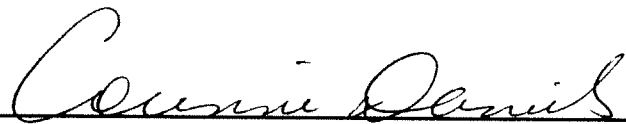


**This is Exhibit "F" referred to in the
Affidavit of David W. Johnson**

**Sworn before me this 26 day
of January, 2011**

A handwritten signature in cursive script, reading "Corinne Daniels", written over a horizontal line.

**A Commissioner for Oaths
In and for the Province of Alberta**

CORINNE G.L. DANIELS
MY COMMISSION EXPIRES
JULY 28, 2013

ACTION NO. 1003-02172

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF EDMONTON**

BETWEEN:

ROYAL BANK OF CANADA

Plaintiff

- and -

**ADVANTAGE OILFIELD GROUP LTD., NORTH PAW ENERGY
SERVICES LTD., RANCO HOLDINGS LTD., 1208362 ALBERTA LTD., and
CHRISTOPHER BRUINS**

Defendants

**FIRST REPORT OF THE RECEIVER
ERNST & YOUNG INC.**

JUNE 21, 2010

INTRODUCTION

1. Ernst & Young Inc. (the "Receiver") was appointed Receiver over Advantage Oilfield Group Ltd. ("Advantage"), Ranco Holdings Ltd. ("Ranco"), and North Paw Energy Services Ltd. ("North Paw") (collectively, the "Corporate Companies") pursuant to an Order of this Honourable Court (the "Order") dated February 12, 2010.
2. The Order authorized the Receiver, among other things, to manage, operate and carry on the business of the Corporate Companies, to take possession and control of the property of the Corporate Companies (the "Property") 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.
3. The purpose of this first report (the "First Report") of the Receiver is to advise this Honourable Court with respect to the:
 - (a) activities of the Receiver since its appointment on February 12, 2010;
 - (b) sales process undertaken by the Receiver in respect to the land and buildings of Ranco (defined below);
 - (c) process undertaken by the Receiver to solicit proposals on the disposition of the Corporate Companies equipment and its miscellaneous assets ("Corporate Companies Assets") out of the normal course of business;
 - (d) the next steps of the Receiver; and
 - (e) recommendations of the Receiver.

BACKGROUND

4. Advantage operated primarily as an oilfield service construction and maintenance company specializing in small diameter pipeline construction. The voting shares of Advantage are 80% held by 1208362 Alberta Ltd. ("120"), which is wholly-owned by Mr. Christopher Bruins ("Bruins"), while the remaining 20% of the company are owned equally by 4 other numbered corporations. The Receiver understands that Advantage employed upwards of approximately 300 employees and contractors during 2006 and 2007; however, operations significantly declined such that the company effectively stopped operating in or around May 2009. Between the period of June 2009 to the date of the Order, Advantage did not receive any pipeline construction work and only employed one office manager, one contracted controller and Bruins.
5. Ranco is a holding corporation that owns the land and buildings located at 59 East 3rd Avenue, Dunmore, Alberta (the "Ranco Land and Buildings"). Ranco previously rented the Ranco Land and Buildings to Advantage on a monthly basis and is wholly owned by 120. Ranco has no known employees and or other operations.
6. North Paw was developed to facilitate Advantage's expansion into Northern Alberta to provide certain equipment and oilfield service repairs for oil & gas companies located in and around Zama City, Alberta. 1311763 Alberta Ltd. ("131"), an entity not in receivership but wholly owned by Bruins, owns a machine shop and various assets and used North Paw as an operating name to conduct its business. North Paw does not own any assets, with the exception of one leased wire line truck through RBC Leasing as further discussed below. North Paw's voting shares are 88% held by 120, while the remaining 12% of the voting shares are equally owned by 3 other numbered corporations.

ACTIVITIES OF THE RECEIVER

Custody & Control

7. On February 12, 2010, the Receiver attended the Ranco Land and Buildings (known head office for Ranco, Advantage and North Paw) located at 59 East – 3rd Avenue, Dunmore, Alberta to take custody and possession of the Ranco Land and Buildings and all of the Corporate Companies' books and records. The doors to the Ranco Land and Buildings were locked with no one present to allow the Receiver into this location, which required the hiring of a locksmith to allow the Receiver to gain access to the site.
8. The Receiver understood that the Ranco Land and Buildings was the location of the operations of the Corporate Companies and the primary location of the relevant books and records.
9. On or around February 13, 2010, the Receiver met with Bruins and the Corporate Companies' accountants and was able to determine that the Corporate Companies were not actively operating and have not received any contracts for work since April / May 2009. Further, Bruins told the Receiver that the remaining assets and books and records of the Corporate Companies' were only located at the Ranco Land and Buildings and nowhere else.

Securing assets

10. Based on the information gather by the Receiver from its review of the books and records found at the Ranco Land and Buildings and from discussion with Bruins and the Plaintiff, the Receiver:
 - (a) contacted all known corporate bank accounts and investment accounts of the Corporate Companies and provided them with a copy of the Order and instructed that the accounts be frozen to prevent withdrawals from the accounts, but to allow deposits only;
 - (b) retained a locksmith to change the locks on the doors to the Ranco Land and Buildings;

- (c) change the password and information on the alarm system of the Ranco Land and Buildings;
- (d) engaged an information technology accountant from Duart Technologies Limited (the "IT Consultant") to take possession and custody of the Corporate Companies computers, laptop and servers found at the Ranco Land and Building and to conduct a complete back-up and "ghost-imaging" of the computers' and servers' hard disk drive. The Receiver had the IT Consultant complete this work in order to allow for the information on the Corporate Companies computers and servers to be maintained in the original data format as at the date of the Order. Since then, the Receiver has worked with the IT Consultant to search for key items that will assist the Receiver in retrieving relevant information in conducting its review of the Corporate Companies assets and records. The Receiver will report to this court in due course as to the results of these searches and the outcomes of certain other information technology work completed by the IT Consultant;
- (e) re-directed all mail from the Corporate Companies to be sent to the office of the Receiver; and
- (f) obtained separate building and liability insurance over the Ranco Land and Buildings.

Books and records

- 11. The Receiver met with the Corporate Companies chief financial officer ("CFO") to ask various questions regarding the operations of the Corporate Companies and to review the books and records.
- 12. During this review, the CFO indicated that as at February 12, 2010:
 - (a) all source deductions and GST were up to date on all of the Corporate Companies;

- (b) account receivables for Advantage as at February 12, 2010 was approximately \$1.2 million. Ranco and North Paw did not have any material outstanding account receivables;
 - (c) fixed assets (net book value) for Advantage, Ranco and North Paw was approximately \$16,000, \$2.3 million and \$NIL, respectively; and
 - (d) total liabilities for Advantage, Ranco and North Paw was approximately \$6.8 million, \$1.9 million and \$1.7 million, respectively, as disclosed in the statutory mailing conducted by the Receiver as discussed below.
13. The Receiver continued its review of the books and records in an attempt to identify and determine if there were any other equipment and/or assets of significance that existed or located elsewhere, other than at the Ranco Land and Buildings. To date, the Receiver has not identified any other remaining assets other than the equipment and miscellaneous assets identified (the "Corporate Companies' Equipment" and "Miscellaneous Corporate Assets", respectively) and listed in Appendix A to this report.
14. The Receiver also identified certain transactions and accounting practices of the Corporate Companies that has caused the Receiver some concern as to the status and collection of certain accounts receivables and fixed assets. The Receiver will update this Honourable Court upon its findings on the books and records, along with a complete analysis of the Receiver's statement of receipts and disbursements in due course, upon completion of the analysis of the books and records.

Statutory Mailing by Receiver

15. The Receiver compiled a listing of the net book value of Corporate Companies assets and liabilities, including a detailed listing of amounts owing to secured and unsecured creditors. This listing was summarized in the Notice and Statement of the Receiver and Manager (Subsections 245(1) and 246(1) of the Act) ("Receiver's Notice") and mailed out on February 26, 2010 to all known creditors of the Company.

16. In addition, the Receiver's Notice has been posted on the Receiver's website: www.ey.com/ca/advantage.

Employees and Contract Employees

17. As discussed above, based on discussions with former management of the Corporate Companies and Bruins, on February 12, 2010, the Corporate Companies employed 3 individuals:
- (a) one employee office manager / AP clerk employed by Advantage;
 - (b) one contractor accountant who took the position as the Corporate Companies Chief Financial Officer ("CFO") and was responsible for the financial reporting of the Corporate Companies; and
 - (c) one shop foreman employee perform certain repair duties up for North Paw in Zama City, Alberta.
18. The effect of the Order meant that the employment of all existing employees and contractors were terminated on February 12, 2010. The Receiver entered into agreements (the "Contractor Agreements") with the employee responsible for managing the Advantage office, the contract controller and the one employee in North Paw to assist the Receiver in compiling accounting information.
19. The Contractor Agreements engage the services of these individuals on an hourly basis when required and allowed for termination at any time and are currently being used on an "as needed" basis.
20. With the assistance of the Corporate Companies' CFO, a termination package was received by each employee and included a termination letter, a record of employment (if an employee), a final pay stub (i.e. T4 slip) and information regarding the Wage Earner Protection Plan ("WEPP"). The Receiver received 5 claims and evaluated all of these claims under the WEPP and submitted the claims to Service Canada for employees who

had an eligible claim for wages, vacation, termination and or severance pay under the Alberta Employment Standards Code.

21. All accrued wages owing at the time of the receivership by the Advantage and North Paw to its employee, amounted to \$22,173. The entitlement to unpaid wages that each of these employees have per s.81.4(1) of the *Bankruptcy and Insolvency Act (the "BIA")* is a maximum of \$2,000 for each employee. The Receiver did not make payment on any of the employee claims as the Receiver did not have sufficient funds within Advantage and/or North Paw at the time to pay out such claims, as such, the claims were submitted to Service Canada for consideration and payment.
22. On or about May 25, 2010, the Receiver received notification that the submitted employee claims have been assessed and paid by Service Canada in aggregate amount of \$10,234.92 relating to Advantage's and North Paw's employees. The Receiver understands that these employee claims have now been subrogated to Service Canada and Service Canada has a "super secured" charge over the current assets of Advantage and North Paw as per s.81.4(1) of the BIA. To the extent that the Receiver can collect upon the current assets of Advantages and/or North Paw, the Receiver estimates that Service Canada will have a super secured claim against Advantage and North Paw of \$3,004 and \$4,000, respectively. The remaining aggregate claim \$3,230.92 will be considered an unsecured claim against Advantage and/or North Paw.

SALES PROCESS FOR THE RANCO LAND AND BUILDINGS

23. As at February 12, 2010, the Ranco Land and Buildings were owned by Ranco and are located at 59 East – 3rd Avenue, Dunmore, Alberta on 1.88 acres of land.
24. A copy of the title searches for the Ranco Land and Buildings is attached at Appendix B to this report, which indicates that the Ranco Land and Buildings is owned by Ranco.
25. The Order provided that the Receiver's powers included the ability to market the Ranco Land and Buildings, including advertising and soliciting offers in respect of these assets.

The Receiver concluded that given the nature of the Ranco Land and Buildings, it was prudent to retain a real estate agent.

26. The Receiver requested proposals from three reputable listing agents to market the Ranco Land and Buildings. Of the three requests for proposals, the Receiver obtained only one proposal as one of the agents indicated that he was not interested in acting due to a conflict of interest issue he believed he would have in acting as our agent and the other agent did not respond back to the Receiver's request. As such, the Receiver selected RE/MAX Medalta Real Estate ("Re/Max") to list the Ranco Land and Buildings for sale.
27. The Receiver signed a Real Estate Listing Contract (the "Listing Contract") with Re/Max on April 20, 2010 and is attached as Appendix C.
28. The main terms of the Listing Contract include:
 - (a) The listing price, not including goods and services tax ("GST"), is \$1,500,000 and GST is the responsibility of the buyers;
 - (b) The Listing Contract will expire on June 30, 2010;
 - (c) Re/Max will use best efforts to market the Ranco Land and Buildings and to promote the interests of the Receiver;
 - (d) Re/Max will advertise and place a "for sale" sign on the Ranco Land and Buildings and show the Ranco Land and Buildings at times acceptable to the Receiver;
 - (e) The Receiver will pay Re/Max a commission equivalent of 5% (the "Commission") of the purchase price in respect to the sale of the Ranco Land and Buildings to a third party. Re/Max will also offer 2% commission as compensation to cooperating brokerage firms;
 - (f) The Commission shall become payable only such time that the sale of the Ranco Land and Buildings is approved by this Honourable Court, title has

passed to the purchaser and the sales proceeds have been unconditionally released to the Receiver;

- (g) Re/Max acknowledges that the Receiver has not the legal right to sell the Ranco Land and Buildings without the approval of this Honourable Court and that all offers to purchase and agreements of purchase and sale to be entered into between the Receiver and third party purchasers must contain a condition precedent as to approval of this Honourable Court; and
 - (h) No other provision of the Listing Contract, all attached goods in the Ranco Land and Buildings and unattached goods are sold on an "as is where is" basis and without warranty whatsoever, including a warranty as to fitness for intended use.
29. As discussed above, upon consultation with Re/Max, it was decided that the Ranco Land and Buildings should be listed at \$1,500,000 based on the current market conditions in the Dunmore/Medicine Hat, Alberta areas.
30. To corroborate the listing price of the Ranco Land and Buildings, the Receiver engaged an appraisal firm, Handley Appraisals Ltd. ("Handley"), to perform an appraisal on the Ranco Land and Buildings (the "Land and Building Appraisal") to determine both the fair market value and a forced liquidation value. The Land and Building Appraisal was completed on May 17, 2010. The Receiver decided to use the services of Handley as this was the same appraisal firm used by the owner of Ranco prior to the granting of the Order (on or about June 25, 2009) and that valuation report was the similar type of report the Receiver required to gain comfort over the fair market value and forced liquidation value of the Ranco Land and Buildings in order to sell.
31. Based upon the review of the Land and Building Appraisal, the Receiver believes that the list price of the Ranco Land and Buildings of \$1,500,000 was appropriate, as the list price was materially higher than the forced liquidation value provided by Handley. The Land and Building Appraisal indicated a fair market value of the Ranco Land and Buildings, as

at May 14, 2010, of \$1,500,000 with a forced liquidation value of \$1,050,000. A copy of the Land and Building Appraisal is attached as Appendix D to this report.

32. Since entering into the Listing Contract, Re/Max's marketing activities of the Ranco Land and Buildings included the following, but were not limited too:

- (a) signage was installed on the site of the Ranco Land and Buildings on or about April 21, 2010;
- (b) a posting of the listing was included on the Re/Max and several other internationally known commercial real estate web-sites; *including Colliers*
- (c) approximately 20 showings were conducted by Re/Max on the Ranco Land and Buildings to parties that would potentially be interested in purchasing the Ranco Land and Buildings; and
- (d) submission of an information package of the Ranco Land and Buildings ("Information Package") to over 50 interested parties in the oilfield related business. A copy of the Information Package submitted to interested parties is attached as Appendix E to this report.

33. By the end of May 2010, Re/Max had received 2 offers on the Ranco Land and Buildings. The Receiver reviewed and discussed the two offers with Re/Max and determined that both offers would likely provide the best realization on the Ranco Land and Buildings, taking into consideration any conditions and closing risks.

34. Upon review of the two offers received, it was evident that these two offers were extremely close in price, with the only variance relating to deposit size and certain conditions. The two offers were considered reasonable and appropriate in the circumstance by Re/Max and the Receiver and subsequent counter-offers were made by the Receiver to each party resulting in ultimately accepting a revised offer from 1148750 Alberta Ltd. ("114") (the "Purchase Contract").

35. The Purchase Contract was accepted, signed, and executed by 114 and the Receiver on June 3, 2010. A copy of the Purchase Contract is attached to this report as Appendix F.
36. The purchase price of the offer accepted by the Receiver, subject to Court approval, is \$1,150,000, which is \$100,000 higher than the forced liquidation value provided for in the Land and Building Appraisal completed by Handley.
37. The main terms and conditions of the Purchase Contract are as follows:
- (a) Purchase Price in the amount of \$1,150,000 CDN;
 - (b) Deposit of \$150,000 (the "Deposit") to be paid within 2 business days upon the signing of the Purchase Contract and held in trust by Re/Max. The Deposit is non-refundable if 114 does not close after all conditions have been removed. On June 6, 2010, Re/Max received the \$150,000 Deposit from 114 and it currently remains in trust with Re/Max;
 - (c) The Receiver's obligation to complete the transaction is conditional until June 30, 2010 (or such other date that the parties may agree to) (the "Vendor's Condition Date"), subject to the Receiver obtaining court-approval of the Purchase Contract on terms and conditions acceptable to the Receiver;
 - (d) The closing of the Purchase Contract shall take place within 15 business days following satisfaction or waiver of 114's Vendors Condition Date (the "Closing Date");
 - (e) The Receiver to make available within 5 days of acceptance of the Purchase Contract to 114 of all available documentation in the possession of the Receiver, if any, such as all existing agreements, environmental and structural reports, surveys and appraisals, etc. The Receiver confirms that all available information held by the Receiver was delivered to 114 within the 5 days of acceptance of the Purchase Contract;

- (f) The Receiver to provide all reasonable access to the Ranco Land and Buildings to examine and review the property and or other files if they may exist;
- (g) The Receiver confirms that it has the power and authority to execute the Purchase Contract, subject to further court order, and that the Receiver is not a non-resident of Canada within the meaning of section 116 of the *Income Tax Act (Canada)*;
- (h) The Ranco Land and Buildings are sold “as is, where is” and there are no representations, warranties or collateral agreements or conditions being provided by the Court or the Receiver or any agent and 114 is relying entirely on its own due diligence and inquiries regarding the Ranco Land and Buildings and is not relying on any representations, warranties, agreements information or documents provided by the Receiver, unless specifically expressed in the Purchase Contract; and
- (i) No later than 3 business days prior to the Closing Date certain closing requirement documentation will be required to be completed as per Purchase Contract.

38. The Receiver believes that the Deposit is adequate security to show that the offer selected is legitimate and that it is likely that 114 will have adequate financial resources to close the sale of the Ranco Land and Buildings. The deposits are being held in trust by Re/Max.

Analysis of marketing efforts and purchase price of the Ranco Land and Buildings

39. The Receiver believes that the Ranco Land and Buildings have been adequately exposed to the market given the following:

- (a) Re/Max completed a broad marketing effort of the Ranco Land and Buildings including advertising and direct mailings to targeted customers;
 - (b) Multiple bids were received indicating a competitive sales process; and
 - (c) in the Receiver's opinion, a fair and reasonable marketing process was completed.
40. The Receiver believes that the purchase price in the amount of \$1,150,000 is reasonable given the following:
- (a) the offer for the Ranco Land and Building was the highest offer amongst all tendered bids received by the Receiver;
 - (b) the Receiver, with the support of an independent appraisal firm, determined that the purchase price offer of \$1,150,000 is higher than its forced liquidation value of \$1,050,000;
 - (c) the Receiver, the Plaintiff and any other stakeholder known to the Receiver that may have an interest in sale of the Ranco Land and Buildings do not oppose to this sale; as discussed further below;
 - (d) the marketing process conducted by Re/Max exposing the Ranco Land and Buildings is considered by the Receiver to be reasonable in the circumstances;
 - (e) The Purchase Contract includes a substantial deposit of approximately 13% of the purchase price and the only remaining condition is approval from this Honourable Court; and
 - (f) the completion of the Purchase Contract will allow for a substantial distribution to the main secured stakeholders to these proceedings.

Other secured creditors relating to the Ranco Land and Buildings

41. As discussed above, the Receiver understands that there are three known parties that may have an interest in the proposed sale of the Ranco Land and Buildings, namely:
- (a) the Royal Bank of Canada ("RBC");
 - (b) MRN Investments ("MRN"); and
 - (c) Silcan Contracting (MH) Ltd. ("Silcan").

The RBC security

42. The Receiver understands that Ranco granted RBC a separate general security agreement (the "Ranco GSA") securing all of its respective present and after acquired personal and other property in favour of RBC and that the Ranco GSA secures all direct and guaranteed indebtedness of Ranco in favour of RBC. The Receiver further understands that by way of a mortgage (the "Ranco Mortgage"), Ranco mortgaged to RBC the Ranco Land and Buildings securing payment of the sum of \$1,500,000 plus interest and certain costs. As discussed in the statement of claim filed by RBC dated February 9, 2010 (the "Statement of Claim"), on January 13, 2010, Ranco was indebted to RBC in the amount of \$906,350.73.
43. In addition, the Receiver was made aware that Ranco granted to RBC a guarantee and postponement of claim ("Ranco Guarantee") guaranteeing to RBC the indebtedness of Advantage (to RBC) for up to the sum of \$500,000. The Receiver is in the process of confirming priority and entitlement to the Ranco Guarantee.
44. The Receiver obtained an independent legal opinion on the RBC's security and determined that the Ranco GSA and Ranco Mortgage are valid and enforceable as against Ranco.

MRN

45. On or around March 2010, MRN contacted the Receiver to discuss their concern of non-payment over certain office furniture and equipment located in the Ranco building (the "Disputed Assets") MRN leased to Ranco for which they believe they have property security over. MRN indicate that they are owed approximately \$98,500 by Ranco in relation to these leased Disputed Assets.
46. The Receiver performed a high level review of the security documents submitted by MRN on the Disputed Assets and believes that these Disputed Assets may also be subject to security held under the Plaintiff's general security agreement ("GSA") over the Ranco Land and Buildings, but could not confirm as to its validity, priority and/or the enforceability of MRN security.
47. To allow the execution of the Purchase Contract to proceed, the Receiver reached an agreement with MRN to include the Disputed Assets as part of the sale of the Ranco Land and Buildings and, in turn, the Receiver would engage the services of an appraisal firm determine the forced liquidation value these Disputed Assets and set these monies aside in trust with the Receiver until further direction is provided by this Honourable Court.
48. On or about May 14, 2010, the Receiver engaged the services of A.R.C. Appraisals Ltd. to provide an appraisal on various of the Corporate Companies Assets, which included the Disputed Assets. The total forced liquidation value of the Disputed Assets is \$24,450. A listing of the Disputed Assets and a copy of MRN security documents are attached to this report as Appendix G.

Silcan

49. The Receiver understands that there is a caveat registered by Silcan against the Ranco Land and Buildings on or about February 10, 2010.

50. The Receiver further understands from Silcan's legal counsel and management that this caveat was registered as a result of non-payment of certain improvements Silcan made to the construction and development of the Ranco Land and Buildings that still remained unpaid.
51. The total amount of the caveat that was registered by Silcan against Ranco is \$200,000. The Receiver and Silcan legal counsel agreed to set aside the total amount of the caveat of \$200,000 to be held in trust with the Receiver until further direction is provided to the Receiver by this Honourable Court.
52. A copy of the caveat and registration documents filed by Silcan is attached to this report as Appendix H.

Assessment of the secured creditor claims

53. Based on the above, the Receiver believes that it is appropriate under the circumstance to set aside \$224,450 from the proceeds of the sale of the Ranco Land and Buildings ("Trust Funds") subject to court approval, to be held with the Receiver, until further direction of this Honourable Court.
54. The Receiver understands that the Plaintiff, MRN and Silcan have all agree to have the funds of \$224,450 set aside in trust with the Receiver, to allow for the sale of the Ranco Land and Buildings to proceed, subject to court approval.
55. The Receiver also recommends making an initial distribution to RBC of \$600,000 towards the security it holds against Ranco and the remaining balance of the proceeds to remain with the Receiver until a final distribution may be made, if any, by the Receiver.

SALES PROCESS FOR THE CORPORATE COMPANIES ASSETS

56. The Receiver identified certain assets from the Corporate Companies' Equipment that would be suitable for an auction that could maximize the greatest recovery for all creditors and stakeholders. Through discussions with former Advantage employees, Bruins, reviewing personal property registry searches, and review of fixed asset listings

and equipment financing contracts, the Receiver compiled (in the chart below) a listing of the equipment, which was owned by the Corporate Companies and were included in the June 9, 2010 auction (the "June 9, 2010 Auction"), as discussed further below.

57. A summary of the 5 identified Corporate Companies Assets that were placed in the June 9, 2010 Auction is outlined below:

June 9, 2010 Auction Equipment listing				
Item #	Asset	Appraised Value	Owned / Leased	Company
1	2007 Yangzhou Runyand TYC110DDP 40 ft Shipping Container	\$ 4,000	Owned	Ranco
2	Kustom Koach WT230 (Westwind) 23 ft t/a Holiday Trailer	5,500	Owned	Advantage
3	Custombuilt 8 ft s/a Garbage Trailer	200	Owned	Advantage
4	Lincoln Ranger 305G Electric Welder	1,000	Owned	Advantage
		<u>\$ 10,700</u>		
5	2007 International 4400 S/A Wire Line Truck (**)	<u>\$ 225,000</u>	Leased	North Paw

**This asset is leased through RBC Leasing and the total amount owed to RBC Leasing is approximately \$250,000. Although the Receiver determined that there was no equity within the lease based on the appraised value of the asset, the RBC Leasing requested if the Receiver could include this asset in the auction. The Wire Line truck lease forms part of the overall indebtedness that Ranco owes to RBC.

58. In addition to the June 9, 2010 Auction assets, the Receiver arranged to have the Miscellaneous Corporate Assets to be sold at another auction (the "June 22, 2010 Auction"), as discussed further below.

Retention of an Auctioneer

59. Under paragraph 3(l) of the Order, the Receiver is authorized to sell the Corporate Companies' Equipment and the Miscellaneous Corporate Assets out of the normal course of business, without approval of this Honourable Court, as long as not one transaction individually exceeds \$50,000 and that the aggregate consideration for all such transactions does not exceed \$250,000.
60. The Receiver evaluated each of the Corporate Companies' Equipment by determining the amount owed against each asset versus its forced liquidation value. The Receiver confirmed that equity did exist in each of the Corporate Companies' Equipment to warrant an auction of the assets in the June 9, 2010 Auction.
61. The Receiver obtained an independent appraisal on the Corporate Companies' Equipment and on the Miscellaneous Corporate Assets and it was determined that the forced liquidation value for each individual asset did not exceed \$50,000 nor on an aggregate basis did the value of the assets exceed \$250,000, with the exception of the Wire Line truck (discussed above). The Wire Line truck was leased by Ranco through RBC Leasing. The Receiver evaluated the Wire Line truck and determined that the forced liquidation value was far less than what was still owed by Ranco to RBC. Upon the request of RBC Leasing, the Receiver arranged to have the Wire Line truck included in the June 9, 2010 Auction, as oppose to releasing the truck back to RBC Leasing.
62. The Receiver provided the June 9, 2010 Auction listing to three reputable auction companies and requested the auction companies to submit proposals. The Receiver compared and analyzed the proposals and based on the proposals received the Receiver believed that the proposal from Ritchie Bros. Auctioneers (Canada) Ltd. ("Ritchies") was superior to the other proposals received.
63. The Receiver further believed that the commission based scenario provided in the Ritchie proposal (the "Ritchie Proposal") will guarantee the highest net realization on the Corporate Companies Assets.

64. The executed auction contract is attached to this report as Appendix I (the "Auction Contract"). As discussed above, there will be two auctions held to sell the Corporate Companies Assets: a) the sale of the assets per the Equipment Listing was sold at June 9, 2010 Auction held in Nisku, Alberta; and b) the sale of the Miscellaneous Corporate Companies Assets will be sold at the June 22, 2010 Auction in Lethbridge, Alberta.
65. The terms of the Auction Contract include:
- a) a 9% commission will be charged on the gross sales prices of all assets sold at auction; and
 - b) estimated costs of \$5,468 plus GST to cover the preparation of equipment, cataloguing, advertising, staffing, and administrative expenses.
66. The Receiver will provide an update to this Honourable Court on the final results of the two auctions and the net proceeds received.

SUMMARY OF NEXT STEPS

67. The Receiver's next steps include:
- (a) completion and finalizing the closing requirements on the sale of the Ranco Land and Buildings, subject to court approval;
 - (b) receiving the final proceeds from the June 9, 2010 and June 22, 2010 Auction from Ritchie's;
 - (c) the Receiver's analysis over validity and existence of the remaining account receivables within the Corporate Companies;
 - (d) review and assess certain accounting transactions that occurred prior to the Order of the Corporate Companies relating to fixed assets and equipment;
 - (e) an overall realization analysis to determine the recovery available for all creditors and stakeholders;

- (f) the Receiver's statement of receipts and disbursements relating to the Corporate Companies;
- (g) obtaining direction from this Honourable Court as to the release of Trust Funds as discussed above; and
- (h) seeking discharge as Receiver.

RECOMMENDATIONS

68. The Receiver recommends that this Honourable Court approve:

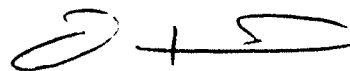
- (a) the sale of the Ranco Land and Buildings pursuant to the Purchase Contract; and
- (b) interim distribution to RBC in the amount of \$600,000 from the proceeds of the sale of the Ranco Land and Buildings, subject to approval from this Honourable Court.

All of which is respectfully submitted this 21st day of June, 2010.

ERNST & YOUNG INC.,
in its capacity as Receiver of
Advantage Oilfield Group, Ranco Holdings Ltd.,
and North Paw Energy Services Ltd.



Neil Narfason, CA•CIRP, CBV
Senior Vice-President



Orest Konowalchuk, CA
Manager

APPENDIX A

Corporate Companies' Equipment
&
Miscellaneous Corporate Assets

APPENDIX A

Corporate Companies' Equipment
February 12, 2010

Asset Type	Company	Forced Sale Value ("FSV")	Notes
<u>Known owned assets</u>			
2007 40'C-Can TYC-110 DDP	Ranco	4,000	June 9, 2010 Auction
1999 Westwind Lite WT230 Kustom Koach Holiday Trailer	Advantage	5,500	June 9, 2010 Auction
Custombuilt S/A Garbage Trailer	Advantage	200	June 9, 2010 Auction
Lincoln Ranger 305G Electric Welder	Advantage	N/A	June 9, 2010 Auction
2006 Yamaha Rhino 4x4 ATB	Advantage	5,000	Sold privately by Receiver at FSV
2008 CMI AAL 1-S-13 B&S BBQ Trailer	Advantage	3,000	Sold privately by Receiver at FSV
Poker table	Advantage	N/A	Waiting to be sold, insignificant value
		17,700	
<u>Leased assets</u>			
<u>Caterpillar</u>			
2008 Caterpillar 320D L Hyd. Excavator	Ranco	140,000	
2008 Caterpillar 320D L Hyd. Excavator	Ranco	140,000	
2008 Caterpillar 320D L Hyd. Excavator	Ranco	165,000	
2008 Caterpillar 320D L Hyd. Excavator	Ranco	165,000	
2008 Caterpillar 246C Skidsteer Loader	Ranco	25,000	
2005 Caterpillar D6R XW Series III	Ranco	165,000	
2005 Caterpillar D6R XW Series III	Ranco	165,000	
		965,000	Returned to CAT - no equity in lease
<u>Chrysler</u>			
2006 Dodge Ram 2500 4 x 4 Crew, includes welder	Advantage	20,000	Returned to Chrysler - no equity in lease
<u>MRN Investments Disputed Assets</u>			
Office furniture, Tools, Shop and cleaning supplies	MRN Investments	24,450	see Appendix F - part of sale of Ranco Building
<u>RBC Leasing</u>			
2007 HC 4400 DT 466 S/A Wireline Truck	North Paw	225,000	Returned to Chrysler - no equity in lease (part of June 9, 2010 Auction)

APPENDIX A

Ranco Holdings Ltd. & Advantage Oilfield Group Ltd. Miscellaneous Corporate Assets February 12, 2010

Item #	Asset Type:
1	4 - 65R20 Wrangler tires with Foose rims and centre caps
2	Torin Tool Chest with Tools
3	Red Mitre Saw
4	Honda Pump & Hose
5	Thermax Electric Fan
6	Mastercraft Die Grinder
7	Mastercraft Drill
8	Dewalt Sander
9	Mikita Skill Saw
10	Mikita Grinder
11	Milwaukee Electric Drill
12	Automatic Dog Food Bowl
13	Shop Stool
14	Red paint storage cabinet
15	Western Truck Mount V-Plow
16	Titan Pallet Jack
17	Metal shop trolley
18	Metal Steps
19	2 Aluminum step ladders
20	Moving dolly
21	Hydraulic floor jack
22	Booster-Battery Charger
23	4 Exhaust hoses
24	Various Oil Products CAT & Coop
25	Various misc items including: chains, boomers, sling, hooks, welding helmet, rope, air hoses, gloves, computer truck mount, axe, truck chip performance enhancer, trailer jacks.

APPENDIX B

Land Title Certificate



1. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Interior, and the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

2. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

3. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

4. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

5. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

6. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

7. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

8. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

9. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

10. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

11. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

12. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

13. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

14. The following is a list of the names of the persons who have been appointed to the various positions in the Department of the Public Works and Highways.

THE LAND TITLES ACT, 1954
CHAPTER 100
PART I
GENERAL
1. Short title and commencement
2. Interpretation
3. Application of Act
4. Land titles office
5. Registrar of land titles
6. Deeds and documents
7. Registration of documents
8. Priority of registered documents
9. Cancellation of registration
10. Rectification of errors
11. Appeals
12. Penalties
13. Miscellaneous provisions

THE LAND TITLES ACT, 1954
CHAPTER 100
PART II
SPECIAL PROVISIONS
14. Land titles certificate
15. Land titles deed
16. Land titles mortgage
17. Land titles lease
18. Land titles easement
19. Land titles right of way
20. Land titles right of burial



THE LAND TITLES ACT, 1954
CHAPTER 100
PART III
MISCELLANEOUS
21. General provisions
22. Transitional provisions
23. Final provisions

END

APPENDIX B

THE ABOVE PROVISIONS DO NOT IN ANY MANNER LIMIT THE ORIGINAL PURCHASER FROM
INCLUDING THIS UNDISCOUNTED AMOUNT IN ANY EFFORT, EITHER, APPRAISAL OF
OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL
PURCHASE OR APPLYING CONVENTIONAL, CONSIDERATIONS OR CONVENTIONAL EXPECTATIONS FOR
THE BENEFIT OF CLIENTS.

APPENDIX C

Listing Contract



1984921 Mar 22
APPENDIX C

COMMERCIAL SELLER BROKERAGE AGREEMENT (MLS® LISTING CONTRACT)

This form was developed by the Alberta Real Estate Association for the use of its members and may not be altered electronically by any person. Others who use this document do so at their own risk.

This Commercial MLS® Listing Contract (the "Contract") is between

THE SELLER

and

THE SELLER'S BROKERAGE (the "Brokerage")

Name Ernst and Young Inc., Receiver
Name et Ranco Holdings Ltd.
Address 1000, 440 - 2nd Ave SW
Calgary, Alberta
Phone (403) 206-5061
Fax (403) 206-5075
Email peter.chisholm@ca.ey.com

Brokerage Name RE/MAX MEDALTA REAL ESTATE
Address #109, 1235 SOUT MEDICINE HILL TIB 4K3
Phone (403) 529-9393 Fax (403) 529-9660
Email p.vanderh@telusplanet.net
PETER VANDERHAM
Broker, Associate Broker or Associate authorized to represent the Brokerage
Member of Medicine Hat (the "Board")

In consideration of the Brokerage listing the Seller's Property, the Seller hereby gives the Brokerage the **exclusive** right to offer the Property for sale for the price of _____ Dollars (\$) _____ plus GST, if applicable, and upon the following terms:

1. THE PROPERTY

1.1 The Property is the Land and Buildings known as Advantage Oilfield Group Ltd located at: 47 East 3rd Avenue, Dunmore, Alberta

59 East 3rd Avenue, Dunmore, Alberta
(municipal street address)

1.2 The legal description of the Property is:

Plan 0512216

Block/Unit 1

Lot 10

Acres _____

Block/Unit _____

Lot _____

Acres _____

W of (Meridian)	Range	Township	Section	Part	Acres

If Condominium Property, legal description and details as per Commercial Condominium Property Appendix (attached).

1.3 The Property includes:

(a) All goods attached to the Land and Buildings ("Attached Goods") except those goods listed below:

(b) Goods not attached to the Land and Buildings ("Unattached Goods") as listed below:

2. TERM OF THE CONTRACT

2.1 This Contract will commence at 9:00 (a.m./p.m.) on the 20th day of April, 2010 and will expire at 5:00 a.m./p.m. on the 30th day of June, 2010 (the "Expiry Date").

3. POSSESSION DATE

3.1 The proposed Possession Date is _____

4. BROKERAGE'S MANDATE

4.1 Obligations

The Brokerage will fulfill the following duties:

- (a) to use best efforts to market the Property and to promote the interests of the Seller;
- (b) to market the Property through the MLS® of the Board in accordance with the requirements of the Board;

- (c) to cooperate with brokerages working with buyers;
- (d) subject to Section 18, to act solely as the Seller's agent and fulfill the duties of loyalty, confidentiality and full disclosure of all relevant facts affecting the transaction known to the Brokerage. This includes disclosing all conflicts of interest that may arise between the Seller's interests and those of the Brokerage or buyers;
- (e) to disclose to all buyers all material latent defects affecting the Property known to the Brokerage;
- (f) to assist the Seller in negotiating favourable terms and conditions with a buyer, resulting in a legally binding purchase contract for the Property;
- (g) to present, in a timely manner, all offers and counter-offers to the Seller even when the Property is already the subject of a purchase contract;
- (h) to comply with the provisions of the *Real Estate Act* and its regulations, and the rules and bylaws of the Real Estate Council of Alberta

4.2 Other Services

The Seller requests, and the Brokerage agrees to provide, the following services:

- (a) to obtain verification of mortgage, property taxes, improvement charges, tenancy information and other similar information with respect to the Property;
- (b) to advertise the Property;
- (c) to place a "for sale" sign on the Property;
- (d) to show the Property at times acceptable to the Seller and, if any, the tenant(s);
- (e) the services listed below:

☒ Yes	☐ No
☒ Yes	☐ No
☒ Yes	☐ No
☒ Yes	☐ No

5. MLS® SERVICES

Seller's initials _____

5.1 All MLS® Listings must:

- (a) be for a minimum duration of 60 days;
- (b) provide compensation for cooperating brokers for the sale of the property;
- (c) not exclude any licensed industry member from acting as a cooperating broker.

5.2 Seller's Information:

- (a) The MLS® Listing Contract must be completed in full and must include the names of the parties, the term of the agreement, the address and legal description of the property, the price at which the property is being offered, the remuneration being offered to cooperating brokerages, the possession date and other property-dependent information necessary for the marketing of the property. This information will be entered into the MLS® System.
- (b) Changes to certain of the above-mentioned information will require the signatures of the Seller.
- (c) Should the Seller not wish its name to be entered into the MLS® System, this is permissible upon receipt of a written request from the Seller through its brokerage.
- (d) The Seller maintains the right to request that information such as the address and legal description of the property not be displayed on REALTOR.ca or ICX.ca.

