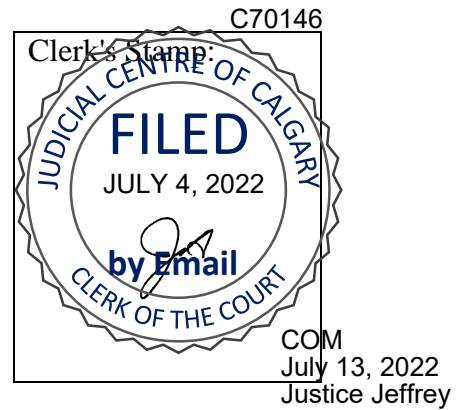




ESTATE NUMBER B201 802560  
25-2802560

COURT COURT OF QUEEN'S BENCH OF  
ALBERTA

JUDICIAL CENTRE CALGARY



IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY*  
*ACT*, RSC 1985, C B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO  
MAKE A PROPOSAL OF VERTEX DOWNHOLE LTD.

DOCUMENT **AFFIDAVIT NO. 4 OF CRAIG FLINT**

ADDRESS FOR  
SERVICE AND  
CONTACT  
INFORMATION OF  
PARTIES FILING  
THIS DOCUMENT

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File No. 74909-14

**AFFIDAVIT NO. 4 OF CRAIG FLINT**

**Sworn June 30, 2022**

I, Craig Flint of the City of Calgary in the Province of Alberta, SWEAR AND SAY THAT:

1. I am the Chief Financial Officer of the Applicant, Vertex Downhole Ltd. ("**Vertex**" or the "**Applicant**"). As such, I have personal knowledge of the facts and matters deposed to herein, except where any such facts and matters are stated to be from other sources, in which case I believe those facts and matters to be true.

2. I swear this Affidavit in support of Vertex's Application scheduled for July 13, 2022 (the "**Application**") seeking, among other things, the Fourth Stay Extension to the Proposal Period (each as defined below).
3. This is my fourth Affidavit sworn in these proceedings. Capitalized terms not otherwise defined herein have the meaning set forth in my earlier affidavits or the Second Report of MNP Ltd. in its capacity as the proposal trustee of Vertex (the "**Proposal Trustee**").

### **Background**

4. Vertex is a Canadian Controlled Private Corporation incorporated pursuant to the laws of Alberta, with its registered offices in Calgary, Alberta.
5. Vertex is widely held by seventy-five Vertex Shareholders. The largest holding of the issued and outstanding shares by a single Vertex Shareholder is 11.1%.
6. In turn, Vertex is the sole shareholder of:
  - (a) HPC Energy Services Holdings (USA) Inc., a Delaware corporation; which is the sole shareholder of:
  - (b) HPC Energy Services Subsidiary (USA) Inc., a Delaware corporation; which is the sole shareholder of
  - (c) Vertex Downhole Inc; a Delaware corporation,
 (collectively, the "**Vertex Group**").
7. The Vertex Group is comprised of integrated oil and gas service companies that provides technologically advanced and patented "measurement while drilling" downhole tools to global companies engaged in oil and natural gas exploration. Over the past 12 months, Vertex tools have been utilized in 12 different countries.
8. Vertex US provides rentals, sales support, and services to Vertex's US-based customers.
9. Vertex has 22 full-time employees and one full time contractor working out of its offices

in Calgary, Alberta while Vertex US has 8 full-time employees working out of its office in Tomball, Texas. Vertex has entered into a Non-Exclusive Sales Representation Agreement with an unrelated company registered in Dubai, Vertex Downhole Trading LLC (the "**Sales Representative**"). The Sales Representative provides services and parts to Vertex customers and by renting Vertex equipment and making contact with potential customers and submitting bids in the Middle East and northern Africa regions.

### **NOI and Creditors**

10. On February 4, 2022, Vertex filed a Notice of Intention to Make a Proposal (the "**NOI**") with the Official Receiver pursuant to section 50.4(1) of the *BIA*.
11. As of the date of the filing of the NOI, Vertex's books and records indicated that it owed HSBC approximately \$8,519,828 and its unsecured creditors approximately \$1,076,897.
12. On May 27, 2022, Vertex sought and obtained an Order granted by Justice K. Feth which, among other things, extended the period of time (the "**Proposal Period**") within which Vertex was required to file a proposal to its creditors (a "**Proposal**") to July 14, 2022 (the "**Third Stay Extension**").

### **Stay Extension and Restructuring Efforts**

13. From and after the date of the Third Stay Extension, Vertex has pursued numerous activities with a view to advancing these proceedings, restructuring its affairs, and working towards its goal of presenting a Proposal. These steps have included, but are not limited to:
  - (a) providing the Proposal Trustee with access to Vertex's books and records;
  - (b) supporting the Proposal Trustee in its implementation of the SISF, which has most recently included answering many due diligence requests from prospective counterparties, and facilitating extensions of the Phase 2 Bid Deadline to June 29, 2022 to allow potential counterparties to finalize their offers;

- (c) continuing to work with its counsel, the Proposal Trustee and the Proposal Trustee's counsel generally, and in particular with respect to:
    - (i) exploring and considering the various exit strategies available to Vertex in the context of these proceedings, including the structure and financing of any Proposal; and
    - (ii) preparing cash flow projections and identifying issues with respect to Vertex's financial condition;
  - (d) continuing to communicate and engage with stakeholders, including HSBC, employees, contractors, vendors;
  - (e) continuing to make sales and carry on business in the normal course, in the circumstances; and
  - (f) continuing to review its operating expenses, pursuing the collection of accounts receivables and taking other steps to ensure Vertex remains financially viable during the NOI Proceedings.
14. Vertex requires an extension of the Proposal Period up to and including August 4, 2022 (the "**Fourth Stay Extension**"). The Fourth Stay Extension will allow Vertex to, among other things:
- (a) continue the restructuring of its business and affairs, and pursue strategic alternatives;
  - (b) continue implementing, as well as finalizing the SISP (detailed below);
  - (c) continue operations and generate revenue; and
  - (d) preserve and enhance the value of Vertex's business, for the benefit of all of Vertex's stakeholders.

### **Sales Process Update**

15. On approximately May 6, 2022, Vertex was advised by the Proposal Trustee that there was an Insider Bidder within the meaning of the SISP. Accordingly, Vertex's access to and participation in the SISP is limited as is contemplated in the SISP.
16. On June 29, 2022, following the expiry of the Phase 2 Bid Deadline, the Proposal Trustee informed Vertex of the Qualified Phase 2 Bids that had been submitted in accordance with the SISP (as amended). Vertex is now in the process of, among other things:
  - (a) reviewing and considering the Qualified Phase 2 Bids;
  - (b) reviewing and considering the forms of Definitive Agreements submitted in connection with such Qualified Phase 2 Bids;
  - (c) seeking further information from the Proposal Trustee with respect to the SISP procedures generally and the Bids and Bidders thereunder; and
  - (d) consulting with the Proposal Trustee to select the superior Qualified Phase 2 Bid as the Successful Bid,

all with a view to determining whether or not Vertex will enter into a Definitive Agreement with a Qualified Bidder to be approved by this Court.

17. Vertex's creditors will not be prejudiced by the Fourth Stay Extension. Rather, it is critical to ensure that Vertex can continue its operations and conclude the SISP, maximizing the value of its assets which will benefit its Proposal or restructuring to the benefit of Vertex and all of its stakeholders.

### **Relief Sought**

18. Vertex has acted in good faith and with due diligence in filing the NOI and will continue to do so throughout the course of these proceedings. To the best of my knowledge, information and belief, none of Vertex's creditors will be materially prejudiced if this Honourable Court approves the Fourth Stay Extension.

19. I make this Affidavit in support of Vertex's Application for an Order extending Proposal Period and for no improper purpose.

SWORN BEFORE ME at the City of  
Calgary, in the Province of Alberta this 30<sup>th</sup>  
day of June, 2022

A Commissioner for Oaths in and for the  
Province of Alberta

CRAIG FLINT

BRYCE MATTHEW SAFTON  
Student-at-Law

BRYCE MATTHEW SAFTON  
A Commissioner for Oaths/Notary Public  
In and for the Province of Alberta