

## REMOTE COMMISSIONING CERTIFICATE

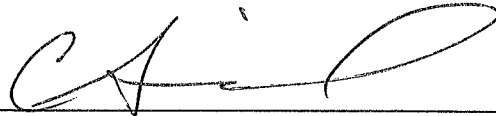
CANADA

PROVINCE OF ALBERTA

I, Chris Simard, a Commissioner for Oaths in and for Alberta, DO HEREBY CERTIFY that:

1. The process for remote commissioning of affidavits specified in Notice to the Profession and Public NPP#2020-02 dated March 25, 2020 (the "Process") has been followed for the attached affidavit; and
2. I am satisfied that the Process was necessary because it was impossible or unsafe, for medical reasons, for the deponent and me to be physically present together.

DATED at Calgary, Alberta this 11 day of August, 2020.



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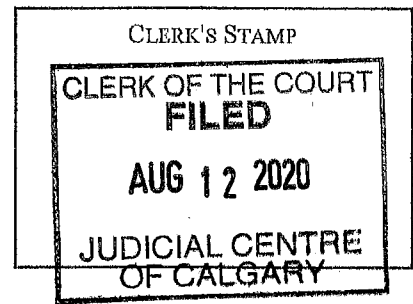
A COMMISSIONER FOR OATHS  
in and for the Province of Alberta

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Print name and Expiry/Lawyer/Student-At-Law

**CHRIS SIMARD**  
Barrister and Solicitor





COURT FILE NUMBER  
COURT  
JUDICIAL CENTRE OF

2001-08434  
COURT OF QUEEN'S BENCH OF ALBERTA  
CALGARY

MATTER

IN THE MATTER OF SECTION 192 OF THE  
*CANADA BUSINESS CORPORATIONS ACT*, R.S.C.  
1985, C. C-44, AS AMENDED

AND IN THE MATTER OF A PROPOSED  
ARRANGEMENT OF 12178711 CANADA INC.,  
CALFRAC WELL SERVICES LTD., CALFRAC  
(CANADA) INC., CALFRAC WELL SERVICES  
CORP. and CALFRAC HOLDINGS LP, by its  
General Partner CALFRAC (CANADA) INC.

APPLICANTS:

12178711 CANADA INC., CALFRAC WELL  
SERVICES LTD., CALFRAC (CANADA) INC.,  
CALFRAC WELL SERVICES CORP. and  
CALFRAC HOLDINGS LP, by its General Partner  
CALFRAC (CANADA) INC.

RESPONDENT:

Not Applicable

DOCUMENT

**AFFIDAVIT**

CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT:

**BENNETT JONES LLP**  
Barristers and Solicitors  
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A handwritten signature in black ink, appearing to be "CA" or similar, located in the bottom right corner of the page.

# AFFIDAVIT OF GRANT HUGHES

Sworn/Affirmed on August \_\_\_, 2020

I, Grant Hughes, of Toronto, Ontario, SWEAR AND SAY THAT:

1. I am the Chief Operating Officer of Kingsdale Advisors ("**Kingsdale**"). Kingsdale is a leading shareholder services and advisory firm, with offices in Toronto and New York. Kingsdale was retained by Calfrac Well Services Ltd. ("**Calfrac**") to act as the Proxy, Information and Exchange Agent for Calfrac and the other applicants in these CBCA proceedings (collectively, the "**Calfrac Entities**" or the "**Applicants**"), and as such I have personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I do believe such information to be true. I am authorized to swear this Affidavit on behalf of Kingsdale.

## Background of this Affidavit

2. I swear this Affidavit in connection with the Calfrac Entities' application to this Court on August 6, 2020, for an Interim Order (the "**Interim Order Application**") to, among other things, authorize the Calfrac Entities to convene meetings of the Affected Securityholders, to consider and vote on their plan of arrangement (the "**CBCA Plan**").
3. For consistency, any undefined capitalized terms used herein are intended to bear their meanings as defined in the Mathison Affidavit No. 2, sworn August 5, 2020 and filed August 6, 2020 or the Interim Order granted on August 7, 2020.
4. Kingsdale was retained by Calfrac subsequent to July 13, 2020, so after the Court granted the Preliminary Interim Order on that day.
5. The specific relief sought by the Calfrac Entities at the Interim Order Application included, among other things, the following:
  - (a) authorizing the calling of a meeting (the "**Senior Unsecured Noteholders' Meeting**") of the holders of the Senior Unsecured Notes issued by CHLP (the "**Senior Unsecured Noteholders**") on September 17, 2020;



