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 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;

(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 then 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 Bulidings 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").

<u>The RBC security</u>

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.

<u>Assessment of the secured creditor claims</u>

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
		$ 10,700		
5	2007 International 4400 S/A Wire Line Truck (**)	$ 225,000	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

Corporate Companies' Equipment
February 12, 2010

Asset Type	Company	Forced Sale Value ("FSV")	Notes
Known owned assets			
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	
Leased assets			
Caterpillar			
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
Chrysler			
2006 Dodge Ram 2500 4 x 4 Crew, includes welder	Advantage	20,000	Returned to Chrysler - no equity in lease
MRN Investments Disputed Assets			
Office furniture, Tools, Shop and cleaning supplies	MRN Investments	24,450	see Appendix F - part of sale of Ranco Building
RBC Leasing			
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 Electic Fan
6	Mastercraft Die Grinder
7	Mastercraft Drill
8	Dewalt Sander
9	Mikita Skill Saw
10	Mikita Grinder
11	Milwakee Elecrtic 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

LAND TITLE CERTIFICATE

S

LINC	SHORT LEGAL	TITLE NUMBER
0031 120 504	0512216;1;10	051 219 697 +1

LEGAL DESCRIPTION
PLAN 0512216
BLOCK 1
LOT 10
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 0.761 HECTARES (1.88 ACRES) MORE OR LESS

ESTATE: FEE SIMPLE
ATS REFERENCE: 4;5;12;1;NW

MUNICIPALITY: CYPRESS COUNTY

REFERENCE NUMBER: 051 167 028

REGISTERED OWNER(S)

REGISTRATION	DATE(DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
051 219 697	21/06/2005	SUBDIVISION PLAN		

OWNERS

RANCO HOLDINGS LTD..
OF BOX 22007
MEDICINE HAT
ALBERTA T1A 8M5

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
911 114 382	31/05/1991	UTILITY RIGHT OF WAY GRANTEE - ALTAGAS UTILITIES INC.. 5509-45TH ST LEDUC

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
		ALBERTA T9E6T6 (DATA UPDATED BY: CHANGE OF NAME 051062918)
051 046 740	04/02/2005	CAVEAT RE : DEVELOPMENT AGREEMENT PURSUANT TO MUNICIPAL GOVERNMENT ACT CAVEATOR - CYPRESS COUNTY. BOX 108 DUNMORE ALBERTA T0J1A0
081 329 341	03/09/2008	MORTGAGE MORTGAGEE - ROYAL BANK OF CANADA. 180 WELLINGTON STREET WEST, 3RD FL TORONTO ONTARIO M5J1J1 ORIGINAL PRINCIPAL AMOUNT: $1,500,000
101 042 704	10/02/2010	CAVEAT RE : AGREEMENT CHARGING LAND CAVEATOR - SILCAN CONTRACTING (MH) LTD.. BOX 1184 MEDICINE HAT ALBERTA T1A7H3

TOTAL INSTRUMENTS: 004

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED HEREIN THIS 24 DAY OF MAY, 2010 AT 03:29 P.M.

ORDER NUMBER:16596521

CUSTOMER FILE NUMBER: EY-10-05-11

REGISTRAR OF LAND TITLES

END OF CERTIFICATE

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER, SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

(CONTINUED)

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).

APPENDIX C

Listing Contract

AREA
ALBERTA REAL ESTATE ASSOCIATION

1984921Mar22
Contract Number
APPENDIX C

COMMERCIAL SELLER BROKERAGE AGREEMENT (MLS® LISTING CONTRACT)

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

THE SELLER and **THE SELLER'S BROKERAGE (the "Brokerage")**

THE SELLER		THE SELLER'S BROKERAGE	
Name	Ernst and Young Inc., Receiver	Brokerage Name	RE/MAX MEDALTA REAL ESTATE
Name	of Ranco Holdings Ltd.		
Address	1000, 440 - 2nd Ave S.W.	Address	#109, 1235 SOUT MEDICINE HA T1B 4K3 (postal code)
	Calgary, Alberta	Phone	[403]529-9393 Fax [403]529-9660
Phone	(403) 206-5061	Email	pvanderh@telusplanet.net
Fax	(403) 206-5075	Broker, Associate Broker or Associate authorized to represent the Brokerage	PETER VANDERHAM
Email	peter.chisholm@ca.ey.com	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 ______
Plan ______ 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 8:00 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; ☑ Yes ☐ No

(b) to advertise the Property; ☑ Yes ☐ No

(c) to place a "for sale" sign on the Property; ☑ Yes ☐ No

(d) to show the Property at times acceptable to the Seller and, if any, the tenant(s); ☑ Yes ☐ No

(e) the services listed below:

Seller's initials ______________

5. MLS® SERVICES

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% ~~plus GST~~

if, during the Term of the Contract: Seller's Initials______

(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;~~

(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 complete~~d, 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% of the Commission, ~~plus GST, as compensation to cooperating brokerages.~~

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 file 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 resale 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 d isclose 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 5 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 20 10.

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

Authorized Signing Officer | Witness

Neil Narfason, Senior Vice President
Print Name of Authorized Signing Officer | Print Name of Witness

Authorized Signing Officer | Witness

Print Name of Authorized Signing Officer | 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 Micrwave
   - 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

TABLE OF CONTENTS

The following are included in the Addenda:

Certificate of Title
Appraiser's Qualifications

HANDLEY APPRAISALS LTD.

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 <u>after</u> 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.

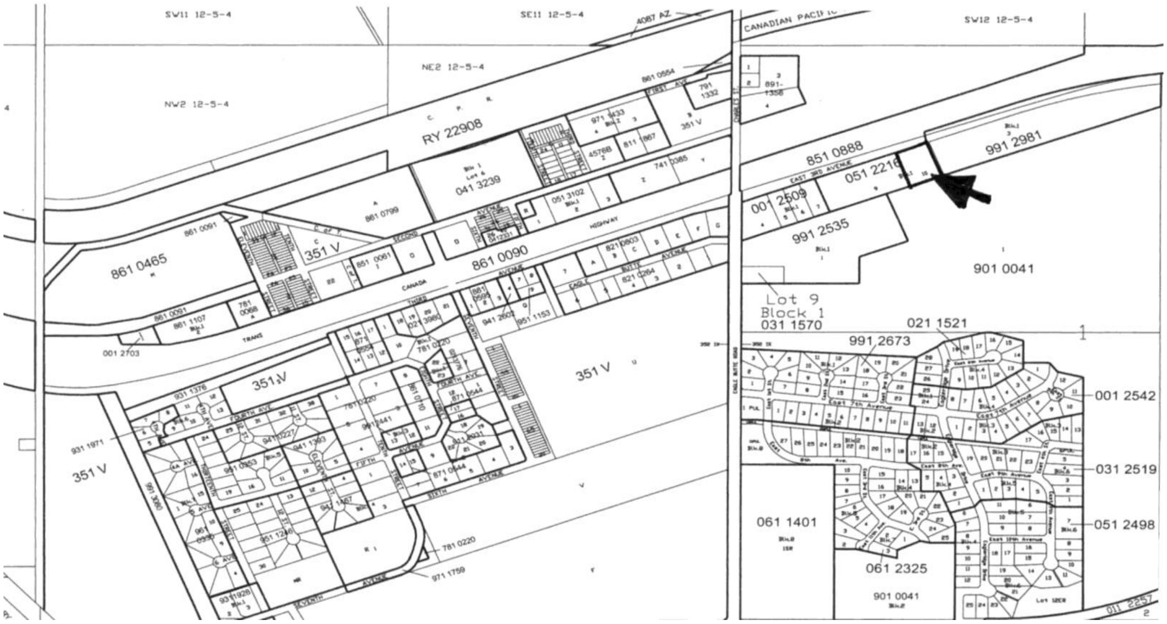
APPRAISAL SCOPE

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.

