El Golfo Project Town Hall Meeting

University of Calgary, MacEwan Ballroom

September 15, 2009

Ernst & Young
Quality In Everything We Do

Agenda

1. Introductions
2. Background
3. Preliminary update on accounting investigation
4. Very preliminary analysis of potential inter-company recoveries
5. Pre-Closing Costs - Funds received to date
6. Due diligence completed to date
7. Preliminary estimate of value
8. Options available to the Investors
9. Questions
10. Informal Vote

Introductions

Introductions

- The following individuals are in attendance this evening:
  - Neil Narfason, Senior Vice President with Ernst & Young Inc.
  - Michelle Grant, Vice President with Ernst & Young Inc.
  - Renee Reichelt, Partner with McCarthy Tetrault LLP (counsel for the Receiver)
  - Kevin Keyes, Partner with McCarthy Tetrault LLP (counsel for the Receiver)
  - Vincenzo De Palma, President, Concrete Equities Inc. (member of the Management Committee)
  - David Bulloch, Vice President, Strategic Group (member of the Management Committee)
  - Steven Butt, President, Avenue Commercial (member of the Management Committee)
  - Brian Newman, CA (member of the Management Committee)

Background

Background

- The El Golfo project began in 2005 with Mr. Benjamin Aguilera and Mr. David Letourneau (land promoters based in Arizona) obtaining options to purchase several plots of land in Sonora, Mexico.
- In early 2006 Mr. Aguilera, Mr. Letourneau and Mr. Milton Kiehlbauch negotiated with Mr. David Humeniuk and Mr. Vinny Aurora to purchase lot # 5 and lot # 2 in Sonora, Mexico.
- The offer to purchase lot # 5 did not go through and Concrete Equities decided to move forward with obtaining the options (the "Options") to purchase lots 1, 2, 3, 4 and 7A (the "El Golfo Lots") from Mr. Aguilera and Mr. Letourneau.
- In February and November 2007 Mr. Aguilera and Mr. Letourneau assigned the Options to purchase the El Golfo Lots to Concrete Equities Inc. for the following consideration:
  - Assignment fee for Lots 1 and 2 - US$2.7MM
  - Assignment fee for Lots 3, 4 and 7A – US$4.8MM
  - For a total "Assignment Fee" of $7.5MM
  - Payable over a period of time (in accordance with an agreed upon payment schedule)

Background

- In November and December 2007 purchase and sale agreements were executed by GCD Golfo Concrete Development (“GCD”) with respect to the El Golfo Lots. GCD is a Mexican entity that is 99% owned by Golfo Properties LLC and 1% owned by Iscar Properties LLC (a company owned by Mr. Aguilera). GCD was set-up for the specific purpose of purchasing land in Mexico.
  - The purchase and sale agreements specified a purchase price for each lot in the approximate price of:
    - Lot 1 – purchase price US$2.6MM
    - Lot 2 – purchase price US$2.75MM
    - Lot 3 – purchase price US$3.1MM
    - Lot 4 – purchase price US$2.9MM
    - Lot 7A – purchase price US$2.0MM
    - Total purchase price for the El Golfo Lots – US$13.35MM

- The purchase price was not payable on closing, but was payable over a period of time.

- **Purchase price plus assignment fees for the El Golfo Lots = US$20.85MM (before closing costs and broker commissions).**

Background

- The Receiver is advised that the following payment schedule reflects the scheduled payments for 2007 and 2008 with respect to the El Golfo Lots (in US funds):

	Lot 1	Lot 2	Lot 3	Lot 4	Lot 7A	Total
Purchase Price	$ 725,000.00	$ 2,087,500.00	$ 1,140,805.61	$ 1,088,348.38	$ 684,805.00	**$ 5,726,458.99**
Interest	$ -	$ -	$ 256,231.35	$ 244,449.16	$ 69,568.80	**$ 570,249.31**
Closing Costs	$ 111,700.00	$ 27,375.00	$ 123,286.05	$ 119,824.20	$ 96,735.89	**$ 478,921.14**
Broker Commissions	$ 117,000.00	$ 165,000.00	$ 138,280.50	$ 175,896.00	$ 89,514.90	**$ 685,691.40**
Assignment Fee	$ 289,600.00	$ 846,966.00	$ 237,922.00	$ 362,738.00	$ 273,925.16	**$ 2,011,151.16**
Additional Fee	$ -	$ -	$ -	$ 100,000.00		**$ 100,000.00**
Total	**$ 1,243,300.00**	**$ 3,126,841.00**	**$ 1,896,525.51**	**$ 2,091,255.74**	**$ 1,214,549.75**	**$ 9,572,472.00**

- The Receiver is advised by Mr. Letourneau and Mr. Aguilera that all of these payments have been made. Mr. Letourneau and Mr. Aguilera have provided the Receiver with documentation to support the majority of these payments. The Receiver is still in the progress of verifying the remaining payments.

