

COURT FILE NUMBER 2301 06740
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY

Clerk's Stamp

APPLICANT HSBC BANK CANADA

RESPONDENTS HIGHWOOD EQUIPMENT TECHNOLOGIES INC.,
BRENT H. KOHLS, COLIN REYNOLD KNAPP, KEVIN
JOHN KERR, and ROBERT WAWRZYOWSKI

DOCUMENT **FIRST REPORT OF THE RECEIVER**

July 5, 2023

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER

ERNST & YOUNG INC.
Calgary City Centre
2200, 215 - 2nd Street SW
Calgary, Alberta T2P 1M4

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File No. 46030-22

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INTRODUCTION

1. Ernst & Young Inc. (“**EYI**”) was appointed Receiver and Manager (the “**Receiver**”) of the property, assets and undertakings (the “**Property**”) of Highwood Equipment Technologies Inc. (“**HETI**” or the “**Company**”) pursuant to an Order of this Honorable Court (the “**Receivership Order**”) dated June 2, 2023 (the “**Receivership Date**”).
2. The Receivership Order authorized the Receiver to, among other things, carry on the business of HETI, sell, convey, transfer, lease, or assign the Property out of the normal course of business, subject to approval by this Honorable Court for any transactions exceeding \$50,000, or the aggregate of multiple transactions exceeding \$250,000, and make such arrangements or agreements as deemed necessary by the Receiver.
3. The purpose of this first report of the Receiver (the “**First Report**”) is to provide this Honorable Court with the Receiver’s comments with respect to:
 - a) The Receiver’s activities since the Receivership Date including a statement of receipts and disbursements of the Receiver from the Receivership Date to June 30, 2023;
 - b) The Receiver’s efforts to realize on the machinery and equipment of HETI, including the approval of:
 - i. an agreement to sell certain components to Teck Coal Ltd. (“**Teck**”); and
 - ii. an agreement to retain Century Services Corp. (“**Century**”) to auction HETI’s remaining equipment and machinery (the “**Auction Assets**”); and
 - c) The Receiver’s recommendations in respect of the foregoing.

TERMS OF REFERENCE AND DISCLAIMER

4. In preparing this First Report, the Receiver has relied upon unaudited financial information, HETI records, and discussions with management of the HETI. The Receiver has not performed an audit, review, or other verification of such information.
5. Capitalized terms not defined in this First Report are as defined in the Receivership Order.
6. All references to dollars are in Canadian currency unless otherwise noted.

BACKGROUND

7. HETI is a corporation incorporated pursuant to the laws of the Province of Alberta which operated out of Calgary, Alberta and High River, Alberta in the business of oilfield service

and specializing in the design, engineering, and fabrication of custom-built rigs and other equipment.

8. HETI's business was negatively impacted by the COVID-19 Pandemic and ensuing economic conditions including labour shortages, delays in component supply, and increased input costs.
9. The Company was contracted to manufacture and deliver three custom drilling rigs to a customer in the Middle East, Alshawamikh Oil Services SAOC ("**AOS**"), and the project was significantly delayed resulting in increased borrowing requirements and the Company eventually defaulted on its credit facilities.
10. As at the Receivership Date, the aggregate of all indebtedness owed by HETI to HSBC Bank Canada ("**HSBC**"), the primary secured creditor of HETI, totaled approximately \$6.7 million.
11. HSBC applied to this Honourable Court for an order appointing EYI (the "**Receiver**") as Receiver, to exercise the powers and duties pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**") section 13(2) of the *Judicature Act*, RSA 2000 c. J-2 and 65(7) of the *Personal Property Security Act*, RSA 2000 c P-7 with respect to the Property.
12. Additional background on HETI is available on the Receiver's website www.ey.com/ca/highwood.

ACTIVITIES OF THE RECEIVER

13. Since its appointment, the Receiver taken various steps to affect custody and control of HETI. Specifically, the Receiver has, among other things:
 - a) Attended at HETI's facilities in Calgary, Alberta and High River, Alberta (collectively, the "**HETI Facilities**") for the purposes of taking possession, including taking inventory of equipment, changing locks, and confirming that equipment is secure;
 - b) Attended the Highwood Machine Tools, LLC ("**HMT**") facility located in Waco, Texas to inspect rig hoist 86 and associated substructure (collectively, "**H-86**") and confirm H-86 was secure. Rig H-86 is the last of the three rigs to be delivered to AOS. HMT is not subject to these receivership proceedings and is a related party that was contracted to complete the fabrication of certain rig components;

- c) Confirmed the existence of insurance and coordinated the named payee under HETI's insurance policy being changed to the Receiver and entered into an insurance policy to insure H-86 located in Waco, Texas;
- d) Negotiated month-to-month leases at the HETI Facilities;
- e) Issued notice of the receivership to the known creditors of HETI in accordance with subsections 245(1) and 246(1) of the BIA;
- f) Retained HETI's controller and bookkeeper (the "**Retained Employees**") for the purposes of, among other things, completing records of employment, T4s, compiling documentation to support accounts receivable collections, and other administrative tasks;
- g) With the assistance of the Retained Employees, updated HETI's books and records in order to support the collection of accounts receivable, determine HETI's GST position as at the Receivership Date and compiled information required for employees to complete WEPPA claims;
- h) Assisted the approximately 20 terminated employees with the completion of claims under the *Wage Earner Protection Program Act* ("**WEPPA**"). With the exception of management, HETI temporarily laid off its employees prior to the Receivership Date and, upon its appointment, the Receiver issued notices permanently terminating their employment;
- i) Retained Ernst & Young LLP's Capital Equipment Valuation Group to attend Waco, Texas to inspect H-86 and complete a desktop appraisal of HETI's equipment, including H-86, to support the Receiver's realization efforts;
- j) Notified AOS of the Receivership and subsequently entered into negotiations with respect to a possible settlement agreement that would, among other things, see the transfer of H-86 and associated Property to AOS;
- k) Retained legal counsel in Canada, the United States and Oman;
- l) Received and assessed property claims of third parties claiming ownership of property at the High River location, and returned equipment and other property for valid and supported property claims; and

- m) Conducted a request for proposal process for the sale of the Property, primarily comprised of oilfield service equipment and vehicles, located in Calgary and High River and seven proposals for the sale of the Property.

Statement of Receipts and Disbursements

14. The following is a summary of the receipts and disbursements that have occurred since the Receivership Date up to June 30, 2023 (the “**Reporting Period**”).

Highwood Equipment Technologies Inc.		Table 1.0
Statement of Receipts and Disbursements		
June 2, 2023 to June 30, 2023		
\$CAD, unaudited		
	Notes	
Opening cash balance		- A
Receipts		
Accounts receivable	a	170,910
Receiver's certificate	b	50,000
Other receipts	c	3,240
Total receipts		<u>224,150</u> B
Disbursements		
Insurance	d	(37,912)
Facility rent	e	(7,974)
Salaries and wages	f	(6,867)
Operating expenses	g	<u>(752)</u>
Total disbursements		<u>(53,505)</u> C
Cash on hand (A + B + C)		170,646

15. Notes to the Receiver's Statement of Receipts and Disbursements are as follows:
- a) Subsequent to issuing the accounts receivable collections notices, the Receiver has collected \$170,646 of approximately \$800,000 of accounts receivable (book value) per HETI's financial records;
 - b) On June 15, 2023, \$50,000 of a Receiver's certificate was received into the trust account from HSBC to fund insurance, rent, and salaries and wages;
 - c) An insurance policy refund of \$3,240 was collected;

- d) Insurance premiums of \$30,000 were paid related to an insurance policy for H-86 located in Waco, Texas which was not previously insured by HETI. The Receiver solicited insurance proposals from multiple underwriters and only one underwriter offered to insure H-86. This is an annual premium and therefore, a portion will be refundable should the Receiver close a transaction or settlement to transfer ownership of H-86 to a third party. Monthly premiums of \$7,974 were paid related to the assets located in Canada under HETI's existing insurance policy;
- e) Rent for the HETI Facilities was paid by the Receiver;
- f) The Receiver retained HETI's controller and bookkeeper to assist with administrative support, including the collection of receivables and preparation of employee tax documents; and
- g) Other operating expenses related to imaging computers and the server were incurred.

AUTHORITY TO SELL

- 16. The Receiver is seeking a declaration that the Receiver is authorized to sell, convey, or transfer (the "**Authority to Sell**") all of the goods proposed to be sold in (i) the Century Auction Agreement, which goods are comprised of equipment, tools, inventory, and other ancillary assets (the "**Auction Assets**") and (ii) the Teck Proposal.

