

COURT FILE NUMBER	1001-12490
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	Sprott Resource Lending Corp.
DEFENDANTS	MCL Development Corp., Regional Water Services Ltd., Medallion Development Corporation and Jeffery Colvin
DOCUMENT	RECEIVER'S FIRST REPORT TO THE COURT
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<u>NORTON ROSE FULBRIGHT CANADA LLP</u> 3700, 400 - 3 rd Avenue S.W. Calgary, AB T2P 4H2 Phone: (403) 267-8212 Fax: (403) 264-5973 Email: aaron.bowler@nortonrosefulbright Attention: Aaron Bowler

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INTRODUCTION

1. On November 8, 2011, the Court of Queen's Bench of Alberta (the "Court") issued an order (the "Receivership Order") appointing RSM Richter Inc., (now Ernst & Young Inc. ("EY")) as the Receiver and Manager (the "Receiver") of i) the real property of MCL Development Corp. ("MCL") as described in the Receivership Order; and ii) all of MCL's current and future personal property pertaining or relating to or used in connection with the MCL real property.
2. The initial application by Sprott Resource Lending Corp. ("Sprott") on September 10, 2011, contemplated that EY would also be appointed the Receiver of Regional Water Services Ltd. ("RWS"). RWS provides water and sewer services to residents in the Cochrane Lakes area where the MCL real property is located. Due to several factors including RWS incurring ongoing negative cash flows and water quality and water safety issues, RWS was removed from the receivership application.
3. MCL's real property has been listed for sale since early 2012 (such process is discussed later in this report). Offers to purchase the MCL real property have been received by the Receiver; however, all offers contained significant due diligence requirements such that a sale of MCL's real property has not been possible. A major component of any prospective purchaser's due diligence was in respect of RWS, its operations and its overall impact on the development potential of MCL's real property.

Purpose of this Report

4. The purpose of this report ("Report") is to:
 - a. Summarize the activities of the Receiver since its appointment;
 - b. Outline the sales process undertaken on MCL's real property;
 - c. Summarize the terms and conditions of an Agreement of Purchase and Sale (the "APA") from 1812234 Alberta Ltd. ("181") for the assets of RWS; and
 - d. Respectfully recommend that this Honourable Court make concurrent orders:
 - i. placing RWS into receivership and appointing EY as the Receiver; and
 - ii. approving the immediate sale of the assets of RWS to 181.

Currency

5. All currency references are in Canadian dollars unless otherwise specified.

Terms of Reference

6. In developing this Report the Receiver has relied upon unaudited financial information prepared by MCL's management, MCL's books and records and discussions with its management. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance



Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of the information. Future-oriented financial information relied upon in this Report is based on management's assumptions regarding future events. Actual results achieved may vary from this information and these variations may be material, and as such the Receiver expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Receiver in preparing this Report.

BACKGROUND

7. The MCL real property comprises approximately 347 acres of bare land located approximately three kilometers north of the town of Cochrane, Alberta in the Mon Terra on Cochrane Lakes development ("Mon Terra").
8. The Mon Terra development is comprised of approximately 620 acres made up of 5 phases. Phases 1 and 2, owned by parties other than MCL, are the only phases that have been improved from bare land.
9. The vision for Mon Terra is to develop an estate community with large lots, open spaces with lakeside boardwalks, scenic lookouts and an extensive network of parks and pathways.
10. To develop Mon Terra into an estate community it was necessary to develop a water system and a waste water system. MCL obtained approvals from the Province of Alberta under the Environmental Protection and Enhancement Act (Alberta) to draw water from the Bow River. MCL also received required approvals to construct, operate and reclaim a water works system and a waste water collection system within Mon Terra.
11. MCL completed a raw water pump station, approximately eight kilometers of underground piping to bring water to the Mon Terra site and completed a waste water and sewer line to take waste water and sewage from Mon Terra to the Town of Cochrane.
12. The Receiver understands that all approvals and the water utility facility were transferred by MCL to RWS long before the November 8, 2011 Receivership Order.
13. RWS is a single purpose entity set up to operate the water utility. RWS has no employees and all administrative services and management functions are provided by Medallion Development Corporation ("MDC"), an affiliate of RWS.
14. Additional background information on MCL is included in the November ^a, 2011 affidavit of Narinder Nagra included in the materials filed by the Secured Creditor (as defined below) supporting its application for the appointment of a receiver over the real property of MCL.

RECEIVER'S ACTIONS

15. Since the date of the receivership the Receiver has, among other things, carried out the following:



- a. sought listing proposals from three reputable real estate firms;
- b. engaged Cushman Wakefield ("CW") to list the MCL real property for sale;
- c. engaged a local party to look after the MCL real property including regular weed control;
- d. subsequent to CW's listing agreement expiring, engaging CB Richard Ellis ("CBRE") to list the MCL real property for sale;
- e. communications and meetings, from time to time, with representatives of the Rockyview County;
- f. communications and meetings, from time to time, with prospective purchasers;
- g. communications and meetings in respect of the RWS APA with 181; and
- h. various additional matters required in connection with the ongoing administration of the receivership.

SALES PROCESS

16. The Receiver called for proposals from three realtors to list the MCL real property for sale. The real estate firms that submitted proposals were CW, CBRE and Colliers International. All the real estate firms are reputable with significant local, national and international experience.
17. CW was selected to list the property for sale and the Receiver entered into an Exclusive Commercial Listing Agreement on January 24, 2012. The land was listed for sale at \$29,950,000.
18. Although there was interest expressed by prospective purchasers in MCL's real property, it became clear that the RWS water utility was a major issue. Prospective purchasers expressed concern with RWS's ability to provide ongoing water and utility services to the Mon Terra development.
19. In April 2012 CW presented the Receiver with a non-binding letter of intent ("LOI") from a prospective purchaser for the MCL real property which was finalized and agreed to on May 9, 2012. The LOI provided for a conditional period of 60 days and included:
 - a. Physical inspection of the MCL real property, the title, development and financial feasibility, and related due diligence items to the purchaser's sole satisfaction, within sixty (60) days of execution of the purchase and sale agreement ("PSA"); and
 - b. The purchaser arranging financing at terms favourable to the purchaser's sole satisfaction within sixty (60) days from the removal of the condition noted above.
20. The Receiver entered into a PSA with the prospective purchaser dated May 30, 2012. Significant conditions to a purchase in favour of the prospective purchaser remained, including, a due diligence period extended to 90 days from the date of the PSA and a 120 day financing period from the date the due diligence condition was to be waived.