Background

- The Receiver is further advised that the following payment schedule reflects the remaining payments that are required to close the transaction to purchase El Golfo Lots (in US funds):

	Lot 1	Lot 2	Lot 3	Lot 4	Lot 7A	Total
Purchase Price	$ 1,875,000.00	$ 662,500.00	$ 1,932,094.39	$ 1,843,251.62	$ 1,304,415.00	**$ 7,617,261.01**
Interest	$ 231,562.00	$ 87,579.00	$ 508,232.53	$ 498,686.46	$ 271,386.20	**$ 1,597,446.19**
Closing Costs	$ -	$ -	$ -	$ -	$ -	**$ -**
Broker Commissions	$ 39,000.00	$ -	$ 46,093.50	$ -	$ 29,838.30	**$ 114,931.80**
Assignment Fee	$ 1,177,325.00	$ 370,134.00	$ 1,632,721.53	$ 1,374,192.90	$ 834,475.94	**$ 5,388,849.38**
Additional Fee (in lieu of interest)	$ 310,000.00	$ 300,000.00	$ 10,000.00		$ 10,000.00	**$ 630,000.00**
Extension Fees	$ 291,333.33	$ 291,333.33	$ 250,000.00	$ 250,000.00	$ 516,333.33	**$ 1,599,000.00**
	$ 3,924,220.33	**$ 1,711,546.33**	**$ 4,379,141.95**	**$ 3,966,130.98**	**$ 2,966,448.78**	**$ 16,947,488.38**

- The Extension Fees include the US$649,000 payable on September 30, 2009.
- The Receiver understands that the remaining extension fees and additional fees are negotiable.

Background

- The original offering memorandum dated June 4, 2007 with respect to the El Golfo Project sought to raise $25,000,000 for the purchase of Lot # 5.
  - Approximately 80% of the funds raised in the El Golfo Project were raised based on this offering memorandum.
- In May 2008 Concrete Equities Inc. amended the offering memorandum for the El Golfo Project. The amended offering memorandum sought to raise $25,000,000 for the purchase of Lots 1 and 2, which were collectively referred to as “Lot # 5” in the offering memorandum.
  - This offering memorandum did not refer to the purchase of Lots 3, 4 and 7A.
- According to the Concrete Equities limited partner registry for the El Golfo Project 2,377 units were sold at $10,000 per unit in the El Golfo Project, which corresponds to $23,770,000 of total funds raised.

Preliminary Update – El Golfo Investigation

Ernst & Young
Quality In Everything We Do

Preliminary Update – El Golfo Investigation

- The Receiver has completed a preliminary investigation of the receipts and disbursements related to the El Golfo Project. A summary is provided below:

	in CDN ($000)
Receipts	
Purchase of LP Units	$23,975
Unknown	1,485
Total	**$25,460**
Disbursements	
Deposits on El Golfo Lots*	$9,693
Net Inter-company Advances	9,408
Repayment of P3 Loan	2,500
Commission to Concrete Equities	2,377
Purchase of Mexican Condo	1,012
Payments to Officers	350
Legal and RRSP Fees	120
Total	**$25,460**
Ending Cash	**$0**

- The Receiver is still reconciling the cash received for LP units to the Concrete Equities Inc. registry.
- *The Receiver is still verifying to source documents approximately $6.5MM of disbursements that are currently categorized as Deposits on El Golfo Lots.

Preliminary Update – El Golfo Investigation

- The Receiver has the following preliminary comments with respect to the receipts and disbursements:
  - The Receiver is still waiting for additional supporting documentation to classify the unknown amounts.
  - To date the Receiver has only been able to specifically identify $3.2MM of deposits made towards the purchase of the El Golfo Lots from the bank accounts that were either in the name of El Golfo Investment Corporation, Santa Clara Real Estate Investment Fund Limited Partnership or the lawyer's trust accounts.
    - As noted on the previous slide, the Receiver expects that several of the payments classified as "unknown" will be reclassified to "Deposits on El Golfo Lots" once the supporting documentation is received.
    - Deposits for the El Golfo Lots may have been made from bank accounts that were in the name of other Concrete entities.
  - The Receiver was provided with documentation from Mr. Aguilera and Mr. Letourneau which confirmed that the purchase price instalments, closing costs and broker commissions were paid through November 2008 with respect to the El Golfo Lots (this represents approximately US$7.5MM of the US$9.5MM paid towards the purchase of the El Golfo Lots). The Receiver has not yet reconciled this supporting documentation.
  - Mr. Aguilera and Mr. Letourneau advised the Receiver that the assignment fees (which were payable to Mr. Aguilera and Mr. Letourneau) through November 2008 were paid (approximately US$2MM).

Preliminary Update – El Golfo Investigation

- The net inter-company advances are summarized by project below:

	(in CDN $000)
Concor Pacific	$2,355
Concrete Equities Inc.	2,092
CE Place	1,984
MEG Place	1,063
Luna Morada	599
Concrete Place Properties	587
Glemore Airways	360
Castleridge Plaza	269
All other	99
Total	**$9,408**

Potential Inter-company Recoveries

Potential Inter-company Recoveries

- Very preliminary comments with respect to the inter-company advances:

Inter-company	Advance	Preliminary Comments
Concor Pacific Inc.	$ 2,355	Potential recovery unknown - this company is not associated with a specific project.
Concrete Equities Inc.	2,092	Potential recovery from receivables in other projects. Recovery on this amount is likely minimal.
Inter-company Advance to CE Place	1,984	Potential recovery from CE Place project (office building in Calgary). Actual recovery will depend on treatment of this advance, is the advance considered a loan or an equity investment?
Inter-company Advance to MEG Place	1,063	Potential recovery from MEG project (office building in Calgary). Actual recovery will depend on treatment of this advance, is the advance considered a loan or an equity investment?
Luna Morado	599	Potential recovery from Luna Morado project (partial development in Mexico).
Concrete Place Properties	587	No funds will be recovered from this advance, the first mortgage holder is expected to suffer a shortfall.
All others	728	$360,000 - Glenmore Airways, $269 - Castleridge Plaza, $99 - various other entities.
Total	**$ 9,408**	

- The potential recoveries from these inter-company advances cannot be estimated with any degree of certainty at this time, but the Receiver notes that the majority of the funds did not flow to projects with a cash generating underlying asset (such as MEG Place).
- Concor Pacific Inc. is owned by companies that are owned by David Humeniuk, Vinny Aurora and Milton Kiehlbauch. The Receiver is still investigating Concor Pacific Inc. and more information is required to understand the potential recovery associated with this inter-company advance.

Potential Inter-company Recoveries

- The potential recoveries from inter-company advances will be impacted by how these advances are treated:
  - Creditor
    - Advance would be considered a loan.
    - This would rank ahead of the equity investment in the particular project.
  - Equity
    - Advance would be considered an equity investment in the project and/or company.
    - This would rank equally with the other equity investors in the particular project and/or company.
- The creditors and investors in a particular project are generally treated based one of the following approaches:
  - Direct Investment Approach
    - Claim against the specific asset underlying a particular project.
  - Pooled Investment Approach
    - Claim against a general pool of assets, comprised of all the underlying assets in the Concrete projects.

Pre-Closing Costs

Pre-Closing Costs

- The Receiver sent out three letters to the known investors in the El Golfo Project
  - Letter dated August 7, 2009
  - Letter dated August 17, 2009
  - Letter dated September 2, 2009
- The letters indicated that there are approximately CDN$1.3MM of costs associated with the El Golfo Lots that require funding on or before September 30, 2009 (the original deadline was July 31, 2009).
  - Extension Fees – USD$649,000
  - Commission Fees – USD$500,000
  - Appraisal Fees – USD$50,000

Pre-Closing Costs

- Extension Fees – additional payments required to extend the deadline to complete the transaction for purchase of the El Golfo Lots.
  - Extension fees relate to lots 1, 2 and 7A. There are no extension fees due for Lots 3 and 4 at this time.
  - Extension of deadline to close these transactions to March 2010.

- Commission Fees – partial payment of the assignment fees associated with the purchase of the El Golfo Lots.
  - Approximately $2MM in assignment fees have been paid to date.
  - Approximately $5.3MM in assignment fees remain outstanding.

- Appraisal Fees – estimate of cost for a complete appraisal of the El Golfo Lots. The Receiver engaged an appraiser and the fee will be approximately US$12,000.

- Funds raised with respect to the Pre-Closing Costs will also be allocated to pay the retainer and fees of counsel in Mexico and professional fees specifically associated with the due diligence on this matter.
  - The Receiver will be sending out an e-mail and/or letter to the investors who participated in funding the Pre-Closing costs to provide these Investors with an opportunity to elect to fund these costs.
  - The Receiver will be seeking Court approval to have the funds advanced granted a priority charge against the assets of El Golfo.

