Form 49
[Rule 13.19]

COURT FILE NO.	1601-06131	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANT	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED** **AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CONNACHER OIL AND GAS LIMITED**	
DOCUMENT	**AFFIDAVIT (EMKAY APPLICATION)**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Cassels Brock & Blackwell LLP** Suite 1250, Millennium Tower 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attn: Timothy Pinos/Shayne Kukulowicz/Ryan Jacobs Tel: 403-351-2920 Fax: 403-648-1151 tpinos@casselsbrock.com skukulowicz@casselsbrock.com rjacobs@casselsbrock.com	

AFFIDAVIT OF JEFF BEESTON
Sworn on July 24, 2017

I, Jeff Beeston, of Calgary, Alberta, **SWEAR AND SAY THAT:**

1. I am the Vice President Finance and Interim Chief Financial Officer at Connacher Oil and Gas Limited ("**Connacher**"). As such I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.

2. I make this Affidavit in response to an application by Emkay Canada Fleet Services Corp. returnable on August 18, 2017 in this proceeding (the "**Emkay Application**").

I. BACKGROUND TO THE EMKAY APPLICATION

3. On May 17, 2016, the Honourable Madam Justice Dario of this Honourable Court granted an Initial Order (the "**Initial Order**") which provided for, among other things, a stay of proceedings up to and including June 16, 2016 pursuant to the *Companies' Creditors Arrangement Act* ("**CCAA**") in favour of Connacher, which has most recently been extended by this Honourable Court to January 31, 2018.

4. Pursuant to the terms of the Initial Order, Ernst & Young Inc. (the "**Monitor**") was appointed as monitor in this CCAA proceeding.

5. As of the date of the Initial Order, Connacher operated a fleet of pick-up trucks for use in its day-to-day business activities. Many of those trucks were acquired pursuant to an agreement with Emkay Canada Leasing Corp. ("**Emkay**"), which is described in detail in paragraph 15 below (the "**Emkay Lease**").

6. In connection with the commencement of this CCAA proceeding, Connacher with the assistance of its counsel, and in consultation with the Monitor, reviewed each of Connacher's equipment leases to determine whether they fell within section 11.01(a) of the CCAA.

7. Connacher concluded, following the advice of counsel, that the Emkay Lease did not fall within section 11.01(a) because the lease was not a lease for use of property, or "operating lease", as I understand they are often called, but was instead a "finance lease" outside the scope of the section. As such, Connacher has not paid rent under the Emkay Lease since the Initial Order was granted.

8. Notwithstanding that Connacher did not make any payments under the Emkay Lease following the Initial Order, Emkay did not take the position that Connacher was required to continue making payments under the lease and that the CCAA stay did not apply. Instead, Emkay filed a proof of claim against Connacher in the ordinary course and in connection with the claims process established in this CCAA proceeding, on or shortly after September 22, 2016, as set out in Exhibit "D" to the Affidavit of Norman S. Lyle sworn on July 4, 2017 (the "**Lyle Affidavit**").

9. It was not until February 9, 2017 that Emkay wrote to the Monitor first asserting the position that Connacher was obliged to make payments under the Emkay Lease (the "**Delayed Request**"). A copy of that email is attached and marked as **Exhibit "A"** to this Affidavit.

10. Counsel for Connacher replied to the Delayed Request setting out its position on the Emkay Lease and its obligations under the Initial Order by way of a letter dated February 13, 2017, a copy of which is attached and marked as **Exhibit "B"** to this affidavit.

11. Since then Connacher and Emkay have engaged in discussions in an effort to try to resolve their difference of interpretation, but to date those discussions have not resulted in an agreement. The Emkay Application was served on July 5, 2017.

12. Although Connacher opposes the Emkay Application and believes that the Emkay Lease is properly characterized as a finance lease, Connacher is in the process of returning the trucks to Emkay. Connacher is doing so because it can obtain replacements for the trucks at a lower cost and because Connacher's CCAA proceedings have extended longer than originally anticipated.

13. Accordingly, Connacher advised Emkay that Connacher intends to release the trucks to Emkay, on a without prejudice basis to both parties' positions on the Emkay Application. Attached at **Exhibit "C"** to this Affidavit is a copy of correspondence from Connacher's counsel to Emkay's counsel dated July 17, 2017 in that regard.

II. NATURE OF THE EMKAY LEASE

14. The Emkay Lease is comprised of an Emkay Canada Vehicle Lease Agreement dated October 4, 2012 (the "**Master Lease Agreement**") and 23 lease schedules thereto (the "**Lease Schedules**"). Attached at **Exhibit "D"** to this Affidavit are copies of the Emkay Lease. A list of the trucks leased (the "**Leased Trucks**") is attached as Exhibit B to the Lyle Affidavit, however I note that two of the Leased Trucks were already returned by Connacher to Emkay in December 2016.

15. As noted above, Connacher disagrees with Emkay's assertion that the Emkay Lease is a lease within the terms of section 11.01(a) of the CCAA. The terms and structure of the Emkay Lease shows that it not merely a lease for use of property, but extends to the finance and equity of the property which is subject to the lease.

16. First, the monthly "rent" payable under the Emkay Lease is not based on "payment for use" but is instead based on repayment by Connacher of the capitalized cost of the Leased Trucks *plus* interest. Section 2 of the Master Lease Agreement specifically states that "[t]he monthly rental rates are based upon the 'capitalized cost' of the Vehicle and the interest rates shown on the Depreciation Chart and Attachment #2, 'Vehicle Pricing Chart'." In addition, each Lease Schedule contains the following statement:

> Under the agreement of the lease between EMKAY CANADA LEASING CORP and lessee, it shall be agreed that the lessee shall pay in monthly instalments the above fixed percentage of the 'CAPITALIZED COST' (subject to change if floating rate) pursuant to the lease agreement and that this SCHEDULE A is a part of that lease agreement.

17. Second, pursuant to section 12 of the Emkay Master Lease Agreement, at the end of the term, or upon termination, of the applicable Emkay Lease, the leased vehicles will be sold and any proceeds in excess of the depreciated value of the vehicle will be paid to Connacher and, conversely, if the proceeds are less than the depreciated value then (subject to certain threshold percentages) Connacher is responsible for the deficiency.

18. The fact that Connacher is entitled to the surplus value of the Leased Trucks after they are returned to and sold by Emkay and is conversely liable to Emkay for a potential deficiency on such sale means that, fundamentally, the essential economic bargain under the Emkay Lease is that Connacher is the party with the interest in the economic "equity" in the Leased Trucks and beyond mere payment for use.

19. The following additional terms of the Emkay Lease also support Connacher's position that the Emkay Lease is properly considered a finance lease:

    (a) Connacher specifically selected the Leased Trucks and Emkay purchased the particular Leased Trucks for the sole purpose of leasing them to Connacher (sections 1 and 9 of the Master Lease Agreement);

    (b) Connacher is responsible for the payment of all licence fees for the operation of the Leased Trucks and is responsible to maintain the Leased Trucks at its expense (sections 5 and 6 of the Master Lease Agreement);

(c) Connacher is responsible for all taxes incident to the ownership of the Leased Trucks (section 5 of the Master Lease Agreement);

(d) Under the terms of the Emkay Lease, Emkay is entitled to accelerate the payment of rent upon a default by Connacher and is granted remedies similar to those of a mortgagee/lender (section 9 of the Master Lease Agreement);

(e) Emkay makes no representations or warranties of fitness and/or merchantability with respect to the Leased Trucks (section 5 of the Master Lease Agreement);

(f) Connacher is responsible for maintaining comprehensive insurance on the Leased Trucks (section 10 of the Master Lease Agreement);

(g) The entire risk of loss of the Leased Trucks is placed on Connacher (section 8 of the Master Lease Agreement);

(h) As set out in Emkay's calculations of the Emkay Lease attached at Exhibit "H" to the Lyle Affidavit, Emkay expected Connacher to be liable for a significant deficiency upon a sale of the trucks at the end of the initial term; and

(i) Emkay is entitled to register a security interest in respect of the Leased Trucks (section 14 of the Master Lease Agreement).

III. OTHER EQUIPMENT LEASES

20. The other pick-up trucks acquired and used by Connacher in its business were acquired pursuant to a lease agreement with Jim Pattison Leasing ("**JPL**"). As in the case with Emkay, following the Initial Order and after consultation with the Monitor, Connacher ceased making lease payments to JPL since Connacher concluded that the JPL lease was not subject to section 11.01(a) of the CCAA. Subsequently, JPL took the position that the lease was subject to that section, and that Connacher was obliged to continue to make lease payments despite the Initial Order.

21. I am advised by Connacher's counsel that, on June 19, 2017, Connacher and JPL entered into a settlement agreement (the "**JPL Settlement**") resolving their dispute, pursuant to which Connacher and JPL agreed, among other things, that Connacher return the JPL leased trucks to JPL and JPL would have an unsecured claim in Connacher's CCAA proceeding for its claims against Connacher (including for post-filing rent). As a result of that settlement, JPL has withdrawn its claim for payment of the post-filing rent pursuant to section 11.01(a) of the CCAA.

22. Connacher agreed to return the trucks to JPL, with the consent and approval of the Monitor and Connacher's Interim Lenders, because it could obtain replacements for the trucks at a lower cost and because Connacher's CCAA proceedings have extended longer than originally anticipated.

23. The JPL Settlement is described in further detail in the Affidavit of Merle Johnson sworn on June 19, 2017 in this proceeding (the "**Johnson Affidavit**") and the JPL Settlement was approved by the Honourable Justice Jeffrey on June 27, 2017. A copy of the Johnson Affidavit is attached at **Exhibit "E"** to this Affidavit.

IV. CONCLUSION

24. Connacher respectfully requests that this Honourable Court (i) dismiss the Emkay Application, with costs to Connacher, (ii) declare that the Emkay Lease is a finance lease for the purposes of section 11.01(a) of the CCAA, and (iii) declare that Connacher is not required to pay the Emkay Post-Filing Rent Amount (and that Emkay instead has an unsecured claim for such amounts).

SWORN before me at the City of Calgary, in the Province of Alberta, on July 24, 2017

Dessa Nguyen
Barrister and Solicitor
A Commissioner for Oaths
in and for Alberta

A Commissioner for Oaths in and for Alberta

JEFF BEESTON

THIS IS EXHIBIT "A"
Referred to in the Affidavit of
JEFF BEESTON
Sworn before me this 24
Day of JULY A.D., 2017

A Commissioner for Oaths in and for Alberta

Dessa Nguyen
Barrister and Solicitor
A Commissioner for Oaths
in and for Alberta

From: Julia Webster [mailto:jwebster@babinbessnerspry.com]
Sent: Thursday, February 09, 2017 2:37 PM
To: Connacher Monitor <connacher.monitor@ca.ey.com>
Cc: Cynthia Spry <cspry@babinbessnerspry.com>
Subject: RE: Connacher - Proof of Claim

Ross,

Further to my below e-mail regarding Emkay Canada Fleet Services Inc.'s Proof of Claim ("Emkay"), there is approximately $147,739.69 in outstanding invoices currently due to Emkay.

Connacher is using the Emkay vehicles pursuant to its Lease Agreement (attached to Emkay's Proof of Claim), but Emkay has not been paid since May 2016.

Under the initial court order in this matter dated May 18, 2016, Emkay is entitled to require payment of Connacher for the lease payments. Please see the below highlighted excerpt of paragraph 18 of the initial order.

If Emkay does not receive all amounts currently owing and if it does not immediately begin receiving lease payments on an ongoing basis, it will bring a motion requiring Connacher to return the vehicles.

Best regards,

Julia

CONTINUATION OF SERVICES

18. During the Stay Period, all persons having:

(a) statutory or regulatory mandated for the supply of goods and/or services; or

(b) oral or written agreements or arrangements with the Applicant, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, camp housing, administration, housekeeping and catering services, transportation, trucking services, utility or other services to the Business of the Applicant

are **hereby restrained** until further Order of this Court from discontinuing, altering, interfering with, suspending or termination the supply of such goods or services as may be required by the Applicant or exercising any other remedy provided under such agreements or arrangements. The Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the usual prices or charges for all such good or services received after the date of this Order are paid by the Applicant in accordance with the payment practices of the Applicant, or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court. **Nothing in this Order has the effect of prohibiting a person from requiring immediate payment for goods, services, use or leased or licensed property or other valuable consideration provided on or after the date of this Order.**

Julia Webster
Babin Bessner Spry LLP
65 Front St. E, Suite 101
Toronto, ON M5E 1B5
Dir: 647-725-2604
Fax: 416-637-3243
jwebster@babinbessnerspry.com
www.babinbessnerspry.com

THIS IS EXHIBIT "B"
Referred to in the Affidavit of
JEFF REESTON
Sworn before me this 24
Day of July A.D., 2017
A Commissioner for Oaths in and for Alberta

Dessa Nguyen
Barrister and Solicitor
A Commissioner for Oaths
in and for Alberta

CASSELS BROCK
LAWYERS

Via Email (jwebster@babinbessnerspry.com)

February 13, 2017

Babin Bessner Spry LLP
65 Front Street East, Suite 101
Toronto, ON M5E 1B5

jbellissimo@casselsbrock.com
tel: 416.860.6572
fax: 416.642.7150

Attention: Julia Webster

Dear Ms. Webster:

Re: Connacher Oil and Gas Limited ("Connacher")

As you are aware, we are counsel to Connacher. We are writing in response to your email dated February 9, 2017 to Ernst & Young Inc., the court-appointed Monitor in Connacher's proceeding under the *Companies' Creditors Arrangement Act* ("**CCAA**").

Following the commencement of its CCAA proceeding, Connacher undertook a review of its leases including with Emkay Canada Leasing Corp. ("**Emkay**") and determined that the leases with Emkay are finance leases. Pursuant to section 11.01(a) of the CCAA, paragraph 18 of the Initial Order and applicable case law, it is Connacher's position that Emkay is not entitled to (and Connacher is prohibited from making) post-filing payments of rent during the term of its CCAA proceeding.

We would be pleased to discuss this matter further at your convenience.

Yours truly,

Joseph J. Bellissimo

JJB/df
Legal*39627424.2

THIS IS EXHIBIT " C "
Referred to in the Affidavit of
JEFF BEESTON
Sworn before me this 24
Day of July A.D., 2017
A Commissioner for Oaths in and for Alberta

Dessa Nguyen
Barrister and Solicitor
A Commissioner for Oaths
in and for Alberta

CASSELS BROCK
LAWYERS

Via Email (cspry@babinbessnerspry.com)

July 17, 2017

Babin Bessner Spry LLP
65 Front Street East, Suite 201
Toronto, ON M5E 1B5

jbellissimo@casselsbrock.com
tel: 416.860.6572
fax: 416.642.7150

Attention: Cynthia Spry

Dear Ms. Spry:

Re: Connacher Oil and Gas Limited ("Connacher")

Connacher hereby advises that it intends to release the trucks subject to the Emkay Canada Vehicle Lease Agreement dated October 4, 2012 (the "**Emkay Agreement**") to Emkay, on the basis that the release of the trucks is completely without prejudice to the positions of Connacher or Emkay on the application returnable August 18, 2017, including with respect to the nature and characterization of the Emkay Agreement, or the parties' rights and obligations thereunder, under the *Companies' Creditors Arrangement Act* or otherwise.

Connacher expects to have the trucks ready for pick up by Emkay by the end of the month and we invite you to contact the undersigned to coordinate arrangements as soon as possible.

We look forward to hearing from you.

Yours truly,

Joseph J. Bellissimo

cc. Julia Webster (Babin Bessner Spry LLP)
cc. Tommy Gelbman (Osler, Hoskin & Harcourt LLP)
cc. Neil Narfason/Peter Chisholm (Ernst & Young Inc.)
cc. Sean Collins/Walker MacLeod (McCarthy Tetrault LLP)
cc. Ryan Jacobs/Shayne Kukulowicz (Cassels Brock & Blackwell LLP)
LEGAL*44169732.3

EMKAY CANADA
VEHICLE LEASE AGREEMENT

EMKAY Canada
3109 Bloor Street West
Toronto, Ontario M8X 1E2
(416) 236-1651

THIS LEASE AGREEMENT is made and entered into at the city of CALGARY, in the Province of ALBERTA, this 4th day of October, 2012 by and between: Emkay Canada Leasing Corp., 3109 Bloor Street West Toronto, ON M8X 1E2 (hereinafter referred to as "LESSOR"), its servicing agent Emkay Canada Fleet Management Corp, and Connacher Oil and Gas Limited, a corporation organized under the laws of the province of AB, whose address is #900, 332 – 6th Avenue SW, Calgary, AB T2P 0B2(hereinafter referred to as "LESSEE").

1. **NATURE AND SUBJECT OF AGREEMENT.** This Agreement is a lease for the use of each and every vehicle purchased by Lessor at the request of Lessee and made available to Lessee. Each such vehicle, together with its equipment, is hereinafter called "Vehicle" and all such Vehicles are hereinafter collectively called "Vehicles." Lessee certifies under penalty of perjury that it is not the owner of any Vehicle under this lease either for federal income tax or for any other purpose, and states that Lessee intends that fifty percent of Vehicle use will be for Lessee's trade or business.

   Lessee shall order a Vehicle on one of Lessor's approved Vehicle lease order formats and such order is non-cancelable after the Vehicle is scheduled for production by its manufacturer. In the event that an approved lease order format is not used, Lessee is responsible for any and all errors or omissions caused by the failure to use Lessor's approved formats. In the event that an order is canceled after it has been scheduled for production by the manufacturer, Lessee shall pay the then standard cancellation charge, in addition to actual out-of-pocket expenses incurred by Lessor. Lessee shall take delivery of each Vehicle ordered within four business days of notice that the Vehicle is availableand shall execute a delivery receipt for each and everyVehicle delivered to Lessee. If Lessee fails to take delivery by the fourth day, Lessor shall treat the fourth business day as the date of acceptance for future rental charges.After receipt by Lessor of the delivery receipt, or after the fourth day after notification,Lessor will send Lessee a Schedule A for each such Vehicle, which contains the monthly rental rates, fees and other charges described in Section 2. Said Schedule A's are incorporated herein, and made a part of this Agreement.

   Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Vehicles upon the terms and conditions of this Agreement. If more than one party executes this Agreement, each shall be jointly and severally liable herein.It is expressly agreed that Lessee, by virtue of this Agreement, acquires no ownership, title, property, right or interest in any Vehicle and is only leasing such Vehicle as provided herein.

2. **RENTAL CHARGES AND PAYMENT TERMS.** Lessee agrees to pay to Lessor for the lease of each Vehicle, a monthly rental, monthly depreciation (as set forth in Attachment #1, "Depreciation Rate Chart"), monthly fees and any other charges incurred pursuant to the terms of any amendments entered into herein. The monthly rental rates are based upon the "capitalized cost" of the Vehicle and the interest rates shown on the Depreciation Rate Chart and Attachment #2, "Vehicle Pricing Chart."The capitalized cost of each Vehicle purchased upon Lessee's request from dealer's inventory may be subject to additional cost above the manufacturer's factory invoice depicted on the Vehicle Pricing Chart and Lessor shall advise Lessee of the capitalized cost prior to Lessor's purchase of said unit for Lessee approval. Vehicles that are upfit by a company that does not ship the completed vehicle through the manufacturer's transport system to a manufacturer's dealer, will be subject to additional cost.

   The obligation to pay the monthly rental rate shall begin on the first day of the calendar month following Lessee's acceptance of the vehicle. From the date of vehicle acceptance, until such time as Lessee's obligation to pay the specified monthly rental rate begins, Lessee agrees to pay interim rental in an amount equal to the monthly rental rate, on a pro-rated basis, for each day of vehicle possession. The obligation to pay the monthly rental rate shall end on the last day of the month prior to the date the vehicle is turned in, or otherwise is made available to Lessor. From the day the obligation to pay the monthly rental rate ends, until the return of the vehicle as specified herein, Lessee agrees to pay interim rental in an amount equal to the monthly rental rate, on a pro-rated basis, for each day of vehicle possession.Lessee also agrees to pay interim interest calculated on a pro-rated daily basis from the date out of service until the date of sale. The interim interest will be calculated on the current prime rate and the applicable amount will be charged in the close out invoice.

   Rental and other monthly payments shall be made on a calendar monthly basis in advance. All monthly rental payments are due on the first day of the billing (rental) month.Monthly payments not received by their due date, shall be subject to a late payment charge of two percent for each thirty (30) day period, or portion thereof. With relation to all payments due pursuant to the terms of this Agreement, TIME IS OF THE ESSENCE.