21. As the prospective purchaser undertook its due diligence on the MCL real property it became clear that development of the MCL real property at the proposed sale price was uneconomic. The prospective purchaser advised that it could not obtain the requisite financing and in the fall of 2012 the proposed sale of the MCL real property was terminated.
22. CW continued to market the MCL real property for sale but without success and the CW Exclusive Commercial Listing Agreement was allowed to expire. Subsequently, in March of 2013 the Receiver, in consultation with Sprott, contacted CBRE to have the MCL real property again listed for sale. An Exclusive Commercial Listing Agreement with CBRE was executed on April 30, 2013 and has been extended from time to time as required. The MCL real property was marketed with no specified listing price.
23. CBRE undertook an exhaustive marketing program which included a direct mailing of the MCL real property opportunity to more than 350 developers who are active in the Calgary and area market. CBRE also placed advertisements in the Globe and Mail and the Calgary Herald newspapers. CBRE received very little interest in the MCL real property. The concerns noted by the developers who expressed some interest in the MCL real property related to impediments to developing and servicing such property when there had been no new home sales activity or re-sale activity in Mon Terra for a couple of years. Moreover, the financial health of RWS is a major concern for prospective purchasers of the MCL real property as they are all of the view that the financial status of RWS impacts future sales of homes and the development of the remainder of Mon Terra.
24. CBRE did source two parties that expressed some interest in the MCL real property both with a purchase price in the range of approximately \$12 million. However, both interested parties have significant due diligence requirements that could take more than 12 months to complete. Those two parties have requested significant documentation relating to the water, sewer and storm water systems at Mon Terra which is unavailable. Many contractors engaged to build the water utility were not paid. Consequently, the contractors are not prepared to release documentation (engineering plans, drawings, schematics, etc.) that prospective purchasers wish to review as part of their due diligence on Mon Terra and RWS.
25. As a result of the foregoing steps undertaken to sell the MCL real property, It appears to the Receiver that a sale of the MCL real property is unlikely given the issues with RWS and the current state of the Mon Terra development.

SPROTT'S SECURITY

26. The Receiver requested its independent legal counsel, Norton Rose Fulbright Canada LLP ("Norton Rose") undertake a review of Sprott's security and opine on the validity and priority of such security. Sprott is owed in excess of \$47 million.



27. In respect of Sprott's security and based on Norton Rose's review thereof, including the postponement agreement with Certified Financial Savings & Mortgage Corp. and subject to customary and specific qualifications, the security:
- a. Constitutes legal, valid and binding obligations on MCL, RWS and MDC;
 - b. Creates in favour of Sprott a valid security interest in the charged property;
 - c. Ranks in priority to all other secured interests; and
 - d. has been duly registered, filed or recorded in Alberta.

RWS

28. RWS owns and operates the water system at Mon Terra and provides the public utility service to the homeowners that have built or purchased homes.
29. The water utility was established to service up to 2,500 homes to be built in Mon Terra. Due to the stalled development, RWS's customer base is currently limited to 140 homes.
30. Since its inception, RWS has struggled financially. It has failed to generate positive cash flow and net income. As at December 31, 2013 according to RWS's most recent financial statements it had negative retained earnings totaling \$3.537 million. As a result of its financial difficulties RWS has not properly maintained its systems, no reserves have been established to offset future costs for repairs and maintenance, Alberta Environment has issued a Water Management Order against the utility related to water levels in Cochrane lake and there are unpaid property taxes owing to Rockyview County totaling approximately \$560,000 which have been outstanding for a long period of time. Rockyview County advised by letter dated January 17, 2014 it was proceeding to a tax sale of the utility to attempt to recover the unpaid amounts owed.
31. Rockyview County agreed to postpone a tax sale of the RWS assets (which was scheduled for April 24, 2014) pending Court approval of the sale of RWS's assets to 181.
32. As EY was not appointed Receiver over the assets of RWS it could not undertake a formal sales process of the RWS assets. However, the opportunity to purchase RWS's assets to augment the value of the MCL real property (and Mon Terra generally) was communicated by both CW and CBRE to all prospective purchasers. As previously noted in this Report, prospective purchasers of the MCL real property expressed significant concerns about the operations of RWS and its long term viability.
33. The few prospective purchasers that did express interest in the MCL real property were of the view that the utility would be a liability rather than an asset and without certainty of the utility being financially viable and able to provide the services to the home owners, were not interested in making offers on the MCL real property. It is the Receiver's view that without certainty that the utility can continue to operate and provide potable water and sewer services to Mon Terra, that the MCL real property is likely not saleable.



34. EY was approached by Windermere Water and Sewer Company Inc. ("WWS") and advised it was interested in purchasing RWS's operating assets. A representative of WWS had been providing consulting services to RWS to assist it with its operations. A letter of intent was executed with WWS on March 26, 2014 and an APA was executed on May 23, 2014. 181 is the nominee of WWS.
35. The highlights of the APA are:
 - a. the purchase price for RWS assets is \$1,040,000 payable in 10 annual installments with the first installment being \$140,000;
 - b. the RWS assets being purchased excludes certain of RWS's assets described in paragraph 40 of below;
 - c. the balance of the purchase price is payable in nine equal installments of \$100,000 on the first day of each year following the closing date;
 - d. Sprott shall be granted security by 181 over the RWS assets being purchased until such time as the \$1,040,000 purchase price is paid in full;
 - e. RWS is placed into receivership and a vesting order is issued by this Honourable Court transferring the RWS assets to 181 free and clear of any and all encumbrances other than permitted encumbrances; and
 - f. the License to Divert Water (License No. 00816639-00-00) issued by the Province of Alberta and held by RWS is transferred to 181.
36. There has been no formal appraisal of the utility for reasons of cost and the significant shortfall that Sprott will suffer on its loans. As noted previously in this Report, Sprott is owed approximately \$47 million. The MCL real property appears to have a value of approximately \$12 million based on the two expressions of interest sourced by CBRE. Should the property sell for \$12 million Sprott would suffer a shortfall on its loans in the amount of approximately \$35 million before consideration of any value attributable to RWS.
37. It is the Receiver's view there is little inherent value in the utility, it has not been properly maintained, it has never been cash flow positive nor produced income and there are issues with Alberta Environment and Rockyview County which RWS is unable to satisfy. In order for Sprott to recover fully on its loans the utility would have to be valued at \$35 million which, in the Receiver's respectful submissions, is clearly not evident.
38. Rockyview County and Alberta Environment support the sale of RWS's assets to 181. 181 will address the property taxes owing to Rockyview County and the Receiver is advised that Alberta Environment will agree to the transfer of the License to Divert Water held by RWS to 181.
39. 181 has strong financial backing which will allow continued operations of the utility while the Mon Terra development gets back on track. The 140 households in the development will have certainty that they will be provided potable water and sewage facilities. Having a stable owner/operator of the utility is expected to satisfy prospective purchasers of the MCL real property such that it can likely be sold.