EQUIPMENT SALES PROCESS

High River Property

- 17. The Receiver completed an inventory of the equipment, tools, vehicles, furniture, and ancillary assets on-site at the HETI Facilities. With the assistance of former employees of HETI, who have significant knowledge of and experience with the assets, the Receiver prepared a listing of the assets owned by HETI.
- 18. The Receiver sent requests for proposals to twelve auction firms and two other interested parties requesting proposals to auction the Auction Assets under the following three scenarios: a net minimum guarantee, purchase offer, and straight commission paid to the Receiver.
- 19. Seven auction firms and two other interested parties attended the High River location between June 15, 2023 and June 28, 2023 and performed physical inspections of the Auction Assets.

20. The Receiver received six auction proposals for the Auction Assets and one proposal from an interested party. A summary of the offers received for the Auction Assets as well as an unredacted version of the Auction Agreement and the Teck Proposal are found in the Confidential Supplement to the First Report dated July 5, 2023 (the "**Confidential Supplement**").
21. The Receiver reviewed the proposals received from the auction firms and interested other parties, in consultation with HSBC, and selected a purchase offer from Teck for specific components related to a custom fabrication project that HETI undertook (the "**Teck Components**"), and a net minimum guarantee offer from Century for the remaining assets.
22. The Receiver requested that the two auction firms with the highest bids provide revised proposals excluding the Teck Components and, based on the revised offers received, the Teck offer provided the highest value for the Teck Components.
23. The Receiver has selected the auction proposal from Century (the "**Century Proposal**") on the basis that Century offered the highest net minimum guarantee ("**NMG**").
24. Based upon the terms of the offers from Teck and Century, the Receiver accepted the Teck proposal (the "**Teck Proposal**") and has entered into an agreement with respect to the Century Proposal (the "**Century Auction Agreement**"). Key terms of the proposals include:
 - a) The Teck Proposal:
 - i. Teck shall pay the Receiver the full purchase price plus GST upon approval of this Honourable Court;
 - ii. Teck will purchase the Teck Components on an 'as is, where is' basis; and
 - iii. Teck will be responsible for the removal and transportation of the Teck Components from the HETI Facilities.
 - b) The Century Auction Agreement:
 - i. Century shall pay the Receiver a NMG;
 - ii. Century shall retain a sum above the NMG for its sole and exclusive benefits in consideration for its services (the "**Admin Fee**");

- iii. Auction proceeds in excess of the NMG and Admin Fee shall be paid 90% to the Receiver and 10% to Century;
 - iv. Century shall have the right to charge the purchasers of the Auction Assets a buyer's premium of 12%, capped at \$1,195; and
 - v. Century shall have full access to the HETI Facilities to access the Auction Assets and perform the Auction.
- 25. The accepted Teck Proposal and Century Auction Agreement, which are subject to the approval of this Honourable Court, substantially in the same form with commercial terms redacted are attached as "**Appendix A**" and "**Appendix B**" respectively to this First Report.
- 26. The Receiver is recommending this Honourable Court approve the Teck Proposal and Century Auction Agreement on the basis that the Receiver:
 - a) Successfully canvassed the market in soliciting auction proposals from twelve reputable auctioneers and two other interested parties, and six auction proposals and one other proposal were obtained;
 - b) The Teck proposal provides the highest value of the Teck Components based on the allocated value per the auction proposals;
 - c) The Property subject to the Century Auction Agreement will be sold via a broadly advertised auction and provides the opportunity for the Receiver to capture 90% of the value in excess of the net minimum guarantee and admin fee as disclosed in the Confidential Supplement;
 - d) Is of the opinion that the auction terms per the Century Auction Agreement will result in the highest recovery on the Auction Assets; and
 - e) Consulted with HSBC on the proposals received from the auctioneers and other interested parties and HSBC is supportive of the Receiver selling the Teck components to Teck and the remaining Auction Assets via Century.

SEALING ORDER

- 27. It is the view of the Receiver that the details of the auction proposals and the Teck Proposal received and the commercial terms in the Century Auction Agreement constitute commercially sensitive information that could negatively impact the monetization of the Auction Assets if made public prior to the auction.

28. The Receiver is of the view that this information should remain confidential until the completion of the auction to preserve the integrity of the auction process in the event that the proposed auction does not proceed. Therefore, the Receiver is seeking an Order of this Honourable Court (the “**Sealing Order**”) sealing the values of the auction proposal, the terms of the auction proposals solicited by the Receiver, and the Century Auction Agreement.

RECEIVER’S RECOMMENDATIONS

29. The Receiver respectfully recommends that this Honorable Court approve:
- a) The Authority to Sell;
 - b) The Teck Proposal
 - c) The Century Auction Agreement; and
 - d) The Sealing Order.

Dated at Calgary, this 5th day of July, 2023.

ERNST & YOUNG INC.
in its capacity as the Receiver of
Highwood Equipment Technologies Inc.



Peter Chisholm CA, CPA, CIRP, LIT
Senior Vice President



Josh Heagy, CPA
Director

APPENDIX A
REDACTED TECK PROPOSAL



Teck Coal Limited
Sparwood Administration Office
P.O. Box 1777 609 Douglas Fir Road +1 250 425 8096 Tel
Sparwood, B.C. Canada V0B 2G0 www.teck.com

June 29, 2023

Director, Turnaround and Restructuring Strategy
Ernst & Young Inc.
2200 – 215 2nd Street SW
Calgary, AB
T2P 1M4, Canada

Attention: Joshua Heagy

Per email: <mailto:Joshua.Heagy@parthenon.ey.com>

Dear Sir,

RE: HIGHWOOD EQUIPMENT TECHNOLOGIES INC. – PURCHASE OFFER

The above matter bears reference. Teck Coal Limited (“**Teck**”) wishes to make an offer to purchase the materials detailed in the table below (the “**Materials**”), which Materials form part of the estate of Highwood Equipment Technologies Inc. (“**Highwood Equipment**”) and is being managed by Ernst & Young Inc. (“**EY**”) as the court-appointed receiver.

Teck hereby offers to EY an amount of **CAD \$** [REDACTED] for the Materials [also referenced by EY under Order Numbers 2680 and 2690], on condition that such Materials remain in place and in the same condition as was verified during a visual inspection by Teck and EY representatives at the Highwood Equipment premises on Tuesday, June 27, 2023 until such time as title, care, custody and control is transferred to Teck.

Material	Description	Teck Job	Qty
C8X11 - 20' LENGTH	C8X11 - 20' LENGTH	2690-01	120
C8X11 60' LENGTH	C8x11 - 60' LENGTH	2690-01	120
W10X49 - 40' LENGTHS	W10X49 - 40' LENGTHS	2690-01	320
W10X49 - 50' LENGTHS	W10X49 - 50' LENGTHS	2690-01	200
TCLT-2690-L015	PL, 5/8" 44W	2690-01	4
TCLT-2690-W012 PLATES	FOOT COLUMN	2690-01	16
TCLT-2690-L020	PL, 3/8" G40.21-44W	2690-01	32
TCLT-2690-L020	PL, 3/8" G40.21-44W	2690-01	66
TCLT-2690-L015	PL, 5/8" 44W	2690-01	4
UNISTRUT - SHALLOW 1-5/8" X 1"	Galvanized - 10' LENGTH	2690-02	8
TCLT-2690-L002	PL, 3/8" 44W	2690-02	4
TCLT-2690-W001-01	PL, 1 1/4" 44W	2690-02	8
TCLT-2690-W001-03	PL, 1 1/8" 44W	2690-02	16

