



COURT FILE NUMBER 1901-00238
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

PLAINTIFF ATB FINANCIAL

DEFENDANTS KODIAK SERVICES PARTNERSHIP, KODIAK WIRELINE
SERVICES LTD., KODIAK ENERGY SOLUTIONS LTD.,
KODIAK TOOLS LTD., 1623360 ALBERTA LTD.,
KODIAK SERVICES USA INC., KODIAK SERVICES
MEXICO SA. DE CV, AND KODIAK INT'L INC.

DOCUMENT RECEIVER'S FIRST REPORT

March 11, 2019

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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INTRODUCTION, BACKGROUND, AND PURPOSE OF THE REPORT

1. On January 10, 2019, pursuant to an application made by ATB Financial ("ATB") in respect of Kodiak Services Partnership, Kodiak Wireline Services Ltd., Kodiak Energy Solutions Ltd., Kodiak Tools Ltd. and 1623360 Alberta Ltd. (hereinafter collectively referred to as the "**Current Receivership Entities**"), Ernst & Young Inc. ("EY" or the "**Receiver**") was appointed as Receiver of the Current Receivership Entities by virtue of an order (the "**Receivership Order**") granted by the Court of Queen's Bench of Alberta.
2. The Current Receivership Entities provided wireline services to customers in the oil and gas industry, which services included oil well completion using perforating guns and numerous oil well testing services. The Current Receivership Entities historically operated throughout Northern Alberta, Saskatchewan and British Columbia. As at the date of the Receivership Order, The Current Receivership Entities' operations were exclusively in Alberta. The Current Receivership Entities had offices/shops in Calgary, Red Deer, St. Albert, Slave Lake, Whitecourt and Provost, Alberta.
3. The Receiver understands that Kodiak Services USA Inc. ("**Kodiak USA**"), Kodiak Services Mexico SA DE CV ("**Kodiak Mexico**") and Kodiak Services Int'l Inc. ("**Kodiak INT**") are each wholly owned subsidiaries of the Current Receivership Entities. Any reference to the Current Receivership Entities, Kodiak USA, Kodiak Mexico and Kodiak INT, as a group shall hereinafter be referred to as the "**Kodiak Companies**", which reflects the interconnected nature of the operations of these entities.
4. For the balance of this report, the use of the term "**Management**" will be used to refer generally to any or all of individuals who comprise the management team of the Kodiak Companies (unless specifically stated otherwise).
5. The Receiver is advised by Management that Kodiak Mexico does not currently have any assets nor operations.
6. The Receiver understands that Kodiak INT is currently operating in Colombia (South America), but has scaled back operations due to cash flow constraints. Management advised that Kodiak INT has assets in Colombia; however, it is the Receiver's understanding that all of the assets in Colombia are encumbered either by Export Development Canada ("**EDC**") or by Colombian finance / leasing companies. Further confirmation of these facts is required.
7. The Receiver has been advised by Management that Kodiak USA has also ceased operations at present and that all of Kodiak USA's significant physical assets are located in its fenced premises in Midland, Texas. Further, the Receiver was advised that a number of the Current Receivership Entities' assets, which are subject to ATB or Calmont Leasing Ltd. ("**Calmont**") security had been re-located from Canada to the USA and were being used by Kodiak USA to conduct its operations in the Permian Basin. The Receiver has been advised that title to these units may have been transferred among the Kodiak Companies, including potentially to Kodiak USA, however further investigation is required to confirm the facts surrounding any such transfers.
8. The purpose of this brief report (the "**Receiver's First Report**") is simply to provide support in relation to ATB's application, set for March 13, 2019, to expand the receivership proceedings for the Current Receivership Entities to include Kodiak USA. For the Court's reference, the Receiver has completed the necessary conservatory measures and commenced a sales process in relation to the assets of the Current Receivership Entities, the details of which will be discussed in detail in a future report to the Court.

DISCLAIMER

9. In preparing the Receiver's First Report, the Receiver has relied upon unaudited financial information of the Current Receivership Entities, the books and records, certain financial information prepared by the Current Receivership Entities and discussions with Management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information provided. Accordingly, the Receiver expresses no opinion or other form of assurance on the information contained in this report or relied upon in its preparation. Future oriented financial information reported or relied on in order to prepare this report is based on Management's assumptions regarding future events; actual results will vary from forecast, and such variations may be material.

EXPANSION OF THE RECEIVERSHIP PROCEEDINGS TO KODIAK USA

10. As noted previously in this report, based on conversations with Management, the Receiver believes that certain of the Current Receivership Entities' assets were moved from Canada to the USA and that ownership (title) of these assets may have been transferred to another of the Kodiak Companies, in particular Kodiak USA. The Receiver's view is that further investigation is required to ascertain the details of any purported transfer, and that expansion of the current receivership proceedings to include Kodiak USA will facilitate such investigation, for the benefit of creditors of the Current Receivership Entities and Kodiak USA.
11. As the Receiver is not currently appointed over Kodiak USA, it does not have the authority to take possession, safeguard or otherwise deal with the Kodiak USA titled assets while possible asset transfers among the Kodiak Companies are investigated. Management in the USA has been cooperative and permitted the Receiver to send a representative to attend site in order to inventory and photograph Kodiak USA's assets. The Receiver engaged Ritchie Bros. Auctioneers ("RBA") in the USA to attend the site for these purposes. Attached as **Schedule "A"** is RBA's inventory of the Kodiak USA apparent assets with additional information compiled by the Receiver.
12. As noted in **Schedule "A"**, the Receiver understands that in addition to ATB and Calmont, EDC asserts an interest in the assets located at the Kodiak USA premises.
13. The Receiver has been assisting Kodiak USA, ATB, and EDC in discussions with a party that has expressed an interest in buying certain of the Current Receivership Entities' assets, as well as those of Kodiak USA. The proposed sale currently anticipates providing the purchaser with free and clear title to the assets purchased and as such, in order to complete the asset sale, expansion of the current receivership to include Kodiak USA and a Vesting Order will likely be required. In the event that the proposed sale does not proceed or fails to close, the assets of Kodiak USA, which is a subsidiary of the Current Receivership Entities and whose operations are intertwined with those of the Current Receivership Entities, would still have to be liquidated by some means, and the proceeds derived therefrom distributed to stakeholders. In either case, the Receiver would require expanded powers to assist in this regard.
14. Both ATB and EDC have indicated that they would like to realize on their security that is currently located in the USA and in the possession of and titled to Kodiak USA. In order to achieve this goal, and in light of the uncertainty regarding the transfers of property between the Kodiak Companies, the Receiver believes it is necessary to expand the

current receivership proceedings to include Kodiak USA. Further, the Receiver expects that a Chapter 15 Recognition Order will be sought in order to address the procedural and creditor matters in the USA.

CONCLUSION

15. Based on the matters noted in this report, it is the opinion of the Receiver that expanding the Receivership proceedings to include Kodiak USA is necessary in order to properly safeguard, inventory and realize on the Kodiak USA assets, and potentially assets of the Current Receivership Entities, for the benefit of stakeholders. In addition, the Receiver anticipates that other issues will arise in the USA that will require an expansion of the receivership proceedings and recognition of the Canadian proceedings in the USA. Given the limited involvement of the Receiver in relation to Kodiak USA to date, the receiver is not certain of what other creditors or other issues may arise or exist in the circumstances.
16. The Receiver respectfully submits that ATB's application to expand the Receivership proceedings to include Kodiak USA is reasonable, appropriate, and required in the circumstances.

Respectfully submitted this 11th day of March, 2019.

Ernst & Young Inc.

In its capacity as Receiver of
Kodiak Services Partnership, Kodiak Wireline Services Ltd.,
Kodiak Energy Solutions Ltd., Kodiak Tools Ltd., and
1623360 Alberta Ltd.
and not in its personal or corporate capacity

Per:



Dan McCulloch, CIRP, LIT
Vice President

Schedule "A"

