



Calfrac Obtains Interim Order in Connection with Recapitalization Transaction And Announces Meetings

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CALGARY, AB, Aug. 7, 2020 /CNW/ - **Calfrac Well Services Ltd. ("Calfrac" or the "Company")** (TSX: CFW) announces that it has obtained an interim order in connection with the Company's previously announced recapitalization transaction (the "**Recapitalization Transaction**") to be implemented pursuant to a plan of arrangement (the "**Plan of Arrangement**") under the *Canada Business Corporations Act* ("**CBCA**"), as more particularly described in the Company's July 14, 2020 press release (the "**July 14 Press Release**") and the Company's July 22, 2020 press release (the "**July 22 Press Release**"). Key terms of the Recapitalization Transaction, including the \$60 million private offering ("**Offering**") of 10% senior secured convertible payment-in-kind notes of Calfrac ("**New 1.5 Lien Notes**"), are described in the July 14 Press Release. The Recapitalization Transaction now has the support of holders (the "**Supporting Noteholders**") of approximately 78% of the outstanding 8.5% senior unsecured notes due 2026 of Calfrac Holdings LP (the "**Senior Unsecured Notes**") as compared to the 50% support disclosed in the July 14 Press Release and 66% support disclosed in the July 22 Press Release. The Supporting Noteholders have entered into support agreements with the Company and have agreed to vote in favour of and support the Recapitalization Transaction and Plan of Arrangement, subject to certain conditions.

The Calfrac Board has unanimously recommended that the holders of Senior Unsecured Notes (the "**Senior Unsecured Noteholders**") and the holders (the "**Shareholders**") of the Company's common Shares ("**Common Shares**") support and vote in favour of the Recapitalization Transaction.

However, and as disclosed in the August 4, 2020 press release, the Company has formed a special committee of independent directors (the "**Special Committee**") to evaluate the alternative recapitalization proposal submitted by Wilks Brothers, LLC ("**Wilks Brothers**"), and will provide further announcements once the Special Committee has completed such evaluation. The Special Committee has engaged independent legal advisors to assist it in its evaluation, and will also have unfettered access to the Company's financial advisors in order to fulfil its mandate.

Interim Order

In connection with the Recapitalization Transaction, Calfrac obtained today an interim order (the "**Interim Order**") under the CBCA from the Court of Queen's Bench of Alberta (the "**Court**"), authorizing, among other things, the holding of the following meetings (the "**Meetings**"): (a) a meeting (the "**Senior Unsecured Noteholders' Meeting**") of Senior Unsecured Noteholders; and (b) a special meeting (the "**Shareholders' Meeting**") of Shareholders, in each case to consider and vote upon the Plan of Arrangement, and certain ancillary matters.

Meeting and Voting Information

The Meetings in respect of the Plan of Arrangement are scheduled to be held on September 17, 2020 in the McMurray Room at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta. Pursuant to the Interim Order, the Senior Unsecured Noteholders' Meeting is scheduled to begin at 1:00 p.m. (Calgary time), and the Shareholders' Meeting is scheduled to begin at 2:00 p.m. (Calgary time).

The Interim Order also authorizes a new record date (the "**Record Date**") for purposes of voting at the Meetings, being 5:00 p.m. (Calgary time) on August 10, 2020.

Senior Unsecured Noteholders entitled to vote at the Senior Unsecured Noteholders' Meeting will be entitled to one vote for each US\$1,000 principal amount of Senior Unsecured Notes owed to such Senior Unsecured Noteholder as of 5:00 p.m. (Calgary) on the Record Date. Holders of Common Shares as at the Record Date will be entitled to vote on the Plan of Arrangement at the Shareholders' Meeting based on one vote per Common Share held as at the Record Date.

All Senior Unsecured Noteholders that submit voting instructions to vote in favour of the Plan of Arrangement prior to September 8, 2020 (the "**Early Consent Date**") will receive, in addition to the consideration made available to all Senior Unsecured Noteholders, early consent consideration equal to 6% of the pro forma Common Shares of Calfrac issued and outstanding following the implementation of the Plan of Arrangement (the "**Early Consent Consideration**") (prior to any dilution from the Commitment Consideration Shares and the conversion of the New 1.5 Lien Notes, as described further in the July 22 Press Release). The Early Consent Consideration is in addition to the 86% pro forma Common Shares of Calfrac that all Senior Unsecured Noteholders will receive upon the exchange of Senior Unsecured Notes pursuant to the implementation of the Plan of Arrangement (prior to any dilution from the Commitment Consideration Shares and the conversion of the New 1.5 Lien Notes).