TCLT-2690-W001-06	PL, 1 1/8" 44W	2690-02	8
TCLT-2690-W001-07	PL, 1 1/8" 44W	2690-02	8
TCLT-2690-W002-02	PL, 1" 44W	2690-02	8
TCLT-2690-W004-02	PL, 1" 44W	2690-02	16
TCLT-2690-W021-01	PL, 1 1/4" 44W	2690-02	8
TCLT-2690-W021-03	PL, 1 1/8" 44W	2690-02	16
TCLT-2690-W021-06	PL, 1 1/8" 44W	2690-02	8
TCLT-2690-W021-07	PL, 1 1/8" 44W	2690-02	8
AH3412L12-6	T&B 12IN CLASS D 4 IN SIDEWALL	2690-02	4
TCLT-2690-S007-01	PL, 5/8" 44W	2690-02	8
TCLT-2690-W001-02	PL, 5/8" 44W	2690-02	8
TCLT-2690-W001-04	PL, 5/8" 44W	2690-02	8
TCLT-2690-W001-05	PL, 5/8" 44W	2690-02	8
TCLT-2690-W002-01	PL, 5/8" 44W	2690-02	32
TCLT-2690-W003-01	PL, 5/8" 44W	2690-02	16
TCLT-2690-W004-01	PL, 5/8" 44W	2690-02	16
TCLT-2690-W021-02	PL, 5/8" 44W	2690-02	8
TCLT-2690-W021-04	PL, 5/8" 44W	2690-02	8
TCLT-2690-W021-05	PL, 5/8" 44W	2690-02	8
TCLT-2690-L017	16 GA 304 SS	2690-02	112
TCLT-2690-L018	16 GA 304 SS	2690-02	32
TCLT-2690-L019	16 GA 304 SS	2690-02	32
TCLT-2690-L021	PL, 3/16" 44W	2690-02	1
TCLT-2690-L022	PL, 3/16" 44W	2690-02	1
TCLT-2690-W015 PLATES	Platform Snow Roof	2690-03A	4
TCLT-2690-W016 PLATES	Platform Snow Roof - No Cutout	2690-03B	4
TCLT-2690-W017 PLATES	Snow Shield Stand	2690-03C	4
TCLT-2690-W020 PLATES	Light Mount Post	2690-04	3
TCLT-2690-L003	PL, 1/4" 44W	2690-05	4
TCLT-2690-L004	PL, 1/4" 44W	2690-05	4
TCLT-2690-L005	PL, 1/4" 44W	2690-05	4
TCLT-2690-W006 PLATES	AN Stand Upper Ladder	2690-05	2
FB, 1 1/2" X 1/4	FB, 1 1/2" X 1/4	2690-05	60
FB, 2 1/2" X 3/8"	FB, 2 1/2" X 3/8"	2690-05	40
L 2-1/2 X 2-1/2 X 1/4	L 2-1/2 X 2-1/2 X 1/4	2690-05	80
L 2.5X2.5X0.25	L 2.5X2.5X0.25	2690-05	20
LADDER HOOPS	SUPPLY AND ROLL	2690-05	2
TCLT-2690-W010	Platform Mount	2690-06	6
TCLT-2690-W024	Platform Mount	2690-06	2
TCLT-2690-S006 PLATES	AN Silo Slide Gate	2690-07	4
TCLT-2690-W011 ITEM 1	PL, 3/6" 44W	2690-07	16

TCLT-2690-W023 PLATES	SLIDE GATE KEEPER BAR	2690-07	4
PI, 10 SCH 40	304 STAINLESS	2690-07	1
TCLT-2690-S006 ITEM 10	TCLT-2690-L013	2690-07	8
TCLT-2690-S006 ITEM 8	TCLT-2690-M001	2690-07	8
TCLT-2690-S006 ITEM 9	TCLT-2690-L011	2690-07	12
TCLT-2690-W013 PLATES	STAIR SET	2690-08	2
TCLT-2690-W018 PLATES	Stairs Snow Roof - LHS	2690-09	1
TCLT-2690-W019 PLATES	Stairs Snow Roof - RHS	2690-10	1
Ã~4" SPIRAL WOUND GASKET	Ã~4" Spiral Wound Gasket	2690-11	8
TCLT-2690-S005 PLATES	4" Fill Pipe	2690-11	8
CP-01 JUNCTION BOX	CSA General Purpose Panel	2690	1
CP-02 JUNCTION BOX	CSA General Purpose Panel	2690	1
16/4	CORD, SOOW, ULTRA-FLEX - NPRN	2690	200
16/3LT	CORD, SEOOW, FLEX - THERMOPLAS	2690	48
VMM-61	MOUNTING BRACKET - 2P-800-1	2690	8
SC-7	SAFETY CORD - 6' LG	2690	8
4X6.25CH-48	CHANNEL IRON (48 INCHES)	2690	8
2P-800AL-1	ELECTRIC VIBRATOR, HD, 1PH, 11	2690	8
TCLT-2690-L016	Silo Foot Alignment Jig	2690	4
FEAFC227	CUTTER ANNULAR 7/8"-2"	2690	4
CIP VMVL-7-UNV1	7000 LUMENS CHAMP	2690	4
CIP FMVA15LCY-UNV1-76	FMVA LED floodlight	2690	6
CRS VMVL-3-UNV1	VMVL Led Fixture	2690	4
CRS CM2	CHAMP COVER CEIL 3/4 Conduit	2690	4
CRS VMVL-S812-K1	VMV LED trunnion mount kit	2690	4
WINDFRAME MPI	MPI of Windframe Components	2690	0

Should EY receive a higher purchase offer from another party, we kindly request the opportunity to discuss the matter prior to EY awarding the bid.

We trust you find the above in order and look forward to receiving your reply. Kindly do not hesitate to contact Jennifer Syme (Purchasing Agent) via email at Jennifer.Syme@teck.com or per telephone on +1 (403) 767 8593 should you have any questions or queries in this regard.

Sincerely,

 Digitally signed by Gael MacQueen, Director SCM
Date: 2023.06.29 14:59:40 -06'00'

Gael MacQueen
Director, Supply Chain Management

Josh Heagy

From: Jennifer Syme <Jennifer.Syme@teck.com>
Sent: July 4, 2023 1:06 PM
To: Josh Heagy
Cc: Andrew Buddle; Alissa Proc; Saretha Louw; Peter Chisholm
Subject: RE: Highwood Technologies Inc. - RFP - 2023-06-29

Afternoon Josh,

We confirm the below.

Best, Jennifer

From: Josh Heagy <Joshua.Heagy@parthenon.ey.com>
Sent: Tuesday, July 4, 2023 11:20 AM
To: Jennifer Syme <Jennifer.Syme@teck.com>
Cc: Andrew Buddle <Andrew.Buddle@teck.com>; Alissa Proc <Alissa.Proc@teck.com>; Saretha Louw <Saretha.Louw@teck.com>; Peter Chisholm <Peter.Chisholm@parthenon.ey.com>
Subject: RE: Highwood Technologies Inc. - RFP - 2023-06-29

[External email]

Jennifer,

Reference is made to the attached Offer (the "Offer") of Teck Coal Limited ("Teck"). Capitalized terms used but not defined herein have the meaning given to them in the Offer.

The Offer is acceptable to Ernst & Young Inc. in its capacity as receiver and manager of Highwood Technologies Equipment Inc. (the "Receiver"), provided Teck agrees to the following additional terms and conditions:

1. The Offer, as modified by this email, is approved by the Court of King's Bench of Alberta in the receivership proceedings of Highwood Technologies Equipment Inc.
2. The purchase price in the Offer is exclusive of applicable taxes, including without limitation, goods and services taxes, and all applicable taxes will be added to the purchase price and payable by Teck to the Receiver at closing, unless otherwise agreed by the Receiver in writing.
3. Teck will be responsible to take possession of the Highwood Equipment at its own cost. The Receiver will give Teck reasonable access to the applicable premises to allow Teck to remove the Highwood Equipment.
4. The Highwood Equipment is sold on an "as is, where is" basis, and Teck acknowledges that the Receiver makes no representations or warranties to Teck in respect of the Highwood Equipment or the Offer. Further Teck acknowledges that it has conducted to its satisfaction such independent searches, investigations and inspections of the Highwood Equipment as it deemed appropriate, and based solely thereon, has determined to proceed with the Offer as modified by this email.
5. Closing will occur following Court approval, on a date to be agreed to by the parties. The parties will execute such further and other documents and do such further and other things as may be necessary to carry out and give effect to the intent of the Offer, as modified by this agreement, including without limitation, executing a Bill of Sale (or similar document) to convey the Highwood Equipment to Teck.

Please confirm Teck's acceptance of these terms and conditions by reply email.

Thank you,

Josh Heagy, CPA | Director | Turnaround & Restructuring Strategy
Ernst & Young Inc.
Direct: +1 403 206 5070 | Joshua.Heagy@parthenon.ey.com

From: Jennifer Syme <Jennifer.Syme@teck.com>

Sent: Thursday, June 29, 2023 3:22 PM

To: Josh Heagy <Joshua.Heagy@parthenon.ey.com>

Cc: Andrew Buddle <Andrew.Buddle@teck.com>; Alissa Proc <Alissa.Proc@teck.com>; Saretha Louw <Saretha.Louw@teck.com>

Subject: Highwood Technologies Inc. - RFP - 2023-06-29

Hi Josh,

Thank you for the opportunity to inspect the assets at Highwood Technologies and submit an offer to purchase. Please see attached the Teck Proposal / Offer to Purchase for your review and consideration.

Please acknowledge receipt.

Best,
Jennifer Syme
Purchasing Agent
Teck Resources Limited
+14037678593

The information contained in this communication is intended solely for the use of the individual or entity to whom it is addressed and others authorized to receive it. It may contain confidential or legally privileged information. If you are not the intended recipient you are hereby notified that any disclosure, copying, distribution or taking any action in reliance on the contents of this information is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately by responding to this email and then delete it from your system. EY is neither liable for the proper and complete transmission of the information contained in this communication nor for any delay in its receipt.

