



COURT FILE NUMBER 25-1859192
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
DOCUMENT THIRD REPORT OF THE TRUSTEE IN THE MATTER OF
THE PROPOSAL OF 3 EAU CLAIRE DEVELOPMENTS INC.

DATED JULY 15, 2014

**ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT**

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Introduction and Notice to Reader

Introduction

1. On April 11, 2014, 3 Eau Claire Developments Inc. ("3 Eau Claire" or the "Company") filed a Notice of Intention to Make a Proposal (the "NOI") under Section 50.4(1) of the *Bankruptcy and Insolvency Act* (the "BIA"). Deloitte Restructuring Inc. ("Deloitte") consented to act as Trustee under the NOI (the "Trustee"). Information on these proceedings can be accessed on Deloitte's website at www.deloitte.ca under the Insolvency and Restructuring link.
2. The Company was granted an initial 30-day stay of proceedings pursuant to Section 69(1) of the BIA (the "Initial Stay"). 3 Eau Claire was required to file a proposal within the Initial Stay or within any further extension of that period granted by the Court of Queen's Bench of Alberta (the "Court"). On May 8, 2014, the Court granted an Order extending the stay of proceedings from May 11, 2014 until June 25, 2014 (the "First Extension"). On June 25, 2014, the Court granted a further Order (the "June 25 Order") extending the stay of proceedings from June 25, 2014 until July 16, 2014 (the "Second Extension").
3. Pursuant to Section 50.4(2) of the BIA, the management of 3 Eau Claire ("Management") have filed the following statements of projected cash flow:
 - 3.1 Statement of Projected Cash Flow for the eight week period from the week ended April 19, 2014 to the week ended June 14, 2014 (the "Forecast"), which was filed on April 17, 2014;
 - 3.2 Amended Statement of Projected Cash Flow for the ten week period from the week ended May 3, 2014 to the week ended July 5, 2014 (the "Amended Forecast"), which was filed on May 2, 2014;
 - 3.3 Second Amended Statement of Projected Cash Flow for the eight week period from the week ended June 21, 2014 to the week ending August 9, 2014 (the "Second Amended Forecast"), which was filed on June 20, 2014; and
 - 3.4 Third Amended Statement of Projected Cash Flow for the ten week period from the week ended July 12, 2014 to the week ending September 13, 2014 (the "Third Amended Forecast", the "Forecast Period"), which was filed on July 14, 2014.

All of the Forecast, the Amended Forecast, the Second Amended Forecast and the Third Amended Forecast were accompanied by a Report on the Cash Flow Statement by the Person Making a

Proposal and a Trustee's Report on the Cash Flow Statement (the "Reports"). A copy of the Third Amended Forecast and the corresponding Reports are attached hereto as "Schedule 2".

4. This report is the third report of the Trustee (the "Third Report"). The Third Report is being filed in respect of 3 Eau Claire's application to the Court on July 16, 2014 (the "July Application"), as further described later in this report.

Notice to Reader

5. In preparing the Third Report, the Trustee has relied on unaudited financial information, the books and records of the Company and discussions with Management, interested parties and stakeholders. The Trustee has not performed an independent review or audit of the information provided.
6. The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of the Third Report.

Background

Operations

7. As previously reported, the Company was incorporated under the *Alberta Business Corporations Act* on February 15, 2008. 3 Eau Claire is a real estate development company that was created for the purpose of building an approximately 652,000 square foot mixed-use condominium project (the "Project") located at 633 3rd Avenue SW in Calgary, Alberta (the "Lands").
8. Further information on the operations of 3 Eau Claire is available in the First Report of the Trustee, filed on May 5, 2014 (the "First Report") and the Second Report of the Trustee, filed on June 20, 2014 (the "Second Report").

