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OF CALGARY

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COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	ROYAL BANK OF CANADA ("RBC")
RESPONDENT	1050999 ALBERTA LTD.
DOCUMENT	**SECOND REPORT OF ERNST & YOUNG INC. AS THE COURT-APPOINTED RECEIVER AND MANAGER OF 1050999 ALBERTA LTD. (THE "RECEIVER")**
	OCTOBER 16, 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/Nick Purich Telephone: (403) 206-5061/5170 Email: neil.narfason@ca.ey.com nick.jb.purich@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

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APPENDIX TO THE SECOND REPORT

INTRODUCTION

1. Ernst & Young Inc. was appointed Receiver and Manager (the "Receiver") of 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. The purpose of this second report (the "Second Report") is to describe:

   a) the activities of the Receiver since the first report of the Receiver dated May 7, 2014 (the "First Report");

   b) the results of the marketing process undertaken by the Receiver and its agent to sell the remaining 22 condominium units (the "Units Sales Process"); and

   c) the recommendation of the Receiver.

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

TERMS OF REFERENCE

6. In preparing this Second 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.

7. All currency references in this Report are in Canadian dollars.

BACKGROUND

8. 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 are located on first floor and one on each of second, third and fourth floors;

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

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

9. 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 FIRST REPORT

Summary

10. 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 141 Sale Agreement

11. The Receiver completed the 141 Sale Agreement on July 3, 2014 for net proceeds of approximately $250,000 (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 Unit.

UNIT SALES PROCESS

Marketing and Sales Process

12. The First Report set out the process that was to be undertaken by the Receiver and the Selling Officer to market the Units for sale in order to maximize value and sell the units in reasonable time period.

13. The Selling Officer began the Unit Sales Process on May 12, 2014.

14. A summary of the Unit Sales Process which was undertaken is as follows:

    a) the Selling Officer prepared an electronic data room and marketing materials;

    b) 342 teasers providing a summary of the Unit Sales Process (the "Teaser") were originally distributed to Colliers' contacts and to approximately 101 additional interested parties;

    c) 34 local Canmore realtors were contacted at the commencement of the Unit Sales Process and again 2 weeks prior to the Bid Deadline (defined below);

    d) advertisements were placed in the Canmore Outlook on May 25, June 26 and July 31 2014, and in the Calgary Herald, Edmonton Journal and Globe and Mail each on May 20, June 24 and July 29, 2014; and

    e) the Selling Officer, with the assistance of SFC, responded to over 100 requests for information arising from direct contacts, advertising, open houses, sales brochures provided at the GRR reception desk, referrals and local realtors, and conducted tours and participated in due diligence calls.

15. A copy of the Teaser is attached hereto as Appendix "A".

16. A copy of one of the advertisements which was placed in the Globe and Mail on May 20, 2014 is attached hereto as Appendix "B".

Early Offers Received

17. In accordance with the Sales Approval Order, a bid deadline of August 13, 2014 (the "Bid Deadline") was set and interested parties were made aware of the Receiver's right to negotiate and accept offers prior to the Bid Deadline, subject to paragraph 5 of the Sales Approval Order.

18. Five offers (the "Early Offers") were received during the marketing process with an expiry before the Bid Deadline. The Receiver reviewed the Early Offers in consultation with the Selling Officer, and notified both parties holding secured encumbrances on each of these units - RBC, and Mr. Shiraz Jiwani, President of Aman Building Corp. ("Aman") - of the significant terms of the offers received.

19. The Receiver accepted the following two Early Offers with the consent of parties holding secured financial encumbrances against the title of the Units and the support of Mr. Jiwani:

    a) Ken McLeod Consulting Group Ltd. offer to purchase Units 135, 202, and 203 for $300,000 (the "McLeod Sale Agreement"). The McLeod Sale Agreement closed on August 26, 2014 for net proceeds of approximately $270,000 (after property taxes, condo fees, and sales commissions); and

    b) Waymarker Developments Inc. ("Waymarker") offer to purchase Units 140, 142, and 240 for $365,000 (the "Waymarker Sale Agreement"). The Waymarker Sale Agreement is expected to close shortly after the date of this report in conjunction with the Revised Remaining Units Sale Agreement (as defined below) for net proceeds of approximately $330,000 (after property taxes, condo fees, and sales commissions).

20. The terms of the Sales Approval Order, which are summarized in paragraph 3, permit the Receiver to sell Units with the consent of parties holding secured financial encumbrances against the title of the Units.

