

IN THE SUPREME COURT OF PRINCE EDWARD ISLAND

IN THE MATTER OF THE RECEIVERSHIP OF:

SILVER HILL FUR FARM LTD.

PURSUANT TO Section 44 of the *Judicature Act*, R.S.P.E.I. 1988, Cap. J-2.1 (the “Judicature Act”), Rule 41 of the Rules of Court of Prince Edward Island and Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended (the “BIA”)

BETWEEN:

BANK OF NOVA SCOTIA

APPLICANT

- and –

SILVER HILL FUR FARM LTD.

RESPONDENT

THIRD REPORT OF THE RECEIVER – 7 NOVEMBER 2017

INTRODUCTION AND BACKGROUND

1. In connection with the application of the Bank of Nova Scotia (“**BNS**” or the “**Bank**”) pursuant to section 44 of the *Judicature Act* (Prince Edward Island), Rule 41 of the *Rules of Court* of Prince Edward Island, and section 243(1) of the *Bankruptcy and Insolvency Act* (Canada) that was heard by the Honourable Gordon L. Campbell of the Supreme Court of Prince Edward Island on 29 March 2017, Ernst & Young Inc. (“**EYI**”) was appointed receiver and receiver manager (the “**Receiver**”) without security, of all of the assets, undertakings and properties of the Respondent (“**SHFF**” or the “**Company**”) whether in its name or in the name of the predecessor corporations Silver Hill Fur Farms Ltd., Silver Hill Fur and Feeds Inc., Silverhill Transport Ltd. and CJ Gavin Holdings Inc., including all proceeds thereof (collectively the “**Property**”).
2. The 29 March 2017 order (the “**Receivership Order**”) authorized the Receiver, among other things:
 - a. To take possession and control of the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

- b. To receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
 - c. To 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 the Receivership Order;
 - d. To receive and collect all monies and accounts now owed or hereafter owing to the Respondent and to exercise all remedies of the Respondent in collecting such monies, including, without limitation, to enforce any security held by the Respondent;
 - e. To 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; and
 - f. To take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.
3. A companion cooperation order (the "**Cooperation Order**") was issued on 29 March 2017 by this Honourable Court (the "**Court**") clarifying cooperation, access and information responsibilities of Cooperating Parties (as defined within the Cooperation Order) in relation to such requests by the Receiver.
 4. On 17 May 2017, the Court in connection with an ex-parte motion (the "**Motion**") brought by the Receiver, issued a Return of Property Order (the "**Return of Property Order**"), a Preservation of Property Order (the "**Preservation Order**") and an additional Cooperation Order (the "**Bell Cooperation Order**").
 5. The Preservation Order was subject to a comeback hearing (the "**Comeback Hearing**") scheduled for 29 May 2017. The purpose of the Comeback Hearing was to provide Casey Gavin, Leigh Gavin, Rose Gavin, Joyce Ann Gavin, Gavco Fishing Enterprises Ltd. ("**Gavco**") and Bullwinkle Fisheries Ltd. ("**Bullwinkle**") (collectively the "**Related Parties**") an opportunity to respond to the Preservation Order.
 6. On 31 May 2017, the Court in connection with the Comeback Hearing issued Preservation of Property Order Number Two (the "**Second Preservation Order**") which amended certain provisions of the initial

Preservation Order on consent by the Receiver, Jamie Gavin and the Related Parties.

7. Copies of court materials in these proceedings including copies of the orders identified above may be obtained from the Receiver's website established in connection with these proceedings (www.ey.com/ca/shff).

PURPOSE OF REPORT

8. The purpose of this third report (the "**Third Report**") is to update the Court on the Receivers activities and negotiations with the Related Parties in relation to the Property and the settlement of various claims; request this Honourable Court approve an order amending certain terms of the Preservation of Property Orders and the Return of Property Order, and request this Honourable Court authorize the Receiver to execute an agreement releasing Rose Gavin, Leigh Gavin, James Gavin, Gavco Fishing Enterprises Ltd., and Bullwinkle Fisheries Ltd. from certain claims of the Estate. The Receiver has organized its comments within the Third Report as follows:

- a. Terms of Reference
- b. Return of Property Update
 - o Rent Paid to Related Parties
 - o Storage Building and Land Allocation
 - o Missing Equipment Retrieval
 - o Fox Inventory
 - o Horse Inventory
- c. Life Insurance
- d. Financial Information Disclosure – Gavco and Bullwinkle
- e. Return of Missing Breeder Mink
- f. Settlement Agreement
- g. Interim Statement of Receipts and Disbursements

TERMS OF REFERENCE

9. In preparing the Third Report, the Receiver has been provided with, and has relied upon unaudited

historical financial statements, other unaudited financial information and projections prepared by the Respondent, the books and records of the Respondent, discussions with the management and employees of the Respondent, 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.

10. All references to monetary amounts in the Third Report are in Canadian dollars unless otherwise noted.
11. Capitalized terms not defined in the Third Report are as defined in the Receivership Order.

RETURN OF PROPERTY UPDATE

Rent Paid to Related Parties

12. Subsequent to the issuance of the Receivers Second Report, the Receiver completed a general review of the SHFF accounting records with a view to identifying any additional abnormal transactions arising within the last 12 months. A series of abnormal rent expense payments totalling \$123,900 during the month of October 2016 were identified. The abnormal rent expense details follow:
 - a. Payment to Leigh Gavin - \$39,900 + 5,586 HST (rental for 133 acres of land at \$100/acre for three years 2014, 2015 and 2016 - \$13,300 annual charge);
 - b. Payment to Leigh Gavin - \$36,000 + \$5,040 HST (720 days trailer rental fee at \$50/day for 4 months of 2014, 2015 and 8 months January through August 2016 - \$18,000 annual charge); and
 - c. Payment to Gavco Fishing Enterprises - \$48,000 + 6,720 HST (tractor rental at \$1,500/month for 2014, 2015 and 8 months January through August 2016 - \$18,000 annual charge).
13. Support documentation associated with the above transactions from the SHFF books and records is attached as **Appendix A**.
14. The above noted related party payments totalling \$123,900 occurred at a time when SHFF was experiencing financial difficulty. Consequently, these payments are subject to attack pursuant to Section 95(1)(b) of the BIA. The Receiver advised the Related Parties that it intended to pursue

collection activities and seek repayment of the preferential payment amounts.

15. The Related Parties maintain that all payments were on standard commercial terms and not subject to attack by the Receiver.

Storage Building and Land Allocation

16. In 2013, SHFF constructed a 60 foot by 100 foot storage barn for use within its farming operation as a feed preparation, storage and supply building (the “**SHFF Storage Shed**”). The capitalized cost of the SHFF Storage Shed on SHFF’s books and records totalled \$164,062.
17. The Receiver has determined that the SHFF Storage Shed was physically constructed on PID 257-000 (“**PID 257**”) owned by Leigh Gavin and Rose Gavin. PID 257 is adjacent to PID 1054402-000 (“**PID 105**”) owned by SHFF. As previously disclosed to this Honourable Court, Leigh Gavin is a shareholder of SHFF.
18. Utility services to the SHFF Storage Shed were billed directly to SHFF. Prior to disconnecting power service to the SHFF Storage Shed, the Receiver, out of an abundance of caution, contacted Mr. Leigh Gavin to advise of our intention to disconnect power. Mr. Leigh Gavin confirmed that the SHFF Storage Shed was located on his property but that he had no personal assets stored within the SHFF Storage Shed that had to be removed prior to utility services being disconnected.
19. Attached as **Appendix B** is a Genivar parcel survey (marked-up by the Receiver) showing the location of the above land PID’s and the approximate location of the SHFF Storage Shed. SHFF’s mink ranch barns are situated on PID 105. The SHFF Storage Shed is constructed along the southern boundary of PID 257 adjacent to PID 105.
20. The decision of the Gavins to construct the SHFF Storage Shed on PID 257 unjustly enriches the value of Leigh Gavin and Rose Gavin’s property and prohibits the Receiver from recovering value associated with that SHFF capital asset. The Receiver advised the Related Parties that it intended to pursue collection activities associated with the value of the SHFF Storage Shed.
21. The Related Parties maintain that the SHFF Storage Shed was at all times intended to be owned by Leigh Gavin and Rose Gavin but the transactions supporting this arrangement were not documented.

Missing Equipment Retrieval

22. In the First Report of the Receiver dated 12 May 2017, the Receiver advised this Honourable Court that it had been unable to locate various pieces of equipment listed within SHFF’s books and records with cumulative net book values totalling \$265,600. The existence of the missing equipment was confirmed by affidavits from three former site workers. Casey Gavin was unable or unwilling to provide

details on where the missing equipment was located.

23. On 20 June 2017, legal counsel for Leigh and Rose Gavin confirmed that SHFF equipment had been located in a barn belonging to Leigh Gavin. Counsel advised that his clients purportedly were not aware of the specific equipment which the Receiver had been looking for and advised that the Receiver had not previously inspected all buildings on Leigh Gavin's property. As a result, certain machinery and equipment had been overlooked but subsequently was made available to the Receiver for retrieval.
24. The additional SHFF equipment (the "**Returned Equipment**") was transported to SHFF's premises and arrangements were made by the Receiver to transport the Returned Equipment to a secure third party location. A partial listing of the Returned Equipment which had previously been described as missing with reported net book values totalling \$153,691 is noted below. Other pieces of SHFF equipment were also returned. The net book value of the additional Returned Equipment is not specifically identifiable.

Item #	MAKE	MODEL	YEAR	SERIAL NUMBER	Net Book Value
30	Combi Cut / Skinning Machinery				130,130
33	13 - Homogenizer				12,492
36	12 - Baler handler				7,569
38	SKID STEER	NH L125 0704A	2010	N8M463765	3,500
Total					153,691

25. Attached as **Appendix C** is a revised listing of SHFF equipment identifying 9 residual pieces of missing equipment (the "**Residual Missing Equipment**") which have yet to be returned to the Receiver notwithstanding the terms of the Return of Property Order. The net book value of the Residual Missing Equipment (or appraised values of the equipment if net book values could not be specifically identified) totals \$184,524; including 5 pieces with net book values totalling \$111,909 as reported within the Receivers First Report; 1 piece with a net book value totalling \$42,615 which was subsequently discovered and 3 pieces with appraised values totalling \$30,000.
26. Although the Receiver believes there is value associated with the Residual Missing Equipment, it does acknowledge that the net book values reported within the corporate records likely exceed the Residual Missing Equipment's liquidation value.

Fox Inventory

27. The Receiver attended SHFF's premises on 29 March 2017 and identified an inventory of live fox on site (the "**Fox Inventory**"). At that time, Casey Gavin and Leigh Gavin advised the Receiver that the Fox Inventory was comprised of approximately 400 animals. The Gavin's requested the Receiver not approach the Fox Inventory as it was breeding season. The Receiver complied with the request and

consequently a physical count of the Fox Inventory was not completed.

28. Casey Gavin advised the Receiver that the Fox Inventory had been sold to Leigh Gavin subsequent to 31 March 2016. The Receiver made several requests of Casey Gavin and Leigh Gavin to produce documents in relation to the fox sale, however as of the date of this Report no supporting documentation has been provided. The Receiver has no information to assess whether the alleged fox sale was completed and if it was completed, whether the non-arms-length sale was completed at fair market value.
29. The Receiver contacted Fur Harvesters Auction Inc. ("**FHAI**") which operates a fur auction business. FHAI confirmed that Leigh Gavin sent 200 fox pelts in March 2017 and 148 fox pelts in May 2017 to FHAI which were to be sold by auction (348 pelts in total). FHAI confirmed that 99 pelts were sold in May 2017 generating gross sale proceeds of \$6,806 USD (average \$68.75 USD/pelt). FHAI have in inventory 113 fox pelts expected to be sold at their January 2018 auction. The other 136 fox pelts which Leigh Gavin sent to FHAI were sold during FHAI's January 2017 and March 2017 auctions; the proceeds from which have been released to Mr. Leigh Gavin.
30. The Receiver has provided FHAI with copies of all applicable orders issued in relation to the SHFF receivership administration. FHAI confirmed they intend to hold the \$6,806 USD sale proceeds and residual fox pelts in trust pending further order from this Honourable Court.
31. On 20 June 2017, legal counsel for Leigh and Rose Gavin advised there were approximately 400 foxes located in a pen behind Leigh Gavin's property which Leigh Gavin and Rose Gavin took care of because SHFF was unable to pay for the requisite costs associated with feed and vaccinations. The Receiver sought clarification on the reported fox numbers as the Receiver understood the opening inventory was 400 animals, a large number of which were pregnant and expected to give birth in the Spring of 2017.
32. On 30 June 2017, counsel advised the Receiver that there were only 210 foxes on site. The decreased fox inventory numbers were reportedly attributable to Leigh and Rose Gavin having overestimated the original animal numbers. Furthermore, counsel advised that the female fox breeders only produced 5 new borne in March 2017. The low birth numbers were reportedly attributable to the foxes having been fed chickens contaminated by chemicals to kill algae in water lines. Notwithstanding the alleged contamination the fox inventory on site were reported to be in good health. Legal counsel for the Gavin's cautioned the Receiver that in order to prevent the spread of disease and contamination new clean carrying cages should be used to transfer the foxes off site. Counsel for the Gavin's also raised concerns about the foxes being moved during the summer months and warned that significant mortalities could arise.
33. The Receiver assessed the financial merits and options for taking possession of the Fox Inventory including seeking expressions of interest from various industry participants to acquire the Fox Inventory

on an as is where is basis. The Receiver was unable to identify any party willing to acquire the Fox Inventory as market conditions are currently depressed.

34. The Receiver advised legal counsel for the Gavin's that it would not pursue the recovery of the live Fox Inventory. The Receiver also confirmed that PwC acting in its capacity as Trustee in Bankruptcy of SHFF was not interested in taking possession of the Fox Inventory. However, the Receiver confirmed that it did intend to seek recovery of funds from FHAL in relation to past and future fox pelt sales for the benefit of the estates creditors.

Horse Inventory

35. Casey Gavin advised the Receiver that SHFF's horse inventory (with a net book value of \$120,115) was sold to Leigh Gavin at some point between 31 March 2015 and 31 March 2016. The Receiver made several requests of Casey Gavin and Leigh Gavin to produce documents to support the transaction, however as of the date of this Report no supporting documentation has been provided.
36. Counsel for the Related Parties advised that two former SHFF horses ("**Silverhill Cupid**" and "**Silverhill Spike**") are stabled with Mr. Terry Gallant in Summerside Prince Edward Island. Two other older horses ("**Proven Lover**" and "**Silverhill Shadow**") are reportedly injured and physically located in a field adjacent to Leigh and Rose Gavin's personal residence. The latter two horses are currently being cared for by Leigh Gavin and his granddaughter as neither animal is capable of continued racing. Counsel for the Related Parties advised that a 50% stake in Silverhill Spike had been granted to Mr. Terry Gallant, an unrelated party involved with the horse industry.
37. Counsel for the Related Parties extended an offer on behalf of Rose and Leigh Gavin to acquire Proven Lover and Silverhill Shadow from the Receiver for \$2,000. The Related Parties are not interested in purchasing Silverhill Cupid or Silverhill Spike. The offers to purchase / not purchase the horse inventory is inconsistent with Casey Gavin's earlier representation that the horses were previously sold.
38. A search of the Standard Bred Canada online horse registry noted that the registered ownership of Silverhill Cupid and Silverhill Spike was transferred from Leigh Gavin to Terry Gallant on 15 June 2017. The transfer of ownership was initiated by Leigh Gavin notwithstanding the terms of the Preservation of Property Order. Registered ownership of the horses has since returned to Leigh Gavin's name. A copy of the Standard Bred Canada registry is attached as **Appendix D**.
39. The Standard Bred Canada online registry also identified a previously undisclosed horse named Silverhill Misty which was owned by SHFF and a previously undisclosed horse registered to Leigh Gavin named Silverhilllightnin.
40. Registered ownership of Silverhill Misty was transferred from SHFF to Leigh Gavin on 6 February 2017.