- (b) that the date for determination of the Senior Unsecured Noteholders entitled to notice of, and to vote at, the Senior Unsecured Noteholders' Meeting (the "**Senior Unsecured Noteholder Record Date**") be August 10, 2020 (whereas in the Preliminary Interim Order the Senior Unsecured Noteholder Record Date had been set as July 13, 2020); and
- (c) authorizing the trustee of the Senior Unsecured Notes to request a list showing the names and addresses of all persons who are participants (each, an "**Intermediary**") holding Senior Unsecured Notes in the clearing, settlement and depository system operated by The Depository Trust Company ("**DTC**") and showing the principal amount of Senior Unsecured Notes held by each Intermediary as at the Senior Unsecured Noteholder Record Date (the "**Intermediaries List**").

#### **The Basis for the August 10, 2020 Unsecured Noteholder Record Date**

- 6. Once it was retained, Kingsdale determined that there were two logistical issues that had to be solved for with respect to the Senior Unsecured Noteholders:
  - (a) first, it was necessary to be able to identify the Senior Unsecured Noteholders and deliver to them the Noteholder Meeting Packages in conjunction with the Senior Unsecured Noteholders' Meeting to be held on September 17, 2020; and
  - (b) second, it was necessary for the Applicants to deliver to the Senior Unsecured Noteholders the consideration to which they would become entitled under the CBCA Plan, namely New Common Shares of Calfrac, including those that would become entitled to the Early Consent Consideration shares.
- 7. After considering all the available options, Kingsdale determined that the only way to efficiently achieve these two goals was to use the DTC system.

#### **The DTC System**

- 8. I am informed by DTC's website and believe, and am also aware from my professional experience, that:



- (a) DTC is independent entity that holds, transfers, clears, settles and otherwise handles securities on behalf of registered<sup>1</sup> and beneficial holders;
  - (b) DTC was established in 1973 to reduce costs and provide clearing and settlement efficiencies by immobilizing securities and making "book-entry" changes to ownership of the securities;
  - (c) DTC is the main and most prominent clearinghouse for the US securities market and retains custody of more than 1.3 million active securities, in the US and more than 131 countries or other territories;
  - (d) DTC is a member of the U.S. Federal Reserve System, is a limited-purpose trust company under New York State banking law, and is a registered clearing agency with the U.S. Securities and Exchange Commission; and
  - (e) the single registered Senior Unsecured Note is held by DTC.
9. As a result of the foregoing, DTC is not only the ideal clearing model to use for enacting compensation for the Senior Unsecured Noteholders, including those who qualify as Early Consenting Noteholders, pending their approval of the Recapitalization Transaction at the Senior Unsecured Noteholders' Meeting, it is the obvious clearinghouse to use as it is where the notes at issue are currently held.
10. DTC operates an "omnibus" clearing model. What this means is that DTC does not have the information about who are the ultimate beneficial holders of the registered securities held by DTC. Rather, DTC only knows about the aggregate holdings of the institutional investment firms who are members of the DTC system. Those member firms themselves will know what holdings their own clients have in particular security but the member firms' clients may be comprised of brokers (holding on behalf of their own respective clients) and/or beneficial owners. Thus, in some cases, there are multiple levels of aggregate holders before the actual individual holder can be identified.

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<sup>1</sup> DTC carries a registered position in the name of its nominee equal to the aggregate of all beneficial positions held for securities cleared by DTC. Registered securities held in the name of the beneficial holder are held outside of DTC.



Therefore, while DTC has a list of noteholders of any given security among its member firms, that list is not comprehensive as it does not contain the identities of all the ultimate beneficial holders of the security.

11. Therefore, the only practicable way to distribute the Noteholder Meeting Packages in advance of the Senior Unsecured Noteholders' Meeting, establish the process for capturing elections to receive Early Consent Consideration and ultimately deliver the New Common Shares to the ultimate beneficial Senior Unsecured Noteholders, is to distribute those things through DTC, and have DTC's member firm Intermediaries distribute them onwards until they reach the ultimate individual holders.
12. I am advised by DTC and believe that DTC requires the use of a future or forward record date for the use of its systems for events such as the distribution of the Noteholder Meeting Packages, the election to receive Early Consent Consideration or the delivery of exchange entitlement New Common Shares, so that it can effectively i) take a snapshot of its members' positions as at that date, and ii) allow time for its members and their respective clients, all the way down the chain, to further distribute the Noteholder Meeting Packages, set up the election or deliver the New Common Shares, through the entire chain of custody.
13. Any attempt to use a past record date or establish positions held by investors in a security, outside of the DTC system (*i.e.* directly with brokers) would not be as dependable as using the DTC system, as it cannot be guaranteed that all brokers all the way down the chain of custody can access or produce historical records of holdings as at the past record date. I would expect that some brokers would be able to access and produce this information, but not all would. Moreover, DTC's systems are self-balancing – meaning that the sum of beneficial ownership records for each Intermediary must equal the Intermediary's custodial position in DTC. This fact supports an important reconciliation across the voting, election and entitlement functions for the recapitalization. Attempting to do this outside of DTC would not have the supporting “control totals” to reconcile against.

