

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

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

June 16, 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. On June 4, 2010, amongst other matters, the Court ordered the Monitor to investigate and prepare a report to this Court, reporting on and making recommendations with respect to the anticipated role of the Advisor on a go forward basis in regard the sales and refinancing process and the CCAA proceedings generally.
3. The purpose of this Report is to comply with the above directions of the Court.
4. In preparing this Report, the Monitor has relied upon unaudited interim financial information, the Company’s records and discussions interested parties. 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.
5. 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.
6. Copies of the Monitor’s Reports, including a copy of this Eleventh 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. 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.

SCOPE OF MONITOR'S REVIEW

7. In preparing this report, in addition to the Monitor's knowledge of the Advisor's activities since the filing of the CCAA by the Company, the Monitor:
 - a) Met with the Advisor to discuss duties performed and the Advisor's understanding as to what his future role should be.

- b) Met with a representative of Ernst & Young Orenda Corporate Finance Inc. ("Ernst & Young"), the entity retained by the Advisor/Company to assist with the sales and refinancing process of the Company.
- c) Had a telephone discussion with the Company's CEO to discuss the Company's working relationship with the Advisor and the desired continued assistance of the Advisor.
- d) Had a telephone discussion with the CFO of the Company to discuss the desired role of the Advisor.
- e) Had a telephone discussion with a representative of PricewaterhouseCoopers LLP, advisor to the DIP lender (and a significant Capital Lessor).
- f) Sought feedback from all of the Capital Lessors by way of an email request (a copy of the email request is attached as Appendix A).

SUMMARY OF RESPONSES

- 8. The feedback obtained from interested parties varied significantly and are summarized below:
 - a) The Advisor believes his role should continue as noted in the Initial Order and the Advisor's Services Contract (Appendix D of the Second Report of the Chief Restructuring Advisor that has been filed with the Court and is posted on the Monitor's website). The Advisor indicated he is distrustful of representations made by the Company's CEO and that their relationship is strained. The Advisor anticipates that his continued contributions would include:
 - i. Continuing to work with Ernst & Young and the Monitor with the sales and refinancing process. He believes he has unique access to certain prospective purchasers and financiers and that his sales efforts would provide a degree of confidence to interested parties.
 - ii. Continuing to work with Syncrude and Suncor to maximize the Company's contract revenues. He believes Syncrude is hesitant to provide additional work to the Company as there is uncertainty as to the quality of the Company's equipment to perform construction tasks. The Advisor believes he can dispel some of this uncertainty.

- iii. Continuing to meet with the DIP Lender and Capital Lessors, providing updates as to the status of the Company's business operations and the sales and refinancing process.
 - iv. Continuing to work with the Company in attempts to resolve a dispute as to amounts owing to Emeco Canada Limited.
-
- b) The Company's CEO is critical of the services provided by the Advisor and believes his continued involvement in the operations and sales and refinancing process is counter-productive. The CEO is distrustful of representations made by the Advisor and advises that their relationship is strained. The CEO has faith in the ability of Ernst & Young to conduct the sales and refinancing process and believes the Advisor would be redundant to this process.
 - c) Ernst & Young is not able to comment on the services the Advisor can provide in assisting the Company with its operations. Ernst & Young believes that the Advisor can play a key role in the sales and refinancing process by assisting prospective purchasers and refinancers with understanding the Company's operations, such as key customer relationships, understanding the equipment, the Company's management structure, etc. Ordinarily, Ernst & Young would not require an external advisor when performing sales/refinancing activities as the Company's management would perform the duties that the Advisor will now perform. In this particular situation, there is a perception that the prospective purchasers/refinancers would have more confidence in representations made by the Advisor than by the Company's management.
 - d) PricewaterhouseCoopers LLP advises that their client, the DIP lender (and a significant Capital Lessor), wishes for the Advisor's role to include continued involvement with the Company's operations and with the sales and refinancing process.
 - e) Four Capital Lessors responded to our request for feedback (Appendix A). One of the Capital Lessors requested that the Advisor's role be restricted to the sales and refinancing process and one of the Capital Lessors preferred that the Advisor no longer be engaged for any services. The other two Capital Lessors were silent on this point. Three of the Capital Lessors were critical of the Advisor's fee structure and the other Capital Lessor was silent on this point.

MONITOR'S OBSERVATIONS

9. There are irreconcilable differences between the Company's CEO and the Advisor. Without the Company having confidence in the abilities of the Advisor, it is doubtful that the Advisor can provide meaningful contributions in assisting with the Company's operations. The downside of this continued relationship was evidenced in the Second Report of the Chief Restructuring Advisor wherein the Advisor was unable to comply with paragraph 15 of the May 21, 2010 Court Order, which states, "The Advisor should report to this Honorable Court prior to June 4, 2010, with respect to any equipment of CHC which is not necessary or required in CHC's business operations." Should the Advisor continue to be involved with the operations of the Company, this will likely aggravate the parties, with the end result being of no benefit to the Creditors and other interested parties.

10. Ernst & Young is tasked with managing the sales and refinancing process. They have a good working relationship with the Advisor and believe the Advisor's assistance is beneficial. The Company's CEO is concerned that the Advisor's continued role in this process is detrimental to maximizing sales proceeds or refinancing. Currently the Advisor has the authority to be involved in the sales and refinancing process and has advised that he will not voluntarily relinquish this role. The scheduled date for receiving letters of interest from interested parties is June 16, 2010, and some responses might be delayed past this date. Near the end of June 2010, the Advisor is to provide a report with respect to the offers received in the sales and refinancing process being administered by Ernst & Young. The Court will not hear matters arising from this report until June 29, 2010, or later. By then the sales process will be well underway and the Advisor will have performed many of the tasks that Ernst & Young require him to do. It is doubtful that removal of the Advisor from the process at this later date will be of benefit to the interested parties. Rather, it is more likely that this would frustrate the process.

11. Paragraph 12 of the Initial Order and paragraph 1 of the Advisor's services contract provide the services originally contemplated of the Advisor. We summarize below each directed task in *italics*, followed by our observations and recommendations.

Initial Order

12. *12a. Meet and communicate with the primary customer of the Applicant, Syncrude Canada Ltd. ("Syncrude"), to negotiate Syncrude's support of the Restructuring (as hereinafter defined);*

Syncrude is fully aware of the Company's current financial situation. If a going concern sale occurs, the purchaser will have to negotiate its planned business relationship directly with Syncrude. The Advisor has had prior operational meetings with Syncrude and believes he should continue such meetings, whereas the CEO believes these meetings have impaired the Company's ability to secure contracts from Syncrude.

We recommend that the Advisor's role in negotiating with Syncrude be restricted to assisting the prospective purchaser or refiner with satisfying relevant conditions within their offer.

13. *12b. Meet and communicate with the Applicant's other customers to negotiate their support of the Restructuring;*

As virtually all of the Company's current revenues come from Syncrude, there is no need for the Advisor to communicate with other customers from an operational perspective. If communicating with these other customers is a condition of prospective purchasers or refiners, we recommend the Advisor should be permitted to perform these services.

14. *12c. Oversee the Applicant's adherence to cash flow projections and ensure the timely reporting of any variances therefrom to the Monitor and to the DIP Lender (as hereinafter defined);*

This has been the responsibility of the Monitor and PricewaterhouseCoopers LLP. The Advisor's assistance is not required for this task.

15. *12d. Oversee the development of long term projections and a business plan for the Applicant, including an appropriate governance structure for the Applicant, and shall assist the Monitor and the DIP Lender and its advisors with the review of the long term projections, business plan, and the overall viability of the Applicant;*

The Advisor has not expended much time on these tasks. Given the current sales and refinancing process being undertaken, there is no need for the Advisor to now administer to these tasks.

16. *12e. With the assistance and guidance of the Monitor, formulate a plan of arrangement for the Applicant with a view of submitting the plan of arrangement to the creditors of the Applicant for their consideration. While formulating the plan of arrangements, the Advisor shall:*

- i. Assist the applicant in discussions and negotiations with the DIP Lender, and the Applicant's other creditors, including discussions and negotiations concerning forbearance agreements and support where necessary;*

For the most part, the Advisor has not been assisting the Company with these tasks. The DIP Lender has relied on PricewaterhouseCoopers LLP and the Monitor's reporting for negotiating the forbearance agreements. Further, the Court has given directions to the creditors by way of Court Orders. As such, there is no need for the Advisor to administer to these tasks.

17. *ii. Have overall responsibility for the Restructuring;*

The various Court Orders are directing the manner in which the Company is being restructured. As such, there is no need for the Advisor to have overall responsibility for the restructuring.

18. *iii. Have overall responsibility for implementing cost saving initiatives;*

Costs consist mainly of payroll, leases and repairs and maintenance. On June 1, 2010, the Court instructed the Monitor to report as to equipment that is not necessary or required for the Company's business operations. This report will guide the Company as to savings in lease and repairs and maintenance costs. Most payroll costs are unionized, hourly paid employees that are hired on an as needed basis. For salaried employees, there is no merit in addressing possible savings by way of terminations as the savings until the end of July (i.e. end of the sales and refinancing process) would be offset by immediate severance costs. Further, any termination of management over the next few weeks might disrupt (or give the appearance of disrupting) the going concern sales and refinancing process. Based on the above observations, we recommend that the Advisor not be involved with cost saving initiatives.

19. *iv. Approve all purchase commitments over \$10,000;*
- v. Approve disbursements in excess of \$10,000, except with respect to the all amounts owed to employees of the Applicant for wages and vacation pay and except with respect to amounts set out in paragraph 8 of this order;*

Both the Advisor and the Monitor are performing these tasks. Further, PricewaterhouseCoopers LLP has an oversight role on behalf of the DIP Lender. Given that there is independent scrutiny of payments by two accounting firms and that there is friction between the Company and the Advisor, we recommend that the Advisor not continue these tasks.

20. *vi. Amend customer credit policies, limits and terms as considered necessary;*

The Company's only customer is Syncrude and the Company is not in a position to dictate contract terms. As such, the Advisor is not required for this task.

21. *vii. Approve all hiring and termination of employees of the Applicant;*

To date the Advisor has not been very involved in hiring of staff and there have been no terminations of salaried staff since the CCAA commenced. The Advisor represents that the Company has excluded the Advisor in hiring decisions and he has made requests for the authority to terminate employees (including the CEO) but was not provided with this authority. Given the finite time period for the sales and refinancing process and the lack of cooperation between the Company and the Advisor, we recommend that the Advisor not become involved with these tasks.

22. *viii. Act as the key point of contact with the DIP Lender and its advisors, including reporting to the DIP Lender on the progress of the Restructuring;*

The Advisor has been performing this task on an ongoing basis. We recommend that the Advisor continue to perform this task.

23. *ix. Ensure that the Applicant satisfies all required conditions for the provision of DIP financing by the DIP Lender;*

The Advisor is not able to control the conditions required to satisfy the DIP financing provisions, nor do we believe that the creditors expect him to. As such, the Advisor is not required to perform this task.

24. x. *Manage all litigation matters, in conjunction with the Applicant's legal counsel;*

There are numerous potential litigation matters including determination as to the Critical Suppliers and resolution of segregated funds. The Advisor has had limited involvement meeting with parties adverse to the Company for an amount owing by Suncor Energy Inc. and a dispute with Emeco Canada Limited. The resolution of these matters will require the Company to provide and summarize certain information. As it is the Company that will have to provide the relevant information and as the Company's CEO and Advisor are unable to cooperate with each other, we recommend that these matters be administered by legal counsel and the Company rather than by the Advisor.

25. xi. *Have overall responsibility and authority to manage the size of the equipment fleet of the Applicant.*

As noted in the Second Report of the Chief Restructuring Advisor, the Advisor was unable to obtain information from the Company to allow him to assess the required size of the equipment fleet. On June 4, 2010, the Court ordered the Monitor to perform this role. As such, there is no need for the Advisor to perform this task.

Advisor's Services Contract

26. > *Meet and communicate with the primary customer of CHC (Syncrude) to negotiate its continued support throughout the CCAA restructuring period, should such remedy be deemed appropriate;*

The Company continues to meet with Syncrude on an ongoing basis and Syncrude is fully aware of the Company's current situation. As such, there is no need for the Advisor to continue this task.

27. > *Oversee CHC's adherence to the CCAA cash flow projections and to ensure the timely reporting of any variances therefrom to the CCAA monitor and to Royal Bank of Canada ("RBC") or its advisors;*

This is addressed in paragraph 14 above.

28. > *Oversee the development of long term projections and a business plan for CHC including an appropriate governance structure and to cooperate with the CCAA monitor as well as RBC and its advisors in the review of such and their assessment of the overall viability of CHC;*

This is addressed in paragraph 15 above.

29. > *Develop a plan of arrangement in conjunction with CHC and its advisors, the monitor, RBC and other major stakeholders' including:*

(a) Assisting CHC in discussions and negotiations with RBC and its other lenders, including discussions and negotiations concerning forbearance agreements and support where necessary;

This is addressed in paragraph 16 above.

30. *(b) Overall responsibility for the restructuring, re-capitalization / sale of equity process, provided that the Board of Directors' approval shall be required to conclude any transaction;*

This is addressed in paragraph 17 above.

31. *(c) Acting as key point of contact for communications with RBC and its advisor including reporting to RBC on the progress of the re-capitalization / sale of equity process and providing them with any reasonable information in this regard;*

(d) All other RBC reporting as required by RBC;

These are addressed in paragraph 22 above.

32. *(e) Review satisfaction of all required conditions for the provisions of DIP financing by RBC;*

This is addressed in paragraph 23 above.

33. *(f) Management of all litigation matters, in conjunction with CHC's legal counsel.*

This is addressed in paragraph 24 above.

ADVISOR'S FEES

34. The Advisor's fee structure has been contentious with the Company and certain creditors, such that these concerns, in large part, are what precipitated the preparation of this report.
35. The Advisor's position is that the Company entered into a contract to pay certain fees, which, for the most part, are contingent on a sale or refinancing of assets. The Advisor further advises that his fee structure is at approximately one-half of what he ordinarily charges.
36. Certain creditors believe the Advisor's fees are potentially excessive and that they might bear the financial responsibility of these fees wherein they were not a participating party with the Advisor's services contract.
37. It would appear that most creditors are content for the Advisor to continue with the sales process and then allowing the Court to determine what a reasonable fee should be, based on the ultimate outcome of the sales and refinancing process.
38. The Monitor is not in a position to comment as to the authority the Court has to amend the Advisor's services contract, or what the priority entitlement might be afforded to the Advisor by the Court.
39. The Advisor has verbally advised the Monitor that he is willing to continue with his diligent efforts in the sales and refinancing process, regardless of the ongoing fee dispute. In doing so, the Advisor recognizes that there is risk in that he might provide services wherein at a later date the Court reduces (perhaps significantly) his compensation from that noted in the Advisor's services contract.

40. The Monitor is of the view that the debate regarding the Advisor's fees should be stayed until the sales and refinancing process is finalized, provided this recommendation does not impair interested parties from challenging the fees at a later date.

RECOMMENDATIONS SUMMARY

41. In summary, the Monitor recommends:

- a) The Advisor be removed from the operations of the Company. The reason for this recommendation is that the relationship between the Company and the Advisor is strained and these parties are not able to cooperate with each other.
- b) The Advisor should continue his current role with the sales and refinancing process. The reason for this recommendation is that certain creditors and Ernst & Young believe the Advisor adds value to this process.
- c) The debate over the Advisor's fees should be stayed until the end of the sales and refinancing process. The reason for this recommendation is that at that time interested parties will be in a better position to assess the value brought to the CCAA process by the Advisor.

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

Dated at Edmonton, this 16th day of June, 2010

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

Per:



Gordon Smith
Senior Vice-President

Appendix A

Smith, Gordon (CA - Edmonton)

From: Chuck Russell [crussell@mross.com]
Sent: Wednesday, June 09, 2010 10:02 AM
To: Anna Turcza-Karhut; Aroon Sequeira; Bill Rosser; Bruce Mintz; Bryan Maruyama; John, Cameron (CA - Edmonton); Dan Carroll; Dean Hitesman; Don MacLean; Ian Logan; James Carr; James MacLean; Jerritt Pawlyk; Jerry Hockin; jmerritt; Joe Shafir; Joseph Bellissimo; Kelly Bourassa; Kent Rowan; L. Joseph Latham; Lance Williams; Mike McCabe; Murray D. McGown; Ray Rutman; Rick M. Van Beselaere; Robert A. Millar; Sean Collins; Shane Dunn; Shelley Fitzpatrick; Sheri Melnick; Steven D. Dvorak; Stuart Weatherill; Terry Warner
Cc: Smith, Gordon (CA - Edmonton)
Subject: Cow Harbour Construction Ltd. - Monitor's Request
Attachments: Extracts.pdf
Importance: High

I am forwarding to you below, an e-mail from the Monitor, seeking your input to assist the Monitor in providing its report on the Chief Restructuring Advisor's role. Could I ask each of you, or your clients if you prefer, to provide input to the Monitor directly (gsmith@deloitte.ca) with a copy to me (crussell@mross.com). As you will see, the Monitor is hoping to have this information from you or your clients by June 11.

Chuck

On June 4, 2010 the Court of Queen's Bench of Alberta directed, amongst other matters, that the Monitor (i.e. us) prepare a report to the Court advising as to the contributions the CRA anticipates making to the sale and refinancing process and the CCAA proceedings and for the Monitor to provide recommendations as to what the CRA's future role should be. In doing so we have met with the CRA (Pat Ross), had telephone discussions with representatives of Cow Harbour Construction Ltd. (Alphonse Hutchings - CEO and Demetri Koumarelas - CFO), met with a representative of Ernst & Young Orenda Corporate Finance Inc. (Aroon Sequeira), and had a telephone discussion with a representative of PriceWaterhouseCoopers Inc. (Don MacLean). We have determined that it would also be of benefit to obtain feedback from the various lenders and as such we would appreciate you forwarding this e-mail to your respective clients and having them (or you) respond to the following:

1. Describe the timeliness and quality of reporting that the CRA has provided to you since the Initial Order was granted effective April 7, 2010.
2. Where applicable, advise as to whether you wish for the CRA to increase reporting, decrease reporting or provide similar reporting as noted in point 1 above.
3. Comment as to whether you believe the CRA should provide services not specifically stated in the Initial Order or the Advisor's services contract (extracts of the Advisor's specified duties from these documents are attached).

4. As much of the concern regarding the role of the Advisor's role relates to his fee arrangements, provide your comments in regards to these fee arrangements (e.g. on what basis should the quantum and the applicability of the restructuring and success fee be considered reasonable – the fee contract terms from the Advisor's services contract is attached).
5. Comment as to any unique attributes you believe the CRA brings to the CCAA process.
6. Provide any other comments that you believe are relevant for purposes of our reporting.

Your response by June 11, 2010 would be appreciated.

Regards,

Gordon Smith

Partner | Financial Advisory

Deloitte

2000 Manulife Place, 10180 - 101 Street, Edmonton, AB T5J 4E4

Tel/Direct 780-421-3863 | Fax 780-421-3782

gsmith@deloitte.ca | www.deloitte.ca

Deloitte is proud to be the Official Supplier of Professional Services to the Vancouver 2010 Olympic and Paralympic Winter Games.

Confidentiality Warning: This message and any attachments are intended only for the use of the intended recipient(s), are confidential, and may be privileged. If you are not the intended recipient, you are hereby notified that any review, retransmission, conversion to hard copy, copying, circulation or other use of this message and any attachments is strictly prohibited. If you are not the intended recipient, please notify the sender immediately by return e-mail, and delete this message and any attachments from your system. Thank you.

Information confidentielle: Le présent message, ainsi que tout fichier qui y est joint, est envoyé à l'intention exclusive de son ou de ses destinataires; il est de nature confidentielle et peut constituer une information privilégiée. Nous avertissons toute personne autre que le destinataire prévu que tout examen, réacheminement, impression, copie, distribution ou autre utilisation de ce message et de tout fichier qui y est joint est strictement interdit. Si vous n'êtes pas le destinataire prévu, veuillez en aviser immédiatement l'expéditeur par retour de courriel et supprimer ce message et tout document joint de votre système. Merci.



Charles Russell, Q.C. | Legal Counsel | direct 780.482.9115 | toll free 1.800.567.9200 | fax 780.482.9102

McLennan Ross LLP | www.mross.com | www.ollsandslaw.com | BIOGRAPHY

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

This e-mail may contain confidential information and be subject to solicitor-client privilege. If received in error, please delete and advise sender. Thank you.

**EXTRACTS FROM
INITIAL ORDER**

E. CHIEF RESTRUCTURING ADVISOR

11. The Applicant is directed to immediately hire Patrick Ross as the Chief Restructuring Advisor (the "Advisor").
12. The Advisor shall:
 - a. Meet and communicate with the primary customer of the Applicant, Syncrude Canada Ltd. ("Syncrude"), to negotiate Syncrude's support of the Restructuring (as hereinafter defined);
 - b. Meet and communicate with the Applicant's other customers to negotiate their support of the Restructuring;
 - c. Oversee the Applicant's adherence to cash flow projections and ensure the timely reporting of any variances therefrom to the Monitor and to the DIP Lender (as hereinafter defined);
 - d. Oversee the development of long term projections and a business plan for the Applicant, including an appropriate governance structure for the Applicant, and shall assist the Monitor and the DIP Lender and its advisors with the review of the long term projections, business plan, and the overall viability of the Applicant;

- e. With the assistance and guidance of the Monitor, formulate a plan of arrangement for the Applicant with a view of submitting the plan of arrangement to the creditors of the Applicant for their consideration. While formulating the plan of arrangement, the Advisor shall:
- i. Assist the Applicant in discussions and negotiations with the DIP Lender, and the Applicant's other creditors, including discussions and negotiations concerning forbearance agreements and support where necessary;
 - ii. Have overall responsibility for the Restructuring;
 - iii. Have overall responsibility for implementing cost saving initiatives;
 - iv. Approve all purchase commitments over \$10,000;
 - v. Approve disbursements in excess of \$10,000, except with respect to the all amounts owed to employees of the Applicant for wages and vacation pay and except with respect to amounts set out in paragraph 8 of this Order;
 - vi. Amend customer credit policies, limits and terms as considered necessary;
 - vii. Approve all hiring and termination of employees of the Applicant;
 - viii. Act as the key point of contact with the DIP Lender and its advisors, including reporting to the DIP Lender on the progress of the Restructuring;
 - ix. Ensure that the Applicant satisfies all required conditions for the provision of DIP financing by the DIP Lender;
 - x. Manage all litigation matters, in conjunction with the Applicant's legal counsel; and
 - xi. Have overall responsibility and authority to manage the size of the equipment fleet of the Applicant.

EXTRACTS FROM ADVISOR'S SERVICES CONTRACT

1. PR Services

PR shall provide his expertise, services and assistance to CHC in connection with the development and implementation of a financial restructuring plan for CHC, and will report to the Board with respect thereto. The CRO will have senior executive responsibility for the Restructuring and shall report directly to the Board of Directors or a Committee of the Board in that regard. Without limiting the foregoing, the Board of Directors authorizes PR to undertake the following:

- Meet and communicate with the primary customer of CHC (Syncrude) to negotiate its continued support throughout the CCAA restructuring period, should such remedy be deemed appropriate;
- Oversee CHC's adherence to the CCAA cash flow projections and to ensure the timely reporting of any variances therefrom to the CCAA monitor and to Royal Bank of Canada ("RBC") or its advisors;
- Oversee the development of long-term projections and a business plan for CHC including an appropriate governance structure and to cooperate with the CCAA monitor as well as RBC and its advisors in the review of such and their assessment of the overall viability of CHC;
- Develop a plan or arrangement in conjunction with CHC and its advisors, the monitor, RBC and other major stakeholders' including:
 - (a) Assisting CHC in discussions and negotiations with RBC and its other lenders, including discussions and negotiations concerning forbearance agreements and support where necessary;
 - (b) Overall responsibility for the restructuring, re-capitalization / sale of equity process, provided that the Board of Directors' approval shall be required to conclude any transaction;
 - (c) Acting as key point of contact for communications with RBC and its advisors including reporting to RBC on the progress of the re-capitalization / sale of equity process and providing them with any reasonable information in this regard;
 - (d) All other RBC reporting as required by RBC;
 - (e) Review satisfaction of all required conditions for the provisions of DIP financing by RBC; and,
 - (f) Management of all litigation matters, in conjunction with CHC's legal counsel.

3. Fees

PR' compensation for the services referred to above will be as follows:

4.1 Work Fee

- A daily work fee of \$2,000 payable weekly;
- A completion fee of \$500,000 (the "Completion Fee") payable at the completion of this mandate. "Completion of this mandate" will be defined as 3 months from ^{but} the date a plan of arrangement is sanctioned by the Court.

4.2 Success Fees

(a) Financing and sales approved by RBC:

- 1 % of any additional or replacement financing raised, ^{or sourced by PR} with new or existing lenders (only for a new loan) payable from closing proceeds; or
- 1 % of any proceeds from a sale of equity or assets ^{sourced by PR} (other than the sale-leaseback transaction entered into by CHC), payable from closing proceeds; or
- 1 % of any combination of financing and sale proceeds; ^{sourced by PR}

4.3 Termination Fees and Success Fees Earned

(a) In the event that PR is terminated without cause prior to ^{Completion of this mandate} ~~CHC emerging from CCAA~~ protection, PR will be paid the greater of i) Success Fees Earned as detailed above and defined below; or ii) a break fee in lieu of success fees calculated as \$10,000 per week multiplied by the number of weeks worked, in addition to the weekly work fee.

In the event of a termination by either party, the Success Fees Earned will be calculated as follows: i) the full amount of the success fee referred to in 4.2 (a) if an agreement is entered into during or after termination, for a transaction contemplated in 4.2 (a) with a party who had reviewed information regarding CHC and declared that they had an interest, prior to termination, identified in writing by PR, and only if an agreement is entered into within three months of termination and transaction closes within six months of executing an agreement; plus ii) any other success fees earned during the period prior to our termination which remain unpaid (the "Success Fees Earned").

4.4 Guarantee of Fees

In addition to the foregoing compensation, CHC shall reimburse PR for its reasonable out-of-pocket expenses in entering into and performing this agreement, including, but not limited to automobile mileage expenses, travel and communications expenses and courier charges and printing charges. Such reimbursable expenses will be payable on receipt of PR's invoices by CHC.

Since PR resides in Southern Alberta, the company will pay PR a subsistence allowance of \$190 per day for each day PR is away from his residence.

All or part of the foregoing may be subject to the federal Goods and Services Tax. Where tax is applicable, an additional amount equal to the amount of tax owing thereon will be charged to and payable by CHC.