40. In respect of the RWS receivership, certain assets will be excluded as they are not integral to the operations of the water utility. Those specific assets that will be excluded are:

- a. all cash, bank deposits, marketable securities, short-term investments and cash equivalents, except for any security deposits;
- b. any and all insurance proceeds receivable in respect of any damage to RWS's assets;
- c. all equipment and property rights related to the system that is utilized to recirculate water between Cochrane Lake and its connected natural wetlands; and
- d. the lands with the following legal descriptions:

Title No. 061 111 464
 Condominium Plan 0513169
 Unit 92
 And 1 Undivided One Ten Thousandth Shares in the Common Property Excepting
 Thereout all Mines and Minerals;

And

Title No. 061 111 464
 Condominium Plan 0513169
 Unit 93
 And 1 Undivided One Ten Thousandth Shares in the Common Property Excepting
 Thereout all Mines and Minerals;


RECOMMENDATION

41. For the various reasons noted throughout this Report, the Receiver respectfully recommends that this Honourable Court grant the relief outlined in 4 d) above and provide such further and other relief as this Honourable Court may direct.

* * *

All of which is respectfully submitted this 25th day of June, 2014.

ERNST & YOUNG INC.
IN ITS CAPACITY AS RECEIVER AND MANAGER OF
THE REAL PROPERTY OF MCL DEVELOPMENT CORP.


 Bob Taylor, FCA•CIRP
 Senior Vice-President

ASSET PURCHASE AGREEMENT

THIS AGREEMENT dated effective the • day of May, 2014.

BETWEEN:

REGIONAL WATER SERVICES LTD., by its receiver and manager, Ernst & Young Inc. and not in its personal capacity

(hereinafter referred to as the **Vendor**)

- and -

1812234 ALBERTA LTD.

(hereinafter referred to as the **Purchaser**)

WHEREAS:

A. Regional Water Services Ltd. (**RWS**) carries on a business, among others, of the operation of a drinking water utility and a sanitary sewer collection system for residential developments located north west of Cochrane, Alberta (the **Business**);

B. RWS has been placed in receivership pursuant to the Receivership Order (as hereinafter defined); and

C. The Vendor has agreed to sell and transfer to the Purchaser and the Purchaser has agreed to purchase and acquire from the Vendor the Assets (as defined below) used by the Vendor in respect of the Business.

NOW THEREFORE in consideration of the foregoing and of the mutual representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms and conditions hereof, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Defined Terms

Whenever used in this Agreement, the following words and terms shall have the meanings set out below and grammatical variations of such terms have corresponding meanings:

Accounts Receivable means all accounts receivable and other debts owing to the Vendor as at the Closing Date for sales made in connection with or arising out of the operation of the Business prior to the Closing Date.

Affiliate means, with respect to any Person, a Person directly or indirectly Controlling, Controlled by or under common Control with such Person.

Agreement means this Asset Purchase Agreement, including all schedules and exhibits referenced herein; and references to **Article**, **Section** or **Schedule** mean and refer to the specified Article, Section or Schedule of this Agreement.

Assets has the meaning ascribed to such term in Section 2.1.

Books and Records means all title documents, files, ledgers, correspondence, contracts, lists, manuals, books of account, reports, texts, notes, studies, memoranda, invoices, accounting records, tax returns, receipts, formulas, plans, licenses, orders, permits, working papers, accounts, financial statements, financial working papers, minute books, share certificate books, share registers, computer discs, tapes, programs or other means of electronic storage, and all other records, documents or data of any nature or kind whatsoever in the possession or control of the Vendor relating to the Business.

Business has the meaning ascribed thereto in the recitals of this Agreement.

Business Day means any day, other than Saturday, Sunday or any statutory holiday in Calgary, Alberta.

Cash Payment has the meaning ascribed thereto in Section 3.1(a).

Chattels means all of the goods and equipment owned by the Vendor and used in connection with the Business.

Claim has the meaning ascribed to such term in Section 9.3.

Closing means the closing of the purchase and sale of the Assets on the Closing Date pursuant to the terms and conditions hereof.

Closing Date means the date ten days following the date of issuance of the Vesting Order.

Contracts means all agreements made between the Vendor and any third parties in connection with the operation of the Business.

Control means, for the purposes hereof, a relationship between two or more Persons wherein one Person, or more than one of the Persons acting in concert, has or have the ability to manage the affairs of, or to significantly affect the management decisions of, one of the other Persons, and includes (a) in respect of a corporation, the ownership, directly or indirectly through one Person, or more than one of the Persons acting in concert, of voting securities of the corporation carrying more than 50% of the votes that may be cast to elect directors of such corporation, provided that such votes, if exercised, are sufficient to elect a majority of the directors of such corporation or other Person and; (b) in respect of a Person that is not a corporation, the ownership, directly or indirectly through one of the Persons, or more than one of the Persons acting in concert, of voting rights in respect of the Person which are sufficient to determine the material business decisions of such Person.

Current Liabilities means all current liabilities attributable to the Assets and the Business determined in accordance with GAAP.

Direct Claim has the meaning ascribed to such term in Section 9.3.

Equipment means all equipment and other tangible personal property owned by the Vendor and used in the conduct of the Business, whether located on the premises of the Vendor or elsewhere.

ETA means Part IX of the *Excise Tax Act* (Canada), as amended from time to time.

Excluded Assets has the meaning ascribed to such term in Section 2.2.

Excluded Liabilities has the meaning ascribed to such term in Section 2.3.

Governmental Entity means any (a) federal, provincial, territorial, state, county, municipal, local, foreign or other government, (b) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court, arbitrator or other tribunal), or

(c) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, including any arbitral tribunal.

Intellectual Property means intellectual property of any nature and kind including all trade-marks, business names, trade names, domain names, trading styles, owned by the Vendor and used in connection with the Business.

Indemnified Party has the meaning ascribed to such term in Section 9.3.

Indemnifying Party has the meaning ascribed to such term in Section 9.3.

Lands means the lands legally described in Part 1 of Schedule A.

Liens means security interests, charges, mortgages, hypothecs, pledges, liens, title retention agreements, exceptions, reservations, easements, rights of occupation, any matter capable of registration against title, options, agreements of purchase and sale, rights of pre-emption, privileges, claims, rights and other encumbrances of any nature whatsoever, and any agreement to create any of the foregoing.

Losses means, in respect of any matter, all claims, demands, proceedings, losses, damages, liabilities, deficiencies, costs and expenses (including all legal fees on a solicitor and client or substantial indemnity basis and other professional and expert fees and disbursements, interest, penalties and amounts paid in settlement) arising as a consequence of or in connection with such matter.

Operating Approval means the Approval (Approval No. 205071-00-00) issued by the Province of Alberta and held by RWS, allowing for the operation of the waterworks system.

Parties means the Purchaser and the Vendor and **Party** means any one of them.

Permits means all permits, consents, waivers, licences, certificates, approvals, authorizations, registrations, franchises, rights, privileges, quotas and exemptions, or any item with a similar effect, issued or granted by any Person in favour of the Vendor and used in connection with the Business.

Permitted Encumbrances means those encumbrances listed in Schedule B.

Person means any individual, partnership, limited partnership, joint venture, corporation, business trust, limited liability company, trust, unincorporated organization or association, joint stock company, labour union, estate, Governmental Entity or other entity.

Personal Information means information about an identifiable individual collected or created by the Vendor, recorded in any form and provided under this Agreement.

Privacy Legislation means applicable provincial and federal privacy legislation currently in force, or passed into law during the term of this Agreement and all regulations made thereunder as may be amended from time to time.

Property Rights means all the right, title and interest of the Vendor in real property as set out in Schedule A.

Purchase Price has the meaning ascribed to such term in Section 3.1.

Receiver - Manager means Ernst & Young Inc., in its capacity as court appointed receiver and manager of RWS.

Receivership Order means the order of • dated • whereby Ernst & Young Inc. has been appointed as receiver and manager of RWS.

Representative means, with respect to any Person, such Person's trustee, officers, directors, employees and representatives (including any investment banker, financial advisor, accountant, legal counsel, agent, representative or expert retained by or acting on behalf of such Person or its subsidiaries).

Sprott means Sprott Resource Lending Corp.

Sprott Security Documents means • [NTD: Describe loan.].

Supplies means all inventories and business supplies of the Business.

Third Party Claim has the meaning ascribed to such term in Section 9.3.

Utility means the water and sewer utility facility located on the Lands.

Vesting Order means an order granted by the Alberta Court of Queen's Bench pursuant to the Receivership Order approving the sale of the Assets to the Purchaser and vesting title to the Assets in the Purchaser as at the Closing Date.

Water Rights means the License to Divert Water (License No. 00816639-00-00) issued by the Province of Alberta and held by RWS.

Water Supply Agreement means the water supply agreement in the form of Schedule K.

1.2 Certain Rules of Interpretation

In this Agreement:

- (a) **Time**. Time shall be of the essence in this Agreement.
- (b) **Sections and Headings**. Descriptive headings of Articles and Sections are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of the content of such Articles or Sections.
- (c) **Number and Gender**. Words importing the singular number only shall include the plural and *vice versa*, and words importing gender shall include all genders.
- (d) **Calculation of Time**. Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.
- (e) **Business Day**. Whenever any payment is to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following such day.
- (f) **Inclusion**. The words "including" or "includes" shall mean "including (or includes) without limitation".
- (g) **Use**. The word "use" shall include execution, display, operation, reproduction, distribution, modification, sublicensing, sale, distribution, marketing, and other exploitation, unless the context requires otherwise.

- (h) Statutes, etc. Unless otherwise specified, any reference to any statute, regulation or other legislation refers to such statute, regulation or legislation, as in effect on the date of this Agreement.

1.3 Currency

Unless otherwise specified, all references to money amounts shall be deemed to refer to Canadian currency.

1.4 Knowledge

For purposes of any representation or warranty of the Vendor, on the one hand, or the Purchaser, on the other hand, contained in this Agreement that is expressly qualified by reference to the knowledge of the Vendor or the Purchaser, as applicable, or is otherwise expressed to be limited to matters known to one or more of such Persons, "knowledge" and the phrase "to the knowledge", as the case may be, and similar expressions shall mean and be interpreted, with respect to any Person, as being the actual knowledge, information and belief of such Person without inquiry.

1.5 Entire Agreement

This Agreement, together with all other agreements, instruments, certificates, assignments and other documents to be delivered by the Parties pursuant to this Agreement, constitute the entire agreement between the Parties pertaining to the subject matter of this Agreement, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no representations, warranties or other agreements between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document delivered pursuant to this Agreement.

1.6 Amendments and Waivers

No amendment or waiver of any provision of this Agreement shall be binding on any Party to this Agreement unless consented to in writing by such Party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise provided.

1.7 Governing Law and Attornment

This Agreement shall be conclusively deemed to be a contract made under, and shall for all purposes be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. The Parties hereby attorn to the exclusive jurisdiction of the courts of the Province of Alberta, and agree that service of any process, summons, statement of claim, writ, notice or document by personal delivery to such Party's address set forth in Section 11.3 shall be effective service of process for any action, suit or proceeding brought against such Party in any such court.

1.8 Accounting Principles

All references to generally accepted accounting principles or "GAAP" refer to the principles recommended, from time to time, in the Handbook of the Canadian Institute of Chartered Accountants and all accounting terms not otherwise defined in this Agreement have the meanings assigned to them in accordance with generally accepted accounting principles.

1.9 Schedules

The schedules to this Agreement, as listed below, are an integral part of this Agreement:

Schedule A	Property Rights
Schedule B	Water Supply Agreement
Schedule C	List of Assets to be Sold

1.10 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, provided that the exclusion of such provision does not materially alter the spirit and intent of this Agreement, not invalidate the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In respect of any provision so determined to be unenforceable or invalid, the Parties agree to negotiate in good faith in order to replace the unenforceable or invalid provision with a new provision that is enforceable and valid in order to give effect to the business intent of the original provision to the extent permitted by law and in accordance with the intent of this Agreement.

ARTICLE 2 **PURCHASE AND SALE**

2.1 Assets to be Sold

Subject to the terms and conditions of this Agreement, the Vendor shall sell, convey, assign, transfer and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from the Vendor, free and clear of all Liens other than Permitted Encumbrances, all of the right, title and interest of the Vendor in and to all of the following property, assets, undertaking and rights (collectively, the **Assets**) used primarily in the conduct of the Business, but only to the extent such Assets are owned by the Vendor, excluding the right, title and interest of the Vendor in and to the Excluded Assets:

- (a) the Property Rights;
- (b) the Equipment;
- (c) the Contracts;
- (d) the Accounts Receivable;
- (e) the Permits;
- (f) the Intellectual Property;
- (g) the Chattels;
- (h) all fixed machinery and fixed equipment of the Vendor situate on or forming part of the Property Rights;
- (i) the Supplies;
- (j) the Water Rights;
- (k) the Operating Approval;
- (l) the full benefit and advantage of all manufacturers', suppliers' and contractors' guarantees and warranties pursuant to any contracts relating primarily to the Business to

the extent the same are assignable and are in force and have not expired in accordance with their terms as at the Closing Date; and

- (m) all records, books, documents and data bases recorded or stored by means of any device, including in electronic form, relating to the Business and the Assets.

2.2 Excluded Assets

The following assets shall be excluded from the Assets to be sold hereunder (the **Excluded Assets**):

- (a) all cash, bank deposits, marketable securities, short-term investments and cash equivalents of the Vendor, except for any security deposits;
- (b) any and all insurance proceeds payable to the Vendor in respect of any damage to the Assets; and
- (c) All equipment and property rights related to the system that is utilized to recirculate water between Cochrane Lake and its connected natural wetlands.

2.3 Excluded Liabilities

Notwithstanding anything contained in this Agreement or any agreement, instrument or other document delivered pursuant hereto, the Purchaser shall not assume, and shall be deemed not to have assumed, any of the liabilities, debts or obligations of the Vendor, whether present or future, absolute or contingent and whether or not relating to the Business and the Assets prior to the Closing Date (collectively the **Excluded Liabilities**) other than the outstanding sewer servicing fees and the applicable interest owing to the Rocky View County, which shall be assumed by the Purchaser as contemplated in this Agreement and the Vesting Order.

ARTICLE 3 PURCHASE PRICE AND CLOSING

3.1 Purchase Price

The purchase price (the **Purchase Price**) payable to the Vendor for the Assets shall be equal to \$1,040,000 payable in ten (10) annual installments as follows:

- (a) \$140,000 shall be payable on the Closing Date by solicitors trust cheque, bank draft, certified cheque or wire transfer to an account designated by the Vendor (the **Cash Payment**) such payment to be released only upon registration of the Vesting Order and operating approvals and water rights being transferred to the buyer by the appropriate agency/authority; and
- (b) the balance shall be payable, pursuant to a promissory note, in nine (9) equal installments of \$100,000 each on the first day of each year following the Closing Date.
- (c) The balance referenced to in Section 3.1(b) shall be secured by a fixed and floating charge debenture over all of the assets of the Purchaser in favour of Sprott and shall be supported by a legal opinion in respect thereof and in respect of the promissory note. The Purchaser shall execute and deliver on Closing such security as Sprott may reasonably require in order to give effect to this provision, including without limitation:
 - (i) a debenture;
 - (ii) a promissory note;

- (iii) a general security agreement;
- (iv) an assignment of material agreements, permits and approvals; and
- (v) such other documents as may reasonably be requested by the Vendor, Sprott or their respective solicitors.

to have and to hold the same for the uses and purposes, with the rights, powers and authorities, and on the terms and conditions herein provided.

3.2 Allocation of Purchase Price

The Vendor and the Purchaser, acting reasonably, shall negotiate in good faith to establish an allocation of the Purchase Price among the various classes of Assets failing which the Vendor and the Purchaser shall each be entitled to make an independent allocation.

3.3 GST

The Purchase Price does not include GST. The Parties shall elect jointly under section 167(1) of the ETA by way of GST Form 44E in respect of the Closing, and the Purchaser shall file such election in its GST return for its reporting period that includes the Closing Date. If for any reason the Parties cannot or do not file the joint election using Form 44E as contemplated above, the Purchaser shall pay to the Vendor on the Closing Date GST on the supply of the Assets to the Purchaser.

3.4 Prepaid Revenues

To the extent that prepaid revenues arising from the conduct of the Business have been or will be received by the Vendor and services have not been provided by the Vendor in connection with such prepaid revenues, the aggregate amount representing such prepaid revenues, including any profit generated in connection with such revenues, shall belong to and be payable to and enforceable by the Purchaser. All amounts paid to the Vendor in connection with such prepaid revenues shall be remitted to the Purchaser on the Closing Date in cash and in the event that the Vendor receives any further payment with respect to any such prepaid revenues, the Vendor shall forthwith remit the amount of such payment to the Purchaser within five (5) calendar days of the end of the calendar month in which such amount is received by the Vendor.

3.5 Closing Arrangements

- (a) Closing. Closing shall occur at 12 o'clock noon on the Closing Date at the offices of the Vendor's solicitors.
- (b) Vendor's Deliveries. On or before the Closing Date, the Vendor shall deliver, or shall cause to be delivered, to the Purchaser the following:
 - (i) the Vesting Order;
 - (ii) possession and control of the Assets;
 - (iii) a transfer of the Water Rights and Operating Approval or an undertaking to fully cooperate in the transfer of those assets subsequent to closing as per the transfer application process that is regulated by the Alberta Environment and Sustainable Resource Development. To the extent a transfer cannot be completed on the Closing Date the Vendor will hold the rights granted under the Water Rights in trust for the Purchaser until the transfer has been completed;

- (iv) a GST Form 44E (ETA Section 167(1) election form), executed by the Vendor;
and
 - (v) any other documents and instruments which the Vendor determines are necessary to give effect to the transactions contemplated by this Agreement.
- (c) Purchaser's Deliveries. Concurrent with the execution of this Agreement, the Purchaser shall deliver, or shall cause to be delivered to the Vendor the following:
- (i) the Cash Payment;
 - (ii) a GST Form 44E (ETA Section 167(1) election form), executed by the Purchaser;
 - (iii) a certified copy of the resolution of the directors and, to the extent required by applicable law, shareholders of the Purchaser authorizing the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby; and
 - (iv) any other documents and instruments required by this Agreement or reasonably requested by the Vendor to give effect to the transactions contemplated by this Agreement.

3.6 Possession of Assets and Customer Goods

The right to the possession of the Assets shall transfer to the Purchaser at 12 o'clock noon on the Closing Date. The Vendor shall transfer and deliver to the Purchaser on the Closing Date such keys, lock and safe combinations, alarm codes and other similar items may be in the possession of the vendor in relation to the Assets, and shall also make available to the Purchaser at the Vendor's then existing locations all documents in the Vendor's possession that are required to be transferred to the Purchaser under this Agreement. On the Closing Date, the Purchaser shall take possession of, and assume the risk of loss for, the Assets.

ARTICLE 4

REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS OF THE VENDOR

4.1 Representations and Warranties of the Vendor

The Vendor represents and warrants to the Purchaser that:

- (a) The Vendor is not a non-resident within the meaning of section 116 of the *Income Tax Act* (Canada).
- (b) The Vendor is registered under Part IX of the *Excise Tax Act* (Canada) with registration number • .

ARTICLE 5

REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS OF THE PURCHASER

5.1 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Vendor that:

- (a) The Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Alberta.

- (b) The Purchaser has the power, authority and right to enter into and deliver this Agreement and to complete the transactions to be completed by the Purchaser hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) The Purchaser is registered under Part IX of the *Excise Tax Act* (Canada) with registration number • .

ARTICLE 6

COVENANTS OF THE PARTIES

6.1 Further Assurances

On and after the Closing Date, the Purchaser shall take all appropriate action and shall execute all documents, instruments or conveyances of any kind that may be reasonably requested by the Vendor to carry out the provisions hereof. The Purchaser acknowledges that the Vendor is a corporation in receivership and shall not be required to provide, execute or deliver any document, instrument or conveyance not expressly contemplated herein.

6.2 Privacy Matters

- (a) The Purchaser and its Representatives may use and disclose the Personal Information only for the purposes for which the Personal Information was originally collected by the Vendor, or as specifically consented to under this Agreement.
- (b) The Purchaser and its Representatives shall protect the Personal Information by making reasonable security arrangements against such risks as unauthorized access, collection, use, disclosure, copying, modification or disposal.
- (c) The Purchaser shall communicate to its Representatives who have access to the Personal Information the terms of this Agreement concerning the collection, use, disclosure and security of the Personal Information and ensure that its Representatives comply with such terms. The Purchaser shall provide evidence of such communication and compliance to the Vendor upon request.
- (d) The Purchaser and its Representatives will comply with all applicable Privacy Legislation with regards to the use, protection and disclosure of the Personal Information.

6.3 Costs and Expenses

- (a) The Purchaser shall be liable for all (i) financing costs and other fees and expenses relating to any financing arranged by it in connection with the transactions contemplated by this Agreement to the extent incurred by or on behalf of the Purchaser, and (ii) all costs, fees and expenses associated with obtaining all licences, permits, registrations, approvals and consents of or from any Governmental Entity to the extent the same are required in connection with the ordinary course operation and conduct of the Business by the Purchaser after the Closing Date.
- (b) Except as specifically set forth in this Agreement, each of the Parties shall bear the respective costs and expenses incurred or to be incurred by each of the Parties in

connection with this Agreement and the consummation of the transactions contemplated hereby.

6.4 Confidentiality

After the Closing Date, except as required by applicable laws, the Vendor shall keep confidential all information relating to the Business, except information that (i) is or becomes generally available to the public, or (ii) the Vendor receives after the Closing Date from an independent third Person, who had obtained the information lawfully and was under no obligation of secrecy.

6.5 Retention of Books and Records

The Purchaser will preserve all Books and Records and other documents delivered to it hereunder for a period of six (6) years from the Closing Date, or such longer period as is required by any applicable law or as may be reasonably required by the Vendor and will, at the expense of the Vendor, permit the authorized Representatives of the Vendor reasonable access thereto in connection with the affairs of the Vendor, but the Purchaser will not be responsible or liable to the Vendor for or as a result of any inadvertent loss or destruction of or damage to any such documents.

6.6 Covenants of the Purchaser

- (a) The Purchaser shall provide the Water Supply Agreement to Sprott within 60 days following execution and delivery of this Agreement by the Parties.
- (b) The Purchaser shall provide Sprott with all available information and documentation that is relevant to the operational capacity of the Utility and its ability to absorb additional development. This information is to be provided in conjunction with the consulting engineer Brisbin & Sentis Engineering Inc. (BSEI) and shall include design briefs, drawings and any other information that is reasonably required to confirm utility capabilities and to support the marketing and development of the surrounding service areas.
- (c) The Purchaser shall make all reasonable efforts to provide Sprott with information related to the stormwater management system within the community of Monterra.
- (d) The Purchaser shall operate the Utility in accordance with the requirements of any Governmental Entity, including the maintenance of the drinking water rates and fees in accordance with the Alberta Utility Commission's approved rate structure for the Utility and the maintenance of all water and diversion licensing in good standing. The Purchaser covenants and agrees to rectify any licensing issues within the period of time required pursuant to the requirements of any Governmental Entity having jurisdiction as directed or failing direction within a reasonable period of time.

ARTICLE 7 SURVIVAL PERIODS

7.1 Survival of Representations and Warranties

The representations and warranties contained in this Agreement and in all certificates and documents delivered pursuant to or contemplated by this Agreement shall survive the Closing Date for a period of twenty four (24) months following the Closing Date and, notwithstanding the closing of the transactions contemplated herein, nor any investigation made by or on behalf of the Party entitled to the benefit thereof, shall continue in full force and effect for the Party entitled to the benefit thereof during such period.

ARTICLE 8 **CONDITIONS**

8.1 Conditions of the Sale

The sale by the Vendor and the purchase by the Purchaser of the Assets is subject to the following conditions, which are for the exclusive benefit of the Purchaser and which are to be performed or complied with at or prior to the Closing Date:

- (a) there will have been obtained from all appropriate Governmental Authorities such approvals or consents as are required to permit the change of ownership of the Assets contemplated hereby and to permit the Business to be carried on by the Purchaser as now conducted;
- (b) the Vendor having applied for and been granted the Vesting Order, free of any stay or other impediment to execution or any application to vary, set aside, or to appeal (all applicable appeal proceeds having been waived or having expired) within 90 days following the date of execution and delivery of this Agreement by the Parties; and
- (c) conveying title to the Lands free of claims of the Vendor and the parties claiming through the Vendor (other than as specifically referenced herein) and free and clear of all right, title, and interest of the Vendor and those claiming through the Vendor, but subject to the Permitted Encumbrances registered against title to the Lands and any other encumbrances implied by law, including without limitation any claims and encumbrances as need not be registered in Alberta to obtain priority over the security granted to the Lender referred to in Section 61 of the *Land Titles Act* (Alberta).

8.2 Waiver of Conditions

Intentionally deleted.

8.3 Termination

This Agreement may be terminated, by notice given prior to or at the completion of the sale and purchase of the Assets herein contemplated:

- (a) by the Purchaser if any condition in Section 8.1 has not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of the Purchaser to comply with its obligations under this Agreement) and the Purchaser has not waived such condition on or before the Closing Date; or
- (b) by written agreement of the Parties.

8.4 Effect of Termination

Each Party's right of termination under Section 8.3 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 8.3, all further obligations of the Parties under this Agreement will terminate, except that the obligations in Sections 5.1, 6.2, 6.3, 6.4 and 6.5 will survive; provided, however, that if this Agreement is terminated by a Party because of a breach of a representation or warranty, covenant, obligation or other provision of this Agreement by the other Party or because one or more of the conditions to the terminating Party's obligations under this Agreement is not satisfied as a result of the other Party's failure to comply with its obligations under this Agreement, the terminating Party's right to pursue all legal remedies with respect to such breach will survive such termination unimpaired.

