

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

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

August 3, 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. On June 4, 2010, the Court rendered a judgment extending the Initial Order and the Stay Period until July 6, 2010.

6. On July 6, 2010, the Court rendered a judgment extending the Initial Order and the Stay Period until July 23, 2010.
7. On July 23, 2010, the Court rendered a judgment extending the Initial Order and the Stay Period until August 5, 2010.
8. This Report (“Fifteenth Report”) covers:
 - a. An update on the Company’s operations;
 - b. Amended Cash Flow;
 - c. Clarification on the administration costs;
 - d. Funds segregated in accordance with paragraph 10 of the Order dated May 21, 2010;
 - e. Departure of the General Manager - Operations;
 - f. Facilitator’s Second Report; and
 - g. The Company’s request for an extension of the Stay Period.
9. In preparing this Report, the Monitor has relied upon unaudited interim financial information, the Company’s records, the Court Ordered Transaction Facilitator’s (the “Facilitator”) second report 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.
10. 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.
11. Copies of the Monitor’s Reports, including a copy of this Fifteenth 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.

UPDATE ON THE COMPANY'S OPERATIONS

12. The highlights of the Company's financial performance for the period commencing on July 17, 2010 and ending on July 30, 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 ("Cash Flow Statement") presented by the Company and attached to the Monitor's Fourteenth Report filed on July 21, 2010, the Company experienced a favourable variance of \$1,757,000 in respect of cash inflows.
- b. Compared with the Cash Flow Statement, the Company experienced an unfavourable variance of approximately \$370,000 in respect of the cash outflows. The variance is primarily attributable to the following:
 - i. Favourable variance of \$572,000 related to maintenance and repair costs disbursements. As mentioned in paragraph 42 of the Monitor's Tenth Report, it is the Monitor's opinion that maintenance repairs should only be made on equipment which will generate short term revenues. Consequently, this favourable variance is mainly caused by a reduced level of repairs and maintenance and timing issues.
 - ii. Unfavourable variance of approximately \$427,000 related to supplier payments due to timing issues.
 - iii. Unfavourable variance of approximately \$264,000 related to source deductions as source deductions payments for the week ended August 6, 2010 was processed in the week ended July 30th, 2010.
 - iv. Unfavourable variance of \$233,000 in regards to restructuring costs, due to higher than anticipated professional fees (including the Court Ordered Transaction Facilitator) and timing issues.

13. The net effect of the variances noted above has resulted in a current Interim Financing owing balance of approximately \$388,000 as at July 30, 2010, which includes both the bank overdraft balance and cheques outstanding.
14. As at the date of this report, all post-filing expenses invoiced and incurred by the Company have been or will be paid in the normal course of business out of the existing working capital of the Company, which includes the Interim Financing Facility of \$15 million.

AMENDED CASH FLOW

15. The Cash Flow Statement for the period between July 31, 2010 and October 1, 2010, attached as Appendix "B" to this Fifteenth Report, has been prepared by management of the Company for the purpose described in the notes to the Cash Flow Statement, using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.
16. The Monitor's review of the 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 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 Cash Flow Statement.
17. Since the 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 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 Fifteenth Report, or relied upon by us in preparing this report.
18. The Company is using its Interim Financing in order to operate, and as at July 30, 2010 the total amount outstanding on the Interim Financing was \$0 and there was a cash balance of of approximately \$899,000 and cheques outstanding of approximately \$1,287,000 for total indebtedness of \$388,000.

19. Below is a summary of the various assumptions used to prepare the Cash Flow Statement:

Cash receipts

- a. The forecasted receipt of approximately \$5.2 million for the week ending on September 3, 2010 is based on internal TAC Data of the Company for the month of July. Projected cash receipts in the week ending October 1, 2010, are based on the current work orders on hand and additional work to be obtained with Syncrude, which will enable the Company to generate approximately \$4.5 million in revenues for the month of August 2010.

