COURT FILE NUMBER	1201-10692	Clerk's Stamp
COURT	COURT OF QUEEN'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANTS	IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS AMENDED AND IN THE MATTER OF THE BUSINESS CORPORATIONS ACT, R.S.A. 2000, c. B-9 AND IN THE MATTER OF 1357686 ALBERTA LTD.	
DOCUMENT	**SIXTH REPORT OF THE MONITOR** **APRIL 9, 2014**	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>**MONITOR**</u> Ernst & Young Inc. 1000, 440 - 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason / Nick Purich Telephone: 403-206-5067 / (403) 206-5170 Fax: 403-206-5075 Email: Neil.Narfason@ca.ey.com Nick.JB.Purich@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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APPENDICIES TO THE SIXTH REPORT

INTRODUCTION

1. On August 24, 2012, 1357686 Alberta Ltd. ("135") sought and obtained protection from its 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 Order").

2. 135 is sometimes referred to as the "Company" or the "Debtor".

3. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of the Company (the "Monitor").

4. Pursuant to an order of this Honourable Court dated August 24, 2012, BTM Advisory Services Inc. ("BTM") was appointed the Chief Restructuring Officer ("CRO") of the Company.

5. The purpose of this sixth report (the "Sixth Report") of the Monitor is to provide this Honourable Court with comments on:

    a) The results to date of the marketing process (the "Marketing Process") of 135 lands;

    b) The Debtor's request for approval of the proposed sale transaction;

    c) The Monitor's analysis of the proposed sale transaction;

    d) The forecast to actual cash flow results for the company for the period of August 24, 2012 to April 8, 2014 (the "Reporting Period");

    e) The cash flow forecast (the "Forecast") from April 9, 2014 to June 30, 2014 (the "Forecast Period");

    f) The Debtor's request for an extension of the Stay Period; and

    g) The Monitor's recommendations.

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

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

BACKGROUND

8. The primary asset of 135 is 298 acres of development land located in Rocky View County immediately west of Calgary and adjacent to the Calaway Park amusement facility and immediately south of the Trans-Canada highway. These lands are legally described as SE/4 32-24-3 W5M ("Lot 1") and SW/4 33-24-3 W5M ("Lot 2"), and are known collectively as the "Calaway Lands."

9. Background for the Debtor together with other information regarding these CCAA proceedings; have been posted by the Monitor on its website at: www.ey.com/ca/foundationgroup.

TERMS OF REFERENCE

10. In preparing this Sixth Report, the Monitor has relied upon unaudited financial information, company records and discussions with the CRO of the Company. The Monitor has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future orientated financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

MARKETING PROCESS UPDATE

11. A process to market the Calaway Lands (the "Marketing Process") was approved by this Honourable Court on December 19, 2012. The Marketing Process was commenced in early January, 2013 and extended into November, 2013. The Marketing Agent (as defined in the Third Report of the Monitor) and CRO negotiated with a number of parties throughout that process but were not able to reach an acceptable agreement.

12. On November 7, 2013, the CRO received a letter of intent (the "LOI") to purchase the Calaway Lands from 1522028 Alberta Ltd. ("152"). The CRO's negotiations with 152 resulted in a revised LOI to purchase the Calaway Lands. On November 19, 2013, the CRO received a formal agreement to purchase the Calaway Lands from 152.

13. 135 subsequently executed a purchase and sale agreement ("PSA") with 152 conditional upon receiving the approval of this Honourable Court and upon 152 satisfactorily completing its due diligence (the "152 Sale Transaction"). The PSA stipulated that 152 was to complete its due diligence by January 15, 2014, after which time 135 was to obtain the approval of this Honourable Court for the 152 Sale Transaction.

14. On January 15, 2014, 152 advised that it was not satisfied with the results of its due diligence and would not be proceeding to close the 152 Sale Transaction.

15. Subsequent to January 15, 2014, the CRO advised the Monitor that it has been actively contacting the parties who had previously expressed interest in the Calaway Lands with the intention of entering into a new sale agreement as soon as reasonably possible.

16. The Monitor understands that the CRO has been in negotiations with numerous parties and has received and accepted an offer on the Calaway Lands (the "Proposed Sale Transaction").

17. The details of the marketing process concerning the Calaway Lands, including the offer received and the CRO's analysis of Proposed Sale Transaction are contained the Affidavit of Mr. Gary L. Bentham (the "Bentham Affidavit") and the Confidential Supplemental Affidavit of Mr. Gary L. Bentham (the "Confidential Bentham Affidavit"), both sworn April 9, 2014.

18. Both the Monitor and the Company are concerned that in the event the Proposed Sale Transaction does not close for any reason, the disclosure of the details of the offer and the steps leading up to that offer may affect 135's efforts to remarket the Calaway Lands. Accordingly, the Company will be seeking an Order of this Honourable Court whereby the Confidential Bentham Affidavit will be, subject to further Order of this Honourable Court, be treated as confidential, sealed and not form part of the public record (the "Restricted Court Access Order"). The Monitor supports the Company's request for the Restricted Court Access Order in light of the circumstances.

THE COMPANY'S REQUEST FOR APPROVAL OF THE PROPOSED SALE TRANSACTION

19. It is the CRO's view that the Proposed Sale Transaction is reasonable and is the best option available to 135 and its stakeholders to realize on the Calaway Lands. The CRO's support of the Proposed Sale Transaction is based on the significant marketing efforts undertaken giving consideration to the negative impact on creditors of further extending the sales process. Accordingly, the Company is seeking approval from this Honourable Court for the Proposed Sale Transaction.

20. Further details on the CRO's analysis of the Proposed Sale Transaction are presented in the Confidential Bentham Affidavit.

THE MONITOR'S ANALYSIS OF THE PROPOSED SALE TRANSACTION

21. The Monitor understands that the Marketing Process extended beyond one and a half years and involved:

    a) discussions with thirty-nine development companies and investors with respect to a potential joint venture;

    b) detailed discussions with sixteen qualified potential joint venture partners; and

    c) contemplating numerous different offers to purchase the land over the period.

22. The Monitor is of the view that a fulsome and reasonable Marketing Process was undertaken by the Marketing Agent and that the Calaway Lands were exposed to the market for a proper period of time.

23. The Monitor, with the assistance of the CRO, was actively involved in reviewing the key milestones of the Marketing Process and considers the Marketing Process to have been effective.

24. The Monitor believes that the Marketing Process has generated the highest possible recovery for creditors in the circumstances. The Monitor also believes that the Proposed Sale Transaction is more beneficial to the creditors than a sale or disposition under liquidation.

25. The Monitor believes that the Marketing Process that resulted in achieving the Proposed Sale Transaction meets the factors to be considered under s. 36(3) of the CCAA.

ALLOCATION AND DISTRIBUTION OF PROCEEDS

26. The Calaway Lands are comprised of two distinct parcels, Lot 1 and Lot 2, each of which has different secured creditors.

27. The Proposed Sale Transaction is an *en bloc* purchase of the Calaway Lands and as such it is necessary to allocate the proceeds of the Proposed Sale Transaction and the costs of these CCAA proceedings (the "Allocation"). Attached at Appendix D to the Bentham Affidavit is the Allocation.

28. The CRO has proposed to allocate the costs, expenses, and sales proceeds between Lot 1 and Lot 2 on the basis of their respective relative appraised values. On this basis, Lot 1 represents 40.02% of the Allocation, and Lot 2 represents 59.98% of the Allocation.

29. The Monitor agrees that the appraised values of Lot 1 and Lot 2 are the most appropriate basis on which to allocate the proceeds and costs, and therefore is supportive of the Allocation.

30. The Monitor and its Counsel have concerns with respect to the validity of the security of certain of the mortgages held by Foundation Mortgage Corporation and Foundation Mortgage Corporation 2 on the Calaway Lands which need to be resolved before any funds can be distributed to any secured creditors.

31. 135 is proposing that proceeds of the Proposed Sale Transaction be distributed (the "Initial Distribution") as follows:

   a) to pay professional fees and costs which are currently beneficiaries of the Administration Charge established by the Initial Order;

   b) to repay the DIP Lender in full; and

   c) the balance of that proceeds of the Proposed Sale Transaction will then be held by 135's Counsel pending further Order of this Honourable Court.

32. The Monitor supports the Initial Distribution.

33. The Monitor intends to apply to this Honourable Court following the closing of the Proposed Sale Transaction for advice and direction with respect to the validity and enforceability of the security held by Foundation Mortgage Corporation and Foundation Mortgage "2" Corporation on the Calaway Lands.

INVESTIGATION HOLDBACK

34. The Monitor has been contacted on several occasions by regulatory and other governmental authorities in respect of inquiries or investigations underway or commencing in respect of the Company. Based on discussions the Monitor has had with the various governmental and regulatory authorities, the Monitor expects that it will be questioned about various aspects of the Companies, and will incur cost in doing so. The Monitor also expects that costs will be incurred in respect of the issue noted in paragraph 30.

35. The Monitor is proposing to hold back $35,000 (the "Holdback") in order to pay for the costs related to the investigations of the Company and the anticipated questioning of the Monitor. The Holdback will be held by the Monitor in trust for a period of two years after the completion of a sale of the Calaway Lands and the amount will be refunded for costs not incurred.

FORECAST TO ACTUAL RESULTS

36. The cash flow forecast to actual presented at Appendix A contains the cash receipts and disbursements incurred to date for 135 as compared to the cash flow forecast previously provided to this Court in the Fourth Report of the Monitor dated January 22, 2014.

37. Outlined below is a summary of the actual results to April 8, 2014:

1357686 Alberta Ltd.
Forecast to Actual Cash Flow Comparison
January 27, 2014 to April 8, 2014

	Forecast	Actual	Variance
Receipts	$ 21,757	$ 11,640	$ (10,118)
Disbursements	21,757	8,293	13,464
Net cash flow	$ -	$ 3,347	$ 3,347
Opening cash	$ 544	$ 544	
Net cash flow	-	3,347	
Ending cash	$ 544	$ 3,891	

38. 135 received advances of approximately $5,000 as compared to expected receipts of approximately $22,000, from Harvest CCAA Operations Ltd. to cover its portion of operating costs during the Reporting Period. 135 also received a GST refund of approximately $3,000 during the reporting period. No other significant cash receipts were received during the Reporting Period.

39. Disbursements of approximately $5,000 were paid during the Reporting Period for 135. These payments relate primarily to consulting and professional fees. The disbursements were lower than forecast due to the lower than forecast actual receipts.

CASH FLOW FORECAST THROUGH JUNE 30, 2014

40. The Company, with the assistance of the CRO and the Monitor, has prepared a Forecast for the Forecast Period. The Forecast is based on the most current information available.

41. The Forecast does not reflect the Proposed Sale Transaction for the reasons outlined in Paragraph 18.

42. The Company does not expect to have any cash inflows or outflows during the Forecast Period. The only costs expected to be incurred during the Forecast Period are professional fees which will remain beneficiaries of the Administration Charge until the closing of a sale transaction.

43. If the Proposed Sale Transaction closes, 135 will use the proceeds of the Proposed Sale Transaction to:

   a) fully repay its interim financing lender;

   b) pay all amounts outstanding under the Administration Charge; and

   c) pay for certain administrative and operational costs ("OpCosts") such as rent, salaries, and other operational costs incurred in the ordinary course of business and incurred after the date of the Initial Order and repay amounts advanced by certain related parties including Harvest CCAA Operations and Foundation Mortgage "2" Corporation to allow the Company to pay such OpCosts incurred after the date of the Initial Order. These advances were approved by the Monitor so that the Company would be in a position to pay these OpCosts.

44. The amount of OpCosts presently outstanding is $15,540 and the amounts advanced by Harvest CCAA Operations and Foundation Mortgage "2" Corporation to pay such OpCosts incurred after the date of the Initial Order is $44,071. The Company anticipates that OpCosts of approximately $10,000 will be incurred through to the completion of the CCAA proceedings. The advances made by Harvest CCAA Operations and Foundation Mortgage "2" Corporation to the Company were made with the consent and approval of the Monitor and were used to pay ordinary course expenses incurred by the Company after the granting of the Initial Order. The receipt of advances from Harvest CCAA Operations and other related parties was identified in previous cash flows filed by the Company in the within proceedings. The cost and expense that would have been associated with bringing an application for a charging provision for such advances would have been disproportionate to the amounts so advanced, but it was the Monitor and the Company's intention that such expenses would be paid once the Calaway Lands were sold.

45. 135 will not require any additional financing for the Forecast Period.

THE COMPANY'S REQUEST FOR AN EXTENSION OF THE STAY PERIOD

46. Pursuant to the Stay Extension Order of this Honourable Court dated January 22, 2014, the Stay Period expires on April 30, 2014 for the Company.

47. The Company is seeking an extension of the Stay Period up to and including June 30, 2014 (the "Stay Extension").

48. The Stay Extension is necessary to allow the Company to close the Proposed Sale Transaction brought to this Court for approval and to bring a final distribution application before this Honourable Court.

49. In the Monitor's view, the Company is acting in good faith and with due diligence.

MONITOR'S RECOMMENDATIONS

50. The Monitor recommends that this Honourable Court approve the:

    a) Sealing of the Confidential Bentham Affidavit;

    b) Proposed Sale Transaction;

    c) Holdback;

    d) Allocation; and

    e) Stay Extension.

Dated at Calgary, this 9th day of April, 2014.

ERNST & YOUNG INC.
in its capacity as Monitor of 135
and not in its personal or corporate capacity

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

Nick JB Purich, CA
Senior

Appendix A

1357686 Alberta Ltd. ("Calaway")
Forecast to Actual Cash Flow Comparison
January 27, 2014 to April 8, 2014

	Notes	Forecast	Actual	Variance
RECEIPTS				
GST refunded		-	3,347	3,347
Advances from related parties	3	21,757	8,293	(13,464)
Total receipts		**21,757**	**11,640**	**(10,118)**
DISBURSEMENTS				
CCAA consulting fees and operating expenses	3	11,757	8,293	3,464
Planning fees	2	10,000	-	10,000
CCAA professional fees	4	70,000	77,948	(7,948)
Administrative charge offset		(70,000)	(77,948)	7,948
Total disbursements		**21,757**	**8,293**	**13,464**
NET CASH FLOWS		-	**3,347**	**3,347**
OPENING CASH		544	544	-
NET CHANGE IN CASH FLOWS		-	3,347	3,347
ENDING CASH		$ 544	$ 3,891	$ 3,347

Notes and Assumptions

1 1357686 Alberta Ltd.'s primary asset is the Calaway Lands.

2 Planning fees are for ongoing costs relating to the subdivision of the lands. Approximately $10,000 of fees were incurred in the period but not paid.

3 CCAA consulting fees and operating expenses comprise 1357686's share of Harvest Calgary office monthly operating expenses. Harvest CCAA Operations Inc. has advanced $8,293 to fund prior period amounts of $3,319 and $4,968 incurred in the current period. The excess forecast repayment of $3,464 represents an overestimate of expenses for the period.

4 Professional fees incurred in the period relate to the ongoing process of marketing the Calaway lands for sale. These fees have been offset by the CCAA Administration Charge.