- To date the Receiver is in receipt of $422,000 from approximately 247 investors in the El Golfo Project.

El Golfo Due Diligence

El Golfo Due Diligence

- The Receiver initially requested the following information to perform its due diligence:
  1. Executed copies of the purchase and sale agreements for all the El Golfo lots;
  2. All previously executed extension agreements;
  3. Confirmation of the corporate structure being used to acquire these lands;
  4. Copies of the assignment agreements;
  5. Details on the “commission payments” said to be owed in September 2009;
  6. Confirmation that no other payments are due after the extension payment and commission payments until March 1, 2010;
  7. All previous appraisals commissioned on the lands;
  8. All environmental assessments that have been performed on the lands; and
  9. Advice as to any zoning or regulatory issues that impact these lands.

- Mr. Aguilera and Mr. Letourneau have provided the Receiver with various documents to assist with the Receiver’s due diligence.
- The Receiver could not locate a copy of the November 12, 2007 appraisal which is mentioned as the basis for the valuation of the lands in the amended offering memorandum.

El Golfo Due Diligence

- The Receiver is in receipt of the following documents (some of which are not fully executed) to assist with its due diligence:
  - GCD Golfo Concrete Developments – Articles of Incorporation document
  - Purchase Deed for Lot 1, Lot 2, Lot 3, Lot 4 and Lot 7A
  - Title Policy for Lot 1, Lot 2, Lot 3, Lot 4 and Lot 7A
  - Offer to Purchase Lot 1, Lot 2, Lot 3, Lot 4 and Lot 7A
  - Assignment Agreement for Lots 1 and 2
  - Assignment Agreement for Lots 3, 4 and 7A
  - Articles of Incorporation for Golfo Properties LLC and various amendments
  - Purchase and Sale Agreement for LLC % ownership
  - Payment schedules
  - Confidential Offering Memorandum for the El Golfo Project (original and amended)
  - Satellite images of the El Golfo Lots
  - Various other miscellaneous documents

- In addition the Receiver has reviewed the records retained by Concrete Equities Inc. and the records provided by Bishop & McKenzie LLP and Fraser Milner Casgrain LLP with respect to the El Golfo Project.

El Golfo Due Diligence

- The Receiver engaged Gonzalez Calvillo S.C. counsel in Mexico to assist with reviewing certain documents.
  - Counsel in Mexico reviewed the title deeds, title insurance policies and title reports.

- The Receiver also engaged Jorge I. Angulo, P.E., E.V. based out of El Paso, Texas (with credentials in Mexico) to provide an appraisal of the El Golfo Lots.
  - A preliminary appraisal was provided to the Receiver on September 11, 2009.
  - The final report will be available on September 21, 2009.

El Golfo Due Diligence

- The Receiver has identified the following main issues with respect to the documents supporting the transaction:
  - There are no formal extension agreements currently in place to confirm the verbal extensions.
  - Purchase deeds are in the name of GCD (not in the name El Golfo Investment Corporation).
  - Current ownership structure of GCD and Golfo Properties LLC
    - GCD is owned 99% by Golfo Properties LLC and 1% by Iscar Properties LLC (a company owned by Mr. Aguilera)
    - The current ownership structure of Golfo Properties LLC is:
      - 50% El Golfo Investment Corporation
      - 10% owned by each of David Humeniuk, Vinny Aurora, Corridor Pacific Corp., Mr. Aguilera and Mr. Letourneau. Total ownership – 50%.
  - The name of the insured on the Title Insurance for the El Golfo Lots is Golfo Properties LLC, while the purchase deeds are in the name of GCD.
    - The Receiver has spoken with Mr. Aguilera with respect to this issue and Mr. Aguilera has requested that First American Title Insurance amend the policies.

El Golfo Due Diligence

- The Receiver has identified the following main issues with respect to the documents supporting the transaction:
  - The Receiver's counsel in Mexico identified chain of title issues with respect to lots 3, 4 and 7A.
    - Additional due diligence is required to confirm these issues.
  - Potential Ejido claims to the lands.
    - The title insurance purchased with respect to the El Golfo Lots has Ejido claim coverage, but the exact nature of such coverage is not clear and could be subject to interpretation.
    - An Ejido claim would impact the ownership of the lands as it represents a prior ownership interest.
  - Federal Maritime Concession has not been granted for the El Golfo Lots.
    - The government owns the first 20 meters of beachfront in Mexico, to obtain control of the beach a Federal Maritime Concession is required.
    - A third party could obtain a Federal Maritime Concession for the El Golfo Lots which could constrain the use of the lots and consequently negatively impact the value of the lots.
  - There is a stream running through certain of the El Golfo Lots
    - The stream could be considered National property and would therefore impact ownership rights to the El Golfo Lots.
  - There is no infrastructure in place to support development or servicing of the lots.

Preliminary Estimate of Value

Preliminary Estimate of Value

- The Receiver engaged Jorge I. Angulo P.E. to provide an appraisal of the El Golfo Lots on the following basis:
  - Conduct an appraisal of five lots, on an “as is” market value basis.
    - There are six basic procedures for valuing property of this nature:
      - Sales Comparison Approach,
      - Allocation Method,
      - Extraction Method,
      - Subdivision Development Method,
      - Land Residual Method, and
      - the Ground Rent Capitalization Method.
    - Of these six methods, the Sales Comparison Approach is generally preferred when sufficient sales data is available for analysis.
  - Appraisal based on Lots 1-4 treated as one parcel and lot 7A independent.
  - No consideration for environmental, legal, INEGI, Ejido claims and Federal Marine Zone issues.
  - Property is assumed to be free and clear of encumbrances.

Preliminary Estimate of Value

- A preliminary estimate of value was provided on September 11, 2009. A final report will be available to the Receiver on September 21, 2009.
  - Mr. Angulo used the Sales Comparison Approach for the purpose of his analysis.
  - Mr. Angulo confirmed that the “Highest and Best Use” for the lands vacant and improved is a tourist resort.
  - Mr. Angulo visited the site on September 2, 2009.
  - Mr. Angulo indicated that the sales market is relatively inactive at present.
- Estimate of value based on Lots 1 – 4 merged and Lot 7A independent:
    - US$2.56/ sq meter
    - Total sq meters 2,477,225
    - <u>**Total Estimated value - US$6.3MM**</u>
  - Breakdown of value by lot in $USD:

Lot #	sq meters	Appraised Value
1	520,085	$ 1,329,038.65
2	558,550	$ 1,427,333.10
3	512,150	$ 1,308,761.34
4	488,600	$ 1,248,581.07
7A	397,840	$ 1,016,650.63
Total	**2,477,225**	**$ 6,330,364.79**

  - Based on discussions with Mr. Angulo the Receiver understands that if the valuation was completed on a per lot basis there would likely be a 10% premium for each of lots 1-4 (i.e. the appraised value of Lot 1 would be $1,461,942.52).

Options

Options

- Option 1 – Status Quo
  - Do not fund the Pre-Closing Costs
  - Wait for the investigation to be completed to determine what recovery (if any) will flow back to the El Golfo project from inter-company advances.
  - Result: No potential recovery from the El Golfo Lots, potential recovery (if any) from inter-company advances to other Concrete LP's.
  - Potential exposure for breach of contract with Arizona Investment Corporation which may create an unsecured claim being filed.

- Option 2 – Pursue a portion of the El Golfo Lots
  - Fund the extension fees for certain lots (not all). Look at two adjacent lots.
    - Example – fund extension fees for lots 1 and 2.
      - Extension Fees payable September 30, 2009 – approximately US$433,000 (compared to US$649,000).
      - Remaining cash required to close these transactions – approximately US$5.6MM. Appraised value of these lots is approximately US$3.0MM (including 10% adjustment on a per lot basis).
  - Less cash required to close the transactions.
    - US$5.6MM required to close transaction for Lots 1 and 2 compared to US$16.9MM to close on all of the El Golfo Lots (after payment of Extension Fees).
  - Result: Potential recovery from the El Golfo Lots that are pursued (longer term) as well as the potential recovery (if any) from inter-company advances to other Concrete LP's.
  - Potential exposure for breach of contract with Arizona Investment Corporation with respect to the additional lots, which may create an unsecured claim being filed.

Options

- Option 3 – Pursue all of the El Golfo Lots
  - Fund all of the Pre-Closing Costs
  - Additional time to assess these transactions and raise the remaining cash to close.
  - Result: Potential recovery from the El Golfo Lots (longer term) as well as the potential recovery (if any) from inter-company advances to other Concrete LP's.

- **Based on the current market value of the El Golfo Lots and the additional information available at this time, <u>the Management Committee recommends option 1.</u>**

Questions

Questions

Informal Vote

Informal Vote

- Request for a show of hands from the floor as to what option the El Golfo individual limited partners want to pursue.
  - Option 1 – received approximately 379 votes
  - Option 2 – received approximately 10 votes
  - Option 3 – received 1 vote
- Approximately 390 investors attended the town hall meeting. The informal vote was held and approximately 97% of the investors voted for Option 1.

Ernst & Young LLP

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 135,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit ey.com/ca.