

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

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

AND IN THE MATTER OF A PLAN OF  
ARRANGEMENT AND REORGANIZATION

OF

COW HARBOUR CONSTRUCTION LTD. ("APPLICANT" OR THE "COMPANY")  
UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985 c. C-36, AS AMENDED

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EIGHTH REPORT TO THE COURT  
SUBMITTED BY DELOITTE & TOUCHE INC.  
IN ITS CAPACITY AS MONITOR ("MONITOR")

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**June 2, 2010**

## INTRODUCTION AND PURPOSE OF THIS REPORT

1. On April 7, 2010, Cow Harbour Construction Ltd. (“CHC” or the “Company”) filed and obtained protection from its creditors under the *Companies’ Creditors Arrangement Act* (“CCAA”) pursuant to an Order rendered by this Honourable Court (the “Initial Order”).
2. The Initial Order provides, inter alia, for the following:
  - a. No proceeding or enforcement process in any court or tribunal shall be commenced or continued against or in respect of the Company or its property, or affecting the Company’s business operations and activities until and including May 3, 2010 (the “Stay Period”).
  - b. All persons having agreements with the Company for the supply of goods and services must continue to provide goods and services in the normal course of business.
  - c. No person shall discontinue, fail to honour, alter, interfere with, repudiate, resiliate, cancel, terminate or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by the Company, except with the written consent of the Company and the Monitor, or with leave of the Court.
  - d. The appointment of Deloitte & Touche (“Deloitte”) as monitor of the Company under the CCAA.
3. On April 29, 2010, the Court rendered a judgment extending the Initial Order and the Stay Period until May 21, 2010.
4. On May 21, 2010, the Court rendered a judgment extending the Initial Order and the Stay Period until June 4, 2010.
5. This Report (“Eighth Report”) covers:
  - a. An update on the Company’s operations;
  - b. An amended cash flow for the period ending on July 30, 2010;
  - c. Funds segregated in accordance with paragraph 10 of the Order dated May 21, 2010;
  - d. Update on Critical Suppliers;
  - e. Offer received for an excavator;
  - f. The restructuring efforts; and

- g. The Company's request for an extension of the Stay Period.
- 6. In preparing this Report, the Monitor has relied upon unaudited interim financial information, the Company's records and discussions with management of the Company, their financial and legal advisors. While the Monitor has reviewed the information, some in draft format, submitted in the abridged time available, the Monitor has not performed an audit or other verification of such information.
- 7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not defined in this Report are as defined in the previous reports of the Monitor.
- 8. Copies of the Monitor's Reports, including a copy of this Eighth Report, the motion record in this CCAA Proceeding and further reports of the Monitor will be available on the Monitor's website at [www.deloitte.com/ca/cowharbour](http://www.deloitte.com/ca/cowharbour). The Monitor has also established a toll free telephone number that is referenced on the Monitor's website so that parties may contact the Monitor if they have questions with respect to the Company's restructuring or the CCAA.

#### **UPDATE ON THE COMPANY'S OPERATIONS**

- 9. The highlights of the Company's financial performance for the period commencing on May 15, 2010 and ending on May 28, 2010 are presented in the cash flow variance analysis annexed hereto as Appendix A. Our comments on the financial performance of the Company during this period are as follows:
  - a. Compared with the projected cash flow statement ("Updated Cash Flow Statement") presented by the Company and attached to the Monitor's Fifth Report filed on May 19, 2010, the Company experienced a favorable variance of \$19,000 in respect of cash inflows, related to receipt of invoiced Suncor amounts.
  - b. Compared with the Updated Cash Flow Statement, the Company experienced an unfavorable variance of approximately \$723,000 in respect of the cash outflows. The variance is primarily attributable to the following:

- i. Favorable variance of approximately \$175,000 related to reduced payroll expenses, source deductions, and union payments. The reduction is mainly a result of lower than anticipated overall level of activity.
- ii. Favorable variance of \$377,000 related to operating leases disbursements. During that time period, no payments were made for “true leases” in accordance with paragraphs 6 and 7 of the Court Order dated May 21, 2010.
- iii. Unfavorable variance of \$1.6 million related to supplier and maintenance and repair costs disbursements. This unfavorable variance is mainly due to a timing issue (reduction of approximately \$700,000 in cheque outstanding) and to important maintenance required on specific pieces of equipments.
- iv. Unfavorable variance of approximately \$196,000 in regards to restructuring costs, due to the timing of payment of invoices.
- v. Unfavorable timing variance of \$161,000 related to interest payment on the operating line.
- vi. Favorable timing variance of \$573,000 in relation with funds transferred in trust in accordance with paragraph 10 of the Order dated May 21, 2010.

The net effect of the variances noted above has resulted in a current DIP financing owing balance of approximately \$13,345,000, as at May 28, 2010, which includes the bank overdraft balance and the cheques outstanding. Subsequent to May 28<sup>th</sup>, cash receipts and disbursements continue to be processed through the account, and as the afternoon of June 2<sup>nd</sup> the DIP financing owing balance was approximately \$3.8 million, including the bank overdraft balance and the cheques outstanding.

10. As at the date of this report, all post-filing expenses invoiced and incurred by the Company have been or will be paid (including total outstanding cheques of approximately \$700,000) in the normal course of business out of the existing working capital of the Company, which includes the DIP Facility of \$15 million.

