

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. B-3, AS AMENDED

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

AND IN THE MATTER OF THE PLAN OF
ARRANGEMENT AND REORGANIZATION

OF

COW HARBOUR CONSTRUCTION LTD.
("CHC" or the "Company")

**FIRST REPORT TO THE COURT
OF THE CHIEF RESTRUCTURING ADVISOR**

INTRODUCTION

1. On April 1, 2010, CHC 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"), as discussed below.
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 against the Company until and including May 3, 2010 (the "Stay Period").
3. On April 28, 2010, the Court extended the Stay Period to May 21, 2010.
4. On May 21, 2010, the Court extended the Stay Period to June 4, 2010.
5. Further, on May 21, 2010 the Court directed that a committee be formed to oversee and guide a dual track process for the sale or refinancing of the Company.

6. The sales committee ("SC") was to be comprised of one representative from each of Royal Bank of Canada ("RBC"), the equipment lenders (other than RBC) (the "EL's") as well as the Chief Restructuring Advisor ("CRA") and a representative of the Company. The Monitor was to be included in the committee meetings as an observer.

SALES COMMITTEE MEETING HELD MAY 24, 2010

7. On May 24, 2010, the SC met by telephone along with certain advisors. The SC was comprised of Mr. Sean Collins (on behalf of GE Equipment Finance Canada and the EL's), Ms. Linda Vandenburgt (on behalf of RBC), Mr. Demetri Koumarelas (on behalf of CHC), Mr. Pat Ross (the CRA) and Mr. Gordon Smith (on behalf of the Monitor). Further, advisors of RBC were in attendance at the request of RBC.
8. Set out below is an overview of the results of the meeting:
 - (i) Ernst & Young Corporate Finance (Canada) Inc. ("E&Y") was invited by the CRA to present a proposal for the sale or refinancing of the Company.
 - (ii) Mr. Aroon Sequeira, Senior Vice President of E&Y, made a presentation to the SC.
 - (iii) The CRA offered to cover the cost of E&Y from his "success fee" if such was earned and paid to the CRA. The "success fee" is described in paragraph 8 of the Monitor's Third Report. If no fee is earned and paid to the CRA, the cost associated with E&Y would be borne by the Company.
 - (iv) The Company, RBC and the CRA voted to retain E&Y as the sale and refinance advisor to the CRA, subject to the requirement (if any) of judicial approval. Mr. Collins indicated that while he is not necessarily opposed to the retention of E&Y, under the circumstances he deemed it appropriate for him to abstain.
 - (v) The SC will meet periodically to review the progress of the sales process, bids received and any recommendations of the CRA and E&Y in relation to the sale process.

E&Y SALE AND REFINANCING PLAN

9. Set out below is an overview of the sale and refinancing plan submitted by E&Y (the "Plan"):
- (i) Finalize all marketing material including but not limited to the Confidentiality Agreement ("CA"), Summary Profile ("Teaser") and Confidential Information Memorandum ("CIM").
 - (ii) Develop and maintain an electronic Data Room.
 - (iii) Develop a targeted list of qualified Purchasers (strategic and financial) and Funding Sources (debt, sub/mezzanine debt and equity).
 - (iv) Solicit Purchasers and Funding Sources to determine interest in purchase of or investment in the business. Provide interested parties with Teaser and CA.
 - (v) Provide Purchasers and Funding Sources that have executed the CA a copy of the CIM and details of sales process including but not limited to form and content of offer and time lines.
 - (vi) Obtain offers in prescribed form from Purchasers and term sheets from Funding Sources.
 - (vii) Short list qualified Purchasers and Funding Sources and provide access to Data Room, site visit and access to management as appropriate.
 - (viii) Based on due diligence, site visit and management interviews obtain revised offers and term sheets from short listed Purchasers and Funding Sources.
 - (ix) Choose successful Purchaser or Funding Source and enter into definitive Purchase and Sale Agreement or Financing Documents.
 - (x) Assist Company in obtaining required court approval for the sale or re-financing transaction.
 - (xi) Through regular reporting the CRA and Sales Committee will be apprised of process.

Time Line

10. The time line for the Plan proposed by E&Y is set out below:

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|---|---------|
| • Begin dissemination of Teasers and CA's | May 31 |
| • Disseminate CIM and provide access to Data Room | June 1 |
| • Obtain Indicative Offers | June 16 |
| • Obtain Binding Offers | June 25 |
| • Execute Binding Offer subject to Court Approval | June 30 |
| • Closing | July 15 |

The Chief Restructuring Advisor respectfully submits to the Court this, its First Report

Dated this 26th day of May 2010.

Patrick F. Ross
Chief Restructuring Advisor
Cow Harbour Construction Ltd.

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

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FIRST REPORT OF THE CHIEF RESTRUCTURING
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