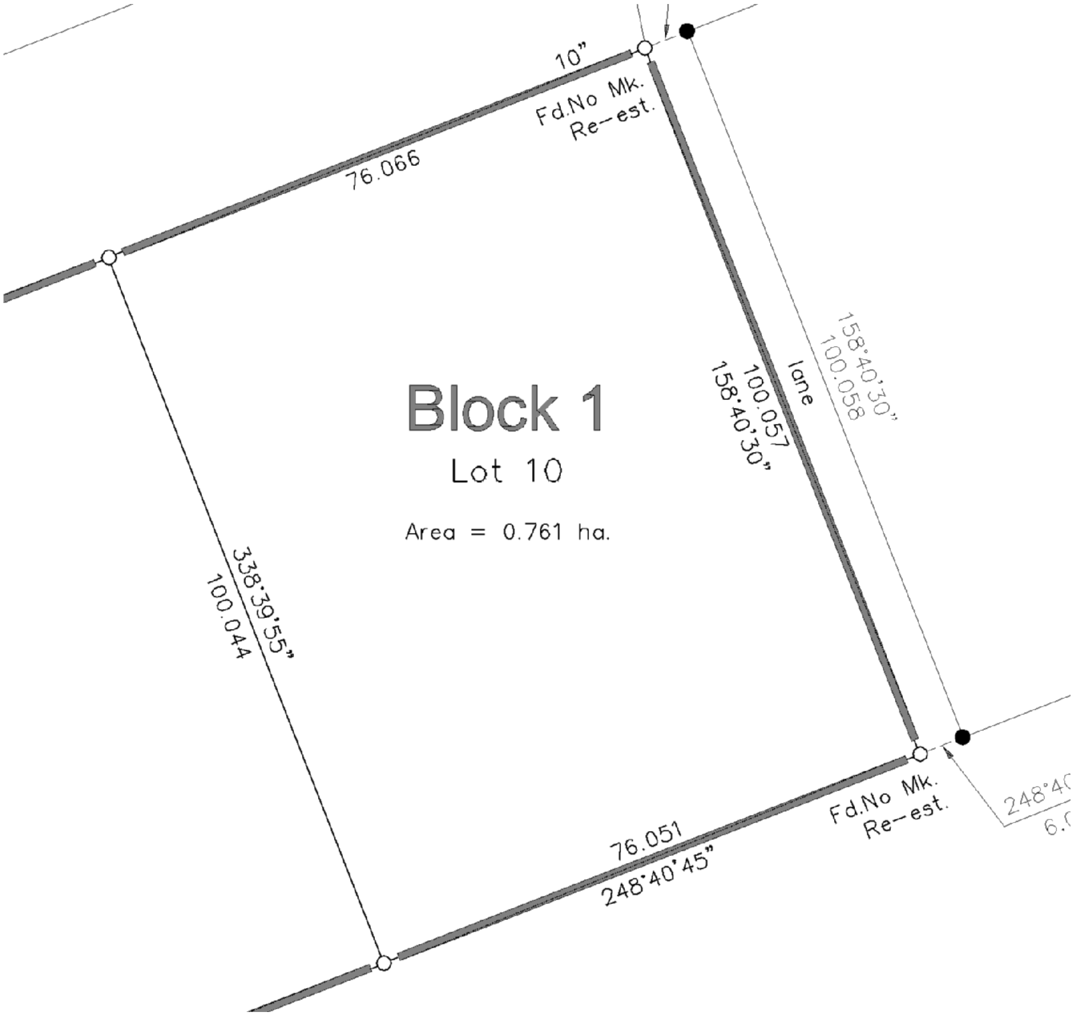
The Hamlet has about 500 people. Of the 462.21 acre land area, there are 129.08 acres devoted to residential development, 63.36 acres for commercial and industrial development. Services include piped water (Medicine Hat), and garbage pick-up.

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

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 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 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;	$244,400.00
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 – Dirkson 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 Dirkson 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% =	($6,900.00)
Effective Gross Income:	$131,115.00
Less;	
Landlord's expenses:	($ 7,867.00)
Net Operating Income:	$ 123,248.00
Capitalized at: 9.0%	

$123,248.00
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;

No.	Date	Building size (s.f.)	Price per s.f.
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, it's 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		Roger G. Handley
Date Signed:	June 2, 2010	
Designation:	DAC, IFAS	DAC, Certified Appraisal Reviewer
Recertified:	Yes: X No:	Yes: X No:

ADDENDA

LAND TITLE CERTIFICATE

S

LINC	SHORT LEGAL	TITLE NUMBER
0031 120 504	0512216;1;10	051 219 697 +1

LEGAL DESCRIPTION
PLAN 0512216
BLOCK 1
LOT 10
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 0.761 HECTARES (1.88 ACRES) MORE OR LESS

ESTATE: FEE SIMPLE
ATS REFERENCE: 4;5;12;1;NW

MUNICIPALITY: CYPRESS COUNTY

REFERENCE NUMBER: 051 167 028

REGISTERED OWNER(S)

REGISTRATION	DATE(DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
051 219 697	21/06/2005	SUBDIVISION PLAN		

OWNERS

RANCO HOLDINGS LTD..
OF BOX 22007
MEDICINE HAT
ALBERTA T1A 8M5

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
911 114 382	31/05/1991	UTILITY RIGHT OF WAY GRANTEE - ALTAGAS UTILITIES INC.. 5509-45TH ST LEDUC

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
		ALBERTA T9E6T6 (DATA UPDATED BY: CHANGE OF NAME 051062918)
051 046 740	04/02/2005	CAVEAT RE : DEVELOPMENT AGREEMENT PURSUANT TO MUNICIPAL GOVERNMENT ACT CAVEATOR - CYPRESS COUNTY. BOX 108 DUNMORE ALBERTA T0J1A0
081 329 341	03/09/2008	MORTGAGE MORTGAGEE - ROYAL BANK OF CANADA. 180 WELLINGTON STREET WEST, 3RD FL TORONTO ONTARIO M5J1J1 ORIGINAL PRINCIPAL AMOUNT: $1,500,000
101 042 704	10/02/2010	CAVEAT RE : AGREEMENT CHARGING LAND CAVEATOR - SILCAN CONTRACTING (MH) LTD.. BOX 1184 MEDICINE HAT ALBERTA T1A7H3

TOTAL INSTRUMENTS: 004

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED HEREIN THIS 24 DAY OF MAY, 2010 AT 03:29 P.M.

ORDER NUMBER:16596521

CUSTOMER FILE NUMBER: EY-10-05-11

REGISTRAR OF LAND TITLES

END OF CERTIFICATE

(CONTINUED)

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).

Appraisers Qualifications

JERRY L. ZEZULKA

GENERAL

- Practicing Real Estate Appraiser

DESIGNATION

- DAC (Designated Appraiser - Canadian National Association of Real Estate Appraiser)
- IFAS (Senior Member - National Association of Independent Fee Appraisers) USA.
- Former AACI (Accredited Appraiser Canadian Institute) – resigned in September, 2003

EXPERIENCE

- The valuation of commercial, industrial, income, investment, speculative and agriculture properties for purposes of re-sale, stock issues, mortgage financing, expropriation and litigation. Feasibility studies and rental analysis, assessment and real estate property tax consulting.

QUALIFICATIONS

- Qualified as an expert witness by the Federal Tax Court, the Court of Queen's Bench (formerly the Supreme Court of Alberta) (Trial Division), and the Saskatchewan District Court
- Expert witness before the Alberta Assessment Appeal Board, the Land Compensation Board, the Surface Rights Board, Local Authorities Board, and the Tax Review Board in matters regarding Capital Gains Valuation.
- Acted as arbitrator in rental arbitrations.

EMPLOYMENT

CURRENT	Independent fee appraiser. Consultant to All Property Appraisals of Medicine Hat, and Handley Appraisal Services of Lethbridge
1936 - 2008	Manager and Partner of A.R.C. Appraisal Consultants of Medicine Hat, Alberta
1989 - 1995	Consultant to Eagleson Property Appraisals Ltd, Calgary, Alberta.
1977 - 1986	Fee Appraiser and Vice President – Klaasen Eagleson Associates Ltd, Calgary, Alberta
1972 - 1977	Fee Appraiser and head of Appraisal Department – Reliance Agencies, Lethbridge, AB
1969 - 1972	Central Mortgage and Housing Corporation, Calgary, Lethbridge and Halifax
1966 - 1969	Consulting Firm – assisted in the assessment of property for taxation purposes in up to 10 municipalities. (1966-1967 successfully completed the Certificate Course in Municipal Assessment)

MEMBERSHIPS

- Canadian National Association of Real Estate Appraisers, Appraisal Institute of Canada
- National Association of Independent Fee Appraisers (USA)
- International Real Estate Association
- Alberta Association of Professional Appraisers
- Alberta Expropriation Association

OTHER

- Former editor of Newsletter for Alberta Association of Professional Appraisers
- Past President – Alberta Association of Professional Appraisers
- Past lecturer for Courses I and II, Appraisal Institute of Canada – Calgary Chapter
- Guest lecturer for course III, Appraisal Institute of Canada – Calgary Chapter
- Guest lecturer for Intermediate Course – Alberta Real Estate Association
- Guest speaker on valuation techniques to various clubs and organizations.

APPRAISER'S QUALIFICATIONS - ROGER G. HANDLEY

OCCUPATIONAL HISTORY

Handley Appraisals Ltd.	Company formed October 2002 in order to provide all types of real estate appraisal assignments specializing in commercial & agricultural properties.
Reliance Appraisal Consultants Ltd.	
Lethbridge, Alberta	July 1991 – September 2002. Full time fee appraiser. Appraisal assignments included residential, commercial, industrial and farms, with the emphasis on farm operations.
Handley Auction & Real Estate Ltd.	Coaldale, Alberta Joined the family firm in 1968 with the duties of assisting in the auction sale business while attending the Lethbridge Community College, completing a 2 year Business Administration Program. Successful completion of the Alberta Real Estate Exam in 1971 and successful completion of the Alberta Real Estate Agent Exam in 1976, at which time I was appointed as the Agent for the company. In 1980 the shares of the company were purchased and I became the sole owner of the business. Duties of this 30 year old company included the sales and evaluation of all types of real estate, specializing in agricultural properties, and the evaluation and marketing of all farm machinery and equipment by the auction method.
Canadian National Association of Real Estate Appraisers Appraisal Degree:	**Designated Appraiser Commercial (DAC)**. The DAC designation identifies a member who is qualified to perform appraisal assignments of all types of real property. **Certified Appraisal Reviewer**. This designation identifies a member who is qualified in the practice of real property appraisal review.
Relevant Education Courses:	AIC Ecological Gifts Seminar- April 2001 Principles of Rural Appraisals "A-20"-September 1995
Affiliations:	
Coaldale Kinsmen Club	Lifetime member
Lethbridge Real Estate Board Co-op Ltd.	1971-1999-Past Director and Chairman of the Ethics and Arbitration Committee
Alberta Auctioneer's Association	Member 1968-1998

APPENDIX E

Information Package

APPENDIX E

Main Building

Size – Main level office – 1361 sq ft
Shop – 4,239 sq ft
Mezzanine – 1,361 sq ft
Mezzanine is developed with superior offices, board room, 2 pc washroom and staff room with mini bar
Foundation – Concrete
Construction - Steel frame
Roof – Metal clad
Roof height – 20'
Heating/HVAC – Forced air, overhead radiant
Make-up air system
Cooling – 4 units, side mounted, zoned controlled
Electrical – 200 amp 600volt, 3 phase, 4 wire
(2) Drive thru bays with 16' automatic o/h doors

Shop

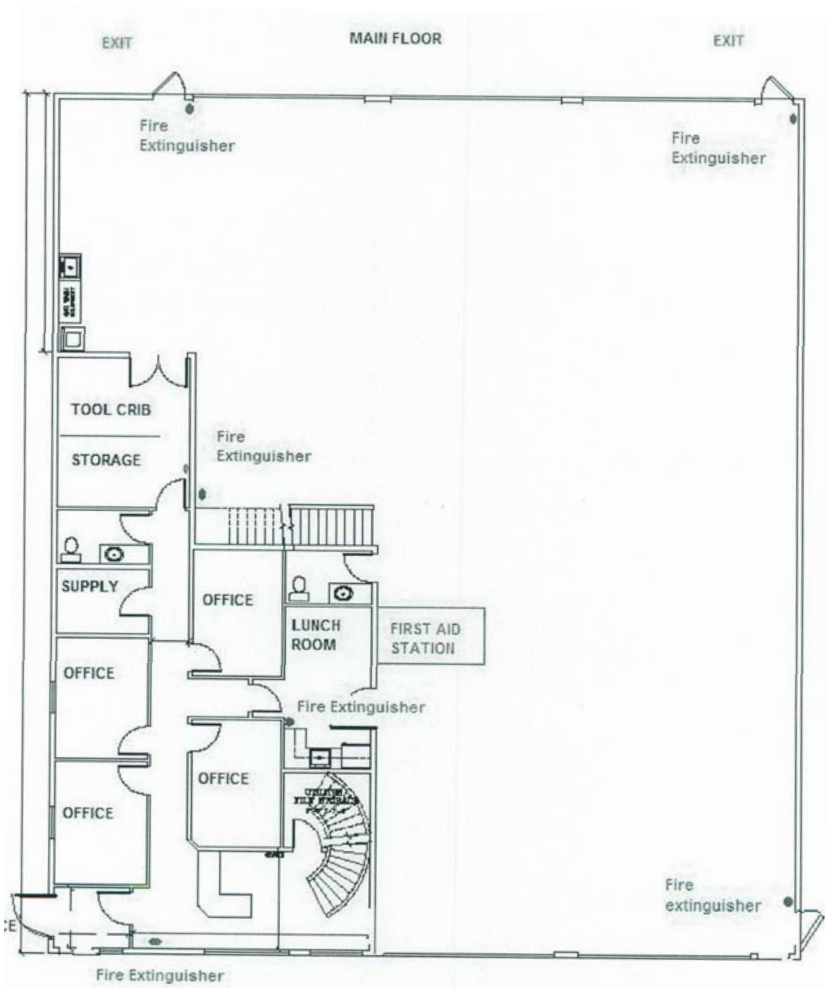
Size – 3,360 sq ft including 288 sq ft of office space
Mezzanine – 288 sq ft
Foundation – Concrete
Construction – Wood frame
Roof - Metal clad
Roof height – 18 ft
Heating/HVAC – Overhead radiant
Electrical – 200 amp 600 volt, 3 phase, 4 wire

59 East 3rd Ave, Dunmore, AB
Plan 0512216, Block 1, Lot 10
Taxes - $6,940.63 (2009)
Zoning – HC –Hamlet Commercial
Lot Size – 1.88 acres
Price $1,500,000

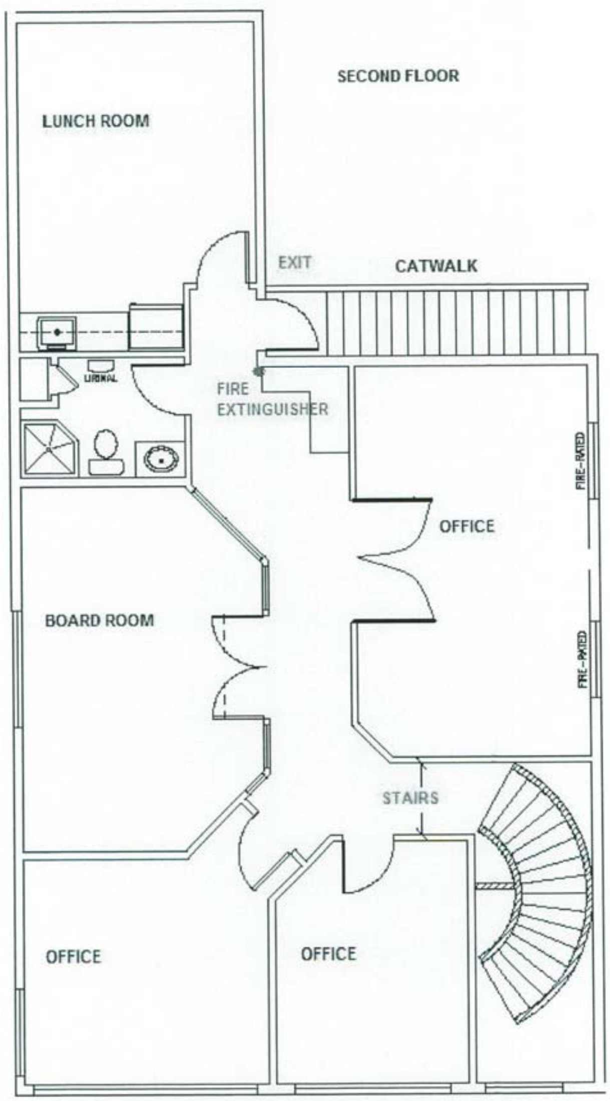
RE/MAX COMMERCIAL

For Further Information Contact
Pete Vanderham 403-502-3200
RE/MAX Medalta Real Estate

APPENDIX E



North



APPENDIX F

Purchase Contract

OFFER TO PURCHASE AND INTERIM AGREEMENT

Prepared: June 3, 2010

TO: **ERNST & YOUNG INC.**
As Receiver-Manager of Ranco Holdings Ltd.
Pursuant to an order of the Court of Queen's Bench of Alberta (the "Court") dated February 12, 2010
(hereinafter referred to as the "Vendor")

c/o RE/MAX MEDALTA REAL ESTATE
(Agent for the "Vendor")

FROM: **1148750 ALBERTA LTD.**
(hereinafter referred to as the "Purchaser")

c/o CALGARY SMI COMMERCIAL REAL ESTATE LIMITED
(Agent for the "Purchaser")

The Purchaser hereby offers to purchase the property situate in Dunmore (Cypress County), Alberta, municipally described as **59 East 3rd Avenue**, and legally described as Plan 0512216, Block 1, Lot 10 (herein called "Property") on the terms and conditions herein set forth:

1 INTERESTS PURCHASED

1.1 The rights and interests of the Vendor to be purchased herein shall be all legal and beneficial right, and interest of the Vendor in and to the Property and any chattels and improvements thereon. **The Property will be purchased as-is, where-is including those items listed on Schedule "A" attached hereto.**

1.2 The Property shall be conveyed by the Vendor to the Purchaser on the Closing Date free and clear of all liens, charges, encumbrances and registrations except for Registrations 911 114 382 and 051 046 740 subject further to Clause 8.1.1 herein.

2 PURCHASE PRICE

2.1 The Purchase Price for the Property shall be the sum of **One Million One Hundred Fifty Thousand Dollars ($1,150,000.00)** herein called the ("Purchase Price"), to be payable in the following manner.

2.1.1 The sum of **One Hundred Fifty Thousand Dollars ($150,000.00)** (herein called the "Deposit") being paid within Two (2) business days after conditional acceptance hereof, and held in trust by ~~Purchaser's~~ Seller's Agent, in a non interest bearing trust account. The Deposit shall apply towards the Purchase Price on the Closing Date.

2.1.2 The balance of the Purchase Price, subject to adjustment and other provisions contained herein, by certified cheque payable to the Vendor's Solicitor, to be disbursed by the Vendor's Solicitor in accordance with the provisions of this Agreement. This sum is subject to adjustment, as contained herein.

2.1.3 If the Purchaser does not close after conditions are removed, then the Deposit will be forfeited to the Vendor as a genuine pre estimate of total liquidated damages, and the Vendor shall have no further action against the Purchaser.

2.2 All taxes, local improvement assessments, rates, levies, deposits, and other outgoings assessed or imposed against the Property shall be adjusted as between the parties on the Closing Date.

SELLER'S

INITIALS	
Vendor	Purchaser

3 PURCHASER'S CONDITION

deleted

3.1 VENDOR'S CONDITION

3.1.1 The Vendor's *obligation to complete the transaction contemplated by* this Offer to Purchase and Interim Agreement shall be conditional until 4:00 p.m., Calgary time, **Wednesday, June 30, 2010, (or such other date as the parties may agree in writing), (the Vendor's Condition Date), subject to the Receiver-Manager obtaining Court approval of this transaction on terms and conditions acceptable to the Receiver-Manager.**

3.1.2 It is also understood that unless the parties or respective agent(s) receive written notification waiving this condition within the respective time frame, the Vendor's approval shall be deemed to have been withheld, the Vendor's Conditions deemed declined, the purchase agreement shall become null and void and all deposits shall be refunded to the Purchaser without deduction.

4 CLOSING DATE

The closing of the purchase and sale transaction herein shall take place **Fifteen (15) Business days following *satisfaction or waiver of the Vendor's condition in Section 3.1.1***.

5 PURCHASER'S INSPECTION

5.1 The Vendor agrees that it shall, within five (5) days of acceptance hereof, make available to the Purchaser for its inspection and review the following **only as may be in Possession of the Receiver-Manager**:

5.1.1 Copies currently in the Vendor's possession of all existing agreements and encumbrances relating to or affecting the Lands or any portion thereof.

5.1.2 Copies of all reports (including but not limited to environmental, structural, mechanical, roof, etc.) in the Vendor's possession, complete with reliance letters in favour of the Purchaser in order to be suitable for financing.

5.1.3 Copies of all plans and surveys of the site in the Vendor's possession.

5.1.4 Copy of any Real Property Report in the Vendor's possession.

5.2 **Subject to reasonable prior notice and reasonable viewing times with a representative of the Vendor**, the Purchaser shall be entitled to have free and unfettered access to the Property, for the purposes of examining same, surveying same provided it shall not interfere with the current use of the Property and shall make good any damage caused thereby. The Purchaser shall and does hereby indemnify and save the Vendor harmless from and in respect of costs, expenses, losses, claims, damages, and outgoings which may arise in respect of the Purchaser's access and use of the property. This indemnity shall apply to both payments made to third parties pursuant to third party liens and direct out of pocket expenses to the Vendor.

INITIALS	
Vendor	Purchaser

5.3 Notwithstanding anything to the contrary contained herein. the Purchaser is relying upon its own inspection of the Property and the title thereto: it being expressly acknowledged and agreed that:

5.3.1 there are no representations made by the Vendor to the Purchaser except as expressly stated in paragraph 7.1 hereof; and

5.3.2 the Purchaser will fully assume all responsibility for the development of the Property inclusive of all fees, assessments, levies, payments, installations, contributions and dedications which may arise in connection with any application or approval in respect thereto.

6 POSSESSION AND RISK

6.1 The Property and all improvements thereon shall remain at the risk of the Vendor until the Closing Date and thereafter shall be at the risk of the Purchaser.

7 VENDOR'S REPRESENTATIONS, WARRANTIES AND CONDITIONS

7.1 As at the date of preparation of this Offer to Purchase, the Vendor hereby represents and warrants to the Purchaser as follows, and acknowledges that the Purchaser is relying upon such representations and warranties in connection with the purchase of the Property:

7.1.1 **The Vendor confirms that it has corporate power and authority to execute this Agreement and, subject to obtaining the Order, it has the power and authority to perform all of its obligations and covenants herein.**

7.1.2 **deleted**

7.1.3 **deleted**

7.1.4 **deleted**

7.1.5 **deleted**

7.1.6 The Vendor is not a non-resident of Canada within the meaning of Section 116 of the Income Tax Act (Canada) **(balance of this sentence deleted)**.

7.2 The Vendor and Purchaser agree that all representations and warranties contained herein shall survive the Closing Date and shall not merge upon the closing of the sale herein.

7.3 **Other than as specifically set out in this Offer to Purchase and Interim Agreement, the Property is sold "as is, where is" , and there are no representations, warranties or collateral agreements or conditions, whether statutory, express or implied, oral or written, legal, ethical, conventional or collateral agreements or otherwise being provided by the Court or by the Receiver- Manager or any agent thereof. Without limiting the generality of the foregoing, there are no representations, warranties or conditions as to title, zoning, boundaries, permitted uses, outstanding costs or charges, description, fitness for purpose, merchantability, condition, quality, value, suitability or durability in relation to any of the Property being given by the Court or the Receiver-Manager, or any agent of either of them. The Buyer is relying entirely on its own due diligence and inquiries regarding the Property and is not relying on any representations, warranties, agreements, information or documents provided by the Receiver-Manager, except as specifically set out in this Offer to Purchase and Interim Agreement.**

INITIALS	
Vendor	Purchaser

8 REQUIREMENTS FOR CLOSING

8.1 Not later than **Three (3)** business days prior to the Closing Date, the Vendor shall deliver to the Purchaser's solicitors the following upon condition of trust reasonably necessary to give effect to and be consistent with this Agreement:

8.1.1 A registrable transfer for the Property which upon registration will result in the issuance of certificates of title to the Property free and clear of all encumbrances except those referenced in clause 1.2 and anything registered by or caused to be registered by or through the Purchaser, **or at the Vendor's discretion, a certified copy of the order approving sale and vesting order on the terms contained herein and directing the Registrar of the Alberta Land Titles Office to register title to the Property into the name of the Purchaser or its nominee, subject only to the Permitted Encumbrances**.

8.1.2 A Statement of Adjustments showing calculation of the adjusted balance of the Purchase Price, and those items outlined in paragraph 2.2 herein, and others as appropriate;

8.1.3 If a new Mortgage is a condition of this contract, the Vendor agrees to allow the Purchaser's solicitor to register the transfer to title to obtain the advance of mortgage funds on the new Mortgage PROVIDED THAT the Purchaser's solicitor complies with the reasonable trust conditions imposed by the Vendor's solicitor until the Vendor has been paid the total purchase price. The Purchaser shall pay the expense of the new Mortgage.

8.1.4 The Purchaser shall provide evidence at closing that it is a G.S.T. Registrant within the meaning of the Excise Tax Act (Canada).

9 GENERAL PROVISIONS

9.1 Notices

All notices, requests or demands to or upon the parties hereto shall be in writing and shall be required to be messenger delivered and faxed, and shall be deemed sufficiently given if delivered at the following respective addresses.

The Vendor c/o:

Re/Max Medalta Real Estate #109, 1235 Southview Drive S.E. Medicine Hat, Alberta, T1B 4K3	FAX: (403) 529-9660 Attention: Mr. Pete Vanderham pvanderh@telusplanet.net

The Purchaser:

Calgary SMI Commercial Real Estate Limited Suite 107, 825 - 8th Avenue S.W. Calgary, Alberta, T2P 2T3	FAX: (403) 263-2567 Attention: Mr. Mathieu Déry mdery@smicommercial.com

The parties may change their addresses for notices from time to time on written notice to the other party

INITIALS	
Vendor	Purchaser

9.2 Time

Time shall be of the essence of this Agreement. In the event of any extension of time granted by the Vendor for the performance of an obligation of the Purchaser under this Agreement, time shall continue to remain of the essence hereof notwithstanding such extension.

9.3 Entire Agreement

The parties confirm and agree that this Agreement constitutes the entire agreement between the parties hereto and there are no warranties, representations or collateral agreements other than as set forth herein in writing and each party shall be forever estopped from asserting to the contrary. This Agreement may only be amended by a further agreement in writing signed by both parties hereto.

9.4 Payment

All payments required to be made pursuant to this Agreement shall be by way of certified cheque, bank draft or solicitor's trust cheque. All payments to be made by the Purchaser shall be made on or before 2:00 P.M. (MDT) on any business day.

9.5 Conveyancing

The Purchaser shall be responsible for the cost of registering all conveyances necessary to convey the Property to the Purchaser. The Vendor shall be responsible for all costs relating to the registrations of discharges or all encumbrances not accepted by the Purchaser.

9.6 Enurement

This Offer to Purchase shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

9.7 Laws

This Agreement shall be governed by the Laws of the Province of Alberta.

10 ELECTRONIC TRANSMISSION

Communication of documentation including signatures will be acceptable by telephone facsimile and email.

11 VENDOR'S EXISTING CONTRACTUAL OBLIGATION

The Vendor shall, until the Closing Date, continue to pay, as and when due, any payments due to any federal, provincial or municipal authority and any payment, as and when due, under any contractual agreements affecting the Property, and shall not be in breach of any law, contract or agreement involving the Property on the Closing Date

12 EXISTING LEASES AND MANAGEMENT

The Vendor shall not from the date of acceptance of this Offer, vary the terms and conditions of any lease, nor enter into any new tenancies in respect of the Property further encumber the Property in any way without the prior written consent of the Purchaser. The Vendor or his Agent will operate and manage the Property until the Closing Date in the same manner as would a prudent owner of a comparable property

INITIALS	
Vendor	Purchaser

13 **BROKERAGE & COMMISSION**

The Purchaser has appointed the Purchaser's Agent to represent their interest in this transaction and it is understood and agreed that the Purchaser's Agent shall, upon closing of the sale transaction contemplated herein, be entitled to receive from the Vendor, payable through the Vendor's Agent, a commission in the amount of Two Percent (2%) of the sale price agreed to herein.

14 **ACCEPTANCE**

This Offer to Purchase shall be irrevocable and shall be open for acceptance until 4:00 p.m., Calgary time, Two (2) business days after the last date following hereto, after which time this Offer, if not accepted, shall be deemed null and void.

ACCEPTED AND DATED in the City of Calgary, in the Province of Alberta, this 3 day of June, 2010.

VENDOR

Per: ______________________
Authorized Signature

____
Witness

Name (Print): NEIL NALFASON
Title: PARTNER

Per: ______________________
Authorized Signature

____
Witness

Name (Print): ______________________
Title: ______________________

ACCEPTED AND DATED in the City of Calgary, in the Province of Alberta, this 3rd day of June, 2010.

