

In the Matter of
the Securities Legislation of
British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick,
Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the **Jurisdictions**)

and

In the Matter of
the Process for Exemptive Relief Applications in Multiple Jurisdictions

and

In the Matter of
Connacher Oil and Gas Limited (the **Filer**)

Decision

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Reporting Issuer Relief Decision Makers**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Reporting Issuer Legislation**) that the Filer has ceased to be a reporting issuer in the Jurisdictions (the **Reporting Issuer Relief**).

The securities regulatory authority or regulator in each of the Jurisdictions other than Ontario (the **OTC Relief Decision Makers**) has received an application from the Filer for a decision under the securities legislation of those jurisdictions (the **OTC Legislation**) that the Filer is exempt from being designated a reporting issuer under Section 3 of Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the Counter Markets (MI 51-105)* (the **OTC Relief**, and together with the Reporting Issuer Relief, the **Decisions Sought**)

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a coordinated review application):

- (a) the Alberta Securities Commission is the principal regulator for this application;
and
- (b) this decision is the decision of the principal regulator and evidences the decision of each Reporting Issuer Relief Decision Maker, in respect of the Reporting Issuer Relief, and each OTC Relief Decision Maker, in respect of the OTC Relief.

Interpretation

Terms defined in Multilateral Instrument 11-102 *Passport System*, National Instrument 14-101 *Definitions* or MI 51-105 have the same meaning if used in this decision, unless otherwise defined.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer was amalgamated under, and is governed by, the *Canada Business Corporations Act* (the **CBCA**).
2. The Filer's head and registered offices are located in Calgary, Alberta.
3. The Filer is a reporting issuer in each of the Jurisdictions and is not in default of its obligations as a reporting issuer under the securities legislation in any of the Jurisdictions.
4. The Filer is not subject to reporting obligations under U.S. federal securities law.
5. The Filer's outstanding securities currently consist of: (i) 28,328,656 common shares (**Existing Shares**); (ii) stock options exercisable for up to 709,442 Existing Shares (**Options**); and (iii) U.S.\$35 million principal amount of 12% convertible notes due August 31, 2018 (**Convertible Notes**). The Filer has no other outstanding securities.
6. The Filer's capital structure also includes indebtedness under a Credit Agreement dated as of May 23, 2014, as amended (as so amended, the **First Lien Credit Agreement** and the lenders thereunder the **First Lien Lenders**), which is secured by a first ranking lien on all of the Filer's assets. Two tranches of loans are outstanding under the First Lien Credit Agreement (referred to herein as the **Tranche A Loans** and the **Tranche B Loans**).
7. The total indebtedness outstanding under the First Lien Credit Agreement as at March 31, 2019 (the date of the Filer's most recent interim unaudited financial statements) was \$319.7 million.
8. No securities of the Filer are listed for trading on any stock exchange. The Convertible Notes are not, and have never been, listed on any stock exchange. The Existing Shares were listed on the Toronto Stock Exchange (**TSX**) until June 17, 2016, when they were delisted following commencement by the Filer of a proceeding under the *Companies' Creditors Arrangement Act* (Canada) (the **CCAA**) in the Court of Queen's Bench of Alberta (the **Court**).
9. The Filer obtained from the Court an initial order under the CCAA on May 17, 2016 which, among other things, appointed a monitor of the Filer, stayed proceedings against the Filer and permitted the filing, upon further order of the Court, of a plan of compromise or arrangement under the CCAA.
10. During the course of its CCAA proceeding, the Filer has undertaken and completed, with requisite Court approvals, two sale and investment solicitation processes. Those processes have culminated in a proposed capital restructuring supported by First Lien Lenders holding more than 75% of the principal amount of debt outstanding under the First Lien Credit Agreement.
11. On May 6, 2019, the Filer filed with the Court a plan of compromise and arrangement under the CCAA (as may be amended, supplemented or restated in accordance with its

terms, the **Plan**) that will implement the proposed restructuring. By order dated May 16, 2019 the Court accepted the Plan for filing and authorized and directed the Filer to call creditors' meetings for the purposes of having affected creditors vote on the Plan.

12. Implementation of the Plan will result in the First Lien Lenders becoming the owners of the Filer's business through an exchange of a portion of the obligations under the First Lien Credit Agreement for new senior secured debt of the Filer and the acquisition of all of the Filer's equity. In accordance with the CCAA, since the Plan involves a compromise of the Filer's indebtedness there is no recovery for holders of the Existing Shares or other equity claims, all of which will be cancelled.
13. More particularly, the Plan includes the following transactions whereby, among other things, pursuant to and in accordance with the Plan:
 - (a) all outstanding Existing Shares and related equity instruments and claims of the Filer (collectively, the **Equity Claims**), including all outstanding Options, will be cancelled and extinguished for no consideration and without any return of capital;
 - (b) all outstanding Convertible Notes will be cancelled in exchange for a (nominal) cash payment; and
 - (c) the First Lien Lenders will receive:
 - (i) in respect of the principal amount of their outstanding Tranche A Loans under the First Lien Credit Agreement, a *pro rata* share of the Filer's obligations under a new non-convertible senior secured term loan facility (the **Senior Secured Facility**) to which the Filer will be party and that will become effective on implementation of the Plan; and
 - (ii) in respect of the principal amount of their outstanding Tranche B Loans under the First Lien Credit Agreement plus all accrued and unpaid interest amounts thereunder, a *pro rata* share of a newly created class of common shares of the Filer (**New Shares**) to be designated as Class A Common Shares.
14. The New Shares will, on implementation of the Plan, constitute all of the issued and outstanding shares of the Filer, and will be subject to transfer restrictions under the Filer's articles and a unanimous shareholders' agreement that will become effective on implementation.
15. The New Shares to be issued upon implementation of the Plan will not be qualified for distribution to the public under any applicable Canadian securities laws and will be subject to restrictions on transfer in Canada. The New Shares will be distributed to the First Lien Lenders pursuant to the exemption from the prospectus requirements in section 2.11 of National Instrument 45-106 *Prospectus Exemptions*, and such securities held by such

persons will be subject to the resale restrictions specified in subsection 2.5 of National Instrument 45-102 *Resale Restrictions*.

16. In accordance with the requirements of the CCAA and applicable Court orders, the Plan was approved by the requisite majorities of creditors at creditors' meetings held on June 19, 2019. All of the affected creditors who voted at the creditors' meetings voted in favour of the Plan. The affected creditors voting at the creditors' meetings represented 99% in value of the first lien claims and 95% in value of the general creditor class proven claims.
17. On July 16, 2019, the Court granted an order sanctioning the Plan under the CCAA.
18. Implementation of the Plan is subject to various conditions precedent set out therein, including that the Filer not be a reporting issuer in any jurisdiction upon implementation. Assuming satisfaction or waiver of all conditions precedent, the Filer intends to implement the Plan not later than July 31, 2019.
19. Immediately following implementation of the Plan, the only securityholders of the Filer will be the First Lien Lenders, who will beneficially own all of the issued equity capital of the Filer (consisting of the New Shares) as well as all of the outstanding debt capital of the Filer (consisting of interests under the Senior Secured Facility).
20. There are 21 First Lien Lenders, two of which are resident in a jurisdiction of Canada.
21. The information circular of the Filer dated May 16, 2019 relating to the Plan and to the creditors' meetings (the **Information Circular**) disclosed that the Filer intended to apply for the Reporting Issuer Relief, such that its reporting obligations under the securities legislation of all applicable Canadian jurisdictions would terminate in connection with the implementation of the Plan. The Information Circular further disclosed that the New Shares would be subject to resale restrictions and that as a consequence of the Filer not being a reporting issuer, the New Shares will not be freely tradable under Canadian securities laws and the New Shares will only be transferable in Canada pursuant to an exemption from the prospectus requirements.
22. The Existing Shares were assigned a ticker symbol (an **OTC Ticker Symbol**) by the Financial Industry Regulatory Authority (**FINRA**) in the United States for use on the over-the-counter markets in the U.S.. Because the Existing Shares are no longer listed on the TSX the Filer constitutes an OTC issuer and an OTC reporting issuer under MI 51-105.
23. The Filer has notified FINRA that the Existing Shares will be cancelled as part of the implementation of the Plan but has been unable to have the OTC Ticker Symbol for the Existing Shares eliminated.
24. The Existing Shares do not currently trade on the OTCQX, OTCQB or "Pink" markets of OTC and are therefore denoted as "grey market securities". Broker dealers are not willing or able to publicly quote the Existing Shares. No other securities of the Filer, including debt securities, are traded in Canada or another country on a "marketplace" as defined in

National Instrument 21-101 *Marketplace Operations* (NI 21-101) or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported.

25. The Filer has no current intention to seek public financing by way of an offering of securities.
26. The Filer does not carry on any activities that would constitute promotional activities under MI 51-105.
27. The Filer is not eligible to file under the simplified procedure in Section 19 of National Policy 11-206 *Process for Cease to be Reporting Issuer Applications* because the Filer's outstanding securities are beneficially owned, directly or indirectly, by more than 15 securityholders in certain provinces in Canada and by more than 51 securityholders in total worldwide and it is an OTC reporting issuer under MI 51-105.
28. The Filer is applying for the Reporting Issuer Relief from the securities regulatory authority or regulator in each Jurisdiction; the Filer is applying for the OTC Relief in each Jurisdiction in which it is an OTC reporting issuer.
29. The Filer, upon the Decisions Sought becoming effective, will no longer be a reporting issuer or OTC reporting issuer in any jurisdiction of Canada.
30. The Filer will promptly issue a news release upon the implementation of the Plan that will specify that the Filer is no longer a reporting issuer in any jurisdiction of Canada as of the date of implementation of the Plan.
31. The Filer acknowledges that, in granting the Decisions Sought, the Reporting Issuer Decision Makers and the OTC Relief Decision Makers are not expressing any opinion or approval as to the terms of the Plan.

Decision

Each of the Reporting Issuer Decision Makers is satisfied that the decision meets the test set out in the Reporting Issuer Legislation for the Reporting Issuer Decision Maker to make the decision.

Each of the OTC Relief Decision Makers is satisfied that the decision meets the test set out in the OTC Legislation for the OTC Relief Decision Maker to make the decision.

The decision of the Reporting Issuer Decision Makers under the Reporting Issuer Legislation is that the Reporting Issuer Relief is granted effective immediately before the time at which the Plan becomes effective, provided that the Plan shall have become effective not later than September 30, 2019.

The decision of the OTC Relief Decision Makers under the OTC Legislation is that the OTC Relief is granted effective immediately before the time at which the Plan becomes effective, provided that:

- (a) the Plan shall have become effective not later than September 30, 2019;

- (b) the Filer does not have either of the following:
 - (i) a class of securities, other than the Existing Shares, that has been assigned an OTC Ticker Symbol, or
 - (ii) any class of securities that are quoted or listed for trading on the U.S. over-the-counter markets, any marketplace as defined in NI 21-101 or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported; and
- (c) the Existing Shares are not reissued.

“original signed by” _____

Tom Graham, CA
Director, Corporate Finance
Alberta Securities Commission