On 18 June 2017 Leigh Gavin transferred ownership of Silverhill Misty to Jason Hughes. A printout of the Standard Bred registry referencing the above transfers is included in **Appendix E**. The Silverhill Misty transfer was completed notwithstanding the terms of the Preservation of Property Order.

41. Silverhilllighthnin was first registered in the Standard Bred online horse registry on 1 February 2017. On 15 June 2017, Leigh Gavin Transferred ownership of Silverhilllighthnin to Terry Gallant. A printout of the Standard Bred registry detailing this transfer is also included in **Appendix F**. The Silverhilllighthnin transfer was completed notwithstanding the terms of the Preservation of Property Order.
42. The Receiver has been in contact with Mr. Gallant who confirmed that he is boarding and caring for Silverhill Cupid and Silverhill Spike. Furthermore, Mr. Gallant confirmed that in October 2016 he entered into an oral agreement with Casey Gavin to purchase 50% of Silverhill Spike for \$1,000. Under the terms of the verbal agreement Gallant was responsible for 50% of the boarding / training costs and entitled to receive 50% of any race winnings.
43. In late April or early May 2017, Leigh Gavin asked Mr. Gallant to start racing Silverhill Cupid. Leigh Gavin advised Mr. Gallant that there was movement in the bankruptcy process and that any winnings could be used to pay off the debt he owed to Gallant. In June 2017, Leigh Gavin asked Gallant whether he would agree to purchase Silverhill Spike and Silverhill Cupid in consideration for a partial reduction of Leigh Gavin's indebtedness to Gallant. Leigh Gavin offered to sell the above horses to Gallant in consideration for a \$6,000 reduction to Leigh Gavin's account. Mr. Gallant agreed to the transaction and title to the horses was transferred notwithstanding the terms of the Preservation of Property Order.
44. Several days after Silverhill Spike and Silverhill Cupid were transferred to Mr. Gallant, Leigh Gavin contacted Gallant to advise that the horses had to be transferred back or he and possibly Gallant could face criminal charges. Mr. Gallant immediately consented to return title of the horses.
45. Mr. Gallant advised the Receiver that he is owed approximately \$20,000 for stable services and is not prepared to release Silverhill Spike or Silverhill Cupid to the Receiver until his debt is addressed.
46. The Receiver believes the manner in which the Gavin's and SHFF operated has produced considerable ambiguity into the legal rights of the respective parties. Furthermore, the estimated net realizable value of the Horse Inventory subject to the outstanding boarding fee's and professional costs of realization is unlikely to produce a favourable recovery for the estate. As such, the Receiver intends to seek compensation for the value of the Horse Inventory from the Related Parties on the basis that the Horse Inventory sale (as stipulated by Casey Gavin) was completed. The Receiver has seen no evidence that SHFF received compensation for the value of the Horse Inventory at the time of the sale thereby constituting a transfer at under value.
47. The Receiver approached the Racing Experience Manager of the Red Shores Racetrack and Casino

in Charlottetown PEI who estimated the value of Silverhill Spike, Silverhill Cupid, Proven Lover and Silverhill Shadow to be between \$24,000 and \$55,000. The Receiver advised counsel for the Related Parties that it intended to pursue collection activities associated with the value of the horse inventory.

LIFE INSURANCE

48. SHFF holds a life insurance policy on the life of Casey Gavin identified as Policy 001055380 (the “**Policy**”). The face value of the Policy is \$2.0 million with an expiry date of 21 December 2058. The Policy does not have a cash surrender value. SHFF is the named Policy beneficiary.
49. The Receiver has maintained the Policy post its appointment and funded the most recent premium securing coverage through December 2017.
50. A decision to maintain coverage under the Policy will be reassessed at a later date in consultation with the estates senior secured creditors.

FINANCIAL INFORMATION DISCLOSURE – GAVCO AND BULLWINKLE

51. The Second Preservation Order authorizes Gavco and Bullwinkle (the “**Corporations**”) to make use of funds from their respective Tignish Credit Union bank accounts in accordance with normal business practices for the purpose of paying standard operating expenses associated with their fishing operations (the “**Operating Expenses**”) including employee wages and associated employee remittances, equipment lease payments, fuel, bait, licensing fees and maintenance, which Operating Expenses will not exceed \$50,000 per Corporation without the written consent of the Receiver or further order of the Court.
52. The Second Preservation Order also directed the Corporations, at the request of the Receiver, to supply account statements, banking records and copies or receipts and invoices related to any transaction listed on the bank statements until such further order from this Honourable Court.
53. The Receiver requested and received copies of the Corporations banking records for the period 1 June 2017 through 31 August 2017. Bullwinkle and Gavco had \$10,786 and \$43,174 in their respective Tignish Credit Union accounts on 1 June 2017. Bullwinkle transferred \$68,709 into Gavco's bank account and Gavco released \$110,997 of payments to various suppliers on behalf of both Corporations including a \$25,000 retainer payment to their legal counsel. Bullwinkle did not pay any operating expenses directly over the three month period. Bullwinkle and Gavco deposited \$382,311 and \$473,563 into their respective Tignish Credit Union accounts from 3rd parties during the period.
54. Counsel for the Corporations requested and the Receiver consented to the Corporations funding two large loan payments to the Tignish Credit Union as follows:

- a. Bullwinkle – \$88,470 loan payment to the Tignish Credit Union payable 31 July 2017; and
 - b. Gavco - \$36,000 loan payment to the Tignish Credit Union payable 31 July 2017
55. The Receiver consented to the loan payments being made on the basis that the Tignish Credit Union has a legal right of offset for such amounts if the loan payments were not permitted to clear. As at 31 August 2017, Bullwinkle's bank accounts at the Tignish Credit Union held \$235,888 and Gavco's bank accounts held \$438,479.
56. Counsel for the Corporations asked the Receiver to consent to Gavco spending in excess of \$100,000 to replace an engine in a Gavco fishing vessel. The older engine, once replaced, was to be sold to Bullwinkle for anticipated consideration of \$30,000 to \$40,000. The Receiver advised that the related party engine sale was not appropriate given the terms of the Preservation of Property Order and that it required additional information before consenting to Gavco's engine replacement request.
57. The Receiver subsequently learned that Gavco proceeded to have the engine replacement work completed despite the Receiver not having consented to the expenditure and contrary to the spending limits imposed within the Second Preservation Order. On 11 September 2017, the Manager of the Tignish Credit Union sought the Receiver's approval to release \$144,842 to Tri-County Marine to pay for Gavco's engine replacement. The Tignish Credit Union Manager also advised the Receiver that Leigh and Rose Gavin were responsible to repay an \$80,000 Tignish Credit Union loan, originating from 2014, in relation to a marine vessel engine (the "**Marine Engine Loan**"). Annual payments of \$10,750 on the Marine Engine Loan are due in July each year. However, as a result of the issuance of the Preservation of Property Order Leigh and Rose Gavin have been unable to honour their financial commitment to the Tignish Credit Union.
58. The Receiver ultimately consented to Gavco paying the Tri-County Marine invoice on the basis that 1) Gavco has sufficient funds available to honour its commitment and 2) the value of the Gavco vessel has been improved by the value of work performed on the engine. The Receiver has also consented to the Marine Engine Loan payment being paid to the Tignish Credit Union on the basis that the Tignish Credit Union has a bona fide legal right of offset to the funds in the account.