14. Therefore the only way to use the DTC system in the context of the Applicants' CBCA Plan for Senior Unsecured Noteholders was to set a forward record date, so that DTC could notify its member firms and institutional investors, and they can notify the brokers below them, to essentially "turn on" their noteholder tracking and recording systems to be able to record holders as at a particular, fixed date in the near future. In other words, the future record date is required for accuracy, and to ensure all Senior Unsecured Noteholders are properly captured and properly receive the consideration and Noteholder Meeting Packages.

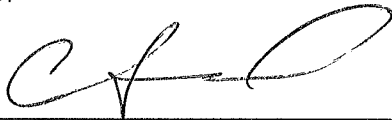
**The Request to have the Court Revise the July 13, 2020 Record Date**

15. Kingsdale investigated and discussed with DTC all available alternative solutions to attempt to use the July 13, 2020 record date that was ordered in the Preliminary Interim Order. However, no alternative was acceptable to DTC. In a call on Friday, July 31, 2020, DTC conclusively confirmed that it could only administer its system with respect to the Senior Unsecured Noteholders, by using a forward record date.
16. By July 31, 2020, the Calfrac Entities had already served their application for the Interim Order in which they had formally requested that the Shareholder Record Date be moved to August 10, 2020. Given that August 10 was already being used as a record date and given that it was a forward date, Kingsdale recommended that August 10, 2020 also be used as the Senior Unsecured Noteholder Record Date, to comply with the requirements of DTC.
17. I am advised by counsel to the Calfrac Entities and believe that the Initial Commitment Parties were first advised on Monday, August 3, 2020 of the Calfrac Entities' proposal to ask this Court to revise the Senior Unsecured Noteholder Record Date from July 13, 2020 to August 10, 2020.
18. I am not physically present before the Commissioner for Oaths to swear/affirm this Affidavit, but I am linked with the Commissioner for Oaths utilizing video technology. The process for remote commissioning of Affidavits is specified in Notice to the Profession and Public NPP#2020-02 dated March 25, 2020 is being followed. I undertake to send this signed Affidavit electronically to the Commissioner for Oaths.



19. I swear this Affidavit in order to explain the background of the Calfrac Entities' request to have this Court revise the Senior Unsecured Noteholder Record Date from July 13, 2020 to August 6, 2020 Hearing, and for no other or improper purpose.

SWORN (OR AFFIRMED) BEFORE ME  
 at \_\_\_\_\_, Ontario, this \_\_\_\_ day of  
 August, 2020.



A Notary Public in and for  
 the Province of Alberta

**CHRIS SIMARD**  
 Barrister and Solicitor

GRANT HUGHES





## REMOTE COMMISSIONING CERTIFICATE

CANADA

PROVINCE OF ALBERTA

I, Chris Simard, a Commissioner for Oaths in and for Alberta, DO HEREBY CERTIFY that:

1. The process for remote commissioning of affidavits specified in Notice to the Profession and Public NPP#2020-02 dated March 25, 2020 (the "Process") has been followed for the attached affidavit; and
2. I am satisfied that the Process was necessary because it was impossible or unsafe, for medical reasons, for the deponent and me to be physically present together.

DATED at Calgary, Alberta this \_\_\_\_ day of August, 2020.

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A COMMISSIONER FOR OATHS  
in and for the Province of Alberta

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Print name and Expiry/Lawyer/Student-At-Law



CLERK'S STAMP

COURT FILE NUMBER  
COURT  
JUDICIAL CENTRE OF

2001-08434  
COURT OF QUEEN'S BENCH OF ALBERTA  
CALGARY

MATTER

IN THE MATTER OF SECTION 192 OF THE  
*CANADA BUSINESS CORPORATIONS ACT*, R.S.C.  
1985, C. C-44, AS AMENDED

AND IN THE MATTER OF A PROPOSED  
ARRANGEMENT OF 12178711 CANADA INC.,  
CALFRAC WELL SERVICES LTD., CALFRAC  
(CANADA) INC., CALFRAC WELL SERVICES  
CORP. and CALFRAC HOLDINGS LP, by its  
General Partner CALFRAC (CANADA) INC.