Court Proceedings

9. The First Report was filed in conjunction with 3 Eau Claire's application on May 8, 2014, at which time the Court granted two Orders, which included the following relief:
 - 9.1 Approval of the First Extension;
 - 9.2 Approval for a charge in the amount of \$50,000 as security for the reasonable professional fees and disbursements of the Trustee and the Company's legal counsel (the "Administrative Charge"). The Administrative Charge formed a first charge over all assets, rights, undertakings and properties of 3 Eau Claire of every nature and kind whatsoever, and wherever situated, including all proceeds thereof;
 - 9.3 Requiring 3 Eau Claire to provide counsel for the Korea Exchange Bank of Canada ("KEB") with weekly updates during the First Extension regarding the Company's activities, which information is to be kept strictly confidential by KEB; and
 - 9.4 Sealing the First Confidential Affidavit of Andrew Seong-Jin Lee sworn on May 5, 2014.
10. The Second Report was filed in conjunction with 3 Eau Claire's application on June 25, 2014 (the "June Application"), at which time the Court granted the June 25 Order, which included the following relief:
 - 10.1. Approval of the Second Extension; and
 - 10.2. Sealing the Second Confidential Affidavit of Andrew Seong-Jin Lee sworn June 25, 2014, pending further Order of the Court (the "Second Confidential Affidavit").
11. The Third Report is being filed in respect of the July Application, at which 3 Eau Claire will be seeking the following relief:

- 11.1. Approval of a third extension of the stay of proceedings for an additional 45 days (the "Third Extension"); and
- 11.2. An increase in the Administrative Charge from \$50,000 to \$100,000 together with an increase in the scope of the Administrative Charge to include the reasonable fees and expenses of the Trustee's legal counsel.

Creditors

12. As previously reported, at the date of the NOI, 3 Eau Claire listed creditors with claims totaling approximately \$37.8 million, which consisted of claims of approximately \$36.0 million by secured mortgage holders and claims of approximately \$1.8 million by ordinary unsecured creditors. We note as follows with respect to the claims of the secured mortgage holders:

12.1. As previously reported, there are seven mortgages registered against the Lands. The Trustee has not completed a review of the security held by the various mortgage holders and no claims process has been undertaken. Based on additional information that has been received by the Trustee, the following is an updated summary of the claims of the secured mortgage holders, which are registered in the order listed below:

| Mortgage Holder | Principal & Interest ('000) |
|---|--------------------------------|
| KEB | \$ 8,500 |
| Computershare Trust Company of Canada ("Computershare") | 26,680 |
| Shorebrook Capital Inc. | 326 |
| Bosa Properties (Eau Claire) Inc. ("Bosa") | 4,745 |
| MMP Structural Engineers Ltd. | 646 |
| PM Rec Holdings Inc. | 450 |
| 1713744 Alberta Ltd. | 3,400 |
| Total | <u>\$ 44,747</u> |

12.2. Since the filing of the NOI, the following changes have been noted in respect of the secured mortgage holders:

12.2.1. Computershare, who has a registered mortgage (the "Computershare Mortgage"), acts as the Trustee for the Hyundai Wise Private Investment Trust ("Hyundai Wise"). Hyundai Wise, in turn, acts as the fund manager for this mortgage. We are advised that the Computershare Mortgage was originally advanced by a syndicate of Korean banks, who became insolvent and ceased to operate. We further understand that the current beneficiary of the Computershare Mortgage is the Korea Deposit Insurance Corporation ("KDIC"), who acts on behalf of the Korean government. As such all matters related to the Computershare Mortgage must be negotiated with KDIC. The Computershare Mortgage

was originally noted in the NOI documents as being approximately \$20.7 million; however, this amount did not include accrued interest, which is currently estimated at approximately \$6.0 million.

- 12.2.2. Bosa, had previously acted as 3 Eau Claire's development partner. Bosa was originally noted in the NOI documents as having a claim of \$2.0 million pursuant to two promissory notes, which were secured by a registered mortgage (the "Bosa Advances"). The Bosa Advances were made through the payment of various Project-related costs. On July 10, 2014, Bosa's legal counsel provided a summary of the Bosa Advances to the Trustee indicating that the total amount outstanding was approximately \$4.5 million plus approximately \$245,000 in accrued interest. The Trustee has requested, but has not yet received, Management's comments in respect of the additional information received related to the Bosa Advances.