5.3 Advertising:

- (a) The Seller's name and contact information shall not appear on REALTOR.ca or ICX.ca or in the public remarks section of the MLS® System.
- (b) The Brokerage may permit the Seller to reserve the right to sell the property itself. If Seller's Rights Reserved apply to a listing, that fact shall be disclosed to other members of the Board via the MLS® System.

Note: MLS® Listing means a property listed for sale on the Board's MLS® System. The trademarks MLS®, Multiple Listing Service® and the associated logos are owned by The Canadian Real Estate Association (CREA) and identify the quality of services provided by real estate professionals who are members of CREA.

6. DEPOSITS

- 6.1 All Deposits will be held in accordance with the terms of the signed Purchase Contract. If the Deposits are held by a real estate brokerage, they must be held in trust according to the *Real Estate Act* (Alberta).

7. BROKERAGE'S REMUNERATION

7.1 Commission

The Seller will pay the Brokerage as Commission 5%

if, during the Term of the Contract:

- (a) the Property is sold, exchanged or otherwise disposed of by the Seller or anyone else;
- (b) a person contacts the Seller directly or through a brokerage or inspects the Property and the Property is then sold, exchanged or otherwise disposed of by the Seller or anyone else to that person within 90 days after the Expiry Date (the "Hold-Over Period"). This clause will not apply where the Seller has signed another listing contract after the Expiry Date and a real estate commission is payable to another brokerage according to the terms of that other listing contract as a result of the sale or disposition.

Seller's Initials _____

Seller's Initials _____

Brokerage Representative's Initials _____

Page 6 of 6

WEBForms™ Dec 2009

- (c) The Seller has signed a Purchase Contract with a buyer who is willing and able to complete the sale but the Seller refuses to complete the sale; or
- (d) a buyer is found who is willing and able to complete the sale upon the conditions outlined in this Contract but the Seller refuses to sign the Purchase Contract.

7.2 Payment of Commission

- (a) The Seller will pay the Commission to the Brokerage no later than the second business day after the sale is completed, unless the Seller and the Brokerage agree otherwise in writing.
- (b) Any holdbacks or conditions accepted by the Seller or the Seller's lawyer will not delay payment of the Commission to the Brokerage.
- (c) The Brokerage will offer 2% plus GST, as compensation to cooperating brokerages, of the Commission.

7.3 Alternate Compensation

The Seller will pay Alternate Compensation to the Brokerage if a Purchase Contract is signed but the buyer defaults and the Deposits are forfeited. This Alternate Compensation will be lesser of the Commission that would have been payable had the sale been completed or 50% of the forfeited Deposits. Alternate Compensation shall be payable upon the forfeiture of the Deposits.

7.4 Deduction of Commission from Deposits and Proceeds of Sale

- (a) The Seller authorizes the Brokerage, upon completion of the sale, to deduct the Commission owed to the Brokerage from the Deposits, if any, held by the Brokerage and will pay any balance of Commission owed in accordance with clause 7.1.
- (b) The Seller irrevocably and unconditionally instructs any lawyer acting on behalf of the Seller to deduct from the Deposits and Proceeds of Sale, or any monies forfeited by or recovered from the buyer, any Commission or Alternate Compensation that remains owing to the Brokerage after it has exercised its right, if any, under clause 7.4(a) and to pay such Commission or Alternate Compensation, plus GST, to the Brokerage.

7.5 Limitation on Other Remuneration

The Brokerage agrees not to accept any other remuneration, whatever its form (including finder's fees, referral fees and gifts) and from whatever source (including the buyer, a mortgage lender, another brokerage or contractor), directly or indirectly related to its agency under this Contract unless, before accepting such remuneration, the Brokerage has fully disclosed in writing to the Seller all relevant facts relating to the offer of remuneration, including the maximum amount to be received, and obtained the Seller's written consent to the Brokerage receiving such remuneration.

8. SECURITY FOR THE BROKERAGE'S REMUNERATION

- 8.1 The Seller now encumbers all of its interest in the Land, Buildings and Attached Goods for the benefit of the Brokerage to secure payment of all money which may be owed by the Seller to the Brokerage under this Contract. The parties agree that the Brokerage is entitled to encumber the Land in accordance with the Land Titles Act (Alberta). The Seller now authorizes the Brokerage to do and maintain a caveat to give notice of this encumbrance.
- 8.2 If the Brokerage successfully enforces any of its rights or remedies under this section, the Seller will pay reasonable lawyer and client legal fees and costs incurred by the Brokerage.
- 8.3 If the Seller owes money under this Contract and the Brokerage does not wish to enforce this Contract against the Seller, then upon mutual agreement between the Brokerage and the buyer's brokerage, the Brokerage may assign this Contract to the buyer's brokerage. If this Contract is assigned, then the buyer's brokerage may enforce this Contract against the Seller to collect the portion of the Remuneration or Alternate Compensation, plus GST, to which the buyer's brokerage is entitled, and the buyer's brokerage will have the same rights and security given to the Brokerage according to Section 8 of this Contract.

9. DUTIES OF THE SELLER

- 9.1 The Seller will:
- (a) make its best efforts to insure the Property and its contents against loss or damage due to perils that are normally insured against for similar properties. The Seller will make best efforts to ensure that such insurance will be effective even when the Property is vacant;
 - (b) make reasonable efforts to communicate and cooperate with the Brokerage in a timely manner;
 - (c) provide the Brokerage with all the information necessary for the listing and marketing of the Property; and,
 - (d) immediately advise the Brokerage of any material change in the physical condition or status of the Property or in the information provided by the Seller.
- 9.2 The Seller will immediately advise the Brokerage:
- (a) during the Term of the Contract, of all inquiries by interested buyers or their representatives received by the Seller;
 - (b) during the Term of the Contract, of all offers to purchase from interested buyers or their representatives and will deliver such offers to the Brokerage;
 - (c) during the Hold-Over Period, of any offers to purchase the Property accepted by the Seller from a buyer introduced to the Seller during the Term of the Contract; and
 - (d) during the Hold-Over Period, of any offers or counter-offers regarding the Property made by the Seller and accepted by a buyer introduced to the Seller during the Term of the Contract.

10. IMPORTANT INFORMATION

- 10.1 The Seller will provide the following important information to the Brokerage promptly and at the Seller's expense:
- (a) a real property report, if applicable, reflecting the current state of improvements on the Property, according to the Alberta Land Surveyors' Manual of Standard Practice, with evidence of municipal compliance or non-conformance. This obligation will not apply to condominium units that do not create a lot nor to any transaction where there are no structures on the land.

(b) If the Property is a real estate condominium, the important information as described in the Condominium Property Appendix (attached).

(c) all other applicable property information that is reasonably required to develop particulars of sale including, but not limited to, financial information such as annual property operating data (APOD), tenant schedules and leases, service and supply contracts, engineering reports, environmental assessment reports, building plans and specifications.

The Seller authorizes the Brokerage to obtain the important information on the Seller's behalf and at the Seller's expense.

☐ Yes ☐ No Seller's Initials

10.2 Sellers are required by common law to disclose defects that are hidden, not visible or discoverable through a reasonable inspection of the Property, and that render the Property dangerous or potentially dangerous to the occupants or unfit for habitation. Sellers may also be required to disclose government and local authority notices and lack of development permits.

Are you aware of any such defects in the Property?

☐ Yes ☐ No Seller's Initials

Have you received any government or local authority notices?

☐ Yes ☐ No Seller's Initials

Are you aware of any lack of permits for any development on the property?

☐ Yes ☐ No Seller's Initials

11. ADVICE TO THE SELLER

11.1 If the Seller has entered into any long-term contracts that relate to the Property, for example, agreements for gas or utility services or security monitoring, the Seller should verify termination policies and any possible financial penalties with the other contracting party.

11.2 The Seller is advised that the Brokerage is being retained as a real estate broker, not as a lawyer, tax advisor, lender, appraiser, surveyor, structural engineer, property inspector, or other professional service provider.

12. SELLER'S WARRANTIES

12.1 The Seller warrants the following:

- (a) The Seller has the authority to sell the Property and enter into this Contract; ☐ Yes ☐ No Seller's Initials
- (b) The Seller has a right to sell the Unattached Goods listed in clause 1.3(b);
- (c) The goods attached to the Land and Buildings and the included Unattached Goods listed in clause 1.3 are free and clear of financial encumbrances;
- (d) The Seller has disclosed to the Brokerage all third party claims and interests in the Property known to the Seller;
- (e) The Property is not currently the subject of any seller-brokerage agreement;
- (f) All information provided to the Brokerage is accurate to the best of the Seller's knowledge.

12.2 The Seller warrants that, to best of the Seller's knowledge, the following are truthful and accurate:

- (a) The current use of the Land and Buildings complies with the existing municipal land use bylaw;
- (b) The Buildings and other improvements on the Land are not placed partly or wholly on any easement or utility right-of-way and are entirely on the Land and do not encroach upon neighbouring lands, except where an encroachment agreement is registered on title;
- (c) The location of Buildings and other improvements on the Land complies with all relevant municipal bylaws, regulations or relaxations granted by the appropriate municipality prior to the sale being completed, or the Buildings and other improvements on the Land are "non-conforming buildings" as that term is defined in the *Municipal Government Act (Alberta)*;
- (d) Within the meaning of the *Income Tax Act (Canada)*, the Seller is not now, nor will be on Completion Day, a non-resident of Canada nor is the Seller an agent or a trustee for any person with an interest in the Property who is a non-resident of Canada;
- (e) Where applicable, the Seller has complied with the bylaws of the Condominium Corporation.

13. SELLER'S CONFIDENTIAL INFORMATION WILL BE PROTECTED

13.1 The Brokerage undertakes it will:

- (a) not use confidential information received from the Seller, or obtained as a result of providing services under this Contract, for its own gain or the gain of its employees or to the prejudice of the Seller's interests; and,
- (b) not disclose any confidential information concerning the Seller to any other brokerage or other person unless authorized by the Seller or required by law.

14. USE AND DISTRIBUTION OF SELLER'S INFORMATION

14.1 The Seller consents to the collection, use and disclosure of the Seller's information by the Brokerage for the purpose of this Contract and such other use as is consistent with listing and marketing the Property including, but not limited to:

- (a) listing and advertising the Property using any medium including electronic media, interior and exterior photographs and video;
- (b) retaining and disclosing any listing and sales information, including price, which may be used by the Brokerage for any purpose relating to its business including conducting comparative analyses and disclosing such information to other persons such as appraisers and other brokerages;

14.2 Subject to Section 6 of this Contract, the Seller consents to placement of the listing and sales information by the Brokerage into the database(s) of the appropriate listing service(s) of the Board and acknowledges that the database of the Board is the property of the Board.

- ~~14.3 The Seller further acknowledges that the Brokerage and the Board may:~~
- ~~(a) distribute the information to any persons authorized to use such service which may include other brokers, government departments, appraisers, municipal organizations and others;~~
 - ~~(b) market the Property, at its option, in any medium, including electronic media;~~
 - ~~(c) compile, retain and publish any statistics including historical listing service data which may be used by the Brokerage and licensed Board members to conduct comparative market analyses; and~~
 - ~~(d) make such other use of the information as the Brokerage and the Board deem appropriate in connection with the listing, marketing and selling of real estate.~~

15. INDEMNIFICATION

- 15.1 The Seller will hold harmless and indemnify the Brokerage for any claims that may arise from its reasonable and good faith reliance on representations made, or information provided, by the Seller.

16. ADDITIONAL TERMS

- 16.1 The Seller agrees that:
- (a) the Brokerage may represent other sellers and, subject to Section 18, buyers;
 - (b) the Brokerage cannot disclose to the Seller confidential information obtained through any other agency relationship to which the Brokerage is or has been a party;
 - (c) the Brokerage will not be obligated to seek additional offers to purchase while the Property is subject to an unconditional purchase contract;
 - (d) if the Property is owned by a limited company, a sale of shares representing a controlling interest in the Property will constitute a sale for the purposes of this Contract.
- 16.2 This Contract:
- (a) includes, if signed or initialed by the Seller and attached to this Contract, the following documents:

Appendix A

- (b) will constitute the entire agreement between the Seller and Brokerage and there are no representations, warranties, collateral agreements or conditions which affect this Contract other than as expressed herein, *including Appendix A*;
 - (c) is for the benefit of and will be binding upon the heirs, administrators, executors, successors and assigns of the parties;
 - (d) will be governed by the laws of the Province of Alberta and the parties will submit to the jurisdiction of the Courts of the Province of Alberta for the resolution of any disputes that may arise out of this Contract.
- 16.3 No amendment to the terms of this Contract shall be effective unless it is in writing and signed by the Seller and the Brokerage.
- 16.4 If there is conflict or discrepancy between any provision added to this Contract and any provision in the standard portion hereof, the added provision will supersede the standard provision to the extent of such conflict or discrepancy.
- 16.5

17. ENDING THE CONTRACT

- 17.1 Without prejudice to the acquired rights of the Seller or the Brokerage, this Contract will end upon:
- (a) a completed sale of the Property;
 - (b) the expiration of the Term of the Contract as specified in clause 2.1 or on an earlier date if mutually agreed to by the Seller and the Brokerage in writing;
 - (c) the suspension or cancellation of the Brokerage's licence to trade in real estate;
 - (d) the Brokerage ceasing to be a member in good standing of a real estate board; or
 - (e) the bankruptcy or insolvency of the Brokerage or if it is in receivership.
- 17.2 Where one party to this Contract has materially breached a part of this Contract, the other party may, at its option, end this Contract by notice in writing to the party in breach.
- 17.3 When this Contract ends, the Brokerage will immediately remove the Property as an active listing on any listing service, cease all marketing activities on behalf of the Seller, remove all signs and any lockbox from the Property and return documents and other materials provided by the Seller.
- 17.4 Ending this Contract for whatever reason does not relieve the Brokerage of its duty of confidentiality to the Seller and its duty to account for all monies received by the Brokerage.

18. AGENCY DISCLOSURE AND SELLER'S ACKNOWLEDGMENT

- 18.1 The Seller has entered into an agency relationship under common law with the Brokerage, including its broker, all its associate brokers and associates (collectively referred to as the Seller's Agent). The Seller's Agent is obligated to protect and promote the interests of the Seller. Specifically, the Seller's Agent owes the Seller the duties of loyalty, obedience, confidentiality, reasonable care and skill, full disclosure and full accounting.

- 18.2 The Seller and potential buyers may be represented by different brokerages. Each of these brokerages owes its client the full agency duties listed in 18.1. Brokerages representing buyers will not have an agency relationship with the Seller.
- 18.3 If the Brokerage (the Seller's Agent) is the agent of a buyer who wishes to make an offer on the Property, the duties owed to each party are in conflict and would by necessity be limited. Prior to writing the offer the Brokerage will review with the buyer all relevant facts and implications of dual representation and then seek the buyer's written consent to Transaction Brokerage on the terms specified in the Transaction Brokerage Agreement. The Brokerage will obtain the Seller's consent to Transaction Brokerage prior to presenting the buyer's offer to the Seller.
- 18.4 Should the Brokerage deem Transaction Brokerage to be inappropriate for a particular transaction, the parties will seek alternate representation. Should either the Seller or the buyer not consent to Transaction Brokerage, the Brokerage will give the Seller and the buyer an opportunity to seek independent advice, and, unless otherwise agreed by the two parties, the non-consenting party will seek alternate representation and the Brokerage will continue to represent the consenting party.
- 18.5 The Seller, having read and understood this Contract, acknowledges that this Contract accurately sets out the terms agreed to by the Seller and the Brokerage.

19. SIGNATURES

- 19.1 This Contract may be signed by the parties and transmitted by fax. This procedure will be as effective as if the parties had signed and delivered an original copy.

This Contract was signed on April 20th 2010

Ernst and Young Inc., Receiver of Ranco Holdings Ltd.
 Name of Owner Registered on Title Name of Receiver Property is in possession of

[Signature]
 Authorized Signing Officer _____
 Neil Narfasan, Senior Vice President
 Print Name of Authorized Signing Officer _____

 Witness _____
 Print Name of Witness _____

Authorized Signing Officer _____

 Print Name of Authorized Signing Officer _____

 Witness _____
 Print Name of Witness _____

Signature of broker, associate broker or associate
 authorized to sign on behalf of the Brokerage _____

 Seller: Initial here to show you have
 received a copy of this Contract. _____
 Date _____

**APPENDIX "A" TO COMMERCIAL SELLER BROKERAGE AGREEMENT
CONTRACT NO. 1984921Mar22**

The following are amendments and additions to Commercial Seller Brokerage Agreement Contract No. 1984921Mar22 made between Ernst & Young Inc. as Receiver of Ranco Holdings Ltd. as "Seller" and RE/MAX Medalta Real Estate as "Brokerage":

1. The Attached Goods not included in the Property are as follows:

- 1 Digital Video Recorder
- 1 Power Panel re: Video Cameras
- 5 Indoor Dome Security Cameras
- 11 Indoor/outdoor Security Cameras
- Key Box
- Televisions/Home Theatres
- Fridge, Dishwasher and Microwave
- All office furnishings
- Vehicle Wash System
- 4 Bay Sea-Can Storage System
- Wash Bay Tarps
- Towel Dispensers
- Tile for Cabinet
- Security System
- Shop Hardware & Tools
- Bay Pressure Wash System (Cat Mdel 610 Pump with 5HP 3 Phase Motor)

2. Clauses 7.1, 7.2, 7.3 and 7.4:

The Seller will pay to the Brokerage a commission equivalent to five (5.0%) percent of the Purchase Price in respect of the sale of the Property to a third party. Such commission shall be due only at such time as a sale of the Property to a third party purchaser as approved by the Court of Queen's Bench of Alberta is completed such that title has passed to such third party purchaser and the sale proceeds have been unconditionally released to the Seller.

The Brokerage acknowledges that the Seller has not legal right to sell the Property without the approval of the Court of Queen's Bench of Alberta and that all offers to purchase and agreements of purchase and sale to be entered into between the Seller and third party purchasers must contain a condition precedent as to approval of the Court of Queen's Bench of Alberta.



The Brokerage will offer 2% of the Commission as compensation to cooperating brokerages.

3. The Asking Price for the Property, not including GST, \$1,500,000.00 CDN.

Where applicable, GST shall be the responsibility of the buyer.

4. No other provision of the listing contract, all Attached goods in the Property and all Unattached Goods included in the Property are sold on an as is-where is basis and without any warranty whatsoever, including a warranty as to fitness for intended use.

INITIALS
SELLER



INITIALS
BROKERAGE

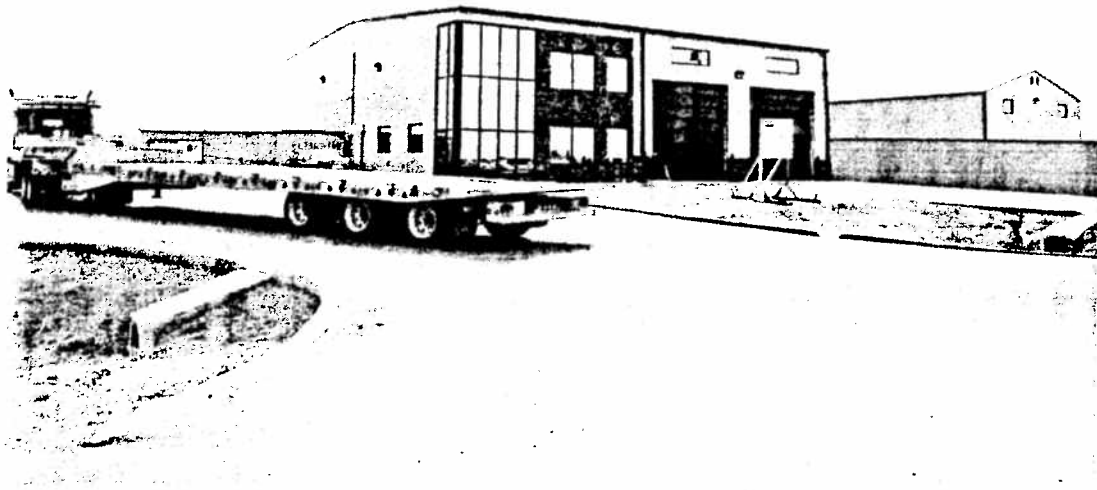


APPENDIX D

Land and Building Appraisal

SUMMARY APPRAISAL REPORT

OF
Industrial Office Premises
59 – East 3 Avenue
Dunmore, AB



AS OF
May 14, 2010

PREPARED FOR
Ernst & Young Inc.

PREPARED BY
Handley Appraisals Ltd.
Jerry Zezulka, DAC, IFAS
Roger G. Handley, DAC, Certified Appraisal Reviewer

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The following are included in the Addenda:

Certificate of Title
Appraiser's Qualifications

HANDLEY APPRAISALS LTD.

APPENDIX D

File Number: EY-10-05-11
June 2, 2010

Ernst & Young Inc.
1000, 440 -2nd Avenue S.W.
Calgary, Alberta
T2P 5E9

ATTN: Mr. Orest M.P. Konowalchuk
Manager, Transaction Advisory Services

Dear Sirs:

Re: Industrial Office Premises
59 – East 3 Avenue.
Dunmore, Ab.

Pursuant to your request, we have prepared an appraisal of the captioned property. The purpose of this appraisal is to estimate the market value of the subject property's fee simple interest. This appraisal is intended for the use of the client only.

This report has been completed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) and applicable Federal regulations.

We certify that we have no present or contemplated future interest in the property beyond this estimate of value. Your attention is directed to the Limiting Conditions and Assumptions, located on the following pages. This report constitutes an agreement with these conditions and assumptions.

2, 1713 – 2nd AVENUE, SOUTH, LETHBRIDGE, ALBERTA, T1J 0E8
Phone: 403-394-0608, Local Fax: 403-394-0606, Toll Free Fax: 1-866-678-0825
Email: handleyappraisals@gmail.com

By reason of our investigation and visual observation of the property and its location, and subject to the limiting conditions contained herein, it is our opinion that the market value, effective May 14, 2010 was:

ONE MILLION FIVE HUNDRED THOUSAND DOLLARS--(\$1,500,000.00)

The forced sale value of the property, effective May 14, 2010, was estimated at:

ONE MILLION FIFTY THOUSAND DOLLARS..\$1,050,000.00)

The market value estimate reported represents a decline of \$400,000.00--21 per cent -- from the estimate reported in June, 2009, and is the result of the slumping economy experienced in the oil and gas sectors in Medicine Hat over the past year or so. In addition to the slumping economy, Medicine Hat is a small and confined market. The current foreclosure and subsequent forced sale of the subject premises is common knowledge in the market place. As such, virtually every potential purchaser will be "bargain shopping", and any offers at or near the otherwise market value are not likely to be forthcoming. About the best that can be anticipated at this point will be something at or below forced sale levels.

We trust you will find this report in order. Should anything further be required, please contact us.

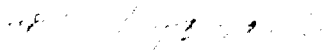
Respectfully submitted;

Per:

Handley Appraisals Ltd.



Jerry Zezulka, DAC, IFAS



Roger G. Handley, DAC,
Certified Appraisal Reviewer

LIMITING CONDITIONS AND ASSUMPTIONS

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of the client to whom this report is addressed... Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this limited appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

Necessary licenses, permits, consents, legislative or administrative authority from any local, provincial, or Federal government or private entity are assumed to be in place or reasonably obtainable.

It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.

The appraiser(s) are not required to give testimony in Court in connection with this limited appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) our regular per diem rate plus expenses.

Appraisals are based on the data available at the time the assignment is completed.

Amendments/modifications to limited appraisals based on new information made available after the limited appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

The use of this report for any purpose whatsoever is prohibited unless negotiable payment in full has been received by the appraiser.

The liability under this agreement to the client for any claim related to or arising in connection with the subject matter of this report or any services provided hereunder, whether in contract or in tort and including the negligence of the appraiser or appraisal company shall be limited to direct loss or damage arising from such breach of contract or such tort or such negligence and, further, shall be strictly limited to the value of the fees paid by the client.

OVERVIEW

- A) Subject Property:** Industrial Office Premises
59 – East 3 Avenue
Dunmore, AB
- B) Legal Description:** Plan 0512216, Block 1, Lot 10
- C) Registered Owner:** Ranco Holdings Ltd.
- D) Interest Appraised:** Fee Simple Interest

APPRAISAL PURPOSE

The purpose of this appraisal is to estimate the market value and forced sale value of the fee simple interest in the land and improvements, effective May 14, 2010.

Intended Use

The intended use of this appraisal is for corporate purposes

Intended User(s)

This appraisal is intended the use of the party to whom this report is addressed only.

MARKET VALUE DEFINITION

The term "**market value**" is defined as "the most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- A. Buyer and seller are typically motivated;
- B. Both parties are well informed or well advised, and each acting in what he/she considers his/her own best interest;
- C. A reasonable time is allowed for exposure in the open market;
- D. Payment is made in cash in Canadian dollars or in terms of financial arrangements comparable thereto; and;
- E. The price represents a normal consideration for the property sold unaffected by special or creative financing of sales concessions gained by anyone associated with the sale."¹

THREE-YEAR SALES HISTORY

Last Known Sale Date: N/A.

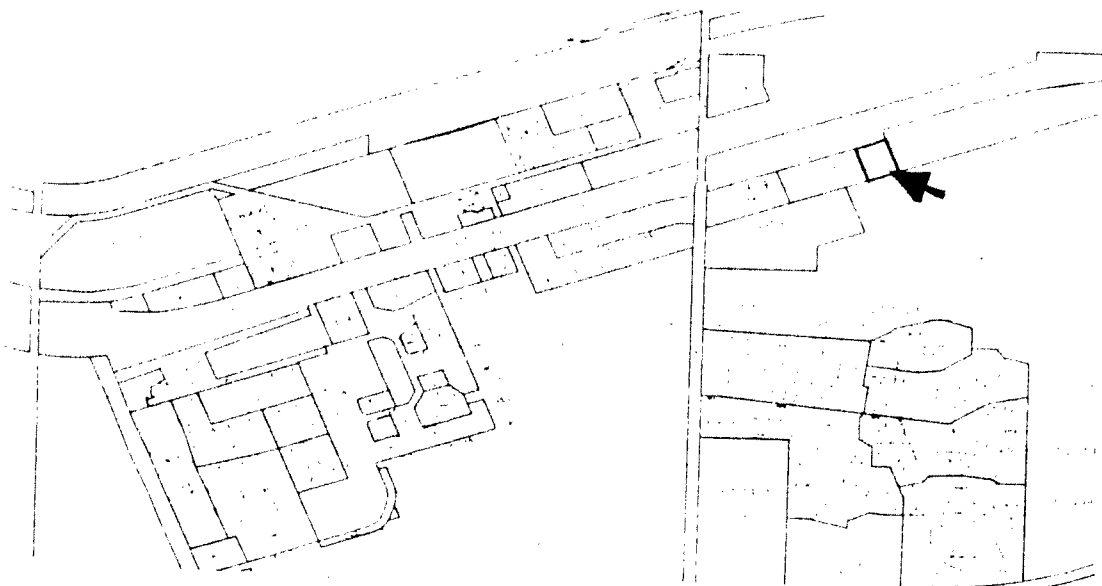
CURRENT LISTING / PENDING CONTRACT

According to information obtained, the subject is currently offered for sale at an asking price of \$1,500,000.00. The property was listed on April 20, 2010, about 35 days ago.

APPRAISAL SCOPE**VALUATION CRITERIA**

- a) the properties intended use
- b) Uniform Standards of Professional Appraisal Practice (USPAP)

¹ Title XI of FIRREA, 1989.

LOCATION

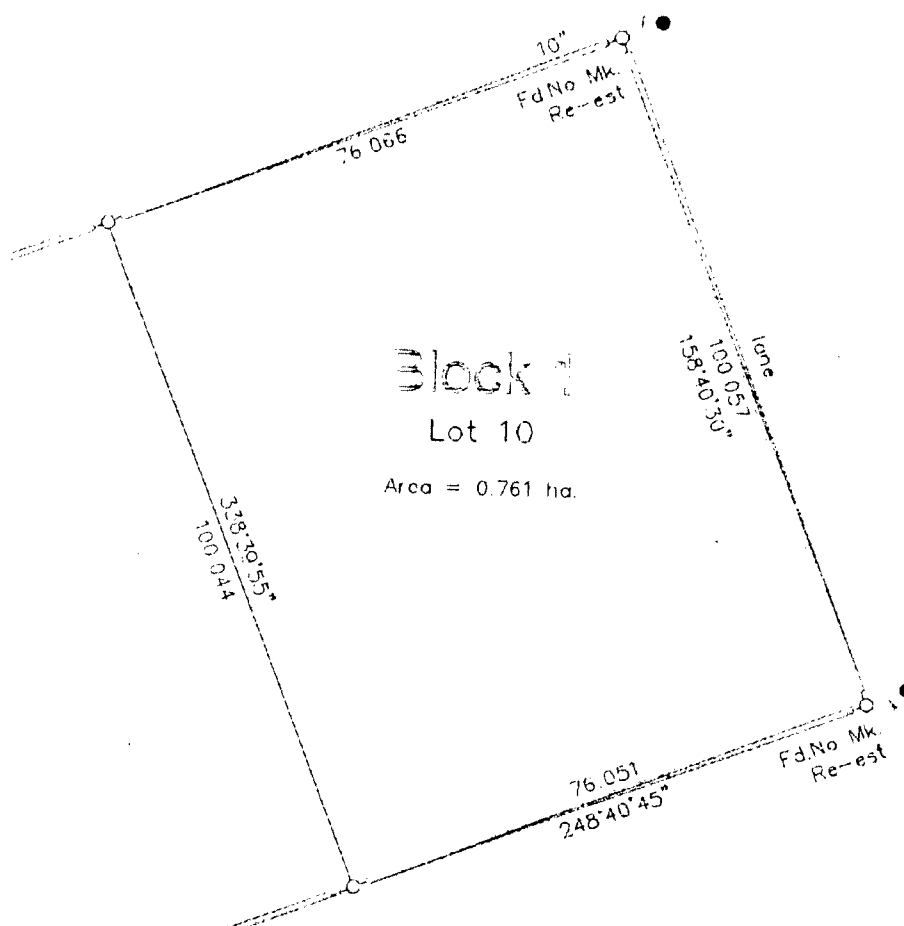
The subject is situated on the south side of the Trans Canada Highway service road (3 Avenue East), in Dunmore, Alberta.

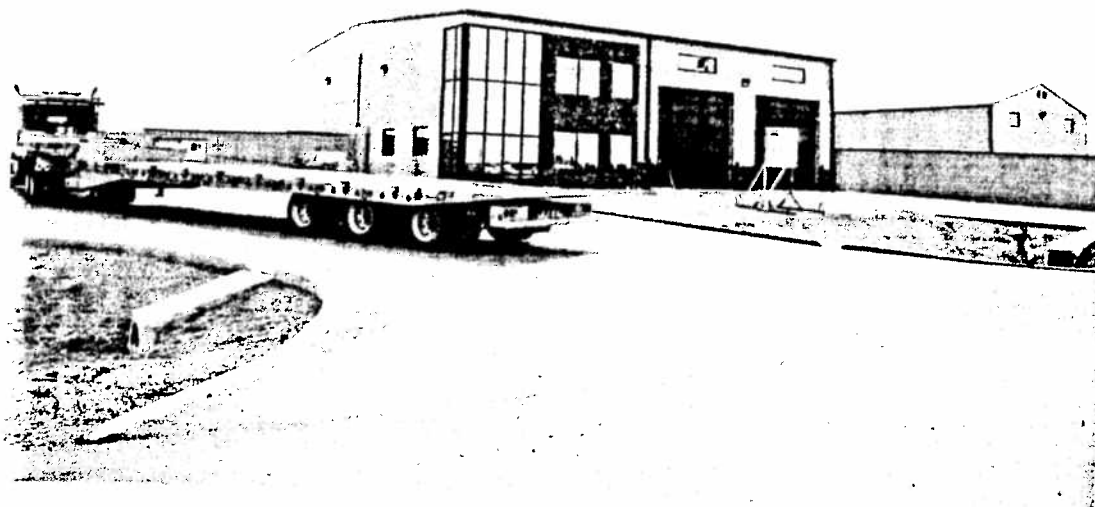
Dunmore is approximately five kilometres south west of Medicine Hat. Direct access is via the Trans Canada Highway--a divided four lane carrier. Dunmore is a satellite community of Medicine Hat.

The Hamlet has about 500 people. Of the 462.21 acre land area, there are 129.08 acres devoted to residential development, 63.36 acres for commercial and industrial development. Services include piped water (Medicine Hat), and garbage pick-up.

Residential construction activity has increased substantially in Dunmore over the past few years. The majority of new construction has occurred within the newer acreage subdivisions south of the Trans Canada Highway. Sizes range up to 0.50 acre, with services to the lot line.

To the west of the subject are a number of commercial/industrial properties in a small commercial subdivision fronting the Trans Canada Highway. To the south, there is some undeveloped land (formerly a golf driving range), and a residential subdivision.

PROPERTY DESCRIPTION**A) Land****Configuration:** Irregular, interior**Site Frontage:** 250.0 ft**Site Depth:** 328.25 ft.**Site Area:** 1.88 acres**Site Topography:** Level**Municipal Services:** Municipal water and sewer**Site Improvements:** n/a.

B) Improvements**1. Main Building**

Property Type: Show case industrial flex

Year Built: Proposed

Effective Age: new

Remaining Economic Life: 65 years

Size: Office; 1,361 s.f.
Shop; 4,239 s.f.
Total' 5,600 s.f.

Basement: None

Mezzanine: 1,361 s.f. good quality offices, board room, two piece washroom, staff room with mini-bar.

Net Rentable Area; 6,961s.f.

Foundation: Concrete

Frame: Steel frame

Exterior: Metal clad, structural glass

Roof: Steel joists

Roof finish: Metal clad

Interior Finish: Drywall, foil insulation

Ceilings: Drywall

Roof Height: 20 ft.

Partitions/Interior Framing: Drywall on wood

Floor Cover: Carpet, vinyl tile, concrete

Doors: Wood interior doors;
Five automatic 16 ft. by 16 ft. overhead doors

Other: N/A

MECHANICAL SYSTEMS

Heating/HVAC: Forced air, overhead radiant
Make – up air system

Cooling/Air Conditioning: Side mounted, zone controlled, four units

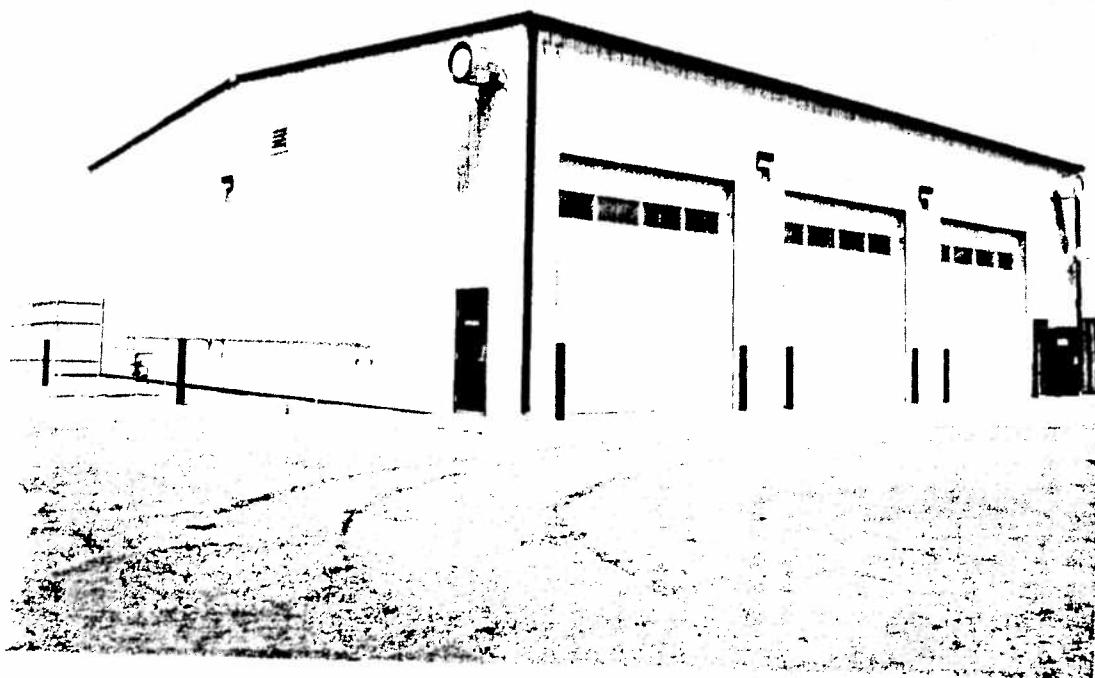
Hot Water: Natural gas fired tank

Electrical: 200 amp. 600 volt, 3 phase, 4 wire

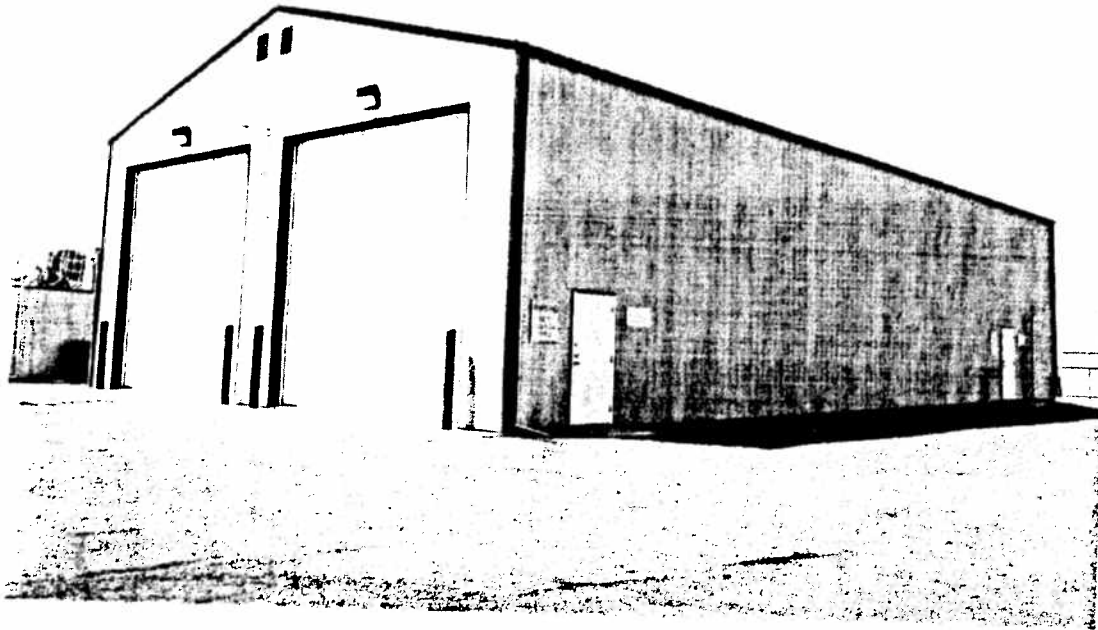
Plumbing: Adequate

Sprinkler: None, automatic fire shutters separate the office
from the shop area

Condition: new



2. Shop



Property Type: Industrial shop

Year Built: 2009

Effective Age: One year

Remaining Economic Life: 65 years

Size: 3,360 s.f., including 288 s.f. of office space

Basement: None

Mezzanine: 288 s.f.

Net Rentable Area; 3,360 .f.

Foundation: Concrete

Frame: Steel frame

Exterior: Metal clad

Roof: Steel joists

Roof finish: Metal clad

Interior Finish: Drywall, foil insulation

Ceilings: Drywall

Roof Height: 18 ft.

Partitions/Interior Framing: Drywall on wood

Floor Cover: Concrete

Doors: Wood interior doors;
Two automatic 16 ft. by 16 ft. overhead doors

Other: N/A

MECHANICAL SYSTEMS

Heating/HVAC: Overhead radiant

Electrical: 200 amp. 600 volt, 3 phase, 4 wire

Plumbing: Adequate

Condition: new

ASSESSMENT AND TAXES

Assessed Value Land:	234,710
Assessed Value Improvements:	1,066,290
Total Assessed Value:	1,301,000
Real Estate Taxes:	\$6,940.63 (2009)

DESIGNATED LAND USE

District:	HC Hamlet Commercial
Subject Use:	Class II Discretionary
Land Use Bylaw:	No. 2006/13 of Cypress County
	The nature of the land use class is such that virtually any use (and virtually any potential purchaser), must be approved by the Municipal Planning Commission.

HIGHEST AND BEST USE

Highest and best use may be defined as the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

Having regard to the three main criteria, and location, and the nature and magnitude of the improvements, highest and best use was concluded to be some form of industrial or office/industrial use that can derive some benefit from the advertising advantage afforded by the Trans Canada Highway exposure.

VALUATION METHODOLOGY

Market value was tested by cost summation, income capitalization, and direct comparison.

A) Cost Summation

A method of valuation whereby the estimated replacement cost of the improvements is added to the estimated land value, derived from direct comparison.

i) Land

Following is the land data considered.

No. 1

File No: CL 08-0711905-2-8
Municipality: Cypress County (Dunmore)
Location/Address: Adjacent to Trans Canada Highway, between Medicine Hat & Dunmore
Legal Description: Plan 0711905, Block 2, Lot 8
Parcel Area (sq.ft.): 69,696.00
Parcel Area (acres): 1.60
Designated Land Use: H-C Hamlet Commercial
Vendor / Purchaser: Monarch Land / 573117 Ab. Ltd.
Transaction Date: February, 2008
Selling Price: \$264,000.00
Selling Terms: conventional
Price per sq.ft.: \$3.79
Price per acre: \$165,000.00
Comments: The property is located next to the Trans Canada Highway, between Dunmore and Medicine Hat. The site has access to Medicine Hat Municipal water.

No. 2

File No: CL 08-0814331-2-12
Municipality: Cypress County, adjacent to Medicine Hat
Location/Address: Adjacent to Trans Canada Highway, between Medicine Hat & Dunmore
Legal Description: Plan 0814331, Block 2, Lot 12
Parcel Area (sq.ft.): 190,357
Parcel Area (acres): 4.37
Designated Land Use: H-C Hamlet Commercial
Vendor / Purchaser: n/a / n/a.
Transaction Date: June, 2008
Selling Price: \$524,400.00
Selling Terms: conventional
Price per sq.ft.: \$2.75
Price per acre: \$120,000.00
Comments: The property is located next to the Trans Canada Highway, between Dunmore and Medicine Hat. The site has access to Medicine Hat Municipal water.

No. 3
File No: CL 08-0814331-1-14
Municipality: Cypress County, adjacent to Medicine Hat
Location/Address: Adjacent to Trans Canada Highway, between Medicine Hat & Dunmore
Legal Description: Plan 0814331, Block 2, Lot 14
Parcel Area (sq.ft.): 201,247
Parcel Area (acres): 4.62
Designated Land Use: H-C Hamlet Commercial
Vendor / Purchaser: n/a
Transaction Date: October, 2008
Selling Price: \$623,700.00
Selling Terms: conventional
Price per sq.ft.: \$3.10
Price per acre: \$135,000.00
Comments: The property is located next to the Trans Canada Highway, between Dunmore and Medicine Hat. The site has access to Medicine Hat Municipal water.

No. 4
File No: CL 07-0710072-3-3
Municipality: Cypress County, adjacent to Medicine Hat
Location/Address: Adjacent to Trans Canada Highway, between Medicine Hat & Dunmore
Legal Description: Plan 0710072, Block 3, Lot 3
Parcel Area (sq.ft.): 87,120
Parcel Area (acres): 2.00
Designated Land Use: H-C Hamlet Commercial
Vendor / Purchaser: n/a
Transaction Date: Dec., 2007
Selling Price: \$229,899.00
Selling Terms: conventional
Price per sq.ft.: \$2.64
Price per acre: \$114,998.00
Comments: The property is located next to the Trans Canada Highway, between Dunmore and Medicine Hat. The site has access to Medicine Hat Municipal water.

No. 5

File No: CL 07-0710072-3-4
Municipality: Cypress County, adjacent to Medicine Hat
Location/Address: Adjacent to Trans Canada Highway, between Medicine Hat & Dunmore
Legal Description: Plan 0710072, Block 3, Lot 4
Parcel Area (sq.ft.): 88,862
Parcel Area (acres): 2.04
Designated Land Use: H-C Hamlet Commercial
Vendor / Purchaser: n/a
Transaction Date: Oct. 2007
Selling Price: \$320,000.00
Selling Terms: conventional
Price per sq.ft.: \$3.60
Price per acre: \$156,862.00
Comments: The property is located next to the Trans Canada Highway, between Dunmore and Medicine Hat. The site has access to Medicine Hat Municipal water.

No. 6

File No: CL 09-0814331-2-11
Municipality: Cypress County, adjacent to Medicine Hat
Location/Address: On Bullshead Road, between Medicine Hat & Dunmore
Legal Description: Plan 0814331, Block 2, Lot 11
Parcel Area (sq.ft.): 162,479
Parcel Area (acres): 3.73
Designated Land Use: H-C Hamlet Commercial
Vendor / Purchaser: Monarch Land Ltd. / 1368132 Alberta Ltd. Et al
Transaction Date: Nov. 2009
Selling Price: \$410,300.00
Selling Terms: conventional
Price per sq.ft.: \$2.53
Price per acre: \$110,000.00
Comments: The property is located east of Bullshead Road, near the Trans Canada Highway, between Dunmore and Medicine Hat. The site has access to Medicine Hat Municipal water.
 LTO. # 091288543

No. 7

APPENDIX D

File No:	CL 09-0814331-2-13
Municipality:	Cypress County, adjacent to Medicine Hat
Location/Address:	On Bullshead Road, between Medicine Hat & Dunmore
Legal Description:	Plan 0814331, Block 2, Lot 13
Parcel Area (sq.ft.):	202,554
Parcel Area (acres):	4.65
Designated Land Use:	H-C Hamlet Commercial
Vendor / Purchaser:	Monarch Land Ltd. / Lloyd & Linda Dallas
Transaction Date:	Sept. 2009
Selling Price:	\$500,000.00
Selling Terms:	conventional
Price per sq.ft.:	\$2.47
Price per acre:	\$107,526.00
Comments:	The property is located east of Bullshead Road, near the Trans Canada Highway, between Dunmore and Medicine Hat. The site has access to Medicine Hat Municipal water. LTO. # 091288543

As the data indicates, there was a slight decline in land selling prices through 2009. That is in keeping with the other sectors of the investment real estate market in and around Medicine Hat over the past one or two years.

Based on the size of the subject parcel, the location, and the data, the land estimate was calculated as follows;

1.88 acres @ \$130,000.00 = \$244,400.00

ii) Improvements

The depreciated cost of the improvements was calculated by use of the Marshall and Swift Valuation service, office records, and local trade opinion. Contrary to popular belief, construction costs have not decreased appreciably since the economic downturn of 2008. Indeed, some materials costs have continued to increase. On the other hand, sub-trades and labor have become more competitive, and labor costs have either decreased, or remained stable over the past year or so. Calculations follow;

a) Main Building

Municipal Service Garage; Metal frame and walls
 Ceiling Height; 20 ft.
 Metal curtain walls with glass panels
 Radiant space heaters; Air conditioned office space
 Estimated Replacement Cost, new
 $5600 \text{ s.f. @ } \$200.00 = \$1,120,000.00$

b) Service Building

Industrial Flex Building; Metal frame and walls
 Ceiling Height; 18 ft.
 Metal clad walls and roof cover
 Radiant space heaters; Flourescent lighting; 200 amp electricity
 Single office and storage mezzanine – 288 s.f.
 Estimated Replacement Cost; new
 $3,360 \text{ s.f. @ } \$125.00 = \$420,000.00$

Summary;

Estimated Replacement Cost, New	
Main building;	\$1,120,000.00
Service Building;	\$420,000.00
Site Improvements;	\$85,000.00
Expired Life;	(n/a.)
Total Improvements;	\$1,625,000.00
Land; at market;	<u>\$244,400.00</u>
Total Property;	\$1,869,400.00
Rounded to;	\$1,870,000.00

INDICATED VALUE BY THE COST SUMMATION:

**\$ 1,870,000.00 (ONE MILLION EIGHT HUNDRED SEVENTY
 THOUSAND DOLLARS)**

B) Income Capitalization

A method of valuation whereby the estimated annual net income produced by a property is capitalized at an appropriate rate to provide an indication of the property's value.

Direct Capitalization Analysis

The steps involved in capitalizing the subject's net operating income are as follows:

1. Develop the subject's Potential Gross Income (PGI) through analysis of the subject's actual historic income and an analysis of competitive current market income rates
2. Estimate and deduct vacancy and collection losses to develop the Effective Gross Income (EGI).
3. Develop and subtract operating expenses to derive the Net Operating Income (NOI).
4. Develop the appropriate capitalization rate (R_o).
5. Divide the net operating income by the capitalization rate for an estimate of value through the income approach.

i) Potential Gross Income (PGI)

The subject is owner occupied, and there is no arms length lease contract in place. In order to project a market rent for the subject, the following data was reviewed.

Address	Tenant	Area Occupied	Rate per s.f.
1276-Trans Canada Way S.E.	Kia	6,274 S.F.	\$14.00
1368 Trans Canada Way S.E.	Value Village	20,772 s.f.	\$10.63
1373 - 22 Street SE	Vik Clinic	N/A	\$11.33
181 - Carry Dr. SE	N/A	1300 s.f.	\$12.50
2801 - 13 Ave. SE	N/A	N/A	\$11.00
3010 - 3060 Dunmore Road SE	Revelstoke Home Centre	25,119 s.f.	\$10.20
3195 - 13 Ave SE	N/A	1160 s.f.	\$16.00
3271 Dunmore Road SE	N/A	760 s.f.	\$15.50
1451-Highway Avenue, Redcliff	National Oilwell	20,394 s.f.	\$15.23
1750 Broadway Ave	Waterous Diesel	19,526 s.f.	\$12.37
2148-Brier Park Place N.W.	Lufkin Industries Ltd	13,992 s.f. including 1,667 s.f. office	\$11.84
1202 - Dirksen Drive, Redcliff		18,000 s.f.	\$13.17
2400 - South Highway Drive, Redcliff	Canyon Technical Services	16,000 s.f.	\$14.00
2350 - South Highway Drive, Redcliff	United Rentals	7,500 s.f.	\$11.25
	Weatherford Products	7,500 s.f.	\$10.70
	Winroc	7,500 s.f.	\$9.70
2250 - South Highway Drive, Redcliff	Toromont Energy Services	12,000 s.f.	\$12.50
#1, 2200 South Highway Drive	Van Kappel International		\$11.00
2150 - South Highway Drive	Exterran Canada		\$10.40
1302 Dirksen Drive		2,606 s.f.	\$14.50

i) Income Projection

Information obtained during the course of this investigation revealed that industrial market rents have declined an average of approximately 25 per cent over the past year. A market rent of \$15.00 per s.f. was adopted for the main building. That rate is in line with the rates indicated in the data sampling, which represents the most recent information available. For the service building, a rate of \$10.00 per s.f. was considered realistic.

iii) Vacancy and Collection Loss

The subject is currently vacant. In the current economy, it could take some time to find a buyer for owner occupancy, or a new tenant for rental. Moreover, even in a buoyant economy, or with owner occupancy, or long term leases, a prudent investor will anticipate some vacancy over the projects full economic life. A long term vacancy of 5.0 per cent was projected.

iv) Landlord's Expenses

Structural maintenance for the building was projected at 3.0 per cent of effective gross income. Management of the earned income (rent) was charged at 3.0 per cent of effective gross income.

v) Capitalization Rate

Based on an appreciation of the subject's leasing potential, and the current state of the Medicine Hat/Redcliff industrial real estate investment market, the resultant net operating income was capitalized at 9.0 percent overall.

Over the past number of years, the fluctuating interest rates have pushed up investors' yield expectations. At the same time, the investment sector appears to have developed immunity to the wide and often sudden fluctuations in the cost of borrowing money.

Recent selling prices in Medicine Hat have started to reflect lower capitalization rates in new premises. For new premises such as the subject, rates in the 8.0 to 11 or 12 percent range have been maintained. The downturn in the economy over the past two or so years has had an equally adverse effect on rents, as it has had on values and prices. At the same time, capitalization rates have remained relatively constant (Value losses have been manifest more so in lower rents, rather than in higher conversion factors).

vi) Capitalization;

Potential Gross Income	
6,961 s.f. @ \$15.00 =	\$104,415.00
3,360 s.f. @ \$10.00 =	\$33,600.00
Less: vacancy @ 5.0% =	(<u>\$6,900.00</u>)
Effective Gross Income:	\$131,115.00
Less;	
Landlord's expenses:	(<u>\$ 7,867.00</u>)
Net Operating Income:	\$ 123,248.00
Capitalized at: 9.0%	
<u>\$123,248.00</u>	
9.0% =	\$1,369,422.00, Rounded to; \$1,370,000.00

INDICATED VALUE BY THE INCOME CAPITALIZATION APPROACH:
\$ 1,370,000.00 (ONE MILLION THREE HUNDRED SEVENTY THOUSAND DOLLARS)

C) Direct Comparison

The comparison process is carried out in three main phases:

- a) Information (market data is obtained from the best sources available. Whenever possible or practicable, accuracy and details are verified through public records, personal interviews, or other channels.
- b) The prices obtained are reduced to a unit of measurement (common denominator) that reflects the market's attitude toward a specific class of property.
- c) Depending on the origin of the various per unit amounts, positive and negative adjustments are applied to bring the benchmark up or down to the value (price level perceived for the appraised property).

Following is the data reviewed.

No. 1	
File No.:	IB-10-7210-Highway 524
Municipality:	Cypress County
District:	5 km. west of Redcliff
Address:	7210 Highway 524
Legal Description:	SE ¼ 27-13-7-W4
Development Type:	Industrial shop and warehouse with office space
Gross Building Area:	22,400 s.f.
Net Rentable Area:	22,400 s.f.
No. of Stories:	one
Construction Date:	2008
Site Area:	156.11 acres
Selling Price:	\$1,700,000.00
Terms:	forced sale (Foreclosure)
Transaction Date:	May, 2010
Vendor / Purchaser:	Court of Queen's Bench / n/a.
Overall Price per sq.ft.:	\$75.89
Comments:	LTO. # 091326450 There is also a 7,440 s.f. quonset storage building. The foreclosure listing priced the property at \$2,400,000.00. Land Titles information indicates that a sale of the property took place in May of 2008, at a reported price of \$3,573,799.00. There are some indications that this transaction might not have been at arms length.

No. 2
File No.: IB-09-170- Saskatchewan Drive
Municipality: Redcliff
District: n/a
Address: 170 - Saskatchewan Drive
Legal Description: Plan 9711118, Block 5, Lot 15
Development Type: Light industrial / commercial building
Gross Building Area: 4,800sq.ft.
Net Rentable Area: 4,800 s.f.
No. of Stories: one
Construction Date: 1997
Site Area: 1.12 acres
Selling Price: \$525,000.00
Terms: conventional
Transaction Date: Sept, 2009
Vendor / Purchaser: Robust Investments Ltd. / Pyramid Land Corporation
Overall Price per sq.ft.: \$109.38
Comments: LTO. # 091326450

No. 3
File No.: IB-09-7711421-9-1
Municipality: Redcliff
District: n/a
Address: 24 - Industrial Drive
Legal Description: Plan 7711421, Block 9, Lot 1
Development Type: Light industrial / commercial building
Gross Building Area: 5,000sq.ft.
Net Rentable Area: 5,000sq.ft.
No. of Stories: one
Construction Date: 1985
Site Area: 0.62 acres
Selling Price: \$490,000.00
Terms: conventional
Transaction Date: May, 2009
Vendor / Purchaser: n/a. / 1442093 Alberta Ltd.
Gross Income: \$50,000.00
Overall Price per sq.ft.: \$98.00
O.A.R.: 11.2 %

No. 4	
File No.:	IB-08-6293JK-5
Municipality:	Medicine Hat
District:	Brier Park
Address:	1672 – Brier Park Crescent N.W.
Legal Description:	Plan 6293 JK, , Block C, Lot 6
Development Type:	Steel frame manufacturing and office building, dock height floors
Gross Building Area:	39,300 s.f.
Net Rentable Area:	39,300 s.f.
No. of Stories:	one
Construction Date:	1974
Site Area:	6.38 acres
Selling Price:	\$1,800,000.00
Terms:	conventional
Transaction Date:	April, 2008
Vendor / Purchaser:	Data Group Limited Partnership / Classic Construction
Gross Income:	n/a.
Net Income:	\$224,000.00 (est.)
Overall Price per sq.ft.:	\$45.80
O.A.R.:	11.9 %
G.I.M.:	n/a.
Comments:	Floor area includes 5,600 s.f. of offices
No. 5	
File No.:	IB-08-0512216-1-9'
Municipality:	Cypress County
District:	Dunmore
Address:	47 – East 3 Avenue
Legal Description:	Plan 0512216, Block 1, Lot 9
Development Type:	Industrial flex building
Main Floor Area;	13,000 s.f.
Mezzanine;	4,500 s.f. good quality office
Gross Building Area:	17,500 s.f.
Net Rentable Area:	17,500 s.f.
No. of Stories:	one
Construction Date:	2007
Site Area:	4.99 acres
Selling Price:	\$3,000,000.00
Terms:	conventional
Transaction Date:	February, 2008
Vendor:	Ranco Holdings Ltd / Zion Real Estate Ltd.
Overall Price per sq.ft.:	\$171.43
O.A.R.:	7.91%
Comments:	There is a 5,200 s.f. unlined shop, of metal construction, included in the price. The main building is a “first class” show case industrial premises.

No. 6
File No.: IB-09-2125 Brier Park Place N.W.
Municipality: Medicine Hat
District: Brier Park
Address: 2125 – Brier Park Place N.W.
Legal Description: Plan 7910065 , Block 2, Lot 6
Development Type: Industrial Flex
Gross Building Area: 3,680 s.f.
Net Rentable Area: 3,680 s.f.
No. of Stories: one
Construction Date: 1980
Site Area: 1.82 acres
Selling Price: \$658,000.00
Terms: conventional
Transaction Date: May, 2009
Vendor / Purchaser: Wasilow / Moskal Mechanical Lt5d.
Overall Price per sq.ft.: \$178.80
Comments: LTO. 091171058

No. 7
File No.: IB-09-1348 – 32 Street S.W.
Municipality: Medicine Hat
District: Cottonwood
Address: 1348 – 32 Avenue S.W.
Legal Description: Plan 7810488 , Block 1, Lot 9
Development Type: Industrial Flex
Gross Building Area: 12,000 s.f.
Net Rentable Area: 12,000 s.f.
No. of Stories: one
Construction Date: 1979
Site Area: 2.41 acres
Selling Price: \$950,000.00
Terms: conventional
Transaction Date: August, 2009
Vendor / Purchaser: 752136 Alberta Ltd. / 1219449 Alberta Ltd.
Overall Price per sq.ft.: \$79.17
Comments: LTO 091258567

In summary form, the data appears as follows;

<u>No.</u>	<u>Date</u>	<u>Building size (s.f.)</u>	<u>Price per s.f.</u>
1.	May, 2010	22,400	\$75.89
2.	Sept. 2009	4,800	\$109.38
3.	May, 2009	5,000	\$98.00
4.	April, 2008	39,300	\$45.80
5.	Feb. 2008	17,500	\$171.43
6.	May, 2009	3,680	\$178.80
7.	August, 2009	12,000	\$79.17

The subject is essentially a smaller version of No. '5' of the data, in terms of construction style and quality. The two properties are within one city block of each other. The comparable was sold over two years ago at \$171.43 per s.f. since that time, real estate values have declined (over the past year) by about 20 per cent. At that rate, the current selling price appears at about \$137.50 per s.f. The subject is a smaller building (about 40 per cent as large as the comparable), that is slightly newer. Typically, all else being equal, per unit price tends to vary in inverse proportions to size.

The majority of the data is located in Medicine Hat. Up until a few years ago, Medicine Hat properties invariably brought more on the market than properties in either Redcliff or Dunmore. More recently, however, Redcliff's Lockwood subdivision has become the area of choice of many industrial users, and selling prices have followed suit. Similarly, the Dunmore area has found a "place" in the market. Currently, there is no apparent price variation between the three locations.

No. '6' of the data is a small building on a large land parcel in Brier Park. Firstly, the selling price per s.f. of building is distorted upward by the land component. Secondly, this building is about half the size of the subject, and the size-price relationship comes into play.

The subject is considered physically superior to all of the remaining data, particularly due to interior finishing and appointments. Although it is difficult to mathematically quantify the market's reaction to the differences, a variation of up to 50 per cent does not seem untoward.

The direct comparison estimate was finalized at \$150.00 per s. f. for the main building. That total is higher than all but one of the data, and reflects the subject's age (almost new), quality of construction, and the location. For the shop building, a rate of \$120.00 per s.f. was adopted.

6,961 s.f. @ \$150.00 = \$1,044,150.00

3,360 s.f. @ \$120.00 = \$403,200.00

Total Property; \$1,447,350.00

Rounded to; \$1,447,000.00

**INDICATED VALUE BY THE DIRECT COMPARISON APPROACH:
\$1,447,000.00 (ONE MILLION FOUR HUNDRED FORTY SEVEN
THOUSAND DOLLARS)**

RECONCILIATION

The value estimates, as developed are as follows:

Cost Summation; \$1,870,000.00

Income Capitalization; \$1,370,000.00

Direct Comparison; \$1,447,000.00

The estimate was finalized at \$1,500,000.00 – nearer the income capitalization and direct comparison results. The relatively high cost summation indicator is simply an indication of the obsolescence that exists in investment properties such as the subject in a depressed market.

FINAL VALUE:

\$1,500,000.00 (ONE MILLION FIVE HUNDRED THOUSAND DOLLARS)

FORCED SALE VALUE

Since circa 1981, forced sale value has come to be a common term in real estate. At the same time, a standardized definition or specific guidelines to be followed in estimating forced sale values has not been successfully developed.

Black's Law Dictionary defines forced sale as 'A sale made without the consent or concurrence of the owner of the property but by virtue of a judicial process, such as writ of execution or an order under a decree of foreclosure.' In the appraisal field, "Forced Sale Value" is generally considered as: The price which the seller would receive if under pressure to sell, usually for cash, without the consent or concurrence of the owner by virtue of a judicial process, regardless of the demand or other market conditions, within a restricted time frame, to a prudent, willing and able purchaser who may have limited knowledge about the property, its uses and capability.

Market value contemplates willing buyers and willing sellers, neither being under duress. It also implies a normal marketing period, with adequate marketing techniques applied, market exposure, advertisements, signs, viewing the property by potential purchasers and usually utilizing a realtor or real estate sales firm of adequate competence. Alternatively, forced sale contemplates a shorter than currently normal marketing period; The vendor must sell regardless of demand; Does not carry the right of a prospective purchaser to view the property to the same extent normally offered and in some cases the owner will not allow a viewing of any kind; Often a prospective purchaser must provide a non refundable deposit with the balance of the monies owing payable within a shorter than normal period of time. Invariably, because of the additional constraints involved, as well as the stigma usually attached to forced sale properties, offers to purchase the property are significantly lower than the perceived market value of the property. In some cases, no offers are received at all.

Little empirical evidence relative to a forced sale is available. However, it is likely that a discount will have to be offered if the distressed property is to be sold assuming a restricted marketing time. In the current market, about the best guide to a forced sale estimate was found in No. '1' of the market data outlined earlier in this report. That property was ultimately sold for \$1,700,000.00. The property was listed on the open market at an asking price of \$2,400,000.00. The selling price represents a reduction of 29.2 per cent from the asking price. The subject is currently listed on the open market at \$1,500,000.00 – equal to the appraised value herein. At a discount of 30 per cent, the forced sale value calculates to \$1,050,000.00.

Alternatively, there was an apparent transfer of comparable No. '1' in May, 2008, at a stated price of \$3,573,799.00. The current selling price reflects an indicated loss in value of 52.4 per cent. That rate, applied to the 2009 appraised value of the subject of \$1,900,000.00 produces a relative indicator of \$912,000.00. This calculation, however, is based on a reported transaction that could not be confirmed, and could therefore be relied upon accordingly.

The forced sale value was concluded to be \$1,050,000.00, which represents a discount of 30 per cent from the estimated market value.

FORCED SALE VALUE:

\$ 1,050,000.00 (ONE MILLION FIFTY THOUSAND DOLLARS)

CERTIFICATION

Handley Appraisals Ltd. Hereby certifies that:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- the compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- the analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- No one provided significant professional assistance to the persons signing this report.
- * in my opinion, the value of the fee simple interest in the subject property, legally described as; Plan 0512216, Block 1, Lot 10, effective May 14, 2010, was \$1,500,000.00.
- The exposure time for the subject property is estimated to be between 60 and 180 days.
- * the forced sale value, effective May 14, 2010, was estimated at \$1,050,000.00.
- The exposure time for the subject property is estimated to be less than 180 days.

APPRAISER


Jerry Zezulka

Date Signed: June 2, 2010

Designation: DAC, IFAS

Recertified: Yes: X No:



Roger G. Handley

DAC, Certified Appraisal Reviewer

Yes: X No: