

Action No. 1003 05560
Bankruptcy No.: 24-115359

Cow Harbour Construction Ltd.

FIRST REPORT OF THE TRANSACTION FACILITATOR
June 21, 2010

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF EDMONTON

IN THE MATTER OF THE
BANKRUPTCY AND INSOLVENCY ACT,
R.S.C. 1985, c. C-36, AS AMENDED

AND 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
COW HARBOUR CONSTRUCTION LTD.

**FIRST REPORT TO THE COURT
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.
IN ITS CAPACITY AS COURT ORDERED TRANSACTION FACILITATOR**

INTRODUCTION

1. On April 1, 2010, Cow Harbour Construction Ltd ("CHC" or the "Company") filed a Notice of Intention to File a Proposal under the Bankruptcy and Insolvency Act. These proceedings were subsequently taken up under the Companies' Creditors Arrangement Act ("CCAA").
2. On April 7, 2010, the Company made an application under the CCAA and an initial order was granted by the Honourable Justice K. D. Yamuchi of the Court of Queen's Bench of Alberta granting, inter alia, a stay of proceedings ("Stay") against the Company until and including May 3, 2010 and appointing Deloitte & Touche ("Deloitte") as monitor. Subsequent orders of the Court have extended the Stay period to July 23, 2010. In addition, the Court directed that CHC hire Patrick Ross as the Chief Restructuring Advisor ("Advisor") with specific duties as set out in the initial order.

3. On May 21, 2010, the Court directed that a committee be formed (“Sales Committee”) to oversee and guide a dual track process for the sale or refinancing of CHC (the “Sale Process”). The Sales Committee was comprised of representatives from various lenders, the Company and the Advisor. The Sales Committee recommended that Ernst & Young Orenda Corporate Finance Inc. (“E&Y”) assist in the Sales Process and E&Y was subsequently retained by the Advisor as the Advisor’s sale and refinance advisor.
4. On June 1, 2010, the Court approved the Sale and Refinancing Plan put forth by the Advisor as outlined in the Advisor’s First Report to the Court dated May 27, 2010
5. As described in the Advisor’s Third Report dated June 29, 2010, a number of expressions of interest were received for the purchase of CHC through the Sale Process which resulted in four parties submitting binding letters of intent.
6. It is the Facilitator’s understanding that the Sales Committee recommended that the Company pursue further discussions with one of the four parties who submitted a letter of intent (referred to further in this report as Bid A) as this offer appeared to be superior to the others submitted. Bid B (referred to further in this report) was considered as an alternative to Bid A but was not specifically endorsed at that time.
7. On July 6, 2010, this Honourable Court issued an Order (the “Amended Initial Order”) which, inter alia, appointed PricewaterhouseCoopers Inc. as Court Ordered Transaction Facilitator (the “Facilitator”) in these proceedings, with the following powers and duties:
 - a) Meet and communicate with the prospective purchasers identified by the Advisor in the CCAA Proceedings (the “Prospective Purchasers”);
 - b) Meet and communicate with the affected lenders and creditors (the “Lenders”) to attempt to clarify and negotiate creditor support for the transactions proposed by the Prospective Purchasers;
 - c) Provide any assistance to conclude a transaction, subject to Court approval, with the Prospective Purchasers;
 - d) Meet and communicate with Syncrude Canada Ltd. (“Syncrude”) or other customers to negotiate their support for the transactions proposed by the Prospective Purchasers;

- e) Amend or extend any transaction proposed by the Prospective Purchasers;
and
 - f) Report to this Court as to any progress with respect to effecting a transaction involving a Prospective Purchaser including, to the extent practicable, with such Report being filed on or before July 21, 2010.
8. This report is being submitted pursuant to the terms of the Amended Initial Order to report on progress with respect to effecting a transaction with a Prospective Purchaser, including the following:
- a) Consideration of Bid A, including discussions thereon with Bidder A and the Lenders;
 - b) Consideration of Bid B, including discussions thereon with Bidder B and the Lenders;
 - c) Communication with Syncrude;
 - d) Other matters; and
 - e) Recommendations of the Facilitator.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined are as defined in the Amended Initial Order.
10. Certain information regarding the Sale Process, including information on the bidders and the offers made, is under seal subject to further Order of this Court. For purposes of this Report, references to Bid (or Bidder) A and B pertain to the two offers (and the respective offerors) that have been discussed with the Lenders.

11. The information contained in this Report has been obtained in part from the books and records, forecasts, and other unaudited financial information made available by the Company, and is based upon discussions with and representations made by the Company, the Monitor and their advisors. The accuracy and completeness of the financial information contained herein have not been audited or otherwise verified by the Facilitator, and the Facilitator does not express an opinion or provide any other form of assurance on the information presented herein. The Facilitator reserves the right to refine or amend its comments and findings as further information is obtained or brought to its attention subsequent to the date of this Report.

ACTIVITIES OF THE FACILITATOR

12. Since its appointment, the activities of the Facilitator have included, inter alia, the following:
 - a) Reviewing the letters of intent (each a "Bid") submitted by Bidder A and Bidder B, and meeting with the bidders individually in person and by phone;
 - b) Preparing the Allocation Analysis (discussed further below) reflecting a draft allocation of the proposed purchase price in Bid A to individual assets (the "Allocation");
 - c) Numerous conference calls and meetings with the Lenders to discuss the Bids over the period from July 14 to 21, 2010;
 - d) Numerous discussions with Royal Bank of Canada ("RBC") in its capacity as operating lender to the Company over the period from July 7 to 21, 2010;
 - e) Discussions with the Monitor regarding the Allocation Analysis, priority charges, and related matters over the period from July 7 to 21, 2010;
 - f) Meeting with Syncrude on July 15 and 20, 2010; and
 - g) Meeting with Bidder A and Bidder B to discuss feedback from lenders and equipment lessors regarding their bids on July 16, 2010, and further discussions thereafter.

CONSIDERATION OF BID A

OVERVIEW

13. Bid A is an offer to purchase certain assets of the Company, including certain capital assets, real estate, and contracts of the Company, in exchange for cash consideration. These assets include assets not specifically encumbered (but subject to the Company's general security agreement with RBC), and other assets subject to the security of certain Lenders.
14. From July 7 to 15, 2010, the Facilitator has had a number of discussions with Bidder A to properly understand and evaluate their bid, and to address some of the questions of Bidder A regarding the work being undertaken and process being followed.
15. Bid A was an en bloc offer and did not provide any allocation of the proposed purchase price amongst the assets subject to the bid. In order to facilitate discussion of this bid with the Lenders, the Facilitator prepared an analysis of the gross allocation of value in Bid A to each lender based on the Facilitator's understanding of the respective claims and security held by each (the "Allocation Analysis").

METHODOLOGY FOR ALLOCATION ANALYSIS

16. For purposes of preparing the Allocation Analysis, the Facilitator relied on the following information:
 - a) Internal financial statements of CHC as at January 31, 2010;
 - b) CHC's Capital Asset Listing;
 - c) The Monitor's Claims Process data;
 - d) Independent third-party appraisals of CHC's commercial property in Fort McMurray;
 - e) Searches at the Alberta Personal Property Registry; and
 - f) The Ritchie Appraisal, as described below.

17. On July 8 and July 9, 2010, the Facilitator met with the Monitor to discuss the Facilitator's role and to coordinate the sharing of information as it relates to CHC's financial records, asset list and information received from certain creditors through the Critical Supplier Claims Process conducted by Monitor. On July 9, 2010, the Monitor provided data from the Claims Process to the Facilitator.
18. On July 8, 2010, the Facilitator contacted Ritchie Bros. Auctioneers ("Ritchie") to obtain an appraisal of the equipment included in Bid A (the "Ritchie Appraisal"). This appraisal was prepared on an estimated gross auction market value basis in order to provide a consistent basis on which to allocate the value ascribed to capital assets in Bid A amongst the individual assets. In preparing the appraisal, Ritchie relied on information gathered from attending the Company's operations in Fort McMurray on or about June 25 to June 28, 2010, to conduct due diligence on CHC's equipment, during which time they inspected approximately 60% of the major pieces of CHC's equipment. The Facilitator considered that this information allowed Ritchie to be well informed of the issues affecting the valuation of this equipment and would improve the quality of the Ritchie Appraisal.
19. The values as set out in the Ritchie Appraisal were based on what Ritchie thinks would be achieved at an unreserved public auction, based on the following assumptions:
 - a) the auction would be conducted within 90 days;
 - b) all equipment, including items not viewed, would be in good running order and in a condition equivalent to or better than when viewed; and,
 - c) all equipment is marketable, free and clear of any encumbrances.
20. Ritchie further advised that the methodology for their valuation utilized a sales comparison approach, comparing similar equipment from historical auction sales (utilizing the most current examples) and factoring in particular information gathered from the field inspection with respect to usage, attachments, options and condition.

