

COURT FILE NO.

25-2618433

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

Clerk's Stamp

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL RE: TARTAN COMPLETION SYSTEMS INC.

DOCUMENT

FOURTH 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

APPENDICES

APPENDIX A Cash flow projection for the period July 24, 2020 to August 14, 2020

APPENDIX B Trustee's and Company's report on Cash flow forecast for the period July 24, 2020 to August 14, 2020 (Forms 29 and 30).

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. This is the Trustee’s fourth report (the “Fourth Report”) to the Court of Queen’s Bench of Alberta (the “Court”).
3. All references to currency are in Canadian dollars unless otherwise stated.
4. In preparing this Fourth 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.
5. 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.
6. A copy of the Fourth 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>
7. Defined terms used in the Fourth 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, and the Third Report of the Proposal Trustee dated June 8, 2020.

PURPOSE OF THE REPORT

8. The purpose of the Fourth Report is to provide the Court and other interested parties with:
 - a. An update on the Sale and Investor Solicitation Process approved by this Honourable Court pursuant to an Order granted on June 9, 2020 (the “SISP Order”);
 - b. An update on the ongoing operations and restructuring activities of the Debtor; and

- c. Information on the Company's application seeking the Court's approval of an extension of the time period for the Company to file its proposal until August 14, 2020 (the "Extension Period").

SISP UPDATE

9. Since the filing of the Third Report, The Trustee has completed the following tasks as outlined in the Third Report:
 - a. Advertised the SISP in newspapers in Calgary, Edmonton, and Grande Prairie, along with the Daily Oil Bulletin and Insolvency Insider;
 - b. Circulated the SISP to the MNP Energy Niche team;
 - c. Prepared and sent out a Teaser document and non-disclosure agreement relating to the Proposal Trustee's data room;
 - d. Worked with the Company to compile financial information, agreements and other documents relevant to the assets and business for potential purchasers to review;
 - e. Attended the storage yard managed by Tartan Energy Group International to review the assets being offered for sale;
 - f. Corresponded with interested parties along with other stakeholders regarding the sale of the assets/business; and
 - g. Coordinated any requests for asset viewings.
10. The Teaser that was sent out incorporated the dates outlined in the SISP Order, however, when the advertisement was sent out, the date for binding offers was incorrectly advertised as being July 31, 2020 instead of July 17, 2020. One party in the data room has advised that they have relied on the advertisement and require until the July 31, 2020 deadline to provide their offer to purchase. As such the deadline has been extended to July 31, 2020.

ACTUAL RESULTS AND VARIANCE ANALYSIS

11. Since the filing of the Third Report, TCSI's operations have remained shut down.
12. The economic shut down due to the COVID – 19 pandemic and the collapse of world oil prices continue to account for the variances reported to date by TCSI. These will affect the Cash Flow Statement going forward.
13. Subsequent to the Trustee's Third Report, the Trustee has continued to monitor the Company's actual cash receipts and disbursements up to the week ending July 17, 2020 and provides the following variance analysis for the period from June 6, 2020 to July 17, 2020:

Description	Projected	Actual	Variance	Notes
A/R	\$ -	\$ 27,605	\$ (27,605)	a
Interim Financing	406,258	796,709	- 390,451	b
	<u>406,258</u>	<u>824,314</u>	<u>- 418,056</u>	
Operating costs	35,338	-	35,338	c
Transportation costs	66,653	111,264	- 44,611	d
Rapid Design	60,000	60,000	-	
Payroll & taxes	48,665	158,486	- 109,821	e
I/T Phones	924	924	-	
Rent/Lease	10,500	42,228	- 31,728	f
Restructuring costs	184,178	454,795	- 270,617	g
Contingency	-	68	- 68	h
	<u>406,258</u>	<u>827,764</u>	<u>- 421,506</u>	
Surplus	-	- 3,450	3,450	
Beginning Cash	203,864	25,825	178,040	
Closing Cash	<u>\$ 203,864</u>	<u>\$ 22,375</u>	<u>\$ 181,490</u>	

Notes to the Variance Analysis:

