Clerk's Stamp

COURT FILE NUMBER	1401-02047
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	ROYAL BANK OF CANADA ("RBC")
RESPONDENT	1050999 ALBERTA LTD.
DOCUMENT	THIRD REPORT OF ERNST & YOUNG INC. AS THE COURT-APPOINTED RECEIVER AND MANAGER OF 1050999 ALBERTA LTD. (THE "RECEIVER") December 24, 2014
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	RECEIVER Ernst & Young Inc. 1000, 440 – 2nd Avenue SW Calgary, Alberta T2P 5E9 Attention: Neil Narfason/Alex Corbett Telephone: (403) 206-5061/5001 Email: neil.narfason@ca.ey.com alex.b.corbett@ca.ey.com RECEIVER'S COUNSEL Dentons Canada LLP 2900, 10180 - 101 Street Edmonton, Alberta T5J 3V5 Phone: (780) 423-7246 Fax: (780) 423-7276 Attention: Ray Rutman Email: ray.rutman@dentons.com

TABLE OF CONTENTS OF THE THIRD REPORT

INTRODUCTION

1. Ernst & Young Inc. was appointed Receiver and Manager (the “Receiver”) of the assets, undertakings and property (the “Property”) of 1050999 Alberta Ltd. (“105” or the “Company”) pursuant to an Order (the “Receivership Order”) of this Honourable Court dated March 12, 2014 (the “Appointment Date”).

2. 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 without Court approval in respect of any transactions not exceeding $600,000, provided that the aggregate consideration for all such transactions does not exceed $1,000,000; and to make such arrangements or agreements as deemed necessary by the Receiver.

3. A subsequent Order (the “Sales Approval Order”) dated May 12, 2014 authorized the Receiver to also sell, convey, transfer, lease or assign the Property out of the normal course of business without Court approval in respect of any transactions in which all persons holding secured financial encumbrances against the title to the specific Units being sold have consented to the sale or other disposition.

4. On December 16, 2014, RBC filed an application with this Honourable Court for a bankruptcy Order against 105 (the “Bankruptcy Order”). The Receiver consented to lifting the stay of proceeding for the purposes of this application, pursuant to Paragraph 8 of the Receivership Order. The Bankruptcy Order application is expected to be heard by this Honourable Court on January 20, 2015.

5. The purpose of this third report (the “Third Report”) is to describe the:

    a) Activities of the Receiver since the second report of the Receiver dated October 16, 2014 (the “Second Report”);

    b) Receiver’s interim statement of receipts and disbursements since its appointment to December 22, 2014 (the “Interim Statement of Receipts and Disbursements”);

    c) Receiver’s analysis of priority claims;

    d) Recommended interim distribution of the proceeds from realization;

    e) Receiver and its legal counsel’s fees and disbursements; and

f) Recommendations of the Receiver.

6. Capitalized terms not defined in this Third Report are as defined in the Receivership Order and the First and Second Reports.

TERMS OF REFERENCE

7. In preparing this Third Report, the Receiver has relied upon unaudited financial information prepared by the Company's management, the Company's books and records and discussions with its former management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the Information.

8. All currency references in this Third Report are in Canadian dollars.

BACKGROUND

9. As at the Appointment Date, 105's Property was principally comprised of 24 units (the "Units") in the Grande Rockies Resort ("GRR") located in Canmore, Alberta including:

   a) six furnished finished units, of which three were located on first floor and one on each of second, third and fourth floors;

   b) three unfurnished finished units, of which one was located on the first floor and two on the second floor; and

   c) 15 unfinished units (the "Unfinished Units") located on the fourth floor.

10. Further background information is presented in the First Report and other information regarding this receivership proceeding has been posted by the Receiver on its website at: www.ey.com/ca/1050999.

ACITVITIES OF THE RECEIVER SINCE THE THIRD REPORT

Summary

11. Since its appointment, the Receiver's primary goals have been: to ensure the Property was secured and insured, retain an appropriate selling officer to market the Units as described in the

First Report and complete the required administrative tasks needed to allow Units to be marketed and sold.

Closing of the Waymarker Sale Agreement

12. As described in the Second Report, the Receiver completed the Waymarker Sale Agreement on December 1, 2014 for net proceeds of approximately $330,000 (after property taxes, condo fees, and sales commissions). The transaction closed with the consent of parties holding secured financial encumbrances against the title of the Units.

Closing of the Remaining Units Sale Agreement

13. As described in the Second Report and pursuant to the Sale Approval and Vesting Order granted by this Honourable Court on October 23, 2014, the Receiver completed the Remaining Units Sale Agreement on December 1, 2014 for net proceeds of approximately $1,578,000 (after property taxes, condo fees, and satisfying seller's conditions and sales commissions).

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

14. Exhibit A below summarizes the Interim Statement of Receipts and Disbursements of the Receiver from March 12, 2014 to December 22, 2014.

EXHIBIT A

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

	Notes	
Receipts		
Asset sales (net proceeds)	*a*	$3,357,612
Rental income	*b*	40,843
Initial transfer of debtor bank account		11,394
Interest Income		6,796
Pre-receivership GST refund		7,694
GST collected		36,000
Total receipts		$3,460,340
Disbursements		
Condo fees	*c*	$308,797
Selling costs	*d*	117,750
Receivers fees and costs	*e*	164,532
Legal fees and costs	*f*	101,130
Property taxes	*g*	75,457
Operating expenses		17,267
Receivership filing fee		70
Bank charges		23
GST remitted		22,750
GST on expenditures		19,143
Total disbursements		$826,919
Net receipts		$2,633,421

15. The net receipts less disbursements totaled approximately $2.6 million. The following is a description of the major categories of receipts and disbursements:

a) Asset sales (net proceeds) – represents the net receipts from the sale of the Units after closing adjustments. The closing adjustments are summarized in Exhibit B below. Any interest earned on deposits and any interest penalties charged to purchasers have been presented as ‘interest income’.

EXHIBIT B

SUMMARY OF CLOSING COSTS & ADJUSTMENTS

Units	414	141	135, 202 & 203	140, 142 & 240	Remaining 16 units	Total
Gross sales price	$455,000	$265,000	$300,000	$365,000	$2,050,000	$3,435,000
Property taxes	(1,618)	(1,590)	2,222	578	6,497	6,089
Condo fees	490	291	1,341	318	4,628	7,069
Seller's conditions	-	(630)	-	-	(92,565)	(93,195)
Rental revenue	-	-	-	919	1,731	2,650
Net sales price	$453,872	$263,071	$303,563	$366,815	$1,970,291	$3,357,613

b) Net rental income - revenue generated from the continued participation of the Furnished Units in the Rental Pool until these Units were sold by the Receiver;

c) Condo fees – relate to the payment of amounts owed to the Condo Corp at the time of a Unit sale, which constituted a priority claim as noted in paragraph 21;

d) Selling costs - relate to *i)* commissions paid to Colliers pursuant to the terms of the Selling Officer Engagement Letter, *ii)* referral fees paid to SFC pursuant to the SFC Interim Marketing Agreement and the SFC referral Fee Arrangement, and *iii)* commissions paid to the Previous Agent in respect of the sale of Unit 414;

e) Receiver's fees and costs – fees incurred and paid by the Receiver related to services provided to December 12, 2014;

f) Legal fees and costs – fees incurred and paid by the Receiver in respect of services provided to December 1, 2014; and

g) Property taxes – relate to amounts owed to the Town Of Canmore in respect of 2014 property taxes for Units sold subsequent to July 1, 2014. These property taxes constituted a priority claim as noted in paragraph 21.

ANALYSIS OF PRIORITY CLAIMS

Validity and Enforceability of the Royal Bank of Canada ("RBC" or the "Bank") Security

16. As described in the First Report, the Bank's security has been reviewed by the Receiver's independent counsel which has opined that the security creates a valid mortgage against the Units and a security interest in favour of the Bank in any property in which 105 has rights and is sufficient to create a valid security interest in favour of the Bank against any such personal property in which the Company had rights as at the Appointment Date.

17. The Receiver understands that the Bank's outstanding secured loans total $7.0 million, plus interest and professional fees which accrued during the Receivership. Accordingly, the Receiver advises that the total amount owed to the Bank is in excess of the proceeds from realization and, therefore, no distributions will be made to unsecured creditors or secured creditors who have security ranking subsequent to that of the Bank.

Other Priority Claims

18. Exhibit C below summarizes the alleged and confirmed priority claims that the Receiver is aware of.

EXHIBIT C
SUMMARY OF OTHER PRIORITY CLAIMS

Creditor	Amount	Priority to RBC
Town of Canmore	$75,457	Yes
Condo Corp	$308,797	Yes
Aman Building Corporation	Unknown	No
Canada Revenue Agency	$10,672	Unknown

19. The Town Of Canmore claimed amounts owing for property taxes in arrears in respect of some of the Units. The Receiver and its counsel reviewed amounts claimed by the Town Of Canmore and determined that they were valid and in priority to RBC.

20. The Condo Corp claimed amounts owing for condo fees and special assessments in arrears, interest and legal costs in respect of the Units. The Receiver and its counsel reviewed amounts claimed by the Condo Corp and determined that they were valid and in priority to RBC.

21. The priority claims of the Town Of Canmore and the Condo Corp against individual Units were settled by the Receiver upon the sale of those Units out of the respective sale proceeds.

22. The Receiver's counsel reviewed the priority of the Aman Building Corporation and determined that it ranks subsequent to RBC's security.

23. The Canada Revenue Agency ("CRA") has claimed approximately $10,672, plus interest and penalties, in respect of unremitted GST for periods prior to the Appointment Date. The priority of CRA's priority claim for unremitted GST is dependent on the outcome of the Bankruptcy Order application; should this Honourable Court Grant the Bankruptcy Order, CRA will not have priority over the RBC security.

24. No amounts are due to CRA in respect of source deductions as 105 did not directly employ individuals.

PROPOSED INTERIM DISTRIBUTION OF PROCEEDS FROM REALIZATION

25. Exhibit D below sets out the Receiver's proposed interim distribution of the proceeds from realization to RBC (the "Proposed Interim Distribution").

EXHIBIT D
FUNDS AVAILABLE FOR INTERIM DISTRIBUTION TO RBC

	Notes	
Net receipts (per Exhibit A)	*a*	$2,633,421
Estimated administrative costs and professional fees to completion	*b*	(30,000)
Town of Canmore and Condo Corp priority claims	*c*	-
Holdback for CRA priority claim	*d*	12,700
Proposed interim distribution to RBC	*e*	$2,616,121

a) Net receipts as at December 22, 2014 of approximately $2.6 million as per Exhibit A above;

b) Funds held back by the Receiver to fund estimated administrative costs and professional fees to complete the Receivership;

c) As described in paragraph 21, the priority claims of the Town Of Canmore and of the Condo Corp were previously settled upon the sale of the Units;

d) Funds held back in respect of CRA's priority claim for pre-Appointment unremitted GST of $10,672, including a reserve of approximately $2,000 for interest and penalties; and

e) Proposed interim distribution to RBC of approximately $2.616 million.

APPROVAL OF PROFESSIONAL FEES

26. The Receiver's fees to December 12, 2014 are $164,532 (plus applicable taxes) and the Receiver's legal counsel fees to December 1, 2014 are $101,130 (plus applicable taxes) (collectively the "Professional Fees"). The Receiver has examined the bills of costs referred to above, the services referred to therein have been duly authorized and duly rendered and the charges therein are reasonable in the Receiver's opinion.

27. Copies of the invoices supporting the Professional Fees are available for review by this Honourable Court upon request.

RECOMMENDATIONS

28. The Receiver recommends that this Honourable Court approve the:

a) Interim Statement of Receipts and Disbursements;

b) Proposed Interim Distribution; and

c) Professional Fees.

* * *

All of which is respectfully submitted this 24th day of December, 2014.

ERNST & YOUNG INC.
in its capacity as Receiver and Manager of
1050999 Alberta Ltd. and not
in its personal or corporate capacity.

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

Alex Corbett, CA, CIRP
Vice President