

Sale and Investment Solicitation Package

Strategic Oil & Gas Ltd.

Strategic Transmission Ltd.

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ARTICLE 1
INTRODUCTION

- 1.1 **Background.** On January 28, 2020, the Alberta Court of Queen’s Bench (the “**Court**”) granted an order (the “**Receivership Order**”) appointing KPMG Inc. (“**KPMG**”) as receiver (the “**Receiver**”) of Strategic Oil & Gas Ltd. and Strategic Transmission Ltd. (together, “**Strategic**”) under the provisions of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 and the *Judicature Act*, RSA 2000, c B-9, amongst other Alberta legislation.
- 1.2 **SISP.** On February 27, 2020, the Court approved the Receiver advancing a sale and investor solicitation process in accordance with the terms and conditions set forth herein (the “**SISP**”).
- 1.3 **SISP Process Generally.** This SISP describes, among other things, the process by which the SISP will be conducted, accessing due diligence information, the requirements to make a Bid, and the review, acceptance and approval process that then follows.

ARTICLE 2
INTERPRETATION

- 2.1 **Defined Terms.** Capitalized terms used herein shall have the meanings ascribed to such terms, including the following:

“**AER**” means Alberta Energy Regulator;

“**AER Regulatory Requirements**” means the legislative acts, regulations, and rules governing energy development in Alberta that the AER administers, including without limitation the transfer provisions under the OGCA, the Pipeline Act, Directive 067 and Directive 006;

“**Bid Deadline**” means April 15, 2020;

“**Business**” means the business being carried on by Strategic;

“**Business Day**” means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are open for business in the City of Calgary;

“**CCAA Proceedings**” means the proceedings of Strategic under the provisions of the *Companies’ Creditors Arrangement Act*, RSC 1985, c 36 pursuant to the provisions of an initial order made by the Court on April 10, 2019;

“**CCAA SISP**” means the sale and solicitation process undertaken by Strategic during the CCAA proceedings;

“**Confidentiality Agreement**” means a confidentiality agreement in form and substance satisfactory to the Receiver, providing generally that all information is proprietary and confidential for the benefit of Strategic;

“**Directive 006**” means “Directive 006, Licensee Liability Rating (LLR) Program and License Transfer Process”, approved by the AER on December 17, 2016, as amended;

“**Directive 67**” means “Directive 067, Eligibility Requirements for Acquiring and Holding Energy Licenses and Approvals”, approved by the AER on December 6, 2017, as amended;

"**Notice**" means an advertisement suitable for publication in print media and on-mediums;

"**OGCA**" means the *Oil and Gas Conservation Act*, RSA 2000, c O-6, as amended;

"**Offer**" means a credible, reasonably certain and financially viable offer for acquisition of all or any part of the Property or for an investment into the Business or alternative transaction (including, without limitation, a restructuring or recapitalization proposal in respect of the Strategic);

"**Pipeline Act**" means the *Pipeline Act*, RSA 2000, c P-15, as amended;

"**Property**" means the undertakings, property and assets of Strategic or any portion thereof;

"**Ultimate Closing Date**" means June 30, 2020.

ARTICLE 3 **SISP PROCESS**

- 3.1 **Notice.** As soon as reasonably practicable after Court approval of this SISP, and in any event within 3 Business Days following such approval, the Receiver shall cause the Notice to be published in The Globe and Mail, National Post, Calgary Herald, Edmonton Journal and the Daily Oil Bulletin. The Receiver shall also be at liberty to publish the Notice in such other print and social media outlets as they deem appropriate. The Receiver shall also circulate the notice to such parties as they reasonably believe may be interested in participating in the SISP, including all parties identified as interested pursuant to the CCAA SISP.

3.2 **Qualifying as a Potential Bidder.** In order to participate in the SISP and ultimately be considered for qualification as a Qualified Bidder pursuant to Article 5, below, an interested party must deliver to the Receiver at the address specified in Schedule "A" hereto (by delivery or email), the following material:

- (a) a duly executed Confidentiality Agreement;
- (b) a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder, full disclosure of the direct and indirect owners of the Potential Bidder and their principals; and
- (c) a written acknowledgement of receipt of a copy of the Court order approving the SISP (including this SISP) and agreeing to accept and be bound by all of the provisions of this SISP.