3. **LEASE TERM.** The non-cancelable minimum Lease Term for each vehicle is 367 days beginning upon the date that Lessee takes delivery of the vehicle, or as specified in paragraph 1 herein. Thereafter, the Vehicle Lease Term may be renewed, in accordance with the amortization schedule set for the vehicle in the Vehicle Order Form, for the full term of anticipated use. After the expiration of the Minimum Vehicle Lease Term, Lessee may terminate the Vehicle Lease, upon thirty days prior written notice to Lessor. If a Vehicle is not replaced, Lessor may charge a non-replacement fee equal to the annualized value of the fully amortized fee, as set forth in the Attachment #2. Any applicable non replacement fee will be charged on the vehicle closeout. Lessee may terminate the Vehicle Lease prior to the expiration of any lease term, including the Minimum Lease Term, if the Vehicle suffered a "Total Casualty," which is defined herein as any Vehicle which is lost, stolen or destroyed, or shall be in such condition as does not warrant repair or further maintenance, (subject to Lessor's agreement as to such condition) Lessee shall promptly notify Lessor of such event and hold the Vehicle, or wreckage thereof, for disposal by Lessor, and such Vehicle shall be deemed surrendered by Lessee to Lessor as of the date of Lessor's receipt of such notice. Either party, if not in default hereunder, may terminate this Agreement by thirty (30) days advance notice in writing to the other party. Upon such termination by Lessee, all vehicles leased less than the Minimum Vehicle Lease Term, shall be subject to rental payments for the entire Minimum Lease Term of 367 days. Upon such termination of this Agreement, the obligations of the parties shall survive and remain in full force and effect until expiration of the lease term of Vehicle then delivered to or in the possession of Lessee or ordered for delivery to Lessee and the return of such Vehicle to Lessor and the payment of all amounts due Lessor. Until termination notice is provided to one of the parties, both parties will assume a monthly extension. With respect to any duty to indemnify Lessor pursuant to the terms and conditions of Paragraph eight herein, any such obligation shall survive and remain in full force and effect, until any applicable statute of limitations has expired.

THIS IS EXHIBIT "D"
Referred to in the Affidavit of
Jeff Reeston
Sworn before me this 24
Day of July A.D., 2017

A Commissioner for Oaths in and for Alberta

Dessa Nguyen
Barrister and Solicitor
A Commissioner for Oaths
in and for Alberta

AANZ3458

4. **DELIVERY.** Vehicles shall be delivered to the location specified by Lessee, or to a location in reasonable proximity thereof, at the time the Vehicle is ordered. Any change of delivery location after the Vehicle is ordered will involve a charge to Lessee of Lessor's actual cost in making such changed delivery. Lessor shall have no responsibility for the maintenance or upkeep of any leased vehicle, nor shall Lessor have any control or supervision over the operation of any leased vehicle, after it has been delivered to and accepted by Lessee.

5. **TITLE, LICENSING AND TAXES.** Lessor shall assist Lessee in obtaining initial license plates, and Lessee agrees to reimburse Lessor for any fees incurred as a result thereof. Upon renewal, Lessee shall be responsible for, obtain, and pay for registration and licensing each leased Vehiclein Lessor's name, unless Lessee has entered into an agreement or amendment with Lessor or its servicing agent indicating that thereafter it is the responsibility of Lessor or its servicing agent. Lessee shall be responsible for all inspections of the Vehicles required by any government authority during the term of the lease of such Vehicles. Lessee shall pay all use, excise, personal property, sales, gross receipts, and other taxes, and all government assessments, fees, and charges payable during the term of the lease of each Vehicle.

6. **CARE AND USE.** Lessee agrees at all times to keep and maintain the Vehicles in good and efficient working order, condition and repair, in accordance with conditions set forth in the manufacturer's warranty and instructions and shall be solely responsible for the operation, use and possession of all Vehicles. Lessee further agrees to pay any and all costs and expenses incurred in the operation of the Vehicles,including, but not limited to, traffic fines. In the event Lessee fails to pay any traffic or parking fine assessed by any governmental entity, Lessor will make such payment and will bill Lessee for all costs and expenses incurred as a result of the fine being incurred. Lessee agrees to reimburse Lessor for such payments. Lessee shall promptly notify Lessor of any change in location or operation of any Vehicle. Lessee shall use the Vehicles only: (1)for lawful purposes; (2) within Canada, (or the United States for trips no longer than two (2) weeks); (3) when in a safe and sound condition; (4) when covered by the insurance required by this Agreement; (5) in compliance with any restrictions contained the lease agreement and accompanying schedules,(6)in compliance with any and all applicablelaws, ordinances and regulations; (7) for commercial or business purposes in accordance with Lessee's business policies; and (8)in accordance with the manufacturer's recommendations. The Vehicles shall be operated only by licensed drivers, and only with the prior permission of the Lessee, or Lessee's agents. In no event shall the Lessee use the Vehicles for: (1) the transportation for hire of goods or passengers; (2) the carrying of explosives; or (3) the handling, storage or transportation of hazardous waste as defined by the Canadian government 4) any unlawful purpose; or (5) forother activities which would or could subject Lessor to any claims or obligations other than assumed by Lessor in this Agreement.

   In the event the manufacturer announces a recall campaign of which Lessee has knowledge, Lessee shall promptly have all appropriate Vehicles repaired by a manufacturer's authorized dealer. Lessor shall send Lessee notice and a copy of any manufacturer's notification received by Lessorindicating that a Vehicle or any part thereof has a possible defect or other possible unsafe condition. Upon such notice from Lessor, Lessee shall take such action as indicated and waives additional or further notices from Lessor regarding the same possible defect, or other possible unsafe condition, for any other Vehicles of the same type to which similar notifications pertain.

7. **COOPERATION IN THE EVENT OF OCCURRENCE.** Lessee will cooperate and cause its drivers, employees and agents to cooperate fully with Lessor and its employees and agents, or independent contractors designated by Lessor, in the investigation and prosecution or defense (as the case may be) of any and all occurrences, incidents, claims or suits arising out of the operation or ownership or possession of the Vehicles. Lessee shall furnish a written report to Lessoras soon as practicable after any such occurrence, incident or claim is brought to its attention. Lessee shall furnish immediate written notice of any legal action filed in any jurisdiction, which relates to the operation of the leased Vehicles or the Lease entered into between the parties stated herein.

8. **REPRESENTATIONS AND INDEMNITY.** Lessee shall at all times and at its sole cost and expense, keep the Vehicles free and clear from all levies, attachments, liens and encumbrance and other judicial processes whatsoever, and shall give Lessor immediate written notice in the event any of the same shall issue against any Vehicle.

   LESSEE assumes all risk and liability arising from Lessee's possession, use and/or operation of each Vehicle leased herein, including, but not limited to loss, theft, abandonment, conversion, sale, concealment, confiscation or destruction, from the moment of delivery to Lessee to the moment of return to Lessor. Notwithstanding any insurance coverage required by this lease, Lessee agrees to indemnify, defend, and hold Lessor (including its employees, agents, and subsidiaries and related corporations) harmless from any and all of the following, whether the same be actual or alleged: all loss, damage, claims, suits, taxes, liens, penalties, fines, demands, liabilities and expenses (including attorney's fees) howsoever arising or incurred because of such possession, use and operation of Vehicles, including, but not limited to: (1) damages for injuries or death to persons, (2) injury to or destruction of property, (3) damages which may be attributable to any defect in the Vehicles arising from the materials or any articles used therein, (4) damages which may be attributable to Lessor as a result of Lessor holding title or registration of the leased Vehicles, or (5) damages imposed by any governmental agency resulting from the leased Vehicles being used for, or alleged to have been used for, the transportation or handling of hazardous waste, as defined by the Canadian government.

9. **ACKNOWLEDGMENT AND WARRANTIES.** LESSEE ACKNOWLEDGES THAT IT HAS SELECTED BOTH (A) THE VEHICLES AND (B) THE MANUFACTURERS FROM WHOM LESSOR IS TO PURCHASE THE VEHICLES. LESSOR MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING THE CONDITION OF THE VEHICLES, THEIR MERCHANTABILITY OR THEIR FITNESS FOR ANY PARTICULAR PURPOSE, AND, AS TO LESSOR, LESSEE LEASES AND WILL RECEIVE THE VEHICLES "AS IS." If the Vehicles are unsatisfactory for any reason, Lessee shall make any claim on account thereof solely against such manufacturer. Lessor hereby agrees to assign to Lessee, solely for the purpose of making and prosecuting any such claim, all of the rights which Lessor has against such manufacturer for breach of warranty or other representation respecting the Vehicles, if any, to the extent the same are assignable.

   In no event shall Lessor be liable for any loss of profits, or for any incidental or consequential damages, or for any inconvenience or loss of use resulting from any theft, damage to, loss of, defect in, failure or delay in the delivery or repair of any Vehicle, or any cause, and there shall be no abatement or apportionment of monthly rentals during any such time.

   Lessee further acknowledges and agrees with Lessor that Lessor has made no representation, warranty or agreement with respect to the accounting or tax treatment of this Agreement or with respect to any Vehicle, except as contained herein.

10. **INSURANCE.** Lessee agrees, at its own cost, to provide and maintain for each Vehicle a primary policy of liability insurance for bodily injury and property damage insurance with respect to the operation of the Vehicles, or anyliability to third parties which may arise as a result thereof, with minimum limits of $1,000,000 combined single limit bodily injury and property damage. Lessee further agrees, at its own cost, to provide and maintain for each Vehicle an excess policy of liablity insurance for bodily injury and property damage with minimum limits of $2,000,000 for bodily injury and property damage. (With regard to vehicles capable of transporting nine or more passengers,

Lessee is obligated to procure excess insurance in the minimum amount of $6,000,000, naming the entities described herein as additional insured.)Lessee agrees that said insurance policies as required herein, should bein full force and effect from the time the Vehicle is available to Lessee. Lessee also agrees at its own cost to provide and maintain physical damage insurance, naming Lessor a Loss-Payee, other than collision, to wit: fire and comprehensive insurance; theft insurance; and collision and upset damage insurance, each with a maximumdeductible of $1,000, per Vehicle. All deductible amounts are per Vehicle and per occurrence.

Lessee shall also at its own cost provide for and maintain any other insurance and post any bond that may be required by any governmental authority as a condition to or in connection with the use or operation of any Vehicle during the term of its lease.

All insurance required of Lessee herein shall include Lessor, Emkay Canada Leasing Corp. as additional insured for any and all Vehicles provided under this lease. All such insurance shall be written by a company satisfactory to Lessor. Lessee shall provide Lessor certificates of insurance evidencing the existence of all insurance provided by Lessee as required herein prior to Lessee taking possession of the leased Vehicles. All insurance policies as required herein shall provide for thirty days' prior written notice to Lessor of cancellation or material change of coverage,including non-payment of premium.

PRIMARY AND EXCESSINSURANCE AS REQUIRED HEREIN SHALL BE, AND REMAIN, THE EXCLUSIVE COVERAGE FOR THE USE AND OPERATION OF ALL LEASED VEHICLES, OR ANY LIABILITY INCURRED AS A RESULT OF THE USE OF THE VEHICLES BY LESSEE.

All such insurance shall be for the benefit of, as their interests may appear, the Lessee, the Lessor, Lessor's servicing agent, any Assignee of Lessor, and any other person or organization responsible for the use or operation of the Vehicles. Any insurance proceeds received by Lessor for any loss or casualty that has been made good by Lessee upon proof satisfactory to Lessor shall be paid to Lessee unless Lessee is then in default in the fulfillment of any obligation under this Agreement.

The insurance required herein shall insure Lessee's obligation to fully indemnify Lessor for any and all loss and/or damage incurred as a result of the use or operation of the leased Vehicles, as more fully set forth in paragraph eight, but shall not be construed in any way to limit such obligation. In the event Lessee has purchased insurance coverage from Lessor, such insurance is null and void in the event that Lessee has used the Vehicle in a manner inconsistent with the terms and conditions of this Agreement.

11. **BREACH OR DEFAULT.** Payments shall be made in accordance with Paragraph 2 herein. In the event a monthly rental payment is not received by the first day of the billing (rental) month, or any other payment due hereunder is not received within fifteen (15) days of invoice due date, Lessor will send Lessee a "Notice of Default" by facsimile and/or by a nationally recognized overnight courier service. In the event that said payment remains outstanding for a period of five (5) days (excluding nationally recognized holidays) after Lessee's receipt of the Notice of Default," Lessee will be considered to be "in default." Default hereunder shall be defined as (1) non-payment of any sums due hereunder within five days after the "Notice of Default" has been received by Lessee, (2) a failure or refusal to comply with any terms or conditions of this Agreement; (3) acts of insolvency or bankruptcy on the part of Lessee or undertaken by Lessee's creditors or (4) an adverse change in Lessee's financial condition which, in the opinion of Lessor, negatively impacts Lessee's ability to perform its financial obligations as stated herein.

Upon default, Lessor, at its option, may declare all sums due hereunder for the balance of the lease term immediately due and payable. In addition, all rights of Lessee shall be surrendered, and without further demand, Lessor maytake possession of the Vehicles subject to the lease, wherever the same may be located. For the purpose of taking possession, Lessor or its designees may enter upon any premises of Lessee, without judicial process, and Lessee hereby specifically represents thatit has secured approval for, Lessor entering upon the premises of the operators of the Vehicles. In the event of a default, Lessor shall hold the Vehicles free and clear of any rights of the Lessee under this Agreement. In any such event, Lessee shall not be relieved of any liability for rental, loss on disposition of the Vehicles, or other payments due hereunder, and is not entitled to credit for any gain on disposition. Lessee agrees to pay Lessor any costs and expenses, including reasonable attorneys' fees, incurred in the repossession of any Vehicle or the collection of any amounts due hereunder, or in the enforcement of any other rights of Lessor. Lessor may apply any money of Lessee in its hands, or that may become due to Lessee, including without limitation, any security deposits held under this Agreement, against any and all such amounts due from Lessee hereunder. Lessor's remedies in the event of default as herein provided shall be cumulative and in addition to any other remedies available in law, equity or bankruptcy.

In the event Lessee seeks relief under the provision of the Canadian bankruptcy code, Lessee shall affirm or reject lease on or before the 60th day after bankruptcy. Should Lessee affirm the lease, all prior open balances due, including resale deficits as defined in Paragraph 12 of this agreement, shall be paid in accordance with bankruptcy law, and should Lessor be required to seek relief for payments which are not made in accordance with this provision, Lessee shall be responsible for all reasonable attorney fees incurred by Lessor.

12. **RETURN OR SURRENDER OF VEHICLES AND FINAL SETTLEMENT.** Lessee agrees that, upon expiration of the lease of any Vehicle, or termination of Lessee's rights to the possession of any Vehicle under the terms of this Agreement, Lessee shall at its expense, return such Vehicle to the Lessor at a mutually agreed upon location. Each such Vehicle shall be returned together with all license plates, registration certificates, documents of ownership, warranties and similar documents and with all factory or dealer installed equipment and five useable tires. Any Vehicle returned or surrendered as provided in this Agreement, shall be delivered in good working order, condition and repair excepting only reasonable wear and tear caused by normal use. Lessor will facilitate the sale of the vehicle. If the Net Proceeds of such sale shall exceed the Depreciated Value of the Vehicle, and if Lessee is not in breach or default as provided in Paragraph 11, Lessor shall credit, or at its option, pay the excess, less a one and one-half percent disposal fee of gross proceeds to Lessee as a refund of rentals. If the Net Proceeds of such sale shall be less than the Depreciated Value of the Vehicle, Lessee shall pay the deficiency plus a one and one-half percent disposal fee of gross proceeds as additional rental to Lessor upon demand.

Any Vehicle returned or surrendered, or in the case of a damaged or destroyed Vehicle, the wreckage thereof shall be sold by Lessor within such period as Lessee and Lessor may agree upon or in the absence of such agreement, within sixty days after such return or surrender. In the case of a lost, stolen, or destroyed or damaged Vehicle for which the Vehicle or wreckage is not surrendered by Lessee, upon notice by Lessee to Lessor the same shall be deemed to have been sold at a price of zero dollars. Lessee agrees to continue making monthly payments until proceeds are forwarded to Lessor by Lessee's insurance company. In the event Emkay provides insurance services, Lessee agrees to continue making payments for a minimum time period of 30 days, and a maximum time period of 60 days or until the vehicle is deemed a total loss. Lessee shall pay Lessor a salvage administrative fee of two hundred fifty dollars ($250.00). Any such sales shall be only for cash payable in full upon the delivery of the Vehicle and title papers therefore to the purchaser. If the Net Proceeds of such sale shall exceed the Depreciated Value of the Vehicle, and if Lessee is not in breach or default as provided in

Paragraph 11, Lessor shall credit, or at its option, pay the excess, less a one and one-half percent disposal fee of gross proceeds to Lessee as a refund of rentals. If the Net Proceeds of such sale shall be less than the Depreciated Value of the Vehicle, Lessee shall pay the deficiency plus a one and one-half percent disposal fee of gross proceeds as additional rental to Lessor upon demand.

Lessee shall not be liable to pay the Lessor for that portion of any such deficiency, (subject to subparagraph (3) of this section), caused by the net proceeds being less than the following values:

(1) For Vehicles sold at the end of the initial minimum term of Lease . . . 20% of the original capitalized cost.

(2) For vehicles sold at the end of a lease renewal period . . . 20% of the depreciated value of the Vehicle as of the end of the month preceding such renewal period.

(3) In the event that the net proceeds are less than the depreciated value because of damage, extraordinary wear and tear, or excessive or unauthorized use, the Lessee shall pay to the Lessor, in addition to all other amounts due Lessor, the amount of such deficiency attributable to such damage, extraordinary wear and tear, or excessive or unauthorized use.

"Net Proceeds" shall be defined as the amount received upon the sale of the Vehicle less the following expenses: all direct expenses paid or incurred by Lessor in connection with such Vehicle and the sale thereof from the time of return or surrender of the Vehicle to the completion of the sale, including prorated monthly payments, from the date of return or surrender to the time of sale, but not in any event to exceed thirty (30) days in the amount applicable as provided in Paragraph two for the month of return or surrender for sale, and less all sums due and owing to Lessor from the Lessee under this Agreement and less all sums for which the Lessee is liable in connection with this Vehicle or its use or operation, and which, if not paid would constitute a lien on the Vehicle or a liability to Lessor, less the disposal fee, which shall not be set at an amount less than one hundred-fifty dollars.

"Depreciated Value" shall mean the capitalized cost of the Vehicle less a sum equal to the percentage of the capitalized cost as shown in the Schedule for such Vehicle multiplied by the number of months that the Vehicle has been leased prior to sale.

As an alternative to sale of the Vehicle by the Lessor, the Lessee may, at its option, on thirty days written notice to the Lessor, arrange for the sale of an individual Vehicle for the account of the Lessee to Lessee's driver, employee or related party, but in no event to the Lessee. Lessee may not, however, arrange for the purchase of multiple vehicles at any particular time, to a single purchaser.Any such sale must be made at the wholesale fair market value, and purchaser shall pay applicable taxes in accordance with state and local regulations. In lieu of any other disposal fee, the purchaser will be assessed as part of the transaction the Lessor's then standard document processing fee, as well as any other out-of-pocket expenses Lessor incurs to complete such sale.

At the request of Lessee, Lessor will dispose of any units owned by Lessee provided that Lessee sends Lessor titles for each unit, and pays a fee of $250.00 per vehicle, or one and one-half percent (1 ½%) of the sales price upon disposition, whichever is greater.

13. **PAYMENT METHOD.** Lessee hereby agrees to remit payment to Emkay Canada Leasing Corp. on or before the due date of each invoice. Lessor will send invoices to Lessee in accordance with its customary invoicing schedule.

In the event that Lessee disputes an item on an invoice, Lessee shall notify Lessor at least two business days prior to the due date, and the questioned or disputed charge shall either be resolved prior to the due date, or be omitted from the payment. The disputed charge will be researched and verified by Lessor within the following thirty days, and any amount determined to be owed Lessor shall be paid with the next Invoice or in ten days, whichever is sooner. In the event there are insufficient funds for a check, Lessor will notify Lessee and demand that alternative payment arrangements be made within the time period allowed pursuant to the terms of the Lease Agreement. In the event that such payments are not made within the time periods stated in the applicable Agreement(s), the late charges and default provisions provided in this Agreement shall apply.

14. **MISCELLANEOUS PROVISIONS.** Lessee hereby confirms its express wish that this Agreement and any document related hereto be drawn up in English only and declares itself to be satisfied therewith, the whole, however, without prejudice to any document which may, from time to time, be drawn up in French only or in both French and English. **(Lessee confirme sa volonté expresse que la présente convention et tous les documents s'y rattachant soient rédigéses anglais seulement et s'en déclarent satisfait, le tout, cependant, sans préjudice à tout document qui pourrait à l'occasion être rédigé en francais seulement ou à la fois en francais et en anglais.)**

All obligations of the Lessor hereunder may be performed by, all rights of the Lessor may be exercised by, and all payments and deposits to be made to the Lessor hereunder may be made to, Emkay Canada Leasing Corp.