- A/R – amounts collected in the most recent period were higher than projected due to the collection of a GST refund and the collection of accounts receivable from 2 customers (Harvest Energy Trust and Tangled Creek) that were not previously included in the forecast.
- Interim financing – Interim financing higher lower than forecast as the Company had previously delayed the payment of certain restructuring costs that were paid in the period.
- Operating Costs – Operating costs were projected for professional fees related to the restructuring of the Company and are included in actual Restructuring Costs paid in the period.
- Transportation costs – Additional transportation and moving costs were incurred during the period as Rock Busters required additional specialized moving equipment not originally projected. TEGI also incurred moving costs related to the movement of the TCSI assets which were invoiced and paid in the period.
- Payroll and related expenses – Payroll and related taxes higher than projected due to the catch-up payment required for management fees owed to TEGI.
- Rent & Lease – The Company paid 2 additional rent payments totaling \$9,983 to the Grande Prairie landlord as an agreed upon break fee for terminating the lease. June and July rent to TEGI was also paid totaling \$19,500.

- g. Restructuring Costs – The Company has paid its outstanding restructuring costs to July 24, 2020. The remaining restructuring costs are expected to be paid during the Extension Period.
- h. Contingency –The contingency amount paid bank charges incurred by the Company during the period.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

14. Below is the Company's Statement of Receipts and Disbursements for the period February 14, 2020 to July 17, 2020.

In the matter of the Notice of Intention to make a Proposal
of Tartan Completion Systems Inc
Statement of Receipts and Disbursements
For the period February 14, 2020 to July 17, 2020

Receipts	
A/R	\$103,713
Interim financing (DIP loan)	1,311,516
Other	<u>0</u>
Total Receipts	<u>1,415,229</u>
Disbursements	
Operation costs	93,812
Staff expenses	24,000
Transportation	191,907
Rapid Design	223,693
Payroll and payroll taxes	331,128
I/T Phones	924
Rent/Leases	80,569
Restructuring Costs	486,105
Contingency	<u>1,312</u>
Total Disbursements	<u>1,433,449</u>
Excess of Receipts over Disbursements	(18,220)
Beginning Cash	<u>40,595</u>
Ending Cash	<u><u>\$22,375</u></u>

CONTINUING OPERATIONS

15. Due to the COVID-19 pandemic and the catastrophic collapse of oil prices, TCSI made the decision to cease for the time being its and TCSC's business operations in March 2020.

16. The Company has previously advised that in order for operations to restart and for it to file a proposal to its unsecured creditors the following had to occur:
 - a. Recovery from the economic effect of the COVID-19 pandemic;
 - b. Recovery of oil prices;
 - c. Resolution of the Liquid Capital secured claim;
 - d. Settlement of the patent dispute with Rapid Design Group (“Rapid Design”);
 - e. Continued financial support from TEG;
 - f. Assessment of what interest it has in Tartan Completion Systems Corp. (“TCSC”) in the United States;
 - g. Completion of the SISP; and
 - h. Preparation of a proposal to creditors.
17. The Company has resolved many of the above matters as follows:
 - a. As business operations have been stopped TCSI has reduced its staff count and consolidated its assets into the TEG facility;
 - b. TEG has purchased Liquid Capital's security and has deferred TCSI's payment obligations during the NOI process;
 - c. TEG has settled its dispute with Rapid Design and has made the agreed upon payments required under the terms of the settlement agreement, to date;
 - d. The SISP is ongoing with the extended deadline of July 31, 2020 as outlined above;
 - e. TEG has advised the Company and the Trustee that it will continue to provide funding during the Extension Period pursuant to the Interim Financing Order as approved by this Honourable Court; and
 - f. The Company has advised that TCSI and TEG have no ownership interest or obligations relating to TCSC and have advised TCSC accordingly.

PROJECTED STATEMENT OF CASH FLOW

18. The Company has prepared a cash flow projection for the period July 18, 2020 to August 14, 2020 (the “Extension Period Cashflow”) and it is attached as Appendix A. The Company's report and Trustee's Reports on the cash flow projection, Forms 29 and 30 are attached hereto as Appendix B.
19. A summary of the Extension Period Cashflow is as follows:

Estimated Receipts:

Interim financing	<u>\$ 146,000</u>
-------------------	-------------------

Estimated Disbursements:

Rapid Design	60,000
Payroll and taxes	37,888
IT/Phones	3,108
Rent/Lease	9,750
Restructuring costs	35,110
Contingency	<u>144</u>
Total Disbursements	<u>146,000</u>
Estimated Surplus(shortfall)	-
Beginning Cash	<u>22,375</u>
Estimated Closing Cash	<u><u>\$ 22,375</u></u>