In order for the Plan of Arrangement to be considered to have been approved at each Meeting, but subject to further order of the Court, the Plan of Arrangement requires the affirmative vote of at least 66⅔% of the votes cast at the Senior Unsecured Noteholders' Meeting, and the affirmative vote of at least 66⅔% of the votes cast at the Shareholders' Meeting.

In addition, the Shareholders' resolution approving the Plan of Arrangement, excluding the votes of those Shareholders required to be excluded pursuant to Multilateral Instrument 61-101 ("**MI 61-101**"), shall be counted for the purpose of the approval of the issuance of the New 1.5 Lien Notes by way of simple majority on the basis that such issuance constitutes a "related party transaction" for the purpose of MI 61-101.

The deadline for Senior Unsecured Noteholders and Shareholders to submit their proxies or voting instructions in order to vote on the Plan of Arrangement and other items to be considered at the applicable Meeting is 5:00 p.m. (Calgary time) on September 15, 2020 (the "**Voting Deadline**").

Banks, brokers or other intermediaries that hold the Senior Unsecured Notes or Common Shares on a securityholder's behalf may have internal deadlines that require securityholders to submit their votes by an earlier date in advance of the Early Consent Date and/or the Voting Deadline, as applicable. Securityholders are encouraged to contact their intermediaries directly to confirm any such internal deadline.

Any questions or requests for further information regarding voting at the Meetings should be directed to Kingsdale Advisors by: (i) telephone, toll-free in North America at 1-866-229-8874 or at 416-867-2272 outside of North America; or (ii) e-mail to contactus@kingsdaleadvisors.com.

Information Circular

The management information circular for the Meetings (the "**Circular**") will contain, among other things, information regarding procedures for voting on the Plan of Arrangement pursuant to the terms of the Plan of Arrangement and the Interim Order, eligibility and procedures for Early Consent Consideration, eligibility and procedures for participation in the Pro Rata Option (as defined below), as well as other background and material information regarding the Recapitalization Transaction. The Circular, the forms of proxies, the Shareholders' voting information form, the Senior Unsecured Noteholders' voting information and election form, the Shareholders' letters of transmittal and a Participation Form in respect of the Pro Rata Option will also be available on Calfrac's website at www.calfrac.com; and/or under Calfrac's SEDAR profile at www.sedar.com; or through Kingsdale Advisors by calling toll free at 1-866-581-0506 or 416-867-2272, by email at contactus@kingsdaleadvisors.com or on Kingsdale Advisors' website at www.KingsdaleAdvisors.com.

Shareholder Approvals

In connection with the Recapitalization Transaction, it is anticipated that the Company will (i) continue from the *Business Corporations Act* (Alberta) to the CBCA (the "**Federal Continuance**") and implement new by-laws (the "**New By-laws**") in connection with the Federal Continuance, (ii) implement a new omnibus incentive plan (the "**Omnibus Incentive Plan**"); and (iii) adopt a new shareholder rights plan (the "**Shareholder Rights Plan**").

At the Shareholders' Meeting, Shareholders will be asked to consider and vote in respect of the Federal Continuance (including the approval of the New By-laws), the Omnibus Incentive Plan and the Shareholders Rights Plan. The Federal Continuance (including approval of the New By-laws) require the affirmative vote of at least 66⅔% of the votes cast at the Shareholders' Meeting. The Shareholders will be asked to approve, as separate matters, the adoption of the Omnibus Incentive Plan and the implementation of the Shareholder Rights Plan, and in each regard, no Shareholders are excluded from voting on such resolutions. Adoption of the Omnibus Incentive Plan and the implementation of the Shareholder Rights Plan will also be subject to acceptance by the Toronto Stock Exchange (the "**TSX**").

In addition, and in accordance with the policies of the TSX, the Shareholders of the Company will be asked to approve the following aspects of the Recapitalization Transaction and the issuance of the New 1.5 Lien Notes (collectively, the "**TSX Approval Matters**"):

- The issuance of Common Shares to Senior Unsecured Noteholders in exchange for Senior Unsecured Notes, where the number of Common Shares issuable to insiders of the Company as a group exceeds 10% of the then issued and outstanding Common Shares (pursuant to section 604(a)(ii) of the TSX Company Manual); and
- The issuance of Common Shares upon the conversion of the New 1.5 Lien Notes: (i) which would "materially affect control" of the Company; (ii) where the number of Common Shares issuable to Insiders of the Company as a group, upon conversion, exceeds 10% of the then issued and outstanding Common Shares; and (iii) at a conversion price that exceeds the maximum discount permitted by the TSX and which could result in dilution in excess of 25% of the then issued and outstanding Common Shares (pursuant to sections 604(a)(i), 604(a)(ii), 607(e) and 607(g)(i) of the TSX Company Manual).