Code	Year	Make	Model	Description	VIN	Notes/Usage	Lease
TRK	2018	Western Star	4700SB	Wireline	SKKHAXDV9JLJX5635	No Power	Calmont
TRL	2018	Double A	5HB668-40	Misc/Unknown	2DAH6258JT019279	No Power	Calmont
TRK	2016	Western Star	4900SB	Wireline	5KKPALD13GPGR5285	21344 mi	Calmont
TRK	2018	Western Star	4700SB	Wireline	SKKHAXDV2JPJT8631	No Power	Calmont
BMT	2017	Peterbilt	365	w/Manitex TC500	1NPSX7TX6HD350445	3319 mi	Calmont
BMT	2017	Peterbilt	365	w/Manitex TC50128	1NPSX7TX4HD350461	5199 mi	Calmont
FBT	2017	Ram	5500	4x4 Flatbed	3C7WRNFL4HG782652	28518 mi	Calmont
EQP	2017	Ameritrail	GNLS32-302	Gooseneck	17VGN32228HB065771	Unknown component	Calmont
PUT	2017	Ram	3500	4x4 Pickup	3C63RRGL2HG766463	29629 mi	Calmont
VNR	2012	Mirage		Enclosed, ball hitch	5M3BE3639C1050505		Calmont
PUT	2018	Ram	3500	4x4 Pickup	3C63R3GLXG124592	25473 mi	Calmont
PUT	2017	Ram	3500	4x4 Pickup	3C63R3GL9HG785248	43866 mi	Calmont
VNR	2017	Ameritrail	RKE8526-90E	Enclosed, ball hitch	17VBP2622HB065631		Calmont
PUT	2017	Ram	3500	4x4 Pickup	3C36R3GL3HG785360	55352 mi	Calmont
PUT	2017	Ram	3500	4x4 Pickup	3C63RRGL1HG762940	27812 mi *Damaged Hood*	Calmont
FBT	2017	Ram	5500	4x4 Flatbed	3C7WRNFXHG671748	31282 mi	Calmont
PUT	2017	Ram	3500	4x4 Pickup	3C63R3HL2HG661448	41540 mi	Calmont
PUT	2017	Ram	3500	4x4 Pickup	3C63R3HL9HG661446	41396 mi	Calmont
PUT	2017	Ram	3500	4x4 Pickup	3C63R3HL5HG690314	33999 mi	Calmont
PUT	2017	Ram	3500	4x4 Pickup	3C63R3DL6HG583309	48198 mi	Calmont
PUT	2017	Ram	3500	4x4 Pickup	3C63RRGL2HG650034	30466 mi	Calmont
FBT	2017	Ram	5500	4x4 Flatbed	3C7WRNFXHG734127	28744 mi	Calmont
PMP				Skid Mtd		Blue, EQP# 907	ATB
PMP				Skid Mtd		Yellow, EQP# 906	ATB
DRM				Skid Mtd		Yellow/Purple	ATB
DRM				Skid Mtd	1009-2100	Blue	ATB
DRM				Skid Mtd Wireline Unit		EQP# C302	ATB
DRM				Skid Mtd Wireline Unit		EQP# M304	ATB
DRM				Skid Mtd Wireline Unit		EQP# M316	ATB
DRM				Skid Mtd Wireline Unit		EQP# M315	ATB
TRK	2011	Western Star	4900SA	Wireline	5KKPALDRXBPAW8971	320492 km, 18601 hrs	ATB
TRK	2011	Western Star	4900SA	Wireline	5KKPALDR1BPAW8972	6533 km, 18744 hrs	ATB
TRK	2007	Western Star	4900SA	Wireline	5KKAALDEX7PX81148	367396 km, 14830 hrs	ATB
TRK	2005	Peterbilt	378	Wireline	1NPFLU9X75D846790	242359 km, 6298 hrs	ATB

EQP	2018	Ameritrail	GNLS32-302LP	Gooseneck	17YGN3224JB066616	Unknown component	
VNR	2018	Ameritrail	RKE8526-90E	Enclosed, ball hitch	17YBP2628JB067096		
POS		Hyundai	50B-7	8600 Lb Electric Forlift	HHD04CA000003	*Bad Battery, Inoperable *	
PUT		Ram	3500	4x4 Pickup		EQP # 781 (Joe was driving)	
TRK	2007	Western Star	4900FA	Wireline	5KKPAEDE77PX36027	231774 km, 4814 hrs	EDC
EQP	2017	Ameritrail	GNLS40-242LP	Gooseneck	17YGN4023HB065864		EDC
EQP	2018	Ameritrail	GNLS32-302LP	Gooseneck	17YGN3224JB066583		EDC
EQP	2017	Ameritrail	GNLS32-302	Gooseneck	17YGN3227HB065924	Unknown component	EDC
EQP	2017	Ameritrail	GNLS40-242LP	Gooseneck	17YGN4025HB064683		EDC
VNR	2018	Ameritrail	RKE8526-90E	Enclosed, ball hitch	17YBP262XJB066841		EDC