APPENDIX B

REDACTED CENTURY AUCTION AGREEMENT

ASSET DISPOSITION PROPOSAL



SUBMITTED: June 30th, 2023
IN THE MATTER OF: Highwood Equipment Technologies Inc.
PRESENTED TO: Ernst & Young Inc.



CENTURY SERVICES CORP.
96057 - 2431 Drive East
HIGH RIVER, ALBERTA T1V 1M3
PH. 403-269-6600

Mario Molina, General Manager
mmolina@centuryservices.com
403-200-5827

Anthony (Tony) Alberda, Vice President Auctions &
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aalberda@centuryservices.com
780-935-2619

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I. INTRODUCTION

June 7, 2023

Sent via Email: joshua.heagy@parthenon.ey.com

2200 - 215 2nd Street SW
Calgary, Alberta, T2P 1M4,

Attention: Josh Heagy, CPA

Dear Sir:

RE: Highwood Equipment Technologies Inc.

Century Services Corp. ("**Century**") has prepared these Proposals to address the disposition requirements of **Ernst & Young Inc. as Receiver ("EY" or the "Client") of Highwood Equipment Technologies Inc. ("HET")**. Century's extensive experience with your industry, its global buyer network, and familiarity with the assets, make us the ideal company to extract maximum value and minimize selling costs in this challenging economic environment.

Thank you for the opportunity to submit the enclosed Proposal. I look forward to the opportunity to further dialog and assist you with your asset disposition needs.

Respectfully yours,

Mario Molina
General Manager.
CENTURY SERVICES CORP.

II. SUBJECT ASSETS

The Assets included as part of this Proposal are specifically set out in the attached Schedule "A" and include items including but not limited to:

- Forklifts
- Pickup
- Fabrication Equipment
- Support Equipment
- Others

The following are photos of some of the assets to be included in the disposal sale:



III. ASSET DISPOSITION PROPOSALS

Century has reviewed certain assets of **Highwood Equipment Technologies Inc.** per the listing provided by **Ernst & Young Inc.**, the latest version of which forms Schedule "A" to these Proposals (the "**Assets**").

Based on our review and subject to the Special Terms and Conditions set out below and the General Terms and Conditions in Section XII, we present the following Proposals for your consideration.

PROPOSAL A:

NET MINIMUM GUARANTEE [REDACTED]
(with Gross Auction Revenue exceeding [REDACTED] the "Sharing Threshold", to be split [REDACTED] to the Client and [REDACTED] to Century - the "Split." Any amount in excess of the NMG, up to the Sharing Threshold shall be to the sole account of Century)

(the "NMG Proposal")

PROPOSAL B:

OUTRIGHT PURCHASE PROPOSAL
Century to purchase all the Assets for [REDACTED] CAD plus GST (the "Purchase Price").

(the "Outright Purchase Proposal")

PROPOSAL C:

STRAIGHT COMMISSION PROPOSAL
[REDACTED] Commission of Gross Auction Revenue

(the "Straight Commission Proposal")

(the NMG Proposal and the Outright Purchase Proposal and the Straight Commission Proposal are collectively, the "Proposals")

SPECIAL TERMS AND CONDITIONS:

- (1) The nature of the Assets and in some cases the combination of Assets to be included in a disposal can have a significant bearing on the overall appeal of a sale to the marketplace. As such, any changes to the asset listing (as compared against Schedule A) to be included in the disposal process could change the marketability of the overall disposal sale. Therefore, any changes to the Asset listing can result in Century adjusting the Proposals in its sole discretion.
- (2) For certainty, the Assets shall include all non-fixed, non-fixture, miscellaneous and sundry assets of every kind ("Sundry Assets") on a wall-to-wall, floor-to-ceiling basis that may ultimately carry any reasonable value through an auction process. The total of all such Sundry Assets shall be included in sale results and contribute to Century meeting the NMG and Sharing Threshold values and is not separate from the Assets for this purpose. The Client shall be responsible to ensure it reviews all such Sundry Assets seven (7) days

prior to the close of the Auction and confirm all are appropriate for sale and notify Century prior to that date.

- (3) Century proposes to hold a timed online public auction sale of the Assets (the "Auction") on a mutually agreed upon date currently anticipated to be August 15, 2023.
- (4) Century shall have unrestricted, free use of the premises located at 80042 – 475th Avenue East, High River, AB T1V 1M3 (the "Premises") to access the Assets and perform the Auction, and for a reasonable period after for the removal of the sold Assets and clean-up of the Premises. The Premises shall be delivered to Century in a reasonably clean and safe condition conducive to the conduct of the Auction, any costs and expenses incurred by Century to render the Premises in such conditions shall be indemnified by the Client. Century anticipates its use of the premises shall end on or before August 31, 2023, however the Client will work with Century if adjustments to this deadline are reasonably required. Century will leave the premises in broom-swept condition upon vacating the Auction site. If the Premises are leased, the Client shall obtain and provide a waiver from the landlord providing for the foregoing. The Client shall be responsible for any and all garbage and waste disposal costs and expenses.
- (5) Century reserves the right to charge a Buyer's Premium for this Auction which shall be 12% Capped at \$1,195 of the final bid amount of the Buyer in respect of each Asset (the "Buyer's Premium"). Any Buyer's Premium collected will be to the sole account of Century and will not constitute sales for the purpose of calculating Gross Auction Revenue. The Buyer's Premium shall apply to all sales, prior to, during and after the Auction.
- (6) The Client accepts sole responsibility for the Assets throughout the period between Century's physical inspection and the time of release of all Assets to Buyers at the Auction or the outright purchase of the Assets by Century.
- (7) The Assets are subject to the Encumbrances to be identified and listed by the Client in Schedule B, which the Client hereby authorizes and agrees to assist Century in taking steps to discharge (the "Identified Encumbrances"). The Client agrees that Century shall not be obligated to Auction any Asset or make any payment to the Client in respect of an outright purchase unless it has received assurances, satisfactory to Century in its sole discretion, that all Encumbrances, including the Identified Encumbrances, have been terminated and discharged.
- (8) Century shall have the right to add any other assets to the Auction at its sole discretion. All monetary proceeds associated with the sale of such additions shall be to Century's account alone and shall not be included in any way in Gross Auction Revenue.

IV. SALES STRATEGY

Century will set up and operate a two component Asset Disposition Strategy consisting of a pre-sales opportunity concurrently with an online public auction sale. Potential Buyers will have the opportunity to view the Assets onsite and online (as applicable) and will be able to submit competing Bids before and during the Auction.

The pre-sales opportunity has been shown to attract serious potential Buyers willing to pay top dollar for an Asset, and meanwhile creating an increasingly competitive environment that will benefit the Liquidation and Auction Sale in maximizing overall returns.

IV. SALES MARKETING & ADVERTISING

Century may incorporate any of the following combinations of techniques to facilitate an effective and efficient marketing campaign, to maximize exposure, market penetration and reach potential buyers, and to meet budgetary requirements.

- Trade & Industry Related Publications
- Newspapers – Local, Regional, National, and North American wide
- Social Media & Other Online Marketing Techniques & Paid Promotions
- Pay Per Click Keyword Searches on Internet Search Engines
- Email Marketing Campaigns
- Internet Marketing, Web Banners, E-Newsletters
- Website Marketing
- Upcoming Auction Postings & Teasers
- Buy & Sell Listings
- Brokers & Dealers
- Marketing Brochures, Flyers, Post Cards, Handouts, and other printed matter
- Trade Shows & Events
- Targeted Mail, Email, Fax, and Telemarketing
- Addressed and Unaddressed Admail Campaigns
- Press Release, Television and Radio Campaigns
- Past and Present Clients
- Other

V. SALES PROCESS

The Sales Process will be comprised of the following order:

- 1) Proposal acceptance.
- 2) Planning Stage:
 - Project Management & Budgeting
 - Inspect Premises & Secure Assets
 - Deploy Staff & Resources
 - Preliminary Checks – Inspect Equipment, Equipment Listing, Photos, Documents
 - Clean, Prep, and Service Assets for maximum return
 - Organize The Premises and Organize the Assets
 - Create Marketing Plan & Design Ad Materials
- 3) Marketing Stage & Pre-Sales:
 - Identify Target Market
 - Implement Marketing and Advertising Campaign
 - Post Asset Descriptions for Online Viewing

- Respond To Inquiries, and Schedule Viewing Appointments
 - Negotiate Pre-Sales
 - Register Bidders
- 4) Liquidation & Auction Setup
 - Continue to Prepare Venue for Liquidation & Auction
 - Obtain Cleaner Photos and Descriptions of Assets
 - Pre-lotting & Cataloging
 - 5) Auction Previewing & Bidder Registrations
 - 6) Auction Day
 - 7) Auction Loadout
 - 8) Final Accounting & Reporting
 - 9) Distribution of Proceeds

VI. SAMPLES OF BROCHURE & NEWSPAPER ADVERTISING

[illegible][illegible][illegible]

UNRESERVED AUCTION

SHEPARD ROAD PLANT CLOSER

TUESDAY NOVEMBER 28TH, 2017 AT 9:00 AM

Market: 1422 2015 Two Piece Body

Natural Gas Engines

Common Pallets

BINGS SELLING

FOREMOST

Also Featuring: **METAL INDUSTRIES**

Address: 8825 Shepard Road SE
Calgary Alberta

In accordance with the conditions of sale set forth in the Terms and Conditions of Sale, the items are sold "AS IS" without any warranty.

