

COURT FILE NUMBER

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

PLAINTIFFS

CORTLAND CREDIT LENDING CORPORATION

DEFENDANT

INDEPENDENT RENEWABLE RESOURCES CORP.
and INDEPENDENT ENERGY HOLDINGS INC.

DOCUMENT

STATEMENT OF CLAIM

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION
OF PARTY
FILING THIS
DOCUMENT

Cassels Brock & Blackwell LLP
Suite 3700, Bankers Hall West
888 3rd Street SW
Calgary, Alberta T2P 5C5

Telephone 403-351-2921

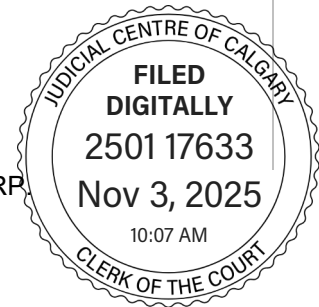
Facsimile 403-648-1151

Email: joliver@cassels.com / kwiest@cassels.com

File No. 57175-21

Attention: Jeffrey Oliver / Kamryn Wiest

Clerk's Stamp



NOTICE TO DEFENDANT:

You are being sued. You are a Defendant.

Go to the end of this document to see what you can do and when you must do it.

Note: State below only facts and not evidence (Rule 13.6)

Statement of facts relied on:

Parties

1. The Plaintiff, Cortland Credit Lending Corporation ("**Cortland**"), is a body corporate incorporated pursuant to the laws of Ontario with a registered office in Toronto, Ontario. Cortland is a company which, among other things, acts as an agent for private lenders in Canada in administering loans to borrowers.
2. The Defendants, Independent Renewable Resources Corp. ("**IRRC**") and Independent Energy Holdings Inc. ("**IEH**", and together with IRRC, the "**Debtors**"), are each bodies corporates incorporated pursuant to the laws of Alberta, and each have a registered office in Calgary, Alberta.
3. IRRC is a used motor oil recycling processor registered with the Saskatchewan Association for Resource Recovery Corp. IRRC owns and operates a used motor oil feedstock modular refinery located in the Regional Municipality of Bone Creek No. 108, Saskatchewan (the "**Echo Refinery**"). The sole director on record of IRRC is Bryce Karl ("**Mr. Karl**").

4. IEH owns 78.6% of the issued and outstanding shares of IRRC, Raptor Enterprises Inc. ("**Raptor**") owns 10% of the issued and outstanding shares of IRRC, Cortland owns 3.8% of the shares of IRRC, and Cortland Credit Strategies LP and Cortland Credit Institutional LP hold, or have held on their behalf, the remaining shares of IRRC.

The Credit Agreement and Security Documents

Credit Agreement

5. Pursuant to a commitment letter between IRRC, IEH, and Cortland dated February 16, 2022, as amended, (the "**Credit Agreement**"), Cortland established in favour of IRRC a credit facility in the principal amount of \$49,500,000.00 and an uncommitted accordion of \$4,500,000.00 (the "**Credit Facility**").
6. Among other things, the Credit Agreement provides that:
- (a) interest shall accrue on the Credit Facility at a rate per annum equal to 6.0%, payable on the last business day of each calendar month;
 - (b) the Credit Facility, fees, and all interest thereon is due and payable upon the earlier of demand or the Termination Date (as defined in the Credit Agreement);
 - (c) IRRC shall pay to Cortland all reasonable costs and expenses of Cortland, including the reasonable fees and out-of-pocket expenses of Cortland's legal counsel with respect thereto and with respect to the preparation, negotiation, execution, delivery, registration, maintenance, administration, interpretation and enforcement or protection of its rights under the Credit Agreement and any other documents to be delivered under or in connection with the Credit Agreement;
 - (d) failure of IRRC to pay any outstanding principal amount, interest, fees or other amounts payable under the Credit Agreement shall constitute an Event of Default (as defined in the Credit Agreement); and
 - (e) the Credit Agreement, other credit documents, and transactions contemplated thereby shall be governed by and construed in accordance with the laws of the Province of Alberta.
7. As at October 17, 2025, the total indebtedness outstanding under the Credit Facility is \$68,353,231.21, including principal and accrued interest as at October 17, 2025, but exclusive of interest accruing thereafter at the interest rate in the Credit Agreement calculated daily, and exclusive of fees, costs, and expenses (including legal fees) (collectively, the "**Indebtedness**").

Security Documents

8. As security for all amounts owing under the Credit Agreement and advanced under the Credit Facility, IRRC provided the following security:
- (a) a general security agreement granted by IRRC in favour of Cortland dated February 16, 2022 (the “**IRRC GSA**”);
 - (b) a collateral mortgage granted by IRRC in favour of Cortland dated February 16, 2022, as amended (the “**IRRC Mortgage**”) in the principal amount of \$280,000,000.00 and charging the land legally described as:

Surface Parcel #149547055
Reference Land Description: NW Sec 08 Twp 09 Rge 17 W3 Extension 30
As described in Certificate of Title 86SC12902, description 30

(the “**IRRC Land**”);
 - (c) a share pledge agreement granted by IRRC dated February 16, 2022;
 - (d) an environmental indemnity agreement dated February 16, 2022;
 - (e) a general assignment of material projects dated February 16, 2022; and
 - (f) a transfer and assignment of insurance dated February 16, 2022;
- (collectively, the “**IRRC Security Documents**”).
9. As further security for all amounts owing under the Credit Agreement and advanced under the Credit Facility, Cortland also obtained the following security from IEH:
- (a) an unlimited guarantee granted by IEH in favour of Cortland dated February 16, 2022 (the “**IEH Guarantee**”);
 - (b) a general security agreement granted by IEH in favour of Cortland dated February 16, 2022 (together with the IRRC GSA, the “**GSAs**”); and
 - (c) a share pledge agreement granted by IEH in favour of Cortland dated February 16, 2022 (the “**IEH Share Pledge**”);
- (all together with the IRRC Security Documents, the “**Security Documents**”).
10. Pursuant to the GSAs, the Debtors each granted Cortland a security interest in (among other things) all present and after-acquired personal property of the Debtors or any one of them. Cortland has perfected its security interest under the GSAs by registering financing statements at the Alberta Personal Property Registry and the Saskatchewan Personal Property Registry. Further, each of

the GSAs is governed by and construed in accordance with the laws of the Province of Alberta and the Debtors irrevocably attorned to the jurisdiction of the courts of Alberta.

11. Pursuant to the IRRC Mortgage:

- (a) the IRRC Mortgage is repayable on demand, and shall include all solicitor's, inspector's, valuator's, surveyor's and others' fees and expenses for, among other things, exercising or enforcing or attempting to enforce, or in pursuance of, any right, power, remedy or purpose thereunder or subsisting (including legal costs as between a solicitor and his own client on a full indemnity basis, and also an allowance for the time, work, and expenses of Cortland or of any agent, solicitor or servant of Cortland for any purposes therein provided), together with all sums which Cortland from time to time advances, expenses, or incurs pursuant to any provision contained in the IRRC Mortgage, to be secured hereby and will be a charge on the IRRC Land, together with interest thereon at the interest rate as defined in the IRRC Mortgage, calculated from the date of advance or expenditure by Cortland to the date of payment to Cortland;
- (b) the IRRC Mortgage shall be subject to an interest rate equal to 18% per annum calculated half-yearly not in advance; and
- (c) notwithstanding that the IRRC Mortgage is repayable on demand, if an Event of Default has occurred or is occurring, or upon breach of or default in any provision thereof or upon breach of or default in any provision of any other security documents by the IRRC, among other things:
 - (i) the security under the IRRC Mortgage will immediately become enforceable;
 - (ii) Cortland will be entitled to receive and recover all rents and other revenues from the IRRC Land now or hereafter due or to become due;
 - (iii) Cortland may enter, seize and distrain upon the IRRC Land or any part thereof, and by distress warrant to recover by way of rent reserved as in the case of a demise of the IRRC Land as much of the Indebtedness attending such levy or distress as in like cases of distress for rent; and
 - (iv) Cortland may appoint a receiver of the IRRC Land and income of the IRRC Land.

12. Cortland's security interest under the IRRC Mortgage was perfected through registration with the Saskatchewan Land Titles Office on February 23, 2022.

13. Pursuant to the IEH Guarantee:

- (a) the IEH Guarantee is a continuing guarantee;
 - (b) Cortland shall be under no obligation to exhaust its recourse against IRRC or others or any security it may at any time hold before being entitled to payment from IEH; and
 - (c) IEH agrees to pay all duly documented, reasonable out-of-pocket costs and expenses, including reasonable attorney's fees, which may be incurred by Cortland in any effort to collect or enforce any of its obligations thereunder.
14. Pursuant to the IEH Share Pledge, IEH assigned, pledged, and hypothecated to Cortland a first security interest in the shares, units, trust interests and other shares in the capital of IRRC currently and hereafter acquired and the certificates representing such shares, and all proceeds thereof including dividends, cash and other property from time to time received or receivable or any other distribution in respect of or in exchange for any or all of the shares.

