

COURT FILE NUMBER

1501-00396

COURT

COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANTS

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

AND IN THE MATTER OF THE *BUSINESS*
CORPORATIONS ACT, R.S.A. 2000, c. B-9

AND IN THE MATTER OF GASFRAC ENERGY
SERVICES INC., GASFRAC SERVICES GP INC.,
GASFRAC ENERGY SERVICES (US) INC., GASFRAC US
HOLDINGS INC. and GASFRAC INC.

DOCUMENT

NINTH REPORT OF THE MONITOR

MARCH 8, 2017

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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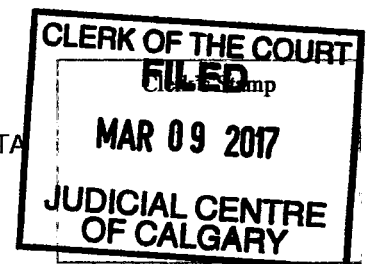


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INTRODUCTION

1. On January 15, 2015 GASFRAC Energy Services Inc. ("GESI"), GASFRAC Services GP Inc. ("GSGP"), GASFRAC Energy Services Limited Partnership ("GES LP"), GASFRAC Energy Services (US) Inc. ("GESI US"), GASFRAC US Holdings Inc. ("Holdings"), and GASFRAC Inc. ("GI") (collectively the "Company" or "GASFRAC") sought and obtained protection pursuant to the *Companies' Creditors Arrangement Act, R.S.C. 1985, C-36*, as amended (the "CCAA") pursuant to an Order (the "Initial Order") of the Alberta Court of Queen's Bench (the "Court").
2. Ernst & Young Inc. was appointed as Monitor (the "Monitor") of the Company pursuant to the terms of the Initial Order.
3. On January 15, 2015, the Monitor filed, on behalf of GASFRAC, Chapter 15 Petitions for Recognition of a Foreign Proceeding with the United States Bankruptcy Court for the Western District of Texas, San Antonio Division ("US Court"), which cases are jointly administered under Case No. 15-50161. On January 16, 2015, GASFRAC sought and obtained a Temporary Restraining Order ("TRO") from the US Court pursuant to which the terms of the Initial Order were given full force and effect in the United States on an interim basis.
4. On February 2, 2015, , the Company obtained a foreign recognition order of the Initial Order from the US Court, pursuant to which the terms of the Initial Order were given full force and effect in the United States and recognizing these CCAA proceedings as the foreign main proceedings.
5. On January 23, 2015, the Court approved a sale and investment solicitation process ("SISP") which had a bid deadline of February 24, 2015 (the "Bid Deadline"). The SISP was subsequently approved by the US Court on February 2, 2015.
6. The sale of certain of GASFRAC's assets to STEP Energy Services Ltd. ("STEP") resulting from the SISP (the "STEP Transaction") was approved by the Court on March 16, 2015 and the US Court on March 18, 2015. The STEP Transaction closed on April 2, 2015.
7. On March 26, 2015, the Court approved a restructuring transaction (the "Restructuring Transaction") with Calfrac Well Services, Ltd. ("Calfrac") which is described further in the sixth report of the Monitor dated March 23, 2015 (the "Sixth Report").

8. The purpose of this ninth report of the Monitor (the "Ninth Report") is to provide the Court with:
- a) an update on the Plan Implementation;
 - b) an update on the claims processes;
 - c) an overview of the remaining steps to complete the administration; and
 - d) the Monitor's recommendations.
9. All references to dollars are in Canadian currency unless otherwise noted.
10. Capitalized terms not defined herein are as defined in the Initial Order or the Plan.

BACKGROUND

11. Background information on GASFRAC and these CCAA proceedings is available on the Monitor's website at www.ey.com/ca/gasfracenergy.

TERMS OF REFERENCE

12. In preparing this Ninth Report, the Monitor has relied upon unaudited financial information, Company records and discussions with management of the Company. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed.

PLAN IMPLEMENTATION

13. On May 13, 2015, the Court granted an order (the "Creditors' Meeting Order") authorizing GASFRAC to convene a creditors' meeting on June 22, 2015 (the "Creditors' Meeting") to consider and vote on its plan of compromise and arrangement (the "Plan").
14. The Creditors' Meeting to vote on the Plan was held Monday, June 22, 2013. At the Creditors' Meeting more than a majority in number of Creditors in each affected class (voting in person or by proxy) representing in excess of 66 2/3rd in value voted in favour of the Plan.
15. Plan Implementation occurred on July 6, 2015. GASFRAC transferred the Cash Pool to the Monitor after Plan Implementation.

16. The Monitor currently holds \$2,385,731 CAD and \$43,437 USD, with an additional \$67,829.39 CAD and \$777,087 USD in trust with the Monitor's Canadian counsel.

CLAIMS RESOLUTION

United States

17. The majority of the US claims have been resolved and settled for a total of \$3,660,263.05 USD.
18. Unresolved US claims are set out below in Exhibit 1.