APPLICANTS:

12178711 CANADA INC., CALFRAC WELL  
SERVICES LTD., CALFRAC (CANADA) INC.,  
CALFRAC WELL SERVICES CORP. and  
CALFRAC HOLDINGS LP, by its General Partner  
CALFRAC (CANADA) INC.

RESPONDENT:

Not Applicable

DOCUMENT

**AFFIDAVIT**

CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT:

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[shakram@bennettjones.com](mailto:shakram@bennettjones.com)



# **AFFIDAVIT OF GRANT HUGHES**

Sworn/Affirmed on August 11, 2020

I, Grant Hughes, of Toronto, Ontario, SWEAR AND SAY THAT:

1. I am the Chief Operating Officer of Kingsdale Advisors ("**Kingsdale**"). Kingsdale is a leading shareholder services and advisory firm, with offices in Toronto and New York. Kingsdale was retained by Calfrac Well Services Ltd. ("**Calfrac**") to act as the Proxy, Information and Exchange Agent for Calfrac and the other applicants in these CBCA proceedings (collectively, the "**Calfrac Entities**" or the "**Applicants**"), and as such I have personal knowledge of the matters hereinafter deposed to, save where stated to be based on information and belief, in which case I do believe such information to be true. I am authorized to swear this Affidavit on behalf of Kingsdale.

## **Background of this Affidavit**

2. I swear this Affidavit in connection with the Calfrac Entities' application to this Court on August 6, 2020, for an Interim Order (the "**Interim Order Application**") to, among other things, authorize the Calfrac Entities to convene meetings of the Affected Securityholders, to consider and vote on their plan of arrangement (the "**CBCA Plan**").
3. For consistency, any undefined capitalized terms used herein are intended to bear their meanings as defined in the Mathison Affidavit No. 2, sworn August 5, 2020 and filed August 6, 2020 or the Interim Order granted on August 7, 2020.
4. Kingsdale was retained by Calfrac subsequent to July 13, 2020, so after the Court granted the Preliminary Interim Order on that day.
5. The specific relief sought by the Calfrac Entities at the Interim Order Application included, among other things, the following:
  - (a) authorizing the calling of a meeting (the "**Senior Unsecured Noteholders' Meeting**") of the holders of the Senior Unsecured Notes issued by CHLP (the "**Senior Unsecured Noteholders**") on September 17, 2020;





- (b) that the date for determination of the Senior Unsecured Noteholders entitled to notice of, and to vote at, the Senior Unsecured Noteholders' Meeting (the "**Senior Unsecured Noteholder Record Date**") be August 10, 2020 (whereas in the Preliminary Interim Order the Senior Unsecured Noteholder Record Date had been set as July 13, 2020); and
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#### **The Basis for the August 10, 2020 Unsecured Noteholder Record Date**

- 6. Once it was retained, Kingsdale determined that there were two logistical issues that had to be solved for with respect to the Senior Unsecured Noteholders:
  - (a) first, it was necessary to be able to identify the Senior Unsecured Noteholders and deliver to them the Noteholder Meeting Packages in conjunction with the Senior Unsecured Noteholders' Meeting to be held on September 17, 2020; and
  - (b) second, it was necessary for the Applicants to deliver to the Senior Unsecured Noteholders the consideration to which they would become entitled under the CBCA Plan, namely New Common Shares of Calfrac, including those that would become entitled to the Early Consent Consideration shares.
- 7. After considering all the available options, Kingsdale determined that the only way to efficiently achieve these two goals was to use the DTC system.

#### **The DTC System**

- 8. I am informed by DTC's website and believe, and am also aware from my professional experience, that:

- (a) DTC is independent entity that holds, transfers, clears, settles and otherwise handles securities on behalf of registered<sup>1</sup> and beneficial holders;
  - (b) DTC was established in 1973 to reduce costs and provide clearing and settlement efficiencies by immobilizing securities and making "book-entry" changes to ownership of the securities;
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  - (d) DTC is a member of the U.S. Federal Reserve System, is a limited-purpose trust company under New York State banking law, and is a registered clearing agency with the U.S. Securities and Exchange Commission; and
  - (e) the single registered Senior Unsecured Note is held by DTC.
9. As a result of the foregoing, DTC is not only the ideal clearing model to use for enacting compensation for the Senior Unsecured Noteholders, including those who qualify as Early Consenting Noteholders, pending their approval of the Recapitalization Transaction at the Senior Unsecured Noteholders' Meeting, it is the obvious clearinghouse to use as it is where the notes at issue are currently held.
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**The Request to have the Court Revise the July 13, 2020 Record Date**

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