PREVIEW: Monday, November 27, 2017 • 8 a.m. – 5 pm or by Appointment

Skid & Trailer Mounted Natural Gas Screw Compressors, Pickup & Service Trucks, Natural Gas Engines, P&H 15-Ton Crane, Forklifts, Crown Ranch LRT, Ingersoll Rand Light Tower, City of Staircases & Plate Steel & Structural Steel, Welders, CNC Lathes, Metalworking Equipment, Hyd-Mech Sewer, Tank Rolls, New Compressor Parts, **PLUS MUCH MORE!**

City of Tank Rolls

Welders

P&H 15-Ton Crane

Plate Steel

Service Trucks

Welders M&H CNC Lathes

Front-End skid Steer Trucks

100% and 10% Golden Bids. Bidders must appear in person. Subject to additional conditions. Complete Terms & Conditions on our website. Auctioneer: James Davidson

FOR MORE DETAILS CONTACT: JAMES CARLSON • 403.870.1177

CENTURY AUCTIONS

A DIVISION OF CENTURY SERVICES

APPRAISALS • REALIZATIONS • CAPITAL • MANAGEMENT

403.269.6600

800.786.0857

CALGARY • EDMONTON • GRANDE PRAIRIE • HIGH RIVER • TORONTO

[illegible]

UNRESERVED AUCTION

An Auctioneer by RTI Consulting Canada Inc. & Broker & Young's Inc. Oilfield and Manager For:



PPEC
PAPER PULP & ENERGY
CORPORATION

SELLING OVER
1500 LOTS



OILSANDS
EXPEDITING LTD

Auction: Thurs, Oct 45, 2015 - 9am MDT
Preview: Oct 13 & 14 - 8:5pm MDT
Location: PPEC Site, Fort McMurray, Alberta, Canada

2 DAYS

SELLING 512 MILLION FEET OF INDUSTRIAL & CONSTRUCTION EQUIPMENT
 2003 Trane, H2224 Granger Crane, 2009 Caterpillar, RT350A RT Crane, 2008 Trane
 RT780 RT Crane, 2013 Taylor TXH-300 Forklift, 50000 Lbs. & Asset Heavy Equipment,
 2003 CAT 7390 Forklift, 2009 Caterpillar, 2009 Caterpillar, 2009 Caterpillar, 2009
 Boom Lifts, (4) Scissor Lifts, Heavy Trucks & Wrench Trucks, Large Asset of
 Heavy Equipment, 2009 Caterpillar, 2009 Caterpillar, 2009 Caterpillar, 2009
 Portable Building, 2000 Modulus 250-M Crane, (45) Scaffolds, (17) 2014 to
 2011 Ford F450 Service Vans, Light Trucks, Dump Trucks, 2009 Caterpillar, 2009
 Cement Mixer, 2009 Caterpillar, 2009 Caterpillar, 2009 Caterpillar, 2009 Caterpillar,
 Testing Equip., Electrical Tools & Inventory, Crane & Rig Main, And More.

www.CENTURYSERVICES.com

UPCOMING UNRESERVED AUCTION

An Auctioneer by M&P Ltd., Manager & Main Manager For:



G.L.M. Industries Ltd.

SELLING OVER
1000 LOTS



G.L.M. Industries Ltd.

Auction: Wed, Oct 28 & 29, 2015 - 9am CDT
Preview: Oct 26 & 27 - 8:5pm CDT
Location: 14 Street & 5 Ave, Battiford, Saskatchewan

2 DAYS

Auction: Wed, Nov 4 & 5, 2015 - 9am MDT
Preview: Nov 2 & 3 - 8:5pm MDT
Location: 1508-8 Street, Nisku, Alberta, Canada
Preview: Oct 26 & 27 - 8:5pm CDT
SELLING 50 MILLION FEET OF INDUSTRIAL & CONSTRUCTION EQUIPMENT & CRANES & ROLLING STOCK & MORE...

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BOE RECREATIONSHIP LIQUIDATION

Website Dewatering & Fluid Management Systems
 Nisku, Alberta - Equipment For Sale By Offer



CENTURY
SERVICES INC.

INTERNET
AVAILABLE

1-877-294-9488

APPRAISALS • FINANCING • AUCTIONS • LIQUIDATIONS

VII. PAST & PRESENT CLIENTS



VIII. ABOUT OUR CENTURY TEAM

Century Services was established in 1983 and has offices in the Greater Calgary Area and the Greater Edmonton Area. We provide an array of business services ranging from appraisals, auctions, liquidations, asset dispersals, leasing and financing solutions.

APPRAISALS

Appraisals comprise a significant portion of our business, and often become the backbone to decision-making in all business areas and corporate developments.

Our diverse industry experience in appraisals and other business services has allowed Century Services to become a reputable and reliable source for many private businesses, corporations, financial institutions, law firms, accounting firms, government institutions, and in mergers & acquisitions.

We rely heavily on product knowledge, historical data, experience, and reliable external industry sources, and apply these to various sectors, from industrial machinery, manufacturing, heavy equipment, agricultural, oil & gas, forestry, mining, real estate, automotive & trucking, food & hospitality, to consumer retail.

AUCTIONS

With over 30 years of cross industry experience and marketing knowledge, Century can effectively bring buyers and sellers together in a highly competitive bidding environment to maximize returns. From live auctions to online webcast auctions, we have the expertise.

LIQUIDATIONS

Century's team will provide a custom-tailored liquidation recovery strategy which is best suited to maximize the asset-to-cash realization for clients in retail, wholesale, commercial, and industrial settings.

ASSET DISPERSAL OPTIONS

We can market less commonly traded assets by employing different sales strategies, which may include tenders, offers for sale, and direct sales campaigns.

Century will sell assets on a straight commission or fixed fee basis. Alternately, we can provide a net minimum guaranteed return or outright purchase option.

FINANCING

Century provides a variety of asset-based financing solutions to North American based companies who require short-term capital where conventional sources may be unavailable.

- Bridge Loans
- Cash Advance Program
- Debtor-in-Possession Financing
- Distressed Lending
- Inventory Factoring
- Sale & Leaseback
- Take Out Loans
- Terms Loans

IX. THE CENTURY GUARANTEE

Clients rely on Century's advisory services and appraisal valuations for their most important business decisions. Where applicable, we will guarantee our Forced Sale Value appraisals with a net minimum guaranteed return, or an outright purchase.

We maintain a group of certified appraisers and consultants, and equipment specialists from a wide variety of industries. Our network of auctioneers and liquidators are pioneers in the field and continue to lead in their respective specialties.

Our Financing Team consists of former bankers and professional accountants, and we maintain a strong network of legal advisors and corporate advisory services. We can custom tailor a financing package to your needs.

We also have the capital to buy large groups of assets to expedite the liquidation and auction process, and we have the expertise in asset-to-cash recoveries in a broad range of retail, wholesale, business, and industrial sectors.

Please contact us for more information on any of these services.

X. GENERAL TERMS AND CONDITIONS

Refer to the Definitions below for additional clarification.