RETURN OF MISSING BREEDER MINK

59. The Receiver confirms that 17,644 mink pelts were delivered to Nova Elite Farms Ltd.'s processing facility in Ste-Anne-Du-Ruisseau Nova Scotia on 27 October 2017. The delivery of the mink pelts satisfies the return of property provisions associated with the Breeder Mink and Live Mink inventory obligations as defined within the Return of Property Orders.
60. The Receiver has made arrangements with Nova Elite Farms Ltd. to prepare and send the mink pelts

to an accredited fur auction company where the pelts will be sold by auction and the net proceeds returned to the Receiver.

61. The Receiver has received conflicting information in relation to the opening number of mink on site at SHFF and whether there are or are not an additional 20,000 missing mink (representing the Fall Harvest inventory) to be accounted for. The Receiver is continuing to investigate this issue.

SETTLEMENT AGREEMENT

62. The Receiver, its counsel and counsel for the Related Parties have been involved in protracted settlement negotiations for an extended period of time in an attempt to finalize a mutually satisfactory settlement agreement with respect to the Property and claims identified within this Third Report. An agreement (the “**Settlement Agreement**”) between the Receiver, Leigh Gavin, Rose Gavin, James Gavin, Gavco Fishing Enterprises Ltd., and Bullwinkle Fisheries Ltd. (collectively the “**Released Parties**”) has been successfully negotiated subject to the approval of this Honourable Court.
63. The Released Parties have maintained that they have not been involved in any manner with the missing mink or otherwise with Casey Gavin and SHFF. The Released Parties have assured the Receiver that all of the transactions identified are defensible and none of them are liable for any wrongdoing.
64. The Settlement Agreement provides that in exchange for a payment of \$162,000 and subject to the Receiver locating and taking possession of approximately 18,000 mink pelts, the Receiver will seek an order amending the previous Property Orders such that the Released Parties will no longer be subject to the Property Orders and the Released Parties will be irrevocably released of the Claims (as defined within the proposed Amendment of Property Orders Order) in their entirety.
65. The Receiver is not proposing the release of Casey Gavin nor any member of Casey Gavin's family other than the Released Parties from the Claims or the obligations included within the Property Orders.
66. The Receiver believes that the \$162,000 cash recovery comprised of \$160,000 of settlement funds and \$2,000 as a payment to the Estate to transfer horses having the names Proven Lover and Silverhill Shadow to the Released Parties combined with the return of approximately 18,000 mink pelts represents a fair settlement with the Released Parties and avoids what might otherwise become costly and protracted litigation to address such matters.
67. The cost to pursue the claims against the Released Parties would be significant and may exceed the difference between the amount received under the Settlement Agreement and the total amount of the claims being compromised.
68. The Receiver has consulted with the Bank of Nova Scotia, Finance Prince Edward Island and American Legend Cooperative (“**ALC**”), SHFF's primary creditors with respect to the Settlement Agreement. The

Bank of Nova Scotia supports the Receiver's recommendation that the Settlement Agreement be completed, ALC does not oppose the settlement and Finance Prince Edward Island is completing its assessment of the Settlement Agreement. None of the secured creditors have indicated that they are willing to provide additional financing to the Receiver to pursue the claims against the Released Parties. In order to pursue the claims further the Receiver would have to obtain additional financing.

69. The Receiver respectfully recommends that the Settlement Agreement be approved and the Receiver be authorized to execute the Release substantially in the form presented and attached hereto as **Appendix G** and this Honourable Court approve the Amendment of Property Orders Order attached hereto as **Appendix H**.

INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS

70. Attached as **Appendix I** is the Interim Statement of Receipts and Disbursements (the "**SRD**") for the period 29 March 2017 to 26 October 2017 reporting financial transactions of the Receiver during its administration. The excess of receipts over disbursements shown on the SRD is largely required by the Receiver to satisfy unpaid financial commitments and ongoing obligations of the Receiver required to care for and protect the Property and pursue recoveries from the Related Parties.

All of which is respectfully submitted this 7th day of November 2017.

ERNST & YOUNG INC.

Licensed Insolvency Trustee

Acting solely in its capacity as the Court Appointed Receiver and Receiver-Manager of Silver Hill Fur Farm Ltd. and not in its personal capacity

Per:



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

APPENDIX A

Silver Hill Fur Farm Ltd.
General Ledger Report Apr 01, 2016 to Mar 31, 2017
Sorted by: Date

Date	Comment	Debits	Credits	Balance	
5835	Land Rental			-	Dr
Jul 28, 2016	Joe Dorgan (land rental)	7,000.00	-	7,000.00	Dr
Sep 06, 2016	561351, Gavin, Leigh	39,900.00	-	46,900.00	Dr
		46,900.00	-		

Silver Hill Fur Farm Ltd.
Purchases Journal J1477 to J1477

		Account Number	Account Description	Debits	Credits	Crop Amt.
Sep 06, 2016	J1477	CHQ. 521, 561351,	Gavin, Leigh			
		2315	GST Paid on Purchases	5,586.00	-	
		5835	Land Rental	39,900.00	-	
		1001	Scotia CDN #03648-19	-	45,486.00	
Additional Date:		Additional Field:				
				45,486.00	45,486.00	

File Edit View Purchase Report Help



Payment Method: Cheque Paid From: 1001 Scotia CDN #03648-19 Cheque No.: CHQ. 521

Purchase Invoice

Supplier:
Gavin, Leigh
RR #4
Tignish, PE C0B 2B0
CANADA

PAID

☒ Invoice Received Invoice No.: 561351
Date: 2016/09/06

Crop:

Item Number	Quantity	Unit	Item Description	Price	Tax	Tax Amount	Amount	Account	Crops
	133	ACRES	LAND RENT IN 2014	100.00	HT	1,862.00	13,300.00	5835 Land Rental	
	133	ACRES	LAND RENT IN 2015	100.00	HT	1,862.00	13,300.00	5835 Land Rental	
	133	ACRES	LAND RENT IN 2016	100.00	HT	1,862.00	13,300.00	5835 Land Rental	

Early Payment Discount: %
Cheque Amount: 45,486.00

Subtotal: 39,900.00
Freight:
Tax: 5,586.00
Total: 45,486.00

Amount Owing: 0.00

Silver Hill Fur Farm Ltd.

CHQ. 521

0 6 0 9 2 0 1 6
D D M M Y Y Y Y

\$**45,486.00

Total	45,486.00
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Silver Hill Fur Farm Ltd.