Lessee shall provide Lessor with audited financial statements prepared and certified by an independent certified public accounting firm within ninety (90) days after the end of each fiscal year. It is an ongoing material condition of this Agreement that Lessee and/or Lessee's guarantor remain credit-worthy, to the satisfaction of Lessor. Nothing herein shall be construed as a requirement that Lessor accept any vehicle order.

It is agreed by and between Lessor and Lessee that this Agreement constitutes a "true lease," and that the vehicles are and shall remain the sole and exclusive property of Lessor, and Lessee shall take no position contrary to this assertion. Lessee shall cooperate fully in Lessor filing a security interest reflecting its ownership in any leased vehicle, when and where Lessor deems necessary.

Lessee, or its designated agent, agrees to provide to Lessor an odometer disclosure form at the time of Vehicle turn in for resale for each Vehicle leased by Lessee from Lessor.

All notices pursuant to this Agreement shall be sent by registered or certified mail (return receipt requested) or by a nationally recognized overnight courier company addressed to the party at the above addresses or such other address hereafter furnished and shall be deemed given when mailed or sent. No waiver of any term or condition of this Agreement by Lessor shall be deemed to imply or constitute a waiver of such term or condition for the future but the same shall remain in full force and effect as if no such waiver had occurred.

This Agreement shall be binding on the respective parties and their successors and permitted assigns. Lessor may assign this Agreement or an interest thereunder to a financial institution as security for Lessor's indebtedness or to its own affiliates or subsidiaries without the consent of Lessee. No assignment by Lessee shall be valid or binding upon Lessor except with the prior written consent of Lessor. All assignments shall involve a processing fee per vehicle, including assignments to related corporate entities. Lessor reserves the right to withhold consent of an assignment in the event that Lessor determines that assignee is not creditworthy. In the event that vehicles are operated by present or future subsidiaries, parents or affiliates of Lessee, they will be considered leased pursuant to the terms and conditions stated herein. In such event, Lessee, as identified herein, shall remain jointly and severally liable herein.

All vehicles leased to Lessee pursuant to an earlier agreement that was assigned to Lessor, are hereinafter assigned to this Lease Agreement for all future handling, with the exception that vehicle rental amounts and interest rates shall remain in full force as agreed to by Lessee. Such rental amounts and interest rates will not in any way be altered or revised.

When this Lease comes to an end (i.e., whenever the lease is terminated or cancelled or expires for any reason), any TRAC deficits or TRAC credits shall "first arise" and be payable by the Lessee on the "billing date" designated by the Lessor - - which shall be sometime within 90 days of the date of vehicle disposition.

In the event any provision or term of this Lease Agreement shall be declared invalid or non-enforceable by a court of competent jurisdiction, all other provisions and terms shall remain valid and binding. This Agreement contains all the terms agreed upon by the parties with respect to the subject matters contained herein. No representations or statement, other than those expressly set forth herein were relied upon by the parties in entering into this Agreement. This Agreement, together with the exhibits attached hereto, constitute the entire Agreement between the parties and cannot be modified, amended, or altered except by a written instrument signed by a duly authorized officer of Lessor.

This Lease Agreement and amendments thereto shall be construed in accordance with the internal laws of the province of ALBERTA. Lessee hereby irrevocably (1) submits to the non-exclusive jurisdiction of any Federal Court or Ontario Court sitting in CALGARY, ALBERTA; (2) agrees that all claims in respect of such actions or proceedings may be heard and determined in any such court; and (3) waives any objection that the venue is an inconvenient forum.

This Agreement has been accepted and made in CALGARY, ALBERTA.

Accepted and Agreed By:

EMKAY CANADA LEASING CORP.

Signed

GREGORY L. TEPAS
Printed Name

PRESIDENT & C.E.O.
Title

12/21/12
Date

Connacher Oil and Gas Limited
Customer

Signed

Greg Pollard
Printed Name

CFO
Title

10/29/12
Date

INTEREST DEPRECIATION RATE CHART

EMKAY CANADA LEASING CORP.

DATED 04/03/12

PREPARED FOR: CONNACHER OIL AND GAS LTD

RENTAL BASED ON

INTEREST TYPE: GOVERNMENT OF CANADA BOND 2YR

CONTRACT RATE: 3.750 OVER

FINANCING: FLOATING RATE

RATE BASE: AVERAGED INTEREST

DEPRECIATION RATES

	YEAR 1 MONTHS 1 - 12
	2.000%
.50%	.395
.75%	.414
1.00%	.432
1.25%	.451
1.50%	.469
1.75%	.488
2.00%	.506
2.25%	.525
2.50%	.544
2.75%	.562
3.00%	.581
3.25%	.599

EMKAY Canada Fleet Management Corp.
3109 Bloor Street West
Toronto, Ontario M8X 1E2
(416) 236-1651

TRAC LEASE - ATTACHMENT #2
VEHICLE PRICING CHART

VEHICLE CAPITALIZATION:

The "capitalized cost" of the Vehicle shall mean the face amount of the manufacturer's factory invoice plus all additional costs for upfits and dealer installed equipment or accessories, as well as additional charges incurred for vehicles operated outside Canada, and will include dealer ordering/courtesy delivery fees, a processing fee, less any amounts reimbursed to Lessor as a one-time charge for certain optional equipment.

Type of Vehicle	Type of Order	Markup Charges *
General Motors automobiles & light duty trucks	Factory Order	Emkay cost plus $150
Ford automobiles and light duty trucks	Factory Order	Emkay cost plus $150
Chrysler automobiles and light duty trucks	Factory Order	Emkay cost plus $150
Vehicles requiring immediate delivery (out of stock)	Stock order	Individually Quoted
Cadillac / Lincoln	Factory Order	Emkay cost plus $150
Vehicles with limited manufacturer allocation	Factory Order	Individually Quoted
Medium or Heavy Duty Trucks, Trailers and Upfitted Vehicles	Factory Order	Individually Quoted
Audi	Factory Order	Emkay cost plus $150
Mazda	Factory Order	Emkay cost plus $150
Mercedes Benz	Factory Order	Individually Quoted
Nissan	Factory Order	Emkay cost plus $150
Saab	Factory Order	Emkay cost plus $150
Subaru	Factory Order	Emkay cost plus $150
Toyota	Factory Order	Emkay cost plus $150
Volvo	Factory Order	Emkay cost plus $150
Volkswagen	Factory Order	Emkay cost plus $150
Any other non-scheduled vehicle	Stock Order	Individually Quoted

Interest & Rental:

The Depreciation Rate Chart included in this Agreement is, in part, based upon the Lessee chosen interest rate Index (hereinafter "Index" and found below) and Lessee chosen Calculation type (found below). For any VARIABLE index, the rate is set on or about the 15th of the month preceding each monthly rental billing. For any FIXED rate, the rate is set when the vehicle is financed and remains locked for the Rate Lock Period as defined below. In addition to the adjusted Index rate, Lessee shall pay the Adder shown below. For non-factory ordered units, the Index rate adder shall be increased by an additional three-quarters of one percent. The total of these figures will be rounded up to the nearest one-quarter percent and will be reflected on the Depreciation Rate Chart. The Depreciation Rate Chart shall also reflect a monthly service fee and depict rates at one-quarter percent intervals.

The rental rate calculation will vary based upon the Lessee preference, and is indicated below. The definition and description of the calculation type can be found on the reverse. The rental rate amount will be the greater of the calculated rental rate or the fully amortized fee indicated.

Lessee default Index selection is indicated below and the depreciation rate chart is attached. Lessee must indicate on each vehicle order if the alternate Index is to be utilized, otherwise the default will be used. Changes to the Index after a vehicle is billed will be subject to a one-time additional charge of $75.

Default?	Lessee Chosen Index	Adder	Fixed/Variable	Calculation Type	Rate Lock Period
Yes	Gov of Canada Bond	325 basis points	Fixed	Level	3 yr Car / 5 yr Truck

Default?	Lessee Chosen Index	Adder	Fixed/Variable	Calculation Type	Rate Lock Period
No	Emkay Commercial Paper	150 basis points	Variable	Averaged	1 Month

Default?	Lessee Chosen Index	Adder	Fixed/Variable	Calculation Type	Rate Lock Period
No	Bankers Acceptance	250 basis points	Variable	Averaged	1 Month

AANZ3459

TRAC LEASE - ATTACHMENT #2
VEHICLE PRICING CHART

EMKAY Canada Fleet Management Corp.
3109 Bloor Street West
Toronto, Ontario M8X 1E2
(416) 236-1651

Attachment #2, Page 2
Definitions and Descriptions

Interim Financing:
Lessee will absorb interest charges for the vehicle and any requested upfitting (i.e., interiors, bodies, modifications, etc.), from the required payment date of the manufacturer's or dealer's invoice, until the first date the vehicle is billed to lessee by lessor. Such interest costs will be calculated at the Prime Rate, and will be capitalized and reflected on the Schedule A for the vehicle and made a part of the Vehicle lease Agreement. In the event that the upfit takes in excess of six weeks from the date of dealer invoice, Lessee may be invoiced for, and agrees to pay, on a monthly basis until delivery is made, interim interest incurred, rather than have the interim interest capitalized.

Calculation Type Descriptions

Averaged The rental rate is calculated by averaging the interest over each 12 months interval

Level Pay The rental rate is calculated by averaging the interest over a specified and mutually agreed upon term.

Miscellaneous events that will incur a standard charge or fee (if requested or incurred) and may be adjusted annually by lessor upon thirty (30) days written notice:

Event	Charge	Description
Fully Amortized Unit Fee per mo.	$35	charge to carry an Emkay-leased vehicle on Emkay books
Parking Violations *	$55	To process, contest and/or pay violations when paid by Emkay
Duplicate Ownership/Reg *	$65	In the event of a lost or stolen ownership while in Lessee/agent's possession
Express Document Delivery *	$15	Administration fee charged by Emkay – in addition to the courier company cost
Provincial Transfer *	$75	for transferring ownership/reg from one province to another
Litigation Processing Fee *	$125	for lawsuits received and processed by Emkay as a result of lessee's driver actions

*per occurrence

Lessor Emkay Canada Leasing Corp.

By: [signature]

Printed: GREGORY L. TEPAS

Title: PRESIDENT & C.E.O.

Dated: 12/21/12

Lessee: Connacher Oil and Gas Limited

By: [signature]

Printed: Greg Pollard

Title: CFO
(Corporate Officer)

Dated: 12/29/12

109 Atlantic Ave., Suite 300
Toronto, ON M6K 1X4
(855) 225-5575
FAX (647) 426-3955

FLEET MANAGEMENT SERVICES
SCHEDULE A

CUSTOMER INFORMATION

Connacher Oil and Gas Limited
Jeff Beeston — Cust #: CO702
Manager, Taxation & Treasury — Center: 001
#900, 332 - 6th Avenue SW
Calgary, AB T2P 0B2

DRIVER INFORMATION

ALGAR ALGAR
332 6 AVE SW
SUITE 900
CALGARY, AB T2P 0B2

VEHICLE NUMBER
673329

VEHICLE INFORMATION

Yr: 2014 Make: FORD Model: F150 REG CAB
Serial Number: 1FTMF1EMXEFC19215

DATE IN SERVICE
08/05/2014

CALCULATION / RECAP of FEES

GOVERNMENT OF CANADA BOND 2YR: 1.080%
36 MONTHS LEVEL PAYMENT
FINANCING - FIXED RATE @ 4.330% GOVERNMENT OF CANADA BOND 2YR
DEPRECIATION TERM - 60 MONTHS

	Depr. %	Depr. Amount	Rental %	Rental Amount	TOTAL MONTHLY
BASE PAYMENT	2.000 %	542.82	.315	85.36	628.18

RATE AFTER DEPRECIATED $ 35.00 PER MONTH

SUBJECT TO INTEREST EQUALIZATION,
IF RETURNED BEFORE FULL LEVEL PAYMENT PERIOD.

* excluding tax

MONTHLY FEES

COMPUTATION OF CAPITALIZATION:

ADDITIONS:

CAP PER AGREEMENT	$ 25746.00
LIEN FEE	$ 36.50
UPFIT	$ 1358.33
TOTAL ADDITIONS: $	27140.83

DEDUCTIONS:

CAPITALIZED COST $ 27,140.83

MONTHLY AMORTIZATION - BEGINNING BALANCE

1	27140.83	10	22255.45	19	17370.07	28	12484.69	37	7599.31	46	2713.93
2	26598.01	11	21712.63	20	16827.25	29	11941.87	38	7056.49	47	2171.11
3	26055.19	12	21169.81	21	16284.43	30	11399.05	39	6513.67	48	1628.29
4	25512.37	13	20626.99	22	15741.61	31	10856.23	40	5970.85	49	1085.47
5	24969.55	14	20084.17	23	15198.79	32	10313.41	41	5428.03	50	542.65
6	24426.73	15	19541.35	24	14655.97	33	9770.59	42	4885.21		
7	23883.91	16	18998.53	25	14113.15	34	9227.77	43	4342.39		
8	23341.09	17	18455.71	26	13570.33	35	8684.95	44	3799.57		
9	22798.27	18	17912.89	27	13027.51	36	8142.13	45	3256.75		

All amounts in Canadian dollars.

This vehicle will be invoiced as shown and in accordance with your lease agreement. Should you have any questions please contact the Emkay billing department. Please retain this copy for your vehicle file.

Under the agreement of the lease between EMKAY CANADA LEASING CORP and lessee, it shall be agreed that the lessee shall pay in monthly installments the above fixed percentages of the 'CAPITALIZED COST' (subject to change if floating rate) pursuant to the lease agreement and that this SCHEDULE 'A' is a part of that lease agreement. This lease and any vehicles thereunder will be subject to any rights and interests in and to said vehicles.

LESSOR: EMKAY CANADA LEASING CORP. LESSEE: Connacher Oil and Gas Limited

3109 Bloor Street West
Toronto, ON M8X 1E2
(866) 225-5575
FAX (416) 236-3490

FLEET MANAGEMENT SERVICES
SCHEDULE A

CUSTOMER INFORMATION

Connacher Oil and Gas Limited
Larry Ginther — Cust #: CO702
Plant Manager — Center: 001
#900, 332 - 6th Avenue SW
Calgary, AB T2P 0B2

DRIVER INFORMATION

UNASSIGNED UNIT
CALGARY, AB T2P 0B2

Plate Number: 31M268

VEHICLE NUMBER

671401

VEHICLE INFORMATION

Yr: 2013 Make: FORD Model: E-350
Serial Number: 1FBSS3BL7DDA60503

DATE IN SERVICE

06/17/2013

CALCULATION / RECAP of FEES

GOVT OF CANADA BOND RATE: 1.240%
36 MONTHS LEVEL PAYMENT
FINANCING - FIXED RATE @ 4.990% GOVT CN BOND
DEPRECIATION TERM - 60 MONTHS

	Depr. %	Depr. Amount	Rental %	Rental Amount	TOTAL MONTHLY
BASE PAYMENT	2.000 %	710.16	.350	124.38	834.54

RATE AFTER DEPRECIATED $ 35.00 PER MONTH

SUBJECT TO INTEREST EQUALIZATION,
IF RETURNED BEFORE FULL LEVEL PAYMENT PERIOD.

* excluding tax

MONTHLY FEES

COMPUTATION OF CAPITALIZATION:

ADDITIONS:

CAP PER AGREEMENT	$ 34132.00
LIEN FEE	$ 36.50
UPFIT	$ 1339.55
TOTAL ADDITIONS: $	35508.05

DEDUCTIONS:

CAPITALIZED COST $ 35,508.05

MONTHLY AMORTIZATION - BEGINNING BALANCE

1	35508.05	10	29116.61	19	22725.17	28	16333.73	37	9942.29	46	3550.85
2	34797.89	11	28406.45	20	22015.01	29	15623.57	38	9232.13	47	2840.69
3	34087.73	12	27696.29	21	21304.85	30	14913.41	39	8521.97	48	2130.53
4	33377.57	13	26986.13	22	20594.69	31	14203.25	40	7811.81	49	1420.37
5	32667.41	14	26275.97	23	19884.53	32	13493.09	41	7101.65	50	710.21
6	31957.25	15	25565.81	24	19174.37	33	12782.93	42	6391.49		
7	31247.09	16	24855.65	25	18464.21	34	12072.77	43	5681.33		
8	30536.93	17	24145.49	26	17754.05	35	11362.61	44	4971.17		
9	29826.77	18	23435.33	27	17043.89	36	10652.45	45	4261.01		

All amounts in Canadian dollars.

This vehicle will be invoiced as shown and in accordance with your lease agreement. Should you have any questions please contact the Emkay billing department. Please retain this copy for your vehicle file.

Under the agreement of the lease between EMKAY CANADA LEASING CORP and lessee, it shall be agreed that the lessee shall pay in monthly installments the above fixed percentages of the 'CAPITALIZED COST' (subject to change if floating rate) pursuant to the lease agreement and that this SCHEDULE 'A' is a part of that lease agreement. This lease and any vehicles thereunder will be subject to any rights and interests in and to said vehicles.

LESSOR: EMKAY CANADA LEASING CORP. LESSEE: Connacher Oil and Gas Limited

M:1;S:1;ID:2;L:1

251203 Wed Jul 17 2013 08:14:29 (RSK)

3109 Bloor Street West
Toronto, ON M8X 1E2
(855) 226-5575
FAX (416) 236-3490

FLEET MANAGEMENT SERVICES
SCHEDULE A

CUSTOMER INFORMATION

Connacher Oil and Gas Limited
Larry Ginther — Cust #: CO702
Plant Manager — Center: 001
#900, 332 - 6th Avenue SW
Calgary, AB T2P 0B2

DRIVER INFORMATION

UNASSIGNED UNASSIGNED
332 6 AVE SW — Plate Number:
SUITE 900
CALGARY, AB T2P 0B2 — BJC4610

VEHICLE NUMBER

681112

VEHICLE INFORMATION

Yr: 2013 Make: FORD Model: ESCAPE TITANIUM
Serial Number: 1FMCU9J92DUB73824

DATE IN SERVICE

01/21/2013

CALCULATION / RECAP of FEES

GOVT OF CANADA BOND RATE: 1.200%
60 MONTHS LEVEL PAYMENT
FINANCING - FIXED RATE @ 4.450% GOVT CN BOND
DEPRECIATION TERM - 60 MONTHS

	Depr. %	Depr. Amount	Rental %	Rental Amount	TOTAL MONTHLY
BASE PAYMENT	2.000 %	732.91	.269	98.62	831.53

RATE AFTER DEPRECIATED $ 35.00 PER MONTH

SUBJECT TO INTEREST EQUALIZATION,
IF RETURNED BEFORE FULL LEVEL PAYMENT PERIOD.

* excluding tax

MONTHLY FEES

COMPUTATION OF CAPITALIZATION:

ADDITIONS:

CAP PER AGREEMENT	$ 36609.00
LIEN FEE	$ 36.50
TOTAL ADDITIONS: $	36645.50

DEDUCTIONS:

CAPITALIZED COST $ 36,645.50

MONTHLY AMORTIZATION - BEGINNING BALANCE

1	36645.50	10	30049.31	19	23453.12	28	16856.93	37	10260.74	46	3664.55
2	35912.59	11	29316.40	20	22720.21	29	16124.02	38	9527.83	47	2931.64
3	35179.68	12	28583.49	21	21987.30	30	15391.11	39	8794.92	48	2198.73
4	34446.77	13	27850.58	22	21254.39	31	14658.20	40	8062.01	49	1465.82
5	33713.86	14	27117.67	23	20521.48	32	13925.29	41	7329.10	50	732.91
6	32980.95	15	26384.76	24	19788.57	33	13192.38	42	6596.19		
7	32248.04	16	25651.85	25	19055.66	34	12459.47	43	5863.28		
8	31515.13	17	24918.94	26	18322.75	35	11726.56	44	5130.37		
9	30782.22	18	24186.03	27	17589.84	36	10993.65	45	4397.46		

All amounts in Canadian dollars.

This vehicle will be invoiced as shown and in accordance with your lease agreement. Should you have any questions please contact the Emkay billing department. Please retain this copy for your vehicle file.

Under the agreement of the lease between EMKAY CANADA LEASING CORP and lessee, it shall be agreed that the lessee shall pay in monthly installments the above fixed percentages of the 'CAPITALIZED COST' (subject to change if floating rate) pursuant to the lease agreement and that this SCHEDULE 'A' is a part of that lease agreement. This lease and any vehicles thereunder will be subject to any rights and interests in and to said vehicles.