1. **CENTURY AS AGENT:** The Client appoints Century to act as consignee, selling agent and auctioneer in respect of the Assets as applicable.
2. **NO CONSIGNOR BIDDING:** The Client shall not, directly or indirectly, bid on any Asset to be auctioned pursuant hereto, in any such Auction. Without limiting Century's remedies hereunder or at law, if the Client bids on any Asset, Century shall have the right, in its sole discretion, to (a) reject any such bid and treat the Auction as if such bid had not been submitted, and (b) charge the Client an administrative penalty equal to the Default Commission Rate in respect of the final sale price of such Asset which shall be considered a reasonable, genuine pre-estimate of damages and not a penalty.
3. **DELIVERY, INSPECTION AND ADJUSTMENT:**
 - a. The Client will provide full access to all of the Assets to Century for purposes of preparing for and conducting the Auction (including without limitation set-up, marketing, detailing, maintenance and repair, and inspection by Century and any interested Bidders) not fewer than 14 clear days' prior to the Auction date or such earlier date as may be required by Century under the Special Terms and Conditions;
 - b. Except as expressly stated in Schedule "A," the Client represents and warrants that each Asset is serviced and in good working condition, including with average mileage, and operating hours as is commensurate with the age of such Asset;
 - c. Century has the right to inspect the Assets up to and including the date that possession is finally delivered to the Buyer, and in its sole discretion, to satisfy itself as to the identity, quantity, quality, legal status, and condition of the Assets ("**Final Inspection**");
 - d. Upon Final Inspection if Century determines that any Asset is not of the identity, quantity, quality, legal status, and condition as was understood by Century in the composition of this Proposal, or where access to any Asset is not provided to Century in accordance herewith, Century reserves the right to do any of the following, in its sole discretion and without limitation to Century's remedies hereunder or at law: (i) reject the subject Asset and adjust this Proposal to reflect such rejection, (ii) accept the Asset and adjust this Proposal to reflect Century's determination of any variance in identity, quantity, legal status, condition, quality, or the impact of a deficiency in access to such Asset, or (iii) to retract such Proposal and proceed with the Auction of such Asset on the basis of a straight commission at the Default Commission Rate;

- e. Where Century determines in its sole discretion that a deficiency in the identity, quantity, quality, legal status, condition or access to an Asset or a group of Assets materially impacts the marketability of the Assets as a whole, or otherwise amounts to a material change of the understanding on which an NMG or an Outright Purchase Proposal was offered to the Client, without limitation to Century's remedies hereunder or at law, in its sole discretion, Century reserves the right to: (i) in the case of an NMG Proposal, retract such Proposal and proceed with the Auction in respect of all of the Assets that are subject to this Proposal on the basis of a straight commission at the Default Commission Rate, and (ii) in the case of an Outright Purchase Proposal to retract the Outright Purchase Proposal and be refunded the Purchase Price.
4. LICENSE: Century will be permitted to use the names, trademarks and logos of the Client in the advertising of the Assets for the Auction. Century shall be entitled to refer to the sale as an "auction sale."
5. CONDUCT OF SALE: Century has the right in its sole discretion to do any and all of the following: (a) provide any appraisal of the Assets or assessment of the condition of the Assets; (b) consult any experts in connection with any appraisal, the Auction, the Assets or any matter provided herein; (c) determine set-up, lotting, marketing, cataloguing, details, and descriptions of the Assets; (d) add, group or offer other assets in conjunction with the Assets (in which case all proceeds from such other assets shall be for Century's sole account and shall not be considered Gross Auction Revenue); (e) determine Auction date(s), forum, and venue for sale of the Assets; (f) determine the manner of conducting the Auction; (g) sell any and all of the Assets prior to the Auction; (h) establish any reserve price in respect of any Asset, as the minimum price at which an Asset may be sold; (i) participate directly or indirectly in the Auction; and (j) subject to any reserve price established or agreed to by Century, accept the highest bid from any Buyer.
6. COSTS AND EXPENSES: Except as expressly stated otherwise herein or in the Special Terms and Conditions, Century will be responsible for all reasonably foreseeable costs and expenses that Century incurs in the ordinary course to market and conduct the Auction, including auction set-up, asset cataloguing, advertising, third party sales commissions, staffing, marketing, administrative expenses, and title due diligence. Client shall be responsible for any and all costs and expenses associated with transportation, detailing, maintenance, refurbishment, repair, or storage of the Assets or any of them, provided that any such costs and expenses shall be agreed upon between the Client and Century prior to being incurred by Century. The Client shall also be responsible for any and all merchant and banking charges where extra charges apply to the Client's account or as a result of the payment method used by any Buyer, any and all costs and expenses incurred by Century to rectify any defect or deficiency in title to the Assets, and any and all costs and expenses indemnified under Section **Error! Reference source not found.** below. Century may deduct any and all costs and expenses for which the Client is responsible from the net amount payable to the Client pursuant hereto. Otherwise, such costs shall be due upon being invoiced by Century to the Client. Where Century is unable for any reason to sell any Asset at or prior to the Auction contemplated in this Proposal, and such Asset is being stored on Century's premises, then in addition to any rights that Century may have as a storage operator at law, Century shall be entitled to the following storage and handling fees: (a) a one-time, \$250 handling fee per lot, plus \$50 per month per lot for each serial numbered good, or large equipment lot (having an appraised value of \$1000 or more), and (b) \$5 per month per lot for each small good, hand tool and miscellaneous item or (c) if Century subsequently sells such Asset, an additional 1% Commission per month of storage prorated for any partial month based on the number of days.
7. SET OFF: Century shall have the right to set off any amount that may be owed by Century to the Client hereunder or pursuant to any other dealings, against any amount that may be owed by the Client to Century hereunder or pursuant to any other dealings.
8. CLIENT REPRESENTATIONS AND WARRANTIES: Except in the case of an Insolvency Proceeding, the Client covenants, represents and warrants, now and as of the Auction date, that: (a) the Client has the right to consign the Assets for sale to Century; (b) the Client has good clear title, free and clear of all Encumbrances, excepting only Identified Encumbrances which shall be terminated and discharged from the proceeds of the Auction or otherwise discharged to Century's sole satisfaction; (c) except as expressly disclosed to Century in writing, the

Assets are in good operating condition, free of material defects, and Sale Ready; (d) the Assets comply with all applicable environmental and safety laws, rules and regulations and free of any and all hazardous substances other than ordinary operating fuels; and (e) in the case of each motor vehicle Asset, (i) it has never been rebuilt or salvaged except as disclosed in writing by the Client to Century and (ii) all odometer and hour meters on the Assets reflect actual mileage or usage unless otherwise disclosed by the Client.

9. **RESIDENCY:** the Client is not, and will not be, at the Auction date, or upon receipt of payment for the sold Assets, a non-resident of Canada within the meaning of Section 116 of the *Income Tax Act* (Canada).
10. **TITLE, DELIVERY OF DOCUMENTS BY THE CLIENT, DUE DILIGENCE AND POWER OF ATTORNEY:** The Client agrees to transfer title to Century or the Buyer as applicable. At least 10 clear days before the Auction date the Client shall deliver (a) all necessary documents for operation of the Assets in its possession; (b) all documents required to transfer title to Century or any Buyer, as applicable, free and clear of all Encumbrances. The Client authorizes Century to conduct due diligence in respect of the Assets, but under no circumstances shall Century have a duty to conduct, nor be responsible for the results of any such due diligence. The Client nominates and appoints Century as its attorney to (i) deal with any creditors in relation to Encumbrances including the payout thereof, and (ii) sign, execute, and deliver all documents required to transfer title and effect registration thereof, free and clear of all Encumbrances. This power of attorney is a power coupled with an interest. Risk of loss shall remain with the Client until final sale and delivery to the Buyer.
11. **INSURANCE:** Century and the Client will each carry Two million (\$2,000,000) CAD comprehensive general liability insurance covering personal injury and property damage that may occur during or in connection with the Auction. The Client shall also carry insurance coverage in respect of the Assets for their replacement value to the extent title does not pass to Century pursuant to the Proposals (as applicable, the “**Client’s Insurance**”). The Client shall name Century as an additional insured. In the case of an NMG Proposal and to the extent that Century has not adjusted the NMG in accordance with Section 3 above, any insurance proceeds received in respect of any Asset by the Client shall be applied first to reduce the NMG amount, then to the extent exceeding the NMG amount, dispersed to Century up to the Sharing Threshold, then to the extent exceeding the Sharing Threshold, shared in accordance with the Split.
12. **AGGREGATE LIABILITY:** The Client hereby releases and indemnifies, agrees to defend and hold harmless, Century, Century’s affiliates and each of their agents, representatives, employees, principals, successors, officers, directors and assigns (each an “**Indemnified Party**”), from and against any and all Claims relating to any breach by the Client of any term, condition, obligation, covenant, warranty or representation hereunder, including without limitation any deficiency in identity, quantity, legal status, condition, quality, or delivery of any Asset.
13. **WAIVER OF CONSEQUENTIALS:** In no event shall Century be liable for any indirect, special, punitive, exemplary, or consequential damages or losses, loss of revenue, loss of profit, loss of business, economic loss, loss of opportunity, loss of reputation, loss of use, or anticipated savings on costs or expenses, regardless of whether such damages or losses were reasonably foreseeable at the time of contract, and whether in contract, tort, statute, or any other legal theory.
14. **JOINT AND SEVERAL:** Where any affiliate or related person of the Client consigns goods to Century for Auction pursuant to any Proposal, any and all liabilities, obligations, covenants and duties set out herein shall be joint and several in nature and any and all such affiliates and related persons shall be considered bound by the terms of this Proposal.
15. **FORCE MAJEURE AND MATERIAL ADVERSE CHANGES:** Notwithstanding anything herein, neither party shall be liable for delay or obstruction of its ability to perform its obligations hereunder due to a Force Majeure. If a Material Adverse Change occurs, in any case where an Outright Purchase Proposal or NMG Proposal was offered to the Client, Century may in its sole discretion retract such Proposal and proceed with the Auction on the basis of the Straight Commission Proposal herein, in respect of some or all of the Assets.
16. **TERMINATION:** In the event that Client advises Century not to proceed the Auction after acceptance of this Proposal, the Client agrees to pay Century a termination fee equal to 5% of the anticipated Gross Auction Revenue as determined by Century, acting reasonably plus all reasonable expenses incurred by Century in

preparing for the Auction up to the date of termination. For certainty, Century's sole determination of the anticipated Gross Auction Revenue shall be binding on the parties for the purposes of this clause. The payment of the termination fee shall constitute liquidated damages, not a penalty.

