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COURT/ESTATE NUMBER:	1503 16411
COURT:	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE:	EDMONTON
PLAINTIFF:	FARM CREDIT CANADA
DEFENDANTS:	GROWING POWER MANAGEMENT LTD. and GROWING POWER HAIRY HILL LIMITED PARTNERSHIP
DOCUMENT:	**RECEIVER'S SECOND REPORT FEBRUARY 3, 2016**
ADDRESS FOR SERVICES AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**RECEIVER** Ernst & Young Inc. 2200, 10020 – 100 Street Edmonton, AB T5J 0N3 Attention: Matt McCulloch Tel: (780) 638-6642 Fax: (780) 423-5811 Email: matt.mcculloch@ca.ey.com **RECEIVER'S COUNSEL** Brownlee LLP 2200 Commerce Place 10155 – 102 Street Edmonton, AB T5J 4G8 Attention: Dan R. Peskett Tel: (780) 497-4875 Fax: (780) 424-3254 Email: dpeskett@brownleelaw.com

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Table of Contents

EXHIBITS

Exhibit A –Omnibus Agreement Dated December 15, 2014

INTRODUCTION

1. On November 20, 2015, pursuant to an application made by Farm Credit Canada ("**FCC**"), Ernst & Young Inc. ("**EY**" or the "**Receiver**") was appointed as Receiver by virtue of an order (the "**Receivership Order**") granted by the Court of Queen's Bench of Alberta (the "**Court**") for Growing Power Management Ltd. ("**GPML**") and Growing Power Hairy Hill Limited Partnership ("**GPHHLP**") or collectively referred to as the "**Companies**".

2. The purpose of this second report (the "**Second Report**") is to advise the Court of the following matters:

   a. Information that came to the attention of the Receiver regarding the BECII lease issues subsequent to the application before the Court on January 26, 2016;

   and to seek an order from the Court that:

   a. approves and affirms the Order of the Court granted on January 26, 2016; and
   b. such further and other relief as the Court deems appropriate.

BECII GROUND LEASE ISSUES

3. As the Court is aware from the Receiver's First Report dated January 21, 2016 (the "First Report") there was a ground lease (the "Ground Lease") in relation to lands legally described as:

   Plan 1121639
   Block 1

Lot 1
Excepting thereout all mines and minerals
Area: 1.5 Hectares (3.71 Acres) more or less

(the "Lands")

which was executed on March 24, 2011 between Growing Power Management Ltd. ("GPML") and Biowaste to Energy for Canada Integration Initiative (BECII) Corp. ("BECII"). This lease is attached as Exhibit 12 to the First Report.

4. Further, there was a subsequent sublease of the premises between BECII and Highland Feeders Ltd. ("Highland") dated October 16, 2015 (the "Sublease"). The Sublease is attached as Exhibit 14 to the First Report.

5. The preamble of the Sublease references Growing Power Hairy Hill Limited Partnership ("GPHH") as being a tenant of the Lands pursuant to a leaseback agreement with BECII. The Receiver has made numerous requests for a copy of this purported leaseback agreement but has not yet received any information on this point.

6. In the First Report, the Receiver outlined the default provisions of the Ground Lease and set out what appeared to the Receiver to be defaults of BECII under the Ground Lease. These included failure to pay property taxes and utilities on the Lands as required pursuant to the terms of the Ground Lease.

7. Subsequent to the application on January 26, 2016, the Receiver has become aware of a provision in another agreement which impacts on the representations made in the First Report, namely, an Omnibus Agreement dated December 15, 2014. Attached as Exhibit "A" to this Report is a copy of the Omnibus Agreement.

8. Paragraph 6(a) of the Omnibus Agreement indicates that GPHH agreed to pay and maintain in current status all required costs of the BECII assets and its costs of

doing business, including but not limited to paying property taxes among other items. For the Court's information, in connection with this matter the Receiver has received and reviewed a tremendous volume of documents including numerous related party agreements and other agreements, and unfortunately, did not see this provision prior to the application before the Court on January 26, 2016. In addition, the potential impact of this provision has never been raised by anyone to date. Further, the Omnibus Agreement, as it relates to the property taxes, is also inconsistent with the Sublease which is a later agreement.

9. The issues that the Receiver sees as being related to paragraph 6(a) of the Omnibus Agreement are as follows:

   a. It is questionable whether there has been proper consideration exchanged by any of the parties to this agreement;

   b. BECII has not signed the Omnibus Agreement nor is there a signature line for BECII to sign the Omnibus Agreement;

   c. Paragraph 1 in the Omnibus Agreement appears to be referencing an "Agreement to Agree", at least as it relates to GPHH, whereby it is subject to subsequent formal documents being prepared and approved by GPHH. It appears that the parties are saying that GPHH would have to subsequently agree in writing to arrangements affecting GPHH in the Omnibus Agreement and for such arrangements that did not involve GPHH, the Omnibus Agreement terms would be binding on those other parties;

   d. The Sublease is executed by BECII and Highland. Paragraph 4 of the Sublease provides that nothing in the Sublease shall obligate Highland to pay or otherwise assume responsibility for, or become liable to pay, any property taxes or other taxes, either in arrears or in the future, and all such liability for taxes shall remain with BECII exclusively. BECII is defined as the Landlord in the Sublease and the Sublease is signed by BECII. The Receiver is of the view that BECII is admitting in October 2015 that it is exclusively responsible for property taxes including property tax arrears.

10. As a result of discovering paragraph 6(a) of the Omnibus Agreement, the Receiver was of the opinion that it should be brought to the Court's attention given the representations made in the First Report and the Order granted on January 26, 2016 and in order that the Court may be fully apprised of the facts that are relevant to determining the issues as they relate to the Ground Lease and BECII.

RECOMMENDATIONS

11. The Receiver is of the continues to be of the opinion that the Ground Lease is a significant concern and may impact the marketing and sales process for the properties. The Receiver is further of the opinion that, despite the provisions contained in the Omnibus Agreement, BECII is still responsible for the payment of property taxes under the Ground Lease given the provisions of the Ground Lease and the acknowledgement by BECII in the Sublease. Based on the foregoing, and specifically the issues raised in paragraph 9 (c) and (d) of the Second Report, the Receiver respectfully submits that BECII continues to be in default of the Ground Lease and that the Order of the Court of January 26, 2016 terminating Ground Lease should be re-stated and confirmed.

12. The Receiver recommends that this Honourable Court grant an Order to:

- Re-state and confirm that Order of the Court dated January 26, 2016 which terminated the Ground Lease with BECII

- Such further and other directions as deemed appropriate by the Court in the circumstances.

All of which is respectfully submitted this 3rd day of February, 2016.

Ernst & Young Inc.
In its capacity as Court Appointed Receiver of
Growing Power Management Ltd. and
Growing Power Hairy Hill Limited Partnership
and not in its Personal Capacity

Per:

Matt McCulloch, CPA, CA, CIRP, Licensed Insolvency Trustee
Senior Vice-President

EXHIBIT "A"

1.

This is an agreement in principle, entered into on December 15, 2014 ("Agreement Date"), which shall be recorded in formal documents and approved by Growing Power Hairy Hill L.P. ("GPHH L.P.") except where GPHH L.P.'s approval is not a condition precedent to any of these terms that do not require said approval. If GPHH does not approve of a term herein, that term will be excised without affecting the enforceability of the remaining terms.

All parties to this agreement agree that its provisions take effect on December 31, 2014 ("Effective Date").

For each and every transaction herein, unless otherwise stated, consideration is hereby acknowledged as having been paid and duly received in the amount of one Canadian dollar (CAD 1.00) by and between the parties making an exchange or taking action(s) with one another.

2.

This agreement is entered into under circumstances that currently find all of the subject entities in a position where the fair market value of the equity interest is at best $1.00 (cdn) after working together diligently and in good faith for nearly eight years (in the case of the four brothers). It is the intent and belief of these arm's length parties that the different entities' prospects future financial health can now only be secured—if at all—by having the stated parties undertake the below-agreed actions, thereby concentrating talents and energies on the best-fit, most synergistic activities given everyone's strengths and business interests.

3.

The Master Agreement, as several times amended, by and between Bern Kotelko, Evan Chrapko, Mike Kotelko and Shane Chrapko (who came to be known as the "four brothers" over the course of their relationship since January, 2007), will be terminated.

4.

4BEL Inc. will be wound up.

5.

The four brothers will cause each entity that they control to ratify all past acts of the departing two brothers.

All parties agree to "speak well" of the other parties and GPHH L.P. hereby extends a standing invitation to the Chrapko's to attend every annual general meeting of the partnership in their capacity as co-founders of GPHH L.P. (see Notice to Unitholders and Shareholders in Closing Agenda)

6.
6-a.
GPHH L.P. will agree to pay and maintain in current status all required costs of operating BECII's assets and its costs of doing business, including but not limited to paying property taxes, upkeep, security and insurance (includes Directors and Officers liability coverage), and all payables accumulated through the point of the Managing Director's final pay.

6-b.
At some point in the future, GPHH L.P. will further consider an amalgamation of BECII with itself, if permitted by law and all other relevant authorities.

7.

The Chrapkos will transfer their shares of 1620910 Alberta Ltd—being the bare trust set up for purposes of GPHH L.P.'s financing—to the Kotelkos.

8.

The Chrapkos will transfer their shares in Growing Power Management Limited ("GPML")—being the general partner of both GPHH L.P. and Grow-Gen Energy L.P.—to the Kotelkos.

9.
9-a.
The Chrapkos will cause their entities to swap their units of Grow-Gen Energy L.P. to the Kotelkos
in exchange for the Kotelkos' shares (all classes) in:
– Biogas and Algae (Barbados) Holdings Inc. ("BABI") and in
– the two cleantech entities in Canada known as:
+ Himark Biogas Inc. and
+ Algae Grow & Harvest Technology Inc.

9-b.
Shares beneficially owned by Ted Bosse and Peter Kotelko in the "minority interest company" of BABI (being HBI Minority Holdings Inc.), along with their rights and duties in that minority holdco, and shares that Ted and Peter beneficially own in the two cleantech entities in Canada known as Himark Biogas Inc. and Algae Grow & Harvest Technology Inc. will all be transferred to and assumed by the Chrapkos in equal measure.

10.

Ted Bosse and Ogilvie LLP will copy, at their/its cost, all of the files and notes (without restriction or redaction as Ted shall deem sufficient for business purposes) into electronic form, that he/it holds for any of the entities subject to this agreement, and send same to Evan Chrapko.

Evan and Shane Chrapko hereby personally guarantee that Ted's/Ogilvy's fees as rendered to Himark as of yesterday, December 14, 2014, will be paid in full if it turns out that Himark cannot meet those payables obligations.

11.

Both sets of brothers will cause their respective companies to maintain directors & officers liability insurance and they will ensure that such coverage is equally applied-to and equally available for the benefit of the departed brothers.

12.

The Kotelkos agree to be supportive with the Chrapkos' efforts to continue to secure AVAC's remaining funding tranches for Himark.

13.

Fees accrued to the Kotelkos in Himark since January 1, 2013, will be reversed and no longer due & owing and fees accrued to Chrapkos in the GPML and GPHH L.P. will be reversed and no longer due & owing

14.

The $250,000 bridge ($125k from each Kotelko) will be repaid by Himark pro-rata with repayments to the Chrapkos of that principal block of $500,000 (all four brothers contributed $125k each).

15.

All relevant Kotelko people and entities will enter into I.P. assignment and limited power of attorney documents, transferring all their rights, title and interest in the various subject intellectual property, ideas, know-how and trade secrets to BABI in exchange for one Canadian dollar (CAD 1.00), and enabling BABI to carry forward patent prosecution or other litigation (offensive or defensive) of same without BABI ever requiring further involvement from them.

16.

GPHH L.P. and BABI will enter into a cooperation agreement allowing for unrestricted site access and a contractual right to access financial and operating data for a period of 21 years starting with January 1, year 2009.

BABI will cause Himark Biogas Inc. to modify its license agreements with GPHH L.P. to bring the license fee to zero for that same period.

To the extent the following concepts are not already in the license agreements to be modified, they will be added:

- GPHH L.P. will auto-assign, for no further consideration, to Himark all its rights, title and interest to any and all inventions, know-how, trade secrets and business methods, whether or not they are patentable and whether or not they are reduced to practice.
- Himark will allow GPHH L.P. to use inventions that either party conceives without any further license fees being required to be paid to Himark.

Nothing being agreed here allows GPHH L.P. to use any technology in an expanded plant or in other new plants or new plant sites and nor does anything here allow GPHH L.P. to compete with BABI/Himark/AGHT in any manner, directly or indirectly, without entering into further, other mutually agreeable, written terms to do so.

Nothing being agreed here jeopardizes or otherwise condones relaxing the terms and conditions of the separate agreement which Himark and GPHH L.P. already have with respect to the Integration Demonstration project as funded by SDTC, including but not limited to GPHH L.P.'s indemnities of Himark from and against any attack by

CRA over the arrangement and holding Himark harmless from other costs that may arise by virtue of Himark entering into the arrangement for GPHH L.P.'s benefit.

17.

The four brothers will resign their directorships and officerships of businesses in which they no longer have any ownership by operation of this agreement, in whichever/any jurisdiction.

18.

The parties will enter into such other agreements and/or executions of documents and/or filings with relevant authorities required to give effect to the above-stated intentions of this Omnibus Agreement to part ways on amicable, arm's length terms.

19.

This agreement in principle contemplates parties executing formal agreements separately, remotely, and at different times.

By signing below I represent that I have received independent legal counsel, am exercising prudent fiduciary oversight, and that I am authorized to enter into this agreement either for myself or also on behalf of the entities for which I am executing this agreement,

Steven Parker for Biogas and Algae (Barbados) Holdings Inc. ("BABI")

Brett Kotelko for himself re: I.P. in all fields

Peter Kotelko for himself (re: I.P. in all fields and re: HBI Minority Holdings Inc.) and for his holding company 1315297 Alberta Ltd. (as it relates to shares/units in everything).

X

Bern Kotelko for various, including himself

Mike Kotelko for various, including himself

Evan V Chrapko

Evan Chrapko for various, including himself

Shane Chrapko for various, including himself

Ted Bosse for himself, for Digital Active Commerce Inc., and for Ogilvie LLP

Evan V Chrapko

Evan Holdings Ltd.

Shane Chrapko Holdings Ltd.

1620910 Alberta Ltd. (numbered bare trust holding GPHH L.P. class A units)

Evan V Chrapko

X

Highland Investments Inc.

Himark BioGas Inc. (the entity in Canada)

Evan V Chrapko

Algae Grow and Harvest Technologies Inc. (the entity in Canada)

Evan V Chrapko

X

Growing Power Management Ltd. as sole/exclusive agent and on behalf of both Growing Power Hairy Hill L.P. and Grow-Gen Energy L.P.

X

Growing Power Management Ltd. in its own matters & right