

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
FIRSTONSITE G.P. INC.

Applicant

**MOTION RECORD OF THE PURCHASER
(Re Assignment of Contracts)
(Returnable May 18, 2016)**

May 13, 2016

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Tab 1

Court File No.: CV-16-11358-00CL

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**AFFIDAVIT OF JEFF JOHNSON
(Sworn May 12, 2016)**

I, Jeff Johnson, of the City of Denver, in the State of Colorado, MAKE OATH AND SAY:

1 I am the Secretary and a Director of 3297167 Nova Scotia Limited ("**New FOS**"), and have held that position since New FOS' inception in March 2016. I am also the Chairman of Bellwether International Group LLC (doing business as Interstate Restoration) ("**Interstate**"), as discussed further below, and have been in that role since 2007. Prior to my positions at Interstate and New FOS, and from 1996 to 2002, I was co-founder and co-CEO of BELFOR USA Group, Inc., a full service contractor and disaster-recovery firm operating throughout North America. As such, I have personal knowledge of the matters to which I hereinafter depose, except where otherwise stated, and where so stated I believe that information to be true.

2 I swear this Affidavit in support of a motion that I understand has been brought by FirstOnSite GP Inc., for itself and on behalf of FirstOnSite Restoration L.P. (together "**FirstOnSite**") requesting entry of an order (the "**Assignment Order**") authorizing the assignment of certain contracts and leases listed in Schedule "A" to the Assignment Order (the "**Assigned Contracts**") to New FOS, pursuant to an Asset Purchase Agreement dated April 20,

2016 between FirstOnSite and New FOS (the "APA"), the Assignment Order and section 11.3 of the *Companies' Creditors Arrangement Act* (Canada).

3 In particular, I swear this Affidavit in order to demonstrate that New FOS, both operationally and financially, would be a more than capable successor to the business now run by FirstOnSite, and would be able to perform its obligations as assignee under the Assigned Contracts should the Court approve FirstOnSite's motion and grant the Assignment Order.

4 New FOS is the proposed purchaser and assignee of the Assigned Contracts pursuant to the terms of the APA. Unless designated as "Excluded Contracts" in accordance with the terms of the APA and prior to the closing of the transactions contemplated thereunder (the "Closing"), the Assigned Contracts will be assumed directly and, as per the terms of the proposed Assignment Order, New FOS will be responsible for all obligations under each for the period from and after Closing.

5 Contemporaneous with the Closing, New FOS will enter into a management services agreement with Interstate pursuant to which Interstate will provide operational resources and management oversight to New FOS and its business. Interstate is highly experienced in the disaster recovery and reconstruction business, and is one of the largest wholly-owned such companies working in the United States today.

6 Indeed, I am proud to say that the management team at Interstate is one of the most seasoned in the North American disaster restoration industry and brings significant experienced in acquiring and integrating acquisition targets in that industry. I was previously the co-founder and CEO of BELFOR USA ("Belfor"), and several key members of Interstate's management team were senior executives at Belfor during my tenure there. While at Belfor, the current Interstate management team grew Belfor's business rapidly, growing it from one location with 20

employees and annual revenue of US\$2 million in 1996 to 53 locations with 1,600 employees and over US\$400 million in annual revenue by 2002. Since the former Belfor management team members and I re-united in 2007, we have similarly grown Interstate's business, and have managed to more than triple its size to date, to 19 locations and upwards of 300 employees at present.

7 In addition to such operational expertise, New FOS will also be able to leverage the financial resources and capital markets expertise of Delos Capital Management, L.P. ("Delos"), a private equity fund that was formed in 2013 by partners who previously worked at Apollo Global Management, LLC. In connection with the APA, Delos has executed a commitment letter to make a significant capital investment in cash of \$30 million in New FOS' equity, which amount may only be reduced to the extent that (a) it is not required to fund payment of the purchase price and other expenses relating to the transaction contemplated by the APA or (b) another party also invests under the same commitment. As a substantial and long-time investor in Interstate, Delos also has extensive experience as a capital partner in the disaster recovery business.

8 New FOS also has an open commitment for new financing pursuant to a CAD\$45 million asset-based revolving facility with a reputable and well-established financial institution.

