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CALGARY, ALBERTA

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JUDICIAL CENTRE	CALGARY
PLAINTIFF	SERVUS CREDIT UNION LTD.
DEFENDANT	CALIBER SYSTEMS INC.
DOCUMENT	**FIRST REPORT OF PRICEWATERHOUSECOOPERS INC. AS RECEIVER OF CALIBER SYSTEMS INC. DATED MAY 27, 2011**
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INTRODUCTION

1. This report (the "First Report") is filed by PricewaterhouseCoopers Inc. ("PwC"), in its capacity as receiver and manager (the "Receiver"), of all of the assets, undertakings and properties (collectively, the "Property") of Caliber Systems Inc. (the "Company" or "Caliber").

2. The Receiver was appointed by a Consent Receivership Order granted by the Court of Queen's Bench of Alberta (the "Court") on March 31, 2011 (the "Receivership Order"). The Receivership Order was amended on May 19, 2011 (the "Amended Receivership Order").

3. In preparing this First Report, the Receiver has relied upon unaudited financial information, Company records, discussions with management and information obtained from the Company. The Receiver has not performed an audit, review or other verification of such information. The Receiver does not express an opinion on the financial information contained herein.

4. The purpose of this report is to provide the Court with:

   (a) an update of the activities of the Receiver since the date of the Receivership Order (the "Receivership Date");

   (b) the Receiver's recommendations with respect to an offer to purchase certain Caliber equipment; and

   (c) the Receiver's recommendations with respect to the sale of Additional Assets (as defined below).

BACKGROUND

5. The Company's primary business was the provision of deep utilities and earthworks services.

6. The Company's management cited the economic downturn as the primary factor behind a material reduction in public and private infrastructure spending over the last several years. Management claims that as a result, the Company's work volumes and operating margins significantly deteriorated resulting in financial difficulties.

7. The Company was unable to resolve its financial difficulties and remedy the defaults in its loan agreement with a secured lender, Servus Credit Union Ltd. ("Servus") and in December 2010 the Company entered into the first of a series of forbearance agreements with Servus. The most recent forbearance agreement dated February 9, 2011, which expired on February 28, 2011, included the executed Consent Receivership Order which was delivered to Servus but held unfiled and unissued.

8. The Company's financial position continued to deteriorate and without significant and ongoing advances, the Company could not meet its obligations, including payroll. Access to ongoing advances was not available and the Company was unable to continue its operations. The Consent Receivership Order was granted by the Court on March 31, 2011 and filed on April 1, 2011.

ACTIVITIES OF THE RECEIVER

Taking Possession and Control of the Property

A) Rented Facilities

9. Upon its appointment, the Receiver proceeded to take control and secure the property located at the Company's leased premises in the Calgary Area (collectively referred to as the "Rented Facilities") including:

- The Caliber building located on 44th Avenue South East. ("CSI") which served as Caliber's head office, shop and equipment storage facility;

- the Polaris building located on 44th Avenue S.E. ("Polaris") which was used by Caliber's project managers and estimators and also served as a supplementary shop and storage facility (the CSI and Polaris buildings share a common property line and are collectively referred to as "44th Avenue"). Currently representatives of other entities related to Caliber occupy a portion of this space;

- the Kleysen building ("Kleysen") which was used as a small tools and equipment depot and equipment facility; and

- the Shepard yard ("Shepard") which was used to store heavy equipment that was in a state of disrepair.

10. Caliber Ventures Inc. ("Ventures"), a related entity that is not in receivership, is the owner and landlord of 44th Avenue and Kleysen. The Receiver has and continues to pay occupation rent to Ventures on the CSI property. The occupation rent for Kleysen was paid up to May 18, 2011, at which time the Receiver vacated the facility and terminated the lease.

11. Shepard is leased from an arm's length party.

B) Equipment

12. Upon its appointment and with the assistance of several former employees, the Receiver attended the Rented Facilities, approximately 20 active construction sites, several inactive construction sites and several third party yards to locate the Company's equipment and other assets and to implement appropriate security measures.

13. The Company's equipment (the "Caliber Equipment") is comprised of approximately 400 individual units. The units include major construction equipment used in deep utility and earth works services, construction trailers, transport trucks, pickup trucks and mobile equipment.