PURCHASER

Per: ______________________
Authorized Signature

____
Witness

Name (Print): BARRY RINEHART
Title: PRESIDENT

Per: ______________________
Authorized Signature

____
Witness

Name (Print): ______________________
Title: ______________________

md ...offers 1148750 AB Ltd. - Dunmore OTP June 2, 10.doc

INITIALS	
Vendor	Purchaser

Schedule "A"

<u>Chattels & Equipment</u>

The following chattels are included in the property:

1. 1 Digital Video Recorder
2. 1 Power Panel re: Video Cameras
3. 5 Indoor Dome Security Cameras
4. 11 Indoor/outdoor Security Cameras
5. Key Box
6. Televisions/Home Theatres
7. 2 Fridges, 2 Dishwashers, 2 Microwaves, Washer and Dryer
8. All office furnishings including equipment in the computer server room
9. Vehicle Wash System
10. Wash bay tarps
11. Towel dispensers
12. Tile for cabinet
13. Security System, if available
14. Shop hardware
15. Bay pressure wash system (Cat model 610 Pump w/5 hp 3 phase motor)
16. Shelves, Racking, Safety supplies
17. exterior storage sea container (only if still existing at site as of date of this Offer otherwise not included)

all as currently located on the Property

INITIALS	
Vendor	Purchaser

APPENDIX G

MRN security documents

Ranco Holdings Ltd.
MRN Disputed Assets
May 28, 2010

DESCRIPTION OF ASSETS	Forced Liquidation Value	
Main Office Reception		
NEC Electra Elite 1PK Security System	$	1,500
Digital Video Recorder, 11 Indoor/Outdoor cameras, 5 Indoor Cameras		3,500
Upstairs Recreation Room		
Samsung Large screen TV w/ HDTV, Blu Ray, Amp, mixer		3,000
Panasonic Microwave		150
Built in Dishwasher		250
Boardroom		
4 Sony XBR KDL-46XBR6 Televisions @ 2,000		8,000
4 Bell Satellite receivers		400
Onko Amp-mixer Sound system		1,500
Main Upstairs Office		
Sony KDL-52W4100 Television		2,400
Satelite receiver		100
Blu Ray player		300
Onkyo Amp Mixer		350
Shop		
Large Shop Bench-cupboard w/ vise, grinder		1,400
Bolt Bin w/ high grade bolts		400
2 large Shop tarps @ 300.00		1,200
TOTAL		24,450

Reclamation of Property Claim

(*All notices or correspondence regarding this claim are to be forwarded to the following address* #407, 10145-119ST NW Edmonton, AB T5K1Z2)

I, William K. Kraemer, of the City of Edmonton in Province of Alberta.

DO HEREBY CERTIFY:

1. ~~That I am the claimant~~, (*or* That I am) Credit Manager

(*State Position or Title*)

of MRN Investments
(*Name of claimant*)

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That on the 16th day of February 2018, a receivership order was made against the debtor.

4. That, on that date, the property enumerated in the document(s) attached and marked "A" (*and* "B") was in the possession of the receiver, and still remains in the possession of the receiver.

WK

5. That the claimant hereby claims that property, or interest or right in it, by virtue of the document(s) attached and marked "A" (*and* "B"), namely:

   (Set out the particulars of all documents serving as proof of claim, giving

   (I) The grounds on which the claim is based, and

   (II) Sufficient particulars to enable the property to be identified; if the particulars do not appear on the face of the documents, attach an additional statement marked "B" setting them forth.)

6. That the claimant is entitled to demand from the receiver the return of the property enumerated in these document(s).

7. That I hereby demand that the receiver return to me (*or* to the claimant whom I represent) the property enumerated in the document(s) within the 15 days after the filing of this form..

SWORN (*or* SOLEMNLY DECLARED)
before me at Edmonton (*city, town or village*)
in the Province of Alberta,
on this 19 day of April, 2010

Commissioner of Oaths
for the province of Alberta.

Signature of Claimant

ROBERT D. GILLESPIE
Barrister and Solicitor
300, 10209 - 97 Street
Edmonton, Alberta
T5J 0L6

NOTE: Subsection 201(1) of the Act prescribes severe penalties for making any false claim, declaration or statement of account.

RD

ADDENDUM "A" TO RECLAMATION OF PROPERTY CLAIM

1 Digital Video Recorder Model QSC26416 s/n A10559841
1 Power Panel re Video Cameras

5 Indoor Dome Security Cameras

11 Indoor/Outdoor Security Cameras

Televisions and Home Theatre Systems: s/n AM400002976/4337/4336/3665/AM4010044545

0855DD4911020529D/20515D/20344D; AN0094-01581; MG83300150; 8421055153792

Variety of shop tools/tool crib/sofa/fridge/dishwasher/stove/microwave/office table

Desks/chairs/towel dispenser/cabinet/wall vault and key cabinet/time zone clock

RW

MRN Investments (Partnership)

#407 – 10145 – 119 St NW

Edmonton, AB T5K 1Z2

February 16, 2010

STATEMENT OF ACCOUNT OWED BY RANCO HOLDINGS LTD., under the terms of Lease # Ran 002 Dated April 15, 2009 made between Ranco Holdings Ltd. And MRN Investments, as at February 16, 2010 is as shown here: $98,452.68.

W .R. Kraemer

Credit Manager

MRN Investments
#407, 10145 – 119 ST NW
Edmonton, AB T5K 1Z2

LEASE AGREEMENT

Notice: This is a Non-Cancelable, Binding Contract.
It contains important Legal and Financial Terms and Conditions. Please read all pages carefully. Feel free to ask questions before signing.

Lease #	APPENDIX G Ran002
Customer #	

LESSEE	**Ranco Holdings Ltd.**							
ADDRESS	Street	**59 East 3rd Ave.,**	City	**Dunmore**	Prov.	**AB**	Postal Code	**T0J 1A0**
Contact	Name	**Ina Meyer**	Tel	**(403) 526-4600**		Fax:		

EQUIPMENT INFORMATION

Location (If Different)	Street	**As above**				
	City		Province		Postal Code	

Quantity	**Make, Model, Serial Number, Description**
1	**Digital Video Recorder Model QSC26416 s/n A10559841**
1	Power Panel re video cameras
5	Indoor Dome Security Cameras:
11	Indoor/outdoor Security Cameras: Televisions and Home theatre Systems: s/n AM400002976/4337/4336/3665/AM401004545: 0855DD4911020529D/20515D/20344D; AN0094-01581; MG83300150; 842105153792 Variety of shop tools/tool crib/sofa/fridge/dishwasher/stove/microwave/office table/desks/chairs/towel dispenser/cabinet/wall vault and key cabinet/time zone clock.

VENDOR	Name		Rep.	
	Address		Tel	

RENTAL DETAILS

TERM # OF MOS.	NUMBER OF PAYMENTS	PAYMENT FREQUENCY	PAYMENT METHOD	RENT (AMOUNT)	GST $	PST $	TOTAL RENT (AMOUNT)
48	**2**	**First and last payment**	**cheque**	**$7,862.18**			**$7,862.18**
	46	**Monthly** **Buyout after 48 payments will be $10.00**	**Post dated cheques**	**$3,931.09**			**$3,931.09**

PRE-AUTHORIZED PAYMENT PLAN (PAP) (Please attach an unsigned sample cheque)

Lessor is hereby authorized to draw payments under its PAP, from the bank account as specified on the attached sample cheque, to cover the "Total Period Payment" or other amounts due under the terms of this agreement. If the account is transferred to another branch or the account is closed and an account is opened at another Bank, this authorization shall have the same force and effect as if it had been originally directed to that branch or Bank as the case may be. Upon any form of default, Lessor is hereby authorized and requested to periodically draw payment when due including all charges and fees from Lessee's credit card:

Visa or MC or AMEX: **Name on Credit Card:** **Credit Card #:** **Expiry Date:**

Per: X ______ Authorized Cheque Signing Officer ______ Title	Per: X ______ Authorized Cheque Signing Officer ______ Title

Lessee and Co-Lessee(s) acknowledge having read the entire multi-page Lease Agreement and Accept the Terms and Conditions attached. Lessee and Co-Lessee(s) accept that where they have signed this contract under their own names, they have signed in their personal capacity.

Signature:	**The Undersigned Affirms That He/She Is Duly Authorized To Execute This Agreement**		**Date: April 15, 2009**
Ranco Holdings Ltd	Signature		Signature
	Signature		Signature

Executed and Accepted as LESSOR:		Authorized Signature	

DELIVERY AND ACCEPTANCE CERTIFICATE (**Covers All Equipment Schedules Referenced By This Lease**)

The undersigned Lessee acknowledges delivery and/or installation of the leased Equipment, as per the Equipment Information above. Any variances, inclusions, or exclusions must be documented. APPENDIX G
Lessee confirms that this Equipment is intended solely for business or commercial purposes is for Lessee's own use, has been inspected, is operating satisfactorily, is in all respects as represented, and is fit for its intended purpose. Lessee hereby approves the Supplier's invoice for payment and instructs Lessor to pay this invoice and commence the Lease. **Lessee authorizes Lessee's landlord** to provide access to Lessor to the premises to enforce Lessors's security interest should Lessee be in default of the Lease Agreement.

Lessee also acknowledges that Lessee has read the Lease Agreement, in its entirety (and in particular the following clauses: NON-CANCELABLE CONTRACT; REPRESENTATIONS AND WARRANTIES with specific reference to "... If the Equipment... fails to function... Lessee shall ... unconditionally pay Lessor all Rent..."; INSURANCE; and MAINTENANCE, REPAIR AND REPLACEMENT), is aware of and understands the Payment Term thereof, **and is aware of and understands that the subject Equipment is and remains at all times the property of Lessor.**

Signatures:	**The Undersigned Affirms That He/She Is Duly Authorized To Execute This Agreement**		**Date: April 15, 2009**
Ranco Holdings Ltd.	Signature		Signature
	Signature		Signature

Version July 15, 2002

LESSEE	**Ranco Holdings Ltd**	**Lease #**	**Ran002**

Signatures:	**The Undersigned Affirms That He/She Is Duly Authorized To Execute This Agreement**		**Date: April 15, 2009**
Ranco Holdings Ltd.	Signature		Signature
	Signature		Signature

TERMS AND CONDITIONS

Lessor hereby rents to Lessee the personal property listed and described hereof ("Equipment") under the terms and conditions set forth herein. This Contract ("Agreement") shall not become binding on Lessor until accepted in writing by Lessor as evidenced by the dated signature of a duly authorized representative of Lessor.

1. **NON-CANCELABLE CONTRACT**. Once funded, this Agreement cannot be terminated during the term set forth ("Term"), except as expressly provided herein. Upon execution of the Lease documents by Lessee, Lessor may reserve funds for the Lease and deem it "funded." Lessor reserves the right to terminate the Lease and seek a cancellation fee under this clause in the event that a) Lessee's initial payment is not honored and/or b) Lesse repudiates this Lease prior to delivery of the Equipment, and/or c) Lessee or any of the co-Lessees or Guarantors of the Lease misrepresents or incompletely discloses information. The cancellation fee is the greater of a) $500.00, o, b) 10% of the Principle Value, defined as the total Equipment cost.

2. **RENTAL.** Lessee shall pay to Lessor the Total Rent ("Rent") (set forth on the first page of the Lease Agreement) on the first day of each payment period of the Term commencing in the period following the delivery of the Equipment.

3. **LOCATION AND USE.** The Equipment shall be located and used at the place designated on the first page of the Lease Agreement and shall not be moved therefrom without the prior written consent of Lessor. Lessee warrants that the Equipment will be used for business or commercial purposes only. Lessee shall cause the Equipment to be operated carefully by competent and duly qualified personnel only and in compliance with manufacturer's recommendations, applicable laws and regulations.

4. **REPRESENTATIONS AND WARRANTIES.** Lessee acknowledges that the vendor and/or manufacturer of the Equipment and the Equipment itself have been selected by Lessee for the purpose of the rental under this Agreement. Except as hereafter set forth, no representation or warranty, express or implied, legal, statutory, customary or otherwise is given or made in respect to the Equipment, including but without limitation, the merchantability, condition, design, operation or fitness for a particular purpose or its freedom from liens and encumbrances. If the Equipment is not properly installed, does not operate as intended by Lessee or as represented by the manufacturer or vendor, totally fails to function or perform so as to give rise to a fundamental breach of this Agreement, or is unacceptable for any other reason whatsoever, including, without limitation, any claim for patent, trademarks, design or copyright infringement, Lessee shall claim only against such vendor or manufacturer under such warranties made available to Lessee and shall nevertheless unconditionally pay Lessor all Rent and other amounts payable hereunder. In no event shall Lessor be liable to Lessee for damages, whether direct, indirect, special, consequential or otherwise, resulting from or in any way connected with the use or performance of the Equipment. Lessee hereby indemnifies and saves Lessor harmless against any such damages. Lessor hereby assigns to Lessee and Lessee hereby accepts for and during the applicable Term, the warranties, if any and if assignable, of the manufacturer with respect to the Equipment. If required, Lessee shall obtain vendor's or manufacturer's consent to any such assignment. The indemnities contained in this clause shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and shall be payable on demand.

5. **SOFTWARE LICENSE.** Lessor hereby grants to Lessee and Lessee accepts a non-transferable, non-exclusive license ("License") to use on the Equipment any "software" provided with the Equipment hereunder. Lessee may not alter or modify Software and will not copy, or otherwise make available any such Software without the prior written approval of Lessor. If Lessee is in default as defined in any clause of this Agreement, Lessor reserves the right to terminate this License. Lessee accepts that Lessor's remedies will include the right to make any Software used on the Equipment inoperative through manual or electronic means.

6. **PRE-AUTHORIZED PAYMENT PLAN.** If Lessee has completed the pre-authorized payment section, Lessee warrants that the signatures appearing are those of the persons authorized to sign on the account with the Bank. Lessee authorizes and requests the Bank to pay and debit the bank account specified ("Specified Account"), whether it continues to be maintained at the location set forth or is maintained at another branch of the Bank, all payments purporting to be drawn on the Bank by or on behalf of Lessee payable to Lessor or its Assignee and presented to the Bank for payment and to pay and debit to the Specified Account all amounts specified on any document that is or purports to be a direction on behalf of Lessee to credit an amount to the payee and to debit such amount to the Specified Account. Lessee acknowledges that provision and delivery of this authorization to Lessor constitutes delivery by Lessee to the Bank of the same.

7. **RENEWAL.** Provided Lessee is not in default hereunder, this Agreement will be automatically renewed on a month-to-month basis ("Renewal Period") upon the expiration of the Term upon and subject to the terms and conditions set forth herein, including the Rent, unless either Lessor or Lessee has notified the other in writing within thirty (30) days prior to the expiration of the Term of a desire to terminate. During the Renewal Period, either party may terminate this Agreement by providing thirty (30) days' written notice to the other party.

8. **RETURN OF EQUIPMENT UPON TERMINATION.** At the end of the Term or Renewal Period or upon termination of this Lease for any reason, Lessee shall at Lessee's expense deliver the Equipment to Lessor at a location specified by Lessor. If Lessee fails to do so within ten (10) days, Lessor shall have the right to enter upon the premises where the Equipment may be and take possession of and remove it at Lessee's expense, with or without legal process, without liability to Lessor. Lessee hereby waives any claims for damages which it might otherwise have by reason of any such entry, taking or removal, including claims for trespass. If the Equipment, when returned to or recovered by Lessor, is not in good condition and repair, Lessor may, at Lessee's expense payable on demand as additional Rent, make all repairs and replacements necessary to place such Equipment in as good condition as it was at the date of commencement of the original term hereof, reasonable wear and tear excepted. In the event that Lessee fails to return the Equipment to Lessor upon the expiration of the Term, then Lessee shall be deemed to be "overholding" and Rents shall continue to accrue.

9. **JOINT AND SEVERAL LIABILITY.** Lessee and Co-Lessee(s), unconditionally and absolutely guarantee to Lessor, including its successors and assigns, as Principal obligor as well as surety, the full and prompt performance of all present and future obligations under the Agreement, including all schedules, addenda and amendments which may be added or made from time to time. **Lessee and Co-Lessee(s) agree that their liability for such obligations is joint and several**, and any beneficiary of this guaranty may enforce it without exhausting any of its rights or remedies.

10. **LAWS AND TAXES.** Lessee shall comply with all governmental laws, regulations and orders applicable to the Equipment and its use and agrees to pay when due all license fees, assessments and all taxes, including but not limited to sales taxes, goods and services taxes, property taxes, excise and other taxes ever imposed by any federal, provincial, municipal or other taxing authority relating to this Agreement and/or the Equipment (excluding income and capital taxes of Lessor). Any fees, taxes or other lawful charges paid by Lessor upon failure of Lessee to make such payments shall at Lessor's option be payable immediately from Lessee to Lessor.

11. **INSURANCE.** Lessee shall obtain and maintain for the entire term of this Lease, at its own expense, property damage and legal liability insurance and insurance for all risks of physical loss or damage to the Equipment and to persons associated with the Equipment, including without limitation, theft, collision, personal injury or death and damage to property of others and such other risks of loss as are customarily covered by insurance on the types of Equipment leased hereunder and by prudent operators of businesses similar to that in which Lessee is engaged, in such amounts, in such form and with such insurers as shall be satisfactory to Lessor. The amount of insurance covering damage to or loss of Equipment shall not be less than the greater of the full replacement value of the Equipment or the installments of rent then remaining unpaid hereunder. Each insurance policy will name Lessee and Lessor as co-insureds in respect of the Equipment, will designate Lessor as sole and exclusive loss payee in respect of the Equipment, and will specify that the proceeds of insurance generated in the event of any damage to or loss of the Equipment ("Proceeds") shall be allocable exclusively to the Equipment, segregated from proceeds generated by any damage to or loss of other property and/or persons insured under the policy, and payable to Lessor. Each such policy shall also contain a clause

APPENDIX C

requiring the insurer to give at least 30 days prior written notice of any alteration in terms of such policy or the cancellation thereof. Lessee shall furnish to Lessor a certificate of insurance prior to the commencement of the term of this Lease and 30 days prior to the expiry date of each such insurance policy; provided, however that Lessor shall be under no duty either to ascertain the existence of or to examine such insurance policy or to advise Lessee in the event such insurance shall not comply with the requirements hereof and/or Lessee's needs. Lessee further agrees to give Lessor prompt notice of any damage or loss of the Equipment or any part thereof. Lessee will at its own expense make all proofs of loss and take all other steps necessary to recover insurance benefits, unless advised in writing by Lessor that Lessor desires to do so at Lessee's expense, in which event Lessee hereby appoints Lessor as Lessee's power of attorney to make claim for, receive payment of, and execute and endorse all documents, cheques or drafts for loss or damage under such insurance policy. Proceeds of insurance will be disbursed by Lessor against satisfactory invoices for repair or replacement of Equipment, provided this Lease is not then in default. Performance by Lessee under this paragraph will not affect or release Lessee's obligations and liabilities, including the requirements to make all payments. **In the absence of proof of insurance, Lessor reserves the right to charge Lessee an additional 3% of the rental installments during the period that the above insurance is absent.** This charge is not to be construed as a replacement of Lessee's insurance or as an insurance premium but as an administrative charge.

12. **ASSIGNMENT BY LESSEE/LESSOR.** Lessee agrees not to sell, assign, sublet, pledge, hypothecate or otherwise encumber or suffer a lien upon or against an interest in this Agreement or the Equipment without the prior written consent of Lessor. Lessor may at any time without notice to or the consent of Lessee assign all or part of its interest in this Agreement or the Equipment. In the event of any such assignment, the assignee ("Assignee") shall be entitled to enforce the rights so assigned and to provide any notice, correspondence or demand provided hereunder in its own name in place of Lessor. The assignment of the Agreement may include all Rent and other amounts payable hereunder, including any insurance proceeds.

13. **COMPLETION OF LEASE.** Lessor is authorized by Lessee to complete or correct this Lease, even though previously signed by Lessee, by the insertion or correction of serial numbers, make/model numbers or designation and/or other identifying references to the Equipment and by adjustments and/or corrections deemed by Lessor to be clerical in nature. Lessee acknowledges and agrees that clerical errors shall not affect the validity of this Agreement, and that Lessor shall be entitled to unilaterally correct same.

14. **TITLE.** Lessee shall have no right, title, interest in the Equipment other than the right to maintain its possession and its use for the full Term and any Renewal Period, conditional upon Lessee's fulfillment of all the terms and conditions of this Agreement. Lessor may require plates or markings to be affixed to or placed on the Equipment indicating Lessor is the owner. Lessor and Lessee hereby confirm their intent that the Equipment shall always remain and be deemed personal or moveable property, even though said Equipment may hereinafter become attached or affixed to real property.

15. **MAINTENANCE, REPAIR AND REPLACEMENT.** Lessee at its own expense will maintain the Equipment in good working order and condition, furnish all parts, components, accessories, maintenance, repair and other services necessary for such purpose. Lessor shall at all reasonable times have access to the Equipment for the purpose of inspecting it. All replacement Equipment, items, parts, components and accessories shall immediately upon acquisition by Lessee become the property of Lessor for all purposes. Lessee may from time to time add parts, components or accessories not leased hereunder to an item of Equipment only if such addition does not impair the present or future value or utility of such item or affect any warranty relating thereto, and any parts, components or accessories so added to such item thereupon become the property of Lessor.

16. **INDEMINIFICATION OF LESSOR BY LESSEE.** Lessee hereby assumes liability for, and does hereby agree to indemnity and save harmless Lessor, its agents and servants, officers and directors from and against any and all actions, claims, costs, disbursements, expenses (including legal expenses), liabilities or taxes (other than corporate or income taxes of Lessor) whatsoever in any way relating to the Equipment, (including, without limitation, any claim relating to any types of defects whatsoever whether or not discoverable by Lessee, any claim in tort for strict liability or negligence or any claim for patent, trademarks, design or copyright infringement). Lessee agrees to give Lessor prompt notice of any claim or liability hereby indemnified against. This clause shall be effective and in full force and effect from the date of the execution of this Lease even though the rental term of any Equipment under this Lease has not yet commenced. The idemnities contained in this clause shall continue in full force and effect notwithstanding the expiration or other termination of this Agreement and shall be payable on demand.

17. **SECURITY DEPOSIT.** Lessor, in its sole discretion, may require a Security Deposit before and/or during the Term. Lessor may apply the Security Deposit as it wishes, at any time, to any amounts due under this Lease if not paid by Lessee when due or to any non-sufficient funds ("NSF") charges, late interest charges, collection charges or other similar charges incurred by Lessee during the Term of the Agreement. Lessee will not earn any interest on the Security Deposit. If a Purchase Option is available and exercised, the balance available under the Security Deposit will be applied against any amount payable under that option. At the termination date of this Lease, the Security Deposit, net of any arrears or payments due, will be refunded to Lessee

18. **EVENTS OF DEFAULT.** The occurrence or happening of any one or more of the following shall constitute an Event of Default: (i) Lessee fails to pay any Rent or other amounts payable hereunder within five (5) days of the due date; (ii) Lessee fails to perform or observe any covenant, condition or agreement to be performed or observed hereunder; (iii) any representation or warranty made by Lessee herein or in any document or certificate furnished to Lessor in connection herewith proves to be incorrect at any time in any material respect; (iv) Lessee becomes insolvent or bankrupt or makes an assignment for the benefit of creditors or consents to the appointment of a trustee or receiver, or a trustee or receiver is appointed for Lessee or for a substantial part of its property with or without its consent; (v) bankruptcy, reorganization or insolvency proceedings are instituted by or against Lessee; (vi) a writ, judgment, execution, attachment or process is issued or levied against the Equipment. Upon the happening of any Event of Default, Lessor in its absolute discretion may: (a) enter upon the premises where such Equipment is located and take immediate possession thereof, whether it is affixed to real property or not, and remove the same without liability to Lessor by reason of such entry or taking of possession, whether for damage to property or otherwise; (b) in the name of and as the irrevocably appointed agent and power of attorney for Lessee and without terminating or being deemed to have terminated this Agreement, take possession of the Equipment and proceed to rent the Equipment to any other person, firm or corporation on such terms and conditions, for such rent and for such period of time as Lessor may deem fit. Lessor may apply such rent to any amounts payable hereunder; (c) terminate this Agreement and by written notice to Lessee specifying a payment date not earlier than seven (7) days from the date of such notice, require Lessee to pay to Lessor as its financial obligation ("Financial Obligation") on the date specified in such notice the sum of (i) any Rent and other amounts due and unpaid, and (ii) as a genuine pre-estimate of actual damages for loss of a bargain and not as a penalty, an amount equal to the present value of the aggregate of all Rent payable to the expiration of the Term calculated by discounting such amounts at six percent (6%) per annum, and (iii) the amount of any residual interest which Lessor may have in the Equipment and which was used in the calculation of the Rent and Term; (d) as a late charge, require the payment of interest at the rate of twenty-four percent (24%) per annum calculated monthly on any overdue payment until paid and (e) as compensation for the additional administrative and clerical work resulting from said default an additional amount equal to fifteen percent (15%) of the total amount payable hereunder. Upon payment by Lessee of its Financial Obligation to Lessor, Lessor shall refund to Lessee the net amount received by Lessor on any sale, lease or disposition of the Equipment after deducting all costs and expenses incurred by reason of the occurrence of the Event of Default or the exercise of Lessor's remedies in respect thereof, including selling commissions and expenses and legal fees and disbursements on a solicitor/client basis. Except as provided above, no remedy referred to in this section is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity. Lessee hereby authorizes Lessee's landlord to provide Lessor with access to the Location to remove the Equipment in case of Lessee default as described above.

19. **NOTICES AND STATEMENTS.** Any notices and demands required to be given herein shall be given to the parties in writing at the addresses herein, or to such other address as the parties may hereafter substitute by written notice. Lessor and Lessee hereby agree that all documents, including this Agreement, sent by facsimile or other electronic transmission to the other party shall be considered to be original documents. Each party hereto agrees that such notices or demands shall be deemed to have been received by the other party on the day when such notices or demands were sent. Within ninety (90) days of the end of each financial year of Lessee, Lessee shall deliver to Lessor a copy of Lessee's audited (if available) or unaudited year-end statements.

20. **COLLECTION CHARGES.** Should Lessee fail to pay when due any part of the Rent, or renewal Rent herein reserved or any sum required to be paid to Lessor hereunder, Lessee shall pay to Lessor, in addition to any other payments, interest on any and all delinquent payments and amounts in default from the date thereof until paid in full at the rate of 24% per annum calculated monthly. Lessee further agrees to pay to Lessor for a returned cheque or a Pre-Authorized Payment debit that is returned for any reason whatsoever a charge in an amount the greater of $25.00 or the actual bank charge to Lessor plus a reimbursement for Lessor's incurred time and expense.

21. **CREDIT INVESTIGATION.** Lessee hereby authorizes Lessor to conduct financial and credit investigations of Lessee for the purposes of approval, maintenance and enforcement of this Lease, and to obtain any information required from any source to which it may apply, and each source is hereby authorized to provide such information to Lessor.

22. **ADD-ON EQUIPMENT.** Lessee and Lessor agree that additional Equipment ("Add-on Equipment") may be rented pursuant to this Agreement, provided Lessee and Lessor agree in writing to the specific terms and conditions of such rental. Any such writing for such Add-on Equipment, shall provide (1) reference to this Agreement; (2) a description of the Add-on Equipment; (3) the Term of such rental; (4) the payment frequency or number of payments; and (5) the Rent payable for the Add-on Equipment or the new Total Rent.

23. **WAIVER.** The parties hereto agree that this document be written in the English language. (Les parties en présences conviennent à ce que ce document soit rédige en anglais.)

24. **MISCELLANEOUS.** (a) This Agreement shall be governed by the laws of the Province of Alberta; (b) Time is of the essence with respect to this Agreement; (c) No waiver by Lessor of any term of this Agreement shall constitute a waiver of any other term or a waiver of any of Lessor's rights; (d) Should Lessee fail to perform any obligation hereunder, Lessor may cause such obligation to be performed and the cost thereof together with interest at 24% per annum shall be considered as additional rent to be paid by Lessee; (e) This Agreement contains the whole of the agreement between the parties and there are no collateral agreements or conditions not specifically set forth herein, and no modifications, amendments, additions or variations shall be binding unless agreed to in writing and properly executed by the parties; (f) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their permitted successors and assigns; (g) Any provision of this Agreement which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction; (h) Lessee acknowledges that statements under the various Provincial Personal Property Security Acts and the Civil Code of Quebec may be registered with respect to the Agreement and the Equipment, and Lessee hereby waives receipt of, and the right to receive a copy of, any such registered statement or verification statement. To the extent not prohibited by law applicable to and governing this Agreement, Lessee hereby waives the benefit of all provisions of any law, statute or regulation which would in any manner affect Lessor's rights and remedies hereunder, including provisions of the limitations of Civil Rights Act of Saskatchewan and Sections 47, 49 and 50 of the Law of Property Act of Alberta as amended. For purposes of the Civil Code of Quebec, Lessee acknowledges that this Agreement shall be considered a Contract of Leasing; (i) Lessee hereby acknowledges receipt of a copy of this Agreement.

LESSEE	Ranco Holdings Ltd.		Lease #	Ran002
Signatures:	The Undersigned Affirms That He/She Is Duly Authorized To Execute This Agreement		Date: April 15, 2009	
	Signature		Signature	
	Signature		Signature	

Version July 15, 2002

APPENDIX G

Lease #	Ran002
Customer #	

MRN Investments
#407, 10145 – 119 St NW
Edmonton, AB T5K 1Z2

EXECUTED AND ACCEPTED
AS LESSOR
SCHEDULE A

It contains important Legal and Financial Terms and Conditions Please read **all pages** carefully. Feel free to ask questions before signing.

LESSEE NAME	**Ranco Holdings Ltd**

(If Different Than Lease)	Street	**#47 East 3rd Ave**					
	City	**Dunmore**	Province	AB	Postal codeT0J 1A0	**(403) 526-4600**	

LESSOR INFORMATION		
NAME	**MRN INVESTMENTS**	
ADDRESS	**c/o #407, 10145 – 119 St NW., Edmonton, AB T5K 1Z2**	
Date: April 15, 2009	**Authorized Signature**	

APPENDIX H

Silcan Caveat

ALBERTA GOVERNMENT SERVICES
LAND TITLES OFFICE

IMAGE OF DOCUMENT REGISTERED AS:

101042704

ADVISORY

This electronic image is a reproduction of the original document registered at the Land Titles Office. Please compare the registration number on this coversheet with that on the attached document to ensure that you have received the correct document. Note that Land Titles Staff are not permitted to interpret the contents of this document.

Please contact the Land Titles Office at (780) 422-7874 if the image of the document is not legible.

CAVEAT

TO THE REGISTRAR OF THE **SOUTH ALBERTA** LAND REGISTRATION DISTRICT.

Take Notice that **Silcan Contracting (MH) Ltd.** of Box 1184, Medicine Hat, Alberta T1A 7H3,

claims:

an interest pursuant to a Promissory Note dated February 4, 2010 made between **Silcan Contracting (MH) Ltd.** and **Ranco Holdings Ltd.** in the sum of **$200,000.00** which Promissory Note charges and declares an interest in:

Plan 0512216
Block 1
Lot 10
Excepting Thereout All Mines and Minerals
Area: 0.761 Hectares (1.88 Acres) More or Less

being lands described in Certificate of Title #051 219 697 +1 standing in the register in the name of **Ranco Holdings Ltd.** and I forbid the registration of any person as transferee or owner of, or of any instrument affecting the said estate or interest, unless the instrument or certificate of title, as the case may be, is expressed to be subject to this claim.

I appoint Box 1184, Medicine Hat, Alberta T1A 7H3 as the place at which notices and proceedings related hereto may be served.

Dated this 5 day of February, A.D. 2010.

Js

Silcan Contracting (MH) Ltd.
Per:

CANADA
PROVINCE OF ALBERTA
TO WIT:

I, **Willi Silcher**,
of the City of Medicine Hat,
in the Province of Alberta

make oath and say:

1. **That** I am the agent of the above named Caveator.

2. **That** I believe that I have a good and valid claim upon the said lands and I say that this Caveat is not being filed for the purpose of delaying or embarrassing any person interested in or proposing to deal therewith.

SWORN before me at the City of Medicine Hat, in the Province of Alberta, this 5 day of February, A.D. 2010

A Commissioner for Oaths in and for the Province of Alberta

PATRICK M. BISHOP
A Commissioner For Oaths And
A Notary Public In And For
The Province Of Alberta
Being A Solicitor

Bolton Bishop
Lawyers

Reginald D. Bolton
Patrick M. Bishop
Jonathan P. Tieman

10, 3092 Dunmore Road SE
Medicine Hat, AB T1B 2X2
Phone: (403) 528-3323
Fax: (403)527-7630
email: pbishop@boltonbishop.ab.ca

Your File
Our File: 29026 PMB/dlm

March 3, 2010

Ernst & Young Inc.
1000 Ernst & Young Tower
440 – 2 Avenue SW
Calgary AB T2P 5E9

Attention: Mr. Dustin Olver, CA

Dear Sir:

Re: Ranco Holdings Ltd. in Receivership

We represent Silcan Contracting (MH) Ltd.

Our client is listed among the unsecured creditors in your Notice and Statement of Receiver.

Our client is a secured creditor to the extent of $200,000.00.

We enclose a copy of the Promissory Note (with charging clause) made in favour of our client, as well as a copy of title showing registration of our client's interest in the subject property.

Would you please amend your Statement accordingly and address all future notices and correspondence to our office for the attention of the undersigned.

Yours truly,

Bolton Bishop

Patrick M. Bishop

PMB/dlm
Encls.

Cc: Silcan Contracting (MH) Ltd.

PROMISSORY NOTE

Date: Feb 4th, 2010

Principal Amount: **$200,000.00**

RANCO HOLDINGS LTD. promises to pay to the order of **SILCAN CONTRACTING (MH) LTD.,** On Demand, the principal sum of **$200,000.00** in Canadian money (Without Interest).

THE PAYOR hereby agrees that this Promissory Note shall constitute a charge against the lands legally described as:

PLAN 0512216
BLOCK 1
LOT 10
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 0.761 HECTARES (1.88 ACRES) MORE OR LESS

and the Payee is entitled to register a Caveat against the title to the lands to protect his interest.

Ranco Holdings Ltd.
Per:

Certificate of Title

TITLE NUMBER: 051 219 697 +1

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED HEREIN THIS 10 DAY OF FEBRUARY ,2010

SUPPLEMENTARY INFORMATION

MUNICIPALITY: CYPRESS COUNTY
REFERENCE NUMBER:
051 167 028
AREA:
0.761 HECTARES (1.88 ACRES) MORE OR LESS
ATS REFERENCE:
4;5;12;1;NW
TOTAL INSTRUMENTS: 004

CERTIFIED COPY OF

Certificate of Title

APPENDIX H

S

LINC
0031 120 504

SHORT LEGAL
0512216;1;10

TITLE NUMBER: 051 219 697 +1
SUBDIVISION PLAN
DATE: 21/06/2005

AT THE TIME OF THIS CERTIFICATION

RANCO HOLDINGS LTD..
OF BOX 22007
MEDICINE HAT
ALBERTA T1A 8M5

IS THE OWNER OF AN ESTATE IN FEE SIMPLE
OF AND IN

PLAN 0512216
BLOCK 1
LOT 10
EXCEPTING THEREOUT ALL MINES AND MINERALS

SUBJECT TO THE ENCUMBRANCES,LIENS AND INTERESTS NOTIFIED BY MEMORANDUM UNDER-WRITTEN OR ENDORSED HEREON,OR WHICH MAY HEREAFTER BE MADE IN THE REGISTER.

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
911 114 382	31/05/1991	UTILITY RIGHT OF WAY GRANTEE - ALTAGAS UTILITIES INC.. 5509-45TH ST LEDUC ALBERTA T9E6T6 (DATA UPDATED BY: CHANGE OF NAME 051062918)
051 046 740	04/02/2005	CAVEAT RE : DEVELOPMENT AGREEMENT PURSUANT TO MUNICIPAL GOVERNMENT ACT CAVEATOR - CYPRESS COUNTY. BOX 108 DUNMORE ALBERTA T0J1A0
081 329 341	03/09/2008	MORTGAGE MORTGAGEE - ROYAL BANK OF CANADA. 180 WELLINGTON STREET WEST, 3RD FL TORONTO ONTARIO M5J1J1 ORIGINAL PRINCIPAL AMOUNT: $1,500,000
101 042 704	10/02/2010	CAVEAT RE : AGREEMENT CHARGING LAND CAVEATOR - SILCAN CONTRACTING (MH) LTD.. BOX 1184 MEDICINE HAT ALBERTA T1A7H3

(CONTINUED)

Action No. 1003 02172

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT 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

FRASER MILNER CASGRAIN LLP
2900, 10180 – 101 Street
Manulife Place
Edmonton, Alberta
T5J 3V5

Solicitor: Ray C. Rutman
Telephone: (780) 423–7246
Facsimile: (780) 423–7276

File: 125665-8158/RCR