

CLERK OF THE COURT
FILED
AUG 03 2018
JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER 1701-12253
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT ACMO S.A R.L.
RESPONDENTS **US OIL SANDS INC. and US OIL SANDS (UTAH) INC.**
DOCUMENT **THIRD REPORT OF FTI CONSULTING CANADA INC., IN ITS CAPACITY AS COURT APPOINTED RECEIVER AND MANAGER OF US OIL SANDS INC. and US OIL SANDS (UTAH) INC.**

August 3, 2018

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

RECEIVER
FTI Consulting Canada Inc.
Suite 720, 440 – 2nd Avenue S.W.
Calgary, AB T2P 5E9
Deryck Helkaa / Dustin Olver
Telephone: (403) 454-6031 / (403) 454-6032
Fax: (403) 232-6116
E-mail: deryck.helkaa@fticonsulting.com
dustin.olver@fticonsulting.com

COUNSEL
Bennett Jones LLP
4500, 855 – 2nd Street S.W.
Calgary, AB T2P 4K7
Chris Simard
Telephone: (403) 298-4485
Fax: (403) 265-7219
Email: simardc@bennettjones.com

RECEIVER’S THIRD REPORT

INTRODUCTION 3
TERMS OF REFERENCE 5
CURRENT STATUS OF THE RECEIVER’S PROCEEDINGS 6
 SALE OF THE PURCHASED ASSETS 6
 PRIORITY CLAIMS 7
 FINAL ADMINISTRATIVE MATTERS 7
APPROVAL OF FEES 11
BOOKS AND RECORDS 12
TERMINATION OF RECEIVERSHIP PROCEEDINGS AND DISCHARGE OF THE
RECEIVER 12
US CHAPTER 15 PROCEEDINGS 12
RECOMMENDATIONS 13

INTRODUCTION

1. On September 14, 2017 (the “**Date of Appointment**”), FTI Consulting Canada Inc. was appointed as receiver and manager (the “**Receiver**”) of all of the assets, undertakings and properties (the “**Assets**”) of US Oil Sands Inc. and US Oil Sands (Utah) Inc. (collectively, “**US Oil Sands**” or the “**Company**”) pursuant to an Order of the Honourable Mr. Justice J.T. Eamon (the “**Receivership Order**”).
2. The Receivership Order authorized the Receiver, among other things, to manage, operate and carry on the business of the Company, to market any, or all of the Assets including advertising and soliciting offers to purchase the Assets and to make such arrangements or agreements as deemed necessary by the Receiver.
3. On February 16, 2018, an order (the “**Sales Process Order**”) was granted approving the Receiver’s proposed sales solicitation process (“**SSP**”), which was attached as Appendix A to the first report of the Receiver dated February 1, 2018 (“**First Report**”). The Sales Process Order also authorized the Receiver to engage FTI Capital Advisors- Canada ULC (“**Selling Agent**”) as selling agents to market all of the assets and properties of US Oil Sands in accordance with the terms of the SSP.
4. The Sales Process Order also approved an asset purchase and sale agreement between USO (UTAH) LLC (“**USO Utah**”), as purchaser, and the Receiver as seller, dated January 22, 2018 (“**Stalking Horse APA**”). The Stalking Horse APA was a credit bid advanced by USO Utah and was utilized as a stalking horse bid within the SSP. USO Utah is a related party to ACOMO S.A.R.L (“**ACMO**”) who took assignment of ACOMO’s secured debt (“**ACMO Secured Debt**”) which was determined to have a valid and enforceable first secured charge over all of the assets of US Oil Sands.

5. The Stalking Horse APA was the superior offer received through the SSP. Accordingly, the Receiver sought court approval of the Stalking Horse APA. Certain minor structural amendments were required to be made to the Stalking Horse APA in order to close the transaction however the economics of the transaction remained the same. On May 1, 2018, an order (the “**Sale Approval and Vesting Order**”) was granted approving the sale transaction (the “**Transaction**”) contemplated by the amended and restated asset purchase and sale agreement (the “**APA**”) between the Receiver and USO Utah, dated February 5, 2018, as described in the in the second report of the Receiver dated April 20, 2018 (the “**Second Report**”).
6. The Receiver’s reports and other publicly available information in respect of these proceedings (the “**Receivership Proceedings**”) are posted on the Receiver’s website at <http://cfcanada.fticonsulting.com/usoilsands> (the “**Receiver’s Website**”).
7. The purpose of this report (“**Third Report**”) is to inform the Court of the following:
 - (a) the activities of the Receiver since the Second Report;
 - (b) the Receiver’s receipts and disbursements from the Date of Appointment to August 2, 2018; and
 - (c) a summary of the Receiver’s final administrative tasks relating to this receivership.
8. The Receiver is requesting the following relief from this Honourable Court:
 - (a) an order approving the activities of the Receiver since the Receiver’s Second Report;

- (b) approval of the Receiver's receipts and disbursements from the Date of Appointment;
- (c) approval of the ACMO Distribution (as defined below);
- (d) approval of the fees and expenses of the Receiver and the Receiver's Counsel; and
- (e) discharge of the Receiver and termination of the Receivership Proceedings upon the completion of the Receiver's remaining administrative tasks relating to these Receivership Proceedings.

TERMS OF REFERENCE

- 9. In preparing this Third Report, the Receiver has relied upon unaudited financial information, other information available to the Receiver and, where appropriate, the Company's books and records and discussions with various parties (collectively, the "**Information**").
- 10. Except as described in this Third Report:
 - (a) the Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Canadian Institute of Chartered Accountants Handbook; and
 - (b) the Receiver has not examined or reviewed financial forecasts and projections referred to in this Third Report in a manner that would comply with the procedures described in the Canadian Institute of Chartered Accountants Handbook.

11. Future-oriented financial information reported or relied on in preparing this Third Report is based on assumptions regarding future events. Actual results may vary from forecasts and such variations may be material.
12. The Receiver has prepared this Third Report in connection with the Receiver's Application returnable August 17, 2018. This Third Report should not be relied on for other purposes.
13. Information and advice described in this Third Report that has been provided to the Receiver by its legal counsel, Bennett Jones LLP (the "**Receiver's Counsel**"), was provided to assist the Receiver in considering its course of action, is not intended as legal or other advice to, and may not be relied upon by, any other person.
14. Unless otherwise stated, all monetary amounts contained herein are expressed in United States Dollars. All capitalized terms that are used but not defined herein are intended to bear their meanings as defined in the Receiver's First and Second Reports, Receivership Order, the Stalking Horse APA, Sales Process Order, Approval and Vesting Order or the APA.

CURRENT STATUS OF THE RECEIVER'S PROCEEDINGS

SALE OF THE PURCHASED ASSETS

- (a) On July 27, 2018, the Receiver and USO Utah closed the Transaction contemplated by the APA. As part of the Transaction, the Receiver transferred all assumed contracts, intellectual property as well as land titles and leases to USO Utah. In addition, the Receiver is in receipt of the closing adjustment which, as contemplated in the APA, will provide the Receiver will sufficient cash to pay all Priority Claims (as defined below).

PRIORITY CLAIMS

15. Throughout the Receivership Proceedings, the Receiver has received certain claims asserting to be secured claims. The Receiver reviewed these claims in order to determine whether any of the claims had priority over the ACMO Secured Debt. The APA included a provision whereby funds would be reserved for any claims in priority to the ACMO Secured Debt. After review, the Receiver determined that 3 claims submitted by former employees in the amount of \$6,789 (“**Priority Claims**”) have priority over the ACMO Secured Debt. The Receiver discussed the Priority Claims with ACMO. ACMO agreed to provide funding through the APA sufficient to pay out the Priority Claims.
16. The Receiver has since paid out the Priority Claims and as of the date of this Third Report, has not been made aware of any other claims that would rank ahead of the ACMO Secured Debt.

FINAL ADMINISTRATIVE MATTERS

17. With the closing of the APA, the Receiver has now completed all of the operational tasks relating to these Receivership Proceedings and has realized on all of the Company’s assets.
18. The Receiver is currently holding the remaining cash on hand, \$115,413 (the “**Holdback Funds**”) which will be used for the remaining administrative tasks and to pay accrued but unpaid professional fees.
19. Following the completion of the remaining administrative tasks, the Receiver proposes to distribute any amounts remaining from the Holdback Funds to ACMO (the “**ACMO Distribution**”) without further approval from this Honourable Court.
20. The ACMO Distribution will be made as a repayment of the Receiver’s Borrowings and will not exceed the total amount borrowed which is equal to \$1,495,000.

21. After August 17, 2018, the Receiver's only remaining tasks will be the following:
- (a) closing the Company and Receivership accounts;
 - (b) issuance of employee records of employment and tax forms;
 - (c) completing GST returns;
 - (d) completing statutory filings;
 - (e) the payment of final professional fee invoices; and completing and filing statutory reports with the office of the superintendent of bankruptcy in respect of the Receiver's discharge (collectively, the "**Remaining Tasks**").

SUMMARY OF RECEIPTS AND DISBURSEMENT

22. Receipts and Disbursements from the Date of Appointment to August 2, 2018, are summarized as follows:

Schedule of Receipts and Disbursements	
As of Aug 2, 2018	<i>(000's USD)</i>
Receipts	
Receiver's Borrowings	1,495,000
Initial Cash on Hand	715,636
Closing Adjustment	170,536
Other Receipts	55,513
Net Bank Interest/ (Charges)	1,026
Total - Receipts	2,437,711
Disbursements	
Employee Costs	756,843
Operating Expenses	320,646
Rent and Utilities	183,661
Insurance	173,329
Net Taxes	25,031
Patent Expenses	21,544
Outside Consulting	9,652
Priority Claims	6,789
Property Taxes	4,013
Receiver's Fees	301,852
Selling Agent's Fees	266,010
Legal Fees	237,995
FX Gain/ (Loss)	14,933
Total - Disbursements	2,322,298
Net Cash on Hand	115,413

- (a) Receiver's Borrowings – amounts borrowed to date under terms of the Receivership Order;
- (b) Initial cash on hand – represents the Company's cash on hand on the Date of Appointment;
- (c) Closing Adjustment – amounts paid by USO Utah to the Receiver as part of closing to fund the Priority Claims and Remaining Tasks;
- (d) Other Receipts – miscellaneous credits on account returned by vendors;

- (e) Net Bank Interest (Charges) – interest accrued, and fees charged on amounts held in estate bank accounts;
- (f) Employee Costs – amounts disbursed by the Receiver relating to payroll and employee deductions and consultants;
- (g) Operating Expenses – amounts disbursed in respect of the Company’s operations in Grand Prairie and Utah;
- (h) Rent and Utilities – amounts disbursed relating to occupation rent and operational site utilities;
- (i) Insurance – insurance costs including operator’s insurance and general liability;
- (j) Net Taxes – net GST amounts paid and received through operational transactions;
- (k) Patent Expenses – amounts paid with respect of the Company’s patent filings and renewals;
- (l) Outside Consulting – amounts paid to outside consultants for services provided. This includes amounts paid to former CEO Ken Moen;
- (m) Priority Claims – amount of employee claims which are in priority to the ACMO Secured Debt;
- (n) Property Taxes – yearly tax amounts paid with respect to the Company’s oil and gas properties in Utah;
- (o) Receiver’s Fees – Receiver’s fees and disbursements in respect of the Receivership Proceedings;

- (p) Selling Agents Fee's – Selling Agent's fees and disbursements in respect of the Receivership Proceedings;
 - (q) Legal Fees – Receiver's Canadian and US Counsel's fees and disbursements in respect of the Receivership Proceedings; and
 - (r) FX Gain/ (Loss) – change in cash due to changes in USD and CAD exchange rate.
23. Cash on Hand – at August 2, 2018, the Receiver currently holds \$115,413 in funds.

APPROVAL OF FEES

24. Invoices rendered by the Receiver from the Date of Appointment to July 31, 2018, total \$301,852, exclusive of GST (the "**Receiver's Fees**"). The accounts will be made available upon request.
25. The Receiver anticipates issuing a final invoice in an amount not to exceed \$10,000 (the "**Receiver's Final Fees**") in connection with work completed through September 2018, and additional time attending to the discharge application and final administrative matters including the issuance of final distributions.
26. Invoices rendered by the Receiver's Canadian Counsel from the Date of Appointment to July 31, 2018 total \$67,659 exclusive of GST (the "**Receiver's Canadian Counsel Fees**"). The accounts will be made available upon request.
27. The Receiver's Counsel anticipates issuing a final invoice in an amount not to exceed \$7,000 (the "**Receiver's Canadian Counsel's Final Fees**") in connection with unbilled work completed in September 2018, plus additional time attending to final administrative matters.

28. Invoices rendered by the Receiver's US Counsel from the Date of Appointment to July 31, 2018 total \$170,336 exclusive of GST (the "**Receiver's US Counsel Fees**"). The accounts will be made available upon request.
29. The Receiver's Counsel anticipates issuing a final invoice in an amount not to exceed \$15,000 (the "**Receiver's US Counsel's Final Fees**") in connection with unbilled work completed in September 2018, plus additional time attending to final administrative matters.
30. The Receiver is of the opinion that the Receiver's Fees and the Receiver's Counsel's Fees are appropriate and reasonable in the circumstances.

BOOKS AND RECORDS

31. The Books and Records were included in the Purchased Assets and as part of closing have been transferred to USO Utah. The Receiver has made electronic copies of the Books and Records to be kept as part of its documentation of the Receivership Proceedings.

TERMINATION OF RECEIVERSHIP PROCEEDINGS AND DISCHARGE OF THE RECEIVER

32. As described earlier in this Third Report, with the exception of the Remaining Tasks, the Receivership Proceedings are complete. Accordingly, the Receiver is seeking an Order terminating the Receivership Proceedings and discharging the Receiver upon the Receiver filing a Certificate confirming that it has completed the Remaining Tasks.

US CHAPTER 15 PROCEEDINGS

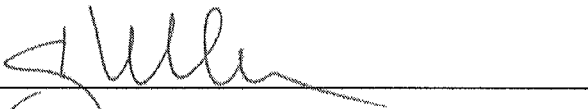
33. In conjunction with the termination of the Canadian Receivership proceedings the Receiver does not yet have a court date scheduled but will likely be set in mid-September 2018 to have the termination of the Canadian proceedings recognized by the US Court as well as terminate the Chapter 15 proceedings.

RECOMMENDATIONS

34. The Receiver respectfully requests that this Honourable Court grant the following relief:
- (a) approving the Receiver's actions and conduct as reported in the Third Report;
 - (b) approving the Receiver's schedule of receipts and disbursements;
 - (c) approving the fees and expenses of the Receiver and the Receiver's Counsel related to the administration of these receivership proceedings; and
 - (d) discharging the Receiver and terminating these receivership proceedings upon the completion of the Receiver's remaining administrative tasks and filing of a Receiver's Certificate.

All of which is respectfully submitted this 3rd day of August 2018.

FTI Consulting Canada Inc.,
in its capacity as receiver and manager
of the assets, undertakings and properties of
US Oil Sands Inc. and US Oil Sands (Utah) Inc.



Deryck Helkaa
Senior Managing Director, CA, CPA, CIRP



Dustin Olver
Managing Director, CA, CPA