COURT FILE NUMBERS	1201-06934	Clerk's Stamp CLERK OF THE CO... FILED OCT 1 1 2016 JUDICIAL CEN... OF CALGAR...
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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	SEVENTH REPORT OF THE RECEIVER	
	OCTOBER 6, 2016	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	RECEIVER Ernst & Young Inc. 2200, 215 2nd St SW Calgary, Alberta T2P 1M4 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 COUNSEL 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, in the within proceedings (the "Receivership Proceedings").

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 seventh report (the "Seventh Report") of the Receiver is to provide this Honourable Court with the Receiver's comments on the proposed claim assignment from 125 to Panama Holdings (1252064) Ltd. ("Panama Holdings").

6. Capitalized terms not defined in this Seventh 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 Seventh 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 Communities Inc. ("Legacy"), originally a member of the Harvest Group, 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, 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 the 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 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 Castro & Berguido LLP ("CB"), the Panamanian law firm that represented Punta Gorda and the SHV in matters relating to the Panama Joint Venture and the Isla del Ray Property.

18. The Panama Joint Venture was never completed and a dispute arose as between 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 125 to effect recoveries with respect to 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 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;

    d) Settlement discussions with Punta Gorda in relation to the Isla del Ray Property; and

e) Negotiating the Panama Transaction (as defined and discussed in the Sixth Receiver's Report dated February 22, 2016).

CLAIM ASSIGNMENT

19. On February 29, 2016, this Honourable Court granted an order to approve the Panama Transaction. Ultimately the Panama Transaction did not close, as CB would not agree to the final terms of the agreement.

20. As a result the Receiver has continued to work with its Panamanian counsel to determine the next steps to realize recoveries from the Panama Joint Venture.

21. The Receiver's Panamanian counsel has informed the Receiver that the Panama court does not and will not recognize the Receivership Proceedings nor the Receiver. Therefore the Receiver has created Panama Holdings, a wholly owned subsidiary of 125, to pursue any and all claims that 125 may have in connection with Punta Gorda, the Panama Joint Venture, SHV and the Isla del Rey Property (the "Panama Claims") in Panama Holdings corporate capacity outside the Receivership Proceedings.

22. In order to pursue 125's potential Panama Claims, the Receiver is proposing assigning all Claims to Panama Holdings (the "Claim Assignment"). A copy of the proposed assignment agreement is attached as Appendix A (the "Assignment Agreement").

PANAMA CHARGE

23. In connection with the assignment of the Panama Claims by 125 to Panama Holdings, pursuant to the Assignment Agreement, Panama Holdings and its Officers and Directors will only proceed with the enforcement and pursuit of the Panama Claims upon obtain adequate insurance coverage and/or indemnification.

24. The Receiver is unable to obtain adequate insurance coverage. Due to the unique circumstances the Receiver has been unable to find an insurance company willing to offer a directors and officers' policy for Panama Holdings.

25. As a result of Panama Holdings inability to obtain adequate D&O insurance in connection with the pursuit of the Panama Claims, Panama Holdings and its Directors and Officers will pursue such claims upon 125 indemnifying Panama Holdings and its Directors and Officers in connection with any obligations and liabilities they may incur in connection with same and

upon being granted a granted a charge (the "Panama Charge") over all of 125's Property, securing such indemnity.

RECEIVER'S COMMENTS

26. The Receiver and Legacy are supportive of the Claim Assignment and the granting of the Panama Charge as this will allow 125 the necessary opportunity to pursue recovery efforts in relation to the Panama Joint Venture.

RECEIVER'S REQUESTED RELIEF

27. The Receiver is requesting that this Honourable Court:

a) Approve the Claim Assignment; and

b) Grant the Panama Charge.

Dated at Calgary AB, this 6th day of October, 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

THIS ASSIGNMENT AGREEMENT dated August 29, 2016.

BETWEEN:

1252064 ALBERTA LTD., by Ernst & Young Inc., in its capacity as court-appointed receiver and manager of 1252064 Alberta Ltd. and not in its personal or corporate capacity

(the "**Assignor**")

AND:

PANAMA HOLDINGS (1252064) LTD.

(the "**Assignee**")

WHEREAS:

A. Pursuant to a joint venture agreement made between Punta Gorda Holding Corp. ("**Punta Gorda**"), a Panamanian corporation, and the Assignor, entered into the 12th day of July, 2007, (the "**Contract**"), the Assignor agreed to make a capital contribution of $7,000,000 (the "**Capital Contribution**") in Sask. Harvest Ventures Ltd. (the "**JV Corporation**") and Punta Gotrda agreed to contribute 50 (fifty) hectares of land situated on Isla del Rey, Panama (the "**Panama Lands**") to the JV Corporation (the "**Joint Venture**");

B. The Contract was not completed and a dispute has arises as between the Assignor and Punta Gorda in relation to the Contract, the JV Corporation, the Capital Contribution, the Panama Lands and the Joint Venture.

C. The Assignor has agreed to assign to the Assignee any and all claims the Assignor has or may have in respect of the Joint Venture pursuant to and in accordance with the terms of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of $1.00 now paid by the Assignee to the Assignor (the receipt and sufficiency of which is acknowledged by the Assignor) the parties hereto covenant and agree as follows:

1. Assignment of Claim/Cause of Action.

The Assignor hereby absolutely and unconditionally forever assigns, transfers and sets over unto the Assignee all of the Assignor's right, title, estate and interest, both at law and in equity, in and to (i) any claim that the Assignor has or may have against any individual, corporation, government body or agency or other legal person (each, a "**Person**") in respect of Punta Gorda, the Contract, the JV Corporation, the Capital Contribution, the Panama Lands, the Joint Venture or anything arising out of, relating to or in connection with any of the foregoing (the "**Cause of Action**"), and (ii) the right to bring any court action (the "**Action**") against any Person in respect of the Cause of Action in any domestic or foreign court of law or equity, including all damages, awards, rights, entitlements and benefits arising therefrom and the Assignee hereby accepts the assignment in accordance with the terms of this Agreement.

2. Authorization.

The Assignee shall, without notice to or the prior approval of the Assignor, have the right at any time to exercise or to take such rights or actions as the Assignee may at any time or from time to time determine to be necessary in respect of the Cause of Action or any Action.

3. Payments Received by Assignor.

The Assignor shall immediately pay and set over to the Assignee all amounts hereafter received by the Assignor with respect to the Cause of Action or any Action and, pending such payment, the Assignor shall hold all such amounts in trust for the Assignee.

4. Co-operation.

Without limiting the generality of sections 2 and 5, the Assignor shall fully cooperate with the Assignee and its legal counsel in respect of the prosecution of the Cause of Action and any Action.

5. Further Assurances.

Each of the parties shall promptly execute and deliver, at the request of the other, all such further documents and instrument, and shall promptly do all such acts and things that are necessary to give full effect to the intent and meaning of this Agreement. In particular the Assignor shall, promptly at the respect of the Assignee, provide notice to any Person, in such form as is reasonably required by the Assignee, of the assignment of the Cause of Action and the Action to the Assignee.

6. Enurement.

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

7. Court Approval

The rights and obligations of each of the Assignor and the Assignee are conditional upon the approval of this Agreement by the Court of Queen's Bench of Alberta pursuant to an order approved by each of the Assignor and the Assignee, acting reasonably.

IN WITNESS WHEREOF the parties have executed this Agreement.

1252064 ALBERTA LTD., by Ernst & Young Inc., in its capacity as court-appointed receiver and manager of 1252064 Alberta Ltd. and not in its personal or corporate capacity

Per: ______________________________
Neil Narfason, C.A., C.I.R.P., C.B.V.

PANAMA HOLDINGS (1252064) LTD.

Per: ______________________________
Neil Narfason, C.A., C.I.R.P., C.B.V.