14. Upon determining that positive cash flow could not be generated by completion of the Company's construction contracts (see "Assessment of Work in Progress and Contracts" section below), and the possibility of a going concern sale was remote, the Receiver concluded that the Caliber Equipment should be liquidated and the Receiver proceeded to accumulate it in secure facilities in order to facilitate an appraisal and liquidation.

15. The Rented Facilities were not adequate to store and secure all of the Caliber Equipment. The Receiver rented an appropriate secured facility from Whissell Construction for $10,000 per month on a month to month basis ("the Whissell Yard").

16. The Receiver engaged Century Services Inc. ("Century") to assist in securing and moving the Caliber Equipment together with the preparation of an inventory and appraisal of the Caliber Equipment.

17. Based on construction site access and condition, adequacy of security and equipment mobility (some of the Caliber Equipment was not operational), Century, at the direction of the Receiver, commenced moving the Caliber Equipment to the Whissell Yard. At the date of this First Report approximately 350 units have been moved to and secured in the Whissell yard.

18. In addition to the Caliber Equipment located at the Whissell Yard, there are 15 units located at Shepard and 35 units located at 44th Avenue which cannot be relocated without significant repair. The Receiver intends to sell these units on an "as is, where is" basis to avoid significant repair and moving costs.

C) Miscellaneous Assets

19. The Receiver has located, collected and moved the Company's small tools, small equipment, parts inventory, computer equipment and office furniture (collectively the "Miscellaneous Assets") to 44th Avenue in preparation for a proposed auction sale.

20. The Company's books and records have been collected and moved to 44th Avenue. Electronic back-ups have been made of all computer records.

D) Assessment of Work in Progress and Active Contracts

21. At the Receivership Date the Company was engaged in approximately 22 contracts in various stages of completion (the "Contracts"). The Receiver understands that 18 of the Contracts are bonded with Labour & Materials and/or Performance bonds (the "Bonded Contracts").

22. According to the Company's books and records, there was approximately $12 million of receivables including $3.7 million of holdbacks. This includes $3.2 million of March 2011 contract billings which the Receiver completed by engaging approximately ten project managers who were responsible for the Contracts prior to the Receivership.

23. The majority of the project owners and general contractors (for Contracts where the Company was a subcontractor) were contacted by telephone over the days immediately following the Receivership Date and were informed that the Receiver was currently assessing its options with respect to the Contracts.

24. In order to determine whether or not it was economically viable for the Receiver to complete some or all of the Contracts, the Receiver engaged the Company's former project managers and estimators to perform an analysis (the "Contract Analysis") in order to determine the cash flow associated with the Contracts. Remaining billings, costs to complete (equipment, people and materials), payables, lien positions and timing required to complete the Contracts and release the associated holdbacks and receivables were reflected in the Contract Analysis. The input of senior management was also obtained.

25. The Company's two bonding companies, The Guarantee Company of North America ("GCNA") and Western Surety Company (collectively, the "Sureties") were contacted by the Receiver on April 4, 2011, and were informed that the Receiver would be preparing the Contract Analysis.

26. The Contract Analysis was completed on April 11, 2011, and the Receiver concluded that it was not a viable option for the Receiver to complete any of the Contracts. The key factors that were considered included:

(a) the economics required working capital funding of at least $16.5 million with no certainty that this amount would be fully recovered;

(b) the unlikelihood of re-engaging the workforce, many of whom had already found new work;

(c) by the first week following the Receivership Date, the Receiver had received notice from the majority of the owners and/or general contractors under the Contracts that the Company was in default and was now subject to delay penalties and remedies under the individual Contracts; and

(d) the significant level of execution, warranty and contingent risk associated with the Receiver completing the Contracts.

27. On April 11, 2011, the Receiver provided the Sureties with the Contract Analysis and the Sureties were advised that it was not a viable option for the Receiver to complete the Contracts for the reasons set out above.

28. On April 13, 2011, the Receiver provided written notice to all general contractors and project owners with active Contracts that pursuant to paragraph 3 (c) of the Receivership Order, the Receiver would not be continuing with the obligations of Caliber and provided notice of termination in accordance with the terms of the Contracts.

29. The Receiver provided full access to the books and records of Caliber to GCNA at its request and responded to various information requests.

30. On May 19, 2011, the Sureties obtained an order from the Court requiring that the Receiver refrain from pursuing the collection of accounts receivables and holdback receivables associated with the Contracts which were subject to obligations to the Sureties as set out in the labour and material and performance bonds provided by the Sureties. The Amended Receivership Order also provides that other parties provide information to the Sureties associated with the Contracts bonded by the Sureties.

31. After agents of GCNA completed an independent assessment of Contracts subject to outstanding bonds, a meeting was held with the Receiver on May 25, 2011 and the Receiver was advised by the GCNA agent that the costs to complete the Contracts subject to the surety obligations was significantly higher than the costs to complete provided to the Receiver by the Caliber project managers. In large part, the costs to complete estimates were largely based on third party bids obtained by the GCNA agent.

E) <u>Retention of Employees</u>

32. The Receiver engaged approximately 20 of the Company's former employees for varying periods over the 5 weeks following the Receivership Date to assist with the preparation of the Contract Analysis, preparation of tax returns and with the preparation of materials to fulfil the statutory obligations of the Receiver, various other administrative matters and other requirements of the Receiver.

33. The former employees retained by the Receiver included 3 individuals to attend at various construction sites to address safety issues and site maintenance requirements until other arrangements could be made with general contractors or the project owners.

34. The former employees retained by the Receiver also included 5 individuals who assisted the Receiver to identify and locate the Caliber Equipment, provide a general assessment of state of repair, to remove tools from approximately 55 leased pickup trucks, to inventory tools and light equipment, to assist with the return of light equipment which was rented and to relocate tools, light equipment and Caliber Equipment to 44th Avenue or to the Whissell yard and vacate to the Kleysen yard.

35. The former employees retained by Receiver included former human resources employees to complete the Records of Employment and T4s which were mailed out the week of April 15, 2011. On April 15, 2011, Alberta Labour was advised of the termination of the 172 employees as required under the applicable Provincial legislation (*Employment Standards Code*, section 137).

EMPLOYEES' CLAIMS

36. At the Receivership Date, the Company had approximately 172 employees.

37. On the afternoon of April 1, 2011, the Receiver held meetings with the Company's management, office staff and the majority of its project managers to inform them of the Receivership.

38. Since the Company's field employees were not present at the office, the project managers were asked to contact the field employees by telephone over the weekend and inform them of the Receivership.

39. The Receiver terminated all of the Company's employees effective April 1, 2011.

40. The Company's books and records indicated total amounts owing to employees as at April 1, 2011, of approximately $632,000. Such pre-receivership amounts have not been paid by the Receiver.

41. At the initial meetings on April 1, 2011, all attendees were advised of the *Wage Earner Protection Program Act* ("WEPPA"). The Receiver distributed WEPPA pamphlets and the Receiver's contact details.

42. Pursuant to section 21 of WEPPA, on April 14, 2011, the Receiver mailed a letter to all known former employees explaining the WEPPA process in detail, which attached a proof of claim form and a self-addressed envelope for their completion and submission.

43. The Receiver completed the required input under WEPPA by April 29, 2011, and mailed out the individual input data as required under the WEPPA program to each former employee.

44. As of May 24, 2011, 121 former employees had submitted their proofs of claim to the Receiver.

45. CRA attended the Caliber offices on April 30, 2011, to perform a Trust Exam of the Payroll Remittance Account and determined that $386,783.99, including interest and penalties, is owing for unremitted withholding amounts.

ASSETS OF THE COMPANY

46. The book value of the Company's assets, as per the Company's books and records reported at the Receivership Date, are summarized in the table below:

Equipment	$	17,828,053
Accounts Receivable	$	8,632,182
Miscellaneous Assets	$	983,740
Investments	$	5,600,024
Gravel Inventory	$	870,830
Prepaids	$	598,112
Leasehold improvements	$	28,402
	$	34,541,343

A) **Equipment**

47. Although there are several exceptions, the units that comprise the Caliber Equipment have been designated by the Company with unit numbers (collectively the "Units", each a "Unit").

48. Upon review of the Company's books and records the Receiver noted that there is considerable ambiguity with respect to which of the Units are owned, financed or leased.

49. This observation was confirmed by the large volume of claims advanced by a number of creditors and/or lessors asserting that they hold security agreements or lease agreements with respect to the various Units.

50. There is also considerable ambiguity in the books and records as to whether certain equipment that was represented as belonging the Company's related entities, which are not in receivership, is actually equipment that belongs to the Company.

51. Understanding that the above issues must be rectified to enable the Receiver to realize on the Caliber Equipment, the Receiver has amalgamated all of the information available to it (from physical inspection, review of Personal Property Registry ("PPR") searches, the Company's records and information obtained from parties making claims) into a comprehensive equipment matrix (the "Equipment Matrix").

52. The Equipment Matrix identifies, among other things, the Unit number, the appraised value, priority secured creditor as per the PPR, the party or parties making claim to that Unit, the outstanding debt on the Unit and its location.

53. The Receiver continues to update the Equipment Matrix as new information becomes available.

54. The Receiver engaged Century to compile a comprehensive Caliber Equipment inventory listing and to prepare a Unit by Unit appraisal (the "Appraisal"). The Appraisal was based on the as-is where-is value of the Units to properly reflect the current state of the Caliber Equipment.

55. As at the date of this report, none of the Units subject to a secured or lease claim have been returned except for a Hitachi excavator that was subject to the security held by Nexcap Financial Corporation ("Nexcap"). The Receiver determined that the Nexcap security is valid. Based on the appraisal obtained by the Receiver, there was no equity available for the estate associated with this Unit. Removal and relocation of this Unit was very expensive as it required disassembly and several semi- trucks to transport. In addition, removal was urgent as it was located on the Valley Ridge Golf Course which was in the process of opening. The equipment was released to Nexcap and the Receiver reserved the right for a cost allocation claim associated with the Unit to be applied against another Unit which is also subject to Nexcap's security which is still held by the Receiver.

B) Trade Receivables

56. The Company's accounts receivable as of March 31, 2011, were recorded at $12 million. Of this $12 million, $1.1 million represents bad debt or erroneous billings identified by Caliber as uncollectible and to be written-off. Additionally, $685,000 in accounts receivable are from counterparties claiming a right of set-off due to material outstanding invoices. Of the remaining $10.2 million in outstanding accounts receivable, $9.4 million relates to projects that were in progress as at the date of receivership. The Receiver sent letters to all contract counterparties on April 26, 2011, requesting payment in full of outstanding amounts payable to be made to the Receiver.

57. The Receiver has taken no further steps to collect contract receivables and holdbacks since the Amended Receivership Order requiring that the Receiver to take no further steps to collect such amounts.

C) Inter-Company Receivables

58. Outstanding accounts receivables from related entities total over $18.6 million and are summarized on the table below:

Related Entity	Amount Owing to Caliber
Franklin Financial Inc (Formerly Excaliber)	$6,317,541
Caliber Oilfield and Production Services Inc.	$2,041,057
Caliber Ventures Inc.	$7,915,649
Southwest Heavy Equipment Rentals	$667,418
Western Heavy Equipment Rentals Ltd.	$3,470,686
Cornerstone Drilling & Augering Limited	$936,108
L'Aquila Contracting & Mix Ltd.	$1,243,881
TOTAL	$22,592,339

59. Demands for payment were sent to all related parties on April 21, 2011, requesting that payment be made in full. Due to the financial position of the related parties, collection of the related party receivables is unlikely; however, the Receiver is continuing to pursue payment.

D) Miscellaneous Assets

60. The Miscellaneous Assets have been included in the Appraisal and the Receiver is currently making arrangements to sell them at an auction sale (the "Caliber Auction") which is expected to be held prior to the end of June 2011.

E) Investments

61. Both the investments and intercompany receivables balances have been amended to reflect the appropriate classification. As a result, the remaining investments as of December 31, 2010 are:

As at December 31, 2010

Term Deposits	$132,408
Life Insurance	$1,971,898
Shareholder Loans	$226,912
Imperial Life Investment	$46,580
TOTAL	**$2,377,797**

62. Caliber's term deposits include $23,000 of personal accounts that are neither registered to nor owned by Caliber. Additionally, a further $93,000 in term deposits has been pledged as security for loans of Caliber and a related party. As a result, only $16,500 in term deposits are accessible. The Receiver is in the process of collapsing the investments and transferring the funds.

63. The Life Insurance investment represents the policy balance of a series of life insurance policies owned by Caliber. Based on the latest information received, the cash surrender value is approximately $800,000 which is presently being pursued by the Receiver.

64. Shareholders' loans represent amounts owed by Caliber's principal and related individuals. Repayment of this amount is uncertain.

65. The Imperial Life investment is an illiquid investment in a property management limited partnership. Caliber received partial repayment of its initial investment in October 2010 and the receiver is in the process of determining the current status of the remaining investment.

F) Gravel Inventory

66. Caliber acquired a parcel of land several years ago which is located near Cluny, Alberta for approximately $800,000. A portion of the land is used to harvest gravel and the balance is farm land which is presently rented out to a local individual for crop production. The lands have been inspected by the Receiver and a modest gravel inventory has been processed.

67. On May 24, 2011, LaFarge (Canada) Inc. ("LaFarge"), who claim to have a security interest in the land in question, provided the Receiver with a notice seeking leave on June 2, 2011 to continue with foreclosure proceedings on this land. The Receiver is assessing the value of the land, the validity of the LaFarge security and indebtedness and will be seeking legal advice with respect to the same.

G) <u>Prepaid Expenses</u>

68. The records reflected an unadjusted prepaid expense balance of $598,000 relating to insurance and various deposits; however, after adjusting the balance for accrual reversals, a balance of only approximately $100,000 remains eligible for partial recovery.

SECURED CREDITORS

69. Servus holds a general security agreement and purchase money security interests on various Units. The GE Family of Companies ("GE") have advised that the general security agreement which they hold ranks in priority to the security held by Servus.

70. The Receiver, with the assistance of its legal counsel Macleod Dixon LLP ("Macleod Dixon"), is working with GE and Servus and their respective counsel to determine each party's relative priority. In the interim, the Receiver is continuing with its efforts to monetize the Property. Any distribution to GE and/or Servus will be subject to resolution or determination of priority and an application to the Court.

71. Since the Receivership Date, the Receiver has also been contacted by approximately 60 creditors, lien claimants and/or lessors (the "Other Secured Creditors") making claims to priority security or ownership, based on security agreements liens and/or leases (collectively the "Other Security"), on Caliber assets.

72. The Receiver has requested that the Other Secured Creditors provide evidence of their security. Macleod Dixon is determining the validity of these claims and whether or not they rank in priority to the GSAs of GE and Servus. Further, Macleod Dixon is reviewing numerous garage keeper's and builder's lien claims filed against the Caliber Equipment and other property.

73. Where the claims of Other Secured Creditors is determined to rank behind GE and Servus, the Receiver will continue with its efforts to monetize these assets subject to the GE and Servus security and ultimately distribute the proceeds in accordance with the directions from this Honourable Court.

74. Where the claims of Other Secured Creditors are determined to rank ahead of both GE and Servus, the Receiver will evaluate, based on the Appraisal, whether or not there is any potential equity that would accrue to Caliber, GE and/or Servus and either:

(a) in the event that the Receiver determines that there is sufficient equity available, make a decision to purchase the Unit(s) from the Other Secured Creditors for the amount of debt owing on the Caliber Equipment; or

(b) in the event that the Receiver determines that there is no equity (or insufficient equity) available, disclaim the security agreements and/or leases and return the Unit(s) to the Other Secured Creditors subject to payment of:

(i) direct moving or security costs incurred with respect to the subject Unit ("Direct Costs"); and

(ii) a proposed pro rata allocation of anticipated costs of the Receivership (see Allocation of Receivership Costs section, below).

ALLOCATION OF RECEIVERSHIP COSTS

75. Based on the Appraisal, the claims advanced by the Other Secured Creditors account for more than 57% of the value of the Caliber Equipment.

76. The Receiver's actions to date have been for the general benefit of all creditors with security over the Caliber Equipment and the Receiver will be seeking direction from this Court as to whether the costs of the Receivership should be borne by all parties that have benefited as a result of the Receivership.

77. This would require a process in which the costs of the Receivership would be equitably allocated amongst GE, Servus and the Other Secured Creditors (collectively, the "Secured Creditors").

78. The Receiver anticipates that the concept of allocating costs to the Secured Creditors (the "Cost Allocation"), the amount of costs to be allocated and the basis of allocation will require input from each of the Secured Creditors and an Order from the Court.

79. However, a number of the Other Secured Creditors have requested that the Receiver return the Units that are subject to their claims (the "Collateral Equipment").

80. The Receiver does not object to returning Collateral Equipment in cases where it has, in conjunction with Macleod Dixon, confirmed that valid priority security is in place and has made the assessment that there is no anticipated equity in the Collateral Equipment.

81. However, prior to returning any Collateral Equipment, the Receiver requires that the Other Secured Creditors make payment to the Receiver for:

(a) Direct Costs; and

(b) since the matter of Cost Allocation has yet to be determined by this Honourable Court, payment of a proposed cost allocation reserve (the "Allocation Reserve") to be held in trust pending direction of the Court.

82. The Receiver has calculated the Allocation Reserve for each of the Secured Creditors by prorating its preliminary estimate of costs of the Receivership against the Appraisal values of each Unit of Collateral Equipment.

83. The Receiver intends to bring an application to the Court to address the Cost Allocation at a later date. In the event that the Court determines that the Cost Allocation is to be shared by the Secured Creditors, the Receiver will calculate the actual costs payable and issue invoices/payment for shortfall/excess of the Allocation Reserve amounts paid by each of the Other Secured Creditors to whom the Receiver returned Collateral Equipment.

84. In the event that this Honourable Court determines that the Cost Allocation is not payable, the Allocation Reserve amounts paid by each of the Other Secured Creditors would be refunded or adjusted.

85. Correspondence has been issued to each of the Other Secured Creditors setting out the concept described above regarding allocation of the Receivership costs to the secured creditors/lessors which offers an interim solution for those creditors who wish to affect the return of Units where there is no equity available to the Receiver.

GOING CONCERN SALE

86. Upon completing the Contract Matrix, and concurrent with considering whether or not any of the Contracts should be completed by the Receiver, the Receiver addressed the merits of a going concern sale and considered the following:

- the substantial risk of negative cash flow associated with completion of all or some of the Contracts which would be required to pursue a going concern buyer;
- limited or no access to funding to remedy the numerous Contract default notices which were received very shortly after the commencement of the Receivership which would require some level of resolution to support a going concern sale;
- limited or no access to funding to maintain the key employee base or any level of operations in order to effect a going concern sale;
- uncertainties associated with ownership priority ranking of numerous of the Units which comprise the Caliber Equipment;
- the failure of the Company to attract an investor or a purchaser during the lengthy forbearance period prior to the Receivership;

- an offer, promoted by a GCNA, was received from a group of investors, including management, on April 12, 2011 was rescinded on April 14, 2011 after conducting due diligence; and

- the time and cost requirements to conduct a going concern sale compared to the time and cost requirements for a liquidation.

87. Based on these considerations the Receiver concluded that a liquidation should be immediately proceeded with.

PROPOSED SALE OF EQUIPMENT

88. On May 9, 2011, the Receiver invited three auction companies (the "Bidders") to submit competitive bids for the auction and purchase of group of specified Units (the "First Bid List").

89. Based on the Receiver's understanding, the First Bid List was comprised of Units that were subject to security held by either GE or Servus. The letter to the Bidders requested proposals (the "First Proposals") for the following:

(a) unreserved auction proposal;

(b) net minimum guarantee; and

(c) outright purchase.

90. The First Proposals were due at 5:00 p.m. MST on May 16, 2011 (the "First Bid Deadline").

91. Proposals were received from all three Bidders by the First Bid Deadline.

92. On the Receiver's review of the First Proposals and after a meeting with one of the Bidders who made a presentation explaining their proposal, it became evident that, although all three Bidders were provided with the same bid information, the three First Proposals were based on different assumptions regarding what was and was not included in the First Bid List.

93. In order to ensure that the proposals were comparable, on May 17, 2011, the Receiver sent notice to the Bidders with:

(a) a revised Unit listing (the "Second Bid List");

(b) clarification regarding what attachments were to be included with the Units; and

(c) a request for a revised proposal (the "Second Proposals").

94. In formulating its request for the Second Proposals the Receiver considered the following factors:

(a) in all three of the First Proposals, the net minimum guarantee offered was lower than the outright purchase offer;

(b) the quality/condition of some of the Units increases the potential risk of lower than expected realizations at auction;

(c) if an auction is not held prior to the end of June 2011 it will most likely be delayed until the fall when seasonal demand is expected to return. Deferring the sale until the fall will result in additional costs to the Receiver together with the risk that the existing robust demand for such assets may be diminished by then; and

(d) proceeding with a sale in the short term will assist in reducing the overall costs of the receivership and increasing net realizations to the Company's creditors.

95. For the above reasons, the Receiver requested that the Second Proposals be focussed on an outright purchase only. The Second Proposals were due and received by 9:00 a.m. MST on May 18, 2011.

96. Of the three offers for the outright purchase of the Second Bid List, the offer from Century was the highest (the "Century Offer").

97. The Century Offer was $200,000 higher than the second place offer and $400,000 higher than the third place offer.

98. It is Century's intent to sell the assets associated with the Second Bid List in an auction prior to the end of June 2011 (the "Century Auction") and has indicated to the Receiver that it would be potentially damaging to Century's commercial interests if the price it is offering for the assets in the Second Bid List was publicly disclosed in advance of the Century Auction.

99. For this reason, the details of the bids received in the Second Proposals have not been disclosed in this report. Details of the Second Proposals have been summarized and will be made available to the Court upon its request.

100. The Receiver has reviewed the Second Proposals with both GE and Servus and understands that they are both supportive of the Receiver accepting the Century offer for the outright purchase of the Units in the Second Bid List.

101. The Receiver has negotiated an asset purchase agreement with Century (the "Caliber Equipment APA") a redacted version of which is attached to this report as Schedule "**A**". For the reasons outlined above, an unredacted copy of the Caliber Equipment APA will be made available to the Court upon its request.

102. Subject to the approval of the Court, the Caliber Equipment APA is scheduled to close immediately following Court approval.

AUCTION SALE OF MISCELLANEOUS AND ADDITIONAL ASSETS

103. The Receiver has engaged Century to hold the Caliber Auction for the sale of the Miscellaneous Assets.

104. To the extent that the Receiver locates additional saleable assets, finds equity in otherwise encumbered assets, or reaches mutual agreement to with certain of the Other Secured Creditors to sell assets to which they are making a claim (collectively, the "Additional Assets"), the Receiver recommends that it be permitted, at its discretion, to include the Additional Assets in the Caliber Auction.

105. The proceeds, net of selling costs, from the sale of assets subject to claims of Other Secured Creditors (the "Additional Secured Proceeds") will be held by the Receiver pending final determination of ownership.

106. Upon determination of ownership, the Additional Secured Proceeds will be released to those Other Secured Creditors net of the Allocation Reserve described above.

INSURANCE

107. On April 5, 2011, the Receiver notified the Company's insurance agent to advise of the Receivership and to have the Receiver of added to the Company's insurance policy (the "Policy") as a named insured. The insurer, Lombard Canada, has agreed to continue the Policy pursuant to the Receivership Order.

108. Additionally, the Receiver has forwarded a copy of the Policy to its insurers for a review to ensure it meets the Receiver's requirements. The reviewer has advised that the insurance is adequate for a non-operating entity and has requested that the Receiver keep the broker informed as to the location of the assets. The Receiver notes that the Policy is a group policy that covers not only the Company but also a number of related entities that are not in Receivership. These entities include: "Cornerstone Drilling & Augering Ltd., Ventures, Western Heavy Equipment Rentals Ltd., Franklin Financial Inc. et al".

109. The Policy was paid up to March 31, 2011. The Receiver has continued to make the monthly premium payments on the Policy. Since the Policy covers entities that are not under the Receiver's mandate, the Receiver intends to work out arrangements with the other parties for potential recovery before payment is made on their behalf.

RECOMMENDATIONS

110. Based on the foregoing, the Receiver respectfully requests that this Honourable Court approve:

(a) the sale of certain Caliber Equipment to Century as set out in the attached Caliber Equipment APA; and

(b) the Receiver's request that it be permitted, at its discretion, to include Additional Assets in the Caliber Auction.

All of which is respectfully submitted,

PricewaterhouseCoopers Inc

PRICEWATERHOUSECOOPERS INC.,
in its capacity as receiver and manager of Caliber Systems Inc.
and not in its personal capacity

Schedule A

Asset purchase and sale agreement between PricewaterhouseCoopers Inc, in it's capacity as Receiver and Receiver Manager of Caliber Systems Inc. and Century Services Inc or it nominee .