20. The Trustee has reviewed the Extension Period Cashflow and has the following comments:

- a. The Company does not intend to recommence operations during the SISF process. The Company projects that the shortfall will continue to be funded by TEG, as required, through the Interim Financing;
- b. During the Extension Period the Company will be:
 - i. Paying restructuring costs;
 - ii. Complying with its obligation pursuant to the settlement agreement with Rapid Design;
 - iii. Finalizing its assistance to the Trustee of the SISF process; and
 - iv. Developing its proposal to creditors;
- c. The Extension Period Cashflow indicates that TCSI will require additional funding of \$142,000 during the Extension Period; and
- d. TEG has advised the Company, and the Trustee it will continue to provide funding to the Company during the NOI to pay all costs incurred by the Company in order to allow the Company to make its proposal or complete the process commenced under the SISF.

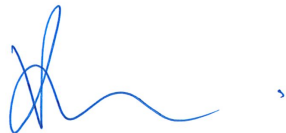
REQUEST FOR EXTENSION

21. Pursuant to the BIA, and the June 9, 2020 Order granted by this Honourable Court, the Company must file a Proposal no later than July 31, 2020 unless an application is made to the Court for an extension.

22. Since the date of the NOI the Company has been taking steps to restructure, including TEG taking over the management of the Company to gain control of costs and address interim funding requirements, assisting the Trustee with the SISP and depending on the outcome of the SISP, make a proposal to the Company's creditors.
23. The Company is requesting an extension of the stay of proceedings until August 14, 2020, which is the final extension of time permissible under the BIA.
24. The Trustee is of the view that the continued actions of the Company and the finalization of the SISP will determine the value of the Company for the creditors, and more generally, is in the best interest of all of the Company's stakeholders.
25. The Trustee is also of the view that the Company is acting in good faith and with due diligence in taking steps to resolve certain outstanding issues and claims of creditors in order that it might be in a position to make a proposal to its creditors.
26. The Trustee supports the request for the extension, subject to the approval of this Honourable Court.
27. In addition:
 - a. The Trustee understands the Company, through its actions, as described herein and with the proposed increase to the Interim Financing, is preparing itself to be in a position to make a proposal to its creditors; and
 - b. The Trustee does not believe that any creditor would be materially prejudiced if the extension were granted.

All of which is respectfully submitted this 21st day of July 2020.

MNP Ltd. in its capacity as 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

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2618433
Estate No. 25-2618433

FORM 29
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

The attached statement of projected cash flow of Tartan Completion Systems Inc., as of the 7th day of June 2020, consisting of updated cash flow projections from July 24, 2020 to August 14, 2020, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by: the management and employees of the insolvent person or the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by: management or the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Calgary in the Province of Alberta, this 21st day of July 2020.

MNP Ltd. - Licensed Insolvency Trustee
Per:



Victor Kroeger - Licensed Insolvency Trustee
1500, 640 - 5 Avenue SW
Calgary AB T2P 3G4
Phone: (403) 538-3187 Fax: (403) 537-8437

District of: Alberta
Division No. 02 - Calgary
Court No. 25-2618433
Estate No. 25-2618433

FORM 30
Report on Cash-Flow Statement by the Person Making the Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

I, Tartan Completion Systems Inc., have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 21st day of July 2020, consisting of .

Updated cash flow projections from July 24, 2020 to August 14, 2020. Assumptions have been updated and the cash flow projections updated to reflect funding that will be provided by Tartan Energy Group, the debtor's parent company.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the city of Calgary in the Province of Alberta, this 21st day of July 2020.



Tartan Completion Systems Inc.
Debtor

Bill Chu, COO

Name and title of signing officer

Name and title of signing officer

Appendix B

Tartan Completion Systems Inc. (the "Company")
Statement of Weekly Projected Cash Flow
For the period from February 14, 2020 to August 14, 2020