21. We note that the Ritchie Appraisal was provided to the Facilitator on the evening of July 12, 2010. This was a very short time period in which to provide such an appraisal, and the information received was by necessity not as detailed as would normally be obtained, but was necessary under the circumstances to complete the Allocation Analysis and pursue discussions with the Lenders in a timely manner.
22. Where the Ritchie Appraisal did not provide an appraisal figure on a particular piece of equipment, a discounted net book value was utilized in the Allocation Analysis.
23. On July 10, 2010, the Facilitator obtained a high-level opinion of valuation of the Company's real property in Fort McMurray. On July 19, 2010, Royal Bank of Canada ("RBC") shared a copy of another certified appraisal of the same property that it had commissioned.
24. The Facilitator applied the following methodology in preparing the Allocation Analysis:
 - a) The gross purchase price in Bid A was apportioned to the types of assets being purchased, specifically to the capital assets (in total), the real property, and the Company's contract with Syncrude;
 - b) The purchase price allocated to the capital assets was then allocated to individual assets based on the value of those assets in the Ritchie Appraisal as a percentage of the value of all of the assets in the Ritchie Appraisal.¹
 - c) A surplus or deficiency by lease was calculated for each of the lessors, based on the lease amounts per the Company's records.

¹ By way of an example, assume an excavator is appraised at \$1.4 million, compared to the total appraised value of all the equipment of \$140 million. The value of this excavator represents 1% of the total value of all the equipment, and so in the Allocation Analysis this piece of equipment is allocated 1% of the purchase price.

25. Bid A contemplates the purchase of assets subject to the security of Finning (Canada), a division of Finning International Inc. ("Finning") and Wajax GP Holdco Inc. ("Wajax"), which are categorized as "Rent to Purchase Option" contracts or "RPOs". Both of these parties have filed motions with this Court to determine whether these agreements constitute true leases or capital leases². The Facilitator has not reviewed and takes no position on the arguments being advanced by Finning and Wajax. However, the Facilitator prepared two allocation scenarios to consider the impact on the Allocation Analysis based on the outcome of these issues, as set out below:
- a) Scenario 1 - assumed that Finning and Wajax were capital lessors and would therefore be treated on the same terms as all the other capital lessors in the proposed allocation (eg. may suffer a shortfall on the debt against their equipment).
 - b) Scenario 2 - assumed that Finning and Wajax were true lessors and, accordingly, Finning and Wajax would require that they be paid in full in order to allow a sale of their equipment to Bidder A. The net amount, after payment in full to Finning and Wajax, would be allocated to the remaining equipment lenders.
26. The Facilitator contacted Finning and Wajax to ascertain their position as to whether they would consider selling their equipment to Bidder A and to confirm the amount required to pay them in full in respect of their equipment.
27. Both Finning and Wajax advised that they take the position that their leases are true leases and the equipment cannot be sold without their consent. The Facilitator continues to hold discussions with both these parties as to their position on any sale of the assets subject to their security.
28. Accordingly, for the purposes of providing an estimate of the allocation for Scenarios 1 and 2, the Facilitator estimated the amount owing to Finning and Wajax.

² The Facilitator is aware of other parties that have applied to this Court to have their leases considered to be considered "true leases." At this point the Facilitator has not fully evaluated any of these positions, but has isolated the impact of Finning and Wajax in these scenarios to illustrate the potential impact on all lenders of how these leases are treated.

29. The Facilitator has discussed with the Monitor the methodology used for allocating the estimated value of the capital assets in Bid A to the individual capital assets. We understand that the Monitor has agreed with the methodology used by the Facilitator to allocate the proposed purchase price amongst the Lenders, but has not yet agreed on the allocation of value to assets other than the capital assets, as referred to above in paragraph 24.

RESULTS OF ALLOCATION ANALYSIS

30. The Allocation Analysis shows that, based on Bid A as originally proposed, the equipment lessors would experience an average shortfall of approximately 29% on their lease claims in Scenario 1 and an average of 32% in Scenario 2. As outlined above, this reflects the allocation of a portion of the proposed purchase price to assets other than the capital assets included in Bid A.
31. Some of the Lenders have significantly higher shortfalls than the averages shown above in the Allocation Analysis, primarily resulting from low appraised values of the specific assets over which they have security.
32. The Allocation Analysis reflects an allocation of only the gross proceeds. It does not incorporate any estimates of net recoveries to individual lessors, which would be reduced by the allocation of transaction costs to the lenders, as well as the payment of any priority claims, Court-ordered charges and other required amounts prior to a distribution to lenders. The analysis remains in draft subject to further feedback from the Lenders on the information contained therein, including the substantiation of the outstanding obligations of the Lenders and the proper submission of proofs of claim in respect of the amounts alleged to be owed and the resolution of any disputes regarding the classification of these leases as true leases or capital leases.

LENDER RESPONSE TO BID A

33. The Facilitator arranged conference call meetings with 15 of the Lenders on July 14-16, 2010 (the "Core Lenders"), primarily comprising the larger affected creditors of the Company. The purpose of these meetings was to review the Allocation Analysis, consider the implications for the Lenders of Bid A, and discuss options with respect to Bid A.

34. The Facilitator shared extracts of the Allocation Analysis with each of the Core Lenders, on the basis of similar confidentiality undertakings as were provided on the sharing of the Advisor's Fourth Report and the Supplemental Affidavit of Alphonse Hutchings. In the materials provided, each Core Lender was shown details of their own leases and related assets but not details of other lenders so as to safeguard sensitive information.
35. In summary, the feedback from the Core Lenders on Bid A, based in part on the Allocation Analysis, was generally the following:
 - a) 14 of the 15 Core Lenders informed the Facilitator that the price in Bid A was inadequate consideration for the proposed transaction. Most lenders considered that it did not offer sufficient value compared to what they believed their equipment would be worth if they refurbished and sold it on their own;
 - b) Some of the Core Lenders expressed their view that the leases included in the Allocation Analysis were "true leases" as opposed to capital leases, and as such they were not prepared to experience a material shortfall on the value of their assets under lease in a transaction based on Bid A;
 - c) Some discrepancies were reported by the Core Lenders on the lease amounts outstanding included in the analysis, which was prepared using the Company's information in this regard. We note that the Critical Supplier Claims Process, which sought among other things to quantify the claims of equipment lessors, is still in process and has not been completed. The Monitor has informed us that an update of the status of this claims process will be included in the Monitor's 14th Report.
36. A number of Core Lenders also raised concerns about the value being ascribed to their equipment in the Ritchie Appraisal and the impact this had on the allocation of the proposed purchase price.
37. The Core Lenders provided the Facilitator with their views on what changes to Bid A would be required to make it an acceptable offer, most notably regarding the proposed purchase price.

RESPONSE FROM BIDDER A TO LENDER FEEDBACK

38. On July 16, 2010 the Facilitator met with senior management of Bidder A to share the feedback received from the Lenders regarding their bid. In that meeting, the Facilitator informed Bidder A that the price proposed in Bid A was, in the views of the lenders, inadequate consideration for the proposed transaction.
39. We understand that Bidder A subsequently contacted some of the Core Lenders between July 16 and 19, 2010 to confirm their views on the offer and discuss what the Core Lenders considered would be an acceptable purchase price.
40. Following these discussions with the Facilitator and certain Core Lenders, on July 19, 2010, Bidder A verbally informed the Facilitator that it would increase its proposed purchase price by approximately 9% over the level indicated in Bid A. On July 20, 2010, a revised version of Bid A (the "Amended Bid A") was submitted by Bidder A to the Facilitator formally confirming the amended purchase price.

LENDER RESPONSE TO AMENDED BID A

41. The Facilitator amended the Allocation Analysis to reflect the Amended Bid A, as well as feedback from certain lenders to adjust the amount of the leases shown as outstanding to them. This resulted in the average shortfall by equipment lender declining from an average of 29% to 22% in Scenario 1 and from an average of 32% to 24% in Scenario 2. This allocation only reflects recoveries to the equipment lenders on account of their equipment debt.
42. This updated Allocation Analysis was circulated to the Core Lenders on the evening of July 19, 2010.
43. Further discussions were held with some of the Core Lenders on July 20, 2010 to confirm their views on Amended Bid A.

CURRENT STATUS

44. The Facilitator understands, based on its discussions with the Core Lenders, that this group is generally supportive of the proposed purchase price in Amended Bid A on an overall basis, but that a number of the Core Lenders do not agree with the allocation of proceeds set out therein. These concerns relate to the allocation of value to assets other than the capital assets, as well as to the use of the Ritchie Appraisal to allocate value to the individual assets for each of the Lenders. On the latter point, certain of the Lenders are concerned that the value ascribed, based on this appraisal, understates the value of the equipment even on an auction market value basis, and results in proportionately less value being allocated to those assets under the methodology in the Allocation Analysis. Furthermore, they have stated that they believe that they could recover more than their allocated value by taking possession of the equipment and selling it themselves.
45. As noted above, the Allocation Analysis only shows the gross allocation of the purchase price in Bid A to the Lenders. Certain of the Core Lenders have expressed their wish to understand what the net recovery to them is forecast to be based on the Allocation Analysis. The Facilitator is seeking input from the Monitor to evaluate how the allocation of costs, priority claims, and other amounts to be paid prior to distributions to the Lenders would affect this analysis. Initial feedback has been received from the Monitor (which we understand that the Monitor will address in its 14th Report), and further discussions are required to agree how this should be reflected in the Allocation Analysis.
46. The Facilitator is continuing to speak with Bidder A on the feedback from ongoing discussions with the Core Lenders. Bidder A desires an opportunity to enter into discussions directly with creditors and propose an alternate allocation of value.
47. The terms of Bid A indicate that this offer lapses on July 23, 2010 or such other date as the parties may agree. The Facilitator has requested that Bidder A agree to an extension of this date.

48. Overall, based on the discussions to date and subject to resolving the date on which Bid A currently lapses, we consider that there is potential for a transaction based on Amended Bid A subject to resolving the allocation issues noted above. Certain of the Core Lenders have proposed a meeting of Lenders to agree the allocation to be used, and the Facilitator has undertaken to assist with such a meeting as required. There was not sufficient time prior to the time for filing of this Report to conclude these discussions.

CONSIDERATION OF BID B

OVERVIEW

49. Bid B is an offer to purchase certain assets of the Company in exchange for the assumption of certain equipment leases and financing by a new limited partnership formed by Bidder B. Bid B also contemplates certain financial investment and support from Bidder B and its partners in the proposed transaction.
50. Based on the initial discussions amongst the Company and the Lenders included on the Sale Committee, Bid B was not considered to be an acceptable offer as presented and so was not made the primary focus of the Lenders or the Facilitator to pursue a transaction.
51. On or about July 14, 2010, the Facilitator was contacted by Bidder B to discuss the feedback received to that point from the Lenders regarding the bid, and to identify where changes to Bid B were required to make it more acceptable to the Lenders. The Facilitator sought feedback from a number of the Lenders in the week ending July 16, 2010 regarding the areas of concern they had with Bid B as presented.

LENDER RESPONSE TO BID B

52. In summary, the feedback from the Lenders that the Facilitator contacted to discuss Bid B was the following
- a) The financial investment as proposed was not considered to be adequate to evidence the commitment of Bidder B to the proposed transaction, or to provide the Company with sufficient liquidity to support ongoing working capital requirements;
 - b) The Lenders did not have any evidence to evaluate the quality of the commitments of financial support proposed by Bidder B;

- c) Bid B proposed to amend certain terms of the lease agreements with the Lenders which were not considered to be acceptable as proposed;
 - d) No information had been presented to the Lenders at that point regarding the business plan, proposed governance model, cash flow forecasts, projected borrowing requirements and maintenance plan of Bidder B in respect of the Company, which was essential for the Lenders to evaluate the risk and financing capability of the proposal.
53. On July 16, 2010, Bidder B invited the Facilitator to a meeting to discuss potential amendments to Bid B that it was considering, and to discuss the additional feedback obtained by the Facilitator.

RESPONSE FROM BIDDER B TO LENDER FEEDBACK

54. Following the meeting with the Facilitator, on July 20, 2010, a revised version of Bid B (the "Amended Bid B") and additional supporting material was submitted by Bidder B to the Facilitator. This information was circulated to the Core Lenders.
55. Amended Bid B incorporated a number of changes to Bid B in an attempt to address some of the Lenders' concerns, including the following:
- a) An increase in the proposed cash investment in the Company, and an additional guarantee from one of Bidder B's proposed partners;
 - b) A revised proposal to amend certain terms of the lease agreements with the lenders; and
 - c) Clarification of the treatment of certain equipment lease obligations.

CURRENT STATUS

56. The Facilitator is continuing to evaluate the Amended Bid B to understand the financial impact of its terms on the Lenders, and is seeking additional feedback from the Lenders on the proposal. Certain of the Lenders have indicated that they require more information from Bidder B before determining whether they are prepared to consider Amended Bid B further. It is not clear yet whether a transaction on the basis of Amended Bid B is possible.

COMMUNICATION WITH SYNCRUDE

57. On July 15 and 20, 2010, the Facilitator spoke with Syncrude's contract manager dealing with CHC to discuss the views of Syncrude on Bidder A and Bidder B.
58. Syncrude is aware of the Company's activities in the Sale Process, and has had a number of discussions with the Advisor regarding the parties involved. Syncrude informed the Facilitator that it had not had any direct discussions with either Bidder A or Bidder B in the context of the potential assignment of the Company's contract, and is not in a position to confirm whether either bidder would be acceptable to Syncrude. Additionally, Syncrude informed the Facilitator that it would not be prepared to make such an evaluation (in the normal course) prior to the execution of an agreement to transfer the contract.
59. Syncrude outlined a number of considerations it would have for any potential party wishing to take an assignment of the CHC contract. Some of these are standard areas for Syncrude to review, including the financial stability of the proposed assignee, a technical assessment of their proposed work, and a risk assessment. In particular, Syncrude indicated that the successful bidder would need to outline their repairs and maintenance plans for the equipment on the site.
60. The Facilitator understands that the contract between CHC and Syncrude (similarly to contracts between Syncrude and other competitors to CHC) does not guarantee a certain level of revenue or activity for CHC but provides that they may be called upon to perform work on Syncrude's site at certain points in time. Syncrude informed the Facilitator that it may elect not to release work to a given contractor at its discretion, and that it could not guarantee a level of work for CHC or its assignee under the contract in the future.
61. The Facilitator understands that Syncrude will be willing to discuss the acceptability of a Prospective Purchaser in due course if and when a successful purchaser is identified.

OTHER MATTERS

62. The Facilitator has been contacted by certain creditors advising that they are asserting mechanic's liens over certain of the Company's assets. We have not evaluated these claims at this point in time. The Monitor has informed us that it is continuing to advance the claims process to identify and address these claims.

RECOMMENDATIONS OF THE FACILITATOR

63. The Facilitator is continuing to work with the Lenders to evaluate Amended Bid A, particularly in regards to the allocation issues noted above, to determine whether a transaction based on Amended Bid A can be achieved. We consider that there is potential for a transaction based on Amended Bid A subject to resolving the allocation issues noted above. Certain of the Core Lenders have proposed a meeting of Lenders to agree the allocation to be used, and the Facilitator has undertaken to assist with such a meeting as required. Bidder A has also expressed its interest in participating in direct discussions with the Lenders regarding the allocations referred to above.
64. The Facilitator is also continuing to evaluate Amended Bid B to consider if it addresses the issues raised by the Lenders and to seek their feedback. Certain information requested from Bidder B by the Facilitator remains outstanding as of the date of this Report. It is not yet clear whether there is potential for a transaction based on Amended Bid B.
65. We consider that it is still worthwhile to continue to pursue a transaction with a Prospective Purchaser. At a minimum, it is the Facilitator's view that the average recovery to Lenders under Amended Bid A or Amended Bid B would exceed the average recovery in a liquidation scenario.
66. The Facilitator requires more time to pursue a transaction based on either of Bid A or Bid B, and continues to conduct discussions with each of the bidders. The Facilitator is of the view that all parties in this matter are working in good faith and with due diligence.
67. Accordingly, the Facilitator recommends that it be permitted to continue the process as set out in the Amended Initial Order, to pursue a transaction with one of the Prospective Purchasers, and intends to file a further Report with this Honourable Court on or before July 30, 2010 to advise of its progress.

The Facilitator respectfully submits to the Court this, its First Report.

Dated this 21st day of July, 2010.

PricewaterhouseCoopers Inc.
In its capacity as Court Ordered Transaction Facilitator of
Cow Harbour Construction Ltd.



per Donald MacLean
Senior Vice President

Action No. 1003 05560
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IN THE MATTER OF THE *BANKRUPTCY & INSOLVENCY*
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AND THE *COMPANIES' CREDITORS ARRANGEMENT*
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**FIRST REPORT OF THE TRANSACTION
FACILITATOR**

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