3.3 **Potential Bidder.** Once an interested party has satisfied all of the requirements described in the previous subsection they will be deemed to be a "**Potential Bidder**", and will be promptly notified of such classification by the Receiver.

ARTICLE 4 DUE DILIGENCE

4.1 **Access.** Forthwith upon being designated as a Potential Bidder, the Receiver shall provide the Potential Bidder with access to an electronic data room maintained by the Receiver in this regard. The Receiver shall provide Potential Bidders with further access to such due diligence materials and information relating to the Business and the Property as is reasonably practicable.

4.2 **No Representation or Warranties.** The Receiver makes no representation or warranty as to the information contained in the Notice or the information to be provided through the due diligence process or otherwise, except to the extent otherwise contemplated under any definitive sale or investment agreement with a Successful Bidder executed and delivered by the Receiver.

4.3 **No Additional Information.** The Receiver shall not be required to produce any abstract of title, title deeds or documents, or copies thereof or any evidence as to title, other than what is already in the Receiver's possession.

ARTICLE 5 BIDDING

5.1 **Requirement for a Qualified Bid.** An Offer submitted by a Potential Bidder will be considered a "**Qualified Bid**" only if the Offer complies with all of the following:

- (a) it includes a letter stating that the Offer is irrevocable until the earlier of (i) the closing of a transaction with a Successful Bidder (as defined below), and (ii) 20 Business Days following the Bid Deadline; provided, however, that if such Offer is selected as a Successful Bid (as defined below), it shall remain irrevocable until the closing of the Successful Bid or Successful Bids, as the case may be;

- (b) it includes a duly authorized and executed:
 - (i) in the case of an Offer involving an acquisition of Property, a purchase and sale agreement specifying the purchase price, expressed in Canadian dollars (the "**Purchase Price**") in as close a form as practicable to the form of purchase and sale agreement attached hereto as marked as Schedule "B" (accompanied by a blackline demonstrating the changes to the form attached hereto);
 - (ii) in the case of an Offer involving an investment into the Business or alternative transaction (including, without limitation, a restructuring or recapitalization proposal in respect of the Strategic), an agreement setting forth the terms and conditions of such investment or alternative transaction; and
 - (iii) and in the case of either (i) or (ii) above, such ancillary agreements as may be required by the Potential Bidder together with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such ancillary agreements) and the proposed forms of order(s) for Court approval thereof;
- (c) it includes evidence sufficient to allow the Receiver to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the transaction contemplated by the Offer, which evidence could include but is not limited to evidence of a commitment for all required funding and/or financing from a creditworthy bank or financial institution and/or its direct and indirect owners or principals (in which case information regarding such owners' and principals' financial and other capability shall be included);
- (d) it is not conditioned on: (i) the outcome of unperformed due diligence by the Potential Bidder; and/or (ii) obtaining any financing of any kind and includes an acknowledgement and representation that the Potential Bidder has had an opportunity to conduct any and all required due diligence prior to making its Offer;
- (e) it fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Offer, including information regarding the Potential Bidder's direct and indirect owners and their principals, and the terms of any such participation;
- (f) it includes an acknowledgement and representation that the Potential Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its Offer; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, including by the Receiver, or any of their respective advisors, except as expressly stated in the Offer; (iii) is a sophisticated party capable of making its own assessments in respect of making its Offer; and (iv) has had the benefit of independent legal advice in connection with its Offer;
- (g) the Offer is on an "as is, where is", "without recourse" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description

by the Receiver, or any of their respective agents, except to the extent specifically set forth therein;

- (h) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of authorization and approval from the Potential Bidder's board of directors (or comparable governing body) with respect to the Offer;
- (i) in the case of an Offer involving an acquisition of Property, it provides for a refundable deposit (the "**Deposit**"), to be made in the form of a wire transfer (to a trust account maintained by the Receiver's counsel, Torys LLP ("**Torys**"), in an amount equal to 10% of the proposed gross purchase price, to be held and dealt with in accordance with this SISP;
- (j) it provides for closing of the Offer by no later than the Ultimate Closing Date;
- (k) if the Potential Bidder is an entity newly formed for the purpose of the transaction, the Offer shall include an equity or debt commitment letter from the parent entity or sponsor, which is satisfactory to the Receiver;
- (l) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of compliance or anticipated compliance with any and all applicable Canadian and any foreign regulatory approvals (including, if applicable, anti-trust regulatory approval and any approvals with respect to the grant or transfer of any permits or licenses), the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals;
- (m) it contains responses to the AER Regulatory Requirements;
- (n) it is otherwise compliant with, and not contrary to, the rules set forth in this SISP;
- (o) it contains other information reasonably requested by the Receiver; and
- (p) it is received by no later than the Bid Deadline.

5.2 **Qualified Bids.** Any Offer submitted by a Potential Bidder that complies with each and every requirement of subsection 5.1 of this SISP shall hereinafter be referred to as a "**Qualified Bid**" (and all such bids, the "**Qualified Bids**") and each Potential Bidder who has submitted a Qualified Bid shall hereinafter be referred to as a "**Qualified Bidder**".

5.3 **Deemed Qualified Bids.** Notwithstanding subsection 5.1 and 5.2 hereof, either the Receiver, may waive compliance with any one or more of the Qualified Bid requirements specified herein, and deem such non-compliant bids to be Qualified Bids.

5.4 **Restructuring or Recapitalization Proposals.** Potential Bidders in respect of any restructuring or recapitalization proposal shall be encouraged to discuss indicative particulars thereof with the Receiver early in the process to facilitate the likelihood of an Offer therefor becoming a Qualified Bid.

5.5 **AER Review.** Potential Bidders will require AER review. In this regard, Potential Bidders:

- 5.5.1 are encouraged to speak with the AER as soon as practicable after they become Potential Bidders,
- 5.5.2 should be prepared to provide the AER with the following:
 - (a) information about: (A) its corporate structure and associated directors, officers and shareholders, (B) its corporate relationship to Strategic and Strategic's lenders, and (C) its compliance history with the AER;
 - (b) annual and most recent stub period financial statements (balance sheet, income statements, cash flows, and accompanying notes); and
 - (c) the plan in outline to address end of life obligations related to assets within the proposed Offer;
- 5.5.3 must either have current eligibility to hold licenses under Directive 067 or demonstrate to the AER's satisfaction how they will achieve Directive 067 licensee eligibility
- 5.5.4 should be aware that transfer applications will be more favourably regarded if the following principles are addressed:
 - (a) an *en bloc* sale is preferred (but not required);
 - (b) area acquisitions should be "white-mapped";
 - (c) the transaction is LMR neutral or better; and
 - (d) additionally, and depending upon how the foregoing principles are observed, Potential Bidders should propose how end of life obligations will be addressed in respect of the interests being acquired, which may require proposing appropriate closure plan for AER's approval or potentially posting of security.

Notwithstanding anything in this subparagraph 5.5 and subparagraph 6.5 below, the AER retains its discretion to approve the transfer of any applicable licences, permits and approval pursuant to section 24 of the OGCA and section 18 of the Pipeline Act. Accordingly, nothing in this SISP shall fetter that discretion or constitute any "pre-approval" of any transfers required under AER Regulatory Requirements.

ARTICLE 6

SELECTION OF THE SUCCESSFUL BID OR SUCCESSFUL BIDS

- 6.1 **Review of Qualified Bids.** Immediately following the Bid Deadline, the Receiver will assess all Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with this SISP is in the best interests of the receivership estate. Such assessments will be made as promptly as practicable after the Bid Deadline.
- 6.2 **No Qualified Bids.** In the event that either: (a) no Qualified Bid was received, or (b) none of the Qualified Bids received were likely, in the view of the Receiver, acting reasonably, to be consummated, this SISP shall be deemed to be immediately terminated and the Receiver shall apply to the Court for advice and direction.

- 6.3 **AER.** Immediately following the Bid Deadline, the Receiver will provide all Qualified Bids not eliminated under clause 6.2(b) of this SISP to the AER for AER's review. AER will provide the Receiver with any deficiencies or concerns surrounding each Qualified Bid response to AER Regulatory Requirements within 10 business days of AER's receipt of such Qualified Bid.
- 6.4 **Further Negotiations.** Immediately following the Bid Deadline the Receiver, may select Qualified Bids for further negotiation and/or clarification of any terms or conditions of such Qualified Bids, including the amounts offered, before identifying the highest or otherwise best Qualified Bid(s) (the "**Successful Bid(s)**") received, as the case may be.
- 6.5 **Determining Successful Bid(s).** Upon completion of the AER's review pursuant to subsection 6.3, above, and any further negotiations or clarifications that may be conducted pursuant to subsection 6.4 above, the Receiver, will identify the Successful Bid(s). Any Qualified Bidder who made a Successful Bid is a "**Successful Bidder**". Strategic will notify any such Qualified Bidder that it is a Successful Bidder.

ARTICLE 7
APPROVAL HEARING

- 7.1 **Finalization of Successful Bids.** Forthwith upon notifying a Qualified Bidder that it is a Successful Bidder, Strategic and the Successful Bidder will promptly finalize the definitive agreements in respect of any Successful Bidder, conditional upon approval of the Court (the "**Definitive Agreements**").
- 7.2 **Court Approval.** Strategic shall apply to the Court as soon as practicable after completion of the Definitive Agreements for: (i) an order approving the Successful Bid(s) and authorizing Strategic to enter into any and all necessary agreements with respect to the Successful Bid; and (ii) any order that may be required vesting title to Property in the name of a Successful Bidder (the "**Approval Hearing**").
- 7.3 **Closing.** Closing(s) shall occur as soon as practicable after the Successful Bid(s) are approved by the Court.
- 7.4 **Rejection of unsuccessful Bids.** All Qualified Bids (other than any Successful Bid(s)) shall be deemed rejected on and as of the date of closing of the Successful Bid or Successful Bids, as the case may be.

ARTICLE 9
GENERAL PROVISIONS

- 9.1 **Deposits.** All Deposits shall be retained by the Receiver and invested in an interest-bearing trust account. [If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Approval Hearing shall be applied to the purchase price to be paid by the Successful Bidder upon closing of the approved transaction and will be non- refundable. If a Successful Bidder fails to comply with any provision contained in its Successful

Bid, the Deposit and all other payments made in connection with the Purchase Price shall be forfeited as liquidated damages. The Deposits (plus applicable interest) of Qualified Bidders not selected as a Successful Bidder shall be returned to such bidders within 10 Business Days after the date on which Qualified Bids are deemed rejected in accordance with subsection 7.4. If there is no Successful Bid, all Deposits shall be returned to the bidders within 10 Business Days of the date upon which the SISP is terminated in accordance with these procedures.

- 9.2 **Right to Reject Offers.** The highest or any Offer will not necessarily be accepted. The Receiver has no obligation to conclude a sale arising out of this process and they reserve the right and unfettered discretion to reject any Offer received.
- 9.3 **Taxes.** All applicable federal and provincial taxes are payable by the Qualified Bidder (unless an exemption certificate is produced), and are not payable by the Receiver or by the Strategic receivership estate.
- 9.4 **No Assignment.** No Qualified Bid or Successful Bid may be assigned by the Qualified Bidder to any third party without the prior written consent of the Receiver, and such consent may be unreasonably withheld.
- 9.5 **Time of the Essence.** All stipulations as to time in this SISP are strictly of the essence.
- 9.6 **No Commissions.** The Receiver shall not be required to pay any finder's fees, commissions, expenses or other compensation to any agents, consultants, advisors, or other intermediaries in respect of any Qualified Bid or Successful Bid.
- 9.7 **Applicable Law.** The laws of the Province of Alberta shall govern this SISP. The Receiver and each Qualified Bidder agree that the Court shall have the exclusive jurisdiction to determine any and all disputes under this SISP and any transaction contemplated hereunder hereby attorn to the jurisdiction of the Court.

ARTICLE 10 ADDITIONAL APPROVALS

- 10.1 **Additional Approvals.** For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the applicable law in order to implement a Successful Bid.

ARTICLE 11 ONGOING SUPERVISION

- 11.1 **Standing.** At any time during the SISP, the Receiver may apply to the Court for advice and directions with respect to the terms and condition of the SISP.

SCHEDULE "A"

Address of the Receiver

KPMG Inc.
3100, 205 5th Ave SW
Calgary, Alberta T2P 4B9
Attention: Joe Sithole

E-mail: jsithole@kpmg.ca

SCHEDULE "B"

Form of PSA: