

COURT FILE NO.

25-2618433

COURT

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IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED, OF TARTAN COMPLETION SYSTEMS INC.

DOCUMENT

FIFTH REPORT OF MNP LTD., PROPOSAL TRUSTEE

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING

PROPOSAL TRUSTEE

MNP LTD.
1500, 640 – 5 AVENUE SW
CALGARY, AB T2P 3G4

THIS DOCUMENT

ATTN: VICTOR P. KROEGER
TEL: 403.298.8479
FAX: 403.537.8437
EMAIL: vic.kroeger@mnp.ca

MLT AIKINS LLP
2100, 222-3rd Avenue S.W.
CALGARY, AB T2P 0B4

ATTN: RYAN ZAHARA
TEL: 403-693-5420
FAX: 403-508-4349
EMAIL: rzahara@mltaikins.com

APPENDICES

APPENDIX A

Redacted Asset Purchase Agreement

INTRODUCTION AND LIMITATIONS

1. On February 14, 2020, Tartan Completion Systems Inc. (the “Company” or “TCSI”) filed a Notice of Intention to Make a Proposal (“NOI”) pursuant to the *Bankruptcy and Insolvency Act* (“BIA”) and MNP Ltd. consented to act as the proposal trustee under the NOI (the “Trustee”).
2. All references to currency are in Canadian dollars unless otherwise stated.
3. In preparing this Fifth Report and making comments herein, the Trustee has relied upon, certain unaudited, draft or internal financial information, including the Company’s books and records, and information from other third-party sources (collectively, the “Information”). The Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance standards or other standards established by the Chartered Professional Accountants of Canada (the “Standards”). Additionally, none of the Trustee’s procedures were intended to disclose defalcations or other irregularities. If the Trustee were to perform additional procedures or to undertake an audit examination of the Information in accordance with the Standards, additional matters may have come to the Trustee’s attention. Accordingly, the Trustee does not express an opinion, nor does it provide any other form of assurance on the financial or other information presented herein. The Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of this report.
4. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of this report. Any use, which any party makes of this report, or any reliance or decision to be made based on this report, is the sole responsibility of such party.
5. This report represents the Fifth Report of the Proposal Trustee (the “Fifth Report”). Defined terms used in the Fifth Report will have the same meaning as in the First Report of the Proposal Trustee dated March 10, 2020; the Second Report of the Proposal Trustee dated April 22, 2020, the Third Report of the Proposal Trustee dated June 8, 2020 and the Fourth Report of the Proposal Trustee dated July 21, 2020.
6. A copy of the Fifth Report and other relevant documents in the Company’s restructuring proceedings are available on the Trustee’s website at:

<https://mnpdebt.ca/en/corporate/Engagements/tartan-completion-systems-inc>

PURPOSE OF THE REPORT

7. The purpose of the Fifth Report is to provide the Court and other interested parties with information regarding the following relief sought by the Trustee, including:
 - a. Approval of the sale of the TCSI assets under the SISP to Tartan Energy Group International (“TEGI” or the “Successful Bidder”) and obtaining a Sale Approval and Vesting Order from this Honourable Court for the recommended sale; and
 - b. Approval to seal the Confidential Supplement to the Fifth Report (the “Confidential Supplement”).

SISP UPDATE

8. As outlined in the SISP Order and the Trustee’s Fourth Report, TCSI assets were advertised for sale in three newspapers, the Daily Oil Bulletin, the Insolvency Insider and to MNP’s Energy Niche market database which includes over 2000 energy industry contacts.

9. The original bid deadline of July 17, 2020 at 5:00 p.m. MT was extended to July 31, 2020 at 12:00 p.m. MT (the "Extended Bid Deadline") by the Trustee by delivering notice to all of the parties involved in the SISP and with the consent of TCSI.
10. Three parties executed non-disclosure agreements ("NDA") and accessed the virtual data room.
11. After the filing of the Trustee's Fourth Report, Ryan McGillivray, the former President of TCSI, ("McGillivray") did request a duplicate copy of the Teaser and NDA as he couldn't locate the copy sent to him previously. The NDA was not returned or signed by McGillivray.
12. Counsel for NCS Multistage, a company who, prior to the filing of the NOI, had expressed interest in acquiring the TCSI assets was also contacted regarding any potential interest in bidding on the assets, however counsel for NCS Multistage advised that their client was not prepared to make an offer for the TCSI assets.
13. As outlined in previous reports, TEGI is the parent company of TCSI. TEGI provided an offer to purchase (the "Successful Bid") the TCSI assets through a credit bid of the debt TEGI holds against the assets of TCSI. A redacted copy of the TEGI offer to purchase, in the form of a redacted Asset Purchase Agreement is attached hereto as Appendix "A". Counsel to the Trustee has provided its opinion that the TEGI security is valid and enforceable as against the assets of TCSI. Subject to the approval by this Honourable Court, the effective closing date of the Successful Bid is July 31, 2020.
14. As TEGI bid its total secured claim as a credit bid for the assets of TCSI, any offer from another third party would have had to be at a value greater than the value of the TEGI security, in order to provide any return to the unsecured creditors. TEGI will pay on closing, all claims ranking in priority to their security including any amounts due under the Administration Charge.
15. No other offer to purchase some or all of the TCSI assets was received by the Trustee prior to or after the Extended Bid Deadline.
16. The Trustee advised TEGI that it was the successful bidder on Friday, July 31, 2020 and that the Trustee would be proceeding with bringing forward the Successful Bid for approval by the Court.
17. The inventory listings (the "Asset List") in the virtual data room provided all interested parties that had executed the NDA, with the asset cost and a total value of the assets, based on volume.
18. Due to the proprietary nature of the Asset List, an appraisal was not requested as there was no third-party sales history and the business was not presently operating. Accordingly, it is typically very difficult to determine values of these assets above scrap value through any such appraisal. The Asset List is contained in Schedules A1 and A2 of Appendix A to the Successful Bid.
19. The Trustee believes that the TEGI APA represents the best possible realizable value for the TCSI assets in the circumstances.
20. The SISP was conducted in accordance with the terms of the SISP Order, the assets were adequately exposed to the market and the SISP yielded the best possible result.

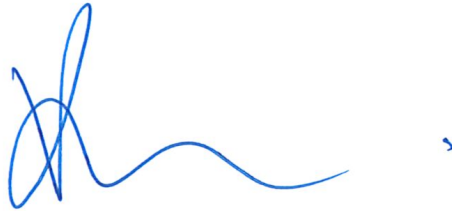
CONCLUSIONS AND RECOMMENDATIONS

21. The Proposal Trustee is of the view that the Successful Bid represents the best offer available in the present circumstances for the sale of TCSI assets. Further information regarding the Trustee's analysis of the Successful Bid is provided in the Confidential Supplement.
22. The Trustee submits that the SISP has been a fair and open process, that there has been no unfairness in the SISP process and that the efforts taken by the Trustee to generate offers for the assets thoroughly tested the market and obtained the best possible realizable price for the TCSI assets in the circumstances.

23. The Trustee advises that the sale of the TCSI assets contemplated by the Successful bid would be more beneficial for the creditors of TCSI than if TCSI went into bankruptcy and its assets were sold through the bankruptcy proceedings.
24. The Trustee advises that the purchase price for the TCSI assets represents confidential information and the disclosure of which could impact any subsequent marketing process that may have to be undertaken by TCSI should the transaction contemplated by the Successful Bid not close as contemplated.
25. The Trustee submits that it is necessary and appropriate to seal the Confidential Supplement on the Court record until the transaction contemplated by the Successful Bid closes or further order of this Honourable Court directs the release of that information.
26. Based on the foregoing, the Trustee respectfully recommends that this Honourable Court grant an Order:
 - a. Approving the TEGI APA, including vesting title to the TCSI assets in TEGI as at closing, free and clear of all items, charges, security interests and other encumbrances (subject only to permitted encumbrances); and
 - b. Approving the sealing of the Confidential Supplement.

All of which is respectfully submitted this 4th day of August 2020.

MNP Ltd., solely in its capacity as the Proposal Trustee in the Notice of Intention to Make a Proposal of Tartan Completion Systems Inc. and not in its personal or corporate capacity,



Per: _____

Victor P. Kroeger CPA, CA, LIT, CIRP, CFE
Senior Vice President

Appendix A