9 Moreover, while New FOS will acquire and continue to operate the substantially the same disaster recovery and restoration business with the same assets as are currently operated by FirstOnSite, New FOS will be able to operate that business without the substantial debt that currently burdens FirstOnSite. Indeed, it is anticipated that on a *pro forma* basis, the sale to New FOS would leave behind approximately \$110 million in net debt. Attached as Exhibit "B" hereto is a *pro forma* balance sheet demonstrating the financial strength of the New FOS business following Closing.

10 New FOS will also not be acquiring a small number of unprofitable assets and locations maintained by FirstOnSite, thereby streamlining the business and increasing its profitability. Overall, the sale transaction will ensure that the business going forward will be in a far better financial position than it currently is under the insolvent FirstOnSite.

11 Taken together, the combined effect of the \$45 million new financing, the streamlined operations and the \$30 million equity commitment by Delos will result in New FOS having more than enough cash to pay the purchase price under the APA, fund working capital, and ensure that future ongoing liabilities, including under the Assigned Contracts, are met.

12 I believe that New FOS is experienced, qualified and adequately capitalized and is moreover willing, able and motivated to perform its obligations under the Assigned Contracts. Both Delos and Interstate are committing significant resources to ensuring that the services currently provided by FirstOnSite to its customers and counterparties will continue uninterrupted following closure of the sale to New FOS, and will remain at the current high level of service that FirstOnSite provides. A recent press release issued by Interstate in respect of the new business partnership expressing its commitment to FirstOnSite's existing customers and counterparties during this transition process and post-Closing of the sale transaction is attached as Exhibit "B".

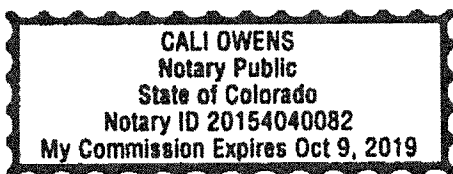
13 Customers, vendors and other counterparties should also take comfort from the fact that New FOS will be offering employment to no less than 90% of FirstOnSite's current employees, effective on closing of the transaction, and that it will therefore will able to leverage their existing talent and institutional knowledge to ensure that the transition of the business to New FOS (including the servicing of the Assigned Contracts) is seamless.

14 If FirstOnSite's motion for the Assignment Order is granted, and the Assigned Contracts are assigned to New FOS (and not subsequently designated as Excluded Contracts prior to Closing such that they are not purchased assets under the transaction), New FOS would perform its obligations thereunder.


SWORN BEFORE ME at the City of Greenwood Village in the State of Colorado, this 12th day of May, 2016.

Cali Owens
A Commissioner for taking Affidavits (or as may be)

Jeff Johnson
Jeff Johnson



This is Exhibit "A" referred to in the
Affidavit of Jeff Johnson
sworn before me, this 12th day
of May, 2016


A Commissioner for taking Affidavits

CALI OWENS
Notary Public
State of Colorado
Notary ID 20154040082
My Commission Expires Oct 9, 2019

Balance Sheet Overview

Commentary

- On April 20, 2016 FirstOnSite Restoration Inc. ("FirstOnSite") entered into a purchase and sale agreement among affiliated parties with US based Interstate Restoration pursuant to which 3297167 Nova Scotia Limited ("New FOS") will be acquiring substantially all of the assets and operations of the Company.
- The sale is to be effected by Court order further to proceedings instituted in respect of the Company under the Companies' Creditor Arrangement Act ("CCAA").
- The sale will allow New FOS to retain all of the assets of the Company while shedding certain long-term financial indebtedness, enhancing the financial position of the business
- The ending net tangible assets of New FOS will increase substantially (against those of the original Company) through the transaction, allowing New FOS to operate the business efficiently and effectively with both vendors and customers
- The credit profile of the New FOS business, once the transaction is complete, will be substantially stronger than the current situation (prior to the acquisition)

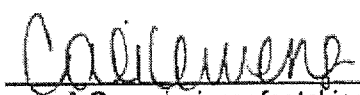
Comparison of Net Assets Before and After the Transaction

	Before CCAA	After CCAA
Total Tangible Assets	\$60m	\$60m
Total Vendor Payments & Other	\$30m	\$30m
Total Senior Debt	\$25m	\$20m
Total Subordinated Debt	\$70m	\$0m
Total Other Debt	\$35m	\$0m
Total Interest Bearing Debt	\$130m	\$20m
Net Tangible Assets	(\$100m)	\$10m

Note: financial estimates are based on unaudited internal financials prepared by management, are subject to change, and remain confidential in accordance with existing agreements with FirstOnSite and/or Interstate



This is Exhibit "B" referred to in the
Affidavit of Jeff Johnson
sworn before me, this 12th day
of May, 2016


A Commissioner for taking Affidavits

CALI OWENS
Notary Public
State of Colorado
Notary ID 20154040082
My Commission Expires Oct 9, 2019

Interstate Restoration CEO Addresses new Canadian Partners

May 5, 2016 by Interstate Restoration

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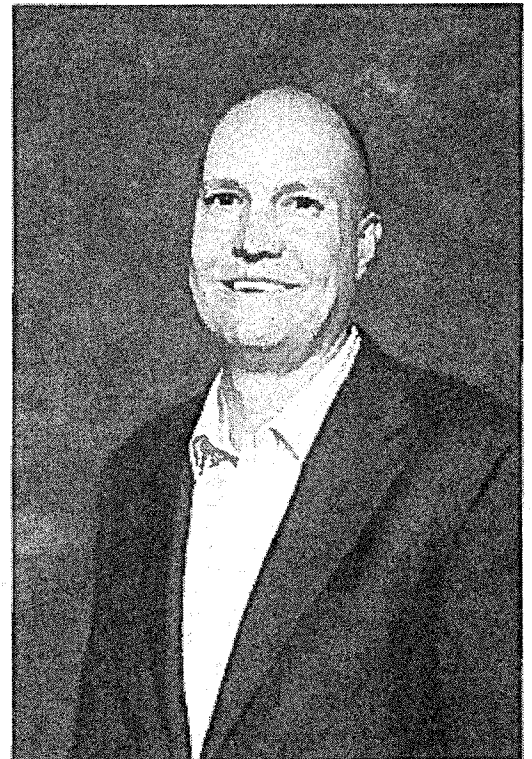


Letter to our new Canadian Partners:

As you may already be aware, two cross-border restoration and reconstruction powerhouses are joining forces and bringing to Canada an even more confident and experienced company capable of responding to commercial and residential disasters across Canada and the U.S., from local emergencies to major catastrophes.

At Interstate Restoration, we are excited about our recently announced intent to acquire FirstOnSite Restoration, Canada's largest independent disaster restoration company. Even more exciting is that together we will become the second largest independent emergency restoration and reconstruction services provider in North America.

FirstOnSite marks the fourth, and the most significant acquisition in recent years by Interstate Restoration as we continue our determined vision of building a more responsive network of experts across the U.S. and Canada that can react to any-sized catastrophe. Together, we'll have the necessary scale to help people across North America get back to business and back to life quickly and safely.




Some of you may already know Interstate Restoration. We work closely with many of your counterpart insurance agencies in the U.S. For nearly two decades we've responded to disasters large and small like Hurricane Katrina or Super Storm Sandy. And much like FirstOnSite, we have worked hard to build a track record of growth and innovation. Our team is comprised of dedicated industry veterans, with a solid, stable workforce. We have successfully built our reputation on a "Gold Standard" culture of doing things the right way, having a strong sense of urgency, hiring great people, holding everyone accountable, and having fun along the way. These core values mirror those of FirstOnSite and I am confident that they are the right partner for us as we continue working with our customers, vendors and employees while moving forward together to become a leading North American restoration business.

Our commitment to excellence not only involves a dedicated focus on customer service and expertise, but is founded on trusted relationships with partners like you who will enjoy peace of mind knowing you are working with a leading restoration firm in Canada, and soon across North America. You have my promise that as one company, we will strengthen our service offerings, employ a wider array of resources and talented personnel, and operate on solid financial footing that will afford our partners a greater level of assurance and satisfaction.

On behalf of both organizations, I thank you for your continued support and look forward to an exciting future together.

Learn more at www.firstonsite.ca or www.interstaterestoration.com.

Sincerely



Stacy Mazur
CEO and President
Interstate Restoration, LLC

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Proceeding commenced at Toronto

AFFIDAVIT OF JEFF JOHNSON
(Sworn May 12, 2016)

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