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CALGARY

APPLICANTS

IN THE MATTER OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, R.S.C. 1985, c-B-3 as  
amended

AND IN THE MATTER OF THE  
RECEIVERSHIP OF DO ALL INDUSTRIES  
AND P&O ASSETS LTD.

DOCUMENT

**FIFTH REPORT OF THE RECEIVER**

**May 7, 2014**

ADDRESS FOR  
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PARTY FILING THIS  
DOCUMENT

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## INTRODUCTION

1. Effective February 6, 2014 (the “**Receivership Date**”), pursuant to an order of the Honourable Justice A.D. Macleod (the “**Receivership Order**”), Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as receiver and manager (the “**Receiver**”), without security, of all of the current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situated including all proceeds thereof (the “**Property**”) of Do All Industries Ltd (“**Do All**”) and P&O Assets Ltd. (“**P&O**”) (collectively, the “**Do All Group**” or the “**Companies**”) pursuant to section 243(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) in the within action (the “**Receivership Proceedings**”).
2. The Receivership Order authorizes the Receiver, among other things, to manage, operate and carry on the business of Do All and P&O and to take possession and control of the property of Do All and P&O and any and all proceeds, receipts and disbursements arising out of or from the Property, and to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business with the approval of the Court
3. Subsequent to the Receivership Order and upon an application by a creditor a Bankruptcy Order was issued against Do All on February 26, 2014. Alvarez & Marsal Canada Inc. was appointed as trustee in bankruptcy by the official receiver and affirmation of the creditors was received at the First Meeting of Creditors on March 26, 2014.
4. The purpose of this Fifth report of the Receiver (the “**Fifth Report**” or this “**Report**”) is to provide an update on the Receiver’s activities since the last Court application on April 24 and request this Honourable Court:
  - i) approve the sales activity and recommendation of the Receiver in respect of the Estevan assets;
  - ii) grant an order approving the sale and a vesting order for the sale of the Estevan assets (“**Estevan En Bloc Offer**”) to Maynards Industries Ltd (“**Maynards**”);
  - iii) approve the Receiver’s request to distribute the proceeds from the sale to Maynards to the National Bank of Canada;

- iv) declare that Division 4 Part 6 of the *Rules of Court* does not apply to the subject application and that Appendix A to this Report be temporarily sealed until further Order of the Honourable Court; and
  - v) authorize the Receiver to assign P&O Assets Ltd into Bankruptcy.
5. Capitalized terms not defined in this Fifth Report are as defined in the Initial Order and the First through the Fourth Reports of the Receiver.
  6. All references to dollars are in Canadian currency unless otherwise noted.

### **TERMS OF REFERENCE**

7. In preparing this Fifth Report, the Receiver has relied upon unaudited financial information, company records and discussions with management of the Do All Group. The Receiver has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants (“**CICA**”) Handbook has not been performed. Future oriented financial information relied upon in this Report is based on management’s assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

### **BACKGROUND**

8. Do All and P&O are privately-held sister companies. Do All was engaged in the fabrication of drilling rigs and related oil field equipment and operated out of premises owned by P&O. P&O is a real estate holding company and leased its property exclusively to Do All. The assets are geographically located in Estevan, Saskatchewan and Nisku, Alberta.
9. The National Bank of Canada (“**NBC**”) is the primary secured creditor of Do All and P&O. Do All is the borrower and P&O is a guarantor to NBC of the Do All loans from NBC.
10. The Receiver has taken possession and control of the assets and undertaken a solicitation process for the sale of all of the Property of Do All and P&O.

11. Further background on the Do All Group and their operations are contained in the materials filed in seeking the Receivership Order. Information on the activities of the Receiver is contained in previous reports of the Receiver. The application material and previous reports have been posted by the Receiver on its website at: [www.amcanadadocs.com/doall](http://www.amcanadadocs.com/doall).
12. NBC is the most significant creditor and has security over all of the assets of the Do All Group. The Receiver's independent legal counsel completed a security review of the NBC security and has concluded that NBC has valid and enforceable security against Do All and P&O.
13. Korf Properties Ltd, ("**KP**") a related party has advised the Receiver it has security over the assets of Do All. The records of Do All indicate a liability to KP of \$2.65 million.
14. Do All is the direct borrower of NBC and P&O has guaranteed the debt. The assets of Do All will not be sufficient to satisfy the debt to NBC and accordingly some or all of the assets of P&O will be required for that purpose.

## **THE SALES PROCESS**

### ***Receiver's Powers for Selected Sales Process***

15. Pursuant to section 3 of the Receivership Order, the Receiver is empowered to among other things:

*"3. . . . (k) to market any and all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;*

*(l) to sell, convey, transfer. Lease or assign the Property or any part or parts thereof out of the ordinary course of business,*

*(i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; and*

*(ii) with the approval of the Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause,*

*and in each such case notice under subsection 60(8) of the PPSA shall not be required;*

(m) to apply for any vesting order or other such orders necessary to convey the Property or and part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property; . . .”

**Invitation For Offer Process**

16. The Receiver commenced the sale process by developing a “Sale Information Package” to be made available to all interested parties and posted that on a secure web based data site for viewing by interested parties. The Invitation for Offer process was described in detail in the Fourth Report of the Receiver and the Sale Information Package attached as Appendix “A” to that report. For ease of reference for the Court, the substantive information contained in the Sale Information Package is summarized below:

- i) description of sales procedures, locations and tentative dates for inspection of assets, the format of offers and a deadline of April 4, 2014 for receipt of offers;
- ii) description of asset packages split between real estate assets and other assets, namely equipment with detailed lists for the following parcels:

<b>Real Estate Assets:</b>		<b>Other Assets (Equipment):</b>	
Parcel A	Land & Buildings, Nisku	Parcel J	Rolling Stock, Nisku
Parcel B	Land & Buildings, Nisku	Parcel K	Heavy Equipment, Nisku
Parcel C	Land & Buildings, Estevan	Parcel L	Shop Assets, Parcel A
Parcel D	Land & Buildings, Estevan	Parcel M	Shop Assets, Parcel B
Parcel E	Land & Buildings, Estevan	Parcel N	Inventory, Nisku
Parcel F	Land & Buildings, Estevan	Parcel O	Rolling Stock, Estevan
Parcel G	Land & Buildings, Estevan	Parcel P	Heavy Equipment, Estevan
Parcel H	Storage Yard, Estevan	Parcel Q	Shop Assets, Parcel C
Parcel I	Airport Hangar, Estevan	Parcel R	Shop Assets, Parcel D
		Parcel S	Shop Assets, Parcel E
		Parcel T	Shop Assets, Parcel F
		Parcel U	Shop Assets, Parcel G
		Parcel V	Shop Assets, Parcel I
		Parcel W	Inventory, Nisku

- iii) terms and conditions of sale which includes among other things, receipt of a 10% deposit, Court approval of any sales transaction and that all sales are on an “as is, where is” basis with no representations or warranties expressed or implied as to title, condition or fitness for use; and
- iv) a form of offer which incorporates the terms and conditions and denotes the identity of the prospective purchaser, amounts offered for each parcel and whether the offer is made *en bloc*.

17. The Receiver launched its sales process on March 14, 2014 by advertising the property and assets for sale and the Invitation for Offer process in the following regional and national Canadian newspapers:
  - Globe & Mail (National Edition), March 14, 2014,
  - Edmonton Journal, March 15, 2014,
  - Calgary Herald, March 15, 2014
  - Regina Leader Post, March 15, 2014
  - The Daily Oil Bulletin, March 14, 2014
  - The Estevan Mercury, March 15, 2014
  
18. Through its advertising, discussions with former management of the Do All Group, independent research searching Canadian and U.S. energy industry association data bases and other such sources, the Receiver contacted over 120 parties in Canada and the US, including competitors, energy companies, auction companies and real estate brokers.
  
19. As indicated, the Receiver established a secure web based data site for prospective purchasers to access the Sale Information Package, equipment listings and other related due diligence materials. As of April 4, the final date for submission of offers over 120 individuals from various organizations were provided access to the Receiver's data site and over 100 of those parties accessed information from the data site.
  
20. The deadline for submitting offers to purchase was April 4, 2014. In accordance with the Sales Information Package, A&M subsequently extended the deadline to permit a limited number of parties who had difficulty or logistical challenges inspecting assets in remote locations.

***Offers Received to Date and Offer Approved by the Court***

21. In total the Receiver received 21 separate offers, some of which were for individual or multiple parcels and one enbloc offer.
  
22. The Receiver has accepted and the Court has approval one offer which included all of the Nisku property, including but not limited to real estate, equipment and inventory.

(the ("Nisku En bloc Offer"). A copy of the Nisku En bloc Offer is attached as Confidential Appendix "B" to the Fourth Report of the Receiver;

23. The Closing funds for the Nisku En Bloc Offer are in trust with the Receiver's counsel. The purchaser is in possession of the Nisku property under a Tenancy at Will agreement. Closing will occur as soon as new certificates of title are issued which is expected to occur by May 9, 2014
24. The Court approved the distribution of the net sale proceeds from the Nisku En Bloc Offer to NBC and the Receiver will forthwith after closing distribute those funds.

***Maynards Offer Accepted Subject to Court Approval and Summary of Offers Received***

25. After review, analysis, clarification and negotiation of certain terms of the offer and related matters, the Receiver has accepted, subject to the Court's approval an offer from Maynards for all of the Estevan property, including but not limited to real estate, equipment and inventory (the ("Estevan En bloc Offer"). A copy of the Estevan En bloc Offer is attached as **Confidential Appendix "A"**.
26. The Estevan En Bloc Offer is for all of the remaining real estate of P&O and all of the remaining equipment and inventory of Do All and will complete the Receiver's solicitation process.
27. Attached as Confidential **Appendix "B"** is a summary and analysis of the various offers received.

***Confidential Appendices and Temporary Sealing Order***

28. The **Confidential Appendices "A" and "B"** contain confidential information of a commercial nature which if disclosed to third parties prior to the closing of the sale could materially jeopardize the sale or if the sale does not close could materially jeopardize the value that could subsequently obtain from this sale. Additionally, the Receiver is negotiating the sale of other assets to other parties and disclosure of this transaction could materially impact those negotiations. Accordingly, the Receiver is respectfully of the view that it is appropriate that this Honourable Court grant a Temporary Sealing Order in relation to the **Appendices "A" and "B"**.



29. In the Receiver's view, the Estevan En Bloc Offer is a commercially reasonable offer and is the highest and best offer received in the Invitation for Offer process with respect to the Estevan assets.

***Receiver's Consideration in Proceeding with the Estevan En Bloc Offer***

30. The Receivers considered the following in proceeding with the Estevan En Bloc Offer:
- i) the extent to which the purchase price in the Estevan En Bloc Offer ("Purchase Price") is consistent with independent appraisals received by the Do All Group prior to the Receivership;
  - ii) the overall execution risk associated with closing a transaction with the particular prospective purchaser;
  - iii) the extent to which the purchaser complied with the Invitation for Offer process;
  - iv) the size of the non-refundable deposit of 10% of the purchase price;
  - v) there are no sales or auction commissions to be paid by the Receiver which would otherwise reduce the net proceeds; and
  - vi) the Estevan En Bloc Offer is the highest and best offer received ensures a reasonable recovery for the estates of the Do All Group.
31. The Receiver is advised by NBC and the owner of Do All and P&O that they support the sale.

***Receiver's Recommendations***

32. Based on the above analysis and other considerations the Receiver accepted, subject to the Court's approval, the Estevan En Bloc Offer on an "as is where is" basis and believes the Purchase Price is reasonable in the circumstances.
33. The Receiver believes that the Purchase Price and the terms and conditions in addition to the Receiver's standard offer form terms and conditions are reasonable in the circumstance and accordingly the Estevan En Bloc Offer should be approved by the Court given:

- i) the Purchase Price is consistent with equipment and inventory liquidation appraisals and with forced sale values for the real estate estimated by the Receiver based on appraisals obtained by the Do All Group prior to the Receivership;
  - ii) the Purchase Price is all cash;
  - iii) the Estevan En Bloc Offer "is as is where is" and has one closing condition (the "Closing Condition");in addition to Court approval
  - iv) the Closing Condition is the consent of the City of Estevan ("Landlord") to the assignment of the lease between P&O and the Landlord to Maynards. The consent has been requested and the Receiver is not aware of any issues in obtaining the consent. However, in the event the Landlord will not consent the Receiver is requesting the power to assign P&O into bankruptcy to use the provisions of section 84.1 of the Bankruptcy and Insolvency Act (R.S.C., 1985. c. B-3);
  - v) the Receiver is specifically authorized to market and sell property pursuant to the Receivership Order (subject to Court approval);and
  - vi) the Estevan En Bloc Offer is the highest and best offer.
34. Accordingly, the Receiver is applying to this Honourable Court to approve the Estevan En Bloc Offer and for the vesting of this property to the purchaser on the terms discussed herein.

#### **ORDER APPROVING SALE AND VESTING ORDER AND TEMPORARY SEALING ORDER**

35. As contained in the Notice of Application, the Receiver is seeking the approval of the Estevan En Bloc Offer (the "**Approving Sale and Vesting Order**"). The form of the Approving Sale and Vesting Order contains, among other things:
- i) the Court's approval of the sale activities and recommendation of the Receiver with respect to the Invitation for Offer process;
  - ii) the Court's approval and ratification of the Estevan En Bloc Offer as accepted by the Receiver;

- iii) an order vesting title of the property to the purchaser free and clear of all liens, encumbrances and other such limitation or restrictions in respect of title;
- iv) an order directing the net proceeds from the sale, less the amount of the builders' liens currently registered against the lands, be distributed by the Receiver to NBC as the priority secured creditor entitled to the funds;
- v) the Approving Sale and Vesting Order shall have full force and effect in all provinces and territories in Canada,
- vi) a declaration that Division 4 Part 6 of the *Rules of Court* does not apply to the subject application and that **Confidential Appendices "A" and "B"** be sealed until further Order of this Honourable Court; and
- vii) an order authorizing the Receiver to assign P&O into bankruptcy.

**RECEIPTS AND DISBURSMENTS – FEBRUARY 6, 2014 TO APRIL 30, 2014**

36. The table below provides a summary of the Receivers receipts and disbursements for the period from inception of the receivership to April 30, 2014:

<b>Do All Industries Ltd.</b> <b>Statement of Receipts and Disbursements</b> <b>For The Period from February 6, 2014 to April 30, 2014</b> <b>(\$000's)</b>		
<b>Receipts</b>		
Cash in Bank at date of Receivership	\$	168
Accounts receivable collections		1,120
Sale of inventory and equipment		3,367
GST refund		27
<b>Total Receipts</b>		<b>4,683</b>
<b>Disbursements</b>		
Wages and contractor payments		183
Utilities and services		76
Insurance		168
Professional fees		460
Wages Arrears		509
Other disbursements		36
Tax remittances		281
Receiver's borrowings interest and fees		10
Debt repayment		1,500
<b>Total Disbursements</b>	<b>\$</b>	<b>3,223</b>
<b>Receipts in excess of disbursements</b>	<b>\$</b>	<b>1,459</b>
Opening Cash Position		-
<b>Closing Cash Position</b>		<b>1,459</b>
<i>Note: Closing Cash does not include deposits held for offers on the Assets Package</i>		

37. There are outstanding Receiver and legal fees and other commitments and contingencies of the Receiver that are not included in the statement of receipts and disbursements. Additionally, there is further Property available for the Receiver to sell and recover additional funds. Accordingly, the Receiver does not require the entirety of the current cash balance for future operations and commitments and will payout surplus funds to NBC as the priority creditor as previously authorized by the Court.

#### **PROPOSED DISTRIBUTION OF FUNDS TO NBC**

38. The Receiver proposes to distribute the net proceeds, less the amount of builders' liens registered against the lands in the approximate amount of \$1.85 million, from the Estevan En Bloc Offer to NBC.

39. The Receiver has received an opinion from its independent legal counsel that NBC has valid and enforceable security over the Property of Do All and P&O. The certificate of title discloses six liens aggregating \$1.85 million registered against title to lands described in Parcels C, D, F and G of the Estevan En Bloc Offer. The liens are registered subsequent to the mortgage of NBC and it would appear that NBC has priority over the liens. However, the Receiver has requested from Saskatchewan counsel, but not yet received advice on the priority of the liens.
40. Ongoing interest on the NBC loans is approximately \$6,500 a month for every \$1.0 million of debt and it is therefore prudent and commercially reasonable to reduce the interest costs as soon as possible.
41. The Receiver after the proposed distribution to NBC, will have approximately \$3.3 million in its trust account. These funds together with realizations from remaining Property described below should be sufficient to satisfy professional fees, other costs of the administration of the estate and any lien claims or other potential priority claims.
42. The Receiver is proposing to holdback approximately \$1.85 million (which represents the value of the builders' liens registered against the lands being conveyed) from the distribution of funds from the Estevan En Bloc Offer. The funds held back will stand in the place of the assets being conveyed and all creditors will be able to assert claims against such funds in accordance with their existing priority position. The Receiver is presently assessing the validity and priority of the lien claims and other claims (including claims that P&O Assets Ltd. may have as a guarantor) against the Do All Group and its assets. Also, given the timing of the application it will be difficult to effect proper service of the application materials on lien claimants who are in Saskatchewan..

#### **RECEIVER'S ON GOING ACTIVITIES AND FUTURE COURSE OF ACTION**

43. The Receiver's next steps include:
  - i) closing the Nisku En Bloc Offer and the Estevan En Bloc Offer;
  - ii) continued collection efforts of all outstanding accounts receivables which mainly includes pursuing existing litigation for the collection of a \$2.7 million receivable from Tough Enough Drilling Ltd

- iii) collection of the remaining \$2.0 million promissory note from Twilight Drilling Ltd.;
- iv) pursue resolution of entitlement and priority to approximately \$2.0 million of funds in trust from a sale prior to the receivership of certain inventory and equipment located at Do All's leased premises in Innisfail, Alberta
- v) pursue collection of receivables from and investments in a number of related party corporations;
- vi) preparation and analysis of current and past tax filings to assess recovery of \$1.0 million plus in income taxes paid in prior years;
- vii) analyzing the lien claims in P&O and other claims that creditors may have in P&O and consider implementing a claims process in that estate;
- viii) follow up on action items from the inspectors in the Do All bankruptcy estate regarding possible reviewable transactions;

#### **RECEIVER'S CONCLUSIONS AND RECOMMENDATIONS**

- 44. The Receiver is of the view that it has made commercially reasonable efforts to obtain the highest realizations for the Property which has been the subject of the Invitation for Offer process. The Estevan En Bloc Offer which has been accepted by the Receiver and referenced herein is in the opinion of the Receiver, fair and commercially reasonable.
- 45. The Receiver is satisfied that the interests of the Do All Group's financial stakeholders have been considered during the course of the Invitation for Offer process and the Receivership Proceedings.
- 46. The Receiver is of a view that timing and execution of the Invitation for Offer Process was appropriate in the circumstances to mitigate or avoid on-going holding costs.
- 47. The Receiver is of a view that that Invitation for Offer process was efficient, effective and that the integrity of the process has been maintained throughout.

48. The Receiver is satisfied that the Invitation for Offer process is inherently fair and has been conducted in a manner such that no parties to the process have experienced preferential or unfair treatment.
49. The Receiver is satisfied that NBC has a secured claim over the proceeds from the Estevan En Bloc Offer and surplus cash from other Property sold by the Receiver to date and that it is commercially reasonable and prudent for the Receiver to reduce the interest charges to the estate by disbursing funds as soon as practically possible.
50. The Receiver recommends that this Honourable Court approve the application for:
  - i) approval of the Estevan En Bloc Offer and vesting of the property subject to that offer;
  - ii) distribution of the net proceeds from the Estevan En Bloc Offer to NBC, net of GST; and
  - iii) a Temporary Sealing Order.

All of which is respectfully submitted this 7th day of May, 2014.

**ALVAREZ & MARSAL CANADA INC.,**  
**In its capacity as court-appointed Receiver**  
**of Do All Industries Ltd. and P&O Assets**  
**Ltd.**

Per:



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Tim Reid, CA  
Senior Vice-President