Dentons Demands, First Cassels Demands and Forbearance Agreements

15. As of August 2022, IRRC was in default of the Credit Agreement for non-payment of accrued interest for the months of May 2022, June 2022, and July 2022.
16. On August 31, 2022, Cortland, through its then counsel, Dentons Canada LLP, issued a demand letter and a notice of intention to enforce security pursuant to section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (Canada) ("**BIA**") to the Loan Parties (as defined in such demand letter) (collectively, the "**Dentons Demands**").
17. As a result of the Dentons Demands, Cortland and the Debtors entered into negotiations which ultimately culminated in the parties entering into a Forbearance Agreement dated August 31, 2022, as amended (the "**Initial Forbearance Agreement**"), in which Cortland agreed to forbear from enforcing its rights under the Credit Agreement and applicable security agreements. The Initial Forbearance Agreement allowed additional time for the Loan Parties to obtain funds and repay the Indebtedness.
18. The term of the Initial Forbearance Agreement expired, and subsequently the Credit Facility had matured. IRRC continued to fail to pay amounts due and owing under the Credit Facility at the date thereof, which is an Event of Default under the Credit Agreement, IRRC Mortgage, and the GSAs (the "**Continued Default**").
19. On June 19, 2023, Cortland, through its counsel, Cassels Brock & Blackwell LLP ("**Cassels**"), issued demand letters and notices of intention to enforce security pursuant to section 244 of the BIA to the Debtors, demanding repayment of all amounts outstanding under the Credit Agreement and Security Documents (collectively, the "**First Cassels Demands**").

20. As a result of the First Cassels Demands, on November 1, 2023, IRRC, IEH, and Cortland entered into a Forbearance Agreement, as amended (the “**Current Forbearance Agreement**” and together with the Credit Agreement and Security Documents, the “**Loan Documents**”).
21. Despite the Continued Default, Cortland continued to forbear from enforcing its rights and remedies under the Credit Agreement and Security Documents pursuant to the Current Forbearance Agreement.
22. Among other things, key terms of the Current Forbearance Agreement provided that:
- (a) Cortland shall refrain from further enforcing its rights and remedies under the Credit Agreement and Security Documents during the Forbearance Period (as defined in the Current Forbearance Agreement);
 - (b) the Debtors made the following acknowledgements:
 - (i) that IRRC is indebted to Cortland;
 - (ii) that IRRC is in default of the Credit Agreement; and
 - (iii) that all security granted under the Credit Agreement and Security Documents is valid and enforceable;
 - (c) upon the occurrence of any default or expiry of the Forbearance Period, the Indebtedness shall become due and payable, and Cortland may immediately exercise any rights or remedies available to it under the Loan Documents; and
 - (d) the Debtors agreed to the following covenants:
 - (i) delivery from IRRC to Cortland on a best-efforts basis of:
 - (A) confirmation of the limited recourse guarantee granted by Raptor in favour of Cortland dated December 22, 2022 (the “**Raptor Guarantee**”) executed by Raptor;
 - (B) confirmation of the share pledge agreement granted by Raptor in favour of Cortland dated December 22, 2022 (the “**Raptor Share Pledge**”) executed by Raptor; and
 - (C) original stock transfer powers from Raptor for its shares in IRRC;
 - (ii) delivery from IRRC to Cortland of a proposed plan to upgrade the Echo Refinery to produce ultra-low sulfur diesel; and

- (iii) agreement from IRRC and Mr. Karl that Kurt Hausen and Everett Rueve shall remain in their respective roles of Chief Restructuring Officer, and consultant, fully engage in their duties, and receive full disclosure from IRRC.
- 23. Cortland received confirmation of the Raptor Guarantee and the Raptor Share Pledge from Raptor when the Current Forbearance Agreement was entered into on November 1, 2023, and upon the first amendment to the Current Forbearance Agreement on February 23, 2024; however, the Current Forbearance Agreement was amended an additional nine times, and despite Cortland's repeated condition to that effect, Cortland did not receive any further confirmation of the Raptor Guarantee and the Raptor Share Pledge from Raptor, nor did it receive original stock transfer powers from Raptor for its shares in IRRC.
- 24. The Forbearance Period was extended numerous times by amendments to the Current Forbearance Agreement. Most recently, pursuant to an Acknowledgement and Confirmation Agreement between IRRC, IEH, and Cortland dated September 8, 2025, the parties agreed, among other things, that the Forbearance Period would be extended to September 11, 2025.