Negotiations with KDIC

13. We are advised that 3 Eau Claire previously held discussions with KDIC regarding KDIC postponing all but approximately \$10.0 to \$13.0 million of the principal balance as well as accrued interest on the Computershare Mortgage of approximately \$6.0 million (the "Postponement"). We understand that KDIC has expressed a willingness to do so assuming that 3 Eau Claire is able to enter into a development partnership agreement in order to complete the Project. We are advised that KDIC may be willing to postpone to the new joint venture partner and to the party providing the construction financing to complete the Project. In addition, KDIC may be willing to postpone to subsequent registered mortgage holders under a proposal to be filed by the Company. We understand that KDIC has asked 3 Eau Claire to provide a written request regarding the Postponement, which will then be presented for approval to the appropriate internal committees and officials within KDIC. Management has indicated that they believe it will take approximately 30 days to obtain approval of the Postponement from KDIC. Management has also advised that KDIC has expressed support for the Third Extension.

Restructuring Efforts

14. As previously reported, on March 12, 2014, 3 Eau Claire retained Avison Young Real Estate Alberta Inc. ("Avison") to act as the Company's agent for the sale of the Lands or to procure a development partner to complete the Project (the "Marketing Process"). At the time of the Second Report, 3 Eau Claire had received two letters of intent pursuant to the Marketing Process, one for the outright purchase of the Lands and one for a development partnership. Following the filing of the Second Report, but prior to the June Application, Avison received one additional letter of intent for the outright purchase of the Lands. Copies of all three letters of intent (the "3EC LOIs") were attached as exhibits to the Second Confidential Affidavit.
15. Following the June Application, 3 Eau Claire advised that it intended to enter into a binding letter of intent with the party interested in moving forward with a development partnership (the "JV LOI" and the "JV Partner," respectively). Following the execution of the JV LOI, the Trustee understands that 3 Eau Claire plans to negotiate and execute a co-ownership agreement with the JV Partner (the "Co-own Agreement"). We understand that a copy of the JV LOI will be provided to the Court on a confidential basis in conjunction with the July Application. Selected details of the JV LOI, including the quantum of the JV Partner's investment, are being kept confidential in order to prevent the tainting or compromise of any future sale process that may be required should the JV LOI not be completed as contemplated. The Trustee notes as follows with respect to the JV LOI:
 - 15.1. Based on the Trustee's discussions with Avison, the JV Partner appears to be negotiating in good faith and appears to have sufficient financial resources to complete the transaction contemplated in the JV LOI;
 - 15.2. The following deposits will be payable:
 - 15.2.1. An initial deposit, payable within one business day of execution of the JV LOI, which is subject to Court approval of the Third Extension (the "Initial Deposit"); and
 - 15.2.2. A second deposit, payable within ten business days of creditor approval of 3 Eau Claire's BIA Proposal to be held in trust pending Court approval of same.
 - 15.3. The JV Partner will acquire a majority interest in the Project and will work with 3 Eau Claire to complete the Project.
 - 15.4. There will be a further 30 day due diligence period, during which the JV Partner can terminate the JV LOI and the Initial Deposit will be fully refundable to the JV Partner. Management has advised and Avison has confirmed that the JV Partner has completed the bulk of the Project

due diligence and that the additional 30 day period is mainly required in order to finalize the terms of the Co-own Agreement.

- 15.5. The JV LOI currently contemplates that 3 Eau Claire will provide clear title to the Property pursuant to the Co-own Agreement; however, Management has confirmed that their discussions with the JV Partner have contemplated that KDIC will retain a secured position, which will be postponed both to the Co-own agreement and to the new construction financing. We are advised by 3 Eau Claire's legal counsel that they intend to accomplish the Postponement by having KDIC discharge their current registered mortgage security which would then be replaced with a caveat registered in respect 3 Eau Claire's equity in and share of future profits from the Co-own Agreement (the "KDIC Caveat"). The KDIC Caveat would be registered behind the Co-own Agreement, the construction financing and any surety bonds related to the construction of the Project.
16. The JV LOI would allow 3 Eau Claire to continue to operate and, subject to KDIC agreeing to the Postponement, would allow for a distribution to KEB and to those parties with mortgage security registered subsequent to the Computershare Mortgage (the "Subsequent Mortgagors") upon the closing of the Co-own Agreement. It would also allow for a distribution to the ordinary unsecured creditors in the form of cash and/or equity.
17. Pursuant to the May 8 Order, the Company's counsel was to provide weekly updates to KEB. We are advised that subsequent to the June Application, KEB was to provide 3 Eau Claire's counsel with a contact person at KEB to whom future updates would be provided; however, such contact information was not provided.
18. We understand that Management has been having ongoing discussions with KDIC during the Second Extension and have been responding to other creditor inquiries as they arise.
19. Avison has advised that; although the other two 3EC LOIs have expired, the parties who had expressed an interest in the outright purchase of the Lands may still be willing to negotiate a transaction in the event that the JV LOI does not move forward. Based on the other two 3EC LOIs, without the Postponement, the sale of the Lands would likely not generate any recovery for the Subsequent Mortgagors or the ordinary unsecured creditors.

Bosa Proposal

20. On July 11, 2014, the Trustee, together with its legal counsel held a meeting with Bosa's legal counsel. Bosa's legal counsel had requested the meeting to discuss a possible proposal pursuant to the BIA to be advanced by Bosa (the "Bosa Proposal"). The structure of the Bosa Proposal was provided in a preliminary form for discussion purposes only. The Bosa Proposal contemplated Bosa paying KEB upon Court approval of the Bosa Proposal and then finishing the Project with further creditor distributions being available only upon its successful completion. The Trustee forwarded the Bosa Proposal to Management. At this point, it appears that the proposal being contemplated by

Management would provide for a more certain, more timely and potentially greater payment to 3 Eau Claire's creditors than the Bosa Proposal.

Comparison of Actual vs. Projected Cash Flow

21. Attached as "Schedule 1" is a variance analysis for the three week period ended July 5, 2014 (the "Variance Period"), which is based on the Second Amended Forecast (the "Variance Analysis"). The Variance Analysis reflects an overall net positive variance of \$3,186.
22. As previously reported, 3 Eau Claire entered into a management agreement with Imperial Parking Canada Corporation ("Impark") whereby 3 Eau Claire receives actual monthly parking revenue net of a 5% management fee and operating costs of \$2,000. 3 Eau Claire anticipates receiving monthly parking revenue of approximately \$35,000 as a result of the management agreement with Impark. In June 2014, parking revenue of only \$32,000 was forecast due to an offset for one-time repairs of approximately \$3,000 that were to be completed by Impark. Subsequent to the filing of the Second Amended Cash Flow, Impark agreed to advance \$10,000 of the parking revenue on the 1st of the each month with the balance due from the prior month to be paid on or before the 10th of each month. As such, the Variance Analysis reflects the receipt of \$10,000 during the week ended July 5, 2014, which was originally forecast to be received during the week ending July 12, 2014.
23. All of the variances included in the Variance Analysis are timing related and are anticipated to reverse themselves in future weeks. There were no permanent variances reflected during the Variance Period.

The Third Amended Forecast

24. As previously reported, the Third Amended Forecast is attached as "Schedule 2".
25. The Third Amended Forecast includes the receipt of parking revenue in the amount of approximately \$92,000 over the Forecast Period pursuant to the Impark Agreement.
26. The more significant disbursements projected in the Third Amended Forecast are as follows:
 - 26.1 Travel expenses of \$8,000 include travel related to the Marketing Process;
 - 26.2 Salaries and wages of \$57,000 payable to 3 Eau Claire's three employees, who are retained on a contract basis (the "Contractors");and
 - 26.3 Rent of approximately \$18,000 relates to 3 Eau Claire's presentation centre and to two rental properties that are provided for the Contractors.
27. Based on the Third Amended Forecast, the Company is anticipated to continue to generate sufficient cash to fund its operations during the Forecast Period; therefore, the Trustee does not believe that the granting of the Third Extension would materially prejudice any of 3 Eau Claire's creditors.
28. On July 11, 2014, the Company provided the Trustee with a representation letter which stated, among other things, that 3 Eau Claire had made available to the Trustee all financial records and other relevant information, that the assumptions used in developing the Forecast, the Amended Forecast, the Second Amended Forecast and the Third Amended Forecast are still valid, and that they are acting in good faith and with due diligence in developing their proposal and are not aware of any reason that they likely would not be able to make a viable proposal.

Administrative Charge

29. The Third Amended Forecast reflects payments of only \$4,000 related to professional fees and expenses. As previously reported, we understand that it is Management's intention to pay outstanding professional fees and disbursements upon closing of the Co-own Agreement. As at the date of this report, the Trustee has two outstanding invoices totaling approximately \$39,000 (including GST) for the period ended July 4, 2014. The Trustee also recently retained Blake, Cassels & Graydon LLP to act as its legal counsel in these proceedings. We are advised that 3 Eau Claire's legal counsel currently has outstanding invoices totaling approximately \$17,500 and has unbilled work in progress of approximately \$10,000. As such, there are currently outstanding professional fees for the Trustee and the Company's legal counsel of approximately \$66,500. As noted above, 3 Eau Claire is

requesting an increase in the Administrative Charge to \$100,000 at the July Application, as well as an increase in the scope to include the reasonable fees and expenses of the Trustee's legal counsel.

Summary and Recommendation

30. Based on the Trustee's dealings and our review of 3 Eau Claire's operations and restructuring efforts to date, we can advise that:

30.1 3 Eau Claire appears to be continuing to act in good faith and with due diligence;

30.2 The Company is cooperating with the Trustee and appears to be making efforts to present a viable proposal to its secured and unsecured creditors;

30.3 Avison has confirmed that the JV Partner is a viable offeror and likely has the financial capacity to complete the Transaction. Assuming that KDIC agrees to the Postponement, proceeding with the Co-own Agreement should allow 3 Eau Claire to make a proposal to both the Subsequent Mortgagors and the ordinary unsecured creditors. Management has indicated that they believe that it will take approximately 30 days to obtain KDIC approval for the Postponement;

30.4 3 Eau Claire requires the Third Extension to allow time to negotiate the Co-own Agreement, to gain KDIC's approval for the Postponement and to file a proposal to its creditors; and

30.5 The Trustee is of the view that 3 Eau Claire's creditors will not be materially prejudiced by the Third Extension.

31. The Trustee respectfully recommends that this Honourable Court approve:

31.1. The Third Extension; and

31.2. An increase in the quantum and scope of the Administrative Charge as set out herein.

DELOITTE RESTRUCTURING INC.,
in its capacity as Trustee under the proposal of
3 Eau Claire Developments Inc. and not in its
personal or corporate capacity



Jeff Keeble CA, C IRP, CBV
Senior Vice-President

Schedules

Schedule 1

Court No. 25-1859192
Estate No. 25-1859192

3 Eau Claire Developments Inc. ("3 Eau Claire")
Variance Analysis
For the three week period ended July 5, 2014

| | Forecast Total | Total Actual | Variance (A-F) | Notes |
|----------------------------|-------------------|-------------------|------------------|-------|
| Receipts | | | | |
| Parking receivables | \$ - | \$ 10,500 | \$ 10,500 | 1 |
| Total Receipts | \$ - | \$ 10,500 | \$ 10,500 | |
| Disbursements | | | | |
| Travel expenses | (1,500) | (4,147) | (2,647) | 2 |
| Utilities | - | (288) | (288) | 2 |
| Business taxes | (148) | (148) | - | |
| Salaries and wages | - | - | - | |
| Real estate rental | - | (4,900) | (4,900) | 2 |
| Meals and entertainment | (600) | (551) | 49 | 2 |
| Office Supply | (300) | (254) | 46 | 2 |
| Vehicle | (974) | (261) | 713 | 2 |
| Insurance | (249) | (1,037) | (788) | 2 |
| Professional fees | (5,000) | (5,000) | - | |
| Contingency | (800) | (300) | 500 | 2 |
| Total Disbursements | (9,571) | (16,885) | (7,314) | |
| Net Cash Flow | \$ (9,571) | \$ (6,385) | \$ 3,186 | |
| Bank Balance | | | | |
| Beginning Cash Balance | \$ 13,091 | \$ 13,091 | | |
| Net Cash Flow | (9,571) | (6,385) | | |
| Ending Bank Balance | \$ 3,520 | \$ 6,706 | | |

Prepared as at the 14 day of July, 2014

Notes & Assumptions - General:

- All amounts include applicable GST.
- Actual results include transactions between June 15, 2014 and July 5, 2014

Notes & Assumptions - Specific:

- 3 Eau Claire entered into a management agreement with Imperial Parking Canada Corporation ("Impark") whereby 3 Eau Claire will receive actual monthly parking revenue net of a 5% management fee and operating costs of \$2,000. 3 Eau Claire anticipates receiving monthly parking revenue of approximately \$35,000 as a result of the management agreement with Impark. Impark has now agreed to advance \$10,000 on the 1st of the each month with the balance due from the prior month to be paid on or before the 10th of each month.
- Timing related variances, which are expected to reverse themselves in future weeks.