17. **CONFIDENTIALITY:** The parties agree to keep this Proposal confidential except as required by law or disclosed to the Public in the ordinary course of the Auction.
18. **TAXES:** Except in the case of an Outright Purchase Proposal, Century will be responsible for charging, collecting and remitting the G.S.T., P.S.T. and H.S.T. as applicable. In all cases in the Proposals, all amounts are before taxes.
19. **GOVERNING LAW:** These terms and conditions shall be governed by and interpreted pursuant to the laws of the Province of Alberta without regard to its rules on conflict of laws. The parties hereby agree that any dispute, action or proceeding hereunder shall be brought in the courts of the Province of Alberta and the party's consent and submit to the exclusive jurisdiction of the Court of Queen's Bench in Calgary, Alberta.
20. **ENTIRE AGREEMENT:** The parties acknowledge and understand that this Proposal constitutes the entire agreement between the parties with respect to the subject matter hereof, cannot be amended except upon mutual written consent by the parties. In the event of any conflict or inconsistency between these General Terms and Conditions, and the Special Terms and Conditions, the Special Terms and Conditions shall prevail. These General Terms and Conditions and the Special Terms and Conditions shall prevail in the event of any conflict or inconsistency with any other part of this Proposal.

ADDITIONAL CLAUSES FOR STRAIGHT COMMISSION AND NMG PROPOSAL

22. **UNSOLD OR FORFEITED ASSETS:** If Century has not sold any Asset after the Auction date or any Asset is sold but the Buyer fails to complete the sale, Century may in its sole discretion do any of the following in respect of each such unsold Asset: (i) sell it at another auction and/or through any forum or venue; (ii) abandon it or (iii) in the case of an NMG, take title to it which shall be deemed assigned, transferred and conveyed upon payment by Century of the NMG amount and without further compensation (and for clarity where Century has taken title to an unsold Asset, the Client shall have no interest or entitlement in respect of any resale of such unsold Asset). Unless Century expressly elects to resell or take title to an unsold Asset, Century shall be deemed to have abandoned such Asset.
23. **PROCEEDS:** All Gross Auction Revenue shall be held by Century in trust, (which may be comingled) and disbursed to or on behalf of the Client in accordance with applicable law, typically within 21 days, net of amounts to which Century is entitled pursuant to this Proposal.
24. **RESERVE PRICING:** Without limiting Century's discretion pursuant to Section 5 CONDUCT OF SALE, Century will have the right to establish a minimum starting bid or reserve price in respect of any Asset subject to an NMG.

CONVEYANCE FOR OUTRIGHT PURCHASE

25. Upon satisfactory completion, in Century's sole discretion, of Century's due diligence regarding title to and Final Inspection of the Assets as provided for herein, and provided delivery of possession of all Assets has been made to Century, Century shall pay the Purchase Price provided for in this Proposal. As consideration for payment of the Purchase Price, the Client hereby sells, assigns, transfers and conveys its entire right, title and estate in and to the Assets to Century.

ADDITIONAL CLAUSES FOR INSOLVENCY PROCEEDINGS

25. **VESTING ORDER:** In the case of an Insolvency Proceeding, this Proposal is conditional upon prior approval by a court of competent jurisdiction by a final court order which has the effect of authorizing the Auction in accordance herewith and vesting title to the Assets free and clear of all Encumbrances, in Century or the Buyer

as applicable (the "**Vesting Order**"). If the Court fails to grant the Vesting Order or the Vesting Order is granted but does not become a final order, this Proposal shall terminate and the parties shall have no further liabilities or obligations to each other except for the return of any deposit, and the payment of any break fee or stocking horse fee if applicable. The form of the Vesting Order shall be subject to Century's approval, acting reasonably.

26. **CONFIDENTIALITY:** Concurrently with the Vesting Order, an order will be obtained sealing the financial terms hereof.
27. **MARKETING REFERENCE:** Century shall be entitled to refer to the sale as "liquidation sale" "going out of business sale," "receivership sale," "bankruptcy sale," "foreclosure sale" or similar characterization if and as applicable.

DEFINITIONS

The following terms shall have the following meanings in this Proposal:

- a. "**Auction**" means the auction and sale provided for in this Proposal and includes any sale prior to the auction contemplated in this Proposal.
- b. "**Buyer**" means any bidder, auction participant or otherwise any purchaser of any Asset;
- c. "**Claims**" means claims, demands, losses, liabilities, actions and proceedings (in each case whether threatened or actual), damages, costs and expenses (including without limitation all legal fees on a solicitor-and-own-client basis);
- d. "**Encumbrance**" means any interest, claim, registration, judgement, order, lien, indenture, trust, guarantee, surety, hypothecation, charge, mortgage, security interest or other Encumbrance of any nature affecting the Assets, their proceeds, or any of them, whether registered or not, whether known to the Client or not, including without limitation the Identified Encumbrances, if any;
- e. "**Default Commission Rate**" means the higher of (a) 10% of Gross Auction Revenue and (b) the rate specified in the Straight Commission Proposal hereunder, if any;
- f. "**Force Majeure**" means an occurrence beyond the reasonable control of the parties and which renders it commercially unreasonable for a party to perform its obligations hereunder and includes without limiting the generality of the foregoing an act of God, war, revolution, insurrection, blockage, riot, strike, industrial or civil disturbances, fire, lightning, extreme and/or severe weather, storms, floods, shortage of labour or materials, provided that any lack of finances shall not be considered a Force Majeure;
- g. "**Gross Auction Revenue**" means the proceeds of the sale of the Assets received by Century from the Buyers, and does not include the Buyer's Premium. Gross Auction Revenue is net of any applicable sales taxes including but not limited to, H.S.T., G.S.T. and P.S.T. In the case of a NMG, the full difference between the NMG and the Sharing Threshold shall be for Century's sole account;
- h. "**Insolvency Proceeding**" means a bankruptcy, CCAA proceeding, receivership, foreclosure, or other court ordered assignment of property;
- i. "**Material Adverse Change**" means any material change in economic or regulatory conditions, the occurrence of which can reasonably be expected to have a material adverse effect on the value of the Assets;
- j. "**NMG**" means Net Minimum Guarantee; and
- k. "**Sale Ready**" means clean, polished, vacuumed, dusted and repaired except as expressly disclosed by the Client and agreed to by Century in writing.

We trust the above is to your satisfaction. We are ready to proceed immediately.

CENTURY SERVICES CORP.



Per: _____

Mario Molina – General Manager

XI. ACCEPTANCE

In order to comply with the timetable as outlined, the above Proposals are open for your acceptance until 5:00 PM (MST), on July 14th, 2023, unless extended by mutual agreement.

By signing and initialing below, you expressly agree to the foregoing, the Special Terms and Conditions and the General Terms and Conditions contained herein. Further as required by the *Consumer Protection Act, Public Auction Regulation* (Alberta), I do solemnly declare and knowing that Century is relying on this declaration, that the representations and warranties of the Client contained herein are true and correct and that the Identified Encumbrances disclosed in Schedule "B" hereto are all the Encumbrances affecting the Assets. I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath.

ACCEPTED (INITIAL CHOICE):

PROPOSAL A:  (INITIAL)

PROPOSAL B: _____ (INITIAL)

PROPOSAL C: _____ (INITIAL)

Ernst and Young Inc., in its capacity as Receiver of Highwood Equipment Technologies Inc.

Per: _____

Name: Peter Chisholm

Title: Senior Vice President

Dated: July 5, 2023

XII. SCHEDULES

SCHEDULE A -

ITEM	DESCRIPTION	USAGE	VIN/SN
2	2017 Ford F350 XLT Extended Cab 4x4, 6.2L Automatic	155,298 KMS	1FT8X3B60HEE75406
3	"2018 Manitou M50 - 4 Rough Terrain Forklift 4x4, 1281 Hrs	2313057	
4	"2017 Baoli Forklift KBG 35, LPG, 6200lb Capacity,	1259 HRS	B16010HD0315
5	Hydrmech Model S-20 Band Saw C/W 208V/60HZ/3PH, 3 HP,		6B10172389
6	Strands S 25 Drill Press C/W 220V/60HZ/3PH		489574
7	Acklands FHC-360 Metal Chop Saw C/W 220V/60HZ/3PH		
8	Baldor 10 IN Pedestal Grinder C/W 208V/60HZ/3PH and King Canada 6 IN Bench Grinder		
9	Samuel Banding Machine		
10	Makita LS10017L Mitre Saw C/w Work Table and King Canada Parts washer		
11	Rigid 535 Power Threader C/w Tripod Stand, Mobile Cart, OD Threading Heads		
12	Hydraulic Testing Cart, C/w Elec Drive Pump, Testing Manifold. Multiple Hoses and connections		
13	Hydraulic Fluid Transfer Pump C/w Dual Filter, Suction and Discharge Hoses		
14	Welding Skid C/w Miller Trail Blazer 302 (Diesel), Cable Reels, Fold Down Work Table, Job Box,		LG081079
16	2002 Custom Built 40 Ton Hydraulic Press C/w 208V/60HZ/3PH Pump		
17	Miller Millermatic 350 Mig Welder C/w 200/230/460 V, 60HZ, 1/3 Phase.		
18	Miller Millermatic 350 Mig Welder C/w 200/230/460 V, 60HZ, 1/3 Phase.		
19	Miller Millermatic 350 Mig Welder C/w 200/230/460 V, 60HZ, 1/3 Phase.		
20	Miller XMT 456 CC/CV DC Inverter Multi Process Welder with Miller 70 Series Wire Feeder		
21	Miller XMT 456 CC/CV DC Inverter Multi Process Welder with Miller 70 Series Wire Feeder		
22	Miller Dimension 452 CC/CV DC Inverter Arc Welder with Miller 70 Series Wire Feeder		
	Hypertherm PowerMax 85 Plasma Cutter C/w Mobile cart, 200-600V/60HZ/1-3PH		
	Hypertherm PowerMax 65 Plasma Cutter C/w Mobile cart, 200-600V/60HZ/1-3PH		
23	Miller Dynasty 280 DX Tigrunner C/w CPS		MJ420609L
24	Miller XMT 456 CC/CV DC Inverter Arc Welder with Miller 22A Wire Feeder		
25	Miller Dimension 452 CC/CV DC Inverter Arc Welder		
26	20 Foot SeaCan/Tool Crib with Man door, ramp tools inside		
27	Metal LPG Bottle Cage		
28	Various 45 Gallon Drums with gear oil		
29	Fork Attachments with Lifting Ears		
30	Fifth Wheel Pin Stand		
31	Counter Weight		
32	Metal Stand		
33	Valve		
34	Metal Pipe Stand Heads		
35	10 x 255/70R22.5 Tires and Rims		
36	Pipe Rack with Assorted Pipe		
37	Mobil I beam 2000 LB Crane		
38	Control Technology B.O.P Control System		
	(2) 8 ft x 6 ft rig mats C/W Adjustable Fabrication Stands		

	Fork Mount Levelling Blade
41	Metal Rack with assorted Metal
42	Assorted Cut I-Beam
43	11 x Metal Saw Horse/Stands
44	Metal Insulated Building Siding
45	Double Sided Cantilever Rack C/w Qnty various size I Beam and square stock
46	Assorted lengths I Beam
47	Double Sided Cantilever Storage Rack C/w Assorted lengths I Beam
49	Assorted lengths metal grating Includes Additional Double Sided Cantilever Storage Rack w/ contents
	Single Side Cantilever Storage Rack C/w Qnty Of Flat Bar
	Qnty Of Metal Grating
50	I Beam Frames/Joists
51	Assorted Racking with parts and cables
52	Hydraulic rams with foot pads
53	8 X Metal Cages
55	Assorted Plate Steel and grating
56	Assorted Plate Steel
57	Adjustable Roller/Feeder
58	Double Sided Cantilever Storage Rack with assorted Steel
59	Metal Cylinder Cage (Bottles not included)
60	Various Lifting straps, Dead Falls and Chains
61	Metal Bar Clamps
	Portable Warehouse Cart C/w Mig Wire Spools
62	2 x 6 Foot Fiberglass Ladders
63	2 x Metal Stands
64	(8) Bessey Clamps
65	Walter Icecut Mini
66	Kaeser SK 15 Sigma Compressor 1374 Hours (480 HRs under load)
67	Eliminator Workshop Battery Charger
68	Reception Area
69	Upstairs Office 1
70	Upstairs Office 2
71	Computer system
72	Upstairs Office 3
73	Boardroom
74	White Board (in Boardroom
75	Upstairs Office 4
76	Various Radios with chargers
77	Mast components
78	9 x Rig Mats,
79	Various Counter Weights
80	Mezzane Racking with parts and accessories
81	3 Shelf Metal Rack with Various Parts and King Canada Parts Washer

82	Hillman 40 Ton Deluxe Roller Kit (appears incomplete)
83	7 Foot Fiberglass Ladder
84	Various Heavy Duty Electrical Cords
85	Rigid Pipe Threader (appears incomplete)
86	Rack of various electrical wire
87	Dewalt DW756 Bench Grinder with stand
88	Metal Fabrication Table with Vise
89	Brady BMP 21-Plus Label Printer
90	Metal Fabrication Table with Vice
91	Lenox Electrician's Hole Saw Kit (9 Piece)
92	3 Bank of Full Size Metal Lockers
93	3 x Metal 72 Compartment Bin with assorted parts
94	Metal 32 Compartment Bin with assorted parts
95	Metal 72 Compartment Bin with assorted parts
96	Metal 20 Compartment Bin with assorted parts
97	Metal 64 Compartment Bin with assorted parts
98	2 Shelf Metal Cabinet
99	Zenith Two Door Flammables Cabinet with paint
101	Floor Jack
102	Various Lifting slings
103	6 x Short Jack Stands
104	Metal Fabrication Table with Vise
105	Various Safety Harnesses
106	10 x Short Jack Stands
107	4 x small step ladders
108	Metal Fabrication Table with Vise
109	Various Come-Alongs
110	3 x Hose Reels with hose
111	8 Metal Baskets with Forklift pockets
112	5 Shelf Metal Rack
113	Metal Tool Crib with tools and parts
114	Rack of Mig and Tig wire
115	Metal Tool Crib with welding supplies and parts
116	Various Griding wheels
117	Various Mig and Tig Wire
118	Milwaukee 6370-20 8" Metal Saw
119	6 Shelf Metal Rack with various Milwaukee cordless drills and corded Hand held Grinders
120	50 Gallon Plastic tank
122	8' Louisville Fiberglass Ladder
123	OTC 1505B 5 ton Floor Jack
124	Gullco 350 Electrode Stablizing Oven
125	Metal Cabinet
126	17 x Wilson Welding Screens

128	Metal Fabrication Table
129	Metal Fabrication Table with Vise
130	6 x Metal Pipe Stands
131	Hand Cart
133	2 x Dewalt Hand Held Grinders
134	Fein Slugger Electric Magnetic Drill 5:1 1/16 Stroke
135	Metal Fabrication Table with Vise
136	Metal Fabrication Table with Vise
137	Bank of 6 Full Size Metal Lockers
138	Pallet Jacks
139	2 x Welding Carts with Accessories (Bottles not included)
140	Metal Fabrication Table with Vise
141	Bessy Model JM-1000 1" Drive Socket Wrench
142	Dump Bin with Forklift pockets
143	2 x Metal Fabrication Saw horse
144	5 x Metal Fabrication Stands
145	3 x Metal Steps
146	Outer Office
147	Bank of Three Full Size Metal Lockers
148	Bank of Three Full Size Metal Lockers
149	Two Single Full Size Metal Lockers
150	Brother MFC-9340CDW Printer
151	Office One
152	Office 2
153	Xerox VersaLink C7025 Copier
154	Snap On CDI 6004MFRH Torque Wrench
155	Office 3
156	4 x Panasonic Microwaves
157	LG LRTNC0915V Apartment Size Fridge
158	2 x Metal Picnic Tables
159	Curtis D500/D60 Coffee Brewer and Urns
160	Kenmore Under counter Dishwasher
161	LG GR-282R Apartment Fridge
162	Various Kitchen Gadgets, Plates, small appliances

SCHEDULE B
IDENTIFIED ENCUMBRANCES

1. (Describe lien or Encumbrance, amount payable and provide creditor contact information)

2. (Describe lien or Encumbrance, amount payable and provide creditor contact information)

3. (Describe lien or Encumbrance, amount payable and provide creditor contact information)

4. (Describe lien or Encumbrance, amount payable and provide creditor contact information)

5. (Describe lien or Encumbrance, amount payable and provide creditor contact information)
