COURT FILE NUMBERS	1201-10692	CLERK OF THE COURT FILED Clerk's Stamp OCT - 5 2015 CALGARY, ALBERTA
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 1357686 ALBERTA LTD. AND NOT IN ITS PERSONAL OR CORPORATE CAPACITY	
DOCUMENT	FIRST REPORT OF THE RECEIVER OCTOBER 5, 2015	
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	

TABLE OF CONTENTS OF THE FIRST REPORT

APPENDICES

INTRODUCTION

1. On August 24, 2012, 1357686 Alberta Ltd. ("135") 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"). 135 is sometimes referred to as the "Company" or the "Debtor".

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

3. Ernst & Young Inc. was appointed Receiver (the "Receiver") of the property, assets and undertakings (the "Property") of the Company pursuant to an Order (the "Receivership Order") of this Honourable Court dated June 16, 2014.

4. Concurrent with the issuance of the Receivership Order, the CCAA proceedings were terminated by an order (the "Termination Order") of this Honourable Court dated June 16, 2014. The Termination Order provides that the charges in the Initial CCAA Order endure, notwithstanding the termination of the Initial CCAA Order.

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 report (the "First Report") of the Receiver is to provide this Honourable Court with the Receiver's comments with regards to the:

   I. Activities of the Receiver for the period of June 16, 2014 to the date of this First Report; and

   II. Receiver's requested relief.

7. Capitalized terms not defined in this First 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 First 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. Further background information and other information regarding these receivership proceedings have been posted by the Receiver on its website at: www.ey.com/ca/foundationgroup.

ACTIVITIES OF THE RECEIVER FROM JUNE 16, 2014 TO DATE

Statutory Mailing

11. The Receiver sent out the required Notices under sections 245 and 246 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 on June 20, 2014.

Calaway Lands Sale Background

12. The primary asset of 135 was 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'.

13. On April 30, 2014, this Honourable Court granted an order (the "Sale Approval and Vesting Order") approving the sale of the Calaway Lands to 1808464 Alberta Ltd. ("180 Alberta") pursuant to a purchase and sale agreement (the "PSA").

14. On May 30, 2014, the sale of the Calaway Lands to 180 Alberta in accordance with the PSA and the Sale Approval and Vesting Order was completed for cash proceeds of $8,450,000 (the "Sale Proceeds") and a convertible vendor-take-back mortgage with minimum value of $1,800,000 (the "VTB Mortgage"). The VTB Mortgage is subordinate to a $10 million mortgage (the "Durum Mortgage") in favour of Durum Properties LP.

15. The VTB Mortgage is 135's most significant asset.

VTB Mortgage Update

16. 180 Alberta undertook to raise funds to develop the Calaway Lands by doing an equity syndication (the "Equity Syndication") and agreed that the minimum equity offering would be $10 million (the "Equity Threshold"), sufficient to pay out 180 Alberta's debt on the land. 135 agreed that as long as the minimum Equity Threshold of $10 million was reached, it would convert the VTB Mortgage in to equity units.

17. 180 Alberta is ready to commence the Equity Syndication but has requested that 135 agree to a reduction in the Equity Threshold to $2 million. The Receiver has agreed to the reduction of the Equity Threshold in return for 180 Alberta's Durum Mortgage security being discharged at the same time as 135's. In addition, 180 Alberta and its related companies managing the Equity Syndication have agreed to provide 135 with performance 'Carried Interest Units' issued in the Equity Syndication. Collectively, these changes comprise the 'Proposed Amendments'.

18. The Proposed Amendments are set out in detail in the 'Purchase Amending Agreement', as attached at Appendix A and the 'Side Letter Agreement', as attached at Appendix B.

19. The Proposed Amendments are required due to current capital market conditions. 180 Alberta does not believe that it would be able to meet the initially contemplated $10 million dollar Equity Threshold in the Equity Syndication.

20. It was always contemplated under the PSA that the VTB Mortgage would be converted to equity at some point after the completion of the PSA. The Proposed Amendments will facilitate the conversion of the VTB Mortgage from debt to equity in light of current market conditions. The Receiver is supportive of the Proposed Amendments as 135's economic interest will be maintained, at a minimum, and may be enhanced as a result of the Proposed Amendments.

RECEIVER'S REQUESTED RELIEF

21. The Receiver respectfully recommends that this Honourable Court approve the:

I. Restricted Court Access Order;

II. Purchase Amending Agreement; and

III. Side Letter Agreement.

Dated at Calgary AB, this 5th day of October, 2015.

ERNST & YOUNG INC.
in its capacity as Receiver of
1357686 Alberta Ltd. and not in its personal
or corporate capacity.

Cassie Riglin

Neil Narfason, CA•CIRP, CBV Senior Vice-President	Cassie Riglin, CA Senior Manager

Appendix A

PURCHASE AMENDING AGREEMENT

THIS AMENDING AGREEMENT dated effective the ___ day of September, 2015 (the "**Agreement**").