Court No.: 25-2618433
Estate No.: 25-2618433

	Notes	Actual					Forecast				
		12-Jun	19-Jun	26-Jun	03-Jul	10-Jul	17-Jul	24-Jul	31-Jul	07-Aug	14-Aug
Opening Balance		25,825	29,365	29,365	26,507	44,629	41,882	22,375	22,375	22,375	22,375
Inflows											
A/R	1	6,194	-	-	21,411	-	0				
Investment	2	16,845	-	76,845	-	16,845	686,175	99,054	144	18,944	27,858
Other	3	-	-	-	-	-	-	-	-	-	-
Total Inflows		23,039	-	76,845	21,411	16,845	686,175	99,054	144	18,944	27,858
Outflows											
Credit card payment	4	-	-	-	-	-	-	-	-	-	-
Operation cost	5	-	-	-	-	-	-	-	-	-	-
Staff Expenses	6	-	-	-	-	-	-	-	-	-	-
Transportation	7	-	-	-	-	-	111,264	-	-	-	-
Rapid Design	8	-	-	60,000	-	-	-	60,000	-	-	-
Employee Insurance	9	-	-	-	-	-	-	-	-	-	-
Liquid Capital	10	-	-	-	-	-	-	-	-	-	-
Payroll	11	19,498	-	19,703	-	19,592	99,692	16,845	-	16,845	-
Payroll Taxes	12	-	-	-	-	-	-	2,099	-	-	2,099
Insurance	13	-	-	-	-	-	-	-	-	-	-
IT/phone	14	-	-	-	-	-	924	-	-	-	3,108
Utilities	15	-	-	-	-	-	-	-	-	-	-
Rent & Lease	16	-	-	-	3,228	-	39,000	-	-	-	9,750
Restructuring costs	17	-	-	-	-	-	454,795	20,110	-	-	15,000
Contingency	18	-	-	-	61	-	7	-	144	-	-
Total outflows		19,498	-	79,703	3,289	19,592	705,682	99,054	144	18,944	27,858
Closing Balance		29,365	29,365	26,507	44,629	41,882	22,375	22,375	22,375	22,375	22,375

Purpose:

The Statement of Projected Cash Flow has been prepared by the Company's management pursuant to Section 50.4(2) of the *Bankruptcy and Insolvency Act* (the "BIA"). It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate for other purposes.

In addition, the Statement of Projected Cash Flow has been prepared based on assumptions regarding future events, therefore actual results may vary.

Tartan Completion Systems Inc.



Per: Terry Lau

MNP Ltd. in its capacity as Trustee under the Proposal of
Tartan Completion Systems Inc., and not in its personal capacity



Per: Victor P. Kroeger
Senior Vice President

BC

Tartan Completion Systems Inc. (the "Company")
Statement of Weekly Projected Cash Flow
For the period from July 17, 2020 to August 14, 2020

Court No.: 25-2618433
Estate No.: 25-2618433

General Notes & Assumptions

1. Unless otherwise stated, all amounts are based on historical data and management estimates.
2. As the Company is in the process of developing its proposal pursuant to the BIA (the "Proposal"), the Statement of Projected Cash Flow does not include any payments to the Company's creditors pursuant to this proposal
4. All amounts include applicable GST.

Specific Notes & Assumptions

1. No fund will be received from customers.
2. \$146,000 of cash injection is required from investors.
3. No any other fund will be received from any other source.
4. No Credit Card payments are anticipated in the Stay period.
5. No operating payments are anticipated in the Stay period.
6. No staff expenses are anticipated in the Stay period.
7. No transportation payments are anticipated in the Stay period.
8. Approximately \$60,000 of Rapid Design payments are anticipated in the Stay period.
9. No employee Insurance payments are anticipated in the Stay period.
10. No Liquid Capital payments are anticipated in the Stay period.
11. Approximately \$33,690 of payroll for management and employees.
12. Approximately \$4,199 of payroll tax for management and employees.
13. No insurance is anticipated in the Stay period.
14. Approximately \$3,108 of IT costs are anticipated in the Stay period.
15. No utilities for company locations each month end.
16. Approximately \$9,750 of rent & lease fee for storage of TCSI's assets each month end.
17. Restructuring costs to MNP as the Trustee and Stikeman as legal counsel and their counsel are estimates based on TCS being able to file its proposal, or seek an extension as required.
18. Approximately \$144 of contingency fee for unforeseen expenses that may arise during the Stay period.

Tartan Completion Systems Inc.



Per: Terry Lau

MNP Ltd. in its capacity as Trustee under the Proposal of
Tartan Completion Systems Inc., and not in its personal capacity



Per: Victor P. Kroeger
Senior Vice President