Bids Received

21. Six bids (the "Bids") were received by the Bid Deadline and one late bid (the "Late Bid") was received on August 15, 2014, two days after the Bid Deadline. Four of the Bids were for individual units, and two of the Bids were for the *en bloc* purchase of the Remaining Units (defined below).

22. The Selling Officer provided the Receiver with a copy of the Bids along with a summary (the "Bids Summary"). The Bid Summary included an analysis of the market and the Bids and recommended the acceptance of the *en bloc* bid from Waymarker (the "Waymarker Bid") for the 16 remaining units (civic unit # 332, 401, 402, 403, 404, 405, 408, 409, 410, 411, 412, 413, 416, 417, 418, and 419) (collectively, the "Remaining Units").

23. Following a review of the Bids and Bids Summary, and consultations with the Selling Officer, the Receiver determined that the Waymarker Bid to be the best offer as it:

   a) provided higher net realizable value for all units than what would be obtainable from any other possible Bid combination, including the Late Bid;

   b) allows for the sale of the Remaining Units within a reasonable time period, thereby minimizing carrying costs including condo fees, property taxes and operating costs estimated to be in excess of $25,000 a month (the "Carrying Costs");

   c) included a buyer's condition limited to obtaining building permits for the Unfinished Units which would have been a requirement for any buyer; and

   d) is made by a reputable purchaser, Waymarker, who has access to sufficient financing to complete the Remaining Units Sale Agreement (defined below).

24. The Receiver subsequently shared with RBC and Mr. Jiwani the Bids Summary along with some additional analysis supporting the Selling Officer's recommendation to accept the Waymarker Bid.

REMAINING UNITS SALE AGREEMENT

25. The Receiver, with the assistance of the Selling Officer, negotiated with Waymarker acceptable terms for the purchase of the Remaining Units leading to the execution of an asset sale agreement on September 10, 2014 (the "Remaining Units Sale Agreement").

26. Certain details of the Remaining Units Sale Agreement are provided in the Confidential Supplement to this Second Report (the "Confidential Supplement").

27. The Remaining Units Sale Agreement was conditional on:

a) the buyer obtaining building permits for the completion of the Unfinished Units; and

b) the buyer being satisfied that it could complete the Unfinished Units at a reasonable cost (collectively, the "Remaining Units Sale Agreement Conditions").

28. The Remaining Units Sale Agreement Conditions were to be waived by October 1, 2014.

29. On October 1, 2014, Waymarker indicated that it would not waive the Remaining Units Sale Agreement Conditions and would not proceed with the Remaining Units Sale Agreement in its current form. Waymarker indicated that the reason it would not waive the Remaining Units Sale Agreement Conditions was due to both longer than anticipated time and higher than anticipated costs to finish the Unfinished Units.

30. Also on October 1, 2014, Waymarker presented a revised offer (the "Revised Remaining Units Sale Agreement"). A copy of the Revised Remaining Units Sale Agreement appended to the Confidential Supplement.

31. RBC has confirmed that it will consent to remove its secured financial encumbrances registered against the title of the Remaining Units in order to allow the Revised Remaining Unit Sale Agreement to close.

32. Mr. Jiwani had advised that Aman is not supportive of the Remaining Units Sale Agreement.

RECEIVER'S ANALYSIS OF THE REVISED REMAINING UNITS SALE AGREEMENT

33. In considering the Waymarker Bid, the Remaining Units Sale Agreement, and ultimately the Revised Remaining Units Sale Agreement, the Receiver first considered the recommendation of the Selling Officer. The Selling Officer recommended that the Receiver accept the Revised Remaining Units Sale Agreement for the following reasons:

a) the Revised Remaining Units Sale Agreement will allow the sale of the Remaining Units at a realistic price and in a reasonable time;

b) there has been a low level of interest in the penthouse units throughout the Selling Officer's extensive three month marketing process as a result of large unit size, restrictive zoning, high cost to complete the Unfinished Units, high risk to buy and complete the Unfinished Units, and high condo fees; and

c) although some of the above barriers could be overcome by finishing the Units and selling them to individuals, this would be a lengthy process requiring significant financing and leave the creditors of 105 exposed to market pricing fluctuation.

34. The Receiver is supportive of the Selling Officer's recommendations for the same reasons. Further, the Receiver notes that:

a) the Selling Officer negotiated with Waymarker over several weeks to obtain the best possible offer;

b) selling the Remaining Units now will minimize Carrying Costs;

c) no other viable offers were received for all of the Remaining Units; and

d) only three fourth floor units have been sold to third parties after several years of marketing, including the Selling Officer's extensive marketing process.

35. Based on the above analysis, the Receiver believes that the Revised Remaining Units Sale Agreement maximizes the recovery to the 105 creditors.

STEPS TO COMPLETE RECEIVERSHIP

36. If this Honourable Court approves the Remaining Units Sale Agreement, the Receiver will work with Waymarker to close the Revised Remaining Units Sale Agreement, subsequent to which the Receiver will seek an Order for a final distribution and the discharge of the Receiver.

SEALING OF THE CONFIDENTIAL SUPPLEMENT

37. The Receiver is concerned that in the event the Revised Remaining Units Sale Agreement does not close for any reason, the disclosure of the details of the Remaining Units Sale Agreement and the Revised Remaining Units Sale Agreement may negatively affect 105's efforts to remarket the Remaining Units. Accordingly, the Receiver has included the Remaining Units Sale Agreement and the Revised Remaining Units Sale Agreement in the Confidential Supplement.

38. For the same reason, the Receiver has included the Bids Summary in the Confidential Supplement.

39. The Receiver is seeking an Order of this Honourable Court whereby the Confidential Supplement will be, subject to further Order of this Honourable Court, treated as confidential, sealed and not form part of the public record (the "Restricted Court Access Order") until the closing of the Revised Remaining Units Sale Agreement.

40. The Receiver notes that the information in the Confidential Supplement has been provided to both RBC and Aman in seeking their support for the Revised Remaining Unit Sale Agreement. The Receiver does not believe that any parties will be prejudiced by the Restricted Court Access Order in light of the fact that the major stakeholders of 105 have previously been provided with the information in the Confidential Supplement.

RECOMMENDATIONS

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

a) Revised Remaining Units Sale Agreement; and

b) Restricted Court Access Order.

* * *

All of which is respectfully submitted this 16th day of October, 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

Nick JB Purich, CA
Manager

Appendix A

FOR SALE - 22 CONDO UNITS

GRANDE ROCKIES RESORT

901 MOUNTIAN STREET, CANMORE, ALBERTA

Colliers INTERNATIONAL

INTRODUCTION

Colliers International is the Exclusive Selling Officer for the court-appointed receiver manager, Ernst & Young Inc., to solicit expressions of interest for the remaining units in the Grande Rockies Resort.

OPPORTUNITY

To acquire 100% interest in all remaining residential condominiums on an "En Bloc " basis or as individual units. The unsold units are located within the luxury Grande Rockies Resort in Canmore, Alberta, which is a fully functional and operating hotel / condo project. The property consists of 7 standard finished units and 15 unfinished penthouse suites. All units are available for buyers to be included in the Hotel Rental Program offered by the resort.

CONTACT

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FOR SALE - 22 CONDO UNITS
GRANDE ROCKIES RESORT

901 MOUNTIAN STREET, CANMORE, ALBERTA

OFFERING PROCESS (BID DATE):

Qualified buyers are requested to submit Offers to Purchase or Letters of Intent **on or before 2 PM Calgary time on August 13, 2014** for any or all of the remaining units. The receiver manager reserves the right to alter the offer process, and the timing thereof, in its absolute and sole discretion and will **consider expressions of interest at any time prior to the "Bid Date".**

PROPERTY DETAILS:

A summary of the Properties is attached with further details contained in the Confidential Information Memorandum (CIM).

LISTING PRICES:

See attached schedule.

CONFIDENTIALITY AGREEMENT | CIM | ELECTRONIC DATA

Upon signing the Confidentiality Agreement, Qualified Buyers will be provided access to the CIM and electronic files.

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FOR SALE - 22 CONDO UNITS

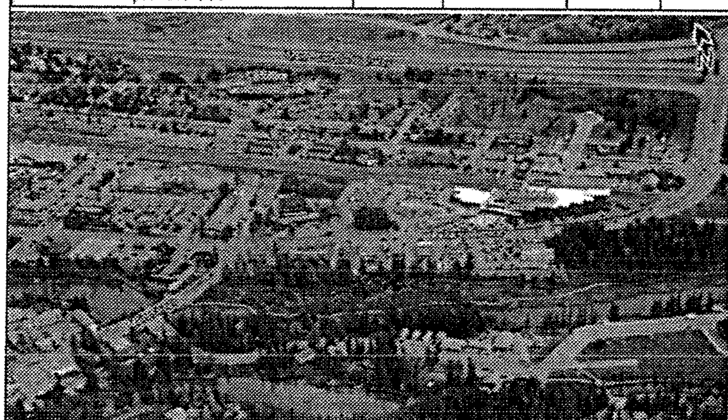
GRANDE ROCKIES RESORT

901 MOUNTIAN STREET, CANMORE, ALBERTA

Colliers INTERNATIONAL

PROPERTY SUMMARY

Civic Address	Legal Lot	Parking Stall	Area (sq ft.)	# Bedrooms	Layout Type	Finished (X)	Furnished (X)	Zoning	List Price ($)	[illegible]
135	204	190	567	1	AR	X	X	V	$163,000	$309.58
140	199	150	570	1	S	X	X	S	$163,000	$309.58
142	275	154	664	1	C	X	X	V	$165,000	$375.92
202	326	144	567	1	AR	X	NO	T	$100,000	$302.21
203	325	143	791	2	B2	X	NO	T	$125,000	$405.41
240	284	195	666	1	A1-R	X	X	T	$199,000	$375.92
332	248	103	758	2	B3-R	X	X	T	$280,000	$405.40
401	312	45/46	1335	2	P	NO	NO	V	$310,000	$766.58
402	349	43/44	1421	2	N	NO	NO	V	$310,000	$796.07
403	348	41/42	1733	2+D	L	NO	NO	V	$380,000	$965.60
404	347	39/40	1948	2+D	M	NO	NO	V	$419,000	$1,083.54
405	346	23/24	1711	2+D	L-R	NO	NO	V	$380,000	$950.86
408	298	25/26	1722	2+D	R-R	NO	NO	V	$380,000	$987.71
409	299	67/68	1722	2+D	R	NO	NO	V	$380,000	$987.71
410	300	82/83	1722	2+D	R-R	NO	NO	V	$380,000	$987.71
411	301	84/85	2196	2+D	S	NO	NO	V	$465,000	$1,304.67
412	269	78/79	2099	2+D	T	NO	NO	V	$450,000	$1,186.73
413	266	136/137	1916	2+D	R	NO	NO	V	$405,000	$1,083.54
416	265	106/107	1916	2+D	R-R	NO	NO	V	$405,000	$980.34
417	264	105/108	1539	2	V-R	NO	NO	V	$325,000	$1,083.54
418	263	132/133	1539	2	V	NO	NO	V	$325,000	$877.15
419	262	80/191	1905	2+D	U-R	NO	NO	V	$415,000	$877.15
***Denotes outdoor hot tub on private deck**			31007						$6,924,000	18,073.68



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Appendix B

Property Report

INVESTING

Interest hot for Canadian hotel properties

Temple Hotel's purchase of iconic Regina property another example of the explosion of interest in this sector

JOEL SCHLESINGER

Hotel Saskatchewan is back in Canadian hands after Winnipeg-based Temple Hotels purchased the Regina landmark last month for $32.8-million from the U.S.-based chain Radisson Hotels Corp.

Regina's Hotel Saskatchewan may not have the chateau-style architecture of its sister hotels built across Canada by Canadian Pacific Railway in the late 19th and early 20th centuries, such as the Banff Springs Hotel and the Château Frontenac in Quebec City.

Yet the elegant, 10-storey iconic landmark on Victoria Avenue, completed in 1927, has remained like so many of Canada's old CPR hotels – a premier destination.

Its storied reputation played a central part in a Winnipeg-based real estate investment firm's decision to purchase the 224-guestroom hotel last month for $32.8-million from the U.S.-based chain Radisson Hotels Corp.

"When anybody thinks of Regina and where to stay, it's always Hotel Saskatchewan," says Gino Romagnoli, executive vice-president of Temple Hotels Inc., which purchased the hotel. "The price was right. The market was good. All things considered, it was a great deal for us."

A publicly traded company, Temple has been aggressively snapping up hotels across the country since purchasing its first asset in 2006, the 179-guestroom Temple Gardens Mineral Spa Resort in Moose Jaw, building a portfolio of 27 properties across Canada.

Yet Temple isn't alone in its interest in Canadian hotels as a potentially profitable investment. Last year was the best year in half a decade for Canada's hotel real estate sector, a recent report by Colliers International Hotels found.

Transactions in 2013 were double the average of about $1-billion annually for the previous five years with 115 hotels changing owners, worth $2.02-billion in total.

"We're in a pretty strong upcycle," says Robin McLaskie, vice-president at Colliers International Hotels. "Last year was the third-highest year on record."

The highest activity on record was in 2006 and 2007 when the volume of deals was worth $2.6-billion and $4.5-billion, respectively.

Yet Ms. McLaskie says last year's sales are a more promising indicator of the sector's health than those in 2006 and 2007 when markets were peaking.

"Those two years had two major REITs that went public that dominated the market, so we see 2013 as a much more active year in comparison."

Like 2006 and 2007, institutional buyers led the way in 2013, accounting for 42 per cent of the volume.

Yet Ms. McLaskie says a host of ideal conditions has attracted a greater diversity of buyers. "There is just a lot of money chasing deals."

What's drawing investors such as U.S.-based Starwood Capital Group, which purchased five Westin Hotels in Canada in a $765-million deal with Middle Eastern partners, are a combination of favourable borrowing conditions – low interest rates and creditors willing to lend – and growing revenue per available room (RevPAR).

The Colliers report found RevPAR – a measure of a hotel's profitability – grew 4.5 per cent in 2013, higher than the 10-year average of 2.9 per cent.

The upward trend is expected to continue in 2014 with RevPAR forecast to grow by 4.1 per cent, the report states.

WHERE THE ACTION IS

2013 transaction volume by region in Canada's hotel sector

PROVINCE	NO. OF HOTELS	NO. OF ROOMS	$ VOLUME	% OF TOTAL VOLUME	PRICE PER ROOM
Ontario	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alberta	24	3,169	$494-million	24	$156,300
British Columbia	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec	12	1,531	$90-million	4	$58,900
Nova Scotia	[illegible]	[illegible]	$24-million	[illegible]	[illegible]
Manitoba	3	291	$15-million	1	$52,300
Newfoundland	1	327	$9-million	[illegible]	n/a
New Brunswick	1	97	$3-million	0	$35,100
Yukon	2	98	n/a	n/a	n/a
Total	[illegible]	[illegible]	[illegible]		[illegible]

Source:
2014 Canadian Hotel Investment Report by Colliers International Hotels

A large draw for investors is the attractive yields. Capitalization rates for hotels involved in the transactions last year averaged about 8.4 per cent. Although rates have experienced compression since trending down from about 10 to 12 per cent, the yield is still higher than other commercial real estate sectors. A late 2013 report by Avison Young shows capitalization rates for other sectors at less than 6.5 per cent on average, and they're compressing, too.

While capitalization rates have compressed in the hotel sector over the past few years, Mr. Romagnoli says Temple is still able to find high-yielding investments such as the Hotel Saskatchewan, which had an 11.5-per-cent capitalization rate at the time of purchase. Unlike most other provinces, no hotels changed hands in Saskatchewan in 2013, according to the Colliers report. Often overlooked by investors, Temple sees Saskatchewan as fertile ground for good deals.

"We typically go in with a 10-per-cent cap rate, so the Hotel Saskatchewan is definitely better than average," Mr. Romagnoli says, adding Temple will invest about $6-million over three years to upgrade guestrooms, the dining room, lounge, meeting space and lobby.

"The Hotel Saskatchewan has good bones so it's really cosmetic-type renovations."

Mr. Romagnoli says assets requiring larger injections of capital are less attractive because additional costs eat into the investments' higher yields, which compensate investors for the higher risks associated with this sector of real estate.

Yet the high yields relative to other sectors are traditionally a function of the risk involved in hotel ownership.

"Hotels are viewed as essentially having to find a new tenant 365 days a year as opposed to commercial property where you've got five- or 10-year leases," he says, adding they are also more sensitive to the economy than other sectors because business travel and vacations are often the first casualties of a downturn.

Additional risks aside, real estate investors, who traditionally have not invested in hotels, now find the sector attractive, Ms. McLaskie says.

"Because the yields on other real estate classes are so low and competitive, they're seeing opportunities in hotels, which have higher cap rates."

Among them is Morguard Corp., a Toronto-based, diversified real estate firm, which purchased five hotels, all Marriott properties in the Greater Toronto Area, in 2013 for $205-million.

"Our attraction to hotels was price and value," says Rai Sahi, chairman and chief executive officer of Morguard, adding hotels are a new asset class for the company.

"We have experience with furnished suites at several of our apartments in our residential portfolio and see this as a natural extension to create synergies."

Until its purchase last year, Morguard owned one other hotel property purchased in 2011. Valued at roughly $100-million, its hotel portfolio makes up a small portion of its $5.1-billion in assets. Like other investors, Morguard will continue seeking opportunities in the sector, Mr. Sahi says.

Because of continuing interest, Colliers forecasts 2014 will be another strong year for hotels, estimating the volume of transactions between $1.25-billion and $1.5-billion. "It won't be a frenzy – more of a balanced market where we expect to see good activity," Ms. McLaskie says.

Special to The Globe and Mail