Schedule 2

| | 12-Jul-14 | 19-Jul-14 | 26-Jul-14 | 2-Aug-14 | 9-Aug-14 | 16-Aug-14 | 23-Aug-14 | 30-Aug-14 | 6-Sep-14 | 13-Sep-14 | Total | Notes |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|-------------------|-------------------|-------------------|-------|
| Receipts | | | | | | | | | | | | |
| Parking receivables | 22,000 | - | - | - | 10,000 | 25,000 | - | - | 10,000 | 25,000 | 92,000 | 1 |
| Total Receipts | 22,000 | - | - | - | 10,000 | 25,000 | - | - | 10,000 | 25,000 | 92,000 | |
| Disbursements | | | | | | | | | | | | |
| Travel expenses | (500) | (500) | (500) | (500) | (500) | (500) | - | - | (2,000) | (2,500) | (8,000) | 2 |
| Utilities | (550) | - | - | - | (550) | - | - | - | (550) | - | (1,550) | 3 |
| Business taxes | - | - | - | - | (1,48) | - | - | - | (1,48) | - | (288) | 4 |
| Salaries and wages | (19,000) | - | - | - | (19,000) | - | - | - | - | (19,000) | (57,000) | 5 |
| Real estate rental | (2,744) | - | - | - | (7,844) | - | - | - | - | (7,844) | (18,032) | 6 |
| Meals and entertainment | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (200) | (2,000) | 7 |
| Office Supply | (100) | (100) | (100) | (100) | (100) | (100) | (100) | (100) | (100) | (100) | (1,000) | 8 |
| Vehicle | (774) | (100) | (100) | (100) | (774) | (100) | (100) | (100) | (100) | (774) | (3,022) | 9 |
| Insurance | (1,000) | (316) | - | - | (1,118) | (316) | - | - | (1,118) | - | (688) | 10 |
| Professional fees | (200) | (200) | (200) | (200) | (200) | (200) | - | - | (600) | (200) | (4,000) | 11 |
| Contingency | (200) | (1,416) | (1,100) | (1,100) | (31,918) | (1,416) | (400) | (400) | (3,916) | (30,418) | (97,868) | 12 |
| Total Disbursements | (25,068) | (1,416) | (1,100) | (1,100) | (31,918) | (1,416) | (400) | (400) | (3,916) | (30,418) | (97,868) | |
| Net Cash Flow | \$ (3,068) | \$ (1,416) | \$ (1,100) | \$ (1,100) | \$ (3,068) | \$ (1,416) | \$ (400) | \$ (400) | \$ (3,916) | \$ (5,418) | \$ (5,868) | |

| | | | | | | | | | | | | |
|------------------------|----------|----------|----------|----------|----------|---------|--------|-------|----------|----------|---------|--|
| Bank Balance | | | | | | | | | | | | |
| Beginning Cash Balance | \$ 3,638 | \$ 2,222 | \$ 1,122 | \$ 9,206 | \$ 2,288 | \$ 872 | \$ 472 | \$ 72 | \$ 6,256 | \$ 6,706 | | |
| Net Cash Flow | (1,416) | (1,100) | (1,100) | (1,100) | (31,918) | (1,416) | (400) | (400) | (3,916) | (5,418) | (5,868) | |
| Ending Bank Balance | \$ 3,638 | \$ 2,222 | \$ 1,122 | \$ 9,206 | \$ 2,288 | \$ 872 | \$ 472 | \$ 72 | \$ 6,256 | \$ 838 | | |

Prepared as at the 10 day of July, 2014

Purpose:

This Estimated Cash Flow Statement (the "Cash Flow") has been prepared by 3 Eau Claire's management pursuant to section 50.4(2) of the Bankruptcy and Insolvency Act. It is being filed specifically for the purposes contemplated in that section and readers are cautioned that it may not be appropriate for other purposes. In addition the Cash Flow has been prepared based on assumptions regarding future events; therefore actual results may vary from the estimates presented herein and these variances may be material.

Deloitte Restructuring Inc. in their capacity as Trustee under the proposal of 3 Eau Claire Development Inc. and not in their personal capacity

John Lee
John Lee, Senior Vice-President

James King
Per: James King Park, CEO

Notes & Assumptions - General:
 1. Unless otherwise stated, amounts are based on historical data and management estimates.
 2. All amounts include applicable GST.
 3. As 3 Eau Claire is in the process of developing their Proposal, the Cash Flow does not include any payments to be made pursuant to the Proposal.

Notes & Assumptions - Specific:
 1. 3 Eau Claire has now entered into a management agreement with Imperial Parking Canada Corporation ("Impark") whereby 3 Eau Claire will receive monthly parking revenue net of a management fee and selected agreed upon costs. 3 Eau Claire anticipates receiving monthly revenue of at least \$35,000 from the management agreement with Impark; however, revenue of only \$32,000 was reflected for June 2014 due to on-time repairs of approximately \$3,000 that were completed by Impark, which were offset from June 2014 revenues. Impark has now agreed to advance \$10,000 on the 1st of the each month with the balance due from the prior month to be paid on or before the 10th of each month.
 2. Includes telephone and internet services for 3 Eau Claire's presentation centre, located at 102, 615 - 3 Avenue SW (the "Presentation Centre").
 3. Includes business taxes for the Presentation Centre.
 4. 3 Eau Claire has three employees who are being paid on a contract basis.
 5. Includes rent for the Presentation Centre as well as for two rental properties that are provided for 3 Eau Claire's employees.
 6. 3 Eau Claire leases a 2014 Ford Explorer for use by its employees.
 7. 3 Eau Claire has general liability insurance for the Presentation Centre, which is provided through Aon.
 8. Includes payments to the Proposal Trustee and to 3 Eau Claire's legal counsel. Pursuant to the Order granted by the Court of Queen's Bench of Alberta on May 8, 2014, a first charge in the amount of \$50,000 was established over all of the assets, rights, undertakings and properties of 3 Eau Claire in favour of the Proposal Trustee and 3 Eau Claire's legal counsel in order to secure reasonable professional fees and expenses.

District of: Alberta
Division 02 - Calgary
No. Court 25-1859192
No. Estate 25-1859192

- FORM 30 -
Report on Cash-Flow Statement by the Person Making the
Proposal
(Paragraphs 50(6)(c) and 50.4(2)(c) of the
Act)

In the matter of the proposal
of
3 Eau Claire Developments
Inc.
of the City of Calgary, in the Province of
Alberta

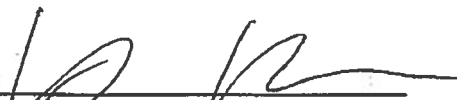
3 Eau Claire Developments Inc., has developed the assumptions and prepared the attached third amended statement of projected cash flow of the insolvent company as of the 11th day of July, 2014, consisting of the statement of projected cash flow for the ten week period from the week ended July 12, 2014 to the week ended September 13, 2014.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 11th day of July 2014.



3 Eau Claire Developments
Inc.
Debtor

James Hong Park, CEO

Name and title of signing officer

District of: Alberta
Division No. 02 - Calgary
Court No. 25-1859192
Estate No. 25-1859192

-- FORM 29 --
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the proposal of
3 Eau Claire Developments Inc.
of the City of Calgary, in the Province of Alberta

The attached third amended statement of projected cash flow of 3 Eau Claire Developments Inc., as of the 11th day of July, 2014, consisting of the statement of projected cash flow for the ten week period from the week ending July 12, 2014 to the week ending September 13, 2014, has been prepared by the management of the insolvent company for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by the management and employees of the insolvent company. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by management for the probable assumptions and preparation and presentation of the projection.

- (a) Based on our review, nothing has come to our attention that causes us to believe that, in all material respects, the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Calgary in the Province of Alberta, this 11th day of July 2014.

Deloitte Restructuring Inc. - Trustee



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