**")
Interest rate:	12.0% per annum.
Repayment:	All amounts outstanding under the Credit Facility, principal and interest, shall be repaid on demand by the Lender.
Fees:	***Commitment Fee*** - the Borrower shall pay a commitment fee of $150,000.00 (the "Commitment Fee") and said amount shall be non-refundable, fully earned and payable no later than the Closing Date. Of this commitment fee, $50,000 is to be paid in advance on acceptance of this Credit Facility proposal ("Good Faith Deposit") and will be credited towards the Commitment Fee due and payable on funding, or may be financed in addition to the Maximum Available amount detailed above. ***Standby Charge*** - the Borrower shall pay a standby charge (the "Standby Fee") of 200 basis points per annum times the difference between (a) $10,000,000.00 and (b) the amounts outstanding under the Credit Facility, payable monthly in arrears on the last business day of each month.
Prepayment Option:	The Credit Facility may be prepaid at any time prior to the Termination Date and will be subject to a prepayment penalty of 4.0% of the amount advanced under the Credit Facility at the time of prepayment.
Representations and Warranties:	The Borrower represents and warrants to the Lender: (a) The Borrower has full corporate power and authority to enter into and perform its obligations provided for under this Term Sheet. (b) This Term Sheet has been duly authorized by all necessary corporate action. (c) Accuracy of Information. All written information delivered by the Borrower to the Lender in connection with this Term Sheet is accurate in all material respects and contains no material misstatement of fact nor does it omit a material fact the omission of which would make such information

misleading in light of the circumstances in which the statements contained therein were made; and, to the extent that there are financial forecasts contained in such information, they have been prepared on the basis of reasonable assumptions and procedures and represent an estimate of the results forecast therein.

(d) Default. No Event of Default has occurred and is continuing.

(e) Defects of Title and Liens. There is no deficiency or defect in the title of the Borrower to the assets reasonably to be expected to have a Material Adverse Effect.

Events of Default:

"**Material Adverse Effect**" means (i) any adverse effect on the commercial operations or situation (financial or otherwise) of the Borrower that, in the Lender's opinion acting reasonably, is material; (ii) any adverse effect on the ability of the Borrower to perform and discharge its obligations which, in the Lender's opinion acting reasonably, is material; or (iii) any event that would constitute an Event of Default or any event which, with the giving of notice or lapse of time or otherwise, could constitute an Event of Default

Each of the following events constitutes an "**Event of Default**" under this Term Sheet whether any such Event of Default shall be voluntary or involuntary or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any governmental authority:

(a) Payment. The Borrower fails to make any payment of fees, interest or principal when due and payable;

(b) Breach or Default of Borrower. The Borrower commits a material breach of, or defaults in the due and prompt performance or observance of, any of its material covenants, conditions or obligations pursuant to this Term Sheet or any other document and such breach is not remedied within 10 days after the Borrower has received written notice thereof;

(c) Change of Monitor. There is a change in the party appointed as Monitor over the assets of the Borrower without the prior written consent of the Lender;

(d) Operation of Ineligible Activity. The Borrower engages or permits the assets to be used, by the Borrower or any other person, for the purpose of an ineligible activity in the CCAA or otherwise;

(e) Jeopardy. The Lender in good faith and on commercially reasonable grounds believes that the prospect of payment or performance of any of the Security is impaired or that any of the Property is or is about to be placed in jeopardy.

Legal and Other Costs:

The Borrower shall pay to the Lender reasonable legal fees and disbursements in respect of the Credit Facility (including preparation of this Term Sheet) and the enforcement and preservation of the Lender's rights and remedies under this Term Sheet and the Security.

Confidential:	This Term Sheet is being provided to you on the further condition that its existence and contents will be kept confidential and will not be disclosed without the Lender's prior written consent except to those individuals who have a need to know as a result of their being specifically involved in the proposed transaction.
Governing Law:	This Term Sheet is governed by and interpreted in accordance with the laws of the Province of Alberta and the Borrower hereby irrevocably attorns to the jurisdiction of the courts of the Province of Alberta.
Counterpart Execution:	This Term Sheet and all other documents related thereto or arising there from may be executed in any number of counterparts (including by facsimile transmission) and by different parties in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same instrument.

This Term Sheet is open for acceptance until January 12, 2015.

Maynards Financial Limited Partnership.

Name: Dean Shillington
Title: President

I have authority to bind the corporation

GASFRAC Energy Services Inc.

By: ______________________

Name:
Title:

I have authority to bind the corporation

GASFRAC Energy Services Inc.

By: ______________________

Name:
Title:

I have authority to bind the corporation

ACCEPTED this _____ day of ______________, 2015.