## AMENDED CASH FLOW

11. The amended statement of projected cash flow of the Company as of the 2nd day of June, 2010 ("Amended Cash Flow Statement"), attached as Appendix "B" to this Eighth Report, has been prepared by the management of the Company for the purpose described in the notes to the Amended Cash Flow Statement, using probable and hypothetical assumptions set out in the notes to the Amended Cash Flow Statement.
12. The Monitor's review of the Amended Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to us by certain of the management and employees of the Company. 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 Amended Cash Flow Statement. We have also reviewed the support provided by management of the Company for the probable assumptions, and the preparation and presentation of the Amended Cash Flow Statement.
13. Since the Amended Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Amended Cash Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Eighth Report, or relied upon by us in preparing this report.
14. On May 19, 2010, the Monitor filed its Fifth Report with cash flow projections attached as Appendix D for the period between May 15, 2010 and October 1, 2010.
15. On the day following the issuance of the Monitor's Fifth Report, it was rumored that Syncrude may have curtailed the overburden removal contract work being performed by CHC on Syncrude's Aurora site. Considering that Syncrude represents the sole source of revenue at this time, the Monitor investigated the situation and reported on his findings in the Monitor's Sixth Report and in the Monitor's Seventh Report. As mentioned in our Seventh Report, once the Monitor got a better understanding of the situation, he requested that CHC's management prepare an amended cash flow with more conservative assumptions. In summary, the Monitor requested CHC's management prepare a cash flow based solely on the work orders on hand, excluding potential new future contracts and extensions to existing overburden removal work.

16. Attached as Appendix B is the Amended Cash Flow Statement for the nine-week period between May 29, 2010 and July 30, 2010. The Company is using its DIP Facility in order to operate, and as at May 28, 2010 the total amount outstanding on the DIP Facility was \$11,710,000, and there was a bank overdraft of approximately \$910,000 and cheques outstanding of approximately \$725,000 for total indebtedness of \$13,345,000. Due to the uncertainty as it relates to revenues after July 30, 2010, CHC's management prepared a cash flow only for the nine-week period ending on July 30, 2010 (in comparison with a cash flow ending on October 1, 2010 attached to the Monitor's Fifth Report).
17. As shown on the Amended Cash Flow Statement, the revenue projections are significantly lower in comparison with the Updated Cash Flow Statement attached to the Monitor's Fifth Report. As explained earlier in this report, the Amended Cash Flow Statement was prepared using the assumption that CHC would only generate revenues from its current work orders and would not obtain additional work from Syncrude between May 29, 2010 and July 30, 2010.
18. Below is a summary of the various assumptions used to prepare the Amended Cash Flow Statement:

***Cash receipts***

- a. The cash receipts from Syncrude in the week ending June 4, 2010 for an amount of \$10,216,000 were based on actual cash receipts received on May 31, 2010. The Company was expecting total receipts of approximately \$12.5 million based on internal TAC Data for the month of April. Syncrude advised the Company that certain unpaid revenues for April missed the cut-off for payment at the end of May. These unpaid amounts will be processed and paid at the end of June, subject to reconciliation. Based on this information, the outstanding May receivables of approximately \$2,281,000 should be received in the week ending July 2, 2010.
- b. The forecasted receipt of approximately \$14.2 million for the week ending on July 2, 2010 is based on internal TAC Data of the Company for the month of May and the outstanding May receivables due from Syncrude (as explained in the precedent paragraph). Projected cash receipts in the week ending July 30, 2010, are based on the current work orders on hand, which will enable the Company to generate approximately \$5.9 million in revenues for the month of June 2010. This \$5.9 million consists of

approximately \$2.9 million related to reclamation work at Syncrude's Base Mine site and the remainder primarily from hourly rental of equipment and labor to Syncrude. As explained in the Monitor's Sixth Report, Syncrude expressed concerns as to whether the Company will continue to operate during its proposed restructuring period. As a result, CHC is having difficulty obtaining additional contracts which would enable them to generate additional revenues.

- c. In summary, Syncrude cash receipts in this Amended Cash Flow Statement, versus the Updated Cash Flow Statement in the Monitor's Fifth Report, reflect a negative cash receipts variance of approximately \$11,681,000 through June and July 2010. This negative variance is somewhat offset by reduced costs of approximately \$4.6 million, resulting in a net negative cash flow variance of \$7.1 million.

#### *Cash disbursements*

- d. All payroll related disbursements (payroll, source deductions and union payments) are composed of a fixed and a variable portion. The payroll related disbursements are lower in comparison with the Updated Cash Flow Statement attached to the Monitor's Fifth Report due to the lower level of activity at the end of May and the projected revenues for June and July 2010. Based on discussions with CHC's management and the current level of activity, the Monitor was anticipated lower payroll disbursements than what is projected. The Monitor understands that the Advisor is meeting with CHC's management to determine if management payroll can be reduced by way of employee termination.
- e. As mentioned in the Monitor's Fifth Report, the Company did not include any forecasted capital lease payments due to the legal uncertainty as it relates to those leases.
- f. As mentioned in the Monitor's Fifth Report, the Monitor requested its legal counsel to review all of the Company's leases to determine if they fell within the scope of section 11.01 of the CCAA. After receiving legal guidance, the Monitor requested from the Company that they resume payments for the leases that fell within the scope of section 11.01 of the CCAA. However, some lessors do not agree with the Monitor's legal counsel's classification of their leases as capital leases and requested that additional funds be put aside pending resolution of this disagreement. Consequently, the Amended Cash

Flow Statement takes into consideration payments of approximately \$5.2 million in June and July (monthly payments on the leases described in Appendix C) in a segregated account pending resolution of this matter.

- g. Repairs and maintenance cost were kept at the same level as originally represented in the Updated Cash Flow Statement even though CHC is projecting a significant decrease in the level of activity. Management explained that they would like to take advantage of this lower level of activity so as to put additional efforts on repairs and maintenance in order to reduce the level of equipment currently unavailable for the operations. As per paragraph 15 of the May 21, 2010 Court Order in regards to this matter, the Advisor's proposed report to the Court should be able to provide guidance as to where the repairs and maintenance budget should be focused.