ARTICLE 9 **INDEMNIFICATION**

9.1 Indemnification by the Vendor

Intentionally deleted.

9.2 Indemnification by the Purchaser

The Purchaser agrees to indemnify and save harmless the Vendor and its Representatives from all Losses suffered or incurred by them as a result of or arising directly or indirectly out of or in connection with:

- (a) any breach or non-performance by the Purchaser of any covenant or agreement to be performed by it which is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto;
- (b) any breach of any representation or warranty of the Purchaser which is contained in this Agreement; and
- (c) any Claim relating to the Assets or the Business arising directly or indirectly from acts or omissions of the Purchaser or its officers, directors or employees after the Closing Date.

9.3 Notice of Claim

In the event that a Party (the **Indemnified Party**) shall become aware of any claim, proceeding or other matter (a **Claim**) in respect of which the other Party (the **Indemnifying Party**) has agreed to indemnify the Indemnified Party pursuant to this Agreement, the Indemnified Party shall promptly give written notice thereof to the Indemnifying Party. Such notice shall specify whether the Claim arises as a result of a claim by a Person against the Indemnified Party (a **Third Party Claim**) or whether the Claim does not so arise (a **Direct Claim**), and shall also specify with reasonable particularity (to the extent that the information is available):

- (a) the factual basis for the Claim; and
- (b) the amount of the Claim, if known.

If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of any Claim in time effectively to contest the determination of any liability susceptible of being contested, the Indemnifying Party shall be entitled to set off against the amount claimed by the Indemnified Party the amount of any Losses incurred by the Indemnifying Party resulting from the Indemnified Party's failure to give such notice on a timely basis.

9.4 Direct Claims

With respect to any Direct Claim, following receipt of notice from the Indemnified Party of the Claim, the Indemnifying Party shall have sixty (60) days to make such investigation of the Claim as is considered necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim together with all such other information as the Indemnifying Party may reasonably request. If the Indemnifying Party and the Indemnified Party agree at or prior to the expiration of such sixty (60) day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim, failing which the matter shall be referred to binding arbitration in such manner as the Parties may agree or shall be determined by a court of competent jurisdiction.

9.5 Third Party Claims

With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its expense, to participate in or assume control of the negotiation, settlement or defence of the Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's out-of-pocket expenses as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim and to retain counsel to act on its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless the Indemnifying Party consents to the retention of such counsel or unless the named parties to any action or proceeding includes both the Indemnifying Party and the Indemnified Party and counsel for the Indemnifying Party would have a conflict of interest if it were also to act as counsel for the Indemnified Party, whether due to the actual or potential differing interests between the Indemnified Party and the Indemnifying Party (such as the availability of different defences) or otherwise. If the Indemnifying Party, having elected to assume such control, thereafter fails to defend the Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.

9.6 Settlement of Third Party Claims

If the Indemnifying Party fails to assume control of the defence of any Third Party Claim, the Indemnified Party shall have the exclusive right, acting reasonably, to contest, settle or pay the amount claimed. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed; provided, however, that the liability of the Indemnifying Party in respect of such Third Party Claim shall be limited to the proposed settlement amount if the Indemnified Party withholds such consent.

9.7 Co-operation

The Indemnified Party and the Indemnifying Party shall co-operate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect thereto (including, if so requested, supplying copies of all relevant documentation promptly as it becomes available).

9.8 Consequential Loss

Notwithstanding anything herein contained, no Party shall be liable to the other Party, its Affiliates, associates and any Person who is serving or shall have served as a Representative of such Party or its Affiliates and associates for any reason (including negligence on the part of the first Party or any Person for whose acts it is responsible, and howsoever a head of damage may be formulated) in respect of any loss of use, loss of revenue, loss of profit, loss of contract, loss of goodwill or any loss or damage of an indirect or consequential nature suffered by the other Party, its Affiliates, associates and any Person who is serving or shall have served as a trustee, director, officer, partner, employee, consultant, agent or representative of such Party or its Affiliates and associates in connection with this Agreement.

9.9 Exclusivity

The provisions of this Article 9 shall apply to any Claim for breach of any covenant, representation, warranty or other provision of this Agreement or any agreement, certificate or other document delivered pursuant hereto with the intent that all such Claims shall be subject to the limitations and other provisions contained in this Article 9.

9.10 Mitigation

For greater certainty, nothing in this Agreement shall be construed as limiting or otherwise affecting the duty which any Party otherwise has at law to mitigate the damages suffered by it as a result of a breach by any other Party of any covenant, representation, warranty or other provision of this Agreement or any agreement, certificate or other document delivered pursuant hereto.

ARTICLE 10 AS IS WHERE IS

10.1 Condition of Assets

The Purchaser acknowledges and agrees that:

- (a) the Purchaser has relied and will continue to rely entirely and solely upon its own inspections and investigations with respect to the Assets;
- (b) except as otherwise expressly provided for in this Agreement, the Assets are being purchased and assumed by the Purchaser on an "as is, where is" basis as of the date of this Agreement and without any express or implied agreement or representation and warranty of any kind whatsoever or any liability or obligation of the Vendor as to the physical or financial condition, suitability for development, fitness for a particular purpose, merchantability, title, physical characteristics, profitability, use or zoning, environmental condition, existence of latent defects, quality, or any other aspect or characteristic thereof;
- (c) except as otherwise expressly provided for in this Agreement, the Vendor makes no agreements or representations and warranties concerning any statements made or other information delivered or made available to the Purchaser (whether by the Vendor, the Vendor's Representatives or any other agents, or representatives or advisors of the Vendor or any of its affiliates, or any other Person) with respect to the Assets;
- (d) any property information in respect to the Assets is provided to the Purchaser without representation or warranty and the Purchaser will rely entirely and solely upon its own investigations and inspections and shall not rely on such information or any other information furnished by the Vendor or any other Person or entities on behalf of or at the direction of the Vendor in connection therewith;
- (e) except as otherwise expressly provided for in this Agreement, the Vendor shall have no obligations or responsibility to the Purchaser after Closing with respect to any matter relating to the Assets or the condition thereof; and
- (f) without limiting the generality of any other provision of this Agreement, the Purchaser shall not have or assert and hereby expressly waives any Claim based upon or arising out of or in connection with: (a) any act, representation, statement, neglect or omission by or on behalf of the Vendor; (b) any receipt or review of, or any comment or discussion arising from any report or other information or other material made available to the Purchaser by or on behalf of the Vendor; or, (c) any other state, nature, quality or condition in, on, under or near the Lands. Without limiting the generality of the foregoing, provided that closing of the Transaction has occurred, the Purchaser shall indemnify, release and save harmless the Vendor from any and all Claims whatsoever which may be brought by or through the Purchaser against the Vendor as a result of any matter or thing arising out of, resulting from, attributable to or connected with the environmental condition of any of the Assets. Once closing of the Transaction has occurred, as between the Purchaser and the Vendor, the Purchaser shall be solely responsible for the

Assets, and hereby releases the Vendor from any claims the Purchaser may have against the Vendor with respect to all such liabilities and responsibilities.