Second Demands and Events of Default

- 25. Between the dates of September 16, 2025, to October 14, 2025, representatives from Cortland and Mr. Karl exchanged various communications for the purpose of negotiating an extension to the Forbearance Period.
- 26. Despite Cortland's best efforts to negotiate an extension to the term of the Current Forbearance Agreement, the Forbearance Period ultimately expired on September 11, 2025, and was not extended. Consequently, the Credit Facility has matured and is due and payable in full.
- 27. Notwithstanding the maturity of the Credit Facility, IRRC has also committed the following events of default under the Loan Documents:
 - (a) IRRC failed to observe or perform any covenant or obligation under the Current Forbearance Agreement. In particular, IRRC failed to:
 - (i) deliver to Cortland a copy of the proposed plan to upgrade the Echo Refinery to produce road-specification ultra-low sulfur diesel for Cortland to assess;
 - (ii) on a best-efforts basis, receive a confirmation of limited recourse guarantee and pledge agreement executed by Raptor; and
 - (iii) provide such other and further information that Cortland reasonably requested, including but not limited to a response to extend the term of the Current Forbearance Agreement;

- (b) IRRC failed to observe or perform any Financial Covenant (as defined in the Credit Agreement) under the Credit Agreement and Security Documents, including failure to meet the required Tangible Net Worth, Interest Coverage Ratio, Debt-to-EBITA Ratio, and Fixed Charge Coverage Ratio (each as defined in the Credit Agreement);
 - (c) the occurrence of a Borrowing Base Shortfall (as defined in the Credit Agreement) and IRRC's failure to repay the same; and
 - (d) IRRC failed to pay any outstanding principal amount, any interest, fees or other amounts payable under the Loan Documents.
28. On October 17, 2025, Cortland, through its counsel, Cassels, issued further demand letters and notices of intention to enforce security pursuant to section 244 of the BIA to the Debtors, demanding repayment of all amounts outstanding under the Loan Documents (collectively, the "**Demands**").
29. The 10-day period referenced in subsection 244(2) of the BIA has expired.
30. Notwithstanding the foregoing, the Debtors have failed to comply with the Demands.
31. As a result of the Demands and in accordance with the Credit Agreement and Security Documents, all outstanding amounts under the Credit Agreement, Security Documents and Credit Facility are now due, owing and payable.
32. Failure to pay all amounts owing under the Credit Agreement when due constitutes an event of default under the Credit Agreement, IRRC Mortgage, and the GSAs, which default has not been cured.
33. Pursuant to the Current Forbearance Agreement, as the Forbearance Period has expired and the Indebtedness remains outstanding, Cortland may now proceed with the enforcement of its rights and remedies available under the Loan Documents.

Appointment of Receiver

34. The Indebtedness is a valid debt which remains due and outstanding to Cortland.
35. Cortland seeks the appointment of a receiver-manager to manage the collateral subject to the Security Documents and to realize on Cortland's security.
36. The Security Documents provide for the appointment of a receiver over the assets, undertakings, and properties of the Debtors.
37. KSV Restructuring Inc. has consented to act as receiver manager over the assets, property and undertakings of the Debtors.

38. It is just and convenient for a receiver to be appointed in the circumstances.

Remedy Sought:

39. Cortland seeks the following relief as against the Debtors:

- (a) judgment against IRRC in the principal sum of \$68,353,231.21, plus interest thereon at the interest rates set forth in the Credit Agreement from October 17, 2025, to the date of judgment or payment in full, or in the alternative, interest pursuant to the *Judgement Interest Act*, RSA 2000, c J-1, as amended;
- (b) judgment against IEH in the maximum amount permitted under the IEH Guarantee, plus interest thereon at the interest rates set forth in the IEH Guarantee from the date of demand to the date of judgment or payment in full, or in the alternative, interest pursuant to the *Judgement Interest Act*, RSA 2000, c J-1, as amended;
- (c) an order for the appointment of a receiver or receiver and manager over the assets, undertaking and properties of the Debtors pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended;
- (d) a declaration as to the amounts owing under the Loan Documents with interest according to the terms thereof, and in default of payment, sale or foreclosure and possession of the IRRC Land;
- (e) an order setting the period for redemption;
- (f) a preservation order;
- (g) an order permitting Cortland or its duly authorized agent to be at liberty to enter the IRRC Land for the purposes of doing any and all things necessary to preserve the IRRC Land and declaring that Cortland shall not be considered a mortgagee in possession or trespasser;
- (h) if necessary, an order for possession of the personal property of the Debtors secured under the GSAs;
- (i) all legal costs and expenses on a solicitor-client full indemnity basis in accordance with the Credit Agreement and Security Documents, or in the alternative, costs as the Honourable Court deems appropriate; and/or
- (j) such further and other relief as this Honourable Court deems just and appropriate.

NOTICE TO DEFENDANT

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the Court of King's Bench at Calgary, Alberta, AND serving your statement of defence or a demand for notice on the plaintiff's(s') address for service.

WARNING

If you do not file and serve a statement of defence or a demand for notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff(s) against you.