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COURT FILE NUMBERS	1201-06934
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT(S)	ERNST & YOUNG INC. IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER OF 1252064 ALBERTA LTD., 1330075 ALBERTA LTD. AND HARVEST CAPITAL MANAGEMENT INC. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY
DOCUMENT	SIXTH REPORT OF THE RECEIVER FEBRUARY 22, 2016
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>RECEIVER</u> Ernst & Young Inc. 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Cassie Riglin Telephone: (403) 206-5067 / (403) 206-5106 Fax: (403) 206-5075 Email: Neil.Narfason@ca.ey.com Cassie.Riglin@ca.ey.com <u>COUNSEL</u> McCarthy Tétrault LLP Suite 3300, 421 7th Avenue SW Calgary AB T2P 4K9 Attn: Sean Collins / Walker MacLeod Telephone: (403) 260-3531 / (403) 260-3710 Email: scollins@mccarthy.ca wmacleod@mccarthy.ca

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APPENDICES

INTRODUCTION

1. On June 7, 2012, 1252064 Alberta Ltd. ("125"), 1330075 Alberta Ltd. ("133") and Harvest Capital Management Inc. ("HCMI") (collectively the "Companies") sought and obtained protection from their creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended, (the "CCAA") pursuant to an order of this Honourable Court (the "Initial CCAA Order"). Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor (the "Monitor") of 125, 133 and HCMI (the "CCAA Proceedings").

2. Ernst & Young Inc. was appointed Receiver and Manager (the "Receiver") of the property, assets and undertakings (the "Property") of 125, 133 and HCMI pursuant to an Order (the "Receivership Order") of this Honourable Court dated September 30, 2013.

3. Concurrent with the issuance of the Receivership Order, the CCAA Proceedings were terminated by an order (the "Termination Order") of this Honourable Court dated September 30, 2013. The Termination Order provides that the charges in the Initial CCAA Order endure, notwithstanding the termination of the Initial CCAA Order.

4. The Receivership Order authorized the Receiver, among other things, to carry on the business of the Company, to sell, convey, transfer, lease or assign the Property out of the normal course of business, subject to court approval for transactions in excess of $100,000, and to make such arrangements or agreements as deemed necessary by the Receiver.

5. The purpose of this sixth report (the "Sixth Report") of the Receiver is to provide this Honourable Court with the Receiver's comments on the proposed transaction with Punta Gorda Holdings Corp. ("Punta Gorda"), Legacy Communities Inc. ("Legacy"), Sundance Capital Corp. or its assignee ("Sundance") and Castro & Berguido LLP ("CB") (the "Panama Transaction").

6. Capitalized terms not defined in this Sixth Report are as defined in the Receivership Order.

7. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

8. In preparing this Sixth Report, the Receiver has relied upon unaudited financial information and Company records. The Receiver has not performed an audit, review or other verification of such information.

BACKGROUND

9. 125, 133, and HCMI are part of a group of legal entities commonly known as the Harvest Group of Companies (the "Harvest Group"). Mr. Ronald Aitkens ("Mr. Aitkens") was the director and controlling mind of various legal entities comprising the Harvest Group, including the Companies. The Receiver has reviewed financial information pertaining to the Harvest Group and, based on this review, has determined that the Harvest Group raised in excess of $266 million between 2004 and 2010, largely through the issuance of bonds to investors, and used the funds to acquire lands and make other investments.

10. Various entities within the Harvest Group have defaulted on their obligations to bondholders and have obtained protection under the CCAA. The Receiver is (or was, in respect of Harvest Group entities that have exited from CCAA proceedings) the Court appointed monitor of a total of 27 entities within the Harvest Group that have been granted protection from their creditors pursuant to the CCAA.

11. The reconstruction of the Harvest Group's accounting records is presented in detail in the Ninth Report of the Monitor in the CCAA Proceedings dated August 30, 2013 (the "SUF Report").

12. Legacy obtained protection from its creditors under the CCAA on December 21, 2011 and implemented a Plan of Arrangement pursuant to the CCAA on October 26, 2012. Since that date, the 125 and Legacy have operated at arm's length from one another.

13. The SUF Report shows that Legacy raised approximately $35.2 million through bond issuances to investors in 2006 for the purposes of real estate acquisition. Of the money raised by Legacy, $8.4 million (net) was disbursed to other entities within the Harvest Group of Companies and the amount of $7.9 million (net) was advanced directly from Legacy to 125.

14. Additional background information and other information regarding these receivership proceedings have been posted by the Receiver on its website at: www.ey.com/ca/foundationgroup.

PANAMA JOINT VENTURE

15. 125 entered into a joint venture agreement for development of a property located in Isla Del Ray, located near Panama City, with Punta Gorda Holding Corp. ("Punta Gorda") on July 12, 2007 (the "Panama Joint Venture"). The Isla del Rey is a 234 square kilometer island

located in the Gulf of Panama and accessible from Panama City by either flight (approximately 30 minute travel time) or boat (approximately 2.5 hours travel time).

16. Pursuant to the Panama Joint Venture, 125 was to contribute $7 million USD to an entity called Sask. Harvest Ventures Ltd. ("SHV") in exchange for a 50% equity interest in SHV. Punta Gorda owns a 1,539 hectare parcel of real property situated on the Isla del Rey. Punta Gorda was to transfer 50 hectares of that property (the "Isla del Rey Property") to SHV and hold the remaining 50% equity interest in SHV. The $7.0 million USD advanced by the 125 to SHV would be to develop the Isla del Rey Property.

17. The Receiver notes that according to the Receiver's financial reconstruction, the actual amount advanced by 125 under the Panama Joint Venture was $5,228,722. Of the money advanced by 125, $4,664,880 is directly traceable to advances made by Legacy to 125. On September 24, 2007, Legacy advanced $4,664,880 to 125. On September 25, 2007, $4,664,880 was advanced by 125 to CB for the Panama Joint Venture.

18. The Panama Joint Venture was never completed and a dispute arose as between the 125 and Punta Gorda in relation to the Panama Joint Venture. Since the commencement of the Legacy CCAA proceedings in December 2011 and continuing with the issuance of the Receivership Order in September 2013, the Receiver has been working in consultation with Legacy to take steps on behalf of the 125 to effect recoveries on the Panama Joint Venture. The steps taken by the Receiver have included:

a) Retaining counsel in Panama to assist with matters relating to the Panama Joint Venture and the Isla del Ray Property;

b) Initiating proceedings in Panama to have the Receiver recognized as having authority for and on behalf of the 125 to deal with matters relating to the Panama Joint Venture and the Isla del Ray Property;

c) Having various discussions with Legacy on strategic considerations relating to the Panama Joint Venture; and

d) Attempting to facilitate settlement discussions with CB and Punta Gorda in relation to the Isla del Ray Property.

PANAMA TRANSACTION

19. CB is a Panamanian law firm that has represented Punta Gorda and SHV in matters relating to the Panama Joint Venture and the Isla del Ray Property. CB eventually obtained a judgment in the amount of $300,000 USD against Punta Gorda for unpaid legal fees and the judgment was registered against title to the Isla del Ray Property.

20. On February 16, 2016, the Receiver was advised by its Panamanian counsel that, as a result of the judgment registered against title to the Isla del Ray Property by CB, a public auction for the Isla del Ray Property would occur in accordance with Panamanian law on March 16, 2016.

21. After being advised of the scheduled public auction, Legacy initiated discussions with Punta Gorda about a settlement of the dispute in relation to the Panama Joint Venture. As a result of those discussions, a global settlement has been reached as between the 125, CB, Legacy and Punta Gorda. The settlement is to be effected by implementation of the Panama Transaction. A description and step plan of the Panama Transaction is attached to this Sixth Report as Appendix "A".

22. The Panama Transaction includes, inter alia, the following terms:

a) The existing public sale of the Panama Property, scheduled for March 16, 2016, will be suspended at the request of Punta Gorda and CB;

b) 125 will advance $330,000 USD to Legacy (the "Legacy Loan");

c) Legacy will use the proceeds of the Legacy Loan and also advance an additional $330,000 USD to Sundance for a total advance to Sundance of $660,000 USD. Sundance will then advance the $660,000 USD to Punta Gorda (the "Punta Gorda Loan");

d) The proceeds of the Punta Gorda Loan will be used solely and exclusively to pay outstanding CB fees, property taxes and other priority obligations associated with the Panama Property or in a manner otherwise agreed to by 125, Legacy and Punta Gorda in writing;

e) Punta Gorda shall grant a second lien fixed mortgage, pledge, charge and security interest on Punta Gorda's interest in the Panama Property to CB, in the maximum principal amount of $725,000 USD, as security for any future obligations that may become due and owing by Punta Gorda to CB;

f) Punta Gorda shall acknowledge that it is indebted to Legacy and 125 in the amount of $4,664,880 (the "JV Loan") and grant a third lien fixed mortgage, pledge, charge and security interest on Punta Gorda's interest in the Panama Property to Legacy, in the maximum principal amount of $4,664,880, as security for the JV Loan (the "Legacy Mortgage");

g) The existing CB judgment registration against the Panama Property shall be discharged; and

h) CB, Punta Gorda, 125, Legacy and related individuals shall enter into a mutual release agreement that is acceptable to all parties.

Legacy Loan

23. The Legacy Loan will be secured, inter alia, by way of:

a) A mortgage, pledge, charge and security interest on all of Legacy's present and after acquired personal property;

b) Such further and other security as may be reasonably requested by 125.

24. The Legacy Loan will not bear interest and will be repaid by Legacy to 125 by set-off against any future amounts that will be disbursed from the estate of 125 to Legacy. Upon 125 making a distribution to Legacy any unpaid portion of the Legacy Loan shall automatically convert to a demand obligation and various security taken in favour of 125 will only be enforced in the event that future distributions due to Legacy from 125 are insufficient to cover the amount of the Legacy Loan.

Punta Gorda Loan

25. The Punta Gorda Loan will not bear interest and will have an initial term of two years. Punta Gorda may extend the Punta Gorda Loan for an additional three year term and, if it elects to do so, the Punta Gorda Loan will bear interest at a rate of twelve (12%) percent.

26. The Punta Gorda Loan shall be secured by a first lien fixed mortgage, pledge, charge and security interest on Punta Gorda's interest in the Panama Property, in the maximum

principal amount of $660,000 USD, and such further and other security as may be reasonably requested by Sundance.

JV Loan

27. The JV Loan will not bear interest and will have an initial term of two years. Punta Gorda may extend the JV Loan for an additional three year term and, if it elects to do so, the JV Loan will bear interest at a rate of seven (7%) percent.

28. 33.4% of the proceeds payable from the Legacy Loan and / or the Legacy Mortgage will be held in trust by Legacy for the benefit of 125. These amounts will be disbursed by 125 in accordance with the terms of the Receivership Order issued on September 30, 2013 in respect of 125 and will be for the benefit of 125's creditors.

29. Legacy will not be entitled to set-off amounts due to 125 from the Legacy Loan and / or the Legacy Mortgage against distributions due to Legacy from 125 but will be entitled to a pro rata share of such amounts based on the value of its allowed claim as against 125. Any amounts paid to Legacy by Punta Gorda on Legacy's 66.6% interest in the JV Loan and / or the Legacy Mortgage will be deducted, on a dollar for dollar basis, from Legacy's claim as against 125.

RECEIVER'S COMMENTS ON THE PANAMA TRANSACTION

30. Although no claims process has been initiated in respect of 125 and the SUF Report deals only with inter-company claims as between the Harvest Group, the information shows that there are total claims against 125 in the amount of approximately $18.2 million. Based off the SUF Report, Legacy holds 43.5% of the total claims as against 125.

31. The amount of the Legacy Loan is consistent with the Receiver's expected distribution to Legacy based on the anticipated claims and asset realizations within the 125 estate. Based on realization to date in the 125 estate, the Legacy Loan currently over allocates the distribution to Legacy; however, the Receiver anticipates that future asset realizations will equalize the distribution. The Receiver has insisted on the various security to be taken in favour of 125, as noted above, in the event that future distributions due to Legacy from 125 are insufficient to cover the amount of the Legacy Loan.

32. The Receiver is supportive of the Panama Transaction for the following reasons:

a) The Panama Transaction will avoid lengthy and costly litigation in Panama and Canada and the associated uncertainty of recovery in respect of such litigation;

b) Legacy is the most significant known creditor of 125 at this time and is supportive of the Panama Transaction;

c) Amounts advanced by 125 to Legacy as part of the Panama Transaction will be credited against any future pro rata distributions due to Legacy at the completion of the administration of the estate of the 125 and the Receiver anticipates that the amount of the advance by the 125 to Legacy (USD $330,000) will be less than the future pro rata distributions due to Legacy;

d) The Legacy Mortgage will be secured against Punta Gorda's entire 1,539 hectare parcel of real property on the Isla del Ray, rather than the 50 hectares contemplated in the Panama Joint Venture; and

e) There is a potential for additional recoveries to the 125 through its interest in the third lien mortgage that will be held by Legacy as part of the Panama Transaction.

RECEIVER'S REQUESTED RELIEF

33. The Receiver is requesting that this Honourable Court approve the Panama Transaction.

Dated at Calgary AB, this 22nd day of February, 2016.

ERNST & YOUNG INC.
in its capacity as Receiver and
Manager of 1252064 Alberta Ltd., 1330075 Alberta Ltd.
and Harvest Capital Management Inc.

Cassie Rigli

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

Cassie Riglin, CA
Senior Manager

Appendix A

Panama Transaction

Status	Party	Abbreviation
Contracting Party	1252064 Alberta Ltd.	("125")
Contracting Party	Punta Gorda Holdings Corp.	("Punta Gorda")
Contracting Party	Sundance Capital Corp.	("Sundance")
Contracting Party	Castro & Berguido LLP	("CB")
Legal Counsel	McCarthy Tetrault LLP (EY)	("MT")
Legal Counsel	Pardini & Associates (EY)	("Pardini")
Legal Counsel	• (Sundance)	•
Legal Counsel	• (Legacy)	•
Legal Counsel	• (Punta Gorda)	•
Receiver / Manager	EY Inc.	("EY")
N/A	Punta Gorda's interest in the 1,539 hectare Isla del Ray real property	("Panama Property")

Delivery of Documents

All deliveries and payments shall be held in escrow until all documents have been approved as satisfactory by or on behalf of each party. Agreement by those present at the closing that all deliveries and payments have been completed, or, alternatively, termination of the closing without protest that all deliveries and payments have not been completed, shall be conclusive evidence that the same have been completed.

Status of Documents

"Complete" - Matter, item or document complete
"Draft" - Document circulating in draft form
"Delivered" - Document executed and delivered
"Final" - Document in final form but not yet executed
"o/s" - Outstanding

$ USD References

All monetary amounts herein are to United States dollars unless expressly referenced to the contrary.

Panama Transaction - Summary

- The existing public sale of the Panama Property, scheduled for March 16, 2016, will be suspended at the request of Punta Gorda and CB.

- 125 will advance $330,000 to Legacy (the "Legacy Loan").

- The Legacy Loan will be secured, *inter alia*, by way of:

    - a mortgage, pledge, charge and security interest on all of Legacy's present and after acquired personal property; and

    - such further and other security as may be reasonably requested by 125.

- The Legacy Loan will not bear interest and will be repaid by Legacy to 125 by set-off against any future amounts that will be disbursed from the estate of 125 to Legacy. Upon 125 making a distribution to Legacy any unpaid portion of the Legacy Loan shall automatically convert to a demand obligation and various security taken in favour of 125 will only be enforced in the event that future distributions due to Legacy from 125 are insufficient to cover the amount of the Legacy Loan.

- Legacy will use the proceeds of the Legacy Loan and also advance an additional $330,000 to Sundance for a total advance to Sundance of $660,000. Sundance will advance the $660,000 to Punta Gorda (the "Punta Gorda Loan").

- The Punta Gorda Loan will not bear interest and will have an initial term of two years. Punta Gorda may extend the Punta Gorda Loan for an additional three year term and, if it elects to do so, the Punta Gorda Loan will bear interest at a rate of twelve (12%) percent.

- The proceeds of the Punta Gorda Loan will be used solely and exclusively to pay outstanding CB fees, property taxes and other priority obligations associated with the Panama Property or in a manner otherwise agreed to by 125, Legacy and Punta Gorda in writing.

- The Punta Gorda Loan shall be secured by a first lien fixed mortgage, pledge, charge and security interest on Punta Gorda's interest in the Panama Property, in the maximum principal amount of $660,000, and such further and other security as may be reasonably requested by Sundance.

- Punta Gorda shall grant a second lien fixed mortgage, pledge, charge and security interest on Punta Gorda's interest in the Panama Property to CB, in the maximum principal amount of $725,000, as security for any future obligations that may become due and owing by Punta Gorda to CB.

- Punta Gorda shall acknowledge that it is indebted to Legacy and 125 in the amount of $4,664,880 (the "JV Loan") and grant a third lien fixed mortgage, pledge, charge and security interest on Punta Gorda's interest in the Panama Property to Legacy, in the maximum principal amount of $4,664,880, as security for the Legacy Loan (the "Legacy Mortgage").

- The JV Loan will not bear interest and will have an initial term of two years. Punta Gorda may extend the Legacy Loan for an additional three year term and, if it elects to do so, the Legacy Loan will bear interest at a rate of seven (7%) percent.

- 33.3% of the proceeds payable from the JV Loan and / or the Legacy Mortgage will be held in trust by Legacy for the benefit of 125. These amounts will be disbursed by 125 in accordance with the terms of the Receivership Order issued on September 30, 2013 in respect of 125 and will be for the benefit of 125's creditors.

- Legacy will not be entitled to set-off amounts due to 125 from the JV Loan and / or the Legacy Mortgage against distributions due to Legacy from 125 but will be entitled to a *pro rata* share of such amounts based on the value of its allowed claim as against 125.

- Any amounts paid to Legacy by Punta Gorda on Legacy's 66.7% interest in the JV Loan and / or the Legacy Mortgage will be deducted, on a dollar for dollar basis, from Legacy's claim as against 125.

- The existing CB judgment registration against the Panama Property shall be discharged.

- CB, Punta Gorda, 125, Legacy and related individuals shall enter into a mutual release agreement that is acceptable to all parties.

Panama Transaction – Specific Closing Steps / Documents

No.	Document or Action	Responsibility	Status	Date
1.	Joint suspension of Panama Public Sale	CB / PG	o/s	o/s
2.	Sundance first lien mortgage on Panama Property ($660,000)	Pardini	o/s	Feb. 29
3.	CB second lien mortgage on Panama Property ($725,000)	Pardini	o/s	Feb. 29
4.	Legacy third lien mortgage on Panama Property ($4,664,880) NTD: Pardini to advise of any additional specific document requirements]	Pardini	o/s	Feb. 29
5.	Legacy Alberta Promissory Note ($330,000 advance from 125)	MT	o/s	Feb. 29
6.	Legacy Alberta General Security Agreement ($330,000 advance from 125)	MT	o/s	Feb. 29
7.	Legacy / 125 set-off agreement regarding $330,000 advance from 125	MT	o/s	Feb. 29
8.	Legacy / 125 Trust Agreement regarding 67.7% (Legacy) / 33.3% (125) division of interest in Legacy third lien mortgage ($4,664,880) on Panama Property	MT / Pardini	o/s	Feb. 29
9.	Alberta Court authorization for EY to complete transaction	MT / EY	Draft	Feb. 29
10.	Advance of $330,000 by 125 to Pardini (in trust for Legacy)	MT / Pardini	o/s	March 15
11.	Advance of $330,000 by Sundance to Pardini (in trust for Legacy)	MT / Pardini	o/s	March 15
12.	Registration of Sundance first lien mortgage on Panama Property ($660,000)	Pardini	o/s	March 15
13.	Registration of CB second lien mortgage on Panama Property ($725,000)	Pardini	o/s	March 15
14.	Registration of Legacy third lien mortgage on Panama Property ($4,664,880)	Pardini	o/s	March 15
15.	Discharge of existing CB registration against Panama Property	CB	o/s	March 15

No.	Document or Action	Responsibility	Status	Date
16.	Discharge of any other encumbrances against Panama Property [NTD: Pardini to advise based on updated title]	CB / Pardini	o/s	March 15
17.	Registration of Legacy Alberta PPR security interest in favour of 125	MT	o/s	March 15
18.	Release agreement as between Legacy, Punta Gorda, 125, and related parties	Legacy / PG	o/s	March 15