LESSOR: EMKAY CANADA LEASING CORP. LESSEE: Connacher Oil and Gas Limited

M:1;S:1;ID:4;L:1

253227 Fri Feb 01 2013 07:52:11 (RSK)

3109 Bloor Street West
Toronto, ON M8X 1E2
(866) 225-6676
FAX (416) 236-3490

FLEET MANAGEMENT SERVICES
SCHEDULE A

CUSTOMER INFORMATION

Connacher Oil and Gas Limited
Larry Ginther — Cust #: CO702
Plant Manager — Center: 001
#900, 332 - 6th Avenue SW
Calgary, AB T2P 0B2

DRIVER INFORMATION

UNASSIGNED UNIT
CALGARY, AB T2P 0B2

Plate Number: BJR4162

VEHICLE NUMBER

671397

VEHICLE INFORMATION

Yr: 2013 Make: FORD Model: F150 S/CREW
Serial Number: 1FTFW1EFXDFB55119

DATE IN SERVICE

03/13/2013

CALCULATION / RECAP of FEES

GOVT OF CANADA BOND RATE: .990%
36 MONTHS LEVEL PAYMENT
FINANCING - FIXED RATE @ 4.740% GOVT CN BOND
DEPRECIATION TERM - 60 MONTHS

	Depr. %	Depr. Amount	Rental %	Rental Amount	TOTAL MONTHLY
BASE PAYMENT	2.000 %	667.61	.337	112.40	780.01

RATE AFTER DEPRECIATED $ 35.00 PER MONTH

SUBJECT TO INTEREST EQUALIZATION,
IF RETURNED BEFORE FULL LEVEL PAYMENT PERIOD.

* excluding tax

MONTHLY FEES

COMPUTATION OF CAPITALIZATION:

ADDITIONS:

CAP PER AGREEMENT	$ 32781.00
LIEN FEE	$ 36.50
UPFIT	$ 562.80
TOTAL ADDITIONS: $	33380.30

DEDUCTIONS:

CAPITALIZED COST $ 33,380.30

MONTHLY AMORTIZATION - BEGINNING BALANCE

1	33380.30	10	27371.81	19	21363.32	28	15354.83	37	9346.34	46	3337.85
2	32712.69	11	26704.20	20	20695.71	29	14687.22	38	8678.73	47	2670.24
3	32045.08	12	26036.59	21	20028.10	30	14019.61	39	8011.12	48	2002.63
4	31377.47	13	25368.98	22	19360.49	31	13352.00	40	7343.51	49	1335.02
5	30709.86	14	24701.37	23	18692.88	32	12684.39	41	6675.90	50	667.41
6	30042.25	15	24033.76	24	18025.27	33	12016.78	42	6008.29		
7	29374.64	16	23366.15	25	17357.66	34	11349.17	43	5340.68		
8	28707.03	17	22698.54	26	16690.05	35	10681.56	44	4673.07		
9	28039.42	18	22030.93	27	16022.44	36	10013.95	45	4005.46		

All amounts in Canadian dollars.

This vehicle will be invoiced as shown and in accordance with your lease agreement. Should you have any questions please contact the Emkay billing department. Please retain this copy for your vehicle file.

Under the agreement of the lease between EMKAY CANADA LEASING CORP and lessee, it shall be agreed that the lessee shall pay in monthly installments the above fixed percentages of the 'CAPITALIZED COST' (subject to change if floating rate) pursuant to the lease agreement and that this SCHEDULE 'A' is a part of that lease agreement. This lease and any vehicles thereunder will be subject to any rights and interests in and to said vehicles.

LESSOR: EMKAY CANADA LEASING CORP. LESSEE: Connacher Oil and Gas Limited

THIS IS EXHIBIT "E" Referred to in the Affidavit of Jeff Beeston

Sworn before me this 24 Day of July A.D., 2017

A Commissioner for Oaths in and for Alberta

Dessa Nguyen
Barrister and Solicitor
A Commissioner for Oaths in and for Alberta

Form 49
[Rule 13.19]

COURT FILE NO.	1601-06131	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	CLERK OF THE COURT **FILED** JUN 20 2017 JUDICIAL CENTRE OF CALGARY
JUDICIAL CENTRE	CALGARY	
APPLICANT	**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED** **AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CONNACHER OIL AND GAS LIMITED**	
DOCUMENT	**AFFIDAVIT**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Cassels Brock & Blackwell LLP** Suite 1250, Millennium Tower 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attn: Shayne Kukulowicz/Ryan Jacobs/Jeffrey Oliver Tel: 403-351-2920 Fax: 403-648-1151 skukulowicz@casselsbrock.com rjacobs@casselsbrock.com joliver@casselsbrock.com	

AFFIDAVIT NO. 9 OF MERLE JOHNSON
Sworn on June 19, 2017

I, Merle Johnson, of Calgary, Alberta, **SWEAR AND SAY THAT:**

1. I am the Chief Executive Officer and a director of Connacher Oil and Gas Limited ("**Connacher**"). As such I have personal knowledge of the facts and matters hereinafter deposed to, except where stated to be based on information and belief, in which case I do verily believe the same to be true.

2. I previously swore an affidavit in this proceeding on May 16, 2016, a second affidavit on May 30, 2016, a third affidavit on August 2, 2016, a fourth affidavit on August 15, 2016, a fifth affidavit on September 6, 2016, a sixth affidavit on November 7, 2016, a seventh affidavit on January 3, 2017, and an eighth affidavit on April 10, 2017.

3. I make this Affidavit No. 9 in support of an application by Connacher for an Order:

(a) extending the stay of proceedings up to and including January 31, 2018;

(b) approving a settlement agreement dated June 19, 2017 (the "**Settlement Agreement**") made between Connacher and Jim Pattison Industries Ltd. doing business as Jim Pattison Leasing ("**JPL**") and authorizing Connacher to perform its obligations thereunder;

(c) authorizing and approving the Second Supplemental KERP (as defined below);

(d) authorizing and approving the payment of the 2017 LTIP Amount (as defined below);

(e) that all obligations under the Second Supplemental KERP and the 2017 LTIP (as defined below) be secured by the KERP/LTIP Charge (as created and defined in the Initial Order) and that the beneficiaries of the Second Supplemental KERP and the 2017 LTIP be granted all of the rights and benefits of the KERP/LTIP Charge set out in the Initial Order; and

(f) sealing on the Court file Confidential Exhibit "1" and Confidential Exhibit "2" hereto (each as discussed below).

4. I am advised by the Monitor and do verily believe that the Monitor supports this application. Further, I am advised by counsel for the Interim Financing Agent and the First Lien Agent (each as defined in the Initial Order dated May 17, 2016 (the "**Initial Order**")) and do verily believe that the Interim Financing Agent and First Lien Agent also support this application.

5. Where I use capitalized terms in this Affidavit No. 9, but do not define them, I intend them to have the meaning given to them in my Affidavit supporting Connacher's *Companies' Creditors Arrangement Act* ("**CCAA**") application sworn on May 16, 2016 ("**First Affidavit**"). All references to dollar amounts contained herein are to Canadian Dollars unless otherwise stated.

I. ACTIVITIES TO DATE

6. Since the commencement of Connacher's CCAA proceeding, Connacher has been actively engaged in advancing the restructuring proceedings for the benefit of all stakeholders. Connacher has taken, and continues to take, significant steps to advance the restructuring, including but not limited to:

(a) Cooperating with the Monitor to facilitate its monitoring of Connacher's business and operations;

(b) Entering into the Interim Financing Credit Agreement (as defined in the Initial Order) along with certain amendments thereto (as discussed in greater detail below) with the Interim Lenders and receiving funding thereunder;

(c) Working with the Monitor to pursue the sale and investment solicitation process which was approved by this Honourable Court on May 17, 2016, a copy of which is attached to the Initial Order as Schedule "A" (the "**SISP**");

(d) Communicating, in some cases extensively, with various stakeholder groups and their advisors, including the Interim Financing Agent, the Interim Lenders, the

First Lien Agent, equipment lessors/financiers, suppliers, trade creditors, employees, contractors and others;

(e) Disclaiming Connacher's head office lease and entering into lower-cost lease arrangements for new head office space, which Connacher has agreed to extend for an additional two years commencing September 1, 2017;

(f) Entering into settlements with certain stakeholders to consensually resolve issues and disputes, including a settlement with Arundel Capital Corporation (the former lessor of certain of Connacher's tank trailers) as approved by this Honourable Court on February 6, 2017 and a settlement of litigation with IDE Technologies Ltd. as approved by this Honourable Court on April 19, 2017;

(g) Working with the Monitor to administer the Claims Procedure as set out in the Claims Procedure Order granted by this Honourable Court on August 24, 2016 (the "**Claims Procedure Order**"), including reviewing and analyzing claims submitted in the Claims Procedure;

(h) Working with the Monitor and Interim Lenders to evaluate all potential business optimization strategies, exit strategies, and other restructuring strategies that can maximize stakeholder value; and

(i) Continuing to operate and manage Connacher's business in the ordinary course subject to the terms of the Initial Order.

II. STATUS OF CONNACHER'S CCAA PROCEEDING

7. On May 17, 2016, the Honourable Madam Justice Dario of this Honourable Court granted Connacher the Initial Order, which provided for, among other things, a stay of proceedings up to and including June 16, 2016 (the "**Stay Period**") pursuant to the CCAA.

8. The Stay Period has been extended five times, including most recently on January 12, 2017 by the Honourable Mr. Justice D.B. Nixon up to and including June 30, 2017.

9. As detailed in my Affidavit sworn on January 3, 2017 filed in connection with Connacher's last stay extension application, the rebound in oil prices that followed the November 30, 2016 decision by the Organization of Petroleum Exporting Countries ("**OPEC**") to cut oil production not only assisted Connacher's liquidity but also presented Connacher with opportunities for strategic transactions, including hedging opportunities, that were not previously available or economical.

10. As a result, since the last extension of the Stay Period, Connacher has been able to maintain stable operations and has not required any further draws under its Interim Financing. In addition, Connacher has been able to successfully hedge a significant portion of its production for the balance of 2017 in order to protect against any downside in oil prices and to optimize realizations.

11. At the same time, Connacher has been continuing to implement cost-saving and cost-reduction measures, including the staffing reductions that were contemplated and discussed in my Affidavit sworn on January 30, 2017 and filed in Connacher's CCAA proceedings.

12. As a result of these efforts and initiatives, Connacher anticipates that it will maintain stable operations, positive cash flow and will not require any further draws under its Interim Financing through, at least, the end of January, 2018.

III. STAY EXTENSION

13. Connacher is seeking an extension of the Stay Period through and including January 31, 2018.

14. With the assistance of the Monitor, Connacher intends to use the extended Stay Period (if granted) to continue to best position itself to ultimately implement value maximizing sale and/or restructuring transactions that will facilitate an exit from the CCAA proceedings and to continue discussions with the Monitor and the Interim Lenders to identify and implement business optimization strategies and strategic initiatives to ultimately facilitate an exit from CCAA protection.

15. As noted above, Connacher continues to operate on a stable basis with the support of its stakeholders, including the Interim Lenders. In that regard, the Interim Lenders have agreed to also extend the maturity date under the Interim Financing Agreement to January 31, 2018 to corresponded to the extended Stay Period if granted by this Honourable Court.

16. Based on Connacher's current cash flow projections, Connacher will have sufficient liquidity through at least the proposed extension of the Stay Period. An updated cash flow projection for the period covering the proposed extension of the Stay Period will be attached to the Ninth Report of the Monitor.

17. While Connacher and the Interim Lenders remain focused on exiting the CCAA proceeding as soon as practicable, a viable exit solution supported by its Interim Lenders has not yet been identified and so the extension of the Stay Period will allow Connacher to continue to identify and implement value maximizing opportunities to position itself for an exit, while avoiding the costs of returning to Court for multiple Stay Period extensions in the interim.

18. I believe that Connacher has been acting in good faith and with due diligence in these proceedings and that the proposed extension of the Stay Period is necessary and is in the best interests of Connacher and its stakeholders.

19. Each of the Monitor, the Interim Financing Agent and the First Lien Agent support an extension of the Stay Period to January 31, 2018.

IV. CONNACHER'S PICKUP TRUCK FLEET

20. In the course of its business Connacher utilizes a fleet of pick-up trucks pursuant to lease agreements with JPL (defined above) and Emkay Canada Leasing Corp. (**"Emkay"**), each as more particularly described below.

21. Connacher has not paid rent under the lease agreements with JPL and Emkay since its CCAA filing on the basis that, based on a review of the lease agreements by Connacher's counsel and the Monitor, the leases are "finance leases" as opposed to true or operating leases for CCAA purposes pursuant to the established CCAA jurisprudence. I am advised by Connacher's counsel that payment of post-filing rent under finance leases is not required under the CCAA and that the terms of the Initial Order prohibit Connacher from making such payments absent further order of the Court.

JPL Leases

22. Connacher and JPL are parties to a Commercial Motor Vehicle Master Lease Agreement dated as of May 29, 2015 (the "**Master Lease Agreement**") and five (5) Lease Order contracts bearing transaction numbers 883814, 883815, 883816, 885063, and 888056 (the "**Lease Orders**", and together with the Master Lease Agreement, the "**JPL Leases**") with respect to the lease by JPL to Connacher of five (5) Ford F-150 pickup trucks (the "**JPL Leased Vehicles**"). Attached at **Exhibit "1"** to this Affidavit are copies of the JPL Leases.

23. As noted above, Connacher has not paid rent under the JPL Leases since the date of the Initial Order, which as of the date of this Affidavit has accrued in the amount of approximately $52,905.06 (the "**JPL Accrued Rent**").

24. JPL has disputed Connacher's characterization of the JPL Leases as finance leases and commenced an application seeking payment of the JPL Accrued Rent and continued payment of the monthly rent under the JPL Leases going forward or a lifting of the stay of proceedings contained in the Initial Order in order to permit JPL to repossess the JPL Leased Vehicles (the "**JPL Application**").

25. I am advised by Connacher's counsel and the Monitor that, given the terms of the JPL Leases, the lease arrangements are very likely finance leases and not true lease under the CCAA jurisprudence. However, in an effort to avoid the time and expense of a contested proceeding on the issues and given that Connacher does not require the continued use of the vehicles, has made arrangements to obtain replacement vehicles at a similar or reduced cost and, therefore, will not suffer any negative impact to its operations, the parties have consensually resolved the dispute.

26. On June 19, 2017, Connacher and JPL entered into the Settlement Agreement, which is subject to and conditional upon approval by this Honourable Court. A copy of the Settlement Agreement is attached at **Exhibit "2"** to this Affidavit.

27. As more particularly set out in the Settlement Agreement, Connacher and JPL have agreed that:

    (a) JPL will withdraw the JPL Application on a with prejudice and without costs basis;

    (b) Connacher will make the JPL Leased Vehicles available for pick up by JPL or its agents at JPL's sole cost, expense and risk;

    (c) JPL or its agents shall pick up the JPL Leased Vehicles and, subject to clause (e) below, all of Connacher's rights and interest to the JPL Leased Vehicles shall be released to JPL and Connacher shall have no further obligations under the JPL Leases or in respect of the JPL Leased Vehicles;

    (d) JPL shall be entitled to an unsecured claim in Connacher's CCAA proceeding in the amount of $198,475.10 (including in respect of the JPL Accrued Rent and the costs of picking up and disposing of the JPL Leased Vehicles), plus JPL's reasonable costs and expenses including legal expenses incurred in connection with the CCAA proceeding and any amounts that may be owing to JPL after the net proceeds of sale from the JPL Leased Vehicles (the "**JPL Claim**"), which shall replace, amend and supercede the previous proof of claim that was filed by JPL pursuant to the Claims Procedure Order;

    (e) Following taking possession and control of the JPL Leased Vehicles, JPL will sell the vehicles and if: (i) the net proceeds of the sale of the JPL Leased Vehicle are less than the Residual Value (as defined in the Master Lease Agreement) of the JPL Leased Vehicle, such deficiency may be added to the JPL Claim or (ii) the net proceeds of the sale of the JPL Leased Vehicle exceeds the Residual Value of the JPL Leased Vehicle, JPL shall be entitled to apply such excess proceeds to any amount owing to JPL by Connacher in respect of such JPL Leased Vehicle (and the amount of the JPL Claim shall be reduced accordingly) and JPL shall thereafter pay any remaining excess proceeds to Connacher;

(f) Without prejudice to the JPL Claim which shall be an accepted unsecured claim in the CCAA proceeding, JPL shall release all claims that it may have against the Connacher Releasees (as defined in the Settlement Agreement); and

(g) Connacher shall release all claims that it may have against the JPL Releasees (as defined in the Settlement Agreement).

28. The settlement between Connacher and JPL has been approved by, and is supported by, the Monitor and the Interim Lenders.

29. Connacher believes that the Settlement Agreement is a fair and commercially reasonable compromise in the circumstances and it is in the best interests of Connacher and its ongoing CCAA proceedings that the terms contemplated thereunder are implemented.

30. Connacher therefore respectfully requests that this Honourable Court approve the Settlement Agreement and authorize Connacher to perform its obligations thereunder in the form of order attached to Connacher's application.

Emkay Leases

31. Connacher and Emkay are parties to a Vehicle Lease Agreement dated as of October 4, 2012 and certain specific lease schedules thereunder (collectively, the "**Emkay Leases**") with respect to 24 Ford pickup trucks.

32. As noted above, Connacher has not been paying rent under the Emkay Leases since the CCAA filing on the basis that the Emkay Leases are finance leases and that such payment is not required under the CCAA and is currently prohibited by the Initial Order.

33. Emkay has advised Connacher that it believes that the Emkay Leases are true leases and has demanded payment of rent owing under the Emkay Leases since the CCAA filing, which is currently in the amount of approximately $245,263.86.

34. As with the JPL Leases discussed above, I am advised by Connacher's legal counsel and the Monitor that under the CCAA jurisprudence the Emkay Leases are very likely finance leases, not true leases as Emkay asserts. However, Connacher is prepared to resolve the dispute with Emkay on substantially the same terms as the Settlement Agreement with JPL. If a resolution cannot be reached, further assistance from the Court may be required.

V. SECOND SUPPLEMENTAL KERP

35. Under the Initial Order this Honourable Court approved a key employee incentive plan (the "**Initial KERP**") for certain of Connacher's key employees. The Initial KERP was in the aggregate amount of $1,120,000 for the benefit of 15 employees of Connacher.

36. Connacher's obligations under the Initial KERP were secured by a charge (the "**KERP/LTIP Charge**") over Connacher's property and assets created under the Initial Order.

37. The terms of the Initial KERP included several payment trigger events tied to Connacher's CCAA proceedings (such as completion of a sale or restructuring transaction) and an outside payment date of September 30, 2016. None of the CCAA-related triggers occurred and, accordingly, on or about September 30, 2016 all amounts owing pursuant to the Initial KERP were paid in full.

38. By Order of this Honourable Court dated November 14, 2016, a supplemental key employee retention plan (the "**Supplemental KERP**") was approved for certain eligible Connacher employees. The Supplemental KERP was also secured by the KERP/LTIP Charge.

39. The Supplemental KERP was limited to 10 of the key employees covered by the Initial KERP and was in the aggregate amount of $545,000. As with the Initial KERP, the Supplemental KERP contained an outside payment date of May 15, 2017. On or about May 15, 2017 all amounts owing pursuant to the Supplemental KERP were paid in full.

40. In light of Connacher's ongoing CCAA proceeding and to ensure the retention of key employees critical to Connacher's business, its business optimization strategies and necessary to ultimately implement a restructuring solution, Connacher's Board of Directors has determined that a Second Supplemental KERP (the "**Second Supplemental KERP**") is appropriate at this time, and is in the best interests of Connacher and its stakeholders.

41. The Second Supplemental KERP is structured as a longer-term incentive program (12 months) when compared to Connacher's previous Court- approved incentive programs, and is proposed to be available to 12 key employees, all of whom were beneficiaries under the Initial KERP. The intended beneficiaries of the proposed Second Supplemental KERP are involved in key executive and management areas of Connacher both at head office and onsite and are critical to assisting Connacher in ongoing operations and concluding the CCAA proceeding. The aggregate amount payable under the proposed Second Supplemental KERP is $946,991 as detailed below.

42. Attached as **Confidential Exhibit "1"** to this Affidavit is a copy of a spreadsheet containing details of the names of the employees that would be eligible for the proposed Second Supplemental KERP, their annual salaries, the amounts received by them under the Initial KERP and/or Supplemental KERP (as applicable) and the incentive payments that would be offered to them under the Second Supplemental KERP, if approved by the Court (the "**Confidential KERP Summary**").

43. These employees are highly skilled individuals who will likely have access to other employment opportunities. In addition, given these individuals' specialized skills and intimate knowledge of Connacher's affairs, it would be very difficult to replace them in the current circumstances.

44. Connacher and its Board of Directors believe that the list of proposed eligible employees for the Second Supplemental KERP are not only critical for Connacher's ability to continue to maintain and further improve its operations while it continues in CCAA protection, but will also be critical in implementing any ultimate solution to allow Connacher to exit CCAA protection.

45. The key elements of the proposed Second Supplemental KERP are:

a) Eligible employees will receive a cash incentive payment in the amounts set out in the Confidential KERP Summary (the "**KERP Payment**") which, given the longer term of the incentive program, will be payable in two instalments: one-third (1/3) of the KERP Payment on January 15, 2018 and the remaining two-thirds (2/3) of the KERP Payment on June 30, 2018, provided that the total KERP Payment will become immediately due and payable on the occurrence of any of the following:

   i. Closing of a sale of all or substantially all of the assets of Connacher and approved by the CCAA Court on a final basis;

   ii. Implementation of a restructuring transaction through a CCAA plan of compromise or arrangement sanctioned by the CCAA Court;

   iii. Termination of Connacher's CCAA proceedings or termination or expiry of the CCAA stay of proceeding; or

   iv. Termination of employment by Connacher without cause.

b) Eligible employees will not receive the KERP Payment if they:

   i. Have disclosed the arrangements to anyone other than to their immediate family members or their personal accounting, tax or legal advisors (other than any disclosure required by law); or

   ii. Have resigned, been terminated with cause, or, in the opinion of their direct supervisors and the Special Committee, failed to perform their duties and responsibilities diligently, faithfully and honestly.

c) Eligible Employees who accept the terms of the Second Supplemental KERP will be required to waive and release any entitlement or claims they may have in respect of the upcoming payment under the terms of the LTIP discussed below.

46. Attached as **Exhibit "3"** to this Affidavit is a copy of the letter that would be sent to the beneficiaries of the Second Supplemental KERP, if approved by the Court, setting out the terms of the Second Supplemental KERP that the beneficiaries would be required to acknowledge and agree to in order to be entitled to receive the benefits of the Second Supplemental KERP.

VI. JULY 1, 2017 LTIP PAYMENT

47. As described in my First Affidavit filed in connection with Connacher's initial CCAA application, in 2013 Connacher's Board of Directors approved a Long Term Incentive Plan ("**LTIP**") for Connacher's employees and in 2013 and 2014 the Board of Directors issued certain grants under the LTIP (the "**LTIP Grants**", each an "**LTIP Grant**"), which included cash incentive payments that would vest in favour of employees of Connacher on July 1, 2016 and July 1, 2017.

48. Under the Initial Order, this Honourable Court authorized and directed the payment of the incentive payments that came due under the LTIP Grants on July 1, 2016 subject to amended payment terms which were revised to reflect the same payment conditions and timing of the Initial KERP (the "**2016 LTIP**"). The Initial Order also provided that Connacher's obligations under the 2016 LTIP would be secured by the KERP/LTIP Charge discussed above.

49. The incentive payments that came due under the 2016 LTIP were paid in full on September 30, 2016 in accordance with this Honourable Court's authorization in the Initial Order.

50. In accordance with the original LTIP Grants, a final incentive payment will vest and become due to Connacher's existing employees on July 1, 2017 (the "**2017 LTIP**") in the aggregate amount of approximately $382,632 (the "**2017 LTIP Amount**"). The 2017 LTIP Amount has been budgeted for and approved by the Interim Lenders and will not otherwise materially affect Connacher's liquidity situation. Connacher is requesting Court authorization to pay the 2017 LTIP Amount.

51. Attached as **Confidential Exhibit "2"** to this Affidavit is a copy of a spreadsheet containing details of the names of the employees that will be eligible for the 2017 LTIP and the amount of the 2017 LTIP Amount to be received by such employee, if approved by the Court (the "**Confidential LTIP Summary**").

52. Connacher believes that it is just and appropriate that it be authorized to pay the 2017 LTIP Amount to its current employees who are continuing to assist Connacher with maintaining stable and improving operations in the face of the natural uncertainty that exists with being in CCAA proceedings. I also note that none of Connacher's employees have received pay increases since prior to Connacher's CCAA filing, nor have any employees received any regular bonuses since the CCAA filing other than the KERP and LTIP payments approved by the Court.

53. Payment of the 2017 LTIP Amount by Connacher has been approved by, and is supported by, the Monitor, the First Lien Agent and the Interim Financing Agent.

54. Connacher therefore respectfully requests that this Honourable Court authorize Connacher to pay the 2017 LTIP Amount on or about July 1, 2017.

VII. CHARGE FOR THE SECOND SUPPLEMENTAL KERP AND THE 2017 LTIP

55. In order to secure the obligations under the Second Supplemental KERP and the 2017 LTIP, it is proposed that the beneficiaries under the Second Supplemental KERP and 2017 LTIP would be granted the benefit of the existing KERP/LTIP Charge that was established in the Initial Order.

56. Connacher believes that granting the beneficiaries of the Second Supplemental KERP and 2017 LTIP a charge over the assets and property of Connacher is fair and reasonable in the circumstances.

57. The Interim Financing Agent, the First Lien Agent, and the Monitor each support Connacher's request for approval of the Second Supplemental KERP and 2017 LTIP including the granting of the KERP/LTIP Charge to secure Connacher's obligations thereunder.

58. Given that the KERP/LTIP Charge ranks last in priority to the other charges granted in the Initial Order, none of the beneficiaries of the other charges would be prejudiced by the making of the requested order.

VIII. SEALING OF CONFIDENTIAL EXHIBITS

59. Both the Confidential KERP Summary and the Confidential LTIP Summary contain sensitive commercial and personal information, the disclosure of which would be very harmful to Connacher's commercial interests, as well as the personal privacy interests of the employees. Therefore, Connacher is requesting that the Confidential KERP

Summary in Confidential Exhibit "1" and the Confidential LTIP Summary in Confidential Exhibit "2" be sealed on the Court file.

IX. CONCLUSION

60. For the reasons noted above, Connacher respectfully request that this Honourable Court grant an order:

(a) extending the stay of proceedings up to and including January 31, 2018;

(b) approving the Settlement Agreement between Connacher and JPL and authorizing Connacher to perform its obligations thereunder;

(c) authorizing and approving the Second Supplemental KERP;

(d) authorizing and approving the payment of the 2017 LTIP Amount;

(e) that all obligations under the Second Supplemental KERP and the 2017 LTIP be secured by the KERP/LTIP Charge and that the beneficiaries of the Second Supplemental KERP and the 2017 LTIP be granted all of the rights and benefits of the KERP/LTIP Charge set out in the Initial Order; and

(f) sealing on the Court file Confidential Exhibit "1" and Confidential Exhibit "2" hereto.

SWORN before me at the City of Calgary, in the Province of Alberta,
on June 19, 2017

Commissioner for Oaths/Notary Public in and for the Province of Alberta

Dessa Nguyen
Barrister and Solicitor
A Commissioner for Oaths
in and for Alberta

MERLE JOHNSON

THIS IS EXHIBIT " 1 "
Referred to in the Affidavit of
MERLE JOHNSON
Sworn before me this 19
Day of June A.D., 2017
A Commissioner for Oaths in and for Alberta

Dessa
Barrister a
A Commissi
in and f

Jim Pattison Lease

Canada's Leader in Customized Fleet Management

Calgary: 1235-73rd Ave SE, Calgary, AB T2H 2X1
(403) 212-8900 (403) 301-2414 www.jplease.com

Lease Order - Open End

Date: Monday, June 01, 2015
JPL Contact: Pierre Langlais - (403) 212-8900
Transaction #: 883814 - OpenEnd NewLease

Lessee: Connacher Oil And Gas Limited

Cust #:	207510
Address:	Suite 900, 332 - 6 Avenue SW Calgary, AB T2P 0B2
Phone:	
Fax:	
E-mail:	
Inv Group:	Connacher Oil And Gas Limited

Driver:

Address:	
Home Phone:	
Bus Phone:	
Dr. License #:	
Customer Unit #:	
E-mail:	

Primary Asset: 2015 Ford F-150 W1E XLT

VIN:	1FTEW1EF0FFA43556	**Exterior Colour:**	YZ Oxford White	**Fuel Type:**	Gasoline - Regular
Body Style:	Supercrew	**Trim Colour:**	MG Grey Cloth 40/20/40	**JPL Alias:**	
Trans Code/Desc:	446 - 6-Spd Automatic	**Main/Valet Key:**	/	**JPL Asset #:**	705378
Engine Code/Desc:	99F - 5.0L V8 FFV	**Delivered At:**		**Plate #:**	
Package Code:	300A				

Lease Particulars

Term:	48 months	**Province of Permanent use:**	AB
Lease Rental:	$598.00	**Delivery Date:**	
Admin Fee:	$0.00	**Fleet Managed:**	No
Full Maint Fee:	$0.00	**Guaranteed Residual Value:**	$11,744.57
Monthly Payment:	$598.00	**Kilometre Allowance:**	1,354 km estimated per month to a total of 65,000 km.
Interm Rent:	$0.00		
Trade In:	$0.00		
Down Payment:	$0.00		
Security Deposit:	$650.00	**Starting Odometer:**	0 KMS

Subject to Applicable Taxes

Special Instructions

Please ensure your driver(s) have in their possession a valid Motor Vehicle Liability Insurance Card.

Lessee agrees to lease the vehicle described herein, in accordance with the terms and conditions of the Motor Vehicle Master Lease Agreement between the parties. Lessee irrevocably authorizes Jim Pattison Lease ("JPL") to purchase the vehicle described herein and agrees to lease said vehicle, and to sell the used vehicle, if any, described herein, in accordance with the terms and conditions of the Master Lease Agreement between the parties. This Lease Order is subject to credit approval and any manufacturer price increases of the vehicle and any change in JPL's cost of funds, prior to vehicle delivery.

This offer is not binding on JPL unless signed by an authorized official of JPL.
DATED THIS 1st day of June, 2015

LESSEE: Connacher Oil And Gas Limited

By:________________
(Authorized Signature)

Preauthorized Payment: Yes

By:________________
(Authorized Signature)

JIM PATTISON INDUSTRIES LTD., DBA JIM PATTISON LEASE

By:________________
(Authorized Signature)

Initial

Jim Pattison Lease
Canada's Leader in Customized Fleet Management

Calgary: 1235-73rd Ave SE, Calgary, AB T2H 2X1
(403) 212-8900 (403) 301-2414 www.jplease.com

Lease Order - Open End

Date: Monday, June 01, 2015
JPL Contact: Pierre Langlais - (403) 212-8900
Transaction #: 883815 - OpenEnd NewLease

Lessee: Connacher Oil And Gas Limited	
Cust #:	207510
Address:	Suite 900, 332 - 6 Avenue SW Calgary, AB T2P 0B2
Phone:	
Fax:	
E-mail:	
Inv Group:	Connacher Oil And Gas Limited

Driver:	
Address:	
Home Phone:	
Bus Phone:	
Dr. License #:	
Customer Unit #:	
E-mail:	

Primary Asset: 2015 Ford F-150 W1E XLT					
VIN:	1FTEW1EF4FFA35346	Exterior Colour:	YZ Oxfrod White	Fuel Type:	Gasoline - Regular
Body Style:	Supercrew	Trim Colour:	MG Grey Cloth 40/20/40	JPL Alias:	708323
Trans Code/Desc:	446 - 6-Spd Automatic	Main/Valet Key:	/	JPL Asset #:	708323
Engine Code/Desc:	99F - 5.0L V8 FFV	Delivered At:	Edmonton	Plate #:	
Package Code:	300A				

Lease Particulars				
Term:	48 months	Province of Permanent use:	AB	Subject to Applicable Taxes
Lease Rental:	$598.00	Delivery Date:		
Admin Fee:	$0.00	Fleet Managed:	No	
Full Maint Fee:	$0.00	Guaranteed Residual Value:	$11,744.57	
Monthly Payment:	$598.00	Kilometre Allowance:	1,354 km estimated per month to a total of 65,000 km.	
Interm Rent:	$0.00			
Trade In:	$0.00			
Down Payment:	$0.00			
Security Deposit:	$650.00	Starting Odometer:	0 KMS	

Special Instructions

Please ensure your driver(s) have in their possession a valid Motor Vehicle Liability Insurance Card.

Lessee agrees to lease the vehicle described herein, in accordance with the terms and conditions of the Motor Vehicle Master Lease Agreement between the parties. Lessee irrevocably authorizes Jim Pattison Lease ("JPL") to purchase the vehicle described herein and agrees to lease said vehicle, and to sell the used vehicle, if any, described herein, in accordance with the terms and conditions of the Master Lease Agreement between the parties. This Lease Order is subject to credit approval and any manufacturer price increases of the vehicle and any change in JPL's cost of funds, prior to vehicle delivery.

This offer is not binding on JPL unless signed by an authorized official of JPL.
DATED THIS 1st day of June, 2015

LESSEE: Connacher Oil And Gas Limited

By: ____________________
(Authorized Signature)

Preauthorized Payment: Yes

By: ____________________
(Authorized Signature)

JIM PATTISON INDUSTRIES LTD., DBA JIM PATTISON LEASE

By: ____________________
(Authorized Signature)

Initial

Jim Pattison Lease

Canada's Leader in Customized Fleet Management

Calgary: 1235-73rd Ave SE, Calgary, AB T2H 2X1
(403) 212-8900 (403) 301-2414 www.jplease.com

Lease Order - Open End

Date: Monday, June 01, 2015
JPL Contact: Pierre Langlais - (403) 212-8900
Transaction #: 883816 - OpenEnd NewLease

Lessee: Connacher Oil And Gas Limited	
Cust #:	207510
Address:	Suite 900, 332 - 6 Avenue SW Calgary, AB T2P 0B2
Phone:	
Fax:	
E-mail:	
Inv Group:	Connacher Oil And Gas Limited

Driver:	
Address:	
Home Phone:	
Bus Phone:	
Dr. License #:	
Customer Unit #:	
E-mail:	

Primary Asset: 2015 Ford F-150 W1E XLT

VIN:	1FTEW1EF0FFA35344	Exterior Colour:	YZ Oxford White	Fuel Type:	Gasoline - Regular
Body Style:	Supercrew	Trim Colour:	MG Grey Cloth 40/20/40	JPL Alias:	708326
Trans Code/Desc:	446 - 6-Spd Automatic	Main/Valet Key:	/	JPL Asset #:	708326
Engine Code/Desc:	99F - 5.0L V8 FFV	Delivered At:		Plate #:	
Package Code:	300A				

Lease Particulars

Term:	48 months	Province of Permanent use:	AB
Lease Rental:	$598.00	Delivery Date:	
Admin Fee:	$0.00	Fleet Managed:	No
Full Maint Fee:	$0.00	Guaranteed Residual Value:	$11,744.57
Monthly Payment:	$598.00	Kilometre Allowance:	1,354 km estimated per month to a total of 65,000 km.
Interm Rent:	$0.00		
Trade In:	$0.00		
Down Payment:	$0.00		
Security Deposit:	$650.00	Starting Odometer:	0 KMS

Subject to Applicable Taxes

Special Instructions

Please ensure your driver(s) have in their possession a valid Motor Vehicle Liability Insurance Card.

Lessee agrees to lease the vehicle described herein, in accordance with the terms and conditions of the Motor Vehicle Master Lease Agreement between the parties. Lessee irrevocably authorizes Jim Pattison Lease ("JPL") to purchase the vehicle described herein and agrees to lease said vehicle, and to sell the used vehicle, if any, described herein, in accordance with the terms and conditions of the Master Lease Agreement between the parties. This Lease Order is subject to credit approval and any manufacturer price increases of the vehicle and any change in JPL's cost of funds, prior to vehicle delivery.

This offer is not binding on JPL unless signed by an authorized official of JPL.
DATED THIS 1st day of June, 2015

LESSEE: Connacher Oil And Gas Limited

By:______________________
(Authorized Signature)

Preauthorized Payment: Yes

By:______________________
(Authorized Signature)

JIM PATTISON INDUSTRIES LTD., DBA JIM PATTISON LEASE

By:______________________
(Authorized Signature)

Initial

Jim Pattison Lease
Canada's Leader in Customized Fleet Management

Calgary: 1235-73rd Ave SE, Calgary, AB T2H 2X1
(403) 212-8900 (403) 301-2414 www.jplease.com

Lease Order - Open End

Date: Tuesday, August 04, 2015
JPL Contact: Pierre Langlais - (403) 212-8900
Transaction #: 665063 - OpenEnd NewLease

Lessee: Connacher Oil And Gas Limited

Cust #: 207510 Merv Pond
Address: Suite 900, 332 - 6 Avenue SW
Calgary, AB T2P 0B2
Phone: (403) 538-6201
Fax: (403) 538-6225
E-mail:
Inv Group: Connacher Oil And Gas Limited

Driver:

Address:

Home Phone:
Bus Phone:
Dr. License #:
Customer Unit #:
E-mail:

Primary Asset: 2015 Ford F-150 W1E XLT

VIN:		**Exterior Colour:**	YZ Oxford White	**Fuel Type:**	Gasoline - Regular
Body Style:	Supercrew	**Trim Colour:**	MG Grey Cloth 40/20/40	**JPL Alias:**	710657
Trans Code/Desc:	446 - 6-Spd Automatic	**Main/Valet Key:**	/	**JPL Asset #:**	710657
Engine Code/Desc:	99F - 5.0L V8 FFV	**Delivered At:**		**Plate #:**	
Package Code:	300A				

Transport
Up-Fitting

Lease Particulars

Term:	48 months	**Province of Permanent use:**	AB
Lease Rental:	$597.35	**Delivery Date:**	
Admin Fee:	$0.00	**Fleet Managed:**	No
Full Maint Fee:	$0.00	**Guaranteed Residual Value:**	$11,211.29
Monthly Payment:	$597.35	**Kilometre Allowance:**	1,354 km estimated per month to a total of 65,000 km.
Interm Rent:	$0.00		
Trade in:	$0.00		
Down Payment:	$0.00		
Security Deposit:	$650.00	**Starting Odometer:**	0 KMS

Subject to Applicable Taxes

Special Instructions

Please ensure your driver(s) have in their possession a valid Motor Vehicle Liability Insurance Card.

Lessee agrees to lease the vehicle described herein, in accordance with the terms and conditions of the Motor Vehicle Master Lease Agreement between the parties. Lessee irrevocably authorizes Jim Pattison Lease ("JPL") to purchase the vehicle described herein and agrees to lease said vehicle, and to sell the used vehicle, if any, described herein, in accordance with the terms and conditions of the Master Lease Agreement between the parties. This Lease Order is subject to credit approval and any manufacturer price increases of the vehicle and any change in JPL's cost of funds, prior to vehicle delivery.

This offer is not binding on JPL unless signed by an authorized official of JPL.
DATED THIS 4th day of August, 2015

LESSEE: Connacher Oil And Gas Limited

By:______________________
(Authorized Signature)

Preauthorized Payment: Yes

By:______________________
(Authorized Signature)

JIM PATTISON INDUSTRIES LTD. DBA JIM PATTISON LEASE

By:______________________
(Authorized Signature)

Initial

Jim Pattison Lease
Canada's Leader in Customized Fleet Management

Calgary: 1235-73rd Ave SE, Calgary, AB T2H 2X1
(403) 212-8900 (403) 301-2414 www.jplease.com

Lease Order - Open End

Date: Wednesday, December 09, 2015
JPL Contact: Pierre Langlais - (403) 212-8900
Transaction #: 888056 - OpenEnd NewLease

Lessee: Connacher Oil And Gas Limited	
Cust #:	207510 Merv Pond
Address:	Suite 900, 332 - 6 Avenue SW Calgary, AB T2P 0B2
Phone:	(403) 538-6201
Fax:	(403) 538-6225
E-mail:	
Inv Group:	Connacher Oil And Gas Limited

Driver:	
Address:	
Home Phone:	
Bus Phone:	
Dr. License #:	
Customer Unit #:	
E-mail:	

Primary Asset: 2016 Ford F-150 Platinum

VIN:		Exterior Colour:	White Plat	Fuel Type:	
Body Style:	Crew	Trim Colour:		JPL Alias:	
Trans Code/Desc:		Main/Valet Key:	/	JPL Asset #:	714654
Engine Code/Desc:		Delivered At:		Plate #:	
Package Code:					

Lease Particulars

Term:	24 months	Province of Permanent use:	AB	Subject to Applicable Taxes
Lease Rental:	$1,433.53	Delivery Date:		
Admin Fee:	$0.00	Fleet Managed:	No	
Full Maint Fee:	$0.00	Guaranteed Residual Value:	$27,955.00	
Monthly Payment:	$1,433.53	Kilometre Allowance:	5,833 km estimated per month to a total of 139,992 km.	
Interm Rent:	$0.00			
Trade in:	$0.00			
Down Payment:	$0.00			
Security Deposit:	$0.00	Starting Odometer:	0 KMS	

Special Instructions

Please ensure your driver(s) have in their possession a valid Motor Vehicle Liability Insurance Card.