- 19. The Amended Cash Flow Statement shows that the DIP Facility balance will vary between approximately \$5.8 million and approximately \$15.0 million. The DIP Facility maximum amount is \$15.0 million.
- 20. The level of the DIP Facility balance is caused by cash receipts lower than expected and funds transferred for true lease versus capital lease disagreements, which will total approximately \$7.6 million as at July 30, 2010.
- 21. Based on the Amended Cash Flow Statement, a total amount of approximately \$19.5 million will be segregated as at July 30, 2010. Details of the segregated funds are:
  - a. Payment in accordance with paragraph 63(b) of the Initial Order for Critical Suppliers (\$5.0 million)
  - b. Payment in accordance with paragraph 63(f) of the Initial Order to be paid in accordance with further direction of the Court (\$5.2 million)
  - c. Fund transfer for true lease versus capital lease disagreement (\$7.6 million)
  - d. Fund remaining in trust with Emeco's counsel pending resolution of this matter (\$1.7 million)



**FUNDS SEGREGATED IN ACCORDANCE WITH PARAGRAPH 10 OF THE ORDER DATED MAY 21, 2010**

22. In accordance with paragraph 10 of the Order dated May 21, 2010, CHC shall pay to the Monitor's counsel in trust, monthly payments from April 1, 2010 which would have been required to be paid by CHC to lessors under:
  - a. those leases in which there is a dispute as to categorization as a capital lease; and
  - b. those leases which the Monitor's counsel has not been able to categorize as either capital leases or true leases.
23. The Monitor's counsel shall hold such funds in trust pending determination of entitlement thereto under Section 11.01 of the CCAA by Court Order.
24. In accordance with the above, a total amount of \$2,374,770 was transferred to the Monitor's counsel on May 28, 2010. This amount represented the total obligations under the various leases in dispute at that time for the period between April 1, 2010 and May 18, 2010.
25. An additional amount of \$946,610 was transferred to the Monitor's counsel on June 2, 2010 (Appendix C). This amount represents the total obligations under the original leases in dispute for the period between May 19, 2010 and May 31, 2010 and for the period between April 1, 2010 and May 31, 2010 on the additional disputed leases.
26. It is the Monitor's intention to request CHC to continue transferring funds to the Monitor's counsel such amounts as may be owing on these leases until the categorization of those leases is finalized. Appendix C summarizes known disputed leases. In the event other leases are disputed, additional funds will have to be transferred to trust which will negatively impact the Amended Cash Flow Statement.

**UPDATE ON CRITICAL SUPPLIERS**

27. In accordance with paragraph 11 of the Order dated May 21, 2010, on May 28, 2010 the Monitor sent the Proof of Claim form (Appendix D) to:
  - a. All lessors of equipment to CHC; and
  - b. Those parties with payables outstanding as at April 1, 2010.

28. Some creditors have returned their completed Proof of Claim and it is the Monitor's intention to initiate the review process next week in collaboration with the Company.

#### **OFFER RECEIVED FOR AN EXCAVATOR**

29. The Advisor mentioned to the Monitor that he received an offer for the purchase of the Hitachi EX1900, which was bought in April 2010 for an amount of approximately \$3.3 million and entirely financed by RBC.
30. Based on various discussions with CHC's management, this excavator is currently used for reclamation work done on Syncrude's Base Mine site in conjunction with six haul trucks, three dozers and one grader. Based on the Updated Cash Flow Statement, the Company expects to generate in June and July approximately \$4.8 million in revenues relating to this reclamation work.
31. Considering that this excavator is currently used by the Company and that the Company has now initiated a sale process of all of its assets, the Company decided that it was not in the best interest of the Company or its stakeholders to sell this piece of equipment at this time.

#### **RESTRUCTURING EFFORTS**

32. On June 1, 2010, this Honourable Court authorized the sale and refinancing plan and timeline set out in the First Report to the Court of the Advisor. As outlined in the Advisor's First Report, this sale and refinancing process outlines a 45-day period, with a targeted closing on July 15, 2010. The Monitor believes that this is an aggressive timeline but giving the current level of activity, which is the base of the Updated Cash Flow Statement attached to this report, this tight timeline is necessary.
33. It is the Monitor's understanding based on discussions with the Advisor and Ernst & Young Orenda Corporate Finance Inc. ("E&Y") that the dissemination of teasers and confidentiality agreements started on June 1, 2010, as contemplated in the timeline describe in the Advisor's

First Report. The confidential information memorandum is finalized and will be provided to interested parties once they sign and return confidentiality agreements.

34. The Monitor continues to keep in close contact with the Company's Advisor and E&Y in regards to restructuring efforts. The sale and refinancing process, which was just initiated, is a key component of the restructuring efforts.

#### **EXTENSION TO THE STAY OF PROCEEDINGS PERIOD**

35. Pursuant to the Second Extension Order dated May 21, 2010, a Stay Period was granted until June 4, 2010.
36. The Company notified the Monitor of its intention to request a further extension of the Stay Period to allow the Company to develop and eventually submit a plan of arrangement to its creditors under the CCAA.
37. It is the Monitor's opinion that it is necessary to extend the Stay Period in order for the Company to continue its sale and refinancing process with a view of identifying the various options available and closing a transaction that could potentially resolve the current operational and financial challenges of the Company.
38. Over the next nine-week period, the Company and its advisors will be focusing their efforts on:
- a. Continuing the proof of claim process with the objective of determining the quantum of the Critical Suppliers;
  - b. Continuing to hold discussions with Syncrude in the context of increasing its revenues;
  - c. Disseminating the confidential information memorandum to interested parties and providing access to the data room;
  - d. Holding discussions with potential financial or strategic partners in the context of developing a restructuring plan; and
  - e. Developing a plan of arrangement.

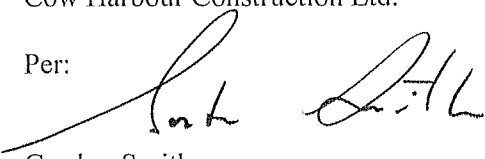
39. In support of the Company's request for an extension of the Stay Period, the Company has provided an Updated Weekly Cash flow for the period from May 29 to July 30, 2010, which is attached hereto as Appendix B.
40. It is the Monitor's view that the Company has acted in accordance with the Initial Order.
41. It is the Monitor's opinion that an extension of the Stay Period will allow the Company to determine if there is a possibility to identify interested parties for a refinancing of the operations or the purchase of the assets. At this time, this would appear to be the only alternatives available to the Company in order to present a viable plan of arrangement to its creditors.
42. Based on the Amended Cash Flow Statement attached to this report, there is a significant deterioration of the cash position of the Company in comparison with the Updated Cash Flow Statement attached to the Monitor's Fifth Report. Based on the Updated Cash Flow Statement, the Company projected a DIP Facility balance as at July 30, 2010 of approximately \$100,000 versus a projection DIP Facility balance of approximately \$7.2 million based on the Amended Cash Flow Statement attached to this report.
43. Based on our discussions with the Company's representatives and the Advisor, it is the Monitor's opinion that the Company has acted and continues to act in good faith and with due diligence, and might be able to present a plan of arrangement in the upcoming months. Albeit the plan of arrangement might very well be an orderly disposition of its assets in their entirety or on a piece meal basis.

The Monitor respectfully submits to the Court this, its Eighth Report.

Dated at Edmonton, this 2<sup>nd</sup> day of June, 2010

Deloitte & Touche Inc.  
in its capacity as Monitor of  
Cow Harbour Construction Ltd.

Per:

A handwritten signature in black ink, appearing to read 'Gordon Smith', is written over a horizontal line.

Gordon Smith  
Senior Vice-President

# Appendix A

Appendix A

	Period of (Inclusive) to				Period of (Inclusive) to				Cumulative, Period of (Inclusive) to			
	Sat, 15-May-10		Fri, 21-May-10		Sat, 22-May-10		Fri, 28-May-10		Sat, 15-May-10		Fri, 28-May-10	
	Actual Cash Flow	Projected Cash Flow	Variance	Actual - Proj	Actual Cash Flow	Projected Cash Flow	Variance	Actual - Proj	Actual Cash Flow	Projected Cash Flow	Variance	Actual - Proj
<b>(\$000's CAD)</b>												
<b>Cash Receipts</b>												
Sutor cash receipts	-	-	-	-	19	-	-	-	19	-	-	19
Synchrude cash receipts	-	-	-	-	-	-	-	-	-	-	-	-
Release of Synchrude holdbacks	-	-	-	-	-	-	-	-	-	-	-	-
Other cash receipts	-	-	-	-	-	-	-	-	-	-	-	-
Rec'd from Synchrude re: Enmeo Canada Limited	-	-	-	-	-	-	-	-	-	-	-	-
Corporate income tax receipts	-	-	-	-	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ 19	\$ -	\$ -	\$ 19	\$ -	\$ -	\$ -	\$ 19
<b>Cash Disbursements</b>												
Payroll	805	825	(20)		615				1,421	1,650	(229)	
Source deductions	439	387	52		409				847	774	73	
Union payments	51	-	51		-				51	-	51	
Other payroll/life insurance/WCB	-	4	(4)		-				-	70	(70)	
GST and corporate taxes	-	-	-		-				-	-	-	
Loans/capital leases	-	-	-		-				-	-	-	
Operating leases, misc. rentals	-	-	-		-				-	377	(377)	
Supplier payments	1,142	343	800		227				1,369	685	684	
Repairs and maintenance	515	507	8		1,425				1,939	1,014	925	
Restructuring costs	270	155	115		235				506	310	196	
Interest on DIP loan	-	-	-		-				-	-	-	
Interest on operating line	1	-	1		160				161	-	161	
Interest on EX1900	-	-	-		-				-	17	(17)	
Payments on new EX1900	-	-	-		-				-	-	-	
Payment in accordance with par. 63(b) of initial order (critical suppliers)	-	-	-		-				-	-	-	
Payment in accordance with par. 63(f) of initial order (excess cash)	-	-	-		-				-	-	-	
Fund transfer for true lease/capital lease disagreement (Finning)	-	-	-		2,375				2,375	2,948	(573)	
Misc. (unplanned expenses)	-	50	(50)		-				-	100	(100)	
Paid to Enmeo Canada Limited	-	-	-		-				-	-	-	
Funds remaining in trust account re: Enmeo Canada Limited	-	-	-		-				-	-	-	
<b>Total Cash Disbursements</b>	\$ 3,223	\$ 2,270	\$ 953	\$ 953	\$ 5,446	\$ 5,876	\$ (230)	\$ (230)	\$ 8,669	\$ 7,946	\$ 723	
<b>Net cash inflow (outflow)</b>	\$ (3,223)	\$ (2,270)	\$ (953)	\$ (953)	\$ (5,427)	\$ (5,876)	\$ (249)	\$ (249)	\$ (8,650)	\$ (7,946)	\$ (704)	
Bank, opening	\$ (30,239)	\$ (30,239)	\$ -	\$ -	\$ (33,462)	\$ (32,510)	\$ (953)	\$ (953)	\$ (30,239)	\$ (30,239)	\$ -	
Bank, ending	\$ (33,462)	\$ (32,510)	\$ (953)	\$ (953)	\$ (38,889)	\$ (38,186)	\$ (703)	\$ (703)	\$ (38,889)	\$ (38,186)	\$ (704)	
Change	\$ 3,223	\$ 2,270	\$ 953	\$ 953	\$ 5,427	\$ 5,876	\$ (249)	\$ (249)	\$ 8,650	\$ 7,946	\$ 704	
<b>Allocation of Bank, end of period</b>												
Payment against pre-CCAA bank line												
Pre-CCAA bank line, ending	\$ (26,269)	\$ (26,269)	\$ -	\$ -	\$ (26,269)	\$ (26,269)	\$ -	\$ -	\$ (26,269)	\$ (26,269)	\$ -	
Current account/ (DIP financing), excl cheques OS as at May 28, 2010	\$ (7,193)	\$ (6,240)	\$ (953)	\$ (953)	\$ (12,620)	\$ (11,916)	\$ (703)	\$ (703)	\$ (12,620)	\$ (11,916)	\$ (704)	
	\$ (33,462)	\$ (32,510)	\$ (953)	\$ (953)	\$ (38,889)	\$ (38,186)	\$ (703)	\$ (703)	\$ (38,889)	\$ (38,186)	\$ (704)	
<b>Net cash inflow (outflow)</b>	\$ (3,223)	\$ 7,763	\$ (10,986)	\$ (10,986)	\$ (8,650)	\$ 2,087	\$ (10,737)	\$ (10,737)	\$ (8,650)	\$ 2,087	\$ (10,737)	
Cheques Outstanding as at May 28, 2010	\$ (1,011)	\$ (1,414)	\$ 403	\$ 403	\$ (726)	\$ (1,414)	\$ 689	\$ 689	\$ (726)	\$ (1,414)	\$ 689	
DIP financing, no cheques in transit following May 28, 2010	\$ (8,204)	\$ (7,655)	\$ (549)	\$ (549)	\$ (13,345)	\$ (13,331)	\$ (14)	\$ (14)	\$ (13,345)	\$ (13,331)	\$ (15)	
<b>Selected Cumulative Disbursements</b>												
Payment in accordance with par. 63(b) of initial order (critical suppliers)	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -	
Payment in accordance with par. 63(f) of initial order (excess cash)	\$ 5,233	\$ 5,233	\$ -	\$ -	\$ 5,233	\$ 5,233	\$ -	\$ -	\$ 5,233	\$ 5,233	\$ -	
Fund transfer for true lease/capital lease disagreement (Finning)	\$ 2,948	\$ 2,948	\$ -	\$ -	\$ 2,948	\$ 2,948	\$ -	\$ -	\$ 2,948	\$ 2,948	\$ -	
Funds remaining in trust account re: Enmeo Canada Limited	\$ 1,700	\$ 1,700	\$ -	\$ -	\$ 1,700	\$ 1,700	\$ -	\$ -	\$ 1,700	\$ 1,700	\$ -	
<b>Total segregated funds</b>	\$ 11,933	\$ 11,933	\$ -	\$ -	\$ 14,308	\$ 14,861	\$ (553)	\$ (553)	\$ 14,308	\$ 14,861	\$ (553)	

# Appendix B

	Week Ended 4-Jun-10		Week Ended 11-Jun-10		Week Ended 18-Jun-10		Week Ended 25-Jun-10		Week Ended 2-Jul-10		Week Ended 9-Jul-10		Week Ended 16-Jul-10		Week Ended 23-Jul-10		Week Ended 30-Jul-10	
	Projected		Projected		Projected		Projected		Projected		Projected		Projected		Projected		Projected	
<b>(\$000's CAD)</b>																		
<b>Cash Receipts</b>																		
Suncor cash receipts	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Synchrude cash receipts		10,216		-		-		-		14,000		-		-		-		5,900
Release of Synchrude holdbacks		-		-		-		-		-		-		-		-		-
Other cash receipts		-		-		-		-		-		-		-		-		-
Corporate income tax receipts		-		-		-		-		-		-		-		-		-
Rec'd from Synchrude re: Emeco Canada Limited		-		-		-		-		-		-		-		-		-
	\$	10,216	\$	-	\$	-	\$	-	\$	14,000	\$	-	\$	-	\$	-	\$	5,900
<b>Cash Disbursements</b>																		
Payroll	\$	600	\$	500	\$	500	\$	223	\$	500	\$	400	\$	400	\$	400	\$	400
Source deductions		267		223		223		-		-		178		178		178		178
Union payments		-		317		-		-		-		243		-		-		-
Other payroll/life insurance/WCB		25		4		4		67		153		4		4		4		67
GST		393		-		-		-		430		-		-		-		79
Loans/capital		-		-		-		-		-		-		-		-		-
Operating leases, misc. rentals		215		-		-		-		215		-		-		-		-
Supplier payments		343		260		260		260		260		249		249		249		249
Repairs and maintenance		507		507		507		507		507		507		507		507		507
Restructuring costs		187		187		187		187		187		146		146		146		146
Interest on DIP loan		16		-		-		-		72		-		-		-		54
Interest on operating line		-		-		-		-		164		-		-		-		164
Interest on EX1900		17		-		-		-		14		-		-		-		11
Payments on new EX1900		-		500		-		-		-		500		-		-		-
Payment in accordance with par. 63(b) of initial order (critical suppliers)		-		-		-		-		-		-		-		-		-
Payment in accordance with par. 63(f) of initial order (excess cash)		-		-		-		-		-		-		-		-		-
Fund transfer for true lease/capital lease disagreement		947		2,217		-		-		2,051		-		-		-		-
Misc. (unplanned expenses)		50		50		50		50		50		50		50		50		50
Paid to Emeco Canada Limited		-		-		-		-		-		-		-		-		-
Funds remaining in trust account re: Emeco Canada Limited		-		-		-		-		-		-		-		-		-
<b>Total Cash Disbursements</b>	\$	3,566	\$	4,764	\$	1,730	\$	1,793	\$	4,825	\$	2,276	\$	1,533	\$	1,533	\$	1,905
<b>Net cash inflow (outflow)</b>	\$	6,650	\$	(4,764)	\$	(1,730)	\$	(1,793)	\$	9,175	\$	(2,276)	\$	(1,533)	\$	(1,533)	\$	3,995
Bank, opening	\$	(39,614)	\$	(32,964)	\$	(37,728)	\$	(39,458)	\$	(41,251)	\$	(32,076)	\$	(34,352)	\$	(35,885)	\$	(37,418)
Bank, ending		(6,650)		(37,728)		(39,458)		(41,251)		(32,076)		(34,352)		(35,885)		(37,418)		(33,424)
Change	\$	(6,650)	\$	4,764	\$	1,730	\$	1,793	\$	(9,175)	\$	2,276	\$	1,533	\$	1,533	\$	(3,995)
<b>Allocation of Bank, end of period</b>																		
Payment against pre-CCAA bank line	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Pre-CCAA bank line, ending		(26,269)		(26,269)		(26,269)		(26,269)		(26,269)		(26,269)		(26,269)		(26,269)		(26,269)
Current account/ (DIP financing), incl cheques OS as at May 28, 2010		(6,650)		(11,458)		(13,188)		(14,982)		(5,807)		(8,083)		(9,616)		(11,149)		(7,154)
	\$	(32,964)	\$	(37,728)	\$	(39,458)	\$	(41,251)	\$	(32,076)	\$	(34,352)	\$	(35,885)	\$	(37,418)	\$	(33,424)
<b>Cumulative net cash inflow (outflow)</b>	\$	6,650	\$	1,886	\$	156	\$	(1,637)	\$	7,538	\$	5,262	\$	3,729	\$	2,196	\$	6,190
<b>Selected Cumulative Disbursements</b>																		
Payment in accordance with par. 63(b) of initial order (critical suppliers)	\$	5,000	\$	5,000	\$	5,000	\$	5,000	\$	5,000	\$	5,000	\$	5,000	\$	5,000	\$	5,000
Payment in accordance with par. 63(f) of initial order (excess cash)		5,233		5,233		5,233		5,233		5,233		5,233		5,233		5,233		5,233
Fund transfer for true lease/capital lease disagreement		3,322		5,539		5,539		5,539		7,589		7,589		7,589		7,589		7,589
Funds remaining in trust account re: Emeco Canada Limited		1,700		1,700		1,700		1,700		1,700		1,700		1,700		1,700		1,700
<b>Total segregated funds</b>	\$	15,255	\$	17,472	\$	17,472	\$	17,472	\$	19,522	\$	19,522	\$	19,522	\$	19,522	\$	19,522



## NOTES TO THE CASH-FLOW STATEMENT

### NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Company during the Companies' Creditors Arrangement Act ("CCAA") proceedings.

### NOTE B - DEFINITIONS

#### 1) CASH-FLOW STATEMENT

In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the CCAA based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered.

#### 2) HYPOTHETICAL ASSUMPTIONS:

Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

#### 3) PROBABLE ASSUMPTIONS:

Means assumptions that:

- i. The Company believes reflect the most probable set of economic conditions and planned courses of action, Suitably Supported that are consistent with the plans of the Company; and
- ii. Provide a reasonable basis for the Cash-Flow Statement.

#### 4) SUITABLY SUPPORTED:

Means that the Assumptions are based on either one or more of the following factors:

- (i) The past performance of the Company;
- (ii) The performance of other industry/market participants engaged in similar activities as the company;
- (iii) Feasibility studies;
- (iv) Marketing studies; or
- (v) Any other reliable source of information that provides objective corroboration of the reasonableness of the assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each assumption, will vary according to circumstances and will be influenced by factors such as the significance of the assumption and the availability and quality of the supporting information.

### NOTE C - ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
<u>Opening cash balance</u>	Based on review of bank balances.	x	
Exchange Rate	Exchange rate used by management are the following		

	[USD/CAD = 1.00/ 1.00]		
<b><u>Forecast Cash Receipts</u></b>			
Current A/R collections – Syncrude	<p>Based on a combination of historical revenue figures, recent data from the TAC system (Syncrude revenue collection system), as well as the Company's work order log.</p> <p>Revenue includes management's estimate of the increase related to starting an evening shift.</p> <p>Payment is received within 30 days of each month end.</p>	X	
<b><u>Forecast Cash Disbursements</u></b>			
Payroll  Source deductions	<p>Based on a combination of historical compensation levels adjusted for estimated changes in revenues &amp; management's estimate of current salaried employees.</p> <p>Payments are based on weekly pay cycle.</p>	X	
Union payments	<p>Based on historical compensation levels adjusted for estimated changes in revenues</p> <p>Payments are based on a monthly pay cycle.</p> <p>These amounts include health insurance, pension, and training deductions.</p>	X	
Other payroll/life insurance/WCB	<p>Based on a combination management estimates, actual payment data, and third party information.</p> <p>Varied payment frequencies. These amounts include Worker's Compensation, RSP Contributions, Health &amp; Dental Premiums, Critical Illness Insurance &amp; Owner's Life Insurance</p>	X	
GST	Based on estimated cash receipts from customers & disbursements to suppliers	X	
Loans/capital Leases	Based on a stay of payments not being lifted		X
Operating leases, misc. rentals	For leases classified by McLennan Ross as operating leases	X	

	Based on a combination of invoices paid and lease contract amounts		
Supplier payments	Based on a combination of actual expenditures, historical expenditures adjusted for revenue projections & historical expenditures.  Includes: Gas & Oil, insurance, tire expense, freight Expense, materials, subcontractors, training, office supplies, telephone and licenses & fees.	X	
Repairs & Maintenance	Based on actual results for previous years, as well as current revenue projections. The amount forecasted will only keep the fleet at its current state	X	
Restructuring costs	Restructuring amounts for Chief Restructuring Advisor and his counsel, the Monitor and its counsel, management's advisors, Ernst and Young, the bank's advisors and corporate counsel.	X	
Interest on DIP/ Operating loans	Based on average estimated balances.  Interest is calculated at RBC Prime + 5% (7.25%)	X	
Interest on EX1900	Based on monthly balance.  Interest is calculated at RBC Prime + 5% (7.25%)	X	
Payments on new EX1900	Based on payments stipulated in contract	X	
Fund transfer for true lease/capital lease disagreement	Based on leases that are in dispute with respect to their classification.		X
Miscellaneous (unplanned expenses)	Estimate based on historical costs and management estimates of requirements during this period.		X

## Appendix C

## APPENDIX C

SUMMARY OF DISPUTED LEASES

Effective date of stay of proceedings	01-Apr-10	Post filing	Already put	Additional
Lessor	Monthly	Accrual up to	Intrust	Amount
	Payment	31-May	18-May	to be put Intrust
Caterpillar Financial (AIG)	\$ 21,372.84	42,745.68	32,403.98	10,341.70
Caterpillar Financial (AIG)	\$ 21,372.84	42,745.68	32,403.98	10,341.70
Caterpillar Financial	\$ 28,397.86	56,795.72	43,054.82	13,740.90
Concentra Financial	\$ 35,224.79	46,966.39	-	46,966.39
AIG Commercial Equipment	\$ 160,185.00	245,617.00	170,519.52	75,097.48
De Lage Landen Financial Services	\$ 150,000.00	450,000.00	387,096.77	62,903.23
Scott Capital Group Inc.	\$ 10,469.00	20,938.00	15,872.35	5,065.65
Scott Capital Group Inc.	\$ 18,183.33	36,366.66	27,568.27	8,798.39
Concentra Financial	\$ 12,882.56	17,176.75	-	17,176.75
Scott Capital Group Inc.	\$ 5,295.00	8,295.50	5,807.42	2,488.08
Scott Capital Group Inc.	\$ 16,717.20	33,434.40	25,345.43	8,088.97
Kempenfelt Leasing	\$ 4,122.95	8,245.90	-	8,245.90
Kempenfelt Leasing	\$ 2,061.48	4,122.96	-	4,122.96
Kempenfelt Leasing	\$ 2,061.48	4,122.96	-	4,122.96
Kempenfelt Leasing	\$ 2,979.99	5,959.98	-	5,959.98
Finning (Canada)	\$ 90,000.00	153,000.00	112,258.06	40,741.94
Finning (Canada)	\$ 90,000.00	141,000.00	100,258.06	40,741.94
Finning (Canada)	\$ 90,000.00	147,000.00	106,258.06	40,741.94
Finning (Canada)	\$ 90,000.00	147,000.00	106,258.06	40,741.94
Finning (Canada)	\$ 160,000.00	298,666.67	226,236.56	72,430.11
Finning (Canada)	\$ 160,000.00	298,666.67	226,236.56	72,430.11
Finning (Canada)	\$ 160,000.00	218,666.67	146,236.56	72,430.11
Finning (Canada)	\$ 160,000.00	202,666.67	130,236.56	72,430.11
Finning (Canada)	\$ 160,000.00	186,666.67	114,236.56	72,430.11
Finning (Canada)	\$ 50,000.00	78,333.33	55,698.92	22,634.41
Finning (Canada)	\$ 50,000.00	93,333.33	70,698.92	22,634.41
Finning (Canada)	\$ 88,000.00	170,133.33	130,296.77	39,836.56
Wajax Industries	\$ 16,500.00	33,000.00	25,016.13	7,983.87
Wajax Industries	\$ 30,000.00	60,000.00	45,483.87	14,516.13
Wajax Industries	\$ 40,000.00	41,333.33	23,225.81	18,107.53
Scott Capital Group Inc.	\$ 7,190.00	14,380.00	10,900.97	3,479.03
Heavy Metal Equipment Rentals (Dutchmen Equipment)	\$ 20,000.00	14,000.00	5,161.29	8,838.71
	<u>\$ 1,953,016.32</u>	<u>3,321,380.24</u>	<u>2,374,770.30</u>	<u>946,609.94</u>

## Appendix D

IN THE MATTER OF 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.

**PROOF OF CLAIM**  
**(for Payable Claims as at April 1, 2010)**

**A. DEFINITIONS**

"Claimant": the party asserting a builders' lien pursuant to the *Builders' Lien Act*, R.S.A. 2000,  
c. B-7

**B. PARTICULARS OF CLAIMANT**

1. Full Legal Name of Claimant:

\_\_\_\_\_

2. Full Mailing Address of Claimant:

\_\_\_\_\_

3. Contact Information:

a. Telephone: \_\_\_\_\_

b. Fax: \_\_\_\_\_

c. Contact Person: \_\_\_\_\_

d. Email: \_\_\_\_\_

**C. PROOF OF CLAIM**

I, \_\_\_\_\_, of the Claimant do hereby certify that:

a. I am the \_\_\_\_\_ of the Claimant;

b. I have knowledge of all the circumstances connected with the claim referred to  
below;

c. The Claimant asserts a builders' lien against lands on which Cow Harbour  
Construction Ltd. constructed an "improvement" for \$\_\_\_\_\_;

d. The dollar amount claimed above is for materials and/or services rendered  
from \_\_\_\_\_ up to April 1, 2010, whether invoiced or not.

**D. PARTICULARS OF CLAIM**

1. Did the Claimant lease or rent equipment to Cow Harbour?

Yes      ☐

No      ☐

2. If the answer to #1 above is "Yes," please refer to and complete Appendix "A" of this Proof of Claim form.

3. If the answer to #1 above is "No," did the Claimant furnish:

Services ☐

Materials ☐

Services and Materials ☐

4. Please provide, in as much detail as possible, each service and/or material that was furnished:

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5. Please provide, in as much detail as possible, the purpose of the service and/or material that was furnished, if known:

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6. Please provide the date and corresponding amount of each service and/or material that was furnished:

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7. Please provide the location where each service and/or material was last furnished: (i.e. Syncrude site, Suncor site, Cow Harbour head office, lien claimant's facility, etc...)

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8. Were the services and/or materials provided under a single contract:

Yes      ☐                      No      ☐

If "Yes," please provide a copy of such contract.

#### **E. FILING OF CLAIM**

This Proof of Claim must be received by the Monitor no later than 5:00 P.M. (mountain standard time) on June 16, 2010, via the self-addressed envelope provided by the Monitor, or by email, registered mail, personal delivery, or fax transmission at the following address:

##### **1. Email**

Deloitte & Touche Inc.

Attention: Daniel Norris

Email: dannorris@deloitte.ca

##### **2. Registered Mail or Personal Delivery**

Deloitte & Touche Inc.  
2000 Manulife Place, 10180 - 101 Street  
Edmonton, Alberta  
T5J 4E4

Attention: Daniel Norris

##### **3. Fax**

Deloitte & Touche Inc.

Attention: Daniel Norris

Fax No.: (780) 421-3782

Failure to deliver a completed Proof of Claim to the Monitor by the date and time specified above may disqualify the Claimant as a Critical Supplier.

Dated at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_ (Claimant)

Per: \_\_\_\_\_ (Name)

\_\_\_\_\_ (Signature)

## APPENDIX "A"

### DETAILS OF PROOF OF CLAIM FOR LESSORS

#### PARTICULARS OF LEASE

1. Date of Lease: \_\_\_\_\_
2. Expiry or Termination of Lease:
  - a. Has the Lease expired or been terminated? (check appropriate box)  
 YES ☐ NO ☐
  - b. If the answer to (a) is Yes, specify below the expiry date or the date of termination:  
 \_\_\_\_\_

#### 3. Details of Equipment subject to the Lease:

Description of Equipment	Serial Number	Description of the general function of each item of Equipment in Cow Harbour's operations

#### 4. Details of Arrears:

a. Amount of each Periodic Payment due under the Lease:	\$ _____ per _____
b. Date of Last Payment:	
c. Total Arrears:	\$
i. Total Arrears for <u>Cow Harbour's use of Equipment before April 1, 2010:</u>	\$
ii. Total Arrears for <u>Cow Harbour's use of Equipment on or after April 1, 2010:</u>	\$

5. Details of Location and Use of Equipment Since Default:

- a. Describe the specific location of each item of Equipment since Cow Harbour first missed payment through to the date of this Proof of Claim:

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- b. Describe the specific use of each item of Equipment in Cow Harbour's operations since Cow Harbour first missed payment through to the date of this Proof of Claim:

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- c. Indicate whether each item of Equipment is "reasonably required to be available for the purpose of the work" since Cow Harbour first missed payment through to the date of this Proof of Claim:

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Affidavit of \_\_\_\_\_, sworn \_\_\_\_\_, 2010

No. 1003 05560

Bankruptcy No. 24-115359

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

IN THE MATTER OF 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.

**AFFIDAVIT OF TRUTH OF PROOF OF CLAIM**

I, \_\_\_\_\_, of \_\_\_\_\_, the  
Claimant in the attached Proof of Claim, MAKE OATH AND SAY:

1. That Cow Harbour Construction Ltd. is justly and truly indebted to the Claimant for services and/or materials that were furnished in respect of an "improvement" (as defined in the *Builders' Lien Act*, R.S.A. 2000, c. B-7) in the sum of \$\_\_\_\_\_, as stated in the said Proof of Claim.

2. That the facts and details alleged in the said Proof of Claim are within my own knowledge and are true.

SWORN BEFORE ME at \_\_\_\_\_ )  
\_\_\_\_\_, in the Province of \_\_\_\_\_ )  
this \_\_\_\_\_ day of \_\_\_\_\_, 2010 )  
\_\_\_\_\_) \_\_\_\_\_

\_\_\_\_\_  
A Commissioner for Oaths in and  
for the Province of Alberta or Notary Public

Affidavit of \_\_\_\_\_, sworn \_\_\_\_\_, 2010

No. 1003 05560

Bankruptcy No. 24-115359

2010

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

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IN THE MATTER OF 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.

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**AFFIDAVIT OF TRUTH OF PROOF OF CLAIM**

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MCLENNAN ROSS<sub>LLP</sub>  
LEGAL COUNSEL

#600 West Chambers  
12220 Stony Plain Road  
Edmonton, AB T5N 3Y4

Lawyer: Charles P. Russell  
Telephone: (780) 482-9200  
Fax: (780) 482-9100  
File: 101122