GASFRAC Unresolved US Claims					Exhibit 1
Claim Reference	Creditor Name	Debtor Company	US Claim #	Claim Amount	Notes
1195	AIG Property Casualty, Inc.	GASFRAC Inc.	15-50166 #7	-	1
1893	AT&T Mobility II LLC	GASFRAC Inc.	15-50161 #23	13,664.57	2
1951	Carrizo Springs CISD	GASFRAC Inc.	15-50161 #57	64,517.96	3
1194	Creative Lodging Solutions, LLC	GASFRAC Inc.	15-50166 #6	100,274.00	4
1949	Dimmit Regional Hospital District	GASFRAC Inc.	15-50161 #55	2,926.78	5
2007	Mesquite Logistics USA Inc.	GASFRAC Inc.	15-50161 #66	10,915.73	6
1975	Nebraska Department of Revenue	GASFRAC US Holdings Inc.	15-50163 #2	1,000.00	7
1950	Wintergarden Groundwater Conservation District	GASFRAC Inc.	15-50161 #56	301.46	8
				<u>193,600.50</u>	

Notes:

1 - AIG Property Casualty, Inc. filed a marker claim, but has no valid claim into the estate of GASFRAC Inc. as all insurance payments have been settled.

2 - AT&T Mobility II LLC, the invoices corresponding to AT&T Mobility's claim were paid by GASFRAC via credit card payment on March 1, 2015.

3 - Carrizo Springs CISD property taxes were paid by the Monitor by wire payment on June 30, 2015.

4 - Creative Lodging Solutions, LLC filed duplicate claims against GASFRAC Inc. (claim 15-50166 #6) and GASFRAC Energy Services Inc. (claim 15-50161 #34). The claim against GASFRAC Energy Services Inc. was paid in full therefore the claim against GASFRAC Inc. should be disallowed.

5 - Dimmit Regional Hospital District property taxes were paid by GASFRAC by cheque #6682 on June 26, 2015.

6 - The Monitor sought (Dkt. No. 76) and the US Bankruptcy Court approved (Dkt. No. 84) a claims process that set May 7, 2015 as a bar date for all pre-petition claims (claims predating January 15, 2015). Mesquite Logistics USA Inc. ("Mesquite") received notice of both the initial motion and the order setting the bar date. Dkt. Nos. 79, 89. The US Bankruptcy Court approved a subsequent claims process for post-petition claims with a bar date of July 30, 2015. Dkt. No. 139. Mesquite filed its Claim #66 in the lead case on July 30, 2015, seeking payment of only prepetition claims. Therefore, the May 7, 2015 bar date applies and thus makes Mesquite's claim late-filed and should be disallowed.

7 - Nebraska Department of Revenue filed a marker claim pending filing of the outstanding 2015 Nebraska state tax return. The tax return has since been filed and no taxes are outstanding with the State of Nebraska.

8 - Wintergarden Groundwater Conservation District property taxes were paid by the Monitor by wire payment on June 30, 2015.

Canada

19. At Plan Implementation there were 93 unresolved Canadian claims of \$14,810,162.67 and 77 unresolved US claims of \$8,485,989.89 USD.
20. 92 of the Canadian claims have been resolved and settled for a total of \$6,953,000.19.
21. The remaining Canadian claim relates to an ongoing provincial sales tax audit with the British Columbia Minister of Finance ("the Minister"). The Monitor has remitted payment of \$2,244,238.85 to the Minister in order to reduce any further interest and penalties in the event the outcome of the audit is not in GASFRAC's favour. The Monitor is continuing to work with the auditor, but timing of any resolution is unknown.

COMPLETION OF ADMINISTRATION

United States

22. Under Section 5.2(f) of the Plan, the Monitor as Residual Trustee on behalf of the US Companies has a duty to dissolve and wind up the US Companies. 15-50161 Dkt. 127-2. The Monitor has caused the dissolution of the US Companies. The only remaining

activities in the Chapter 15 proceedings are (a) to file and prosecute an Objection to the Unresolved US Claims in the US Court, (b) to file a Motion to Close Case and Final Report in the US Court, and (c) to file the 2016 tax returns for the US Companies, which shall be completed in March 2017.

23. Upon completion of the outstanding tax returns and payment of any remaining filing fees and taxes payable, all remaining USD cash will be converted to CAD to be distributed in the CCAA proceedings.

Canada

24. After conversion of the USD to CAD, the only remaining activity in the Canadian proceedings is to resolve the final outstanding PST claim with the Minister.
25. Upon resolution of that matter, the Monitor will distribute the remaining funds in the Cash Pool pursuant to the terms of the Plan.
26. The Monitor anticipates the final distribution to the debentureholders of approximately \$2.9 million total. Each \$1,000 debenture will receive a payment of approximately \$70. The Monitor is working to complete this matter in as soon as practicable, but is hopeful it will be resolved in Q2, 2017.

RECOMMENDATIONS

27. The Monitor respectfully recommends that the US Court approve the closing of the Chapter 15 proceedings and discharge of the Monitor as Foreign Representative.

Dated at Calgary, this 8th day of March, 2017.

ERNST & YOUNG INC.
in its capacity as Court-Appointed
Monitor of GASFRAC and not in
its personal or corporate capacity



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