The vote required to pass each of the TSX Approval Matters is a majority of the votes cast by the applicable disinterested Shareholders present or represented by proxy at the Shareholders' Meeting, but subject to further order of the Court.

Court Approval and Implementation

It is currently anticipated that the Company, 12178711 Canada Inc., Calfrac (Canada) Inc., Calfrac Well Services Corp. and Calfrac Holdings LP (collectively, the "**Applicants**") will attend a hearing before the Court, currently scheduled for September 30, 2020, to seek a court order approving the Plan of Arrangement (the "**Final Order**").

As part of the Court approval of the Recapitalization Transaction, the Applicants will seek a permanent waiver in favour of the Applicants of (i) any and all defaults resulting from the commencement of their CBCA proceedings (the "CBCA Proceedings") or the related proceedings commenced by the Applicants for recognition of the CBCA Proceedings pursuant to chapter 15 of the *United States Bankruptcy Code* (the "Chapter 15 Proceedings") or the steps or transactions related to the CBCA Proceedings, the Chapter 15 Proceedings or Recapitalization Transaction, and (ii) third party change of control provisions that may be triggered by the implementation of the Recapitalization Transaction.

At this time, the Preliminary Interim Order provides for a stay of proceedings in favour of the Applicants in respect of any defaults resulting from their commencement of or involvement in the CBCA Proceedings, the steps contemplated by or related to the CBCA Proceedings or the proposed Recapitalization Transaction, the non-payment of any amounts due and payable in respect of the Senior Unsecured Notes, or any cross-defaults relating to the foregoing, subject to the terms of the Preliminary Interim Order.

Completion of the Recapitalization Transaction will be subject to, among other things, approval of the Plan of Arrangement by the requisite majorities of the Senior Unsecured Noteholders and the Shareholders at the Meetings to be held on September 17, 2020 but subject to further order of the Court, successful completion of the Offering, such other approvals as may be required by the Court or the TSX, other applicable regulatory approvals, the issuance of the Final Order approving of the Plan of Arrangement by the Court, and the satisfaction or waiver of applicable conditions precedent. Subject to the receipt of all requisite approvals and the satisfaction or waiver of the other conditions to completion of the Recapitalization Transaction, the Company is working towards completing the Recapitalization Transaction in early October 2020. Upon implementation, the Plan of Arrangement would bind all Senior Unsecured Noteholders and Shareholders. The Company can give no assurances that the Recapitalization Transaction and the Offering will be completed.

Offering of 1.5 Lien Notes

The Company also announces that, in connection with the Offering that was first announced in the July 14 Press Release and further detailed in the July 22 Press Release, that it has fully allocated the \$6 million Direct Option (as defined in the July 22 Press Release) forming part of the \$45 million portion of the Offering being allocated to the Initial Commitment Parties (as defined in the July 22 Press Release). The remaining \$15 million of the Offering will be made available for subscription by eligible Senior Unsecured Noteholders (which may include the Initial Commitment Parties, to the extent they are a Senior Unsecured Noteholder) on a pro rata basis to their ownership of Senior Unsecured Notes (the "Pro Rata Option").

In order to participate in the Pro Rata Option, eligible Senior Unsecured Noteholders holding Senior Unsecured Notes as at August 24, 2020 must indicate their intention to participate by September 11, 2020, with further information and procedures with respect to the Pro Rata Option to be described in further detail, including with respect to eligibility requirements, in Calfrac's Circular in respect of the Recapitalization Transaction.

COVID-19

Due to the current and rapidly evolving COVID-19 pandemic, the Company encourages its Senior Unsecured Noteholders and Shareholders to consider the advice and instructions of the Public Health Agency of Canada (www.canada.ca/en/public-health.html) and Alberta Health Services (www.albertahealthservices.ca) when deciding whether to attend the Meetings in person. Given the fundamental nature of the Recapitalization Transaction and the Meetings, and recent difficulties with virtual meeting platforms, the Company determined that the Meetings should be held in person. Access to the Meeting will be limited to essential personnel and registered Shareholders, Senior Unsecured Noteholders and duly appointed proxyholders entitled to attend and vote at the Meetings. The Company encourages registered Shareholders, Senior Unsecured Noteholders and duly appointed proxyholders to not attend the Meetings in person, particularly if they are experiencing any of the described COVID-19 symptoms. The Company encourages Shareholders and Senior Unsecured Noteholders to vote their common shares prior to the Meetings following the instructions set out in the form of proxy or voting instruction form received by such Shareholders and Senior Unsecured Noteholders, and to be further described in the Circular.

The Company may take additional precautionary measures in relation to the Meetings in response to further developments with the COVID-19 pandemic. In the event it is not possible or advisable to hold the Meetings in person, the Company will announce alternative arrangements for the Meetings as promptly as practicable, which may include holding the Meetings entirely by electronic means, telephone or other communication facilities. Please monitor our website at www.calfrac.com for updated information.

The Company will be providing a live webcast of the Meetings. Shareholders and Senior Unsecured Noteholders not attending the Meetings in person are encouraged to listen to the webcast. However, shareholders will not be able to vote through the webcast or otherwise participate in the Meetings. A link to the webcast will be available on the Company's website at www.calfrac.com.

This press release shall not constitute an offer to sell or a solicitation of an offer to buy the securities described herein, nor shall there be any sale of these securities in any state or other jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

The securities to be issued pursuant to the Recapitalization Transaction have not been and will not be registered under the U.S. Securities Act of 1933 (the "1933 Act"), or the securities laws of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from the registration requirements of the 1933 Act. The Common Shares to be issued to Senior Unsecured Noteholders pursuant to the Recapitalization Transaction will be issued and distributed in reliance on the exemption from registration set forth in Section 3(a)(10) of the 1933 Act (and similar exemptions under applicable state securities laws).

Calfrac's common shares are publicly traded on the Toronto Stock Exchange under the trading symbol "CFW". Calfrac provides specialized oilfield services to exploration and production companies designed to increase the production of hydrocarbons from wells drilled throughout western Canada, the United States, Argentina and Russia.

All references to "\$" are to Canadian dollars, unless otherwise indicated.

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this press release contains forward-looking statements and information concerning: stakeholder support for the Recapitalization Transaction; the expected process for and timing of implementing the Recapitalization Transaction and the Offering; the holding and timing of, and matters to be considered at the Meetings as well as with respect to voting at such Meetings; the deadlines for participation forms, submitting proxies, voting instructions and elections; the scheduling of the Meetings; the matters to be considered at and voted on the Meetings; the Company's continuance under the CBCA; the relief to be sought in the CBCA Proceedings in respect of the Plan of Arrangement; the completion of the Recapitalization Transaction and the Offering, including with respect to obtaining any necessary approvals and satisfying any conditions and the expected timing thereof; the public posting of materials and information related to the Recapitalization Transaction and the Offering and the effect of the Recapitalization Transaction and the Offering.

These forward-looking statements and information are based on certain key expectations and assumptions made by Calfrac in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances, including, but not limited to, the following: the Recapitalization Transaction and the Offering will be completed as proposed, economic and political environment in which Calfrac operates; Calfrac's expectations for its customers' capital budgets and geographical areas of focus; the effect unconventional oil and gas projects have had on supply and demand fundamentals for oil and natural gas; Calfrac's existing contracts and the status of current negotiations with key customers and suppliers; the effectiveness of cost reduction measures instituted by Calfrac; and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Although Calfrac believes that the expectations and assumptions on which such forward looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information as Calfrac cannot give any assurance that they will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with: Calfrac's ability to continue to manage the effect of the COVID-19 pandemic on its operations; default under the Company's credit facilities and/or the Company's senior notes due to a breach of covenants therein; failure to reach any additional agreements with the Company's lenders; the impact of events of defaults in respect of other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; failure of existing Shareholders and holders of Senior Unsecured Notes to vote in favour of the Recapitalization Transaction; failure to receive all applicable regulatory, court, third party and other stakeholder approvals in respect of the Recapitalization Transaction or the Offering, global economic conditions; along with those risk and uncertainties identified under the heading "Risk Factors" and elsewhere in the Company's annual information form dated March 10, 2020 and filed on SEDAR at www.sedar.com.

The forward-looking statements and information contained in this press release are made as of the date hereof and Calfrac does not undertake any obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. This press release is not an offer of securities for sale in the United States. The New 1.5 Lien Notes to be issued in the Offering have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent an applicable exemption from registration requirements.

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