- (g) The provisions of this Article 10 shall survive Closing or the termination of this Agreement.

ARTICLE 11

GENERAL

11.1 Assignment

This Agreement shall not be assigned by any Party hereto without the prior written consent of the other Party and any assignment without such prior written consent shall be null and void.

11.2 Time of the Essence

Time shall be of the essence of this Agreement, and the transaction herein provided for and each and every part thereof.

11.3 Notices

Unless otherwise provided herein, any notice, request, instruction or other document to be given hereunder by one Party to the other Party shall be in writing and shall be delivered in person, by nationally recognized overnight courier or by facsimile transmission (with such facsimile transmission confirmed by sending a copy of such notice, request, instruction or other document by nationally recognized overnight courier) as follows:

If to RWS to: Regional Water Services Ltd.
Box 57159
2525 – 36th Street NE
Calgary, AB T1Y 6R4
Attention: Jeff Colvin
Facsimile: (403) 230-1486

With a copy to: •
•
•
Attention: •
Facsimile: •

If to the Purchaser: 1812234 Alberta Ltd.
#1003, 200 La Caille Place SW
Calgary, AB T2P 5E2
Attention: Paul Partlo
Facsimile: (403) 237-0442

With a copy to: Justin O'Connell Professional Corporation
400, 1100 – 8th Avenue SW
Calgary, AB T2P 3T8
Attention: Justin O'Connell
Facsimile: (403) 245-9017

If to Ernst & Young Inc.
to: Ernst & Young Inc.
1000, 440-2nd Avenue SW
Calgary, AB T2P 5E9
Attention: Bob Taylor
Facsimile: 403.206.5075

With a copy to: Norton Rose Fulbright Canada LLP
3700, 400-3rd Avenue SW
Calgary, AB T2P 4H2
Attention: Gordon Van Vliet
Facsimile: 403.264.5973

or to such other place and with such other copies as either Party may designate as to itself by written notice to the other Party. Notice shall be deemed effective upon delivery by overnight courier or upon receipt by facsimile. Any rejection or refusal to accept or the inability to deliver any notice because of a changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

11.4 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.

11.5 Mutual Drafting

This Agreement is the joint product of the Vendor and the Purchaser and each provision hereof has been subject to the mutual consideration, negotiation and agreement of both the Parties and shall not be construed for or against any Party.

11.6 Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or by e-mail in PDF format shall be as effective as delivery of a manually executed counterpart of this Agreement.

11.7 Declaration of Trust

In the event the Vendor has not complied with all the necessary legal requirements to transfer the legal title to any or all of the Lands as of the Closing Time, the Vendor acknowledges and declares that, as of the Closing Time, the Vendor shall hold and stand possessed of and shall continue to hold and stand possessed of the beneficial interest in the Lands for which legal title has not been transferred in trust for and on behalf of the Purchaser for the Purchaser's sole use, enjoyment and benefit, and further acknowledges that all benefit and advantage accruing to the beneficial interest shall, if and when received, be received and held by the Vendor, its successors or its assigns, fully for the benefit, use and ownership of the Purchaser as aforesaid.

11.8 Exculpatory Clause

The Purchaser acknowledges that Ernst & Young Inc. is entering into this Agreement in its capacity as the court appointed receiver and manager of RWS and not in its personal capacity. The Purchaser specifically agrees that Ernst & Young Inc. shall incur no personal liability in connection herewith and releases and indemnifies Ernst & Young Inc. from any claims arising hereunder.

11.9 Discharge


The Purchaser acknowledges that upon completion of the transaction contemplated hereby the Receiver-Manager intends to apply to the Court of Queen's Bench of Alberta for a discharge of its appointment as the receiver and manager of The Willows Development Ltd. and the Purchaser hereby consents to such discharge and agrees to provide such further and other documentation as may be required to give evidence thereto on request.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the Parties as of the date first above written.

**REGIONAL WATER SERVICES LTD., by its
receiver and manager, ERNST & YOUNG INC. and
not in its personal capacity**

Per: _____
Name:
Title:

1812234 ALBERTA LTD.

Per:  _____
Name:
Title:

**SCHEDULE A
PROPERTY RIGHTS**

Part 1 - Fee Simple:

CONDOMINIUM PLAN 0513169
UNITS 55 AND 56
AND THE APPLICABLE UNDIVIDED ON TEN THOUSANDTH SHARES IN THE COMMON
PROPERTY
EXCEPTING THEREOUT ALL MINES AND MINERALS

Part 2 - Easements and Rights of Way:

UTILITY RIGHT OF WAY DATED FEBRUARY 7, 2005 REGISTERED ON SEPTEMBER 16,
2005 AS 051344310 WHICH IS REGISTERED AGAINST:

A:

THAT PORTION OF THE ROADWAY IN
(5;4;26;27;SW)
AS SHOWN ON PLAN ATTACHED TO TRANSFER 42231
WHICH LIES TO THE NORTH WEST OF THE CENTRE
LINE OF THE SAID ROADWAY
CONTAINING 1.0 HECTARES (2.63 ACRES) MORE OR LESS
EXCEPTING THEREOUT ALL MINES AND MINERALS

B:

CONDOMINIUM PLAN 0513169
UNITS 52, 115 AND 125
AND ALL THE APPLICABLE UNDIVIDED ON TEN THOUSANDTH SHARES IN THE
COMMON PROPERTY
EXCEPTING THEREOUT ALL MINES AND MINERALS

UTILITY RIGHT OF WAY DATED December 15, 2004 between The Town of Cochrane and
Regional Water Services Ltd. (formerly Cochrane Lake Water Company Ltd.) affecting Statutory
Road Allowance immediately west of NW ¼ Section 4, Township 26, Range 4, W5M and west of
W ½ Section 9, Township 26, Range 4 W5M from the North bank of the Bow River to the South
side of the right of way of Highway 1A

Part 3 - Leases:

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**SCHEDULE B
PERMITTED ENCUMBRANCES**

Affected Property Rights	Registration Number	Date of Registration	Description
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**SCHEDULE C
WATER SUPPLY AGREEMENT**