Lessee agrees to lease the vehicle described herein, in accordance with the terms and conditions of the Motor Vehicle Master Lease Agreement between the parties. Lessee irrevocably authorizes Jim Pattison Lease ("JPL") to purchase the vehicle described herein and agrees to lease said vehicle, and to sell the used vehicle, if any, described herein, in accordance with the terms and conditions of the Master Lease Agreement between the parties. This Lease Order is subject to credit approval and any manufacturer price increases of the vehicle and any change in JPL's cost of funds, prior to vehicle delivery.

This offer is not binding on JPL unless signed by an authorized official of JPL.
DATED THIS 9th day of December, 2015

LESSEE: Connacher Oil And Gas Limited

By: ______________________
(Authorized Signature)

MERV POND

Preauthorized Payment: Yes

By: ______________________
(Authorized Signature)

JIM PATTISON INDUSTRIES LTD., DBA JIM PATTISON LEASE

By: ______________________
(Authorized Signature)

Initial

Jim Pattison Lease
Canada's Leader in Customized Fleet Management

CUSTOMER NO. (207510)

COMMERCIAL MOTOR VEHICLE MASTER LEASE AGREEMENT

This Agreement dated as of the 29th of May , 20 15 .

BETWEEN: **JIM PATTISON INDUSTRIES LTD.**, doing business as **JIM PATTISON LEASE ("JPL")** incorporated under the laws of BC, together with its successors and assigns and carrying on business at 4937 Regent Street, Burnaby, BC V5C 4H4

AND: **CONNACHER OIL AND GAS LIMITED**
an address at SUITE 900, 332 - 6 AVENUE SW CALGARY, ALBERTA T2P 0B2 ("LESSEE")

WHEREAS JPL is in the business of leasing motor Vehicle(s) and the Lessee wishes to enter into this Agreement to lease one or more motor Vehicle(s).

WITNESSES in consideration of the terms and conditions contained herein the parties agree as follows:

1. **DEFINITIONS:** Each reference in this Agreement to any of the following terms, whether singular or plural, shall have the meaning for that term stated in this Section 1;

Lease – This entire Agreement with all Lease Orders, Vehicle Records and other attachments, which refer to this Lease.

Lessee – all of the undersigned executing and delivering this Lease as Lessee (and if there is more than one such undersigned, all of the provisions of this Lease shall be on a joint and several basis on the part of each of the undersigned Lessees).

Vehicle – all of the property described in each Vehicle Record or Lease Order attached hereto, including all attachments and accessories attached at the time of delivery or installed thereon by Lessee.

Lease Order – Any vehicle Lease Order, executed and delivered by Lessee and accepted by JPL, referring to this Lease and containing the description of a Vehicle to be purchased by JPL from its supplier and leased to Lessee. A Lease Order may also describe services to be furnished by JPL, Charges and other data and terms relating to the Vehicle and this Lease.

Vehicle Record – Any Vehicle Record, delivered to Lessee referring to this Lease identifying one or more Vehicle(s) subject to this Lease or used in connection with such motor Vehicle, trailer or equipment and all betterments and substitutions or replacements for such accessories, parts and equipment.

Term – The term of this Lease in respect of a Vehicle as set out in the Vehicle Record.

Charges – All costs, charges and amounts at any time due JPL from Lessee in connection with this Lease Agreement

Monthly Payment – The total of the monthly Charges itemized on a Lease Order and/or Vehicle Record and payable each month by Lessee to JPL.

Excess Kilometre Charges the amount that may become payable by Lessee to JPL pursuant to Section 14 of this Lease.

2. **LEASE OF VEHICLE(S):** JPL leases to Lessee and Lessee hereby rents, leases and hires from JPL on the terms and conditions set out in this Lease, each Vehicle described in each Lease Order or Vehicle Record attached hereto.

Initial

3. **TERM AND RATES:** Lessee agrees with JPL:

a) that no Lease Order or Vehicle Record shall be binding until accepted by JPL and that the length of the Term and the base rent and Charges payable in respect of a Vehicle shall be as set forth in the Vehicle Record and the Monthly Payment for each month set forth in the Vehicle Record shall be payable monthly in advance on the first day of each month of the Term or any renewal thereof and if delivery of the Vehicle is made or tendered on any day other than the first day of a month, then Lessee agrees that, from the time of acceptance of the Vehicle by Lessee to the time when such rental charges are payable, Customer will pay interim rent in an amount equal to the monthly rental charge pro-rated on a daily basis based on the actual number of days in the month and the Term shall be calculated from the first of the month following the month in which delivery takes place. Rental payment obligations end on the last day of the month prior to sale. Lessee agrees to pay interim rent for the month of sale until the date of sale in an amount equal to the monthly rental charge pro-rated on a daily basis based on the actual number of days in the month. If a Vehicle is stolen and remains unrecovered, or is destroyed or damaged beyond repair, for purposes of determining the end of the Monthly Payment, such Vehicle shall not be deemed to be returned until receipt by JPL of the insurance proceeds covering such loss. If a Vehicle is sold by JPL as provided in Section 19, the Term for such Vehicle shall terminate on the date of receipt of the sale proceeds from such sale. JPL shall render to Lessee on a monthly basis, a single invoice detailing the Charges payable with respect to all Vehicles and Lessee shall make payment of each such invoice within ten (10) days after receipt of the invoice; and

b) Notwithstanding any termination of the Term, Lessee's obligation to pay the Monthly Rental shall continue through the last day of the month in which the Vehicle is returned to JPL prior to sale. Lessee agrees to pay interim rental for the month of sale until the date of sale in an amount equal to the Monthly Rental prorated on a daily basis based on the actual number of days in the month. Interim rental does not reduce the Depreciated Value of the Vehicle(s).

c) that if the interest rate or any other cost as set forth in a Lease Order or Vehicle Record changes between the date the Lease Order or Vehicle Record is signed or otherwise approved by Lessee and the date the Vehicle described in such Lease Order or Vehicle Record is delivered to Lessee, Lessee authorizes JPL to adjust the Monthly Payment for such Vehicle and agrees to pay the Monthly Payment set forth in the applicable Vehicle Record as adjusted by JPL to reflect such change.

d) to pay to JPL any and all other Charges (other than the Monthly Payments as aforesaid) required to be paid by it to JPL pursuant to this Lease including, without limitation, the costs of making all filings pursuant to statute of any province of permanent use of the Vehicle, within ten (10) days after receipt of any statement or demand for payment from JPL;

e) to pay to JPL monthly on the last day of each month, both before and after demand, maturity, default and judgment, interest at the rate of 1.5% per month on all sums not paid by Lessee to JPL when due and owing pursuant to this Lease;

f) that all Monthly Payments and other amounts and Charges payable by Lessee in respect of a Vehicle pursuant to this Lease shall be paid in Canadian Funds at the office of JPL set out in this Lease or at such other place or places as JPL may give notice from time to time;

g) that in the event a Vehicle is not returned as provided in Section 15 and without prejudice to the rights of JPL under this Lease, Lessee shall be deemed to overhold the Vehicle and, in consideration for the use of the Vehicle beyond such expiry date, shall continue to pay the Monthly Payment and other Charges becoming due under this Lease for each month and each part month thereafter that the Lessee continues to overhold the Vehicle and in the event the Vehicle is not returned, the provisions of this Lease shall continue to apply to the Vehicle while it is being overheld and JPL shall be under no obligation to deliver notice of expiration of any Term to Lessee prior to its expiry date;

h) to pay to JPL all taxes, rates and duties applicable in respect of this Lease including, without limitation, any retail sales tax, excise tax, goods and services tax, use tax, personal property tax, gross receipts tax, business transfer tax, value added tax and all other taxes levied on the Lessee, the Vehicle or JPL, save and except for any taxes, rates and duties imposed on the net income of JPL, and agrees that JPL may change the amount required to be paid monthly by Lessee hereunder at any time or times in the event of any increases or decreases in the rates of any applicable taxes, rates or duties or the introduction of any new taxes, rates or duties applicable hereto;

i) not to withhold payment required to be made by Lessee to JPL hereunder for any reason whatsoever and that no amount paid or required to be paid by Lessee pursuant to this Lease, including the Monthly Payments, any Excess Kilometre Charge and any other amount, will be subject to any deduction, abatement, defence, set off, counterclaim, contra-account, interruption, deferment or recoupment for any reason whatsoever by Lessee in respect of any claim Lessee may have against all or any of the manufacturer, vendor, repairman, insurer or JPL or any other party in respect of all or any of a Vehicle manufacturer's or vendor's warranty, guarantee or other obligation, repair, insurance claim, this Lease, any accident or any other matter or thing arising under, in relation to or as a result of all or any of the foregoing or any other matter or thing and that the requirement that Lessee make such payments shall be absolute and unconditional and all such payments shall be and continue to be payable in all events;

j) Lessee represents and warrants to JPL that it is solvent and able to pay and perform its obligations under this Lease and that the Vehicle(s) described in any Vehicle Record is not primarily intended for personal, family, household or farming purposes;

k) that JPL has purchased each Vehicle leased pursuant to this Lease at the specific request of the Lessee for the purposes of this Lease and that the Charges payable under this Lease and the loss to JPL in the event of a default by the Lessee under this Lease are dependent on the cost of each Vehicle to JPL (including the costs of financing the acquisition of each Vehicle and all costs payable on any early termination of such financing to the financier), the Term and the net proceeds of sale expected by JPL from the sale of each vehicle at the end of the Term; and

l) that the security deposit in the amount, if any, paid by Lessee and shown on the Lease Order or Vehicle Record applicable to each Vehicle, together with all other security deposits at any time held by JPL, shall be security for the performance by Lessee of this Lease and may be applied by JPL at any time to cure any Default.

4. **DELIVERY AND AUTHORITY TO SIGN:** Each Vehicle shall be delivered by JPL to Lessee at the place mutually agreed upon and set forth in the Lease Order. Lessee, upon delivery of each Vehicle, shall execute and deliver to JPL the delivery receipt acknowledging delivery of the Vehicle. JPL shall be entitled to rely on the signature of each person signing the delivery receipt on behalf of Lessee without inquiry as to authority to sign.
As soon as practically possible after the delivery of each Vehicle to Lessee and the receipt by JPL of the signed delivery receipt for each Vehicle, JPL shall deliver to Lessee a Vehicle Record detailing:

- the description of the Vehicle including the Vehicle Identification Number
- the date the Vehicle was delivered to Lessee, or its representative
- the Monthly Payment, and
- the commencement date and Term of the Lease

LESSEE IRREVOCABLY ACCEPTS AND ACKNOWLEDGES DELIVERY OF EACH VEHICLE AND CHARGES AS DETAILED IN EACH VEHICLE RECORD.

5. **USE OF VEHICLE:**

a) The permanent use of the Vehicle must be in the province designated in the Vehicle Record. Lessee may obtain the prior written consent of JPL to use of the Vehicle in another province upon the delivery of adequate security to JPL and the amendment of the Vehicle Record including, without limitation, the Monthly Payment applicable to the Vehicle hereunder by reason of the change in the province of permanent use, which consent will not be unreasonably withheld. Lessee will immediately notify JPL of any change in the province of permanent use of a Vehicle at any time or times. The term "permanent use" shall mean at least 270 days within the previous 365 day period provided that the Vehicle is not outside the province designated in the Vehicle Record for more than 60 consecutive days at any one time.

b) Each Vehicle leased hereunder shall be lawfully operated as a passenger motor vehicle or truck, as the case may be, in accordance with the laws of any jurisdiction to which the use and operation thereof may at any time be subject.

c) No Vehicle shall be:

i) loaned by Lessee to anyone other than members of the immediate family of Lessee, or, if the Vehicle is used in the business of Lessee, other than to employees of Lessee and, if the Vehicle is a passenger motor vehicle, members of the immediate family of such employees;
ii) sub-leased or let for hire by Lessee to any person whatsoever or used or allowed to be used illegally, improperly or as a public conveyance or to transport hazardous substances or dangerous goods;
iii) operated or driven by a driver without a valid driver's licence issued by the appropriate governmental authority or by a driver whose driver's licence has at the time been suspended or cancelled;
iv) operated contrary to the provisions of any policy of insurance covering the Vehicle or to the manufacturer's recommendations or in violation of provisions of any statute, law or ordinance, rule or regulation of any governmental or municipal authority having jurisdiction in relation to its operation; or,
v) tampered with or adjusted so that its odometer reflects a reading different from the kilometres the Vehicle has actually been driven;

d) Lessee may install other equipment, attachments and accessories additional to that on the Vehicle at the time of its delivery, provided that the installation of the same is not harmful to the Vehicle and such additional equipment, attachment and accessories are removed, at the Lessee's expense by Lessee prior to the end of the Term if such removal can be accomplished without injury to the Vehicle. Lessee may not at any time paint, mark or place in any manner any signs or markings on the Vehicle without the prior written consent of JPL.

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6. MAINTENANCE AND OPERATION OF VEHICLE: Lessee agrees to be solely responsible for maintaining and to maintain each Vehicle in good condition and in a reasonable and proper manner, accident free, normal wear and tear excepted, to the satisfaction of JPL. Lessee agrees to service each Vehicle as recommended by the manufacturer of the Vehicle in any manuals or other materials delivered with the Vehicle and as requested by the manufacturer in any recall campaign and solely by repairmen authorized by the manufacturer to repair the Vehicle. JPL hereby assigns to Lessee during the term, the warranties, guarantees or other obligations, if any and if assignable, of either or both the manufacturer and the vendor with respect to a Vehicle and hereby designates Lessee as its agent during the Term for the purpose of keeping such warranties and Lessee agrees to keep the manufacturer's and vendor's warranties, guarantees and other obligations in full force and effect. At Lessee's expense, JPL, as may be reasonably necessary, will co-operate with Lessee in any enforcement of any warranty, guarantee or other obligation made by the manufacturer or vendor in respect of a Vehicle. Save and except as provided in a Vehicle Record in which this Lease is designated as a full maintenance lease in relation to a particular Vehicle, Lessee shall be solely responsible for and agrees to pay for all maintenance and operating costs and expenses of the Vehicle including, but not limited to, all costs and expenses in relation to a Vehicle for gasoline, oil, grease, filters, belts, windshield wiper fluid, anti-freeze, repairs, replacements, tires, tire repairs and maintenance, storage, and parking and highway tolls. Lessee agrees that Lessee will be solely responsible for and will not allow a Vehicle to become subject to any fines, liens, privileges, security interests or other encumbrances and agrees to pay any such fines or to immediately pay and remove any such liens, privileges, security interests and encumbrances. Lessee agrees to pay all fees and charges for transfers of title, registration, licensing, testing and inspecting a Vehicle that any governmental authority requires during the Term. Without limiting the generality of the preceding provisions of this Section 6 or any other provisions of this Lease, Lessee agrees with JPL that Lessee shall be liable to JPL for all or any damage or loss to or of a Vehicle or any part thereof until the Vehicle is returned to JPL.

7. INSPECTION: Lessee agrees to allow JPL to inspect any Vehicle at any reasonable time and place and to tell JPL the location of the Vehicle and to allow the inspection by JPL. If the Vehicle is damaged or if there is excessive wear and tear, JPL, in its sole discretion, will decide if the Vehicle is reasonably repairable and if JPL determines that the Vehicle is reasonably repairable, Lessee agrees that it will promptly have the necessary repairs made at Lessee's expense when JPL asks Lessee to make the repairs at an authorized repair facility approved by JPL.

8. INSURANCE: Lessee agrees, at the expense of Lessee, to obtain and maintain in respect of each Vehicle during the term and any renewal thereof, a standard automobile insurance policy or policies, insuring the Vehicle, Lessee, JPL and each driver permitted by the Lessee to use the Vehicle in accordance with the terms of this Lease, and; notwithstanding the generality of the foregoing, which policy or policies shall name JPL as an "additional insured" and as loss payee; shall provide for a waiver of subrogation against JPL and for thirty (30) days advance notice of cancellation to JPL of such policy or policies for any reason whatsoever. All such insurance policy or policies shall provide for the following minimum coverage in respect of each Vehicle:

i) Two Million Dollars ($2,000,000.00) (inclusive coverage) per claim for legal liability for bodily injury or death, or damage to property of others, including passenger hazards, regardless of the number of claims arising from any one accident;

ii) Collision coverage of the Vehicle in the amount of the actual cash value of the Vehicle at the time the loss or damage occurs, with a deductible, in an amount agreed to by JPL, from each separate claim and Lessee agrees to pay JPL the said deductible for each separate claim; and

iii) Fire, theft and comprehensive coverage in the amount of the actual cash value of the Vehicle at the time the loss or damage occurs, with a deductible, in an amount agreed to by JPL, from each separate claim and Lessee agrees to pay to JPL the said deductible for each separate claim.

Notwithstanding anything herein contained or in any insurance policies to the contrary, the following provisions shall also apply to any such insurance:

a) In the event of any accident of any kind whatsoever involving a Vehicle whether the Vehicle is damaged or not or any loss or theft of the Vehicle, Lessee shall immediately notify the insurer of the Vehicle and do all other acts as may be required under the insurance policy then in effect in relation to the Vehicle and, in any event, Lessee shall notify JPL forthwith of the full particulars, including a statement completed by the operator and Lessee will not admit and shall not permit any operator allowed by it to use the Vehicle to admit any liability without the written consent of JPL;

b) Lessee shall and shall cause any operator permitted by it to use a Vehicle, to co-operate with JPL and any insurer or insurers, as the case may be, in all ways in respect of any claim or dispute concerning any such accident, loss or theft in relation to the Vehicle at Lessee's expense;

c) If the insurance coverage is cancelled for any reason whatsoever with respect to a Vehicle, Lessee will not further use the Vehicle or permit it to be used until such time as an insurance policy or policies are again in effect in accordance with the terms of this Lease;

d) If the insurance coverage is cancelled for any reason whatsoever with respect to a particular operator or driver, Lessee will not permit that operator or driver under any circumstances whatsoever to use or operate the Vehicle;

e) All insurance policies shall provide for coverage as aforesaid from the time title to a Vehicle is taken in the name of JPL until the Vehicle is sold after return to JPL and legal title passes to any purchaser thereof pursuant to this Lease;

f) JPL shall not be required to deliver the Vehicle for Lessee's use until satisfactory evidence of insurance coverage has been delivered to JPL;

g) Lessee agrees with JPL that Lessee will pay or reimburse the insurer upon demand for any amount which the insurer may have paid by reason of the provisions of any statute relating to either or both automobile insurance and motor Vehicle(s) in connection with either or both the use and operation of a Vehicle insured by that insurer and which amount the insurer would not otherwise be liable to pay under the insurance policy relating to that Vehicle and, Lessee in addition to any other agreement of indemnity herein contained, does hereby indemnify and save JPL harmless of and from all claims and demands which may be made against JPL in connection therewith;

h) Subject to the provisions of this Lease, all amounts received by JPL in respect of a Vehicle from the insurer or insurers of a Vehicle shall be applied in reduction of the liability to JPL of Lessee, and, in the event that a Vehicle(s) is lost, stolen or damaged beyond repair, Lessee agrees to continue to pay JPL the Monthly Payments until such time as JPL receives any insurance payout;

i) Lessee agrees with JPL that any equipment, attachments, repairs and accessories installed in a Vehicle by Lessee after delivery of the Vehicle hereunder shall not in any way form a part of an insurance loss;

j) Lessee shall deliver to JPL the policies or other satisfactory evidence of insurance coverage from time to time in effect, but JPL shall be under no obligation to examine such policies nor to advise Lessee in the event said insurance is not in compliance with this Lease; and

k) Evidence of renewal of all expiring policies shall be delivered to JPL at least thirty (30) days prior to the respective expiration dates.

9. **REGISTRATION:** Each Vehicle shall be registered in the name of JPL under the provincial laws pertaining to motor Vehicle(s) in the province of permanent use. Renewal of registration or change of the province of registration pursuant to this Lease in the name of JPL shall be the sole responsibility of Lessee and, provided that Lessee is not in default hereunder, JPL will, upon request, furnish Lessee with a power of attorney for this purpose. Lessee will, upon request, furnish JPL with evidence of such registration at any time or times during the term of this Lease.

10. **PERFORMANCE BY JPL:** Lessee agrees that if pursuant to this Lease, Lessee is required to perform any covenant and Lessee fails to do so, then, JPL, in its absolute discretion, may do so for and at the expense of Lessee but JPL shall not be obliged to do so and, if it does, shall not be obliged to make any further performance or payment on behalf of Lessee in respect of the same or any other matter. In the event that JPL makes any payment or performs any term or condition required to be either or both paid or performed by Lessee, the payment made by or at the expense of JPL, together with a reasonable administrative charge, as determined by JPL in its sole discretion, shall be an amount due and owing by Lessee to JPL.

11. **LIMITATIONS OF LIABILITY:**

a) Lessee acknowledges that Lessee alone has selected each Vehicle based on its own judgement and expressly disclaims any reliance on statements made by JPL and that JPL is not a manufacturer or vendor of the Vehicle or an agent thereof.

b) JPL warrants to Lessee that for so long as Lessee shall not be in default of any provision of this Lease, none of JPL nor any assignee or secured creditor of JPL will, subject to the provisions of this Lease, disturb Lessee's quiet enjoyment and possession of any Vehicle and Lessee's unrestricted use thereof for the intended purpose and Lessee acknowledges that JPL has not made and is not offering to Lessee any agreements, representations, warranties or conditions of merchantability, durability, fitness for purpose, quality, quantity, capacity, conformity to sample or specification or other agreement, representation, warranty or condition (whether express, legal, customary, collateral, implied, statutory, at common law or otherwise) in respect of or in connection with any Vehicle or this Lease, orally or in writing, and the same are hereby expressly excluded from this Lease.

c) Without limiting the generality of any other provision of this Lease, Lessee hereby acknowledges to JPL that the essential element hereof is a lease only and that the Vehicle(s) have been leased to it on an "as is" basis and that the obligation of Lessee to make all payments and to perform all covenants in this lease shall be absolute and unconditional and cumulative in respect of all Vehicle(s) subject to this Lease and shall not in any way be affected by an inadequacy, defect or failure of performance or total failure to function or perform relating to any Vehicle and that the warranty, guarantee or other obligation of the manufacturer or vendor of any Vehicle applies only to such Vehicle and not to this Lease and JPL shall not be liable or accountable to Lessee for any loss, damage, injury, claim, demand, liability, cost, indebtedness or expense of any nature or kind (including strict liability in tort) sustained by Lessee, any operators or any passengers of any Vehicle(s) or any other persons, directly or indirectly, resulting from any inadequacy in or failure to perform or operation of any Vehicle for any reason whatsoever, or any defect therein or mechanical failure, or any failure or delay in delivery, or from loss or interruption of the use thereof, or the use or maintenance thereof, or any repairs, servicing or adjustments thereto, or any failure or delay to provide any part thereof, or any loss of business, earnings or profits or any other damages of any nature or kind and that Lessee shall have no recourse whatsoever against JPL in respect of any such warranty, guarantee or other obligation of the manufacturer or vendor, nor for any, inadequacy, defect, failure, loss or damage and the sole recourse of Lessee in respect of any such inadequacy, defect, failure, loss or damage shall be to the vendor and the manufacturer of the Vehicle and Lessee will look to JPL only for co-operation as provided in this Lease in respect thereof.

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d) JPL shall not be required to perform any of its obligations to deliver and/or to sell Vehicle(s) pursuant to this Lease if prevented from doing so by an act of God, act of war or terrorism or by labour unrest, strife, or strikes or either or both substantial destruction of its plant and equipment, or any circumstances beyond its control and shall not be liable for any loss or damage sustained by Lessee as a result of the occurrence of any of the foregoing.

12. TITLE:

a) This Lease is intended to be a lease only and title, ownership and right of property in and to each Vehicle shall at all times remain vested in JPL and Lessee covenants and agrees not to do, permit or perform any act prejudicial thereto, and, without limiting the generality of the foregoing, Lessee shall not do, permit or perform any act to encumber, convert, pledge, sell, assign, sublet, abandon, conceal, give up possession, damage or destroy any Vehicle; and

b) Lessee hereby agrees with JPL that JPL shall have title to all replacement items on each Vehicle.

13. INDEMNITY: Lessee covenants and agrees with JPL that, notwithstanding any insurance policies maintained by Lessee in accordance with this Lease, Lessee shall at all times and under all circumstances indemnify JPL against all fines or penalties levied or imposed in respect of the possession, use, condition and operation of any Vehicle and all claims, losses, costs, damages, suits and expenses, including legal fees on a solicitor and his own client basis, resulting from, caused or contributed to by, related to or arising out of the possession, condition, operation or use of any Vehicle during the Term or any overholding by Lessee after the Term or after any termination of this Lease while in the possession of Lessee.

a) Lessee is solely responsible for and covenants and agrees to hold JPL harmless from any and all losses, damages, theft or destruction of the Vehicle(s) prior to their sale by or on behalf of Lessee. If Lessee directs JPL to sell any Vehicle(s) to Lessee, any of its employees or a purchaser from whom Lessee obtains an offer, Lessee's covenants of indemnity with respect to such Vehicle(s) shall continue. This indemnity is absolute and unconditional and includes claims of negligence, strict liability and breach of warranty, but does not extend to claims or liability arising from the gross negligence or willful misconduct of JPL, its employees or agents.

b) The covenants contained in this Section 13 shall survive the termination of this Lease for any reason whatsoever.

14. EXCESS KILOMETRE CHARGES: Lessee hereby acknowledges that, if this Lease has been designated as a Closed End Lease in respect of a Vehicle in the Vehicle Record, the monthly kilometres as set forth in the Vehicle Record represent the allowed amount of the monthly anticipated kilometres for the Vehicle and if the kilometres on the Vehicle exceed such amount upon any return of the Vehicle to or inspection of the Vehicle by JPL pursuant to this Lease, Lessee shall pay to JPL an additional kilometre charge at the rate per kilometre specified in the Vehicle Record multiplied by the number of excess kilometres per month. If this Lease has been designated as an Open End Lease in respect of a Vehicle in the Vehicle Record the kilometres set in the Vehicle Record represent only an estimate of the monthly kilometres for the Vehicle if operated in a reasonable and proper manner.

15. RETURN OF VEHICLE: Lessee agrees that upon the expiration of the Term or upon the happening of any event by reason of which Lessee is required to return any Vehicle to JPL under the terms of this Lease, Lessee will immediately re-deliver the Vehicle(s) to JPL at a place mutually agreed upon and, failing agreement, at the place of business of JPL. The Vehicle(s) when so delivered to JPL shall, except for normal wear and tear caused by accident free reasonable use and operation, be in the same condition as when originally delivered by JPL to Lessee. Prior to its return, and subject to Section 5, Lessee, at its expense, shall remove all equipment, attachments and accessories and all signs or markings added to the Vehicle(s) after its delivery. If the Vehicle(s) is or are not re-delivered in such condition, as determined by JPL in its sole discretion, JPL shall effect all necessary repairs to the Vehicle(s) and, to the extent it deems necessary, remove all such additional equipment, attachments and accessories and all indebtedness and expenses incurred by JPL in effecting such repairs and removals shall be an amount owing by Lessee to JPL pursuant to this Lease. All such additional equipment, attachments and accessories not removed from the Vehicle(s) prior to its return (whether due to the resulting injury that would have been caused to the Vehicle(s)) shall be the property of JPL and Lessee hereby quit claims to JPL all right, title and interest it may have in respect of the same.

16. LESSEE STATEMENTS: Lessee represents and warrants to JPL that all of the information inserted on any written statement completed by it and delivered to JPL in contemplation of this Lease, any Vehicle Record or any other Lease Order attached hereto (the "Lessee Statements") are true and correct and Lessee acknowledges that JPL is relying on the truth of the statements set out in the Lessee Statements in entering into and continuing to perform this Lease. JPL shall be under no obligation to any person whatsoever including, without limitation, any guarantor pursuant to this Lease, to independently verify any statement made by Lessee on its Lessee Statements.

17. DEFAULT:

a) Lessee agrees that it may be declared in default under this Lease by JPL if any of the following events occur:

i) failure of Lessee to pay any Monthly Payments, Charges or sums whatsoever payable pursuant to this Lease as and when they become due; and such failure is not remedied within 5 business days.

ii) breach by Lessee of any of the terms, representations, warranties, covenants or conditions of this Lease, or under any other agreements between the parties;

iii) Lessee makes any misrepresentation on the Lessee Statements or that is incorporated into any other instruments prepared in connection with this Lease; which misrepresentation, in the opinion of JPL, in its sole discretion, is material

iv) Lessee or all or any part of the property of Lessee is the subject of a proceeding in bankruptcy, receivership or insolvency or if Lessee shall make an assignment for the benefit of creditors or if any action is taken against Lessee under any laws for the relief of debtors or if Lessee makes a proposal under the Bankruptcy Act (Canada) or takes any proceedings under any statute providing for the winding-up or liquidation of a corporation or for the orderly payment of debts upon a winding-up, liquidation or insolvency or makes a sale in bulk of its property not conforming to the provisions of any statute applicable thereto;

v) if a Vehicle is leased for the business of Lessee and Lessee ceases to carry on business or ceases to carry on a substantial part of its business for any reason whatsoever or if in respect of a Vehicle, Lessee ceases or substantially ceases to engage in the business in which it was engaged at the commencement of the Term.

vi) if Lessee is an individual and Lessee dies during the Term of this Lease or, if Lessee is a corporation, partnership, joint venture or other form of business entity and Lessee is dissolved, merged, amalgamated or is subject to any change which results in the membership of Lessee being substantially different from that at the commencement of this Lease; or,

vii) if any Guarantee of Lessee or this Lease is terminated or becomes ineffectual or invalid for any reason;

b) Lessee and JPL agree that the determination by JPL that a default by Lessee has occurred under this Lease in respect of any of the events specified in Subsection 17(a) above will be made solely by JPL based upon the severity of the consequences of such event or events which has or have occurred in light of all of the circumstances of the same and the prejudicial effect thereof upon this Lease and the rights of JPL hereunder. A default will only be declared if the event or events which has or have occurred has or have consequences of such severity that this Lease and the rights of JPL hereunder is or are prejudiced thereby. For instance, a single inconsequential breach of a non-essential provision of this Lease will not result in a declaration of default. Either or both numerous and persistent repetitions of either that same inconsequential breach or of breaches of various non-essential provisions of this Lease might result in such prejudice to this Lease or to the rights of JPL hereunder as will result in a declaration by JPL of the default by Lessee under this Lease. A single breach of an essential term of this Lease will result in the declaration by JPL of the default by Lessee under this Lease. Lessee agrees with JPL that in the event of the declaration by JPL that a default by Lessee under this Lease has occurred on the basis described in this Subsection 17(b), the remedies provided for in Section 18 and Subsection 19(b) of this Lease do not constitute a penalty but are a genuine pre-estimate of the damages that would be suffered by JPL in the event of an occurrence of such a default; and,

c) If JPL declares that a default by Lessee has occurred under this Lease all Monthly Payments and other amounts to be paid by Lessee in respect of all of the Vehicle(s) under all of the Vehicle Records and this Lease shall become immediately due and payable by Lessee and JPL shall have all of the rights and remedies provided for in this Lease and all other rights and remedies available to it at law and in equity and, without limiting the generality of the foregoing, JPL shall have the right, at its option, to either sue Lessee for damages and to terminate this Lease or to do both, and, in either case, to retake all the Vehicle(s) as provided in this Lease and to sue for any deficiency.

18. RIGHTS OF JPL: Notwithstanding any provision of this Lease to the contrary, Lessee agrees with JPL that if Lessee overholds after the expiration of the Term or if a default occurs under this Lease, then, in each such case:

a) JPL shall have the right to take immediate possession of the Vehicle(s) and Lessee shall deliver forthwith to JPL the Vehicle(s) together with the motor vehicle registration permits pertaining thereto and, in addition to any other remedy available to it, JPL, in its sole discretion, may at any time without notice take possession of the Vehicle(s) without process of law and Lessee hereby authorizes and empowers JPL, its servants, agents or other representatives to enter on any of the lands or premises of Lessee or any other place where any of the Vehicle(s) may be found for the purpose of taking possession and for that purpose Lessee hereby irrevocably appoints JPL or any person further designated by JPL, to be its true and lawful attorney to execute such instruments as may be necessary for the purpose of regaining possession of all or any of the Vehicle(s); and

b) Lessee shall pay to JPL all reasonable indebtedness, liabilities, costs and expenses incurred by JPL (including legal fees on a solicitor and his own client basis) incurred by JPL in taking, transporting and storing any Vehicle and any personal property of Lessee and which Lessee presently acknowledges as a debt due and owing by it hereunder.

Upon either or both of the occurrence of a default hereunder and after the return or retaking of all or any Vehicle(s) as provided in this Lease, JPL shall have all of the rights and remedies available to it pursuant to this Lease, at law and in equity and, without limiting the generality of the foregoing, JPL may effect such repairs and reconditioning of any Vehicle (including the removal of any equipment, attachments and accessories added to the Vehicle after its delivery) as JPL may determine is necessary for the purpose of sale and may hold all or any of the Vehicle(s) without sale for such time as it may determine in its sole discretion and may sell or dispose of all or any of the Vehicle(s) with or without advertisement, at a public or private sale, either at wholesale or retail, without notice to Lessee, at such time, in such manner and on such terms as JPL, in its sole discretion, deems reasonable and commercial and Lessee agrees that all reasonable indebtedness and expenses incurred by JPL (including legal fees on a solicitor and his own client basis) for repairing and reconditioning, and, in the case of a declared default, of all carrying charges and sale, shall be an amount due and owing by Lessee to JPL. In this Lease the term "net proceeds of sale" in respect of a Vehicle shall mean the proceeds of any sale, plus the amount of any outstanding balance of any deposit, less the amount of all indebtedness and expenses incurred by JPL as contemplated pursuant to this Section 18, less the amount of indebtedness and expenses incurred by JPL in repairing, reconditioning, taking, transporting and storing the Vehicle as contemplated pursuant to this Section 18 in the case of a declared default or otherwise, as the case may be, provided that if all or any of the Vehicle(s) have been destroyed, rendered unsuitable for use, lost or stolen and insurance proceeds are payable as a result thereof, then the "net proceeds of sale" in respect of any such Vehicle shall be the amount of the insurance settlement paid as a result thereof, plus the amount of any outstanding balance of any deposit made by Lessee.

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19. SETTLEMENT ON TERMINATION: At the termination of this Lease, either at its scheduled termination upon the return of the Vehicle(s) at the expiration of the Term or the return or retaking of the Vehicle(s) after any overholding thereof, or, after the occurrence of a declared default and the return or retaking of the Vehicle(s), and, in either case, after the receipt of the net proceeds of sale of the Vehicle(s), as the case may be, the following terms and provisions shall govern the settlement of the liabilities then outstanding between the Lessee and JPL:

Scheduled Termination

i) Open End Lease
Lessee acknowledges that its agreement to maintain each Vehicle in good condition and in a reasonable and proper manner and to avoid any excessive wear and tear of each Vehicle was entered into with the objective of avoiding the diminution in value of each Vehicle which would result from the failure to perform these obligations to JPL during the Term. Further to these covenants of Lessee, Lessee agrees with JPL that if this Lease has been designated as an Open End Lease in the Vehicle Record pertaining to any of the Vehicle(s), then, solely in respect of those Vehicle(s) in relation to which this Lease has been designated as an Open End Lease, at the scheduled termination of this Lease in respect of a Vehicle and if no declared default has occurred under this Lease and if the net proceeds of sale of a Vehicle are less than its residual value, Lessee shall forthwith pay to JPL the amount of any such deficiency and all other liabilities (other liabilities relating to the excessive wear and tear of the Vehicle) which may arise under this Lease either at its scheduled termination for a specific Vehicle on its return or as otherwise provided herein, or if the net proceeds of sale of a Vehicle do not exceed the aggregate amount of its residual value together with the amount of all such other liabilities Lessee will similarly pay to JPL the amount of the deficiency, or, if the net proceeds of sale of a Vehicle exceed the aggregate amount of its residual value together with the amount of all such other liabilities JPL will refund the excess amount thereof to Lessee as an adjustment of the Monthly Payments, or as a reduction of the consideration paid by Lessee and a deferred price adjustment under the Lease together with a corresponding refund of the retail sales tax paid by Lessee in respect of the excess amount refunded to Lessee as an adjustment and reduction and, subject both to the mutual agreement of Lessee and JPL, and the limitations and conditions imposed under the Excise Tax Act (Canada), Lessee will be entitled to a refund of goods and services tax for such amount as agreed to between Lessee and JPL. In this Lease the term "residual value" shall mean the value assigned to the Vehicle by JPL at the inception of this Lease in respect of the Vehicle as its residual value at the scheduled termination of this Lease in respect of it as determined by JPL in its sole discretion, with such reference to such available car industry guides and other reference material and sources as to the then anticipated realizable value of the Vehicle as JPL deems appropriate; or

ii) Closed End Lease
If this Lease has been designated as a Closed End Lease in the Vehicle Record pertaining to any of the Vehicle(s), then in respect of those Vehicle(s) in relation to which this Lease has been designated as a Closed End Lease at the scheduled termination of this Lease in respect of each such Vehicle and if no declared default has occurred under this Lease, Lessee shall have no liability to JPL in respect of such a Vehicle, save and except as specifically provided in this Lease in relation to liabilities which may arise under this Lease either at its scheduled termination for a specific Vehicle upon its return or as otherwise provided herein;

b) Default

If a default has occurred and been declared under this Lease, Lessee agrees to pay to JPL, the amount by which the aggregate amount of the value of this Lease in respect of all of the Vehicle(s) subject to it exceeds the greater of the aggregate amount of the net proceeds of sale in respect of all such Vehicle(s) or the aggregate amount of the residual values in respect of all such Vehicle(s), and in the event that the aggregate amount of the value of this Lease is less than the greater of the aggregate amount of the net proceeds of sale and the aggregate amount of the residual values, any surplus, after such application, shall be kept by JPL. In this Lease the term "value of this Lease" shall mean the aggregate amount of all Monthly Payments and all other amounts due and unpaid under this Lease in respect of a Vehicle plus the present value of the aggregate amount of all payments that would have been required to have been paid under this Lease in respect of the Vehicle but for the occurrence of the default plus the residual value less the unearned charges, provided that if the total amount determined as aforesaid is insufficient to both compensate the actual loss occasioned to JPL by reason of the occurrence of the default and to pay the total amount to be paid by JPL to its financier for principal, interest and other amounts (including amounts that become payable solely by reason of the termination of this Lease or the occurrence of the default) in respect of the Vehicle, the aggregate amount of the "value of this Lease" shall be adjusted accordingly in order to permit all such liabilities to be compensated. In this Lease the term "unearned charges" shall mean the present value of the aggregate amount of any indebtedness and expenses JPL would have incurred in connection with this Lease in respect of a Vehicle until the end of the Term and all or any of which JPL will not be required to incur by reason of the termination of the occurrence of the default. For the purpose of this Lease, the determination of the present value of any specified amount shall be made in respect of a Vehicle as of the date of the inception of this Lease in respect of the Vehicle by the accountants of JPL, acting reasonably, selecting and applying to the said amount an appropriate discount for the acceleration of the payments hereunder in light of the relevant factors applicable to the discount (e.g., rates of interest, tax implications and value of money) as of the date of determination of the said discount.

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20. NOTICES: Any notices, requests or other communications required or permitted to be given under this Lease shall be in writing and shall be delivered personally or by prepaid registered mail addressed as follows:

- to JPL: at the address of JPL as set out in this Lease.
- to Lessee: at the address of Lessee as set out in this Lease.

Any notice delivered personally shall be deemed to have been given on the date of such personal delivery and any notice delivered by registered mail shall be deemed to have been given on the date shown by the post office registration, provided that in the event of any interruption or abnormal delay in postal service, notice may only be given hereunder by personal delivery. Each of JPL and Lessee may deliver notice of any change in its address from time to time by notice delivered pursuant to this Section 20.

21. TIME OF THE ESSENCE: Time shall be of the essence of this Lease and every part hereto.

22. ASSIGNMENT: This Lease is personal to Lessee and may not under any circumstances be transferred or assigned by Lessee to any other person, firm, corporation or other entity without the prior written consent of JPL. Nothing herein contained shall be construed in any way to limit JPL's right to assign this Lease and JPL's assignee shall succeed to all of JPL's rights hereunder. Lessee specifically acknowledges that JPL may assign this Lease to its financier.

23. FORUM AND INTERPRETATION: This agreement shall be construed as a lease only and Lessee shall under no circumstances become the owner of any Vehicle of, except as specifically provided in this Lease, the agent of JPL for any purpose whatsoever while this Lease is in effect and this Lease shall be construed in accordance with the laws of the Province of ~~British Columbia~~ ALBERTA and no action shall be brought against JPL in respect of this Lease except in the Courts of the Province of ~~British Columbia~~ ALBERTA. If all or any part of any provision of this Lease is prohibited by law or by the interpretation of a Court, it shall be ineffective to the extent of such prohibition without invalidating the provisions of the remainder of such provision of this Lease which shall remain in full force and effect. Wherever the plural is used in this Lease, the same shall be construed as being singular, or vice versa, as the context shall require. Notwithstanding any provision of this Lease to the contrary and both the designation of the Lease as an Open End Lease in respect of some of the Vehicle(s) and as a Closed End Lease in respect of other of the Vehicle(s), this Lease shall be interpreted and given effect as both an Open End Lease in respect of those Vehicle(s) in respect of which that designation has been made and as a Closed End Lease in respect of the other Vehicle(s) and no such designation shall alter or effect the cumulative application of this Lease to all Vehicle(s) leased hereunder.

24. WAIVERS: No failure or delay by JPL in enforcing any provision of this Lease shall be construed as a waiver thereof or of any other term of this Lease or as excusing Lessee from future performance and no waiver thereof shall be effective unless in writing and signed by JPL and no such waiver shall deem to be a waiver of any further breach of the same or any other provision of this Lease.

25. ENTIRE AGREEMENT: This Lease together with the Vehicle Records including, without limitation, the delivery receipts, and all other Lease Orders attached hereto and all of the Lessee Statements constitute the entire agreement between JPL and Lessee. There are no other agreements, either oral or written, between Lessee and JPL relating to all or any of the Vehicle(s), this Lease or any part thereof except those stated in writing in this Lease. No change or other amendment to this Lease, any Lease Order or any of the Lessee Statements will be binding unless in writing and signed by Lessee and JPL.

26. BINDING EFFECT: Subject to the prohibition against assignment in Section 22 of this Lease, this Lease shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators and assigns or successors and assigns, as the case may be.

27. RIGHTS OF FINANCIER: This Lease and any Vehicle(s) leased hereunder will be subject to any rights and interest (including, without limitation, any security interest) in and to said Vehicle(s) under any respective contract or contracts that the financier of JPL may hold on the same.

28. CREDIT INQUIRIES AND OTHER DISCLOSURES: Lessee agrees that JPL may disclose in response to any credit inquiry in relation to the Lessee received by JPL in the usual and ordinary course of business such information as JPL may have in its possession concerning Lessee and this Lease to the party making the inquiry and otherwise such information as JPL may be requested to disclose pursuant to the provisions of any applicable federal or provincial statute.

29. COMMUNCIATIONS: Lessee hereby grants explicit consent to the Lessor to send commercial electronic messages to the Lessee, its employees, and drivers as the case may be, in order to provide information including but not limited to the following; Lease documents, maintenance alerts, vehicle recall information, warranty notices, and other matters related to the operation of the Vehicle(s).

30. RECEIPT OF COPY: Lessee hereby acknowledges receiving a fully executed copy of this written Lease.

31. LANGUAGE: JPL and Lessee confirm that they have requested that this Lease be written in English. Les parties declarent que cette entente fut redigee en anglais a leur demande expresse.

Initials:

IN WITNESS WHEREOF the parties hereto have executed these presents by their duly authorized officers.

CONNACHER OIL AND GAS LIMITED
LESSEE

Per: ______________________
(Authorized Signatory)

Per: ______________________
(Authorized Signatory)

JIM PATTISON INDUSTRIES LTD., DBA JIM PATTISON LEASE

Per: ______________________

Per: MERLE JOHNSON

Per: MERV POND

SETTLEMENT AGREEMENT
(the "**Settlement Agreement**")

THIS IS EXHIBIT "2"
Referred to in the Affidavit of
MERLE JOHNSON
Sworn before me this 19
Day of June A.D., 2017
A Commissioner for Oaths in and for Alberta

Dessa Nguyen
Barrister and Solicitor
A Commissioner for Oaths
in and for Alberta

BETWEEN:

Connacher Oil and Gas Limited
("**Connacher**")

- and -

Jim Pattison Industries Ltd.,
doing business as **Jim Pattison Lease**
(together with its subsidiaries and affiliates, "**JPL**")

RECITALS:

Whereas:

(a) Connacher and JPL are parties to a Commercial Motor Vehicle Master Lease Agreement dated as of May 29, 2015 (the "**Master Lease Agreement**") and five (5) Lease Order contracts bearing transaction numbers 883814, 883815, 883816, 885063, and 888056 (the "**Lease Orders**", and together with the Master Lease Agreement, the "**JPL Leases**") with respect to the lease by JPL to Connacher of five (5) Ford F-150 vehicles as more particularly described on **Schedule "A"** hereto (the "**JPL Leased Vehicles**");

(b) On May 17, 2016, Connacher sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") pursuant to an Initial Order granted by the Court of Queen's Bench of Alberta (the "**Court**"), as amended and extended from time to time (the "**Initial Order**");

(c) Connacher has not paid rent under the JPL Leases since the date of the Initial Order, which as of the date of this Settlement Agreement is accrued in the amount of **$52,905.06 (the "JPL Accrued Rent")**;

(d) On or about September 19, 2016, JPL filed a proof of claim pursuant to the Claims Procedure Order granted in Connacher's CCAA proceeding on August 24, 2016 (the "**Claims Procedure Order**") in which JPL asserted a secured claim against Connacher and a claim against Connacher's Directors and Officers (as such terms are defined in the Claims Procedure Order) in the amount of $205,703.56 (the "**Original JPL Claim**");

(e) On June 5, 2017, JPL commenced an application seeking, *inter alia*, payment of the JPL Accrued Rent and continued payment of the monthly rent under the JPL Leases going forward or a lifting of the stay of proceedings contained in the Initial Order in order to permit JPL to repossess the JPL Leased Vehicles (the "**JPL Application**"); and

(f) The parties hereto have agreed to fully and finally resolve and settle all matters between them, including relating to the JPL Accrued Rent and the JPL Application.

NOW THEREFORE, FOR THE SUM OF TWO DOLLARS ($2.00) AND SUCH OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED BY THE UNDERSIGNED, THE UNDERSIGNED AGREE AS FOLLOWS:

1. The above noted recitals are true and accurate and form part of this Settlement Agreement.

2. The terms of this Settlement Agreement and the obligation of each party hereto to perform its obligations hereunder are expressly subject to and entirely conditional upon a final order of the Court approving this Settlement Agreement without any modification, amendment or alteration unless consented to in writing by Connacher and JPL in their discretion.

3. On June 27, 2017 or as soon as reasonably practicable thereafter, Connacher shall apply for an order of the Court approving this Settlement Agreement and authorizing Connacher to perform its obligations hereunder (the "**Settlement Approval Order**") and an order extending the stay of proceedings contained in the Initial Order. JPL will consent to such application and shall provide such other assistance reasonably requested by Connacher in connection with such application.

4. As soon as practicable following the granting of the Settlement Approval Order, JPL shall withdraw the JPL Application on a with prejudice and without costs basis. Connacher will consent to such withdrawal and shall provide such other assistance reasonably requested by JPL in connection with such withdrawal.

5. As soon as practicable following the granting of the Settlement Approval Order, Connacher shall make the JPL Leased Vehicles available for pick up by JPL at Connacher's Algar facility located in Sections 18 and 19, Township 82, Range 11 W4M in Alberta.

6. JPL shall, at its sole cost, expense and risk, (i) take possession of the JPL Leased Vehicles at the location specified in paragraph 5 of this Settlement Agreement during regular business hours or at such other times acceptable to Connacher and (ii) remove the JPL Leased Vehicles from such location. JPL and its agents shall comply with all safety and security measures reasonably required by Connacher in connection with the pick up of the JPL Leased Vehicles.

7. JPL acknowledges that the JPL Leased Vehicles are being returned and released to JPL on an 'as is, where is' basis with no representations or warranties of any kind by Connacher, and that, other than providing reasonable access to the JPL Leased Vehicles for pick up by JPL or its agents, Connacher shall have no responsibility or liability of any kind with respect to JPL or its agents' pick up of the JPL Leased Vehicles and/or any subsequent transportation or use of the JPL Leased Vehicles by JPL or its agents. JPL hereby indemnifies Connacher for any and all damages, claims, costs or expenses

asserted against or incurred by Connacher as a result of JPL or its agents taking possession of and removing any of the JPL Leased Vehicles or JPL's failure to take possession of and remove any of the JPL Leased Vehicles when required hereunder, which indemnity shall continue in full force and effect notwithstanding the completion of the settlement transactions contemplated herein.

8. Effective immediately upon JPL or its agents taking possession of each JPL Leased Vehicle:

   (a) The JPL Lease applicable to each JPL Leased Vehicle shall be deemed to have been terminated on the date of this Settlement Agreement;

   (b) Except as provided in section 10 of this Settlement Agreement, all of Connacher's right, title or interest in and to the applicable JPL Leased Vehicle shall be released to JPL; and

   (c) Connacher shall have no further obligations under the applicable JPL Lease or in respect of the applicable JPL Leased Vehicle.

9. JPL shall be entitled to an unsecured claim against Connacher in Connacher's CCAA proceeding in the amount of $198,475.10 (inclusive of the JPL Accrued Rent and the costs of picking up and disposing of the JPL Leased Vehicles in the amount of $6,500), plus JPL's reasonable costs and expenses, including legal expenses incurred in connection with the CCAA proceedings, and any amounts that may be owing to JPL after the net proceeds of sale from the JPL Leased Vehicles as contemplated by paragraph 10 (collectively, the "**JPL Claim**"). The JPL Claim shall replace, amend and supercede the Original JPL Claim, and for greater certainty JPL hereby withdraws (on a with prejudice basis) any claims asserted against Connacher's Directors and Officers in the Original JPL Claim.

10. As soon as reasonably practicable following JPL or its agents taking possession and control of the JPL Leased Vehicles, JPL shall sell each JPL Leased Vehicle in accordance with the JPL Leases and generally accepted industry standards and practices and provide an accounting of the proceeds of such sales to Connacher. If: (i) the net proceeds of the sale of the JPL Leased Vehicle are less than the Residual Value (as defined in the Master Lease Agreement) of the JPL Leased Vehicle, such amount may be added to the JPL Claim or (ii) the net proceeds of the sale of the JPL Leased Vehicle exceed the Residual Value of the JPL Leased Vehicle, JPL shall be entitled to apply such excess proceeds to any amount owing to JPL by Connacher in respect of such JPL Leased Vehicle (and the amount of the JPL Claim shall be reduced accordingly) and JPL shall thereafter pay any remaining excess proceeds to Connacher.

11. JPL hereby forever fully, finally and unconditionally remises, releases, acquits, waives and forever discharges Connacher, Ernst & Young Inc., in its capacity as CCAA monitor, and Connacher's lenders and each of their respective subsidiaries, affiliated and associated corporations and entities and each of their respective officers, directors, shareholders, employees, servants, agents, advisors, successors and assigns, both present and former (collectively, the " **Connacher Releasees**") of and from any and all actual or potential actions, causes of action, suits, debts, duties, accounts, bonds, dues, covenants,

contracts, rights, costs and expenses, judgments, claims, proceedings, obligations and demands whatsoever, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including fees and disbursements of legal counsel, whether known or unknown, howsoever arising of every nature and kind whatsoever which JPL ever had, now have or may hereinafter have against the Connacher Releasees, including without limitation by reason of, arising out of or relating to the JPL Leases, the JPL Leased Vehicles (including Connacher's use and operation of the JPL Leased Vehicles), the JPL Accrued Rent, the JPL Application, the Original JPL Claim, Connacher's proceeding under the CCAA. Nothing in this paragraph 11 or in the Settlement Approval Order shall release Connacher from its obligations under this Settlement Agreement or affect the JPL Claim which shall constitute an Accepted Claim (as defined in the Claims Procedure Order) in Connacher's CCAA proceeding. JPL hereby (i) covenants and agrees not to make any claim or to commence or maintain any action or proceeding against any person, firm, or corporation in which any claims referred to in this paragraph could arise against the Connacher Releasees, and (ii) represents and warrants that it has not assigned to any person, partnership, corporation, or other such entity any of the matters which it releases by this Settlement Agreement or with respect to which it agrees not to make any claim or take any proceedings by this Settlement Agreement.

12. Connacher hereby forever fully, finally and unconditionally remises, releases, acquits, waives and forever discharges JPL and its respective subsidiaries, affiliated and associated corporations and entities and each of their respective officers, directors, shareholders, employees, servants, agents, advisors, successors and assigns, both present and former (collectively, the "**JPL Releasees**") of and from any and all actual or potential actions, causes of action, suits, debts, duties, accounts, bonds, dues, covenants, contracts, rights, costs and expenses, judgments, claims, proceedings, obligations and demands whatsoever, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including fees and disbursements of legal counsel, whether known or unknown, howsoever arising of every nature and kind whatsoever which Connacher ever had, now have or may hereinafter have against the JPL Releasees, including without limitation by reason of, arising out of or relating to the JPL Leases, the JPL Leased Vehicles (including Connacher's use and operation of the JPL Leased Vehicles) and the JPL Application. Nothing in this paragraph 12 or in the Settlement Approval Order shall release JPL from its obligations under this Settlement Agreement. Connacher hereby (i) covenants and agrees not to make any claim or to commence or maintain any action or proceeding against any person, firm, or corporation in which any claims referred to in this paragraph could arise against the JPL Releasees, and (ii) represents and warrants that it has not assigned to any person, partnership, corporation, or other such entity any of the matters which it releases by this Settlement Agreement or with respect to which it agrees not to make any claim or take any proceedings by this Settlement Agreement.

13. Each of the parties acknowledges and declares as follows:

    (a) it has had an adequate opportunity to read and consider this Settlement Agreement and to obtain such advice in regard to it as it considers advisable;

(b) it fully understands the nature and effect of this Settlement Agreement; and

(c) this Settlement Agreement has been duly executed voluntarily.

14. JPL agrees to keep the existence and terms of this Settlement Agreement strictly confidential, except to the extent publicly disclosed by Connacher or the Monitor in any Court filings in connection with Connacher's application to the Court seeking approval of this Settlement Agreement.

15. Neither Connacher nor JPL by the settlement referenced herein or otherwise admit any liabilities or obligations whatsoever by any of the Connacher Releasees or JPL Releasees as the case may be to JPL or Connacher.

16. Time is of the essence in the performance of the parties' respective obligations under this Settlement Agreement.

17. This Settlement Agreement shall be binding upon the parties hereto and their respective successors and assigns and enure to the benefit of the Connacher Releasees or the JPL Releasees and their respective heirs, executors, estate trustees, administrators, personal representatives and assigns. Neither JPL nor Connacher shall be permitted to assign any of its rights or obligations hereunder.

18. The parties agree that this Settlement Agreement shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein, excluding any rule or principle of conflicts of law that may provide otherwise. The parties irrevocably attorn to the jurisdiction of the Province of Alberta and agree that any dispute in connection with the subject matter of this Settlement Agreement shall be decided by the Court in Connacher's CCAA proceeding.

19. All amounts in this Settlement Agreement are stated in Canadian dollars.

20. This Settlement Agreement shall not be amended, modified or terminated except by written agreement between the parties.

21. This Settlement Agreement may be executed in counterparts, and each executed counterpart shall have the same force and effect as the original instrument as if both of the parties had signed the same instrument. The exchange of copies of this Settlement Agreement and of the signature pages by facsimile transmission, by electronic mail in portable document format (.PDF), or by any other means shall constitute effective execution and delivery of this Settlement Agreement to the parties and may be used in lieu of the original document for all purposes.

REMAINDER OF PAGE INTENTIONALLY BLANK

Dated June 19, 2017

CONNACHER OIL AND GAS LIMITED

Per: ________________________
Name:
Title:
I have the authority to bind the corporation

JIM PATTISON INDUSTRIES LTD. doing business as **JIM PATTISON LEASE**, and its subsidiaries and affiliates

Per: ________________________
Name: MICHAEL RUSCH
Title: PRESIDENT
I have the authority to bind the above entities

Dated June 19, 2017

CONNACHER OIL AND GAS LIMITED

Per: ______________________________
Name: MERLE JOHNSON
Title: CEO
I have the authority to bind the corporation

JIM PATTISON INDUSTRIES LTD. doing business as **JIM PATTISON LEASE,** and its subsidiaries and affiliates

Per: ______________________________
Name:
Title:
I have the authority to bind the above entities

SCHEDULE "A"

JPL Leased Vehicles

Vehicle Description	VIN	JPL Asset Number
2015 Ford F-150 W1E XLT	1FTEW1EF0FFA43556	705378
2015 Ford F-150 W1E XLT	1FTEW1EF0FFA35344	708326
2015 Ford F-150 W1E XLT	1FTEW1EF4FFA35346	708323
2015 Ford F-150 W1E XLT	1FTEW1E85FFB99528	710657
2016 Ford F-150 Platinum	1FTEW1E85FFB99528	714654

Connacher
OIL AND GAS LIMITED

THIS IS EXHIBIT "3"
Referred to in the Affidavit of
Merle Johnson
Sworn before me this 19
Day of June A.D. 2017
A Commissioner for Oaths in and for Alberta

Dessa Nguyen
Barrister and Solicitor
A Commissioner for Oaths
in and for Alberta

STRICTLY PRIVATE AND CONFIDENTIAL

June •, 2017

[Recipient]

Dear [Recipient]:

RE: Second Supplemental Key Employee Retention Plan Incentive Payment

As you are aware, Connacher Oil and Gas Limited ("**Connacher**") remains in proceedings under the *Companies' Creditors Arrangement Act* (the "**CCAA**") in the Court of Queen's Bench of Alberta (the "**CCAA Court**") and continues to work towards implementing a viable exit strategy. Connacher would like to assure you that your contributions to Connacher continue to be valued during this important period of time.

In consideration of your anticipated ongoing hard work and contributions to Connacher during its CCAA proceedings, subject to the terms contained herein Connacher is offering you, in addition to your regular salary and benefits, a further retention incentive payment (the "**Retention Incentive Payment**") of $[insert total retention amount from spreadsheet] (less any required statutory withholdings) payable in two instalments (i) $[insert 1/3 amount from spreadsheet] on January 15, 2018 and (ii) $[insert 2/3 amount from spreadsheet] on June 30, 2018, provided that the total Retention Incentive Payment shall become payable in full upon the occurrence of any of the following:

1. Closing of a sale of all or substantially all of the assets of Connacher and approved by the CCAA Court on a final basis;
2. Implementation of a restructuring transaction through a CCAA plan of compromise or arrangement sanctioned by the CCAA Court;
3. Termination of Connacher's CCAA proceedings or a termination or expiry of the CCAA stay of proceeding; or
4. Termination of your employment by Connacher without cause.

This proposal has been approved by the Board of Directors of Connacher. In addition, Connacher sought and obtained an order of the CCAA Court approving this proposal on a confidential basis and securing the obligation of Connacher to make the Retention Incentive Payment when due and payable under the KERP/LTIP Charge established in the Initial Order dated May 17, 2016 granted by the CCAA Court in Connacher's CCAA proceedings. A copy of all CCAA court orders and other information concerning Connacher's CCAA proceedings may be found at www.ey.com/ca/connacheroilandgas.com.

In order to be entitled to receive the Retention Incentive Payment:

1. You must not have disclosed these arrangements to any person other than your immediate family members and your personal accounting, tax and legal advisors (other than any disclosure required by law); and
2. Prior to the time that the Retention Incentive Payment becomes payable, you have not:

a. resigned;

b. been terminated with cause; or

c. failed to perform your duties and responsibilities diligently, faithfully and honestly in the reasonable opinion of your direct supervisor and the Special Committee of the Board of Directors of Connacher.

In addition to the foregoing, and as consideration for the Retention Incentive Payment and corresponding security of such payment under the KERP/LTIP Charge, by accepting the terms of this letter and by your signature hereto you hereby agree that your sole recourse with respect to the Retention Incentive Payment is in respect of any property of Connacher that is subject to the KERP/LTIP Charge and you fully and unconditionally waive, release and confirm you will not assert or advance, any and all claims, causes of action, or other legal recourse that may exist or that could be asserted at law, equity or otherwise, in respect of the Retention Incentive Payment against any and all current or former directors or officers of Connacher, including in any circumstance where the Retention Incentive Payment is not received by you for any reason.

In order to receive the Retention Incentive Payment you must accept the terms of this letter by signing below and returning one executed copy to Suzanne Loov on or before 3:30 p.m. on July •, 2017. It is important to note that, by signing below, you accept the terms above and also fully waive and release any entitlement or claims you may have in respect of payments under the terms of Connacher's existing long term cash incentive plan.

The terms of this letter may only be amended by written agreement between you and Connacher, subject, if necessary, to further approval by the CCAA Court.

We truly appreciate your continued hard work and contribution to Connacher.

Sincerely,

CONNACHER OIL AND GAS LIMITED

Per: ____________________________

Agreed and accepted by:

____

Name:
Date: