

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

**FIRST SUPPLEMENTAL REPORT TO THE FIRST
REPORT OF THE RECEIVER**

NOVEMBER 1, 2013

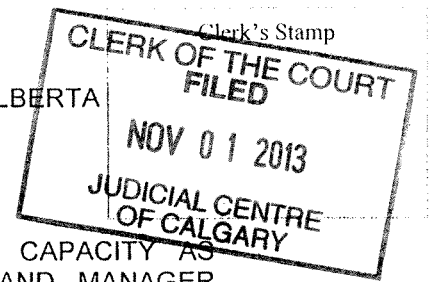
ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

RECEIVER

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INTRODUCTION

1. On June 7, 2012, 1252064 Alberta Ltd. (“125”), 1330075 Alberta Ltd. (“133”) and Harvest Capital Management Inc. (“HCMI”) 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.
4. Collectively, 125, 133, and HCMI are sometimes referred to as the “Companies” or the “Debtors”.
5. 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.
6. The purpose of this first supplemental report of the first report (the “Supplemental Report”) is to supplement the First Report of the Receiver dated October 28, 2013 (the “First Report”) by providing this Honourable Court with the Receiver’s detailed accounting for the source of the funds used for the purchase of seven adjacent parcels of land near Balsam Lake, Ontario (the “Balsam Lake Purchase”) and to provide the Court with additional background regarding Legacy Communities Inc. (“Legacy”) opposes the Monitor’s application with respect to the priority of the charges

established in the Initial CCAA Order and declaration that the proceeds of the sale of the Balsam House and Balsam Land (as defined in the First Report) are subject to such charges.

7. Capitalized terms not defined in this Supplemental Report are as defined in the Receivership Order.
8. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

9. In preparing this Supplemental 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

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

HARVEST GROUP OF COMPANIES

11. 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 ("Aitkens") was the director and controlling mind of various legal entities comprising the Harvest Group, including the Debtors. 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.
12. 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.

13. 125 and 133 were companies established with the primary purpose of purchasing lands and reselling the lands to other companies within the Harvest Group which raised funds from external investors under Offering Memorandums ("OM Companies"). HCMI was a company established with the purpose of providing management services to the OM Companies.
14. Legacy Communities Inc. ("Legacy") was one of the OM Companies within the Harvest Group which obtained protection from its creditors pursuant to the CCAA. Ernst & Young Inc. was the court appointed Monitor of Legacy which had a plan of arrangement sanctioned by this Honourable Court on July 5, 2012. Legacy now functions with a fully independent board of directors.

SOURCES OF FUNDS USED IN THE BALSAM LAKE PURCHASE

15. As described in the First Report, the Balsam Lake Purchase was funded as follows:

Initial Purchase of Balsam Lake Land and House

Payment	Amount	Source of Funds
Initial Deposit	\$ 150,000.00	125
Second Deposit	350,000.00	125
Third Deposit	500,000.00	125
Vendor Take Back Mortgage	1,000,000.00	Eric Yealland
Cash to Close	643,545.76	133
	<u>\$ 2,643,545.76</u>	

16. The Receiver has analyzed the transactions and has conclusively determined that the source of funds to purchase the Balsam House and Balsam Lake did not come from Legacy nor did the funds come by a circuitous route from funds from Legacy (i.e. the funds did not come from other entities where Legacy advanced funds to). While Legacy is a creditor of both 125 and 133, the funds advanced by Legacy to either 125 or 133 were not used to purchase the Balsam Lands or the Balsam House.

17. For the three deposits aggregating \$1,000,000 paid by 125, the Receiver notes the following:
- a) The source of the first \$150,000 is not clearly traceable due to a significant number of deposits and withdrawals. The Receiver notes that there was an advance from Legacy to 125 near the time of this payment, however; the advance is shown to be used for another purpose;
 - b) For the second payment of \$350,000, 125 was reimbursed for the same amount by 133. The source of the funds in 133 is from the sale of the Spruce Ridge Lands ("Spruce Ridge Lands") to Spruce Ridge Estates Inc., another OM Company within the Harvest Group of Companies; and
 - c) For the third payment of \$500,000 125 was advanced the sum of \$600,000 by 133 approximately one week in advance of the payment. The source of the funds in 133 is from the sale of the Spruce Ridge Lands.
18. Detailed accounting records for 125 are provided as Appendix "A" to this report.
19. A Vendor Take Back Mortgage (the "VTB") in the amount of \$1,000,000 was initially granted by Eric Yealland to 133.
20. The \$643,545.76 of cash to close the transaction was provided by 133. The Receiver has reviewed the source of the funds that 133 used to close the transaction and has concluded that these funds came from the sale of the Spruce Ridge Lands.
21. The VTB was repaid by 133 in June of 2009. The funds used to make this repayment were advanced from 1379599 Alberta Ltd. ("137"), a related company. The accounting records of Legacy show no transactions between Legacy and 137.
22. Detailed accounting records for 133 are provided as Appendix "A" to this report.
23. The Receiver has previously provided all the information and supporting documentation forming its analysis to Legacy and its counsel on more than one occasion.

LEGACY'S OCTOBER 30, 2013 COMMUNICATION TO ITS STAKEHOLDERS

24. The Monitor has been made aware of an October 30, 2013 email communication (the Legacy Email") sent by Mr. Daryl Hillman, President, and Chairman of the Board of Legacy to Legacy's investors, shareholders and bondholders. A copy of the Legacy Email is attached at Appendix "B".
25. The Receiver understands that Legacy has approximately 1,500 investors, shareholders and bondholders most of whom would have received the Legacy Email.
26. Paragraph 7 of the Legacy Email states the following:

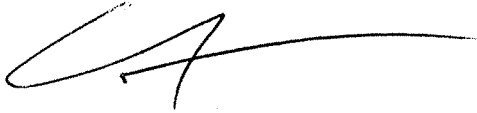
"7. The Monitor, Neil Narfason of Ernst & Young has summarily dismissed our claim on the Balsam Land in Ontario and Liberty Crossing in Red Deer. I find it preposterous that the Monitor that was installed by the Courts to bring sense, reason and truth to all this is poised to absorb the entire sales proceeds of the Balsam Lake property (over \$600,000) for his own fees and costs. We are posturing to contest this commencing next week. It will be a tough battle to go up against the Ernst & Young and their cartel of Law Firms who have literally enjoyed a rubber stamp of approval of everything they take before the courts. What I am coming to understand is that these people appear to have the court system over a barrel in that if the court comes down on them or attempts to reign them in for pillaging the proceeds and assets of these CCAA actions, they won't be able to attract these people to accept the appointments. There is tremendous frustration among Investors who have been robbed of their savings by Ron Aitkens and his myriad of companies, but to be robbed again by the Accountants and Lawyers under the cloak of court protection adds insult to injury."

RECEIVER'S REQUESTED RELIEF

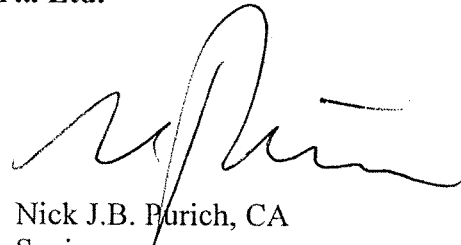
27. Consistent with the requested relief in the First Report, the Receiver respectfully requests that this Honourable Court grant an order confirming the priority of the charges established in the Initial CCAA Order and a declaration that to the proceeds of the sale of the Balsam House and Balsam Land (as defined in the First Report) are subject to such charges.

Dated at Calgary AB, this 1st day of November, 2013.

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



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



Nick J.B. Purich, CA
Senior

Appendix A

Excerpts from the bank statements of 1252064 AB Ltd.

Date	Entity	Transaction	Cheque	Deposits	Payee
09/10/2007	1252064 Alberta Ltd	Deposit		\$ 264,381.58	Ken Aitkens
10/10/2007	1252064 Alberta Ltd	Foreign Deposit		\$ 575,759.87	
10/10/2007	1252064 Alberta Ltd	Bank Charge	\$ 15.00		Bank Charge
10/10/2007	1252064 Alberta Ltd	Fund transfer	\$ 200,025.00		Kai Commercial Trust
11/10/2007	1252064 Alberta Ltd	Deposit		\$ 891.10	364639 AB Ltd (Galko homes)
12/10/2007	1252064 Alberta Ltd	Cheque	\$ 564.42		Lawn Master Services Ltd
17/10/2007	1252064 Alberta Ltd	Cheque	\$ 100.17		Enercon Water Treatment Ltd
18/10/2007	1252064 Alberta Ltd	Cheque	\$ 11,341.69		Macleod Dixon LLP
18/10/2007	1252064 Alberta Ltd	Insurance	\$ 1,176.20		ING/INTACT INS
22/10/2007	1252064 Alberta Ltd	Deposit		\$ 3,535.41	Canwest Media
22/10/2007	1252064 Alberta Ltd	Cheque	\$ 5,350.10		HCMI
25/10/2007	1252064 Alberta Ltd	Cheque	\$ 71,970.00		Beyer Consulting Ltd.
26/10/2007	1252064 Alberta Ltd	Cheque	\$ 58.30		BFI Canada
01/11/2007	1252064 Alberta Ltd	Bank Charge	\$ 11.14		Bank Charge
01/11/2007	1252064 Alberta Ltd	Cheque	\$ 2,075.54		City of Calgary
01/11/2007	1252064 Alberta Ltd	Cheque	\$ 2,075.54		City of Calgary
01/11/2007	1252064 Alberta Ltd	Misc Payment	\$ 390.93		SIMCO MGMT
01/11/2007	1252064 Alberta Ltd	Misc Payment	\$ 390.93		SIMCO MGMT
02/11/2007	1252064 Alberta Ltd	Cheque	\$ 519.50		City of Lethbridge
05/11/2007	1252064 Alberta Ltd	Cheque	\$ 235,000.00		Red Tail Capital
06/11/2007	1252064 Alberta Ltd	Cheque	\$ 564.42		Lawn Master Services Ltd
09/11/2007	1252064 Alberta Ltd	Cheque	\$ 161.62		SafeGuard Business Systems Ltd
09/11/2007	1252064 Alberta Ltd	Cheque	\$ 9,536.00		Total Benefit Realty Solutions
13/11/2007	1252064 Alberta Ltd	Cheque	\$ 25,000.00		Belmore Energy Inc.
14/11/2007	1252064 Alberta Ltd	Credit Adjustment		\$ 5,300,000.00	Legacy Communities Inc.
14/11/2007	1252064 Alberta Ltd	Cheque	\$ 134,374.00		Douglas N. Alger Law Office
14/11/2007	1252064 Alberta Ltd	Debit Memo	\$ 5,308,299.00		1237901 Alberta Ltd.
15/11/2007	1252064 Alberta Ltd	Cheque	\$ 100.17		Enercon Water Treatment Ltd
16/11/2007	1252064 Alberta Ltd	Cheque	\$ 150,000.00		Eric Yealland
19/11/2007	1252064 Alberta Ltd	Credit Adjustment		\$ 840,000.00	1330075 Alberta Ltd.
19/11/2007	1252064 Alberta Ltd	Cheque	\$ 903,813.65		Howitt Construction Ltd.
19/11/2007	1252064 Alberta Ltd	Insurance	\$ 1,176.20		ING/INTACT INS
20/11/2007	1252064 Alberta Ltd	Bank Charge	\$ 5.00		Bank Charge
20/11/2007	1252064 Alberta Ltd	Credit Memo		\$ 100,000.00	Legacy Communities Inc.
21/11/2007	1252064 Alberta Ltd	Cheque	\$ 113,750.00		Source Financial Services
22/11/2007	1252064 Alberta Ltd	Fund transfer		\$ 100,000.00	Airdrie Country Estates Inc.
22/11/2007	1252064 Alberta Ltd	Bank Charge	\$ 5.00		Bank Charge
22/11/2007	1252064 Alberta Ltd	Cheque	\$ 10,000.00		Tingle Merret LLP
22/11/2007	1252064 Alberta Ltd	Business PAD	\$ 91.82		DEML
03/12/2007	1252064 Alberta Ltd	Bank Charge	\$ 16.00		Bank Charge
03/12/2007	1252064 Alberta Ltd	Cheque	\$ 350,000.00		Eric Yealland
03/12/2007	1252064 Alberta Ltd	Misc Payment	\$ 390.93		SIMCO MGMT
03/12/2007	1252064 Alberta Ltd	Misc Payment	\$ 390.93		SIMCO MGMT
04/12/2007	1252064 Alberta Ltd	Bank Charge	\$ 5.00		Bank Charge

Date	Entity	Transaction	Cheque	Deposits	Payee
05/12/2007	1252064 Alberta Ltd	Deposit		\$ 350,000.00	1330075 Alberta Ltd.
05/12/2007	1252064 Alberta Ltd	Bank Charge	\$ 36.26		Bank Charge
06/12/2007	1252064 Alberta Ltd	Cheque	\$ 58.30		BFI Canada
06/12/2007	1252064 Alberta Ltd	Cheque	\$ 263.70		Lawn Master Services Ltd
10/12/2007	1252064 Alberta Ltd	Deposit		\$ 10,739.51	364639 AB Ltd (Galko homes)
10/12/2007	1252064 Alberta Ltd	Business PAD	\$ 227.40		Direct Energy
12/12/2007	1252064 Alberta Ltd	Fund transfer		\$ 100,000.00	1330075 Alberta Ltd.
12/12/2007	1252064 Alberta Ltd	Fund transfer	\$ 91,025.00		1237901 Alberta Ltd.
14/12/2007	1252064 Alberta Ltd	Cheque	\$ 100.17		Enercon Water Treatment Ltd
17/12/2007	1252064 Alberta Ltd	Cheque	\$ 40.81		BFI Canada
17/12/2007	1252064 Alberta Ltd	Cheque	\$ 16,298.77		City of Lethbridge
18/12/2007	1252064 Alberta Ltd	Bank Charge	\$ 249.25		Bank Charge
18/12/2007	1252064 Alberta Ltd	Insurance	\$ 1,176.20		ING/INTACT INS
19/12/2007	1252064 Alberta Ltd	Deposit		\$ 12,440.12	364639 AB Ltd (Galko homes)
19/12/2007	1252064 Alberta Ltd	Deposit		\$ 3,535.41	Canwest Media
20/12/2007	1252064 Alberta Ltd	Cheque	\$ 706,627.22		Howitt Construction Ltd.
21/12/2007	1252064 Alberta Ltd	Bank Charge	\$ 5.00		Bank Charge
21/12/2007	1252064 Alberta Ltd	Credit Adjustment		\$ 706,627.22	1330075 Alberta Ltd.
24/12/2007	1252064 Alberta Ltd	Cheque	\$ 8,091.03		Enmax
27/12/2007	1252064 Alberta Ltd	Bank Charge	\$ (49.88)		Bank Charge
02/01/2008	1252064 Alberta Ltd	Bank Charge	\$ 13.32		Bank Charge
02/01/2008	1252064 Alberta Ltd	Misc Payment	\$ 390.93		SIMCO MGMT
02/01/2008	1252064 Alberta Ltd	Misc Payment	\$ 390.93		SIMCO MGMT
08/01/2008	1252064 Alberta Ltd	Cheque	\$ 319.76		Enmax
08/01/2008	1252064 Alberta Ltd	Cheque	\$ 848.00		Wild Rose Hort
09/01/2008	1252064 Alberta Ltd	Deposit		\$ 9,797.96	364639 AB Ltd (Galko homes)
11/01/2008	1252064 Alberta Ltd	Cheque	\$ 50,000.00		Poon McKenzie Architects
14/01/2008	1252064 Alberta Ltd	Bank Charge	\$ 5.00		Bank Charge
14/01/2008	1252064 Alberta Ltd	Cheque	\$ 99.23		Enercon Water Treatment Ltd
15/01/2008	1252064 Alberta Ltd	Bank Charge	\$ 5.00		Bank Charge
15/01/2008	1252064 Alberta Ltd	Credit Adjustment		\$ 150,000.00	Legacy Communities Inc.
15/01/2008	1252064 Alberta Ltd	Fund transfer	\$ 91,025.00		1237901 Alberta Ltd.
17/01/2008	1252064 Alberta Ltd	Bank Charge	\$ 226.53		Bank Charge
18/01/2008	1252064 Alberta Ltd	Insurance	\$ 1,176.20		ING/INTACT INS
21/01/2008	1252064 Alberta Ltd	Cheque	\$ 40.81		BFI Canada
22/01/2008	1252064 Alberta Ltd	Cheque	\$ 322.00		Douglas N. Alger Law Office
22/01/2008	1252064 Alberta Ltd	Cheque	\$ 25.92		MD of Rockyview
23/01/2008	1252064 Alberta Ltd	Bank Charge	\$ 5.00		Bank Charge
23/01/2008	1252064 Alberta Ltd	Cheque	\$ 73.11		Battle River REA
23/01/2008	1252064 Alberta Ltd	Cheque	\$ 97,277.01		AD Williams Engineering
24/01/2008	1252064 Alberta Ltd	Bank Charge	\$ 5.00		Bank Charge
25/01/2008	1252064 Alberta Ltd	Transfer Credit		\$ 600,000.00	1330075 Alberta Ltd.
28/01/2008	1252064 Alberta Ltd	Deposit		\$ 12,616.15	IMOR Capital
31/01/2008	1252064 Alberta Ltd	Cheque	\$ 261.00		Douglas N. Alger Law Office
01/02/2008	1252064 Alberta Ltd	Bank Charge	\$ 12.56		Bank Charge
01/02/2008	1252064 Alberta Ltd	Cheque	\$ 500,000.00		Eric Yealland

Excerpts from the bank statements of 1330075 AB Ltd.

Date	Entity	Transaction	Withdrawals	Deposits	Payee
November-19-07	1330075 Alberta Ltd.	Credit Adjustment		345,000.00	Spruce Ridge
December-03-07	1330075 Alberta Ltd.	Bank charges	5.00		RBC
December-05-07	1330075 Alberta Ltd.	Cheque	350,000.00		1252064 Alberta Ltd.
December-05-07	1330075 Alberta Ltd.	Cheque	12,500.00		Lucille Aitkens
December-05-07	1330075 Alberta Ltd.	Cheque	12,500.00		Ron Aitkens
December-05-07	1330075 Alberta Ltd.	Credit Adjustment		1,000,000.00	Spruce Ridge
December-11-07	1330075 Alberta Ltd.	Cheque	10,000.00		Run Free Ministries
December-12-07	1330075 Alberta Ltd.	Fund transfer	100,000.00		1252064 Alberta Ltd.
December-13-07	1330075 Alberta Ltd.	Cheque	80.54		Vanee Motors
December-13-07	1330075 Alberta Ltd.	Cheque	22,858.90		Vanee Motors
December-13-07	1330075 Alberta Ltd.	Cheque	6,000.00		Youth with a Mission
December-14-07	1330075 Alberta Ltd.	Cheque	89,052.00		Beyer Consulting Ltd.
December-14-07	1330075 Alberta Ltd.	Cheque	525.00		Amy Ho
December-17-07	1330075 Alberta Ltd.	Cheque	75,171.00		Foundation Capital Corp
December-17-07	1330075 Alberta Ltd.	Cheque	2,500.00		Miracle Channel
December-18-07	1330075 Alberta Ltd.	Cheque	71,886.15		Business Edge
December-21-07	1330075 Alberta Ltd.	Debit Memo	706,627.22		1252064 Alberta Ltd.
December-21-07	1330075 Alberta Ltd.	Credit Adjustment		1,000,000.00	Spruce Ridge
December-21-07	1330075 Alberta Ltd.	Cheque	377.50		Mike Dortch
December-24-07	1330075 Alberta Ltd.	Cheque	50,000.00		Felcom ITF Mineral Fields
December-31-07	1330075 Alberta Ltd.	Cheque	1,250.00		Hudson Financial Services
December-31-07	1330075 Alberta Ltd.	Fund transfer	200,025.00		Egreen Corporation
January-02-08	1330075 Alberta Ltd.	Cheque	62,766.00		Total Benefit Realty Solutions
January-02-08	1330075 Alberta Ltd.	Bank charges	16.00		RBC
January-09-08	1330075 Alberta Ltd.	Cheque	7,236.09		Harvest Capital Management
January-10-08	1330075 Alberta Ltd.	Cheque	5,000.00		1338074 Alberta Ltd.
January-10-08	1330075 Alberta Ltd.	Debit Memo	100,000.00		Spruce Ridge
January-17-08	1330075 Alberta Ltd.	Deposit	(100,000.00)		Egreen Corporation
January-23-08	1330075 Alberta Ltd.	Cheque	34,045.00		Brown Associates In Trust
January-24-08	1330075 Alberta Ltd.	Cheque	46,680.00		Ken Aitkens
January-25-08	1330075 Alberta Ltd.	Funds transfer	600,000.00		1252064 Alberta Ltd.

Intentional break due to significant time lag

April-24-08	1330075 Alberta Ltd.	Bank charges	5.00		RBC
April-24-08	1330075 Alberta Ltd.	Credit Adjustment		2,400,000.00	Spruce Ridge
April-24-08	1330075 Alberta Ltd.	Fund transfer	643,545.76		Douglas Alger In Trust

Intentional break due to significant time lag

June-01-09	1330075 Alberta Ltd.	Bank charges	10.50		RBC
June-01-09	1330075 Alberta Ltd.	Deposit		325,000.00	FNF Canada
June-01-09	1330075 Alberta Ltd.	Web Payment	1,000,219.18		Keesmaat Dixon Kranjc and Kovacs LLP
June-01-09	1330075 Alberta Ltd.	Account Transfer		1,000,000.00	1379599 Alberta Ltd.

Appendix B



To:
Cc:
Bcc:
Subject: Legacy Email to Investors/Shareholders/Bondholders

----- Original Message -----

From: Legacy Communities
To: undisclosed-recipients
Sent: Wednesday, October 30, 2013 5:56 PM
Subject: Legacy Communities Inc. - Report

Good day Fellow Investor/Shareholder/Bondholder,

Some time has passed since our last series of communications pertaining to the Annual General Meeting. I wish to bring you up to date on the activities of Legacy Board of Directors and our Management company, Sundance Realty & Management Inc. since that meeting.

1. The \$50,000,000 Mortgage registered against one of the Legacy properties has been discharged as directed by approved motion at the Annual General Meeting.
2. The Joint Venture of the land, land option and water license has been assembled and the deal awaits waiving of a Due Diligence condition by our intended Developer Partner. The cash that was raised was placed in trust with our Solicitors, Sully Chapman Beattie awaiting closing scheduled for March 15, 2014.
3. Subdivision of Poynten land (the original owner) that was originally turned down at Rocky View County due to access issues has been re-submitted with an alternate access. Indications are that it should be acceptable to the County. I have a call in to the survey company to confirm the status and will report further when I get an answer on the status.
4. A report has been sent to Olympia Trust as requested, to establish the current market value of the Bonds and Shares of Legacy. The value of the shares has been established at \$0.05 per share and the value of the Bonds (based on the grossed up values established by the Monitor and Courts) has been established as \$0.0232 per Bond.
5. We have a number of Investors, some existing Legacy Shareholders and some not, that have agreed to fund the purchase of Shares and Bonds of any Investor that wishes to close out their interest in Legacy. I am waiting for Olympia Trust to determine the structure for these sales to happen. More to come on that matter soon.
6. Legacy has a Judgment against Ron Aitkens. The co-defendant, Lawyer Doug Alger has filed a Statement of Defense on the Granum case so we are now in the process of winding our way through the courts.
7. The Monitor, Neil Narfason of Ernst & Young has summarily dismissed our claim on the Balsam Land in Ontario and Liberty Crossing in Red Deer. I find it preposterous that the Monitor that was installed by the Courts to bring sense, reason and truth to all this is poised to

absorb the entire sales proceeds of the Balsam Lake property (over \$600,000) for his own fees and costs. We are posturing to contest this commencing next week. It will be a tough battle to go up against the Ernst & Young and their cartel of Law Firms who have literally enjoyed a rubber stamp of approval of everything they take before the courts. What I am coming to understand is that these people appear to have the court system over a barrel in that if the court comes down on them or attempts to reign them in for pillaging the proceeds and assets of these CCAA actions, they won't be able to attract these people to accept the appointments. There is tremendous frustration among Investors who have been robbed of their savings by Ron Aitkens and his myriad of companies, but to be robbed again by the Accountants and Lawyers under the cloak of court protection adds insult to injury.

8. Tax Returns have been prepared for all years up to July 31, 2012 by our Auditors, Collins Barrow. I have requested confirmation that they have been filed but do not have an answer as of this writing.

9. GST Returns have been filed up to July 31, 2013 but CRA have informed management that they will not release the refund until the Tax Returns are filed. Our management company will follow up on both those matters.

You are welcome to check out all the reporting provided on the Sundance Realty & Management Inc. website as follows:

www.sundancerealtymanagement.com

click on "**Client Login**" on right hand side

enter ID as "**Legacy**"

Password is "**Legacy2012**"

click on "**User control Panel**"

Please send me an email if you have comments or questions regarding Legacy.

Kind regards,

Daryl R. Hillman, CCIM, SEC, RECS
President, Chairman of the Board

Legacy Communities Inc.

email: Legacy.Communities.Inc@gmail.com