General Ledger Report Apr 01, 2016 to Mar 31, 2017

Sorted by: Date

Date	Comment	Debits	Credits	Balance	
5760	Rent			-	Dr
Aug 17, 2016	BERNARD, TOMMY	5,000.00	-	5,000.00	Dr
Sep 06, 2016	561354, Gavco Fishing Enterprises	48,000.00	-	53,000.00	Dr
Sep 06, 2016	561352, Gavin, Leigh	36,000.00	-	89,000.00	Dr
		89,000.00	-		

Silver Hill Fur Farm Ltd.
Purchases Journal J1475 to J1475

		Account Number	Account Description	Debits	Credits	Crop Amt.
Sep 06, 2016	J1475	CHQ. 523, 561354,	Gavco Fishing Enterprises			
		2315	GST Paid on Purchases	6,720.00	-	
		5760	Rent	48,000.00	-	
		1001	Scotia CDN #03648-19	-	54,720.00	
Additional Date:		Additional Field:				
				54,720.00	54,720.00	

Purchase Invoice

Supplier: Gavco Fishing Enterprises

PAID

☒ Invoice Received

Invoice No.: 561354

Date: 2016/09/06

Crop:

Item Number	Quantity	Unit	Item Description	Price	Tax	Tax Amount	Amount	Account	Crops
	12	MONTH	TRACTOR RENTAL IN 2014	1,500.00	HT	2,520.00	18,000.00	5760 Rent	
	12	MONTH	TRACTOR RENTAL IN 2015	1,500.00	HT	2,520.00	18,000.00	5760 Rent	
	8	MONTH	TRACTOR RENTAL IN 2016 (JAN-AUG)	1,500.00	HT	1,680.00	12,000.00	5760 Rent	

Early Payment Discount: %
Cheque Amount: 54,720.00

Subtotal: 48,000.00
Freight:
Tax: 6,720.00
Total: 54,720.00

Amount Owing: 0.00

Silver Hill Fur Farm Ltd.

CHQ. 523

0 6 0 9 2 0 1 6
D D M M Y Y Y Y

****54,720.00**

Total	54,720.00
-------	-----------

Silver Hill Fur Farm Ltd.
Purchases Journal J1476 to J1476

		Account Number	Account Description	Debits	Credits	Crop Amt.
Sep 06, 2016	J1476	CHQ. 522, 561352,	Gavin, Leigh			
		2315	GST Paid on Purchases	5,040.00	-	
		5760	Rent	36,000.00	-	
		1001	Scotia CDN #03648-19	-	41,040.00	
Additional Date:		Additional Field:				
				41,040.00	41,040.00	

Purchase Invoice

Supplier: *
Gavin, Leigh
RR #4
Tignish, PE C0B 2B0
CANADA

PAID

☒ Invoice Received Invoice No.: * 561352
Date: * 2016/09/06

Crop:

Item Number	Quantity	Unit	Item Description	Price	Tax	Tax Amount	Amount	Account	Crops
	720	DAYS	TRAILER RENTAL	50.00	HT	5,040.00	36,000.00	5760 Rent	
			4 MONTHS IN 2014; 12 MONTHS IN 2015; (JAN-AUG) 8 MONTHS IN 2016						

Early Payment Discount: %
Cheque Amount: 41,040.00

Subtotal: 36,000.00
Freight:
Tax: 5,040.00
Total: 41,040.00

Amount Owing: 0.00

Silver Hill Fur Farm Ltd.

CHEQUE NO.

CHQ. 522

DATE

0 6 0 9 2 0 1 6
D D M M Y Y Y Y

**Forty One Thousand Forty and 00/100

\$**41,040.00

Gavin, Leigh
RR#4
Tignish, PE C0B 2B0
CANADA

Gavin, Leigh

Sep 06, 2016

CHQ. 522

561352..... 41,040.00

Total 41,040.00

Gavin, Leigh

Sep 06, 2016

CHQ. 522

561352..... 41,040.00

Total 41,040.00

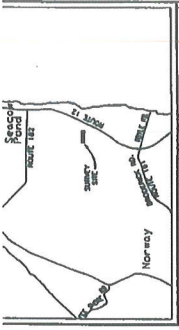
APPENDIX B

POINT	NORTHING	EASTING
1	774252.73	774252.73
2	774252.73	774252.73
3	774252.73	774252.73
4	774252.73	774252.73
5	774252.73	774252.73
6	774252.73	774252.73
7	774252.73	774252.73
8	774252.73	774252.73
9	774252.73	774252.73
10	774252.73	774252.73
11	774252.73	774252.73
12	774252.73	774252.73
13	774252.73	774252.73
14	774252.73	774252.73
15	774252.73	774252.73
16	774252.73	774252.73
17	774252.73	774252.73
18	774252.73	774252.73
19	774252.73	774252.73
20	774252.73	774252.73

PID 257

PID 1054402

Storage Building



LEGEND:

FOUND SURVEY MARKER: P P.L.

PLACED SURVEY MARKER: M M.L.

LANDS ACQUIRED BY THE PLAN: A A.C.

LANDS NOT ACQUIRED BY THE PLAN: N N.C.

LANDS OF A.C. CURVATURE: C C.C.

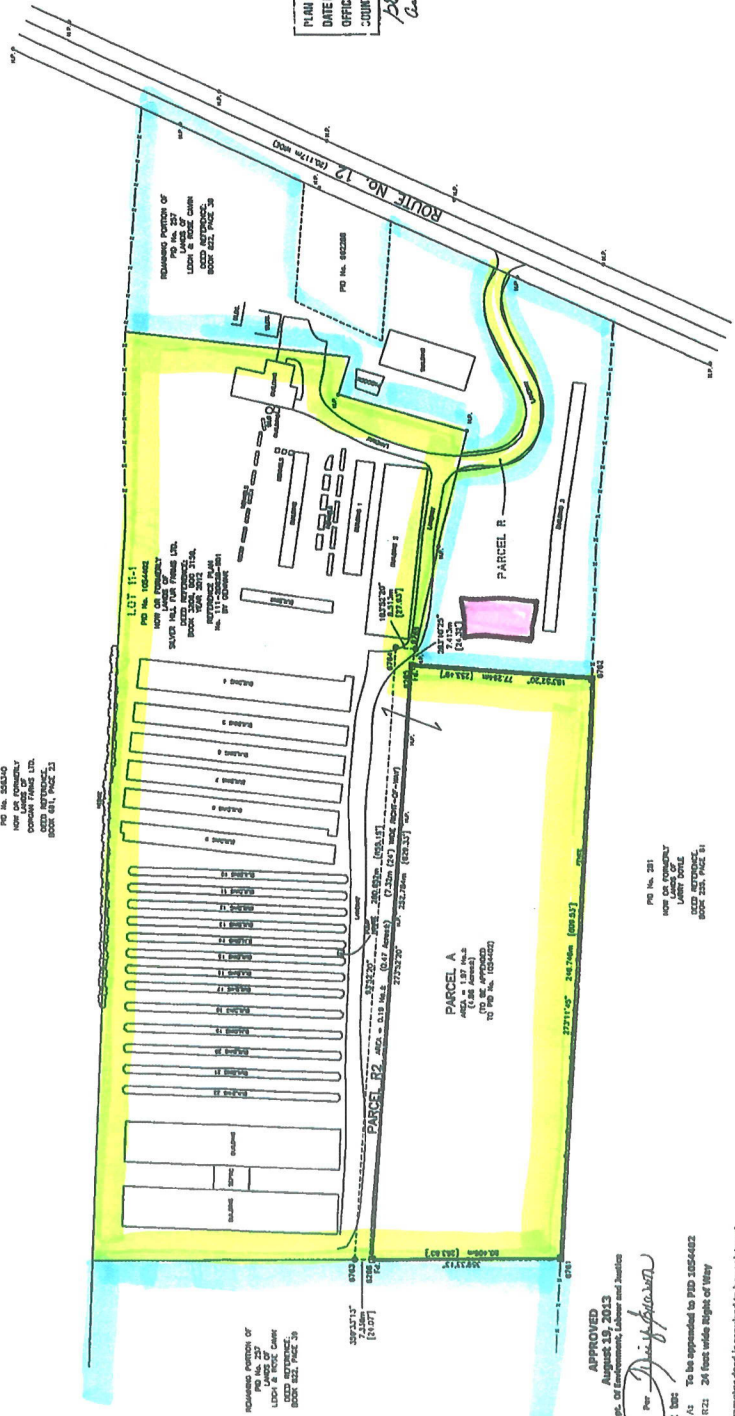
LANDS OF N.C. CURVATURE: N N.C.

HYDRA PILE: H H.P.

CALCULATED POINT: C C.P.

NOTES:

1. THE FIELD WORK FOR THIS SURVEY WAS COMPLETED ON MAY 22, 2013.
2. THE SURVEY WAS CONDUCTED BY THE COMPASS RULE AND THE SCALE FACTOR WAS NOT USED.
3. ADJUSTING WAS DONE.
4. ADJUSTING AND COORDINATES SHOWN ARE BASED ON THE P.D. DOUBLE STATIONING PRODUCTION WITH IMAGE (CORS) REFERENCE SYSTEM.
5. ALL DIMENSIONS ARE GIVEN IN METERS, UNLESS NOTED.
6. ADJUSTING LAND OWNER INFORMATION HAS BEEN OBTAINED IN WHOLE OR IN PART FROM THE RECORDS OF THE PRINCE EDWARD COUNTY LAND OFFICE. THESE RECORDS WERE PUBLISHED ON MAY 22, 2013.



PLAN NO. 37578
DATE RECEIVED 06/10/2013
OFFICE: *Pay & Order*
COUNTY: *Prince Edward*
Case by: *P.E. County*



PLAN OF SURVEY SHOWING
PARCELS A & R2
BEING A SUBDIVISION OF
LEIGH & ROSE GAVIN

SCALE: 1:1000 METRIC
20 10 0 10 20 30 40 50 60 70 80 90 100

LOT 1
SEASIDE POND
PRINCE EDWARD COUNTY
DRAWN BY: NEALAN, C.E.T.
ORTHO NO. 118 04 103
DRAINING NO. 131-17952-301
P.L.D. NO. 257



JAMES A. CLARK, PRINCE EDWARD COUNTY LAND SURVEYOR, 20 HAZEL CREEK, QUEBEC
THIS SURVEY WAS CONDUCTED UNDER MY DIRECTORSHIP AND SUPERVISION, AND
THESE ARE THE TRUE AND CORRECT REPRESENTATIONS OF THE LANDS.
JAMES A. CLARK
DATE: MAY 22, 2013
OFFICE: TEL: 441-1100

© (2013) NO PERSON MAY COPY, REPRODUCE, SELL OR ALTER THIS PLAN IN WHOLE OR IN PART WITHOUT THE EXPRESS WRITTEN CONSENT OF GENIVAR INC.

#43304

APPROVED
Authorized to sign and justify
Dept. Of Environment
Per: *[Signature]*

Subject to:
1. "To be approved by P.D. 1054402"
2. "To be approved by P.D. 1054402"
No person shall be required to be registered
reflect this plan.

Notes: This subdivision approval has been issued in a
geographic area which does not have land zoning. The
land use is not restricted by any zoning. The land use is
commercial, agricultural, forestry, mining, manufacturing,
tourism, industrial or institutional uses which may
be used for any purpose. The use of the site for which the approval has
been issued.

APPENDIX C

					RESIDUAL MISSING EQUIPMENT									
Item #	MAKE	MODEL	YEAR	SERIAL NUMBER	Appraised Value	Net Book Value	Residual Missing Equipment	Returned Equipment	SHFF Equipment - No Ownership Dispute - Assets Removed from Site	SHFF Equipment - Retrieved and removed from Site on 27 June 2017	SHFF Equipment - Assets Remain on Site - Certain Items Subject to Disputed Ownership	SHFF Equipment - Subject to Non-Arm's Length Sale Transactions	SHFF Equipment - Subject to PPSA Registration by Equipment Lessors	SHFF Equipment - Assets Not Found
1	FEED CART	TWINCA ROYAL 1600	2011	NY104711540				Yes	Yes					
2	FEED CART	ROYAL 2000 KUBOTA	2013	8202125				Yes	Yes					
3	SPREADER	KUHN-KNIGHT PS150	2012	D0071				Yes	Yes					
4	TEDDER	NH 4 BASKET 163	2010	10971				Yes	Yes					
5	PLOW	KON 5500	2013	612749				Yes	Yes					
6	RAKE	NH 216	2012	662965				Yes	Yes					
7	DISC BINE	NH 1412		679724				Yes	Yes					
8	TRACTOR	JD 6400	1996	XLO6400X148212X	24,000	N/A	Yes				Yes			
9	FEED CART	TWINCA 1400	2012	NY8142008				Yes		Yes				
10	GRAPPLE	MARCREST BG42	2014	140273	2,500	N/A	Yes				Yes			
11	SNOW BLOWER	NORMAND	2011	20C42346				Yes		Yes				
12	SNOW BLOWER	NOR N104-342TR	2013	22N53391				Yes		Yes				
13	SPRING HARROWS	KON 2615	2013	700199	3,500	N/A	Yes				Yes			
14	14 - Twinca - feed cart (haliburton)				N/A	42,615	Yes				Yes			
15	FORKLIFT	TOYOTA 7FGU25	2006	79997								Yes		
16	BALER	BC570	2010	YAN103959								Yes		
17	BALER	4240P MARCREST BARON	2013	13410								Yes		
18	12 - Horse trailer											Yes		
19	2014 Dodge Ram Longhorn 4x4 2500 4 Door Crew Cab		2014	Vin#3C6URSGL7EG228284								Yes		
20	2014 Dodge Ram Longhorn 4x4 1500 4 Door Crew Cab		2014	Vin#1C6RR7PMXES399078								Yes		
21	TRACTOR 4WD	NH T6030	2010	ZABDO2618								Yes		
22	DISC HARROWS	JD 0637XN	2008	N00637X012129									Yes	
23	TRACTOR 2WD	NH T6030	2012	ZCBD11146									Yes	
24	FORKLIFT (SIDE SHIFT&ROT	TOYOTA 8FDU25	2012	31461									Yes	
25	FORKLIFT	TOYOTA 8FDU25	2012*	60809									Yes	
26	BALER	NH BC570	2013	YCN111793									Yes	
27	ROLLER HARROW	UNVERFERTH 220	2006	81502B									Yes	
28	FORKLIFT	TOYOTA 8FDU25	2012	31112									Yes	
29	TRACTOR	NH T7.270 AC &3 PT HITCH		ZBDZ22245									Yes	
30	Combi Cut / Skinning Machinery							Yes		Yes				
31	Agromatic Loader		2014	A500203	N/A	44,249	Yes							Yes
32	14 - Twinca - feed cart (haliburton)				N/A	42,615	Yes							Yes
33	13 - Homogenizer							Yes		Yes				
34	MINI LOADER	NORCAR		A035004				Yes		Yes				
35	12 - Contractor w Rock Spike				N/A	7,608	Yes							Yes
36	12 - Baler handler							Yes		Yes				
37	13 - 4 WD Rops W 1801L LG Tractor				N/A	5,762	Yes							Yes
38	SKID STEER	NH L125 0704A	2010	N8M463765				Yes		Yes				
39	MINI LOADER	NORCAR 911760		A600205	N/A	11,674	Yes							Yes
40	TRACTOR	NH TN60	2010	HJE068023								Yes		
41	FEED CART	ROYAL 2000 KUBOTA	2013	8202126				Yes		Yes				

Total 30,000 154,524

APPENDIX D

3LR408 SILVERHILL CUPID

Not Tattooed

Freeze Branded **3LR40** on Right Side Of Neck

PROVEN LOVER - RUTHIE JANE - PEARL RIVER MATT

NO WHITE MARKINGS.

Breeders: SILVERHILL
TIGNISH, PE

Registered Owner: (Transfer Date: 16-JUN-2017)

1. GAVIN, LEIGH - [9A3491]
SEA COW POND 20823
RR 4
TIGNISH, PE - COB 2B0

Electronic Registration Authorized by

GAVIN, LEIGH on (07-JUL-2017)

SEA COW POND 20823
RR 4
TIGNISH, PE COB 2B0

Previous Owner (Transfer Date: 15-JUN-2017)

1. GALLANT, TERRY A - [215421]
2-17 BROCKVILLE ST
SUMMERSIDE, PE - C1N 2S2

Previous Owner (Transfer Date: 06-FEB-2017)

1. GAVIN, LEIGH - [9A3491]
SEA COW POND 20823
RR 4
TIGNISH, PE - COB 2B0

Previous Owner (Transfer Date: N/A)

1. SILVERHILL - [1A0866]
C/O CASEY GAVIN
20826 ROUTE 12
TIGNISH, PE - COB 2B0

Date of Birth: 05-MAY-2013

4 y.o. BAY MARE PACER

DNA: ST2013328823 (PV)

Foaled: TIGNISH PE

Sire stood in: PE

Standard

Printed: 18-JUL-2017 02:12 PM

Canadian Registered

Cdn Reg Date: 19-DEC-2013 Electronic: 07-JUL-2017

Coggins Test Date: 13-JUL-2015

Eligibility Fee: 2017 PAID

PACE - AEE: 20-JUL-2015

Date of last Change: 07-JUL-2017 (244CC)

1NR343 SILVERHILL SPIKE

Not Tattooed

Freeze Branded **1NR34** on Right Side Of Neck

PROVEN LOVER - SHARK LIKE LADY - FOUR STARZZZ SHARK

NO WHITE MARKINGS.

Breeders: SILVERHILL
TIGNISH, PE

Date of Birth: **14-APR-2015**
2 y.o. **BAY COLT PACER**
DNA: **ST2015353186 (PV)**

Foaled: **SEACOW POND PE**
Sire stood in: **PE**

Standard

Printed: 18-JUL-2017 02:16 PM

Canadian Registered

Cdn Reg Date: 23-DEC-2015 Electronic: 07-JUL-2017

Coggins Test Date: 16-JUN-2017

Eligibility Fee: **2017 PAID 2016 NOT PAID**

PACE - AEE: 23-JUN-2017

Date of last Change: 07-JUL-2017 (244CC)

Registered Owner: (Transfer Date: 16-JUN-2017)

1. GAVIN, LEIGH - [9A3491]
SEA COW POND 20823
RR 4
TIGNISH, PE - C0B 2B0

Electronic Registration Authorized by

GAVIN, LEIGH on (07-JUL-2017)

SEA COW POND 20823

RR 4

TIGNISH, PE C0B 2B0

Previous Owner (Transfer Date: 15-JUN-2017)

1. GALLANT, TERRY A - [2154Z1]
2-17 BROCKVILLE ST
SUMMERSIDE, PE - C1N 2S2

Previous Owner (Transfer Date: 06-FEB-2017)

1. GAVIN, LEIGH - [9A3491]
SEA COW POND 20823
RR 4
TIGNISH, PE - C0B 2B0

Previous Owner (Transfer Date: N/A)

1. SILVERHILL - [1A0866]
C/O CASEY GAVIN
20826 ROUTE 12
TIGNISH, PE - C0B 2B0

APPENDIX E

1NR376 SILVERHILL MISTY
Not Tattooed
Freeze Branded 1NR37 on Right Side Of Neck
PROVEN LOVER - SOUTHWIND MIRANDA - ARTSPLACE

BOTH HIND PASTERNS WHITE.

Breeders: SILVERHILL
TIGNISH,PE

Registered Owner: (Transfer Date: 07-JUL-2017)

- 1. HUGHES,KURT O - [900G12]
48 TUCKERS WAY
STRATFORD,PE - C1B 3X4

Electronic Registration Authorized by
HUGHES,KURT O on (13-JUL-2017)
48 TUCKERS WAY
STRATFORD, PE C1B 3X4

Previous Owner (Transfer Date: 18-JUN-2017)

- 1. HUGHES,JASON K - [276B79]
14 MOUNT HERBERT RD
STRATFORD,PE - C1B 2S4

Previous Owner (Transfer Date: 06-FEB-2017)

- 1. GAVIN,LEIGH - [9A3491]
SEA COW POND 20823
RR 4
TIGNISH,PE - C0B 2B0

Previous Owner (Transfer Date: N/A)

- 1. SILVERHILL - [1A0866]
C/O CASEY GAVIN
20826 ROUTE 12
TIGNISH,PE - C0B 2B0

Date of Birth: 16-MAY-2015
2 y.o. BAY FILLY PACER
DNA: ST2015353164 (PV)

Foaled:SEACOW POND PE
Sire stood in:PE

Standard
Canadian Registered
Cdn Reg Date: 23-DEC-2015 Electronic: 13-JUL-2017
Coggins Test Date: 11-JUL-2017
Eligibility Fee: 2017 PAID 2016 NOT PAID
PACE - AEE:10-JUL-2017
Date of last Change: 13-JUL-2017 (244CC)

APPENDIX F

4PR758 SILVERHILLLIGHTNIN
Not Tattooed
Freeze Branded 4PR75 on Right Side Of Neck
PROVEN LOVER - TODALU - ARTSPLACE

STAR AND CONNECTED STRIP. LEFT FRONT PASTERN. EXTENDING TO ANKLE BEHIND: BOTH
HIND ANKLES WHITE.

Breeders: SILVERHILL
TIGNISH.PE

Registered Owner: (Transfer Date: 15-JUN-2017)

- 1. GALLANT,TERRY A - [2154Z1]
2-17 BROCKVILLE ST
SUMMERSIDE,PE - C1N 2S2

Electronic Registration Authorized by
GALLANT,TERRY A on (30-JUN-2017)
2-17 BROCKVILLE ST
SUMMERSIDE, PE C1N 2S2

Previous Owner (Transfer Date: 01-FEB-2017)

- 1. GAVIN,LEIGH - [9A3491]
SEA COW POND 20823
RR 4
TIGNISH,PE - C0B 2B0

Date of Birth: 14-JUN-2016
1 y.o. BAY COLT NO GAIT
DNA: ST2017372315 (PV)

Foaled:TIGNISH PE
Sire stood in:PE

Standard
Canadian Registered
Cdn Reg Date: 15-MAY-2017 Electronic: 30-JUN-2017
Coggins Test Date: N/A
Eligibility Fee: 2017 NOT PAID 2016 NOT PAID

Date of last Change: 30-JUN-2017 (214WB)

APPENDIX G

RELEASE

KNOW ALL PERSONS BY THESE PRESENTS that in accordance with an Order of the Court dated _____, attached hereto as Schedule “A”, Ernst & Young Inc. in its capacity as receiver and receiver manager of Silver Hill Fur Farm Ltd. (the “**Receiver**”) having been appointed by Order of the Supreme Court of Prince Edward Island dated March 29, 2017, (in consideration of \$162,000.00 DOLLARS, the receipt whereof is hereby acknowledged), on behalf of the estate of Silver Hill Fur Farm Ltd. (the “**Estate**”) does hereby remise, release and forever discharge Rose Gavin, Leigh Gavin, James Gavin, Gavco Fishing Enterprises Ltd. and Bullwinkle Fisheries Ltd. (collectively the “**Releasees**”) their heirs, successors and or assigns (as the case may be), of and from all manner of actions, causes of action, suits, debts, dues, accounts, bonds, covenants, contracts, claims and demands whatsoever which against the said Releasees, the Estate ever had, now has or which its successors and or assigns, or any of them, hereafter can, shall or may have for or by reason of any cause, matter or thing arising from the matters addressed in the Cause #S1-GS-27628 in the Prince Edward Island Supreme Court (collectively, the “**Claims**”). Furthermore, the Estate agrees not to knowingly make or assert any Claims against or on behalf of any person who might claim subrogation, contribution or indemnity against the Releasees under the provisions of any statute or otherwise provided nothing herein shall operate as a bar to any Claims being asserted against Casey Gavin or any member of Casey Gavin’s family other than the Releasees or any person, entity, partnership or association in which Casey Gavin has an interest or with whom Casey Gavin does or has done business with directly or indirectly including through the Estate other than the Releasees (collectively, the “**Non Released Parties**”).