BETWEEN:

1808464 ALBERTA INC. (the "**Buyer**")

- and -

1357686 ALBERTA LTD. (the "**Seller**")

WHEREAS:

A. Pursuant to a purchase agreement dated April 15, 2014, made between the Seller and the Buyer (the "**Purchase Agreement**"), the Seller sold and transferred to the Buyer all its legal and beneficial interest in the Property, all as provided in the Purchase Agreement; and

B. The Buyer and the Seller have agreed to amend the Purchase Agreement all as set out in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES for good and valuable consideration paid by each of the parties hereto to the other (the receipt and sufficiency of which is hereby expressly acknowledged), the parties hereto agree as follows:

1. Words capitalized in this Agreement (including the recitals hereof) and not otherwise defined herein shall have the meanings ascribed to such words in the Purchase Agreement.

2. The recitals set out above form an integral part of this Agreement and shall for all purposes form part of this Agreement and shall be used in the interpretation of this Agreement.

3. The Buyer and the Seller hereby covenant and agree that the Purchase Agreement is in full force and effect and each of the parties hereto continue to be bound by the terms and conditions set forth in the Purchase Agreement, as amended by this Agreement.

4. The Buyer and Seller agree the Purchase Agreement is hereby amended by deleting Section 2.6(i) in its entirety and replacing it with the following:

   "'**Equity Threshold** means $2,000,000".

5. This Agreement shall survive the delivery and registration, where necessary, of the closing documents contemplated to be executed and delivered by the Buyer and Seller under the Purchase Agreement and this Agreement on the Closing Date and shall remain in full force and effect thereafter in accordance with its terms.

6. Except as amended by this Agreement, the Purchase Agreement shall continue in full force and effect, the intention being that this Agreement shall be read in conjunction with and as an amendment to the Purchase Agreement.

7. If any provision of this Agreement is determined to be invalid or unenforceable, it shall be severable from the remainder of this Agreement and the remainder of this Agreement shall continue to remain in full force and effect.

8. The parties agree to execute and deliver all such further documents, deeds and other items as may be required to give full effect to the provisions of this Agreement.

9. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, assigns and permitted assigns, as the case may be.

10. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall be deemed to constitute one and the same instrument. The parties agree that this Agreement may be executed and delivered by facsimile copy or by electronic means (including by PDF format), provided that any party executing this Agreement by facsimile copy or electronic means shall deliver an originally executed copy of this Agreement forthwith thereafter to the other party.

IN WITNESS WHEREOF the parties hereto have executed this Agreement attested to by the signatures of their duly authorized officers in that behalf as of the day and year set out above.

SELLER: **1357686 ALBERTA LTD.**

By: ______________________________
Name:
Title:

BUYER: **1808464 ALBERTA INC.**

By: ______________________________
Name:
Title:

Appendix B

AGREEMENT

THIS AGREEMENT dated effective the ___ day of September, 2015 (the "**Agreement**").

BETWEEN:

1808464 ALBERTA INC. (the "**Buyer**")

- and -

1357686 ALBERTA LTD. (the "**Seller**")

WHEREAS:

A. Pursuant to a purchase agreement dated April 15, 2014, made between the Seller and the Buyer (the "**Purchase Agreement**"), the Seller sold and transferred to the Buyer all its legal and beneficial interest in the Property, all as provided in the Purchase Agreement;

B. The Buyer is participating in an Equity Syndication pursuant to the terms set forth in the offering memorandum of Bow Water & Land Trust dated September 28, 2015 (the "**Offering Memorandum**") and the Buyer and the Seller have agreed to confirm their respective obligations under the Purchase Agreement as they relate to the Equity Syndication and the Vendor Mortgage;

C. Pursuant to the terms of the Equity Syndication, as payment for the transfer of the Lands, the Buyer is to receive consideration equal to $16,539,000, payable as follows:

(1) first, $1,800,000 of Class "C" LP Units (the "**Land Transfer Class "C" Consideration Units**") in Bow Water & Land LP (the "**LP**");

(2) second, the assumption by the LP of the actual amount of Permitted Indebtedness owed by the Buyer to Durum Properties Limited Partnership ("**Durum LP**"), which amount may be in excess of $10,000,000; and

(3) third, the balance by way of issuance of Class "B" LP Units (the "**Land Transfer Class "B" Consideration Units**");

D. Durum LP has agreed to discharge its mortgage in respect of the Permitted Indebtedness upon the minimum offering proceeds of $2,000,000 as described in the Offering Memorandum being achieved, in exchange for a convertible note issued by the LP accruing interest at a rate of 6% per annum and convertible into Class "C" LP Units of the LP (the "**Durum Loan Class "C" Consideration Units**", together with the Land Transfer Class "B" Consideration Units and the Land Transfer Class "C" Consideration Units, are collectively referred to as the "**Consideration Units**") after 24 months from the date of the Offering Memorandum should any amount of the Permitted Indebtedness not be repaid by the LP by such date;

E. Upon issuance of the Consideration Units, SF Partners Limited Partnership is to receive an equal number of Carried Interest LP Units in the LP; and

F. To facilitate the Equity Syndication, SF Partners Limited Partnership desires to transfer a portion of the Consideration Units to the Buyer and the Seller as set forth in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES for good and valuable consideration paid by each of the parties hereto to the other (the receipt and sufficiency of which is hereby expressly acknowledged), the parties hereto agree as follows:

1. Words capitalized in this Agreement (including the recitals hereof) and not otherwise defined herein shall have the meanings ascribed to such words in the Purchase Agreement.

2. The recitals set out above form an integral part of this Agreement and shall for all purposes form part of this Agreement and shall be used in the interpretation of this Agreement.

3. The Buyer and the Seller hereby covenant and agree that the Purchase Agreement is in full force and effect and each of the parties hereto continue to be bound by the terms and conditions set forth in the Purchase Agreement.

4. The Seller hereby approves the Equity Syndication as set forth in the Offering Memorandum.

5. The Buyer and the Seller confirm and agree that upon issuance of the Land Transfer Class C Consideration Units to the Buyer, the Buyer hereby covenants and agrees to transfer and assign all such units to the Seller and such transfer shall be deemed to be completed in accordance with Section 2.6(b) of the Purchase Agreement.

6. The Seller and the Buyer hereby agree and SF Partners Limited Partnership hereby acknowledges and agrees that, SF Limited Partnership shall transfer not later than the final closing under the Offering Memorandum the Carried Interest LP Units issued in connection with the Land Transfer Class "C" Consideration Units and the Land Transfer Class "B" Consideration Units upon the offering targets set out below being met and in the proportions set out below:

Proceeds from Offering*	Carried Interest LP Units to Seller**	Carried Interest LP Units to Buyer***
$2,000,000	0	0
$5,000,000	50,000	120,806
$10,000,000	100,000	241,611
$15,000,000	150,000	362,417
$20,000,000	180,000	434,900
$25,000,000	180,000	434,900
$30,000,000	180,000	434,900

*Offering is as set forth in the Offering Memorandum.

**Assumes that the $1,800,000 of Land Transfer Class "C" Consideration Units are issued at $10.00 per unit, which would result in the issuance of 180,000 Land Transfer Class "C" Consideration Units and 180,000 Carried Interest LP Units. The actual number of Land Transfer Class "C" Consideration Units and Carried Interest LP Units issued will depend on the method of issuance set forth in the Offering Memorandum.

***Assumes that $4,349,000 of Land Transfer Class "B" Consideration Units are to be issued in accordance with the Contribution Agreement (as defined in the Offering Memorandum) and further assumes such units are issued at $10.00 per unit, which would result in the issuance of 434,900 Land Transfer Class "B" Consideration Units and 434,900 Carried Interest LP Units being issued. The actual number of Land Transfer Class "B" Consideration Units and Carried Interest LP Units issued will depend on the method of issuance set forth in the Offering Memorandum and the Contribution Agreement.

7. This Agreement shall survive the delivery and registration, where necessary, of the closing documents contemplated to be executed and delivered by the Buyer and Seller under the

Purchase Agreement and this Agreement on the Closing Date and shall remain in full force and effect thereafter in accordance with its terms.

8. Except as amended by this Agreement, the Purchase Agreement shall continue in full force and effect, the intention being that this Agreement shall be read in conjunction with and as an amendment to the Purchase Agreement.

9. If any provision of this Agreement is determined to be invalid or unenforceable, it shall be severable from the remainder of this Agreement and the remainder of this Agreement shall continue to remain in full force and effect.

10. The parties agree to execute and deliver all such further documents, deeds and other items as may be required to give full effect to the provisions of this Agreement.

11. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, assigns and permitted assigns, as the case may be.

12. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall be deemed to constitute one and the same instrument. The parties agree that this Agreement may be executed and delivered by facsimile copy or by electronic means (including by PDF format), provided that any party executing this Agreement by facsimile copy or electronic means shall deliver an originally executed copy of this Agreement forthwith thereafter to the other party.

IN WITNESS WHEREOF the parties hereto have executed this Agreement attested to by the signatures of their duly authorized officers in that behalf as of the day and year set out above.

SELLER:

Ernst & Young Inc., in its capacity as Receiver of 1357686 ALBERTA LTD.

By: ____________________________
Name:
Title:

BUYER:

1808464 ALBERTA INC.

By: ____________________________
Name:
Title:

ACKNOWLEDGED AND AGREED TO BY:

SF PARTNERS LIMITED PARTNERSHIP, by its general partner, 1920285 ALBERTA INC.

By: ____________________________
Name:
Title: