Form 49
[Rule 13.19]

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JUDICIAL CENTRE
OF CALGARY

COURT FILE NUMBER	1201- 10693
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 HARVEST GROUP GP CORPORATION AND 16110822 ALBERTA LTD.**
DOCUMENT	**AFFIDAVIT OF RONALD AITKENS SWORN AUGUST 23rd, 2012**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**NORTON ROSE CANADA LLP** 400 3rd Avenue SW, Suite 3700 Calgary, Alberta T2P 4H2 CANADA Phone: +1 403.267.8222 Fax: +1 403.264.5973 Attention: Howard A. Gorman Randal S. Van de Mosselaer File No. 284891

I, Ronald Aitkens, of the City of Lethbridge, in the Province of Alberta, Businessman, SWEAR AND SAY THAT:

1 I am the sole director and shareholder of 1610822 Alberta Ltd. ("**161**") and a director of Harvest Group GP Corporation ("**HGGP Corp.**"), and as such I have personal knowledge of the matters and facts deposed to herein except where it is stated to be based on information and belief and where it is so stated I do verily believe the same to be true. 161 and HGGP Corp. will be referred to hereinafter as the "**Applicants**".

2 I swear this affidavit supplemental to the various affidavits I have sworn in Court of Queen's Bench of Alberta Action number 1101-17318 (the "**Legacy CCAA Action**"), including the affidavit I swore in the Legacy CCAA Action on December 20, 2011 (the "**December 20 Affidavit**"), and the affidavits I have sworn in Court of Queen's Bench of Alberta Action number 1201-06934 (the "**HCMI CCAA Action**") and I swear this affidavit

in support of an application by the Applicants for an Order under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

INTRODUCTION

3 The Applicants are each corporations duly incorporated pursuant to the laws of the Province of Alberta, having business offices in Calgary and Lethbridge, Alberta. Attached as **Exhibit "A"** to this my Affidavit is an Alberta Corporate Registry search for 161. Attached as **Exhibit "B"** to this my Affidavit is an Alberta Corporate Registry search for HGGP Corp. (Mark McCarthy resigned as Director effective April 2, 2010, and the Corporate Registry has not been updated.)

4 161 is the general partner of Cimarron Development Limited Partnership ("**Cimarron LP**"), which is a limited partnership formed under the laws of the Province of Alberta on June 13, 2006. Attached as **Exhibit "C"** is a true copy of a Partnership Search for Cimarron.

5 The limited partners of Cimmarron LP include Harvest Group Limited Partnership ("**HGLP**") and Harvest Group Real Estate Development Trust ("**Harvest Trust**"). HGLP is in the business of acquiring real estate property for investment purposes and for syndication to other investors. Cimarron LP raised $2.996 million from approximately 150 investors through the issuance of trust units which were issued pursuant to an offering memorandum dated March 29, 2011 which stated that the proceeds would be used to acquire the Cimarron Lands (as that term is defined later in this affidavit.)

6 HGGP Corp. is the general partner of HGLP, which is a limited partnership formed under the laws of the Province of Alberta on October 9, 2009. Attached as **Exhibit "D"** is a true copy of a Partnership Search for HGLP. The limited partners of HGLP are 150 investors comprised of family and friends of the promoter Ron Aitkens.

7 HGLP is a private mutual fund trust and has approximately 150 individual unit holders. HGLP was created for the purpose of acquiring lands in strategic locations with a view to developing that land and securing investors in respect of such future development. In that regard, HGLP has or had interests in the following three projects:

(a) **Windmill Harbour** - Approximately 103 acres of resort development on Lac St. Anne, near Stony Plain, Alberta, which was purchased in September 2008 for

$17.354 million, and consisting of a number of individual titles ("**Windmill Harbour**"). A list of the titles comprising Windmill Harbour is attached hereto as **Exhibit "E".** HGGP Corp. is the registered owner of the lands described in each of these titles, and holds title on behalf of HGLP.

(b) **Telford Lake** - Two adjacent parcels of land (of approximately 47.69 acres and 83.52 acres respectively) in Leduc, Alberta, having legal descriptions of:

Plan 1026379
Block B
Lot 1
Excepting Thereout All Mines and Minerals
Area: 19.3 Hectares (47.69 acres) More or Less

("**Telford Lot 1**")

and

Plan 7921548
Block B
Containing 53.5 Hectares (132.2 acres) More or Less
Excepting Thereout:

		Hectares	(Acres)	More or Less
A) Plan 1026379	Subdivision	19.7	48.68	

Excepting Thereout All Mines and Minerals.

("**Telford Lot 2**")

(Telford Lot 1 and Telford Lot 2 being referred to jointly hereinafter as "**Telford Lake**")

A true copy of the Certificate of Title for Telford Lot 1 is attached hereto as **Exhibit "F"**. A true copy of the Certificate of Title for Telford Lot 2 is attached hereto as **Exhibit "G".**

(c) **Cimarron** - Three parcels of land in the vicinity of the City of Medicine Hat, Alberta having legal descriptions of:

Plan 0614556
Block 1
Lot 1
Excepting Thereout all Mines and Minerals
Area: 11.84 Hectares (29.26 Acres) more or less

("**Cimarron Lot 1**")

and

Plan 0810982
Block 1
Lot 2
Excepting Thereout all Mines and Minerals
Area: 12.43 Hectares (30.72 Acres) more or less

("**Cimarron Lot 2**")

and

Meridian 4 Range 6 Township 12
Section 13
Quarter South East
Containing 64.7 Hectares (160 Acres) more or less
Excepting Thereout:

	Hectares	(Acres) more or less
A) Plan 0614556 Subdivision	13.16	32.5
B) Plan 0810982 Subdivision	12.95	32.00

Excepting Thereout all Mines and Minerals

("**Cimarron Lot 3**")

(Cimarron Lot 1, Cimarron Lot 2, and Cimarron Lot 3 being referred to jointly hereinafter as "**Cimarron Lands**")

A true copy of the Certificate of Title for Cimarron Lot 1 is attached hereto as **Exhibit "H"**. A true copy of the Certificate of Title for Cimarron Lot 2 is attached hereto as **Exhibit "I".** A true copy of the Certificate of Title for Cimarron Lot 3 is attached hereto as **Exhibit "J".**

WINDMILL HARBOUR

8 HGLP purchased the Windmill Harbour lands (through HGGP Corp.) in September 2008 from Windmill Harbour Developments Ltd. (the "**Windmill Vendor**") (an arm's length third party). The purchase price was financed, in part, by way of a vendor-take-back mortgage which HGGP Corp. granted to the Windmill Vendor in the amount of $9,354,378, and which was registered as a first charge against each of the titles making up the Windmill Harbour lands on May 31, 2010 as instrument number 102 184 544 (the "**VTB Mortgage**").

9 The balance of the purchase price was paid from cash on hand and was financed by Foundation Mortgage Corporation ("**FM1**") and Foundation Mortgage 2 Corporation ("**FM2**"), who provided loans (respectively) of $3.340 million and $3.1 million, and who received second and third mortgages (respectively) against each of the Windmill Harbour titles securing their respective loans. The FM1 mortgage was registered on March 29, 2011 as instrument number 112 087 709, and the FM2 mortgage was registered on April 5, 2011 as instrument number 112 096 264.

10 In addition to these charges, there are hundreds of thousands of dollars worth of builders liens which have been registered against various of the Windmill Harbour titles.

11 As additional security, HGGP Corp. granted to the Windmill Vendor a General Security Agreement ("**Windmill GSA**"), which was registered by the Windmill Vendor in the Personal Property Registry on June 1, 2010. Attached as **Exhibit "K"** to this my Affidavit is a true copy of the Windmill GSA. Attached as **Exhibit "L"** to this my Affidavit is a true copy of a search of the Personal Property Registry for HGGP Corp.

12 Development of the Windmill Harbour lands has stalled due to lack of development capital and poor pre-sales of residential lots.

13 The VTB Mortgage is currently in default, and neither HGLP nor HGGP Corp. have the means to bring the VTB Mortgage back into good standing. HGLP has been advised that the Windmill Vendor is preparing to commence foreclosure proceedings to enforce the VTB Mortgage. While HGLP does not have any current appraisals of the Windmill Harbour Lands, HGLP has estimated the Windmill Harbour lands have a value substantially less that than the amounts owing under the VTB Mortgage and the second and third mortgages.

TELFORD LAKE

14 Telford Lot 1 is owned jointly by HGGP Corp. (on behalf of HGLP) and 1526610 Alberta Ltd. ("152"), an arm's length third party with whom HGLP has entered into a joint venture in connection with the Telford Lake Project.

15 Telford Lot 2 is owned by Ziad Properties Ltd. ("**Ziad**") - an arm's length third party - but HGLP and 152 each hold a Purchaser's Interest in Telford Lot 2 pursuant to a Purchase and Sale Agreement between Ziad as Vendor and HGLP and 152 as Purchasers.

HGLP's and 152's interests in Telford Lot 2 has been protected by various caveats which were registered against title to Telford Lot 2 on June 15, 2010 and July 13, 2010.

16 HGLP is the successor in interest to 1330075 Alberta Ltd. (a related company) as purchaser of Telford Lot 2. FM2 advanced $840,000 to 1330075 Alberta Ltd. to finance the purchase of Telford Lot 2 from Ziad. However, FM2 did not register any interest against Telford Lot 2, and it appears that the debt owing from 1330075 Alberta Ltd. to FM2 was not assigned to HGLP as the time that HGLP took an assignment of the interest in Telford Lot 2.

17 HGLP and 152 have also entered into a Joint Venture Agreement dated June 9, 2010 (the "**Telford JV Agreement**") with respect to the ownership and development of Telford Lot 2, and attached as **Exhibit "M"** to this my affidavit is a true copy of the Telford JV Agreement.

18 Some development planning work has been completed on the Telford Lake lands, the majority of which has been financed by 152. HGLP currently owes 152 approximately $718,000 for its share of this development work. HGLP is unable to pay this amount, and has been notified by 152 that it is in default of its obligations under the Telford JV Agreement. 152 has notified HGLP that it intends to acquire HGLP's interest in the Telford Lands for $394,000, and has demanded a response by October 1, 2012. Attached as **Exhibit "N"** to this my affidavit is a true copy of the Notice to Acquire which was served on HGLP by counsel to 152.

CIMARRON

19 Cimarron consists of a quarter section of land out of which two approximately 30 acre parcels have been subdivided. Cimarron Lot 1 and Cimarron Lot 2 stand registered in the name of HGGP Corp. (as general partner of HGLP), and Cimarron Lot 3 stands registered in the name of Hatview Dairy Farm Ltd.

20 Cimarron Lot 1 is subject to a mortgage in favour of Bancorp Balanced Mortgage Fund Ltd. ("**Bancorp**") in the principal amount of $1,200,000. That mortgage is currently in default, and there is approximately $1,300,000 owing on this loan. On February 23, 2012 Bancorp obtained a Redemption Order in respect of Cimarron Lot 1 declaring that there was in excess of $1,200,000 owing as of January 26, 2012, and giving Bancorp

the right to list Cimarron Lot 1 for sale after July 23, 2012. On August 15, 2012 counsel to Bancorp advised that they intended to proceed with a listing of Cimarron Lot 1 for a list price of $3.399 million. Cimarron LP is currently not able to pay Bancorp the amount owing under its mortgage.

21 Cimarron Lot 1 is also subject to:

(a) a second mortgage in the amount of $370,000 in favour of Scheffer Andrew Ltd. (on which there is approximately $278,000 owing);

(b) a caveat registered by Medican Developments to secure an obligation to pay $780,000 cash, and an option to purchase a serviced parcel of land (which obligation Cimarron LP has assumed) and which obligation is currently in default;

(c) a mortgage in favour of FM2 registered as instrument number 121 186 862 (which is also secured by Cimarron Lot 2) to secure the $3,200,000 which FMS advanced to Cimarron LP to fund the cash component under the Cimarron PSA.

22 Cimarron Lot 2 is subject to:

(a) a mortgage in favour of B2B Trust for $1 million which is presently current;

(b) the Medican Developments caveat and the FM2 mortgage which are also registered against Cimarron Lot 1.

23 HGGP Corp. registered a purchaser's interest caveat against Cimarron Lot 3 on August 25, 2011 as instrument number 111 217 215 pursuant to an Agreement of Purchase and Sale between HGGP Corp. (as general partner of HGLP) and Hatview Dairy Farm Ltd. That Agreement of Purchase and Sale was assigned to Cimarron LP and required HGLP (or Cimarron LP as its assignee) to make full payment of the $4,500,000 purchase price by July 4, 2012. This payment was not made and neither HGLP nor Cimarron LP is in a position to make this payment. Hatview Dairy Farm Ltd. will be in a position to terminate this Purchase and Sale Agreement on September 4, 2012.

24 On June 9, 2011 HGGP Corp. (as general partner of HGLP) and 161 (as general partner of Cimarron LP) entered into an Agreement of Purchase and Sale (the "**Cimarron PSA**") pursuant to which HGGP Corp. (on behalf of HGLP) agreed to transfer to 161 (on behalf

of Cimarron LP) all of its interest in Cimarron Lot 1 and Cimarron Lot 2. A true copy of the Cimarron PSA is attached hereto as **Exhibit "O'.**

25 The Cimarron PSA was amended by agreement July 30, 2012 (the "**Cimarron Amending Agreement**").

26 As consideration under the Cimarron PSA (as amended by the Cimarron Amending Agreement) Cimarron LP agreed to pay HGLP the purchase price of $17,620,00. This purchase price was made up of cash in the amount of $618,360, the assumption of existing debt of $12,241,342 and payment of the remainder of $4,760,298 by way of issuance of Cimarron LP partnership units to HGLP.

27 On June 29, 2012, 161 registered a Purchaser's Interest caveat against Cimarron Lot 1 and Cimarron Lot 2 as instrument number 121 164 425.

TOTAL INDEBTEDNESS

28 By virtue of the foregoing:

(a) HGLP owes the following amounts:

(i) $9,354,378 to the Windmill Vendor;

(ii) $3,340,000 in respect of Windmill Harbour (for the FM1 financing);

(iii) $3,100,000 in respect to Windmill Harbour (for the FM2 financing);

(iv) $718,000 to 152 (for the Telford Lake lands);

(v) Approximately $1,300,000 to Bancorp (for Cimarron Lot 1);

(vi) Possibly $4,500,000 to Hatview Dairy Farm Ltd. (in respect of Cimarron Lot 3);

(vii) Possibly $278,000 to Scheffer Andrew Ltd. (in respect of Cimarron Lot 3);

(viii) Possibly $1,000,000 to B2B Trust (in respect of Cimarron Lot 2);

(b) Cimarron LP owes the following amounts:

(i) $4,287,342 (including accrued interest of $1,087,342) to FM2 (in respect of Cimarron Lot 1 and Cimarron Lot 2);

(ii) $780,000 to Medican Developments (in respect of Cimarron Lot 1);

(iii) Possibly $4,500,000 to Hatview Dairy Farm Ltd. (in respect of Cimarron Lot 3);

(iv) Possibly $278,000 to Scheffer Andrew Ltd. (in respect of Cimarron Lot 3);

(v) Possibly $1,000,000 to B2B Trust (in respect of Cimarron Lot 2).

NEED FOR RESTRUCTURING

29 In view of the Applicants' inability to meet the above debts as they become due, the Applicants are insolvent.

30 However, I believe that there is significant value in these above-described lands that can be captured for the benefit of the Applicants' stakeholders if these Lands are subjected to some additional development and strategic marketing, and that this value would be lost if these ;ands are simply sold through a liquidation process.

FINANCIAL STATEMENTS

31 None of Applicants maintained formal Financial Statements. However, attached as **Exhibit "P"** to this my Affidavit is a Balance Sheet which has been prepared for HGLP as of August 22, 2012. Attached as **Exhibit "Q"** to this my Affidavit is a Balance Sheet which has been prepared for Cimarron LP as of August 22, 2012.

CASH FLOW STATEMENTS

32 Attached as **Exhibit "R"** to this my affidavit are cash flow statements for the Applicants.

DEBTOR IN POSSESSION FINANCING

33 The Applicant is not currently applying for Debtor in Possession ("**DIP**") financing. However, the Applicants anticipate that DIP financing may be required in the future.

34 In the event DIP financing becomes necessary, the Applicant is proposing that the Monitor (as that term is defined below) assume responsibility for bringing such an application for DIP financing on behalf of the Applicants, on such terms as this Court may deem appropriate.

CONSENT TO ACT AS MONITOR

35 I am advised by Neil Narfason and do verily believe that Ernst & Young Inc. ("E&Y") is qualified and has consented to act as Monitor in these proceedings. Attached hereto and marked as **Exhibit "S"** to this my Affidavit is a copy of the Consent to Act as Monitor, duly executed by Neil Narfason.

PROPOSED CHIEF RESTRUCTURING OFFICER

36 In order to assist the Applicants throughout the proposed CCAA restructuring proceedings, I am proposing to appoint BTM Advisory Services Inc. ("BTM") as the Chief Restructuring Officer ("CRO") of the Applicants. Mr. Gary Bentham of BTM will be primarily responsible for the CRO services

37 Mr. Bentham is known to this Court, given that he has been appointed CRO in the parallel proceedings of Court of Queen's Bench Action 1201-08478 (the "**FM CCAA Proceedings**") and his resume is attached as Exhibit "A" to the Affidavit I swore on July 5, 2012 in the FM CCAA Proceedings. Given Mr. Bentham's involvement in related restructuring proceedings, it would seem to be most efficient also to appoint him CRO of the proposed CCAA proceedings of the Applicants.

RELIEF REQUESTED

38 Without an order being made staying proceedings by the Applicants creditors, I believe there will be significant prejudice to the Applicants' stakeholders as a whole. If the Applicants are provided with an opportunity to restructure their affairs. I believe that there is an opportunity to increase the value of the Applicants' assets for the benefit of all stakeholders.

CONCLUSION

39 I make this affidavit in support of an Order pursuant to the *Company's Creditors Arrangement Act*, including a stay proceedings, for the purposes of allowing the Applicants an opportunity to restructure their affairs and develop a plan of arrangement for the benefit of their creditors.

SWORN BEFORE ME at Calgary, Alberta, this 23rd day of August, 2012.	)))))	
Commissioner for Oaths in and for the Province of Alberta	)	**RONALD AITKENS**

Justin D. Doll
Barrister & Solicitor