The Releasees shall not assign, transfer or otherwise cause the releases granted herein to be conveyed or available to any Non Released Parties and, without limiting the generality of the foregoing, if any Releasee amalgamates or otherwise combines its operations in or with any Non Released Party(ies) then such new amalgamated or combined entity shall not benefit from the releases granted herein.

The payment herein does not constitute an admission of liability on the part of the Releasees.

This release is executed by the Estate on the ____ day of _____, 2017.

**SIGNED, SEALED AND
DELIVERED** in the presence of:

THE ESTATE OF SIVER HILL FUR
FARM INC.

Witness

Per: George Kinsman of Ernst &
Young Inc. as the Court Appointed
Receiver of the Estate of Silver Hill
Fur Farm Inc. and not in its personal
capacity

APPENDIX H

SUPREME COURT OF PRINCE EDWARD ISLAND

BETWEEN:

BANK OF NOVA SCOTIA

APPLICANT

AND:

SILVER HILL FUR FARM LTD.

RESPONDENT

BEFORE THE HONOURABLE
JUSTICE GORDON L. CAMPBELL

DATED the ____ day
of November, 2017.

AMENDMENT OF PROPERTY ORDERS

WHEREAS this Court granted the Initial Receivership Order and a companion Cooperation Order on March 29, 2017 in relation to the Respondent wherein Ernst & Young Inc. was appointed receiver and receiver manager (the “**Receiver**”) of all the Respondent’s assets, undertakings and properties (collectively, the “**Property**”);

AND WHEREAS this Court granted: i) a further order on May 17, 2017 (the “**Preservation of Property Order**”) in relation to the assets and undertaking of Casey Gavin, Leigh Gavin, Rose Gavin, Joyce-Ann Gavin and Gavco Fishing Enterprises Ltd. (“**Gavco**”) and Bullwinkle Fisheries Ltd. (“**Bullwinkle**”) on an interim basis until a further hearing scheduled for May 29, 2017 at 11:00 a.m. (the “**Comeback Hearing**”) and ii) an order for the return of certain Property (the “**Return of Property Order**”);

AND UPON Casey Gavin, Leigh Gavin, Rose Gavin, Joyce-Ann Gavin, James Gavin, Gavco and Bullwinkle and the Receiver consenting at the Comeback Hearing that the Preservation of Property Order was to remain in place until further Order of this Court on the terms of the Order granted on May 31, 2017 (“**Preservation of Property Order Two**”);

AND UPON the Receiver confirming that it has reached a settlement with Leigh Gavin, Rose Gavin, Gavco, Bullwinkle and James Gavin in relation to all claims by the estate of the Respondent against each of them for the claims set out in the Preservation of Property Order, the Return of Property Order and the Preservation of Property Order Two (collectively, the “**Property Orders**”) (collectively, the “**Claims**”) and the Receiver now holds \$162,000.00 in trust pending the issuance of this Order (the “**Settlement Funds**”);

AND UPON being satisfied that the granting of this Order will assist in the orderly administration of the Receivership proceedings and the orderly operation of Gavco and Bullwinkle;

AND UPON the Receiver having located and taken possession of approximately 18,000 mink pelts satisfying the return of property provisions associated with the Breeder Mink and Live Mink inventory obligations as defined within the Return of Property Orders;

THIS COURT ORDERS THE FOLLOWING:

1. The time for service of the Notice of Motion and the Motion Record is hereby abridged as required so that this Motion is properly returnable today.
2. The Property Orders shall continue to apply in all respects except that:
 - a. each of Leigh Gavin, Rose Gavin, Gavco, Bullwinkle and James Gavin (collectively, the “**Gavin Parties**”) are no longer subject to the Property Orders; and
 - b. the Property Orders are hereby amended by the deletion of the names Leigh Gavin, Rose Gavin, Gavco, Bullwinkle and James Gavin.
3. Each of the Gavin Parties are hereby irrevocably released of the Claims in their entirety.
4. The Receiver is hereby authorized and directed to complete the settlement with the Gavin Parties including, but not limited to, executing the draft release filed with the Receiver’s Third Report on this Motion.

5. The Settlement Funds are hereby released to the Receiver.

J.

CONSENTED TO IN FORM AND SUBSTANCE

This ____ day of _____, 2017 by counsel to Leigh Gavin, Rose Gavin, James Gavin, Gavco Fishing Enterprises Ltd. and Bullwinkle Fisheries Ltd.

D. Brandon Forbes as counsel to the above noted parties

This ____ day of _____, 2017 by counsel to the Court Appointed Receiver

Pamela J. Williams, Q.C

BANK OF NOVA SCOTIA v. SILVER HILL FUR FARM LTD.

SUPREME COURT OF PRINCE EDWARD ISLAND

PROCEEDINGS COMMENCED AT
CHARLOTTETOWN

AMENDMENT OF PROPERTY ORDERS

COX & PALMER
Dominion Building
97 Queen St., Suite 600
Charlottetown, PE C1A 4A9

Per: Pamela J. Williams and Josh McElman

APPENDIX I

District of Prince Edward Island
Division No.
Court No. S1-GS-27628
Estimate No. 51-125992

**IN THE MATTER OF THE COURT APPOINTED RECEIVERSHIP OF
SILVER HILL FUR FARM LTD.
INTERIM STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD 29 MARCH 2017 TO 26 OCTOBER 2017**

RECEIPTS

Agristability Payment	219,514.87
Advance from Secured Creditors	100,000.00
Auction Proceeds	72,800.00
Lease Payment	33,625.00
Sale of Inventory	27,771.75
Accounts Receivable	26,268.34
HST Collected	5,043.75
Trust Funds - Other	2,490.82
Miscellaneous Receipts	333.47
TOTAL RECEIPTS	\$ 487,848.00

DISBURSEMENTS

Receiver's Fees and Costs	95,473.50
Legal Fees/Disbursements	73,104.00
Insurance	42,182.40
HST paid (ITC)	35,321.85
Utilities	25,070.14
Transport	17,190.00
Appraisal Fees	12,334.77
Commission	7,178.50
Other misc disbursements	3,264.25
Security	2,665.00
Waste Disposal	2,300.00
Repairs & Maintenance	530.00
Bank Charges	78.80
Filing fees paid to Official Receiver	70.00
TOTAL DISBURSEMENTS	\$ 316,763.21
Amount Available for Distribution	\$ 171,084.79

ERNST & YOUNG INC.
Licensed Insolvency Trustee
Court Appointed Receiver of Silver Hill Fur Farm Ltd.
Per:

George Kinsman
RBC Waterside Centre
1871 Hollis St., Suite 500