Court File No. FM-22-16

IN THE COURT OF QUEEN'S BENCH OF NEW BRUNSWICK
IN BANKRUPTCY AND INSOLVENCY
JUDICIAL DISTRICT OF FREDERICTON

IN THE MATTER OF THE RECEIVERSHIP OF:

GRAY'S AQUA MANAGEMENT LTD., GRAY AQUA FARMS LTD., GRAY AQUA GROUP LTD., BUTTER COVE AQUA FARMS LTD., GOBLIN BAY AQUA FARMS LTD., JERVIS ISLAND AQUA FARMS LTD., PASS-MY-CAN AQUA FARMS LTD., GRAY AQUA PROCESSING LTD., M. GRAY HOLDINGS LTD., 608672 N.B. LTD., 608691 N.B. LTD., 608715 NB LIMITED AND 608716 NB LIMITED

PURSUANT TO Section 33 of The *Judicature Act,* R.S.N.B. 1973, Ch. J-2, Rule 41, Rules of Court, New Brunswick and Section 243 of the *Bankruptcy and Insolvency Act,* R.S.C. 1985, c. B-3

BETWEEN:

CALLIDUS CAPITAL CORPORATION

APPLICANT

- and –

GRAY'S AQUA MANAGEMENT LTD., GRAY AQUA FARMS LTD., GRAY AQUA GROUP LTD., BUTTER COVE AQUA FARMS LTD., GOBLIN BAY AQUA FARMS LTD., JERVIS ISLAND AQUA FARMS LTD., PASS-MY-CAN AQUA FARMS LTD., GRAY AQUA PROCESSING LTD., M. GRAY HOLDINGS LTD., 608672 N.B. LTD., 608691 N.B. LTD., 608715 NB LIMITED AND 608716 NB LIMITED

RESPONDENTS

THIRD REPORT OF THE RECEIVER
2 JUNE 2017

INTRODUCTION AND PURPOSE

1. In connection with the application of Callidus Capital Corporation ("**Callidus**") pursuant to section 33 of the Judicature Act (New Brunswick), Rule 41 of the Rules of Court of New Brunswick, and section 243 of the Bankruptcy and Insolvency Act (Canada) that was heard by The Honourable Judy L. Clendening of the Court of Queen's Bench of New Brunswick on 25 April 2016 (the "**Receivership Date**"), Ernst & Young Inc. ("**EYI**") was appointed receiver (the "**Receiver**") of all of the assets, undertakings and properties of the Respondents acquired for, or used in relation to the businesses carried on by the Respondents, including all proceeds thereof (the "**Property**").

2. The 25 April 2016 Order (the "**Receivership Order**") authorized the Receiver to, among other things:

   (a) take possession and control of the Property and any proceeds or receipts arising from the Property but, while the Receiver is in possession of any of the Property, the Receiver must preserve and protect it;

   (b) change locks and security codes, relocate all or some of the Property to safeguard it, engage independent security personnel, take physical inventories and place insurance coverage;

   (c) manage, operate, and carry on the businesses of the Respondents, including the power to enter into any agreements, incur and pay any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Respondents;

   (d) engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

   (e) purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the businesses of the Respondents, or any part or parts thereof;

   (f) receive and collect all monies and accounts now owed or hereafter owing to the

Respondents and to exercise all remedies of the Respondents in collecting such monies, including, without limitation, to enforce any security held by the Respondents;

(g) settle, extend or compromise any indebtedness owing to the Respondents;

(h) execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Respondents, for any purpose pursuant to this Order;

(i) undertake environmental or workers' health and safety assessments of the Property and operations of the Respondents;

(j) initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgement pronounced in any such proceeding;

(k) make payment of any and all costs, expenses and other amounts that the Receiver determines, in its sole discretion, are necessary or advisable to preserve, protect or maintain the Property, including, without limitation taxes, municipal taxes, insurance premiums, repair and maintenance costs, costs or charges related to security, management fees, and any costs and disbursements incurred by any manager appointed by the Receiver;

(l) market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiate such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

(m) sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

    (i) without the approval of this Court in respect of any transaction not exceeding $100,000, provided that the aggregate consideration for all such transactions does not exceed $1,000,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under section 59 of the *Personal Property Security Act* (New Brunswick) shall not be required.

(n) apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(o) report to, meet with and discuss with such affected Persons as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(p) register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(q) apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Respondents;

(r) enter into agreements with any trustee in bankruptcy appointed in respect of the Respondents including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Respondents;

(s) exercise any shareholder, partnership, joint venture or other rights which the Respondents may have; and

(t) take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

3. The purpose of this third report (the "**Third Report**") is to advise this Honourable Court (the "**Court**") on matters relating to the conduct, actions, and activities of the Receiver arising subsequent to the issuance of the Receiver's Second Report dated 6 February

2017 (the "**Second Report**"), to advise the Court of certain of the Respondents' assignments into bankruptcy, to seek the Court's approval of an initial distribution to certain secured creditors of the Respondents' estates (the "**Estate**") and to seek the Court's approval of the Receiver's actions and activities as set out herein. The Receiver has organized its comments within the Third Report as follows:

- Terms Of Reference;
- General Activities of the Receiver;
- Property Remaining to be Realized Upon;
- Bankruptcy;
- Interim Statement of Receipts and Disbursements;
- Claims Against the Proceeds of Realization; and
- Proposed Distribution

TERMS OF REFERENCE

4. In preparing the Third Report, the Receiver has been provided with, and has relied upon unaudited historical financial statements, other unaudited financial information, the books and records of the Respondents, discussions with the management and employees of the Respondents, and other information from various sources. The Receiver has assumed that the information it has been provided is accurate and complete. The Receiver did not audit, review or otherwise attempt to verify the accuracy or completeness of the information. Accordingly, the Receiver expresses no opinion or other form of assurance with respect to the information presented in the Third Report or relied upon by the Receiver in preparing the Third Report. Further, the nature of the Receiver's work completed in these proceedings will not necessarily disclose errors, misstatements, irregularities or illegal acts, if such exist, on the part of the Respondents, or its officers or employees or in the information.

5. All references to monetary amounts in the Third Report are in Canadian dollars unless otherwise noted.

6. Capitalized terms not defined in the Third Report are as defined in the Receivership Order.

7. Copies of court materials in these proceedings may be obtained from the Receiver's website established in connection with the Respondents (www.ey.com/ca/grayaqua).

GENERAL ACTIVITIES OF THE RECEIVER

8. On 23 February 2017, a sale approval and vesting order (the "**Vesting Order**") was issued by the Court approving the sale of certain property to Marine Harvest ASA ("**Marine Harvest**") for $15,000,000. Paragraph 2 of the Vesting Order authorized and directed the Receiver to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the sale transaction (the "**Transaction**") in accordance with an agreement of purchase and sale dated 16 January 2017 (the "**Agreement**").

9. Subsequent to the Vesting Order being issued the Receiver worked diligently with Marine Harvest, its legal counsel and various other parties to wind down the Respondents' operations and close the Transaction which occurred on 3 April 2017 with an effective date of 31 March 2017.

10. In preparation for and or immediately following the Transaction closing the Receiver:

   (a) cancelled all supplier accounts for goods and services held in the Receiver's name;

   (b) terminated all employment contracts with the employees of the Respondents;

   (c) archived all electronic records of the Respondents including information contained on the Respondents' computer servers;

   (d) sorted the paper records of the Respondents and either sent those records to offsite storage or destroyed them;

   (e) executed various documents to effect the transfer of property to Marine Harvest including but not limited to:

      (i) Real property situated in New Brunswick and Newfoundland and Labrador;

(ii) Leases for real property situated in Northampton, New Brunswick;

(iii) Leases for real property situated in Hermitage, Newfoundland and Labrador;

(iv) Equipment subject to operating leases assigned to Marine Harvest; and

(v) Motor vehicles situated in New Brunswick and Newfoundland and Labrador.

PROPERTY REMAINING TO BE REALIZED UPON

11. The majority of the Property was sold to Marine Harvest pursuant to the terms of the Agreement. However, there remains certain assets still to be realized upon by the Receiver, namely: (a) a potential account receivable arising from the Simpson Island Sale Agreement (described at paragraphs 44 and 45 of the Second Report) (the "**Simpson Island AR**"), and (b) a potential insurance recovery arising from a claim filed by the Receiver associated with sea lice losses at Hog Island and Hospital Island (described in greater detail at paragraphs 25 through 36 of the Second Report) (the "**Insurance Claim**").

12. The quantum (if any) of the Simpson Island AR will not be determinable until late summer 2017 subject to confirming the number of fish marketed by Kelly Cove Salmon Ltd. from the Simpson Island site.

13. The Receiver filed a proof of loss with its Insurer seeking compensation of $4,775,065 (net of deductible) in relation to the Insurance Claim. On 23 March 2017, the Insurer produced a settlement offer on a without prejudice basis at a significantly discounted value. The Receiver has engaged counsel specific to this matter and intends to consider all options available to it with a view to securing a reasonable recovery from the Insurance Claim. The anticipated timing for the collection of the Insurance Claim is unknown at this stage.

BANKRUPTCY

14. On 15 April 2017, Gray Aqua Farms Ltd ("**GAF**")., Gray Aqua Group Ltd. ("**GAG**"), Gray's Aqua Management Ltd. ("**GAM**"), and Gray Aqua Processing Ltd. ("**GAP**") (collectively the "**Operating Companies**") filed assignments in bankruptcy with the

Office of the Superintendent of Bankruptcy. EYI consented to act as bankruptcy trustee (the "**Trustee**") of the Operating Companies. EYI's role as Trustee was subsequently affirmed at the first meeting of creditors (the "**FMOC**").

15. The Trustee prepared and tabled a preliminary report at the FMOC confirming that all Property recoveries, including future recoveries associated with the Simpson Island AR and the Insurance Claim would be collected and distributed pursuant to the terms of the Receivership Order. The Operating Company estates are each devoid of assets.

16. Callidus filed a claim against the Operating Company estates for an amount exceeding $58.5 million.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

17. Attached as **Appendix A** is the Interim Statement of Receipts and Disbursements from the Receivership Date through 2 June 2017 reflecting all transactions associated with the receivership administration to that date. On 2 June 2017, the Receiver held $14,934,785.73 in its trust account ("**Cash on Hand**").

18. Pursuant to the terms of the Receivership Order, the Receiver borrowed $7.6 million from Callidus to fund the interim costs of the administration. As noted within Appendix A, the Receiver's borrowings have been repaid. The current Cash on Hand balance arose through the sale of fish inventories, the sale of Property to Marine Harvest and various other asset recoveries less the Receiver's administration and operating costs for feed, wages, repairs, insurance and other general operating and preservation costs.

19. The Receiver believes it is now appropriate timing to distribute a significant portion of the Cash on Hand. A subsequent distribution(s) will be proposed at a later date after the Simpson Island AR and the Insurance Claim matters are resolved.

CLAIMS AGAINST THE PROCEEDS OF REALIZATION

20. The Canada Revenue Agency ("**CRA**") has filed a deemed trust claim against the Estate's Property in the amount of $23,275.59 in relation to pre-receivership payroll source deduction arrears in GAG ($18,949.43) and GAF ($4,326.16). Subject to the approval of this Honourable Court, the Receiver intends to discharge CRA's deemed trust claims from Cash on Hand.

21. In anticipation of bringing a distribution motion before this Honourable Court, the Receiver obtained an independent legal opinion from McInnes Cooper dated 31 January 2017 (the "**Security Opinion**") with respect to a review of security agreements executed in favour of or held by Callidus and others from the Respondents. The Security Opinion addresses:

(a) If there were any deficiencies in the execution or registration of security documents;

(b) How such deficiencies would affect the validity or enforceability as against Callidus' security; and

(c) If the security documents were otherwise valid and enforceable.

22. A copy of the Security Opinion is attached as **Appendix B**. An update letter dated 31 May 2017 (attached as **Appendix C**) was subsequently prepared by legal counsel to address amended priorities arising as a result of the 15 April 2017 bankruptcies of the Operating Companies. Subject to the usual assumptions and qualifications normally contained in such opinions, it is the opinion of the Receiver's Legal Counsel that Callidus' security is valid and enforceable. The Security Opinion identified various creditors with claims against certain specific assets ranking in priority to the secured claim of Callidus.

23. A distribution summary of secured creditor claims (the "**Other Secured Creditors**") who, pursuant to the Security Opinion, hold priority ranking security with respect to specific property was prepared by the Receiver. A listing of the Other Secured Creditors, the property which they hold priority security interests in and the proposed distribution values for each is attached as **Appendix D**. The proposed distribution values consider the Other Secured Creditors outstanding indebtedness specific to the property identified, independent appraisal information commissioned by the Receiver and Marine Harvest's allocation of its tender bid for Property acquired. Given the predominant position of Callidus as the senior secured creditor of the Estate and primary beneficiary of the net proceeds generated through these proceedings, Callidus has agreed to assume responsibility for all administrative charges.

24. The Receiver has reviewed the proposed distribution calculations with Callidus and the Other Secured Creditors. 8676658 Canada Inc., CCDC, SCCDC, and Blue Chip Leasing Corporation have agreed to the proposed distribution amounts. Ford Credit

Canada Limited ("**Ford**") and Toronto Dominion Bank & TD Equipment Finance Canada ("**TD**") have not formally agreed, however, neither Ford nor TD have specifically raised objections with the proposed distribution amounts. The Receiver has advised Ford and TD of the pending distribution motion should either party wish to raise concerns with the Court.

25. Additional creditor registrations were identified within the Security Opinion, however for various reasons, only the security registrations identified above were ultimately determined to have priority over security held by Callidus. The Receiver has arranged for formal notice of this motion to be served on all potentially affected secured creditors identified within the Security Opinion.

PROPOSED DISTRIBUTION

26. The Receiver is of the view that it is necessary to maintain certain funds in its account in anticipation of additional fees and expenses being incurred as the Receiver continues to administer these receivership proceedings, including taking continued steps to realize upon property of the Respondents for the benefit of Callidus, including the Insurance Claim and Simpson Island AR. The Receiver proposes that it maintain $500,000 to address such future obligations.

27. As noted herein, the Receiver has Cash on Hand in the amount of $14,934,785.73. The Receiver recommends that an initial distribution to the following secured parties in the amounts proposed below be approved by the Court:

(a)	Canada Revenue Agency (deemed trust claim)	$23,275.59
(b)	8676658 Canada Inc.	$200,000.00
(c)	Central Community Development Corporation	$75,000.00
(d)	South Coast Community Development Corporation	$75,000.00
(e)	Toronto Dominion Bank and TD Equipment Finance Canada	$29,623.00
(f)	Ford Credit Canada Limited	$23,500.00
(g)	Ford Credit Canada Limited	$21,000.00
(h)	Blue Chip Leasing Corporation	$15,047.64
(i)	Toronto Dominion Bank and TD Equipment Finance Canada	$6,215.00
(j)	Callidus Capital Corporation	$13,966,124.50

28. In the event the Court approves the proposed distribution as outlined above, all valid secured creditor claims ranking in priority to Callidus will receive an initial and final distribution representing their full and final recovery from the Receivership administration. Residual funds inclusive of future realizations from the Insurance Claim and/or the Simpson Island AR matters will be subject to a subsequent distribution motion(s) which will be brought before this Honourable Court.

RELIEF SOUGHT BY THE RECEIVER

29. The Receiver respectfully requests this Court approve an Order:

a) Approving the proposed distributions to the secured creditors as noted within paragraph 27; and

b) Approving the activities of the Receiver as reported herein.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 2nd day of June 2017.

ERNST & YOUNG INC.
Licensed Insolvency Trustee
acting in its capacity as the Court-appointed
Receiver of the Respondents and not in its
personal or corporate capacity

Per:

George Kinsman, CPA, CA, CIRP, LIT
Senior Vice President

Appendix A

CANADA
DISTRICT OF NEW BRUNSWICK
DIVISION NO. 02-FREDERICTON
COURT NO. FM-22-16
ESTATE NO. 51-125907

APPENDIX A

IN THE MATTER OF THE RECEIVERSHIP OF
GRAY AQUA GROUP OF COMPANIES
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD 25 APRIL 2016 TO 02 JUNE 2017

		$	
RECEIPTS			
	Sale of inventory	11,152,934.10	
	Advance from secured creditor	7,600,000.00	
	Sale of Assets	14,997,991.18	
	Smolt sale	1,102,386.00	
	Simpson Island sale agreement	349,209.00	
	Fry sale	170,000.00	
	GST & HST refund	1,043,489.16	
	Accounts receivable pre-receivership	758,273.68	
	Settlement - CFIA	519,073.26	
	Rental income	460,650.42	
	Cash on hand	150,759.21	
	HST collected	523,954.87	
	Corporate income tax refund - pre-receivership	36,881.73	
	Interest allocation	38,937.42	
	Miscellaneous other receipts	175,684.15	
	TOTAL RECEIPTS		39,080,224.18
DISBURSEMENTS			
	Payment to Secured Creditors	7,600,000.00	
	Feed costs	4,048,957.45	
	Receiver's fees and disbursements	1,448,616.86	
	Wages	1,369,669.14	
	Processing	1,238,539.98	
	HST paid (ITC)	1,011,677.09	
	Products and chemicals	873,820.53	
	Diving Expenses	846,110.96	
	Source remittances / employee benefits	806,922.90	
	Freight	789,537.35	
	Repairs & maintenance	736,342.29	
	Insurance	601,793.88	
	Legal fees and disbursements	487,738.20	
	GST/HST remittance	429,310.99	
	Rent & lease costs	356,098.25	
	Fuel & sundry costs	269,981.88	
	Professional fees - Other	213,079.09	
	Management services	164,275.00	
	Legal action - Settlement	139,885.50	
	Utilities	116,985.80	
	Property & municipal taxes	86,070.99	
	Other misc. disbursements for operations	81,073.46	
	Appraisal fees	76,526.55	
	Contract services	76,504.97	
	Waste disposal	65,768.01	
	Telephone	49,475.58	
	Customs clearance charges	38,963.33	
	Loan repayment	34,461.93	
	Licensing fees	23,377.50	
	Environmental Matters	15,120.00	
	Office supplies/expenses	13,371.40	
	Advertising costs	13,150.10	
	Travel	11,735.81	
	Computer services	8,435.12	
	Bank charges	1,990.56	
	Filing fees paid to Official Receiver	70.00	
	TOTAL DISBURSEMENTS		24,145,438.45
	EXCESS OF RECEIPTS OVER DISBURSEMENTS		14,934,785.73

Ernst & Young Inc.,
Licenced Insolvency Trustee

Per:

George C. Kinsman, CPA, CA, CIRP, LIT
Senior Vice President
RBC Waterside Centre
1871 Hollis Street, Suite 500
Halifax, Nova Scotia B3J 0C3

Appendix B

MCINNES COOPER
LAWYERS | AVOCATS

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Our File: JS-143212

January 31, 2017

Mr. George Kinsman
Ernst & Young Inc.
1959 Upper Water Street
13th Floor
Halifax, NS B3J 3N2

Dear George:

Re: Review of creditor security and secured claims against property per Tender Package in respect of Gray's Aqua Management Ltd.("Gray's Aqua Management"), Gray Aqua Farms Ltd ("Gray Aqua Farms"), Gray Aqua Group Ltd. ("Gray Aqua Group"), Butter Cove Aqua Farms Ltd.("Butter Cove"), Goblin Bay Aqua Farms Ltd.("Goblin Bay"), Jervis Island Aqua Farms Ltd., Pass-My-Can Aqua Farms Ltd. ("Pass-My-Can "), Gray Aqua Processing Ltd. ("Gray Aqua Processing"), M. Gray Holdings Ltd., 608672 N.B. Ltd., 608690 N.B. Ltd., 608691 N.B. Ltd., 608715 NB Limited and 608716 NB Limited
(Collectively the "Gray Aqua Group of Companies")-

In connection with Ernst & Young Inc.'s role as court appointed receiver, you have asked us to review certain security agreements executed in favour of or held by Callidus Capital Corporation ("**Callidus**") and others from the Gray Aqua Group of Companies and advise:

(i) if there are any deficiencies in the execution or registration of the security documents;

(ii) how any such deficiencies may affect the validity or enforceability of the Callidus's or the Callidus's security; and

(iii) if the security documents are otherwise valid and enforceable.

You have further requested our review of the Parcel Listings tendered for sale as described in the *Gray Aqua Group of Companies-Tender Information Package–October 26, 2016* ("**Tender Package**") prepared by the Receiver to assist in the determination of the status or priority of secured claims against the proceeds from the sale of real and personal property.

The purpose of this letter is to summarize the results of our review and recommendations. We have prepared more detailed security review tables and search summaries referred to in this letter and compiled copies of the documents that we have reviewed into binders. We have enclosed the security review tables and would be pleased to provide you with the supporting documents and search summaries upon request.

I. BACKGROUND

Each company of the Gray Aqua Group of Companies is indebted individually or collectively, as borrower or guarantor, to Callidus, directly or pursuant to security agreements assigned to Callidus by the Business Development Bank of Canada ("**BDC**") and the HSBC Bank of Canada ("**HSBC**").

On application of the Callidus pursuant to section 243 of the *Bankruptcy and Insolvency Act* (Canada), Ernst & Young Inc. was appointed court receiver (the "**Receiver**") over all the assets of Gray Aqua Group of Companies by the New Brunswick Court of Queen's Bench Court by order issued on April 25, 2016 ("**Receivership Order**").

II. SCOPE OF REVIEW

We have reviewed only copies of the security agreements and documents provided by you and Cox & Palmer and agreements that may be on the public registry systems relating to the security.

We have caused to be conducted certain searches and inquires at the public offices that were necessary in our opinion in order to provide our opinions and recommendations herein, and we rely upon the accuracy of the indices and filing systems maintained at the public offices where we have searched or inquired or have caused searches or inquiries to be conducted, as the case may be, including in the Personal Property Registry maintained pursuant to the applicable *Personal Property Security Act* (the "**PPSA**") and at the applicable land registry offices.

III. QUALIFICATIONS and ASSUMPTIONS

Our opinions, comments, advices and recommendations herein are subject to the assumptions and qualifications contained in Schedule "A" attached hereto, including and without limitation, that our opinions are subject to the priority of the charges and security interests created by any security agreement or mortgage are subject to the operation of the laws of Canada and the province in which any of the property is located in effect from time to time creating statutory liens and trusts having priority over registered mortgages, charges and security interests. We have made inquiries with respect to certain provincial statutory liens and the results will be provided to you by separate report.

IV. SECURITY REVIEW

We reviewed copies of certain security and agreements (the "**Documents**") and the results and our recommendations are contained in the following documents enclosed herewith:

1. MC Security Review Table-Callidus Capital Corporation Security Documents ("**Callidus Security Review**");

2. MC Security Review Table-HSBC Bank of Canada Security Documents ("**HSBC Security Review**"); and

3. MC Security Review Table-Business Development Bank of Canada Security Documents ("**BDC Security Review**").

As noted above, would be pleased to provide you with the supporting documents and search summaries upon request.

Summary of Conclusions and Recommendations

(i) Callidus Security Review

The security and agreements executed in favour of Callidus by the Gray Aqua Group of Companies referred to in the Callidus Security Review appear to be in order subject to the following:

1. In respect of certain aquaculture licences and leases at Hermitage, Pass My Can, Butter Cove and Goblin Bay, Newfoundland and Labrador ("**NL**"), the collateral leasehold and realty mortgages purported to be granted by the various Gray Aqua Group of Companies to Callidus and related non-disturbance agreements with Her Majesty the Queen in Right of Newfoundland and Labrador, referred to in Tabs 6 to 15 inclusive in the Callidus Security Review, are unsigned and not completed. We made inquiries and Phil Taylor, solicitor for Callidus, by e-mail of Dec. 16, 2016 to John Stringer, advised that to his recollection, Callidus did not obtain the documents. In our view, Callidus is still entitled to claim the proceeds from the sale of the interests intended to be secured by the mortgages, pursuant to other security held by Callidus including general security agreements or security assigned to it from BDC.

(ii) HSBC Security Review

The security and agreements executed in favor of HSBC by the Gray Aqua Group of Companies that we have reviewed in the HSBC Security Review appear to be in order:

By Assignment Agreement dated December 11, 2013 HSBC assigned to Callidus the security and agreements held by HSBC in respect of the Gray Aqua Group of Companies.

(iii) BDC Security Review

The security and agreements executed in favor of BDC by the Gray Aqua Group of Companies that we have reviewed in the BDC Security Review appear to be in order.

By Assignment Agreement dated June 13, 2016 ("**BDC Assignment**") BDC assigned to Callidus the security and agreements held by BDC in respect of the Gray Aqua Group of Companies.

V. TENDER PARCEL REVIEW

We reviewed the Parcel Listings tendered for sale in the Tender Package to determine the status or entitlement of secured claims against any proceeds from the sale by the Receiver of the real and personal property as described in the Tender Package.

A. Real Property and Aquaculture Licences and Leases

The results and details of our review are contained in the "*MC Review of Secured Claims Against Real Property and Aquaculture Licences and Leases*".

Our opinions herein as to the claim of a secured creditor is subject to the interest and claims of the Receiver pursuant to the Receivership Order and further subject to the assumptions and qualifications contained in Schedule "A" attached hereto. Our summary of conclusions and recommendations with respect to real property and aquaculture licences and leases described in the Tender Package are as follows:

Parcel 1.0 Aquaculture Hatchery – Northampton New Brunswick

Parcel 1.0 Hatchery equipment and leasehold interest in land and building (PID 10241453) located in Northampton New Brunswick (inclusive of all applicable leases, licenses and approvals to operate) (subject to tenant lease agreement rights)

Leasehold interest in PID 10241453

Lessee: Gray Aqua Farms

Opinion: Callidus, directly and pursuant to the BDC Assignment, is the first mortgagee of the leasehold interests of Gray Aqua Farms in PID 10241453, subject to:

1. New Brunswick Power Corporation easement; and
2. Property taxes outstanding as of Nov. 25, 2016: $ 391.38.

Parcel 2.0 Administrative Building & Warehouse – Northampton New Brunswick

Parcel 2.1 Leasehold interest in land and buildings (PID 10241479 and PID 10276160) located in Northampton New Brunswick inclusive of office furnishings

Leasehold interest in PID 10241479
Lessees: "Gray Aqua Company Ltd."/Gray's Aqua Management

Opinion: Callidus, directly and pursuant to the BDC Assignment, is the first mortgagee of the leasehold interests of Gray Aqua Company Ltd./Gray's Aqua Management Ltd. in PID 10241479 subject to:

1. Property taxes outstanding as of Nov. 25, 2016: $ 871.50

Leasehold interest in PID 10276160
Lessees: "Gray Aqua Company Ltd."/Gray's Aqua Management

Opinion: Callidus, directly and pursuant to the BDC Assignment, is the first mortgagee of the leasehold interests of Gray Aqua Company Ltd./Gray's Aqua Management Ltd. in PID 10276160 subject to:

1. Property taxes outstanding as of Nov. 25, 2016: $3.45

Parcel 3.0 Single Family Residence – Northampton New Brunswick

Parcel 3.0 Single Family Residence (contents not included) and leasehold interest in land (PID 10276152)

Leasehold interest in PID 10276152, Route 105 Northampton, Lot 14-01, Plan 33658650, Carleton County, New Brunswick

Opinion/Comment: Callidus, directly and pursuant to the BDC Assignment, is the first mortgagee of the leasehold interests of Gray Aqua Farms in PID 10241453 subject to:

1. New Brunswick Power Corporation easement.
2. Property taxes outstanding as of Nov. 25, 2016: $152.95

Parcel 4.0 Aquaculture Assets – Newfoundland and Labrador

Parcel 4.1 Aquaculture leases, licenses (7) inclusive of site specific aquaculture equipment inclusive of seventeen (17) submitted or referred applications pending acceptance

a. **Goblin Bay**
Crown Lease – Registration No: 130445
Lessee: Goblin Bay

Opinion/Comment: By Assignment Agreement dated Dec. 11, 2013 registered at the Registry of Deeds, NL on December 13, 2013 as Registration No. 633159, HSBC assigned to Callidus security held by the HSBC including a Debenture in amount $25,000,000.00 (registered as $24,550,000.00) and registered on November 23, 2011 as Registration No. 495977 ("**HSBC Debenture**"). Callidus, as assignee of the HSBC Debenture, is the first mortgagee of the leasehold interests of Goblin Bay in the Crown Lease subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer and termination rights of the Crown. HSBC, Crown and Goblin Bay entered into a Non-Disturbance Agreement dated November 24, 2011 in respect of this Crown Lease (Refer to Tab 58 of the HSBC Security Review) and in particular the Crown provided consent to the mortgage of the leasehold interest (section 2). Section 11(a) and 11(b) permits assignment and transfer by the Callidus with the prior written consent of the responsible Minister which consent shall not be unreasonably withheld provided the requirements in Clause (b)(iii) are satisfied.

Recommendation: The Receiver should rely on this Non-Disturbance Agreement when seeking the consent of the Crown to approve the transfer the leasehold interest.

b. **Butter Cove**
Crown Lease – Registration No: 130448
Lessee: Butter Cove

Opinion/Comment: Callidus (as assignee of the HSBC Debenture) is the first mortgagee of the leasehold interests of Butter Cove in the Crown Lease in priority to other creditors subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consent of the Crown to transfer the interest and termination rights of the Crown. HSBC, Crown and Butter Cove entered into a Non-Disturbance Agreement dated November 24, 2011 in respect of this Crown Lease (Refer to Tab 57 of the HSBC Security Review) which provided for the Crown's consent at section 2 to the mortgage of the lease. In particular section 11(a) and 11(b) permit assignment and transfer by the lender with the prior written consent of the responsible Minister which consent shall not be unreasonably withheld provided the requirements in Clause (b)(iii) are satisfied.

Recommendation: The Receiver should rely on this Non-Disturbance Agreement when seeking the consent of the Crown to approve the transfer the lease interest.

c. **Pass-My-Can**
Crown Lease-Registration No.130459
Lessee: Pass My Can

Opinion/Comment: Callidus (as assignee of the HSBC Debenture) is the first mortgagee of the leasehold interests of Pass My Can in the Crown Lease in priority to other creditors subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer and termination rights of the Crown. No Non-Disturbance Agreement was included in the HSBC security package for our review. The

Non-Disturbance Agreement provided for our review in Tab 60 of the HSBC Security Review was a duplicate of the Jervis Island agreement and the Callidus Non-Disturbance Agreement document in Tab 11 of the Callidus Security Review was incomplete and unsigned. We were subsequently provided Non-Disturbance Agreement dated November 24, 2011 in respect of this Crown Lease.

Recommendation: The Receiver should rely on this Non-Disturbance Agreement when seeking the consent of the Crown to approve the transfer the lease interest..

d. **Wallace Cove**
Crown Lease Application Registration No. 142823

Comment: This Crown Lease Application is not registered but registration is not a legal requirement. The Receiver was provided with a copy of the Crown Aquaculture Licence No. AQ 15-LIC-1106 issued March 22, 2013 to Gray Aqua Group as specified by Lease No. 142823 issued by the Department of Municipal Affairs and a Marine Aquaculture Water Use Licence/Permit issued March 15, 2013 by the Crown to Gray Aqua Group for 44.4 acres in respect of Wallace Cove.

Opinion: Callidus, as assignee of the HSBC Debenture and HSBC security and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in priority to other creditors but subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer or mortgage, and termination rights of the Crown. There appears to be no Non-Disturbance Agreement with the Crown.

e. **Indian Tea Point**
Crown Lease Application Registration No. 142822

Comment: This Crown Lease Application is not registered but registration is not a legal requirement. The Receiver was provided with a copy of the Crown Aquaculture Licence No. AQ 15-LIC-1107 issued March 22, 2013 to Gray Aqua Group as specified by Lease No. 142822 issued by the Department of Municipal Affairs and a Marine Aquaculture Water Use Licence/Permit issued March 15, 2013 by the Crown to Gray Aqua Group for 55.5 acres in respect of Wallace Cove.

Opinion: Callidus, as assignee of the HSBC Debenture and other HSBC security, and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in priority to other creditors but subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer or mortgage, and termination rights of the Crown. There appears to be no Non-Disturbance Agreement with the Crown;

f. **Mare Cove South**
Crown Lease Application Registration No. 143981

Comment: This Crown Lease Application is not registered but registration is not a legal requirement. The Receiver was provided with a copy of the Crown Aquaculture Licence No. AQ 15-LIC-1096 issued March 22, 2013 to Gray Aqua Group as specified by Lease No. 143981 issued by the Department of Municipal Affairs and a Marine Aquaculture Water Use Licence/Permit issued July 24, 2013 by the Crown to Gray Aqua Group for 45.0 acres in respect of Wallace Cove.

Opinion: Callidus, as assignee of the HSBC Debenture and other HSBC security, and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in priority to other creditors but subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer or mortgage, and termination rights of the Crown. There appears to be no Non-Disturbance Agreement with the Crown.

Recommendation: Seek Minister's consent to a transfer of this lease in conjunction with the other leases and licences. Attempt to rely on the rights as provided for in the other non-disturbance agreements.

g. **Jervis Island**
Crown Lease – Registration No: 131656
Lessee: Gray Aqua Group

Opinion: Callidus, as assignee of the HSBC Debenture and other HSBC security, and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in priority to other creditors but subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer or mortgage, and termination rights of the Crown. There appears to be no Non-Disturbance Agreement with the Crown.

Recommendation: Seek Minister's consent to a transfer of this lease in conjunction with the other leases and licences. Attempt to rely on the rights as provided for in the other non-disturbance agreements.

General Comment: Our search at the Registry of Deeds disclosed the following registered under Gray Aqua Group:

Crown Licence-Registration No.133527
- Document: Crown Licence for a term of 5 years from 30 May 2012
- Description: not to exceed 0.5 hectares
- Location: Butter Cove
- Registration Date: 17 March 2012
- Consideration: $100.00/year

Comment: We note that Licence #133527 is not included in Parcel 4 of the Tender Package.

Parcel 5.0 Aquaculture Assets - New Brunswick

Parcel 5.1 Aquaculture leases, licenses, and approvals inclusive of site specific aquaculture equipment

A. **Hog Island**

PID: 15181597 , Hog Island, Passamaquoddy Bay, Aquaculture Site MF0504, Charlotte County, New Brunswick

Owner: N.B. Fisheries & Aquaculture/Fisheries & Aquaculture
Lessee: Gray Aqua Group

Comment: 8676658 CANADA INC. is the mortgagee by the Collateral Mortgage registered on 2015-03-05 as Document 34660093 as collateral security for the repayment of $375,000.00

Opinion: 8676658 CANADA INC. is in priority to Callidus' security interests over the leasehold interests of Gray Aqua Group in PID 15181597 subject to:

1. Property taxes outstanding as of Nov. 25, 2016:$130.92

B. **Hospital Island**

PID: 15159502, Hospital Island, Passamaquoddy Bay, Parcel 84-2 on Plan 16027840, Aquac Lease MF-0084, Charlotte County, New Brunswick

PID: 15065899,Hospital Island, Passamaquoddy Bay, Parcel 84-1 on Plan 16027840, Aquac Lease MF-0084, Charlotte County, New Brunswick

Owner: N.B. Fisheries & Aquaculture/Fisheries & Aquaculture
Lessee: Gray Aqua Group

Comment: 8676658 CANADA INC. is the mortgagee by the Collateral Mortgage registered on 2015-03-05 as Document 34660093 as collateral security for the repayment of $375,000.00.

Opinion: 8676658 CANADA INC. is in priority to Callidus' security interests over the leasehold interests of Gray Aqua Group in PID 15159502 and PID 15065899 subject to:

1. Property taxes outstanding as of Nov. 25, 2016:$101.62

C. **Douglas Island**

PID: 10585806, Douglas Island, Aqua Site # 36, Parcel 36-1 on Plan 13791307 (Frye Island), Municipality of Back Bay, Parish of St. George, New Brunswick

Owner:	N.B. Fisheries & Aquaculture
Lessee:	Gray Aqua Group

Comment: No registered mortgage.

Opinion: Callidus, as assignee of the HSBC Debenture and other HSBC security, and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in PID 10585806 in priority to other creditors but subject to property taxes in the amount of $1,826.78.

Parcel 6.0 Fish Processing Plant, Equipment, and Storage Building – Newfoundland and Labrador

Parcel 6.1 Land and buildings located at 1-3 Plant Road, Hermitage Newfoundland and Labrador (subject to tenant lease agreement rights)

Fee simple lands: Gray Aqua Processing is the owner of the property at 1-3 Plank Road, Hermitage, containing .205 Hectares pursuant to Conveyance from Ocean Choice International L.P. and 55104 Newfoundland and Labrador Inc. registered at the Registry of Deeds, NL as Registration No: 468146 on July 18, 2011 for the sum of $847,046.00.

Comment: Callidus, as assignee by Assignment Agreement dated June 13, 2016 of security held by BDC, is the holder of the first mortgage dated April 26, 2012, in the amount of $2,285,000.00 registered at the Registry of Deeds, NL on July 5, 2012 as Registration No: 537631.

Comment: The lease referenced in this parcel is between Gray Aqua Processing and Hermitage Processing Inc. A Notice of Lease was registered on July 14, 2016 as No. 772437. The Notice of Lease is made with effect as of "April, 2014" but signed July 15, 2016 by Gray Aqua Processing. The term of the lease is for 5 years ending April 14, 2019 with extension rights. The Notice of Lease refers to a right of first refusal to Hermitage Processing Inc. to purchase the premises and "Equipment" which is described the Schedule A to the Notice of Lease. The "Equipment" includes the personal property described in the Tender Package in Parcels 6.2 and 6.3 and many of the items in Parcel 6.4.

We reviewed a copy of a Consent and Non-Disturbance Agreement dated October, 2014 among BDC, Gray Aqua Processing and Hermitage Processing Inc. whereby BDC agreed to not to interfere or diminish of Hermitage Processing Inc.'s tenancy and its rights under the lease so long that it is not in default.

Opinion: Callidus, as assignee of BDC security pursuant to the BDC Assignment, is the first priority secured creditor in the fee simple lands, subject to any rights, including non disturbance rights, of Hermitage Processing Inc. pursuant to the Consent and Non-disturbance Agreement.

Parcel 6.5 Fish Processing Plant, Equipment, and Storage Building – Newfoundland and Labrador

Fee simple property: Gray Aqua Processing is the owner of the property along Southwest of Trans Canada Highway on Route 363, Hermitage containing 0.128 hectares by conveyance from William Roberts and Deborah Roberts to Gray Aqua Group Ltd registered at the Registry of Deeds, NL as Registration No: 482051 on September 28, 2011 for the sum of $25,000.00.

Our search disclosed a Notice of Mortgage by Gray Aqua Group Ltd. in favor of Callidus registered as Registration No: 685688 on November 24, 2014 against this property and licenses.

Comment: Phil Taylor by e-mail of Dec. 16, 2016 to John Stringer, advised that to his recollection, Callidus did not obtain the mortgage that the Notice of Mortgage was registered above.

Opinion: Callidus would still be entitled to any proceeds from the sale of the fee simple lands pursuant to personal property security against money as there are no other registered encumbrances.

B. Personal Property described in the Tender Package (other than vessels)

We cannot opine as to the priority ranking of a security interest against personal property but we can advise as to the order of any registered claim against the personal property based upon the registered security interests under the PPSA or other public registries applicable to registration of security interests against personal property. We trust this will be of assistance in determining the order of the entitlement to any sale proceeds arising from the sale of the personal property.

Subject to any priority claim of the Receiver in accordance with the Receivership Order and the assumptions and qualifications contained in Schedule "A" attached hereto, Callidus is the secured creditor in priority to other creditor claims against the machinery, equipment, and other personal property **except or subject** to the following security interests:

Parcel 1.0 Hatchery Equipment and Leasehold Interest in Land and Building (PID 10241453)

AquaScan Model CSE1600 Fish Counters, with Controller (See page 24 of Tender Package)	Debtor: Gray Aqua Farms Secured Party: **The Toronto Dominion Bank and TD Equipment Finance Canada, a division of Toronto Dominion Bank** NB PPSA Registered No. 19645878 on 2011-01-06 and expired Jan. 6, 2017. General Collateral One (1) Aqua-Life Fish Pump, model 1614 S/N and one (1) KSF Fish Pump model KSF4 and one (1) Aquascan **Fish Counter...**	Comment: We reviewed a lease signed by Gray Aqua Farms, as lessee, on Jan. 6, 2011,. TD Equipment Finance Canada for equipment that includes an Aquascan Fish Counter. Following discussions with the Receiver's representatives, we understand this debt to TD remains unpaid. **Recommendations:** 1. Ask Gray Aqua to confirm date of delivery / possession of the "Aquascan Fish Counter". It should be Dec. 22, 2010 or later as the TD security interest was filed on Jan. 6, 2011. If so, then TD has a priority PMSI to Callidus' interest provided TD renews its security filing on or before Feb. 5, 2017. 2. The security filing expired on Jan. 6, 2017 but a secured creditor has 30 days thereafter to renew the filing. This filing should be reviewed prior to the distribution of the proceeds from the sale of the equipment to determine if TD has a security claim.

Parcel 5.2 Other Non-site Specific Aquaculture Equipment (including small vessels)

IAS Model AreoSpreader-500 500-Kg Feed Broadcaster, 500KG Hopper Capacity, Marine Grade Aluminum Construction, 9HP Gas Pump (See page 41 of Tender Package)	Debtor: **Gray Aqua Farms** Secured Party: **Snow Island Salmon Inc.** NB PPSA Reg No. 26450890, 2015-09-24 General Collateral Purchase Money Security Interest in various equipment including: .....**Three 500KG IAS feeders,**	Comment: The Receiver has received a signed agreement of Sept. 4, 2015 between Snow Island Salmon Inc. ("Snow Island") and Gray Aqua Group for the conditional sale of certain equipment including "500kg IAS feeders". The agreement is with Gray Aqua Group but the PPSA filing is with Gray Aqua Farms. Our PPSA search of Gray Aqua Group disclosed a filing to Snow Island on April 24, 2015 , Reg. No. 25721747 in respect of a "MG48 barge together with attachments, etc., but no description of the "500kg IAS feeders". **Opinion: Unless Snow Island can produce an agreement (i.e. PMSI) with Gray Aqua Farms (not Gray Aqua Group) or any assumption agreement by Gray Aqua Farms of the conditional sale agreement for the "500kg feeders", Callidus will have priority to this equipment.**

Parcel 6.2 Specified Fish Processing Equipment – B36 Cutter

Scanvaegt Model B36, Portion Cutter, S/N 15461.80.0587, with laser scanner, micro process controller

Comment: This description is repeated in Parcel 6.4. The South Coast Community Development Corporation ("**SCCDC**") filed a security interest against Gray Aqua Processing under the NL PPSA on February 13, 2013 as Reg. No. 10732998 against this equipment described as "B36 Portion Machine". We reviewed a general security agreement dated February, 2013 (the day is unclear on the document) by Gray Aqua Processing to the SCCDC which specifically secures the equipment. The general security agreement appears to be in order. We further reviewed a Priority Agreement dated Feb. 12, 2013 between BDC and SCCDC with respect to this equipment.

Comment: As discussed under Parcel 6.0 of this letter in relation to the lands at 1-3 Plank Road, Hermitage, Hermitage Processing Inc. filed a Notice of Lease registered on July 14, 2016 as No. 772437 for the lease of the premises. The Notice of Lease refers to a right of first refusal to purchase "Equipment" as described in Schedule A which includes the equipment described in this Parcel 6.2. The Receiver has advised that there are no agreements between SCCDC and Hermitage Processing Inc. respecting this equipment.

Opinion: SCCDC has priority to Callidus to the proceeds from the sale of the "B36 Portion Machine".

Parcel 6.3 Specified Fish Processing Equipment – Plant Infeed

- **Wash Tank & Conveyor, S/N M001185**
- **Pocket Conveyor, S/N 19940-007**
- **Vacuum Pump Motor, C1207170822**
- **Pump, S/N 11-120P003059**
- **Tote Dumper, S/N M001137**

(See page 48 of Tender Package)

Comment: The Central Community Development Corporation ("**CCDC**") filed a security interest against Gray Aqua Processing under the NL PPSA on February 20, 2013 as Reg. No. 10811776 against the equipment described above. We reviewed a general security agreement dated February 25, 2013 by Gray Aqua Processing to the CCDC which specifically secures the equipment. The general security agreement appears to be in order. We further reviewed a Priority Agreement dated 2013 (no stated day or month) between BDC and CCDC with respect to this equipment.

Comment: As discussed under Parcel 6.0 of this letter in relation to the lands at 1-3 Plank Road, Hermitage, Hermitage Processing Inc. filed a Notice of Lease registered on July 14, 2016 as No. 772437 for the lease of the premises. The Notice of Lease refers to a right of first refusal to purchase "Equipment" as described in Schedule A which appears to include the equipment described in this Parcel 6.2. The Receiver has advised that there are no agreements between CCDC and Hermitage Processing Inc. respecting this equipment.

Opinion: CCDC has priority to Callidus to the proceeds from the sale of the equipment described in this Parcel 6.2.

Parcel 6.4 Specified Fish Processing Equipment - Other

The following equipment is listed in Parcel 6.4:

> **"Ozone International Model C-300ELW, 30 Gallon per minute Centralized White Water Ozone System, S/N 0232"**

The equipment is subject to the following security interest:

Secured Party	Registration No. Filing Date	Collateral Description
Ozone International LLC	107297052013-02-12	(1) C-300ELW WHITEWATER SYSTEM (1) AM-2014 AMBIENT OZONE MONITOR (1) OZ-2 TEST KIT, DISSOLVED OZONE

We have requested the Receiver to obtain a copy of the agreement in relation to this equipment to determine if it is a purchase money security interest in priority to Callidus.

The following equipment listed in Parcel 6.4 is repeated in Parcels 6.2 and 6.3:

- **"Stainless Steel Electric Tote Dumper, S/N M001137"** is repeated in Parcel 6.3. CCDC has priority to Callidus.
- **"S/N 19940-007, (Approx. 130) Pocket Fish Conveyor"** is repeated in Parcel 6.3. CCDC has priority to Callidus
- **"Scanvaegt Model B36, Portion Cutter, S/N 15461.80.0587, with Laser Scanner, Micro Process Controller"** is the same description as in Parcel 6.2. SCCDC has priority to Callidus

Comment/Opinion: We confirm our comments and opinions above in relation to this equipment and in particular the priority claims of SCCDC and CCDC, respectively.

C. Personal Property described in the Tender Package - Vessels

We draw your attention to the following vessels:

- described in Parcel 4.2 (b) (pages 38 and 39 of the Tender Package)
- described in Parcel 5.2 (b) (pages 42 and 43 of the Tender Package)
- Parcel 7.3 " AEG Feeder"
- Parcel 7.6 "GAGL Feeder"
- Parcel 7.7 "GAGL Feeder"

Our inquiries under the *Shipping Act* (Canada) disclosed no registrations of the above noted named vessels. Our PPSA searches did not disclosed any registrations against the vessels as serial numbered goods but Callidus holds general security interests, directly or assignee of the BDC and HSBC security, against all personal property of the Gray Aqua Group of Companies with no prior security filings.

Subject to whether registration under the *Shipping Act* (Canada) is required which is a question of fact, Callidus has a secured claim against these vessels pursuant to its general security interests and is entitled to the proceeds from the sale thereof in priority to other creditors and further subject to the Receiver's priority under the Receivership Order and the assumptions and qualifications contained in Schedule "A" attached hereto.

In respect of the other "Marine Vessels" described in Parcel 7 of the Tender Package and subject to the Receiver's priority under the Receivership Order and the assumptions and qualifications contained in Schedule "A" attached hereto, Callidus is the secured creditor in priority to other creditor claims against the vessels described in Parcel 7 of the Tender Package **except for** the following vessels and security interests:

Parcel 7.1 "Walter Gray"

Owner: Gray Aqua Group
Official Number: 345865
Port of Registry: St. Andrews
Date of Registry: July 27, 2007

Mortgages:

1. Mortgagee : **Toronto Dominion Bank**
   Registered: May 4, 2007
   $250,000
   Mortgagor: Gray Aqua Management

2. Mortgagee :Callidus
   Registered: Nov. 10, 2011

COMMENT: The mortgagor of the TD Bank marine mortgage is Gray Aqua Management, but the vessel is registered to Gray Aqua Group. The Receiver has advised that based upon its investigation, the debt in relation to the TD Bank marine mortgage is no longer outstanding and the Receiver will seek the discharge of this security interest.

Parcel 7.4 "Dylan B"

Owner: Gray Aqua Group
Official Number: 821802
Port of Registry: St. Andrews
Date of Registry: Oct. 31, 2000

Mortgages:

1. Mortgagee: **West Isle Port Ltd.**
   Registered: Sept. 3, 2008
   $200,000
   Mortgagor: Gray Aqua Management

2. Mortgagee :Callidus
   $24,550,000 Registered Nov. 10, 2011
   (Note: HSBC mortgage dated Nov. 10. 2011 and assigned to Callidus by agreement Dec. 11, 2013)
   Registered: Nov. 10, 2011

Comment: The Receiver has advised that based upon its investigation, the debt in relation to the West Isle Port Ltd. marine mortgage is no longer outstanding and the Receiver will seek the discharge of this security interest.

Parcel 7.9 "MG48 "

Comment: Our inquiries under the *Shipping Act* (Canada) disclosed no registrations of the MG48 barge. Our NB PPSA search did disclosed the following registration against Gray Aqua Group over the MG48 barge:

Snow Island Salmon Inc.	Reg. No. 25721747 Filed: 2015-04-24	General Collateral Supplier - MG48 barge together with all attachments, accessories, accessions, replacements,.....

Comment: The MG48 is likely a "boat" by definition under the PPSA Regulations of NB based on the Tender description of the MG30. We reviewed a Conditional Sales Agreement dated April 13, 2015 between Gray Aqua Group Ltd. and Snow Island Salmon Inc. in respect of "ONE MG48" BARGE" for the sale price of $65,000.

This is a potentially defective filing. It was not filed under serial number field as required under the PPSA and prior filings pursuant to the general security interest held by Callidus would therefore have priority at this point in time.

D. Personal Property not specifically described in the Tender Package

We understand that the Receiver intends to sell personal property that may not be described or referred to specifically in the original Tender Package. Subject to any priority claim of the Receiver in accordance with the Receivership Order and the assumptions and qualifications contained in Schedule "A" attached hereto, Callidus is the secured creditor in priority to other creditor claims against machinery, equipment, and other personal property not described or referred to specifically in the Tender Package **except or subject to** the security interests set forth in the following table. We have reviewed the security agreements to some, but not all of the filings as noted in the Comment column.

1. Gray Aqua Farms Ltd.

(a) New Brunswick

Secured Party	Registration No. Filing Date	Collateral	Comment
The Toronto-Dominion Bank **TD Equipment Finance Canada**	19645878 2011-01-06 Expired: Jan. 6, 2017	One (1) Aqua-Life Fish Pump, model 1614 S/N and one (1) KSF Fish Pump model KSF4	Agreement not reviewed. The security filing expired on Jan. 6, 2017 but a secured creditor has 30 days thereafter to renew the filing. This filing should be reviewed prior to the distribution of the proceeds from the sale of the equipment to determine if TD has a security claim.
The Toronto-Dominion Bank **TD Equipment Finance Canada**	19769892 2011-02-17 Expires: Feb. 17, 2017	Two (2) 2011 Aqua Sonar Fish Sizing Sonar Units S/N 041 and 042	Lease Amendment Agreement dated April 22, 2014 reviewed between TD Equipment Finance Canada and Gray Aqua Farms. If the filing of the security interest was not later than 15 days of possession of the equipment by Gray Aqua Farms, then TD has a purchase money security interest in priority to Callidus to the equipment. Recommendation: determine date of possession.
The Toronto-Dominion Bank **TD Equipment Finance Canada**	20019808 2011-04-28 Expires: April 28, 2017	Various fishing equipment located in Conn River, Nfld including one (1) 2009 Silver Dolphin Stand Up Cabin Boat S/N QTN036BHI909, one (1) Silver Dolphin Bow Rider Boat S/N QTN118FJD111	Agreement not reviewed.
Blue Chip Leasing Corporation	20470233 2011-08-16	ALL EQUIPMENT LEASED BY THE DEBTOR INCLUDING, BUT NOT LIMITED TO ONE D50-250 TOYOTA DIESEL POWER UNIT IN CRASH FRAME INCLUDES 150FT HOSE KIT AND FITTINGS, ONE MPI TERMINATOR 3 HEAD NET WASHER COMPLETE WITH JETS,	We reviewed an agreement with Blue Chip Leasing for the equipment and it appears to be a capital lease (copy provided did not include the signing and date). If the filing of the security interest was not later than 15 days of possession of the equipment by Gray Aqua Farms, then has a purchase money security interest in priority to Callidus to the equipment.

Secured Party	Registration No. Filing Date	Collateral	Comment
		WITH ALL ATTCHMENTS AND ACCESSORIES.	<u>Recommendation:</u> determine date of possession.
Bank of Montreal	20606812	Motor vehicle, 2010 International 7400 6X4, serial number 1HTWGAAT5AJ288570	Agreement not reviewed.
Snow Island Salmon Inc.	25880626 2015-05-27	**<u>Serial Numbered Collateral</u>** Fishing vessel, MV BRIAN & AMANDA, K.D. Smith & Son Boatbuilders Limited, serial number 395615 Fishing vessel, MV THE MINNIE MEL, Cape Egmont Enterprises Ltd., serial number 819907 **<u>General Collateral</u>** 2 Barrett Built Skiffs	.We reviewed a Conditional Sales Agreement dated May 22, 2015 between Gray Aqua Group Ltd. and Snow Island Salmon Inc. in respect of the following: "ONE FV BRIAN & AMANDA (395615) and ONE FV MINNIE MEL(THE)(819907) ALSO 2 BARRETT BUILT SKIFFS" Our latest search did not show any filing to Snow Island Salmon Inc. against Gray Aqua Group over the above collateral. <u>Opinion:</u> Snow Island Salmon Inc. is unsecured on the above collateral because it filed under the wrong debtor entity, Gray Aqua Farms, unless it can show that Gray Aqua Group assumed the agreement. The reference in the Conditional Sales Agreement is "FV" while the filing is referenced "MV". It is a question of fact whether which is correct and a matter of law if that affects the validity of the filing. Callidus has priority to Snow Island Salmon over the above collateral at this point.
Snow Island Salmon Inc.	26450890 2015-09-24	MG30 Barge, One Yakamoto Scale, Four pipe band aids, Two YSI Oxy Guards, One Tohatsu 50HP outboard motor, Two set of Idema net washing heads with 24HP sprayer, Three 500KG IAS feeders, One Barret Built Box Skiff also One Mercury 60HP outboard motor,	We reviewed a Conditional Sales Agreement dated Sept. 4, 2015 between Gray Aqua Group Ltd. and Snow Island Salmon Inc. in respect of the "MG30" barge. Our latest search did not show any filing to Snow Island Salmon Inc. against Gray Aqua Group over the MG30 but it did show a filing against Gray Aqua Farms in favour of Snow Island Salmon Inc. (Reg. No.26450890 on 2015-09-24) <u>Opinion:</u> Snow Island Salmon Inc. is unsecured on the MG30 because it filed under the wrong entity, unless it can show that Gray Aqua Group assumed the agreement. Currently, Callidus has priority to Snow Island Salmon to the MG30. <u>Comment</u>: The MG30 is a boat and filing under the serial numbered provisions of the PPSA Regulations is required to maintain priority over a general security interest.
Bank of Nova Scotia –	20736310 2011-10-26 (original) 2016-09-19	Motor vehicle, 2011 Ford F150, serial number 1ftex1emxbkd61388	Agreement not reviewed.

Secured Party	Registration No. Filing Date	Collateral	Comment
	(renewal)		
Ford Credit Canada Limited	21157458 2012-02-24 (original) 2016-05-13 (renewal)	Motor vehicle, 2012 Ford F150, serial number 1FTFW1EF3CFA46595	Agreement not reviewed.
Ford Credit Canada Limited	21157466 2012-02-24 (original) 2016-05-13 (renewal)	Motor vehicle, 2012 Ford F150, serial number 1FTFW1EFXCKD07955	Agreement not reviewed.

(b) Newfoundland and Labrador

Secured Party	Registration No. Filing Date	Collateral Description	Comment
THE TORONTO-DOMINION BANK	8853118 as amended at 13673884 2011-02-17	TWO (2) 2011 AQUA SONAR FISH SIZING SONAR UNITS S/N 041, AND 042 FORM	Lease Amendment Agreement dated April 22, 2014 reviewed between TD Equipment Finance Canada and Gray Aqua Farms. If the filing of the security interest was not later than 15 days of possession of the equipment by Gray Aqua Farms, then TD has a purchase money security interest in priority to Callidus to the equipment. **Recommendation:** determine date of possession.
THE TORONTO-DOMINION BANK 2020 WINSTON PARK	8855358 as amended at 8859577 and amended at 13673900 2011-02-18	ONE (1) SILVER DOLPHIN 26' STAND UP CABIN BOAT S/N QTN036BHI909 AND ONE (1) 2009 YAMAHA F300TXRH OUTBOARD MOTOR S/N 1000434	Agreement not reviewed.
THE TORONTO-DOMINION BANK 2020 WINSTON PARK	9013284 as amended at 13673918 2011-04-28	ONE (1) 2011 SILVER DOLPHIN BOW RIDER BOAT S/N QTN118FJD111 AND ONE (1) YAMAHA F150X 4-STROKE, X-LONG YAMAHA OUTBOARD MOTOR S/N 1/00895	Agreement not reviewed.
BLUE CHIP LEASING CORPORATION	9353219 as amended at 9418436 2011-08-29	ALL EQUIPMENT LEASED BY THE DEBTOR INCLUDING, BUT NOT LIMITED TO ONE D50-250 TOYOTA DIESEL POWER UNIT IN CRASH FRAME INCLUDES 150FT HOSE KIT AND FITTINGS, ONE MPI TERMINATOR 3 HEAD NET WASHER COMPLETE WITH JETS, WITH ALL ATTCHMENTS AND ACCESSORIES.	We reviewed an agreement with Blue Chip Leasing for the equipment and it appears to be a capital lease (copy provided did not include the signing and date). If the filing of the security interest was not later than 15 days of possession of the equipment by Gray Aqua Farms, then has a purchase money security interest in priority to Callidus to the equipment. **Recommendation:** determine date of possession.
Ford Credit	14197081	Serial Number	Agreement not reviewed.

Secured Party	Registration No. Filing Date	Collateral Description	Comment
Canada Limited	2016-08-04	1FTFW1EFXCKD07955 Motor Vehicle 2012 Ford F150	

2. Gray Aqua Group Ltd.

(a) New Brunswick

Secured Party	Registration No. Filing Date	Description	Comment
BLUE CHIP LEASING CORPORATION	20470233 2011-08-16	ALL EQUIPMENT LEASED BY THE DEBTOR INCLUDING, BUT NOT LIMITED TO ONE D50-250 TOYOTA DIESEL POWER UNIT IN CRASH FRAME INCLUDES 150FT HOSE KIT AND FITTINGS, ONE MPI TERMINATOR 3 HEAD NET WASHER COMPLETE WITH JETS, ALL ATTCHMENTS AND ACCESSORIES.	Agreement not reviewed.
047759 N.B. Ltd.	25768557 2015-05-04	A security interest is taken in all of the debtor's present and after acquired shares in the capital of 628228 N.B. Incorporated.	Agreement not reviewed.
Toyota Credit Canada Inc.	26032086 2015-06-25	Motor Vehicle – 2015 TOYOTA TUNDRA 4X4, serial number 5TFUY5F12FX468321	Agreement not reviewed.
HARBOUREDGE COMMERCIAL FINANCE CORPORATION	26357616 2015-09-02	ONE 1999 GRADALL 534D6-42 TELESCOPIC FORKLIFT, SERIAL #0668027	Agreement not reviewed. **This is a potentially defective PPSA filing because it was not under the serial number collateral section. Callidus may potentially have a prior security interest unless the filing is properly perfected by Harbouredge**
Toyota Credit Canada Inc.	26428730 2015-09-18	Motor Vehicle – 2015 TOYOTA COROLLA, serial number 2T1BURHE8FC476836	Agreement not reviewed.
Ford Credit Canada Leasing,	25921008 2015-06-03	Motor Vehicle – 2015 FORD F150, serial number 1FTEW1EF0FFA91512	Agreement not reviewed.

(b) Newfoundland and Labrador

Secured Party	Registration No. Filing Date	Collateral Description	Comment
Ford Credit Canada	2016-08-04 11:39	Serial Number 1FTEW1EF0FFA91512 Motor Vehicle 2015	Agreement not reviewed.

Secured Party	Registration No. Filing Date	Collateral Description	Comment
Leasing,		Ford F150 14197073	

This letter and any opinions expressed herein are solely for the benefit of Ernst & Young Inc. in its capacity as court appointed receiver of the Gray Aqua Group of Companies, and are not to be relied upon by any other party without our prior written consent.

We trust that our report will be of assistance and we would be pleased to answer any questions in this regard.

Yours very truly,

Anthony (Tony) M. Tam, Q.C.

Schedule "A"

Assumptions and Reliance

For the purposes of the opinions expressed herein, we have, without independent investigation or verification, assumed:

(a) the genuineness of all signatures, the legal capacity of individuals signing any documents, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, confirmed, telecopied or photocopied copies;

(b) that all facts set forth in official public records and certificates and other documents supplied by public officials, or otherwise conveyed to us by public officials, are complete, true and accurate;

(c) that each of the parties to the Documents has been duly incorporated or otherwise formed, as the case may be, under the laws of the jurisdiction of its incorporation or formation and has the capacity to give the security to Callidus and has taken all necessary steps to do so; and

(d) that each of the Documents has been duly authorized, executed and delivered by each of the parties thereto.

QUALIFICATIONS

Our opinions and advice herein are subject to the following qualifications:

(a) The operation and the effect of the provisions of the Receivership Order that does not prevent the filing of any registration to preserve or perfect a security interest;

(b) The enforceability of the Documents is or may be subject to or limited by:

(i) applicable bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium and other similar laws in effect from time to time affecting the rights of creditors generally; and

(ii) the availability of equitable remedies, including, without limitation, specific performance and injunctive relief, is subject to the discretion of the court before which any proceedings therefor may be brought;

(c) the rights and privileges of the Crown in right of Canada or any Province of Canada and its agents and the terms of statutes or regulations governing the assignability of Crown debts;

(d) we express no opinion as to whether a security interest may be created in property consisting of a receivable, license, approval, privilege, franchise, permit, quota, lease or agreement to the extent that the terms of such property or any applicable law prohibit its assignment or require, as a condition of its assignability, a consent, approval or other authorization or registration which has not been made or given;

(e) we express no opinion as to the creation, validity or perfection of a security interest in any property in respect of which there is applicable federal legislation which is paramount over provincial legislation relating to security interests in real or personal property including, but not limited to, ships, copyrights, trademarks, patents and industrial designs, and we express no opinion as to the enforceability of any obligations to do so that may be contained in any security agreement;

(f) insofar as our opinions relate to mortgages, pledges, charges or assignments created by any of the documents, such opinions are subject to any liens, charges, adverse claims, mortgages, assignments, security interests or encumbrances perfected otherwise than by currently effective and publicly available registrations;

(g) we have not verified the existence of any of the personal property collateral described in any security agreement and express no opinion as to ownership of or title to any of the personal property collateral;

(h) we have not verified or determined whether any collateral described in any of the security agreements in favour of Callidus is a serial-numbered good requiring serial-numbered details and registration under the serial-number fields pursuant to the Regulations under the PPSA. A serial-numbered good, such as a motor vehicle, boat, aircraft, or motorized trailer, must be perfected by registration by serial number;

(i) the priority of the charges and security interests created by any security agreement or mortgage are subject to the operation of the laws of Canada and the province in which any of the property of the Borrowers are located in effect from time to time creating statutory liens and trusts having priority over registered mortgages, charges and security interests, which statutory liens and trusts include but are not limited to those arising under the *Income Tax Act* (Canada), the *Canada Pension Plan Act* (Canada), the *Excise Tax Act* (Canada) and the *Employment Insurance Act* (Canada);

(j) We have not reviewed any information respecting obligations to the Canada Revenue Agency pursuant to federal legislation which creates deemed trust claims such as under the *Income Tax Act* (Canada), the *Canada Pension Plan Act* (Canada), the *Excise Tax Act* (Canada) and the *Employment Insurance Act* (Canada), and we recommend that the Receiver make inquiries.

(k) any unregistered rights-of-way or other unregistered interests or claims not disclosed by registered title regarding the provision of utilities to any real property;

(l) any claim or interest, by possession, continuous use or improvements, which a third party may have acquired in respect of any real property;

(m) we have not confirmed the legal boundaries to any of the real property subject to the security in favour of Callidus;

(n) we have not verified the legal capacity of the officers or directors of the entities to determine that they were duly appointed or elected and we have assumed their legal capacities; and

(o) We are solicitors qualified to practice law in the Atlantic Provinces of Canada. The opinions expressed herein are limited to the laws of the Atlantic Provinces and the federal laws of Canada applicable therein.

Appendix C

MCINNES
COOPER
LAWYERS | AVOCATS

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Our File: JS-143212

May 31, 2017

Mr. George Kinsman
Ernst & Young Inc.
1959 Upper Water Street
13th Floor
Halifax, NS B3J 3N2

Dear George:

Re: Review of creditor security and secured claims against property per Tender Package in respect of Gray's Aqua Management Ltd.("Gray's Aqua Management"), Gray Aqua Farms Ltd ("Gray Aqua Farms"), Gray Aqua Group Ltd. ("Gray Aqua Group"), Butter Cove Aqua Farms Ltd.("Butter Cove"), Goblin Bay Aqua Farms Ltd.("Goblin Bay"), Jervis Island Aqua Farms Ltd., Pass-My-Can Aqua Farms Ltd. ("Pass-My-Can "), Gray Aqua Processing Ltd. ("Gray Aqua Processing"), M. Gray Holdings Ltd., 608672 N.B. Ltd., 608690 N.B. Ltd., 608691 N.B. Ltd., 608715 NB Limited and 608716 NB Limited (Collectively the "Gray Aqua Group of Companies")

We refer to our letter to you of January 31, 2017 ("**Security Review- January 31, 2017**") in connection with the review certain security agreements executed in favour of or held by Callidus Capital Corporation ("**Callidus**") and others from the Gray Aqua Group of Companies and determination of the status or priority of secured claims against the proceeds from the sale of real and personal property described in the Parcel Listings tendered for sale as described in the *Gray Aqua Group of Companies-Tender Information Package–October 26, 2016* ("**Tender Package**").

The purpose of this letter is to update our review subsequent to the bankruptcies of Gray Aqua Farms, Gray Aqua Group., Gray's Aqua Management, and Gray Aqua Processing which companies became bankrupt by way of voluntary assignments made on April 15, 2017.

Capitalized terms in this letter and undefined herein shall have the meanings ascribed thereto in the Security Review-January 31, 2017.

I. BACKGROUND

On application of the Callidus pursuant to section 243 of the *Bankruptcy and Insolvency Act* (Canada), Ernst & Young Inc. was appointed court receiver (the "**Receiver**") over all the assets of Gray Aqua Group of Companies by the New Brunswick Court of Queen's Bench Court by order issued on April 25, 2016 ("**Receivership Order**").

II. SCOPE OF REVIEW

We have caused to be conducted updates of certain searches and inquires at the public offices that were necessary in our opinion in order to provide our opinions and recommendations herein, and we rely upon the accuracy of the indices and filing systems maintained at the public offices where we have searched or inquired or have caused searches or inquiries to be conducted, as the case may be, including in the Personal Property Registry maintained pursuant to the applicable *Personal Property Security Act* (the "**PPSA**") and at the applicable land registry offices.

III. QUALIFICATIONS and ASSUMPTIONS

Our opinions, comments, advices and recommendations herein are subject to the assumptions and qualifications contained in Schedule "A" attached hereto, including and without limitation, that our opinions are subject to the priority of the charges and security interests created by any security agreement or mortgage are subject to the operation of the laws of Canada and the province in which any of the property is located in effect from time to time creating statutory liens and trusts having priority over registered mortgages, charges and security interests.

IV. SECURITY REVIEW UPDATE

We have no new information or changes to this section of our Security Review-January 31, 2017.

V. TENDER PARCEL REVIEW UPDATE

Our comments and opinions, updated from our Security Review-January 31, 2017, are hereinafter set forth in this letter based on our updated searches and information provided by the Receiver.

A. Real Property and Aquaculture Licences and Leases

The results and details of our review are contained in the "*MC Review of Secured Claims Against Real Property and Aquaculture Licences and Leases*".

Our opinions herein as to the claim of a secured creditor is subject to the interest and claims of the Receiver pursuant to the Receivership Order and further subject to the assumptions and qualifications contained in Schedule "A" attached hereto. Our summary of conclusions and recommendations with respect to real property and aquaculture licences and leases described in the Tender Package are as follows:

Parcel 1.0 Aquaculture Hatchery – Northampton New Brunswick

Parcel 1.0 Hatchery equipment and leasehold interest in land and building (PID 10241453) located in Northampton New Brunswick (inclusive of all applicable leases, licenses and approvals to operate) (subject to tenant lease agreement rights)

Leasehold interest in PID 10241453

Lessee: Gray Aqua Farms

Opinion: Callidus, directly and pursuant to the BDC Assignment, is the first mortgagee of the leasehold interests of Gray Aqua Farms in PID 10241453, subject to:

1. New Brunswick Power Corporation easement; and
2. Property taxes outstanding as of Nov. 25, 2016: $ 391.38.

New registrations since our Security Review-January 31, 2017:

- Court Vesting Order – Claimant, Ernst & Young Inc., Document 36862010 Registered March 30, 2017
- Assignment of Lease- Lessee, Marine Harvest Atlantic Canada Inc., Document 36880350 Registered April 6, 2017

Parcel 2.0 Administrative Building & Warehouse – Northampton New Brunswick

Parcel 2.1 Leasehold interest in land and buildings (PID 10241479 and PID 10276160) located in Northampton New Brunswick inclusive of office furnishings

Leasehold interest in PID 10241479
Lessees: "Gray Aqua Company Ltd."/Gray's Aqua Management

Opinion: Callidus, directly and pursuant to the BDC Assignment, is the first mortgagee of the leasehold interests of Gray Aqua Company Ltd./Gray's Aqua Management Ltd. in PID 10241479 subject to:

1. Property taxes outstanding as of Nov. 25, 2016: $ 871.50

Leasehold interest in PID 10276160
Lessees: "Gray Aqua Company Ltd."/Gray's Aqua Management

Opinion: Callidus, directly and pursuant to the BDC Assignment, is the first mortgagee of the leasehold interests of Gray Aqua Company Ltd./Gray's Aqua Management Ltd. in PID 10276160 subject to:

1. Property taxes outstanding as of Nov. 25, 2016: $3.45

New registrations since our Security Review January 31, 2017:

- Court Vesting Order – Claimant, Ernst & Young Inc., Document 36862010 Registered March 30, 2017;
- Assignment of Lease- Lessee Marine Harvest Atlantic Canada Inc., Document 36880368 Registered April 6, 2017 in relation to PID 10241479
- Assignment of Lease- Lessee Marine Harvest Atlantic Canada Inc., Document 36880392 Registered April 6, 2017 in relation to PID 10276160

Parcel 3.0 Single Family Residence – Northampton New Brunswick

Parcel 3.0 Single Family Residence (contents not included) and leasehold interest in land (PID 10276152)

Leasehold interest in PID 10276152, Route 105 Northampton, Lot 14-01, Plan 33658650, Carleton County, New Brunswick

Opinion/Comment: Callidus, directly and pursuant to the BDC Assignment, is the first mortgagee of the leasehold interests of Gray Aqua Farms in PID 10241453 subject to:

1. New Brunswick Power Corporation easement.
2. Property taxes outstanding as of Nov. 25, 2016: $152.95

New registrations since our Security Review January 31, 2017:

- Court Vesting Order – Claimant, Ernst & Young Inc., Document 36862010 Registered March 30, 2017;
- Assignment of Lease- Lessee, Marine Harvest Atlantic Canada Inc., Document 36880384 Registered April 6, 2017

Parcel 4.0 Aquaculture Assets – Newfoundland and Labrador

Parcel 4.1 Aquaculture leases, licenses (7) inclusive of site specific aquaculture equipment inclusive of seventeen (17) submitted or referred applications pending acceptance

a. **Goblin Bay**
Crown Lease – Registration No: 130445
- Lessee: Goblin Bay

Opinion/Comment: By Assignment Agreement dated Dec. 11, 2013 registered at the Registry of Deeds, NL on December 13, 2013 as Registration No. 633159, HSBC assigned to Callidus security held by the HSBC including a Debenture in amount $25,000,000.00 (registered as $24,550,000.00) and registered on November 23, 2011 as Registration No. 495977 ("**HSBC Debenture**"). Callidus, as assignee of the HSBC Debenture, is the first mortgagee of the leasehold interests of Goblin Bay in the Crown Lease subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer and termination rights of the Crown. HSBC, Crown

and Goblin Bay entered into a Non-Disturbance Agreement dated November 24, 2011 in respect of this Crown Lease (Refer to Tab 58 of the HSBC Security Review) and in particular the Crown provided consent to the mortgage of the leasehold interest (section 2). Section 11(a) and 11(b) permits assignment and transfer by the Callidus with the prior written consent of the responsible Minister which consent shall not be unreasonably withheld provided the requirements in Clause (b)(iii) are satisfied.

Recommendation: The Receiver should rely on this Non-Disturbance Agreement when seeking the consent of the Crown to approve the transfer the leasehold interest.

b. **Butter Cove**
Crown Lease – Registration No: 130448
Lessee: Butter Cove

Opinion/Comment: Callidus (as assignee of the HSBC Debenture) is the first mortgagee of the leasehold interests of Butter Cove in the Crown Lease in priority to other creditors subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consent of the Crown to transfer the interest and termination rights of the Crown. HSBC, Crown and Butter Cove entered into a Non-Disturbance Agreement dated November 24, 2011 in respect of this Crown Lease (Refer to Tab 57 of the HSBC Security Review) which provided for the Crown's consent at section 2 to the mortgage of the lease. In particular section 11(a) and 11(b) permit assignment and transfer by the lender with the prior written consent of the responsible Minister which consent shall not be unreasonably withheld provided the requirements in Clause (b)(iii) are satisfied.

Recommendation: The Receiver should rely on this Non-Disturbance Agreement when seeking the consent of the Crown to approve the transfer the lease interest.

c. **Pass-My-Can**
Crown Lease-Registration No.130459
Lessee: Pass My Can

Opinion/Comment: Callidus (as assignee of the HSBC Debenture) is the first mortgagee of the leasehold interests of Pass My Can in the Crown Lease in priority to other creditors subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer and termination rights of the Crown. No Non-Disturbance Agreement was included in the HSBC security package for our review. The Non-Disturbance Agreement provided for our review in Tab 60 of the HSBC Security Review was a duplicate of the Jervis Island agreement and the Callidus Non-Disturbance Agreement document in Tab 11 of the Callidus Security Review was incomplete and unsigned. We were subsequently provided Non-Disturbance Agreement dated November 24, 2011 in respect of this Crown Lease.

Recommendation: The Receiver should rely on this Non-Disturbance Agreement when seeking the consent of the Crown to approve the transfer the lease interest.

d. **Wallace Cove**
Crown Lease Application Registration No. 142823

Comment: This Crown Lease Application is not registered but registration is not a legal requirement. The Receiver was provided with a copy of the Crown Aquaculture Licence No. AQ 15-LIC-1106 issued March 22, 2013 to Gray Aqua Group as specified by Lease No. 142823 issued by the Department of Municipal Affairs and a Marine Aquaculture Water Use Licence/Permit issued March 15, 2013 by the Crown to Gray Aqua Group for 44.4 acres in respect of Wallace Cove.

Opinion: Callidus, as assignee of the HSBC Debenture and HSBC security and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in priority to other creditors but subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer or mortgage, and termination rights of the Crown. There appears to be no Non-Disturbance Agreement with the Crown.

e. **Indian Tea Point**
Crown Lease Application Registration No. 142822

Comment: This Crown Lease Application is not registered but registration is not a legal requirement. The Receiver was provided with a copy of the Crown Aquaculture Licence No. AQ 15-LIC-1107 issued March 22, 2013 to Gray Aqua Group as specified by Lease No. 142822 issued by the Department of Municipal Affairs and a Marine Aquaculture Water Use Licence/Permit issued March 15, 2013 by the Crown to Gray Aqua Group for 55.5 acres in respect of Wallace Cove.

Opinion: Callidus, as assignee of the HSBC Debenture and other HSBC security, and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in priority to other creditors but subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer or mortgage, and termination rights of the Crown. There appears to be no Non-Disturbance Agreement with the Crown;

f. **Mare Cove South**
Crown Lease Application Registration No. 143981

Comment: This Crown Lease Application is not registered but registration is not a legal requirement. The Receiver was provided with a copy of the Crown Aquaculture Licence No. AQ 15-LIC-1096 issued March 22, 2013 to Gray Aqua Group as specified by Lease No. 143981 issued by the Department of Municipal Affairs and a Marine Aquaculture Water Use Licence/Permit issued July 24, 2013 by the Crown to Gray Aqua Group for 45.0 acres in respect of Wallace Cove.

Opinion: Callidus, as assignee of the HSBC Debenture and other HSBC security, and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in priority to other creditors but subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer or mortgage, and termination rights of the Crown. There appears to be no Non-Disturbance Agreement with the Crown.

Recommendation: Seek Minister's consent to a transfer of this lease in conjunction with the other leases and licences. Attempt to rely on the rights as provided for in the other non-disturbance agreements.

g. **Jervis Island**
Crown Lease – Registration No: 131656
Lessee: Gray Aqua Group

Opinion: Callidus, as assignee of the HSBC Debenture and other HSBC security, and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in priority to other creditors but subject to:

1. The terms and conditions of the Crown Lease, including restrictions on transfer, consents of the Crown to transfer or mortgage, and termination rights of the Crown. There appears to be no Non-Disturbance Agreement with the Crown.

Recommendation: Seek Minister's consent to a transfer of this lease in conjunction with the other leases and licences. Attempt to rely on the rights as provided for in the other non-disturbance agreements.

General Comment: Our search at the Registry of Deeds disclosed the following registered under Gray Aqua Group:

Crown Licence-Registration No.133527
- Document: Crown Licence for a term of 5 years from 30 May 2012
- Description: not to exceed 0.5 hectares
- Location: Butter Cove
- Registration Date: 17 March 2012
- Consideration: $100.00/year

Comment: We note that Licence #133527 is not included in Parcel 4 of the Tender Package.

Parcel 5.0 Aquaculture Assets - New Brunswick

Parcel 5.1 Aquaculture leases, licenses, and approvals inclusive of site specific aquaculture equipment

A. **Hog Island**

PID: 15181597, Hog Island, Passamaquoddy Bay, Aquaculture Site MF0504, Charlotte County, New Brunswick

Owner:	N.B. Fisheries & Aquaculture/Fisheries & Aquaculture
Lessee:	Gray Aqua Group

Comment: 8676658 CANADA INC. is the mortgagee by the Collateral Mortgage registered on 2015-03-05 as Document 34660093 as collateral security for the repayment of $375,000.00

Opinion: 8676658 CANADA INC. is in priority to Callidus' security interests over the leasehold interests of Gray Aqua Group in PID 15181597 subject to:

1. Property taxes outstanding as of Nov. 25, 2016:$130.92

New registrations since our Security Review-January 31, 2017:

- Court Vesting Order – Claimant, Ernst & Young Inc., Document 36862010 Registered March 30, 2017;

B. **Hospital Island**

PID: 15159502, Hospital Island, Passamaquoddy Bay, Parcel 84-2 on Plan 16027840, Aquac Lease MF-0084, Charlotte County, New Brunswick

PID: 15065899,Hospital Island, Passamaquoddy Bay, Parcel 84-1 on Plan 16027840, Aquac Lease MF-0084, Charlotte County, New Brunswick

Owner:	N.B. Fisheries & Aquaculture/Fisheries & Aquaculture
Lessee:	Gray Aqua Group

Comment: 8676658 CANADA INC. is the mortgagee by the Collateral Mortgage registered on 2015-03-05 as Document 34660093 as collateral security for the repayment of $375,000.00.

Opinion: 8676658 CANADA INC. is in priority to Callidus' security interests over the leasehold interests of Gray Aqua Group in PID 15159502 and PID 15065899 subject to:

1. Property taxes outstanding as of Nov. 25, 2016:$101.62

New registrations since our Security Review-January 31, 2017:

- Court Vesting Order – Claimant, Ernst & Young Inc., Document 36862010 Registered March 30, 2017;

C. **Douglas Island**

PID: 10585806, Douglas Island, Aqua Site # 36, Parcel 36-1 on Plan 13791307 (Frye Island), Municipality of Back Bay, Parish of St. George, New Brunswick

Owner:	N.B. Fisheries & Aquaculture
Lessee:	Gray Aqua Group

Comment: No registered mortgage.

Opinion: Callidus, as assignee of the HSBC Debenture and other HSBC security, and directly, pursuant to security granted by Gray Aqua Group over personal property, e.g. general security agreement, would be entitled to any proceeds from the sale of the leasehold interest of Gray Aqua Group in PID 10585806 in priority to other creditors but subject to property taxes in the amount of $1,826.78.

New registrations since our Security Review-January 31, 2017:

- Court Vesting Order – Claimant, Ernst & Young Inc., Document 36862010 Registered March 30, 2017;

Parcel 6.0 Fish Processing Plant, Equipment, and Storage Building – Newfoundland and Labrador

Parcel 6.1 Land and buildings located at 1-3 Plant Road, Hermitage Newfoundland and Labrador (subject to tenant lease agreement rights)

Fee simple lands: Gray Aqua Processing is the owner of the property at 1-3 Plank Road, Hermitage, containing .205 Hectares pursuant to Conveyance from Ocean Choice International L.P. and 55104 Newfoundland and Labrador Inc. registered at the Registry of Deeds, NL as Registration No: 468146 on July 18, 2011 for the sum of $847,046.00.

Comment: Callidus, as assignee by Assignment Agreement dated June 13, 2016 of security held by BDC, is the holder of the first mortgage dated April 26, 2012, in the amount of $2,285,000.00 registered at the Registry of Deeds, NL on July 5, 2012 as Registration No: 537631.

Comment: The lease referenced in this parcel is between Gray Aqua Processing and Hermitage Processing Inc. A Notice of Lease was registered on July 14, 2016 as No. 772437. The Notice of Lease is made with effect as of "April, 2014" but signed July 15, 2016 by Gray Aqua Processing. The term of the lease is for 5 years ending April 14, 2019 with extension rights. The Notice of Lease refers to a right of first refusal to Hermitage Processing Inc. to purchase the premises and "Equipment" which is described the Schedule A to the Notice of Lease. The "Equipment" includes the personal property described in the Tender Package in Parcels 6.2 and 6.3 and many of the items in Parcel 6.4.

We reviewed a copy of a Consent and Non-Disturbance Agreement dated October, 2014 among BDC, Gray Aqua Processing and Hermitage Processing Inc. whereby BDC agreed to not to interfere or diminish of Hermitage Processing Inc.'s tenancy and its rights under the lease so long that it is not in default.

Opinion: Callidus, as assignee of BDC security pursuant to the BDC Assignment, is the first priority secured creditor in the fee simple lands, subject to any rights, including non disturbance rights, of Hermitage Processing Inc. pursuant to the Consent and Non-disturbance Agreement.

Parcel 6.5 Fish Processing Plant, Equipment, and Storage Building – Newfoundland and Labrador

Fee simple property: Gray Aqua Processing is the owner of the property along Southwest of Trans Canada Highway on Route 363, Hermitage containing 0.128 hectares by conveyance from William Roberts and Deborah Roberts to Gray Aqua Group Ltd registered at the Registry of Deeds, NL as Registration No: 482051 on September 28, 2011 for the sum of $25,000.00.

Our search disclosed a Notice of Mortgage by Gray Aqua Group Ltd. in favor of Callidus registered as Registration No: 685688 on November 24, 2014 against this property and licenses.

Comment: Phil Taylor by e-mail of Dec. 16, 2016 to John Stringer, advised that to his recollection, Callidus did not obtain the mortgage that the Notice of Mortgage was registered above.

Opinion: Callidus would still be entitled to any proceeds from the sale of the fee simple lands pursuant to personal property security against money as there are no other registered encumbrances.

B. Personal Property described in the Tender Package (other than vessels)

We cannot opine as to the priority ranking of a security interest against personal property but we can advise as to the order of any registered claim against the personal property based upon the registered security interests under the PPSA or other public registries applicable to registration of security interests against personal property. We trust this will be of assistance in determining the order of the entitlement to any sale proceeds arising from the sale of the personal property.

Subject to any priority claim of the Receiver in accordance with the Receivership Order and the assumptions and qualifications contained in Schedule "A" attached hereto, Callidus is the secured creditor in priority to other creditor claims against the machinery, equipment, and other personal property **except or subject** to the following security interests:

Parcel 1.0 Hatchery Equipment and Leasehold Interest in Land and Building (PID 10241453)

AquaScan Model CSE1600 Fish Counters, with Controller	Debtor: Gray Aqua Farms Secured Party: The Toronto Dominion Bank and TD Equipment Finance Canada, a division of Toronto Dominion	Potentially a Purchase Money Security Interest ("PMSI"). The Receiver's inquiries with the Gray Aqua Group disclosed no information to confirm or deny any PMSI interest. Based on the lack of information to set aside the security interest, it

(See page 24 of Tender Package)	Bank NB PPSA Registered No. 19645878 on 2011-01-06 and expired Jan. 6, 2017. The NB PPSA filing No. 19645878 was renewed to expire January 6, 2018. <u>General Collateral</u> One (1) Aqua-Life Fish Pump, model 1614 S/N and one (1) KSF Fish Pump model KSF4 and one (1) **Aquascan Fish Counter...**	is assumed that the PPSA filing was made no later than 15 days after possession of the collateral by the debtor, Gray Aqua Farms. The Toronto Dominion Bank appears to hold a valid PMSI interest. The proceeds from the sale of this collateral should be paid to Toronto Dominion Bank."

Parcel 5.2 Other Non-site Specific Aquaculture Equipment (including small vessels)

IAS Model AreoSpreader-500 500-Kg Feed Broadcaster, 500KG Hopper Capacity, Marine Grade Aluminum Construction, 9HP Gas Pump (See page 41 of Tender Package)	Debtor: **Gray Aqua Farms** Secured Party: **Snow Island Salmon Inc.** NB PPSA Reg No: 26450890, 2015-09-24 <u>General Collateral</u> Purchase Money Security Interest in various equipment including: ... **Three 500KG IAS feeders**;	<u>Comment</u>: The Receiver has received a signed agreement of Sept. 4, 2015 between Snow Island Salmon Inc. ("Snow Island") and Gray Aqua Group for the conditional sale of certain equipment including "500kg IAS feeders". The agreement is with Gray Aqua Group but the PPSA filing is with Gray Aqua Farms. Our PPSA search of Gray Aqua Group disclosed a filing to Snow Island on April 24, 2015, Reg. No. 25721747, in respect of a "MG48 barge together with attachments, etc., but no description of the "500kg IAS feeders". **<u>Opinion</u>: Unless Snow Island can produce an agreement (i.e. PMSI) with <u>Gray Aqua Farms</u> (not Gray Aqua Group) or any assumption agreement by Gray Aqua Farms of the conditional sale agreement for the "500kg feeders", Callidus will have priority to this equipment.** **<u>Comment</u>: We are not aware of any documents produced by Snow Island Salmon Inc. to show that the agreement was with Gray Aqua Farms. Our opinion that Callidus has priority to the sale proceeds to the 500kg IAS feeders remains unchanged.**

Parcel 6.2 Specified Fish Processing Equipment – B36 Cutter

Scanvaegt Model B36, Portion Cutter, S/N 15461.80.0587, with laser scanner, micro process controller

<u>Comment</u>: This description is repeated in Parcel 6.4. The South Coast Community Development Corporation ("**SCCDC**") filed a security interest against Gray Aqua Processing

under the NL PPSA on February 13, 2013 as Reg. No. 10732998 against this equipment described as "B36 Portion Machine". We reviewed a general security agreement dated February, 2013 (the day is unclear on the document) by Gray Aqua Processing to the SCCDC which specifically secures the equipment. The general security agreement appears to be in order. We further reviewed a Priority Agreement dated Feb. 12, 2013 between BDC and SCCDC with respect to this equipment.

Comment: As discussed under Parcel 6.0 of this letter in relation to the lands at 1-3 Plank Road, Hermitage, Hermitage Processing Inc. filed a Notice of Lease registered on July 14, 2016 as No. 772437 for the lease of the premises. The Notice of Lease refers to a right of first refusal to purchase "Equipment" as described in Schedule A which includes the equipment described in this Parcel 6.2. The Receiver has advised that there are no agreements between SCCDC and Hermitage Processing Inc. respecting this equipment.

Opinion: SCCDC has priority to Callidus to the proceeds from the sale of the "B36 Portion Machine".

Parcel 6.3 Specified Fish Processing Equipment – Plant Infeed

- **Wash Tank & Conveyor, S/N M001185**
- **Pocket Conveyor, S/N 19940-007**
- **Vacuum Pump Motor, C1207170822**
- **Pump, S/N 11-120P003059**
- **Tote Dumper, S/N M001137**

(See page 48 of Tender Package)

Comment: The Central Community Development Corporation ("**CCDC**") filed a security interest against Gray Aqua Processing under the NL PPSA on February 20, 2013 as Reg. No. 10811776 against the equipment described above. We reviewed a general security agreement dated February 25, 2013 by Gray Aqua Processing to the CCDC which specifically secures the equipment. The general security agreement appears to be in order. We further reviewed a Priority Agreement dated 2013 (no stated day or month) between BDC and CCDC with respect to this equipment.

Comment: As discussed under Parcel 6.0 of this letter in relation to the lands at 1-3 Plank Road, Hermitage, Hermitage Processing Inc. filed a Notice of Lease registered on July 14, 2016 as No. 772437 for the lease of the premises. The Notice of Lease refers to a right of first refusal to purchase "Equipment" as described in Schedule A which appears to include the equipment described in this Parcel 6.2. The Receiver has advised that there are no agreements between CCDC and Hermitage Processing Inc. respecting this equipment.

Opinion: CCDC has priority to Callidus to the proceeds from the sale of the equipment described in this Parcel 6.2.

Parcel 6.4 Specified Fish Processing Equipment - Other

The following equipment is listed in Parcel 6.4:

> **"Ozone International Model C-300ELW, 30 Gallon per minute Centralized White Water Ozone System, S/N 0232"**

The equipment is subject to the following security interest:

Secured Party	Registration No. Filing Date	Collateral Description
Ozone International LLC	107297052013-02-12	(1) C-300ELW WHITEWATER SYSTEM (1) AM-2014 AMBIENT OZONE MONITOR (1) OZ-2 TEST KIT, DISSOLVED OZONE

We have requested the Receiver to obtain a copy of the agreement in relation to this equipment to determine if it is a purchase money security interest in priority to Callidus.

<u>COMMENT</u>: This asset was excluded from the sale to Marine Harvest as the Lease agreement dated Oct. 29, 2012 between Gray Aqua Processing and Ozone was formally assigned to Marine Harvest on March 31, 2017.

The following equipment listed in Parcel 6.4 is repeated in Parcels 6.2 and 6.3:

- **"Stainless Steel Electric Tote Dumper, S/N M001137"** is repeated in Parcel 6.3. CCDC has priority to Callidus.
- **"S/N 19940-007, (Approx. 130) Pocket Fish Conveyor"** is repeated in Parcel 6.3. CCDC has priority to Callidus
- **"Scanvaegt Model B36, Portion Cutter, S/N 15461.80.0587, with Laser Scanner, Micro Process Controller"** is the same description as in Parcel 6.2. SCCDC has priority to Callidus

<u>Comment/Opinion:</u> We confirm our comments and opinions above in relation to this equipment and in particular the priority claims of SCCDC and CCDC, respectively.

C. <u>Personal Property described in the Tender Package - Vessels</u>

We draw your attention to the following vessels:

- described in Parcel 4.2 (b) (pages 38 and 39 of the Tender Package)
- described in Parcel 5.2 (b) (pages 42 and 43 of the Tender Package)
- <u>Parcel 7.3</u> " <u>AEG Feeder"</u>
- <u>Parcel 7.6</u> <u>"GAGL Feeder"</u>
- <u>Parcel 7.7</u> <u>"GAGL Feeder"</u>

Our inquiries under the *Shipping Act* (Canada) disclosed no registrations of the above noted named vessels. Our PPSA searches did not disclosed any registrations against the vessels as serial numbered goods but Callidus holds general security interests, directly or assignee of the BDC and HSBC security, against all personal property of the Gray Aqua Group of Companies with no prior security filings.

Subject to whether registration under the *Shipping Act* (Canada) is required which is a question of fact, Callidus has a secured claim against these vessels pursuant to its general security interests and is entitled to the proceeds from the sale thereof in priority to other creditors and further subject to the Receiver's priority under the Receivership Order and the assumptions and qualifications contained in Schedule "A" attached hereto.

In respect of the other "Marine Vessels" described in Parcel 7 of the Tender Package and subject to the Receiver's priority under the Receivership Order and the assumptions and qualifications contained in Schedule "A" attached hereto, Callidus is the secured creditor in priority to other creditor claims against the vessels described in Parcel 7 of the Tender Package **<u>except for</u>** the following vessels and security interests:

<u>Parcel 7.1</u> <u>"Walter Gray"</u>

Owner: Gray Aqua Group
Official Number: 345865
Port of Registry: St. Andrews
Date of Registry: July 27, 2007

Mortgages:

1. Mortgagee : **Toronto Dominion Bank**
   Registered: May 4, 2007
   $250,000
   Mortgagor: Gray Aqua Management
2. Mortgagee :Callidus
   Registered: Nov. 10, 2011

Comment: The Receiver issued a letter dated May 2, 2017 to TD Equipment Finance advising TD that the records of Gray Aqua Management indicate that no amount is due in connection with the vessel and if TD Equipment Finance believes an amount is owed, requesting support to confirm the amount outstanding. No response to date.

The Receiver will give TD Equipment Finance a notice of the distribution hearing. If TD Equipment Finance does not provide supporting documents of a debt by the time of the distribution hearing, the proceeds from the sale of this vessel should be paid to Callidus.

Parcel 7.4 "Dylan B"

Owner: Gray Aqua Group
Official Number: 821802
Port of Registry: St. Andrews
Date of Registry: Oct. 31, 2000

Mortgages:

1. Mortgagee: **West Isle Port Ltd.**
   Registered: Sept. 3, 2008
   $200,000
   Mortgagor: Gray Aqua Management

2. Mortgagee :Callidus
   $24,550,000 Registered Nov. 10, 2011
   (Note: HSBC mortgage dated Nov. 10, 2011 and assigned to Callidus by agreement Dec. 11, 2013)
   Registered: Nov. 10, 2011

Comment: We are advised by Chris Keliher of Ernst & Young Inc. that he has recently contacted Mr. Donovan Frye, a representative of West Isles Transport Ltd., in relation to the vessel Dylan B. Mr. Frye has confirmed to Chris that Gray Aqua Group Ltd. is not indebted to West Isles Transport Ltd. in respect of the vessel Dylan B, which is subject to the West Isles Transport Ltd. registered mortgage in the original amount of $200,000.

Unless by the distribution hearing, Westport Isles makes a claim, the proceeds should be paid to Callidus.

Parcel 7.9 "MG48 "

Comment: Our inquiries under the *Shipping Act* (Canada) disclosed no registrations of the MG48 barge. Our NB PPSA search did disclosed the following registration against Gray Aqua Group over the MG48 barge:

Snow Island Salmon Inc.	Reg. No. 25721747 Filed: 2015-04-24	General Collateral Supplier - MG48 barge together with all attachments, accessories, accessions, replacements,.....

Comment: The MG48 is likely a "boat" by definition under the PPSA Regulations of NB based on the Tender description of the MG30. We reviewed a Conditional Sales Agreement dated April 13, 2015 between Gray Aqua Group Ltd. and Snow Island Salmon Inc. in respect of "ONE MG48" BARGE" for the sale price of $65,000.

This is a potentially defective filing. It was not filed under serial number field as required under the PPSA and prior filings pursuant to the general security interest held by Callidus would therefore have priority at this point in time.

Comment: The MG48 Barge is a boat, and therefore among the class of equipment enumerated under the PPSA as "serial numbered goods". Section 25 of the New Brunswick PPSA General Regulations mandates the filing of serial numbered goods information in the space allotted for such serial numbered goods information on the registration form. This was not done in relation to this particular PPSA registration, and it was thus defective as of April 15, 2017, the date Gray Aqua Group Ltd. became bankrupt. Callidus has priority to the proceeds from the sale of MG48.

D. Real Property not specifically described in the Tender Package

CROWN LEASE

No. 143981 to
Dated Aug. 17, 2016
Lessee: Gray Aqua Group Ltd.

- Lease of 49.900 hectares situate at Mare Cove, NL for aquaculture for a term of 50 years from November 21, 2016 subject to rents, covenants and conditions contained herein.

Comment: This Crown lease was not considered in our Security Review-January 31, 2017. Our searches disclosed no specific mortgage of the leasehold interest of Gray Aqua Group. Callidus is entitled to the proceeds from the sale of the leasehold interest pursuant to personal security security granted by Gray Aqua Group.

E. Personal Property not specifically described in the Tender Package

We understand that the Receiver intends to sell personal property that may not be described or referred to specifically in the original Tender Package. Subject to any priority claim of the Receiver in accordance with the Receivership Order and the assumptions and qualifications contained in Schedule "A" attached hereto, Callidus is the secured creditor in priority to other creditor claims against machinery, equipment, and other personal property not described or referred to specifically in the Tender Package **except or subject to** the security interests set forth in the following table. We have reviewed the security agreements to some, but not all of the filings as noted in the Comment column.

1. Gray Aqua Farms Ltd.

(a) New Brunswick

Secured Party	Registration No. Filing Date	Collateral	Comment
The Toronto-Dominion Bank **TD Equipment Finance Canada**	19645878 2011-01-06 Expired: Jan. 6, 2017 renewed to expire January 6, 2018	One (1) Aqua-Life Fish Pump, model 1614 S/N and one (1) KSF Fish Pump model KSF4	We have not reviewed any security agreement in relation to this interest. The Receiver provided an Invoice issued by Higgins Equipment Limited dated Jan. 5, 2011 for a sale to Capital Underwriters Inc. which was acquired by TD Equipment Finance. Potentially a PMSI. We understand from the Receiver that the location of this collateral is in New Brunswick. The NB PPSA filing on Jan. 6, 2011 as No. 19645878 was renewed to expire January 6, 2018. TD Equipment Finance. The Receiver's inquiries with the Gray Aqua Group disclosed no information to confirm the timing of the possession of the collateral by Gray Aqua Farm. Given the timing of the original PPSA filing and the date of the invoice, if the collateral was delivered after the date of the invoice, then TD holds a valid PMSI. **<u>Comment:</u> It is reasonable to conclude that TD Equipment Finance Canada is entitled to the proceeds from the sale of this collateral.**
The Toronto-Dominion Bank **TD Equipment Finance Canada**	19769892 2011-02-17 Expires: Feb. 17, 2017	Two (2) 2011 Aqua Sonar Fish Sizing Sonar Units S/N 041 and 042	In relation to this collateral interest, we have reviewed a Lease Agreement, Contract No. 22492 dated Jan. 5, 2011 between Gray Aqua Farms, as lessee, and TD Equipment Finance Canada, as lessor, and an invoice issued by Aqua Sensing Technologies Limited dated Feb.15, 2011 for a sale to Capital Underwriters Inc. (which was acquired by TD Equipment Finance Canada). Potentially a PMSI. The Newfoundland & Labrador PPSA registration that was filed as No. 8853118 for TD Bank against both these sonar units <u>expired Feb. 17, 2017</u>. Our subsearch disclosed no renewal of this filing within 30 days of expiry. In New Brunswick, a valid PPSA registration (No. 19769892, renewed to Feb. 2, 2019) exists for these sonar units. <u>The Receiver has determined the location of these sonar units as situated in Conne River NL.</u> The NB registration is not effective to secure the untis located in NL. **<u>Comment:</u> Callidus has priority to the proceeds from the sale of this collateral.**
The Toronto-Dominion Bank TD Equipment	NB Reg. No. 20019808 2011-04-28 Expires: April	<u>General Collateral</u> Various fishing equipment located in Conn River, Nfld including one (1)	The Receiver provided an invoice issued by TRM Consultants Inc. dated Feb. 18, 2011 for a sale to Gray Aqua Farms for the following:

Secured Party	Registration No. Filing Date	Collateral	Comment
Finance Canada	28, 2019	2009 Silver Dolphin Stand Up Cabin Boat S/N QTN036BHI909, one (1) Silver Dolphin Bow Rider Boat S/N QTN118FJD111 **<u>Serial Numbered Collateral</u>** BOAT, 2009 Silver Dolphin Stand Up Cabin Boat S/N QTN036BHI909, BOAT 2011 Silver Dolphin Standup Cabin Boat S/N QTN118FJD111	• **<u>One (1) 2009 Silver Dolphin Stand Up Cabin Boat S/N QTN036BHI909</u>** • **<u>ONE (1) YAMAHA F300TXRH OUTBOARD MOTOR S/N 1000434</u>** Receiver has confirmed that this boat and motor are located in NB. We have not reviewed any security agreement in relation to this interest in favour of TD Bank. The information provided by Gray Aqua Farms to the Receiver is that TD Bank financed the acquisition. TD Bank's NB PPSA filing as No.20019808 (expiring April 28, 2019) is against both Dolphin boats and the outboard motors. The Dolphin boats are described in the serial number collateral fields but <u>the motors are not in the serial number collateral field as required under the PPSA.</u> **TD Bank has priority to the proceeds from the sale of the one (1) 2009 Silver Dolphin Stand Up Cabin Boat S/N QTN036BHI909.** **Callidus has priority to TD Bank to the proceeds from the sale of the ONE (1) YAMAHA F300TXRH OUTBOARD MOTOR S/N 1000434** The Receiver provided an invoice issued by Fab-Tech Industries Inc. dated April 11, 2011 for a sale to Gray Aqua Farms for the following: • **<u>one (1) Silver Dolphin Bow Rider Boat (Stand Up Cabin Boat) S/N QTN118FJD111</u>** Receiver has confirmed that this boat is located in NL. The NL PPSA registration that was filed for TD Bank against this boat and motor as Reg. No. 9013284 *(boat is described in the serial number collateral field but not the motor)* <u>was discharged on April 27, 2017 (Reg. No. 14874663)</u> Our NL PPSA search as of May 31, 2017 against Gray Aqua Farms Limited disclosed no filings to TD Bank. **Callidus has priority to TD Bank to the proceeds from the sale of the one (1) Silver Dolphin Bow Rider Boat (Stand Up Cabin Boat) S/N QTN118FJD111)** The Receiver provided an invoice issued by Outdoors (1983) Ltd. dated April 21, 2011 for a sale to Gray Aqua Farms for the following: • **<u>ONE (1) YAMAHA F150X 4-STROKE, X-LONG YAMAHA</u>**

Secured Party	Registration No. Filing Date	Collateral	Comment
			<u>OUTBOARD MOTOR S/N 1/00895</u> The NL PPSA registration that was filed for TD Bank against this motor as Reg. No. 9013284 *(boat is described in the serial number collateral field but not the motor)* <u>was discharged on April 27, 2017 (Reg. No. 14874663)</u> Our NL PPSA search as of May 31, 2017 against Gray Aqua Farms Limited disclosed no filings to TD Bank. **Callidus has priority to TD Bank to the proceeds from the sale of the ONE (1) YAMAHA F150X 4-STROKE, X-LONG YAMAHA OUTBOARD MOTOR S/N 1/00895**
Blue Chip Leasing Corporation	20470233 2011-08-16	ALL EQUIPMENT LEASED BY THE DEBTOR INCLUDING, BUT NOT LIMITED TO ONE D50-250 TOYOTA DIESEL POWER UNIT IN CRASH FRAME INCLUDES 150FT HOSE KIT AND FITTINGS, ONE MPI TERMINATOR 3 HEAD NET WASHER COMPLETE WITH JETS, WITH ALL ATTCHMENTS AND ACCESSORIES.	We reviewed an agreement with Blue Chip Leasing for the equipment and it appears to be a capital lease (copy provided did not include any dates, e.g. agreement, payment or delivery). Potential PMSI if the filing of the security interest was not later than 15 days of possession of the equipment by Gray Aqua Farms. The Receiver's inquiries with the Gray Aqua Farms disclosed no information to confirm the timing of the possession of the collateral by Gray Aqua Farms. **<u>Comment:</u> Evidence is inconclusive as to whether the PSMI was perfected within 15 days of possession of the equipment by Gray Aqua Farms. If no other creditor can show that Blue Chip Leasing Corporation is not entitled to the proceeds, then the proceeds from the sale of this collateral should be paid to Blue Chip Leasing Corporation.**
Bank of Montreal	20605812	Motor vehicle, 2010 International 7400 6X4, serial number 1HTWGAAT5AJ288670	Agreement not reviewed. **<u>Comment</u>** We understand that the Receiver has determined that this vehicle no longer exists
Snow Island Salmon Inc.	25880626 2015-05-27	<u>Serial Numbered Collateral</u> Fishing vessel, MV BRIAN & AMANDA, K.D. Smith & Son Boatbuilders Limited, serial number 395615 Fishing vessel, MV THE MINNIE MEL, Cape Egmont Enterprises Ltd., serial number 819907 <u>General Collateral</u> 2 Barrett Built Skiffs	.We reviewed a Conditional Sales Agreement dated May 22, 2015 between Gray Aqua Group Ltd. and Snow Island Salmon Inc. in respect of the following: "ONE FV BRIAN & AMANDA (395615) and ONE FV MINNIE MEL(THE)(819907) ALSO 2 BARRETT BUILT SKIFFS" Our latest search did not show any filing to Snow Island Salmon Inc. against Gray Aqua Group over the above collateral. <u>Opinion</u>: Snow Island Salmon Inc. is unsecured on the above collateral because it filed under the wrong debtor entity, Gray Aqua Farms,

Secured Party	Registration No / Filing Date	Collateral	Comment
			unless it can show that Gray Aqua Group assumed the agreement. The reference in the Conditional Sales Agreement is "FV" while the filing is referenced "MV". It is a question of fact whether which is correct and a matter of law if that affects the validity of the filing. Callidus has priority to Snow Island Salmon over the above collateral at this point. **Comment: No to change our opinion,** Callidus has priority to Snow Island Salmon over the above collateral unless Snow Island Salmon Inc. can produce at or before the distribution hearing proof that Gray Aqua Group Ltd. assigned its interest in the applicable agreement to Gray Aqua Farms Ltd. prior to April 15, 2017, the date both Gray Aqua Group Ltd. and Gray Aqua Farms Ltd. became bankrupt.
Snow Island Salmon Inc.	26450890 2015-09-24	MG30 Barge, One Yakamoto Scale, Four pipe band aids, Two YSI Oxy Guards, One Tohatsu 50HP outboard motor, Two set of Idema net washing heads with 24HP sprayer, Three 500KG IAS feeders, One Barret Built Box Skiff also One Mercury 60HP outboard motor,	We reviewed a Conditional Sales Agreement dated Sept. 4, 2015 between Gray Aqua Group Ltd. and Snow Island Salmon Inc. in respect of the "MG30" barge. Our latest search did not show any filing to Snow Island Salmon Inc. against Gray Aqua Group over the MG30 but it did show a filing against Gray Aqua Farms in favour of Snow Island Salmon Inc. (Reg. No.26450890 on 2015-09-24) Regardless of whether Snow Island Salmon Inc. can produce at or before the distribution hearing proof that Gray Aqua Group Ltd. assigned its interest in the applicable agreement to Gray Aqua Farms Ltd. prior to April 15, 2017, the filing by Snow Island Salmon Inc. in respect of the "MG30" barge and motors was defective because they were filed under the serial numbered goods information under the NB PPSA. **Comment: Callidus has priority to Snow Island Salmon Inc. to the proceeds from the sale of the "MG30" barge and motors.**
Bank of Nova Scotia –	20736310 2011-10-26 (original) 2016-09-19 (renewal)	Motor vehicle, 2011 Ford F150, serial number 1ftex1emxbkd61388	We reviewed a Credit Agreement dated Sept. 30, 2011 between Scotiabank and Gray Aqua Farms and Timothy Gray. We understand the Receiver's queries to Bank of Nova Scotia-Atlantic CAU ("BNS") resulted in BNS claiming to have no such vehicle on their books but according to Gray Aqua Group records, BNS is owed $28,857.97. The Receiver has sent a letter dated May 2, 2017 to BNS together with a copy of the Credit Agreement to request that BNS confirm the debt

Secured Party	Registration No Filing Date	Collateral	Comment
			is due to BNS. **<u>Comment</u>: The Receiver will give BNS a notice of the distribution hearing. If BNS does not provide supporting documents of a debt by the time of the distribution hearing, the proceeds from the sale of this vehicle may be paid to Callidus.**
Ford Credit Canada Limited	21157458 2012-02-24 (original) 2016-05-13 (renewal)	Motor vehicle, 2012 Ford F150, serial number 1FTFW1EF3CFA46595	We reviewed a Retail Instalment Contract dated Feb. 21, 2012 between Ford Credit Canada Limited ("Ford Credit") and Gray Aqua Farms. A financing statement was filed under the NB PPSA as Reg. No. 21157458, expiring Feb. 2, 2019. **<u>Comment</u>: Ford Credit has priority to the proceeds from the sale of this vehicle.**
Ford Credit Canada Limited	21157466 2012-02-24 (original) 2016-05-13 (renewal)	Motor vehicle, 2012 Ford F150, serial number 1FTFW1EFXCKD07955	We reviewed a Retail Instalment Contract dated Feb. 21, 2012 between Ford Credit Canada Limited ("Ford Credit") and Gray Aqua Farms. A financing statement was filed under the NB PPSA as Reg. No. 21157466, expiring Feb. 2, 2019. **<u>Comment</u>: Ford Credit has priority to the proceeds from the sale of this vehicle.**

(b) <u>Newfoundland and Labrador</u>

Secured Party	Registration No Filing Date	Collateral Description	Comment
Ford Credit Canada Limited	14197081 2016-08-04	Serial Number 1FTFW1EFXCKD07955 Motor Vehicle 2012 Ford F150	We reviewed a Retail Instalment Contract dated Feb. 21, 2012 between Ford Credit Canada Limited ("Ford Credit") and Gray Aqua Farms. A financing statement was also filed under the NB PPSA as Reg. No. 21157466, expiring Feb. 2, 2019. **<u>Comment</u>: Ford Credit has priority to the proceeds from the sale of this vehicle.**

2. Gray Aqua Group Ltd.

(a) New Brunswick

Secured Party	Registration No. Filing Date	Description	Comment
BLUE CHIP LEASING CORPORATION	20470233 2011-08-16	ALL EQUIPMENT LEASED BY THE DEBTOR INCLUDING, BUT NOT LIMITED TO ONE D50-250 TOYOTA DIESEL POWER UNIT IN CRASH FRAME INCLUDES 150FT HOSE KIT AND FITTINGS, ONE MPI TERMINATOR 3 HEAD NET WASHER COMPLETE WITH JETS, ALL ATTCHMENTS AND ACCESSORIES.	We reviewed an agreement with Blue Chip Leasing for the equipment and it appears to be a capital lease (copy provided did not include any dates, e.g. agreement, payment or delivery). Potential PMSI if the filing of the security interest was not later than 15 days of possession of the equipment by Gray Aqua Farms. The Receiver's inquiries with the Gray Aqua Farms disclosed no information to confirm the timing of the possession of the collateral by Gray Aqua Farms. **Comment: Evidence is inconclusive as to whether the PSMI was perfected within 15 days of possession of the equipment by Gray Aqua Farms. If no other creditor can show that Blue Chip Leasing Corporation is not entitled to the proceeds, then the proceeds from the sale of this collateral should be paid to Blue Chip Leasing Corporation.**
047759 N.B. Ltd.	25768557 2015-05-04	A security interest is taken in all of the debtor's present and after acquired shares in the capital of 628228 N.B. Incorporated.	Agreement not reviewed.
HARBOUREDGE COMMERCIAL FINANCE CORPORATION	26357616 2015-09-02	ONE 1999 GRADALL 534D6-42 TELESCOPIC FORKLIFT, SERIAL #0668027	Agreement not reviewed. The Receiver advises that the collateral was returned to the creditor
Ford Credit Canada Leasing,	25921008 2015-06-03	Motor Vehicle – 2015 FORD F150, serial number 1FTEW1EF0FFA91512	The Receiver advises that this Ford F-150 has been returned to Ford Credit Canada Leasing.

(b) Newfoundland and Labrador

Secured Party	Registration No. Filing Date	Collateral Description	Comment
Ford Credit Canada Leasing,	2016-08-04 11:39	Serial Number 1FTEW1EF0FFA91512 Motor Vehicle 2015 Ford F150 14197073	The Receiver advises that this Ford F-150 has been returned to Ford Credit Canada Leasing.

This letter and any opinions expressed herein are solely for the benefit of Ernst & Young Inc. in its capacity as court appointed receiver of the Gray Aqua Group of Companies, and are not to be relied upon by any other party without our prior written consent.

We trust that our report will be of assistance and we would be pleased to answer any questions in this regard.

Yours very truly,

Anthony (Tony) M. Tam, Q.C.

Schedule "A"

Assumptions and Reliance

For the purposes of the opinions expressed herein, we have, without independent investigation or verification, assumed:

(a) the genuineness of all signatures, the legal capacity of individuals signing any documents, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as certified, confirmed, telecopied or photocopied copies;

(b) that all facts set forth in official public records and certificates and other documents supplied by public officials, or otherwise conveyed to us by public officials, are complete, true and accurate;

(c) that each of the parties to the Documents has been duly incorporated or otherwise formed, as the case may be, under the laws of the jurisdiction of its incorporation or formation and has the capacity to give the security to Callidus and has taken all necessary steps to do so; and

(d) that each of the Documents has been duly authorized, executed and delivered by each of the parties thereto.

QUALIFICATIONS

Our opinions and advice herein are subject to the following qualifications:

(a) The operation and the effect of the provisions of the Receivership Order that does not prevent the filing of any registration to preserve or perfect a security interest;

(b) The enforceability of the Documents is or may be subject to or limited by:

(i) applicable bankruptcy, insolvency, reorganization, arrangement, winding-up, moratorium and other similar laws in effect from time to time affecting the rights of creditors generally; and

(ii) the availability of equitable remedies, including, without limitation, specific performance and injunctive relief, is subject to the discretion of the court before which any proceedings therefor may be brought;

(c) the rights and privileges of the Crown in right of Canada or any Province of Canada and its agents and the terms of statutes or regulations governing the assignability of Crown debts;

(d) we express no opinion as to whether a security interest may be created in property consisting of a receivable, license, approval, privilege, franchise, permit, quota, lease or agreement to the extent that the terms of such property or any applicable law prohibit its assignment or require, as a condition of its assignability, a consent, approval or other authorization or registration which has not been made or given;

(e) we express no opinion as to the creation, validity or perfection of a security interest in any property in respect of which there is applicable federal legislation which is paramount over provincial legislation relating to security interests in real or personal property including, but not limited to, ships, copyrights, trademarks, patents and industrial designs, and we express no opinion as to the enforceability of any obligations to do so that may be contained in any security agreement;

(f) insofar as our opinions relate to mortgages, pledges, charges or assignments created by any of the documents, such opinions are subject to any liens, charges, adverse claims, mortgages, assignments, security interests or encumbrances perfected otherwise than by currently effective and publicly available registrations;

(g) we have not verified the existence of any of the personal property collateral described in any security agreement and express no opinion as to ownership of or title to any of the personal property collateral;

(h) we have not verified or determined whether any collateral described in any of the security agreements in favour of Callidus is a serial-numbered good requiring serial-numbered details and registration under the serial-number fields pursuant to the Regulations under the PPSA. A serial-numbered good, such as a motor vehicle, boat, aircraft, or motorized trailer, must be perfected by registration by serial number;

(i) the priority of the charges and security interests created by any security agreement or mortgage are subject to the operation of the laws of Canada and the province in which any of the property of the Borrowers are located in effect from time to time creating statutory liens and trusts having priority over registered mortgages, charges and security interests, which statutory liens and trusts include but are not limited to those arising under the *Income Tax Act* (Canada), the *Canada Pension Plan Act* (Canada), the *Excise Tax Act* (Canada) and the *Employment Insurance Act* (Canada);

(j) We have not reviewed any information respecting obligations to the Canada Revenue Agency pursuant to federal legislation which creates deemed trust claims such as under the *Income Tax Act* (Canada), the *Canada Pension Plan Act* (Canada), the *Excise Tax Act* (Canada) and the *Employment Insurance Act* (Canada), and we recommend that the Receiver make inquiries.

(k) any unregistered rights-of-way or other unregistered interests or claims not disclosed by registered title regarding the provision of utilities to any real property;

(l) any claim or interest, by possession, continuous use or improvements, which a third party may have acquired in respect of any real property;

(m) we have not confirmed the legal boundaries to any of the real property subject to the security in favour of Callidus;

(n) we have not verified the legal capacity of the officers or directors of the entities to determine that they were duly appointed or elected and we have assumed their legal capacities; and

(o) We are solicitors qualified to practice law in the Atlantic Provinces of Canada. The opinions expressed herein are limited to the laws of the Atlantic Provinces and the federal laws of Canada applicable therein.

Appendix D

Gray Aqua Group of Companies
Distribution Allocation Schedule
As at 31 May 2017

Secured Creditors with Priority to Callidus Capital Corporation

Secured Parties	Secured Asset(s)	Total Account Outstanding ($)	Appraisal (OLV) ($)	FLV / OLV Average	Appraisal (FLV) ($)	Marine Harvest - Tender Allocation ($)	Proposed Distribution ($)
8676658 Canada Inc.	Hog and Hospital Island (PIDS 15181597, 15159502, 15065899)	200,000	765,400	412,335	39,270	250,000	**200,000**
CCDC (Note 1)	Wash Tank & Conveyor, S/N M001165, Pocket Conveyor, S/N 19940-007, Vacuum Pump Motor, C1207170822, Pump, S/N 11-120P003059, Tote Dumper, S/N M001137	146,602	80,000	75,000	70,000	50,000	**75,000**
SCCDC (Note 1)	Scanvaegt Model B36, Portion Cutter, S/N 15461.80.0587, with laser scanner, micro process controller	146,340	80,000	75,000	70,000	25,000	**75,000**
Toronto Dominion Bank & TD Equipment Finance Canada	(1) Aqua-Life Fish Pump, model 1614 S/N 190 and one (1) KSF Fish Pump model KSF4 and one (1) Aquascan Fish Counter CSF3500	29,623	70,000	63,750	57,500	Not Allocated	**29,623**
Ford Credit Canada Limited	2012 Ford F150, S/N1FTFW1EF3CFA46595	25,090	24,000	23,500	23,000	Not Allocated	**23,500**
Ford Credit Canada Limited	2012 Ford F150, S/N 1FTFW1EFXCKD07955	22,345	22,000	21,000	20,000	Not Allocated	**21,000**
Blue Chip Leasing Corporation	One D50-250 Toyota Diesel Power Unit In Crash Frame (plus attachments, including net washer)	15,048	30,000	27,500	25,000	Not Allocated	**15,048**
Toronto Dominion Bank & TD Equipment Finance Canada	One (1) 2009 Silver Dolphin Stand Up Cabin Boat S/N QTN036BHI909	6,215	50,000	40,000	30,000	Not Allocated	**6,215**
	Total:	**591,263**	**1,141,400**	**738,085**	**334,770**	**Total:**	**445,386**

Notes

1. Assets secured by CCDC (the "**CCDC Security**") and SCCDC (the "**SCCDC Security**") were appraised within an en bloc appraised estimate of a Marel Fish Processing line ($500,000 OLV and $400,000 (FLV)). The CCDC Security and the SCCDC Security assets were not appraised individually as the assets form part of an integrated operating asset. The Receiver subsequently contacted Hilco Valuation Services ("**Hilco**") seeking clarification on the value of the security. Hilco estimated the SCCDC Security to be between $70,000 and $80,000. The Receiver has assumed a similar value for the CCDC Security on the basis that the CCDC Security is similar in nature.