Cash disbursements

- b. All payroll related disbursements (payroll, source deductions and union payments) are composed of a fixed and a variable portion. The payroll related disbursements are based on actual results for the last few weeks. Based on discussions with CHC's management and the current level of activity, it is the intention to reduce the payroll expense starting the week ending September 10, 2010. The Monitor anticipates lower projected payroll disbursements for the upcoming weeks based on the current level of activity.
- c. As mentioned in an earlier Monitor's report, the Company did not include any forecasted capital lease payments due to the legal uncertainty as it relates to those leases.
- d. 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 Cash Flow Statement takes into consideration payments of approximately \$6.3 million between July 31 and October 1, 2010 (monthly payments on the leases described in Appendix C) in a segregated account pending resolution of this matter.

20. The Cash Flow Statement shows that the Interim Financing balance will vary between approximately \$4.9 and \$14.0 million. The Interim Financing maximum loan amount is \$15.0 million.
21. Based on the Cash Flow Statement, a total amount of approximately \$28.6 million will be segregated as at October 1, 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 (\$14.0 million)
 - d. Funds remaining in trust with Emeco's counsel pending resolution of this matter (\$1.7 million)
 - e. Excess cash transfer into a segregated account in accordance with paragraph 3 of the July 6, 2010 Order (\$2.7 million)

CLARIFICATION ON THE ADMINISTRATION COSTS

22. As detailed in paragraph 40 of the Monitor's Fourteenth Report, various administration costs (including disbursements and GST) were paid by the Company in regards to these proceedings. After the issuance of the Monitor's Fourteenth Report, the Monitor determined that the Bank's accounting advisor fees and disbursements were overstated by approximately \$591,000 because the summary of professional fees included approximately \$331,000 for the Bank's accounting advisor and legal counsel paid between April 1 and April 8, 2010, paid after the filing of the Notice of Intention under the BIA but before the issuance of the Initial Order and the implementation of the Interim Financing, and a Bank credit note for approximately \$260,000 which was erroneously thought to be for professional fees.
23. Because the fees paid between April 1 and April 8, 2010 were paid before the implementation of the Interim Financing and consequently, from CHC's pre-CCAA operating line of credit, they should not form part of the administration costs.

24. Based on the above, the revised summary of administration costs (including disbursements and GST) paid to July 16, 2010 by the Company in regards to these proceedings is:

Monitor	\$ 1,105,083
Bank's accounting advisor	590,584
Monitor's legal counsel	331,164
CRA's accounting advisor	286,176
Bank's legal counsel	236,943
CRA	153,296
Company's legal counsel	149,569
CRA's legal counsel	<u>102,487</u>
Total paid to July 16, 2010	<u><u>\$ 2,955,302</u></u>

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

25. 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.

26. 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.

27. The Monitor requested that an additional amount of \$2,086,000 be transferred to the Monitor's counsel on July 30, 2010. This amount represents the total obligations under the leases in dispute for the period between August 1, 2010 and August 31, 2010.

28. A request for a wire transfer was made on July 30, 2010 to RBC by CHC's management. RBC advised the Company that they will ask for directions from this Honourable Court on August 5, 2010 before initiating this wire transfer.

29. A total amount of approximately \$7,730,000 was transferred to the Monitor's counsel as at August 3, 2010. Total obligations under the various leases in dispute for the period between April 1, 2010 and August 31, 2010 are approximately \$9,816,000. The difference of \$2,086,000 (\$9,816,000 - \$7,730,000) is represented by the Company's outstanding request noted in paragraph 28 above.

DEPARTURE OF THE GENERAL MANAGER – OPERATIONS

30. Mr. Keith McGrath, who was acting as General Manager – Operations, gave his resignation on July 23, 2010. CHC's management advised us that his functions were assigned to various other management people within CHC. The Monitor is not able to comment on the effect, if any, this will have on CHC's operations.

FACILITATOR SECOND REPORT

31. On July 30, 2010, the Facilitator filed its second report ("Facilitator's Second Report") in order to provide this Honourable Court with the status on the negotiation process. As noted in Paragraph 43 of the Facilitator's Second Report, the Facilitator believes it is still worthwhile to continue to pursue a transaction with a prospective purchaser.

EXTENSION TO THE STAY OF PROCEEDINGS PERIOD

32. Pursuant to the Fifth Extension Order dated July 23, 2010, a Stay Period was granted until August 5, 2010.

33. The Company notified the Monitor of its intention to request a further extension of the Stay Period to allow the Company to develop and submit a plan of arrangement to its creditors under the CCAA.

34. Based on our review of the Facilitator's Second Report, the Monitor supports efforts to pursue a sale to a prospective purchaser. However, in doing so, the Monitor observes that a request for an extension of the Stay Period should take into consideration that by September 24, 2010, the

Interim Financing will approximate \$14.0 million and that for the week ending October 1, 2010 the Interim Financing will be reduced to only \$13.5 million. Accordingly, it appears doubtful that the Company can continue business operations beyond October 1, 2010 as the maximum Interim Financing will be drawn upon at or near this date.

35. It is the Monitor's view that the Company has acted in accordance with the Initial Order.

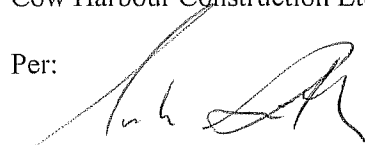
36. It is the Monitor's opinion that a short extension of the Stay Period be allowed to enable the Facilitator to conclude a transaction with an accepted bidder, subject to representation to be delivered orally to the court on August 5, 2010 (as contemplated in paragraph 45 of the Facilitator's Second Report).

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

Dated at Edmonton, this 3rd day of August, 2010

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

Per:



Gordon Smith
Senior Vice-President

APPENDIX A

Appendix A

Cow Harbour Construction
Approved Cheques vs. 14th Report Projection Variance Analysis
August 3, 2010

	Period of (Inclusive)		Period of (Inclusive)		Period of (Inclusive)		Cumulative Period of (Inclusive)	
	Sat, 17-Jul-10 to Fri, 23-Jul-10		Sat, 24-Jul-10 to Fri, 30-Jul-10		Sat, 17-Jul-10 to Fri, 30-Jul-10		Sat, 17-Jul-10 to Fri, 30-Jul-10	
	Actual Cash Flow	Projected Cash Flow	Actual Cash Flow	Projected Cash Flow	Actual Cash Flow	Projected Cash Flow	Actual Cash Flow	Projected Cash Flow
(\$000's CAD)								
Cash Receipts								
Sumconr cash receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Synchrude cash receipts	-	-	8,444	7,500	8,444	7,500	8,444	7,500
Release of Synchrude holdbacks	-	-	-	-	-	-	-	-
Other cash receipts	-	-	-	-	-	-	-	-
Rec'd from Synchrude re: Emeco Canada Limited	-	-	-	-	-	-	-	-
Corporate income tax receipts	813	813	813	813	813	813	813	813
	\$ 813	\$ 813	\$ 8,444	\$ 7,500	\$ 9,257	\$ 7,500	\$ 1,757	\$ 1,757
Cash Disbursements								
Payroll	\$ 540	\$ 550	\$ 529	\$ 550	\$ 1,069	\$ 1,100	\$ (31)	\$ (31)
Source deductions	518	250	246	250	764	500	264	264
Union payments	-	-	-	-	-	-	-	-
Other payroll/life insurance/MCB	128	128	128	63	128	63	65	65
GST and corporate taxes	219	219	219	175	219	175	44	44
Loans/capital leases	-	-	-	-	-	-	-	-
Operating leases, misc. rentals	26	26	28	28	54	54	54	54
Supplier payments	654	250	273	250	927	500	427	427
Repairs and maintenance	201	400	27	400	228	800	(572)	(572)
Restructuring costs	446	200	188	200	633	400	233	233
Interest on DIP loan	-	-	18	15	28	15	12	12
Interest on operating line	-	-	153	175	153	175	(22)	(22)
Interest on EX1900	-	-	12	16	12	16	(4)	(4)
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	-	50	-	50	-	100	(100)	(100)
Misc. (unplanned expenses)	-	-	-	-	-	-	-	-
Paid to Emeco Canada Limited	-	-	-	-	-	-	-	-
Funds remaining in trust account re: Emeco Canada Limited	-	-	-	-	-	-	-	-
Total Cash Disbursements	\$ 2,732	\$ 1,699	\$ 1,483	\$ 2,144	\$ 4,214	\$ 3,844	\$ 370	\$ 370
Net cash inflow (outflow)	\$ (1,918)	\$ (1,899)	\$ 6,961	\$ 5,356	\$ 5,043	\$ 3,656	\$ 1,387	\$ 1,387
Bank, opening	\$ (31,700)	\$ (31,700)	\$ (33,619)	\$ (33,399)	\$ (220)	\$ (31,700)	\$ (0)	\$ (0)
Bank, ending	\$ (33,619)	\$ (33,399)	\$ (26,658)	\$ (28,044)	\$ 1,387	\$ (26,658)	\$ 1,387	\$ 1,387
Change	\$ 1,918	\$ 1,899	\$ (6,961)	\$ (5,356)	\$ (1,605)	\$ (5,043)	\$ (3,656)	\$ (1,387)
Allocation of Bank, end of period								
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), incl cheques OS as at July 17, 2010	\$ (7,349)	\$ (7,130)	\$ (388)	\$ (1,775)	\$ 1,387	\$ (388)	\$ (1,774)	\$ 1,387
	\$ (33,619)	\$ (33,399)	\$ (26,658)	\$ (28,044)	\$ 1,387	\$ (26,658)	\$ (28,043)	\$ 1,387
Cumulative net cash inflow (outflow)	\$ 6,544	\$ 8,579	\$ 13,505	\$ 13,935	\$ (429)	\$ 5,043	\$ 3,656	\$ 1,387
Selected Cumulative Disbursements								
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	5,233	5,233
Fund transfer for true lease/capital lease disagreement	7,730	7,730	7,730	7,730	7,730	7,730	7,730	7,730
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
Excess cash flow transfer to separate account (par. 3 of the July 6 Order)	2,690	2,690	2,690	2,690	2,690	2,690	2,690	2,690
Total segregated funds	\$ 22,353	\$ 22,353	\$ 22,353	\$ 22,353	\$ -	\$ 22,353	\$ 22,353	\$ -

APPENDIX B

	6-Aug-10 Projected	13-Aug-10 Projected	20-Aug-10 Projected	27-Aug-10 Projected	3-Sep-10 Projected	10-Sep-10 Projected	17-Sep-10 Projected	24-Sep-10 Projected	Week Ended 1-Oct-10 Projected
Cash Receipts									
Suncor cash receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Syncrude cash receipts	-	-	-	-	5,200	-	-	-	4,500
Release of Syncrude holdbacks	-	-	-	-	-	-	-	-	-
Other cash receipts	-	-	-	-	-	-	-	-	-
Rec'd from Syncrude re: Emeco Canada Limited	-	-	-	-	-	-	-	-	-
Corporate income tax receipts	-	-	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	\$ 5,200	\$ -	\$ -	\$ -	\$ 4,500
Cash Disbursements									
Payroll	\$ 525	\$ 525	\$ 525	\$ 525	\$ 525	\$ 500	\$ 500	\$ 500	\$ 500
Source deductions	240	240	240	240	240	225	225	225	225
Union payments	243	-	-	243	-	-	-	-	243
Other payroll/life insurance/MCB	-	-	-	190	-	-	-	-	63
GST	-	-	-	-	128	-	-	-	105
Loans/capital Leases	-	-	-	-	-	-	-	-	-
Operating leases, misc. rentals	115	-	-	-	115	-	-	-	115
Supplier payments	250	250	250	250	250	250	250	250	250
Repairs and maintenance	275	275	275	275	275	275	275	275	275
Restructuring costs	250	250	200	150	150	150	150	150	150
Interest on DIP loan	-	-	-	31	-	-	-	-	65
Interest on operating line	-	-	-	175	-	-	-	-	175
Interest on EX1900	-	-	-	16	-	-	-	-	16
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	2,086	-	-	-	2,086	-	-	-	2,086
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	-	-	-	-	-	-	-	-	-
Total Cash Disbursements	\$ 4,534	\$ 1,590	\$ 1,540	\$ 1,902	\$ 4,062	\$ 1,950	\$ 1,450	\$ 1,769	\$ 3,999
Net cash inflow (outflow)	\$ (4,534)	\$ (1,590)	\$ (1,540)	\$ (1,902)	\$ 1,139	\$ (1,950)	\$ (1,450)	\$ (1,769)	\$ 501
Bank, opening	\$ (26,658)	\$ (31,192)	\$ (32,782)	\$ (34,322)	\$ (36,224)	\$ (35,085)	\$ (37,035)	\$ (38,485)	\$ (40,254)
Bank, ending	(31,192)	(32,782)	(34,322)	(36,224)	(35,085)	(37,035)	(38,485)	(40,254)	(39,753)
Change	\$ (4,534)	\$ (1,590)	\$ (1,540)	\$ (1,902)	\$ 1,139	\$ (1,950)	\$ (1,450)	\$ (1,769)	\$ 501
Allocation of Bank, end of period									
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. O/S cheques as at Aug 6, 2010	(4,922)	(6,512)	(8,052)	(9,955)	(8,816)	(10,766)	(12,216)	(13,985)	(13,484)
	\$ (31,192)	\$ (32,782)	\$ (34,322)	\$ (36,224)	\$ (35,085)	\$ (37,035)	\$ (38,485)	\$ (40,254)	\$ (39,753)
Cumulative net cash inflow (outflow)	\$ 10,382	\$ 8,792	\$ 7,252	\$ 5,350	\$ 6,488	\$ 4,538	\$ 3,088	\$ 1,319	\$ 1,820
Selected Cumulative Disbursements									
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	9,816	9,816	9,816	9,816	11,902	11,902	11,902	11,902	13,988
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
Excess cash flow transfer to separate account (par. 3 of the July 6 Order)	2,690	2,690	2,690	2,690	2,690	2,690	2,690	2,690	2,690
Total segregated funds	\$ 24,439	\$ 24,439	\$ 24,439	\$ 24,439	\$ 26,525	\$ 26,525	\$ 26,525	\$ 26,525	\$ 28,611

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
Opening cash balance	Based on review of bank balances and includes outstanding cheques	x	
Exchange Rate	Exchange rate used by management are the following		

	[USD/CAD = 1.00/ 1.00]		
Forecast Cash Receipts			
Current A/R collections – Syncrude	<p>Based on a combination of historical revenue figures, actual receipts from Syncrude, recent data from the TAC system (Syncrude revenue collection system), as well as the Company’s work order log.</p> <p>Payment is received within 30 days of each month end.</p>	X	
Forecast Cash Disbursements			
Payroll Source deductions	<p>Based on a combination of historical compensation levels adjusted for estimated changes in revenues & 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 & Dental Premiums, Critical Illness Insurance & 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	<p>For leases classified by McLennan Ross as operating leases.</p> <p>Based on a combination of invoices paid and lease contract amounts.</p>	X	

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. Major repairs & maintenance will only be made on equipment that will generate short term revenues.	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

SUMMARY OF DISPUTED LEASES

Effective date of stay of proceedings		1-Apr-10	
Account #	Lessor (Note 1)	Monthly Payment (before GST)	Monthly Payment (after GST)
26020	Caterpillar Financial (AIG)	\$ 21,372.84	\$ 22,441.48
26021	Caterpillar Financial (AIG)	\$ 21,372.84	\$ 22,441.48
26024	Caterpillar Financial	\$ 28,397.86	\$ 29,817.75
26035	Concentra Financial	\$ 35,224.79	\$ 36,986.03
26049	AIG Commercial Equipment	\$ 160,185.00	\$ 168,194.25
26065	Alter Moneta Corporation	\$ 26,777.34	\$ 28,116.21
26207	De Lage Landen Financial Services	\$ 150,000.00	\$ 157,500.00
26172	Bodkin Leasing Corporation	\$ 1,048.01	\$ 1,100.41
26173	Bodkin Leasing Corporation	\$ 1,048.01	\$ 1,100.41
26222	Scott Capital Group Inc.	\$ 10,469.00	\$ 10,992.45
26225	Scott Capital Group Inc.	\$ 18,183.33	\$ 19,092.50
26228	Concentra Financial	\$ 12,882.56	\$ 13,526.69
26231	Scott Capital Group Inc.	\$ 5,295.00	\$ 5,559.75
26232	Scott Capital Group Inc.	\$ 16,717.20	\$ 17,553.06
26233	Kempenfelt Leasing	\$ 4,122.95	\$ 4,329.10
26234	Kempenfelt Leasing	\$ 2,061.48	\$ 2,164.55
26235	Kempenfelt Leasing	\$ 2,061.48	\$ 2,164.55
26236	Kempenfelt Leasing	\$ 2,979.99	\$ 3,128.99
	Finning (Canada)	\$ 90,000.00	\$ 94,500.00
	Finning (Canada)	\$ 90,000.00	\$ 94,500.00
	Finning (Canada)	\$ 90,000.00	\$ 94,500.00
	Finning (Canada)	\$ 90,000.00	\$ 94,500.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00
	Finning (Canada)	\$ 160,000.00	\$ 168,000.00
	Finning (Canada)	\$ 50,000.00	\$ 52,500.00
	Finning (Canada)	\$ 50,000.00	\$ 52,500.00
	Finning (Canada)	\$ 88,000.00	\$ 92,400.00
	Wajax Industries	\$ 16,500.00	\$ 17,325.00
	Wajax Industries	\$ 30,000.00	\$ 31,500.00
	Wajax Industries	\$ 40,000.00	\$ 42,000.00
RE000001	SMS Equipment Inc.	\$ -	\$ -
RE000002	SMS Equipment Inc.	\$ -	\$ -
RE000003	SMS Equipment Inc.	\$ -	\$ -
RE000004	SMS Equipment Inc.	\$ -	\$ -
RE000005	SMS Equipment Inc.	\$ -	\$ -
RE000006	SMS Equipment Inc.	\$ -	\$ -
RE000007	SMS Equipment Inc.	\$ -	\$ -
RE000008	SMS Equipment Inc.	\$ -	\$ -
RE000009	SMS Equipment Inc.	\$ -	\$ -
RE000010	SMS Equipment Inc.	\$ -	\$ -
RE000011	SMS Equipment Inc.	\$ -	\$ -
RE000012	SMS Equipment Inc.	\$ -	\$ -

SUMMARY OF DISPUTED LEASES

Effective date of stay of proceedings		1-Apr-10	
Account #	Lessor (Note 1)	Monthly Payment (before GST)	Monthly Payment (after GST)
RE000013	SMS Equipment Inc.	\$ -	\$ -
RE000014	SMS Equipment Inc.	\$ -	\$ -
RE000015	SMS Equipment Inc.	\$ -	\$ -
RE000016	SMS Equipment Inc.	\$ -	\$ -
RE000017	SMS Equipment Inc.	\$ -	\$ -
RE000018	SMS Equipment Inc.	\$ -	\$ -
RE000019	SMS Equipment Inc.	\$ -	\$ -
RE000096	SMS Equipment Inc.	\$ -	\$ -
26237	Scott Capital Group Inc.	\$ 7,190.00	\$ 7,549.50
	National Leasing Group Inc.	\$ 4,642.69	\$ 4,874.82
	Heavy Metal Equipment Rentals (Dutchmen Equipment)	\$ 20,000.00	\$ 21,000.00
		<u>\$ 1,986,532.37</u>	<u>\$ 2,085,858.99</u>

Note 1: Since all of the SMS Equipment leases are terminated, no additional funds need to be transferred in relation with those leases.