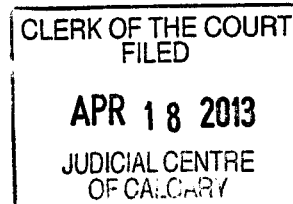


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COURT FILE NUMBER 1301-01078
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY



IN THE MATTER OF THE RECEIVERSHIP OF
KASCO CONSTRUCTION (ALTA) LTD.

DOCUMENT **SECOND REPORT OF THE RECEIVER,
HARDIE & KELLY INC.
APRIL 17, 2013**

ADDRESS FOR SERVICE AND
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**SECOND REPORT OF THE RECEIVER
HARDIE & KELLY INC.
APRIL 17, 2013**

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INTRODUCTION

1. On January 29, 2013 (the "Receivership Date"), Pyx Financial Group of Calgary Inc. ("Pyx") made application to the Court of Queen's Bench of Alberta (the "Court") for the appointment of a receiver and receiver and manager (the "Receiver") of the current and future assets, property and undertakings of Kasco Construction (ALTA) Ltd. ("Kasco" or the "Company").
2. The Court granted an Order on January 29, 2013 (the "Receivership Order"), which was consented to by the Company, appointing Hardie & Kelly Inc. as the Receiver.
3. On February 27, 2013, the Receiver filed a report (the "First Report") with the Court in advance of the Receiver's application seeking approval to appoint Pyx as the Agent to collect Kasco's accounts receivable.
4. On March 1, 2013, the Court granted an Order appointing Pyx as the Receiver's Agent to collect Kasco's accounts receivable.
5. The purpose of this report (the "Second Report") is to provide the Court with the Receiver's recommendation with respect to the sale of certain of Kasco's heavy equipment and vehicles.

TERMS OF REFERENCE

6. In preparing this Second Report, the Receiver has relied upon unaudited financial information, records of the Company, discussions with the Company's former management and certain of its former employees, an independent appraisal and information provided by certain creditors claiming to hold security.

EQUIPMENT

7. As discussed in the First Report, the Company's fleet of trucks and heavy construction equipment units were located at various locations in and around the Calgary area. Numerous pieces of equipment had also been seized by certain creditors claiming to hold security and/or garage keeper's liens against certain pieces of equipment.

8. The Receiver initially arranged for the marshalling of vehicles and equipment that had been abandoned by Kasco at various locations to a storage lot rented by the Receiver. The Receiver also contacted a number of parties who had previously seized equipment on behalf of certain finance creditors and lien claimants to advise them of the stay of proceedings in effect as a result of the Receivership Order.
9. The Receiver commissioned Century Services Inc. to undertake an independent third party appraisal of the units in the Receiver's possession as well as of those units that were seized on behalf of creditors to enable an assessment of the extent of the equity (the "Equity Analysis"), if any, that may be available to the receivership estate in the respective units.
10. The Receiver wrote to the various finance and lien creditors requesting copies of the relevant security agreements and related documentation to enable the Receiver's legal counsel to review the validity and enforceability of the respective claims against the equipment. Buy-out figures and lien documents were also requested to facilitate the Equity Analysis.
11. Based on the results of the Equity Analysis, the Receiver determined that 19 units held insufficient or no equity such that the Receiver was prepared to release its interest in these units. Prior to doing so, the Receiver advised Canada Revenue Agency, in respect of its deemed trust claim, Pyx and Dr. Calvin Greene in respect of their secured claims (all collectively referred to as the "Senior Creditors"), of the Receiver's intentions and provided them with the details of the Equity Analysis in respect of these units. These units were all released on the understanding that pursuant to the terms of the Receivership Order, the Receiver intended in due course to make an application to the Court seeking an Order allocating to the respective parties certain of the costs incurred arising from the Receiver's efforts to preserve Kasco's assets.
12. The Receiver identified 25 units (the "Equity Units") that appeared to have sufficient equity available to warrant the Receiver taking steps to realize on these assets. Consequently, the Receiver invited seven liquidation/appraisal companies to submit proposals for the disposition of the Equity Units. Proposals were requested on the following basis:
 - a. Outright purchase;
 - b. Auction with a net minimum guarantee; and
 - c. Auction on a straight commission basis.

13. A deadline for the submission of proposals of April 12, 2013 was established by which time five proposals were submitted. The Receiver ultimately accepted the offer to outright purchase all of the Equity Units (the "CPA Offer") submitted by CPA - Canadian Public Auction Ltd. ("CPA") subject to the approval of this Honourable Court.
14. The details of all five proposals received and an overall analysis of same is contained in the Receiver's Confidential Supplemental Report (the "Confidential Supplemental Report"). The Receiver is concerned with disclosing the specific details of each of the individual proposals in that should the proposed sale to CPA not close for any reason, the disclosure of the terms of the original proposals may jeopardize the Receiver's efforts to re-solicit proposals. The Receiver will be seeking the Court's approval to have the Confidential Supplemental Report sealed.
15. Prior to accepting the CPA Offer, without specifically identifying which proposals were submitted by which of the liquidation companies, the Receiver on a confidential basis provided the Senior Creditors with a summary of the terms of the various proposals along with an estimate of the net proceeds that could be anticipated from an auction assuming various gross auction sales levels.
16. Upon the closing of the sale to CPA, the Receiver intends to utilize the proceeds as follows:
 - a. Satisfy those buy-out amounts and lien charges having priority to certain of the Equity Units totaling up to \$238,000;
 - b. Repayment of approximately \$40,000 of estate administration expenses personally funded by the Receiver on account of insurance, marshalling transportation costs, rent and consulting costs in light of none of the Senior Creditors expressing a desire to pursue the Receiver's invitation to advance funds to the Receiver by way of a loan secured by a Receiver's Certificate, despite the Receiver's request in this regard;
 - c. All amounts owing under the Receiver's Charge, as set out and described in the Receivership Order, in respect of accrued expenses and obligations incurred to date with respect to the administration of the receivership including the fees and expenses of the Receiver and the Receiver's legal counsel; and

- d. Any residual amount to be distributed to CRA in partial satisfaction of their deemed trust claim of approximately \$560,000.

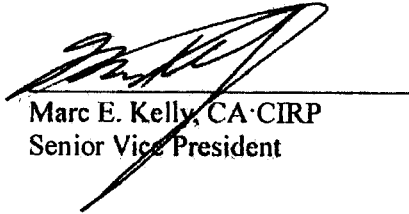
RECOMMENDATIONS

17. The Receiver is seeking approval of and recommends to this Honourable Court the approval of the CPA Offer for the reasons set out herein and in the Confidential Supplemental Report.
18. The Receiver recommends that the Confidential Supplemental Report be ordered sealed for purposes of maintaining the integrity of the sales process in the event the contemplated sale to CPA does not close for any reason.

All of which is respectfully submitted this 17th day of April 2013.

Hardie & Kelly Inc., in its capacity
as Receiver of Kasco Construction (ALTA) Ltd.
and not in its personal capacity

Per:



Marc E. Kelly, CA-CIRP
Senior Vice President