

Deloitte.

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

DATED SEPTEMBER 22, 2014

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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SCHEDULES

- Schedule 1 Fourth Amended Statement of Projected Cash Flow for the Seven Week Period from the Week Ended September 20, 2014 to the Week Ending November 1, 2014, including a Report on the Cash Flow Statement by the Person Making the Proposal and a Trustee's Report on the Cash Flow Statement
- Schedule 2 Correspondence to those parties who had previously expressed an interest in purchasing or otherwise acquiring the assets of 3 Eau Claire Developments Inc. dated September 4, 2014
- Schedule 3 Form of Agreement of Purchase and Sale between Bentall Kennedy (Canada) LP and Deloitte Restructuring Inc. solely in its capacity as Court-appointed Receiver and Manager of 3 Eau Claire Developments Inc.
- Schedule 4 Variance Analysis for the Seven Week Period Ended September 13, 2014

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").
2. The Company was granted an initial 30-day stay of proceedings (the "Initial Stay") pursuant to Section 69(1) of the BIA. 3 Eau Claire was required to file a proposal (a "BIA 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"). The Court has now granted five Orders extending the stay of proceedings with the most recent Order being granted on August 15, 2014 (the "August 15 Order") and extending the stay of proceedings until September 29, 2014.
3. The August 15 Order further appointed Deloitte as receiver (the "Receiver"), without security, over all of 3 Eau Claire's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property"). The Property consisted mainly of development land located at 633 3rd Avenue SW in Calgary (the "Lands") on which 3 Eau Claire intended to build an approximately 652,000 square foot mixed-use condominium project (the "Project"). Pursuant to the August 15 Order, 3 Eau Claire remained in possession of the Property with the Receiver being appointed for the limited purpose of negotiating the terms of a BIA Proposal (which could be done pursuant to a joint venture) or the outright sale of the Lands.
4. Pursuant to Section 50.4(2) of the BIA, the management of 3 Eau Claire ("Management") has provided a statement of projected cash flow and four subsequent amended statements of projected cash flow, all of which have been filed with the Official Receiver. The Fourth Amended Statement of Projected Cash Flow (the "Fourth Amended Forecast") for the seven week period from the week ended September 20, 2014 to the week ending November 1, 2014 (the "Forecast Period") was filed on September 15, 2014 together with a Report on the Cash Flow Statement by the Person Making the Proposal and a Trustee's Report on the Cash Flow Statement (the "Reports"). The Fourth Amended Forecast and the Reports are attached as "Schedule 1".
5. The Trustee's First, Second, Third and Fourth Reports in these proceedings were respectively dated May 5, 2014, June 20, 2014, July 15, 2014 and August 13, 2014 (referred to respectively as the

"Trustee's First, Second, Third and Fourth Report"). The Trustee further filed a Supplement to the Third Report of the Trustee on July 30, 2014 (the "Trustee's Supplement").

6. This report is the first report of the Receiver (the "Receiver's Report"); however, it includes information related to both Deloitte's appointment as Trustee and as Receiver. The Receiver's Report is being filed in respect of the Court hearing on September 25, 2014 (the "September 25 Hearing"), as further described later in this report. Capitalized terms not otherwise defined herein have the meanings given to them in the Trustee's First, Second, Third and Fourth Reports and the Trustee's Supplement.
7. Information on both the NOI and the Receivership proceedings can be accessed on Deloitte's website at www.insolvencies.deloitte.ca.

Notice to Reader

8. In preparing the Receiver's Report, the Receiver has relied on unaudited financial information, the books and records of the Company and discussions with Management, interested parties and stakeholders. The Receiver has not performed an independent review or audit of the information provided.
9. The Receiver 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 Receiver's Report.
10. All amounts are in Canadian dollars, unless otherwise indicated.

Background

Proceedings up to and including the July 31 Hearing

11. The Trustee's 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:
 - 11.1 Approval of an extension of the Initial Stay from May 11, 2014 until June 25, 2014 (the "First Extension");
 - 11.2 Approval of a charge in the amount of \$50,000 as security for professional fees and disbursements of the Trustee and the Company's legal counsel (the "Administrative Charge"). The Administrative Charge formed a first charge over the Property;
 - 11.3 Requiring 3 Eau Claire to provide counsel for Korea Exchange Bank of Canada ("KEB") with weekly updates during the First Extension regarding the Company's activities, which information was to be kept strictly confidential by KEB; and
 - 11.4 Sealing the First Confidential Affidavit of Andrew Seong-Jin Lee sworn on May 5, 2014.
12. The Trustee's Second Report was filed in conjunction with 3 Eau Claire's application on June 25, 2014, at which time the Court granted an Order, which included the following relief:
 - 12.1 Approval of a second extension of the stay of proceedings from June 25, 2014 to July 16, 2014; and
 - 12.2 Sealing the Second Confidential Affidavit of Andrew Seong-Jin Lee sworn on June 25, 2014 (the "Second Confidential Affidavit") pending further Order of the Court with the Trustee reviewing the need for the Second Confidential Affidavit to remain confidential prior to its discharge.
13. The Trustee's Third Report was filed in conjunction with 3 Eau Claire's application on July 16, 2014 (the "July 16 Application") at which time the Court granted an Order, which included the following relief:
 - 13.1 Approval of a third extension of the stay of proceedings from July 16, 2014 to July 31, 2014; and
 - 13.2 Sealing the Third Confidential Affidavit of Andrew Seong-Jin Lee sworn on July 15, 2014 (the "Third Confidential Affidavit") with the Trustee reviewing the need for the Third Confidential Affidavit to remain confidential prior to its discharge.

14. The following additional relief sought at the July 16 Application was adjourned until July 31, 2014 (the "July 31 Hearing").
 - 14.1 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, Blake, Cassels & Graydon LLP ("Blakes").
15. At the July 31 Hearing, 3 Eau Claire sought the following relief:
 - 15.1 Approval of a fourth extension of the stay of proceedings from July 31, 2014 to August 30, 2014 (the "Fourth Extension"); and
 - 15.2 The increase in the scope and amount of the Administrative Charge, as detailed above.
16. Also at the July 31 Hearing, Bosa Properties (Eau Claire) Inc. ("Bosa"), who holds a secured mortgage against the Lands, made an application seeking the following relief (the "Bosa Application"):
 - 16.1 Dismissing the application of 3 Eau Claire to obtain the Fourth Extension; and
 - 16.2 Appointing PricewaterhouseCoopers Inc. ("PwC") as receiver and manager for the purpose of implementing a proposal for the assets, undertaking and property of 3 Eau Claire and, once appointed, extending the time for the filing of a BIA Proposal for 30 days in order to allow the PwC time to file a BIA Proposal, on behalf of and to the exclusion of 3 Eau Claire.
17. At the July 31 Hearing, the Court advised all parties that an unfiled affidavit, sworn by Cody Z. Lamoureux, a representative of Market Vision Real Estate Strategies Inc., on July 31, 2014 (the "Lamoureux Affidavit") had been provided directly to the Court (but not to any of the other parties to the proceedings) immediately in advance of the July 31 Hearing. The Lamoureux Affidavit raised concerns surrounding the integrity of the Marketing Process (as defined later in this report). In order to allow 3 Eau Claire the opportunity to respond to the Lamoureux Affidavit and, based on the concerns expressed therein, the Court adjourned 3 Eau Claire's application for the Fourth Extension and the Bosa Application to August 15, 2014 (the "August 15 Hearing"). In addition, the Court granted an Order including the following relief:
 - 17.1 Approving an extension of the stay of proceedings to August 15, 2014;
 - 17.2 Approving 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, Blakes;

17.3 Authorizing and directing the Trustee to do the following:

- 17.3.1 Disclose to all parties by the close of business on August 1, 2014 all letters of intent which had been previously disclosed to the Court confidentially as appended to the Second and Third Confidential Affidavits and the Fourth Confidential Affidavit of Andrew Seong-Jin Lee sworn on July 30, 2014 or as otherwise received by either the Trustee or 3 Eau Claire (the "Pre-July 31 LOIs");
- 17.3.2 Independently review, assess and report to the Court on all offers, which had been received or which may be received, prior to the August 15 Hearing; and
- 17.3.3 Directing 3 Eau Claire and its agent, Avison Young Real Estate Alberta Inc. ("Avison") to provide the Trustee with the outstanding information with respect to the letters of intent ("LOI(s)") and with respect to any future LOIs received in advance of the August 15 Hearing.

Activities leading up to the August 15 Hearing

- 18. On August 1, 2014, the Trustee issued a letter (the "August 1 Letter") to those parties who had submitted letters of intent or previously expressed an interest in purchasing or otherwise acquiring the Property and included copies of the Pre-July 31 LOIs. Although not specifically addressed by the Court at the July 31 Hearing, the August 1 Letter set out a further process for the submission of binding offers (the "Aug 1 Submission Process"). Pursuant to the Aug 1 Submission Process, parties could submit offers in the form of an outright offer to purchase the Property, a joint venture agreement to co-own and develop the Property or a BIA Proposal. As a result of the Aug 1 Submission Process, the Trustee received, on behalf of 3 Eau Claire, three offers for the outright purchase of the Property, two offers to enter into joint-venture agreements and one offer in the form of a BIA Proposal, which was to be filed on behalf of and to the exclusion of 3 Eau Claire (collectively the "Post-Aug 1 LOIs").
- 19. The Trustee's Fourth Report was filed in advance of the August 15 Hearing and reported to the Court on the results of the Aug 1 Submission Process and the Trustee's assessment of the Post-Aug 1 LOIs. At the August 15 Hearing, a representative of Tri-Win International Investment Group Inc. ("Tri-Win"), one of the parties who had participated in the Aug 1 Submission Process, delivered a further offer for the outright purchase of the Property to the Court (the "Amended Tri-Win LOI"). The Amended Tri-Win LOI increased the purchase price for the Property from \$36.0 million (the amount included in Tri-Win's earlier LOI) to \$38.0 million. The Receiver notes that, the Aug 1 Letter stated that no offers would be considered by the Trustee in advance of the August 15 Hearing once the binding offers received pursuant to the Aug 1 Submission Process had been disclosed.

20. As outlined in the Trustee's Fourth Report, offers involving a BIA Proposal (pursuant to a joint venture or otherwise) may provide for a higher potential recovery to 3 Eau Claire's creditors (the "Creditors"); however, such offers were contingent on the Korea Deposit Insurance Corporation ("KDIC"), who is the beneficiary of a registered mortgage (the "Computershare Mortgage") against the Lands held in the name of Computershare Trust Company of Canada ("Computershare") agreeing to postpone a portion of its indebtedness until such time as the Project could be completed.

The August 15 Hearing

21. At the August 15 Hearing, the following applications were before the Court:

21.1 3 Eau Claire sought approval of a further 45 day extension of the stay of proceedings (the "Fifth Extension"); and

21.2 Bosa sought the appointment of a receiver and manager for the purpose of implementing a proposal for the assets, undertakings and property of 3 Eau Claire and, once appointed, extending the time for the filing of a BIA Proposal for 30 days in order to allow the Receiver time to file a BIA Proposal, on behalf of and to the exclusion of 3 Eau Claire.

22. Stikeman Elliot LLP ("Stikeman") appeared on behalf of KDIC at the August 15 Hearing. Stikeman did not have definitive instructions from KDIC regarding its willingness to accept any postponement; however, Stikeman indicated that it believed that it would be able to obtain such instructions from KDIC within a short period of time. Also at the August 15 Hearing, concerns were raised by both KEB and Bosa as to Management's ability to negotiate either the terms of a BIA Proposal or the outright sale of the Property.

23. Based on the information before the Court, at the August 15 Hearing, The Court granted an Order including the following relief:

23.1 Approval of the fifth extension of the stay of proceedings from August 15, 2014 to September 29, 2014 in order to allow the Receiver to potentially file a BIA Proposal on behalf of and to the exclusion of 3 Eau Claire; and

23.2 Appointing Deloitte as Receiver, pursuant to section 243(1) of the BIA, without security, of the Property. The Receiver was granted limited powers, as set out in detail in paragraph 4 of the August 15 Order, which included the following:

23.2.1 To file with the Court and the Official Receiver, on behalf of and to the exclusion of 3 Eau Claire, a BIA Proposal to the Creditors;

23.2.2 To communicate with and otherwise negotiate the terms of a BIA Proposal with the Creditors and any proponents of a BIA Proposal;

23.2.3 To call a meeting of the Creditors pursuant to section 51 of the BIA and to chair and otherwise conduct that meeting in accordance with sections 51 to 57 of the BIA and, upon acceptance of a BIA Proposal by the requisite majority of Creditors pursuant to

section 54 of the BIA, to seek Court approval of that BIA Proposal pursuant to section 58 of the BIA;

23.2.4 To market, sell, convey, transfer, lease or assign the Assets or any part or parts thereof out of the ordinary course of business with the approval of the Court; and

23.2.5 To apply for any Vesting Order or other Orders necessary to convey the Assets to a purchaser, free and clear of any liens or encumbrances.

Activities following the August 15 Hearing

24. Following the August 15 Hearing, the Trustee had ongoing discussions with KDIC to try to ascertain their willingness to postpone a portion of their indebtedness. Pursuant to those discussions, KDIC provided the following clarification with respect to its position:

24.1 KDIC was unable or unwilling to provide specific information on the amount that it would agree to postpone in relation to the KDIC indebtedness in the event of a BIA Proposal; however, KDIC did indicate that any up-front cash payment would need to be materially equivalent to that which would have arisen had the Trustee pursued the outright purchase of the Property, as described in the Fourth Report; and

24.2 Any joint venture would need to be advanced pursuant to a formal BIA Proposal with the postponement by KDIC likely being included in the terms of the BIA Proposal.

25. On September 4, 2014, the Trustee issued a letter (the "September 4 Letter") to those parties who had previously expressed an interest in purchasing or otherwise acquiring the Property in order to update those parties on KDIC's position and establish a go-forward process for the final submission of binding offers (the "Sept 4 Submission Process"). A copy of the September 4 Letter is attached as "Schedule 2". Based on the results of the Sept 4 Submission Process, as described in further detail later in this report, the Receiver is making an application (the "Application") at the September 25 Hearing seeking the following relief from the Court:

25.1 Expanding Deloitte's powers as Receiver granted pursuant to the August 15 Order to those available under the Alberta model template receivership order (the "Expanded Receivership Order");

25.2 Authorizing the Receiver to enter into an agreement of purchase and sale (the "APA") with Bentall Kennedy (Canada) LP ("Bentall") or its assignee and approving the APA and the transfer of the Lands and vesting title in the Lands to Bentall free and clear of all encumbrances upon closing of the APA and declaring that the transaction contemplated in the APA (the "Transaction") is commercially reasonable; and

25.3 Authorizing and directing the Receiver to execute and deliver the APA to Bentall and to proceed with the Transaction and to take all steps necessary to complete the Transaction substantially in accordance with the terms of the APA, subject to such amendments as Bentall

and the Receiver may agree to which do not materially and adversely alter the Transaction or the APA and approving the sale of the Lands pursuant to paragraph 3(l) of the Expanded Receivership Order.

Claims by Secured Mortgage Holders

26. The Trustee's Fourth Report included a summary of the claims of the secured mortgage holders, based on the information that had been received by the Trustee as at the date of the Trustee's Fourth Report.
27. Based on additional information provided to the Receiver, the following is an update in respect of the claims of the secured mortgage holders:
- 27.1 At the Receiver's request, Blakes is in the process of completing a review of the security held by KEB, the first registered mortgage holder. KEB has indicated that as at September 16, 2014 their claim totaled approximately \$8.5 million consisting of a principal balance of approximately \$8.2 million, interest of approximately \$278,000 and costs of approximately \$26,000 (the "KEB Claim"). Per diem interest of approximately \$1,400 continues to accrue in respect of the KEB Claim.
- 27.2 As previously reported, KDIC is the beneficiary of the Computershare Mortgage. Management had previously estimated that the Computershare Mortgage had an outstanding balance of approximately 26.7 billion South Korean Won ("SKW"). On August 13, 2014, the Trustee received correspondence from legal counsel for KDIC, a copy of which is attached as "Schedule 1" to the Trustee's Fourth Report (the "KDIC Letter"). The KDIC Letter indicated that the amount owing to KDIC as at June 30, 2014 totaled 35.5 billion SKW consisting of a principal balance of approximately 19.8 billion SKW and interest of approximately 15.7 billion SKW (the "KDIC Claim"). Following the August 15 Hearing the Receiver, in conjunction with their legal counsel, continued their review of the KDIC Claim and can now report as follows:
- 27.2.1 At the Receiver's request, Blakes is in the process of completing a review of the security held by Computershare, the second registered mortgage holder (KDIC is the beneficiary of the Computershare Mortgage);
- 27.2.2 The KDIC Claim, as outlined in the KDIC Letter, included interest calculated at a default rate of 25% per annum (the "Default Rate"), which was provided for under the corresponding loan documents following the repayment date or an event of default occurring. Blakes has advised that, in their opinion, KDIC is not eligible to receive the Default Rate in respect of the KDIC Claim under their mortgage security. As such, the Receiver has calculated the interest due under KDIC's mortgage security pursuant to the corresponding loan documents, as payable at a rate of between 10.5% and 11.5%;

27.2.3 A further review of the KDIC Claim and of the books and records of 3 Eau Claire suggest that the outstanding principal due to KDIC is 19.8 billion SKW and the outstanding interest is between 7.9 billion and 8.7 billion SKW (the amount of interest payments made by 3 Eau Claire prior to the date of the NOI is still being confirmed). As such, the total amount due pursuant to the KDIC claim is estimated to be between 27.7 billion and 28.5 billion SKW at September 18, 2014, which would convert to between approximately \$29.3 and approximately \$30.2 million (using the Bank of Canada exchange rate of \$1.00 CAD=945.18 SKW), plus any applicable costs.

The Marketing Process

28. As previously reported, on March 12, 2014, 3 Eau Claire entered into an Exclusive Listing Agreement (the "Listing Agreement") with Avison. Pursuant to the Listing Agreement, Avison was retained to act as the Company's agent for the purchase and sale of the Lands or to procure a joint venture partner to complete the project (the "Marketing Process"). We note that the Listing Agreement established that a commission of \$400,000 plus GST would be payable to Avison in the event that they successfully negotiated the outright purchase of the Lands and that a commission of \$800,000 plus GST would be payable in the event that Avison successfully negotiated a joint venture partnership.
29. The Marketing Process leading up to the August 15 Hearing is described in detail in the Fourth Report. As noted above, offers involving a BIA Proposal (pursuant to a joint venture or otherwise) were anticipated to provide for a higher recovery to the Creditors; however, such offers were contingent on KDIC agreeing to postpone a portion of its indebtedness until such time as the Project could be completed.
30. As detailed in the Fourth Report, 3 Eau Claire had previously been in discussions with KDIC regarding postponing a portion of the principal balance and all accrued interest on the Computershare Mortgage. In the Fourth Report, the Trustee indicated that there was a great deal of uncertainty surrounding both the amount of any postponement by KDIC and the timing to obtain KDIC's required internal approvals for any postponement. As reported above, following the August 15 Hearing, the Receiver had ongoing discussions with legal counsel for KDIC, who provided further information clarifying their position.
31. The Receiver issued the September 4 Letter in order to provide interested parties with the further information provided by KDIC and to set out the Sept 4 Submission Process. The Receiver highlights the following with respect to the Sept 4 Submission Process:
- 31.1 Offers that were binding, subject to further due diligence (the "Sept 4 LOIs"), could be submitted in any of the following forms:
- 31.1.1 An outright offer to purchase the Lands;
- 31.1.2 A joint venture agreement to co-own and develop the Project; or
- 31.1.3 A BIA Proposal, to be filed and submitted for creditor and Court approval pursuant to the provisions of the BIA.

- 31.2 The Sept 4 Submission Process originally had a deadline of no later than 12:00 p.m. Mountain Time on Thursday, September 11, 2014, which was subsequently extended to 5:00 p.m. Mountain Time on Monday, September 15, 2014.
- 31.3 The due diligence period was limited to 30 days (the "Maximum Due Diligence Period").
- 31.4 Offerors were asked to submit the following information with their binding offers:
- 31.4.1 For those parties whose binding offers took the form of a joint venture agreement/ BIA Proposal, specific information on the party's relevant qualifications, as further set out in the September 4 Letter (the "Proof of Qualification");
 - 31.4.2 Specific evidence that the party had adequate financing in place or the ability to finance the transaction contemplated in their binding offer (the "Proof of Financing"); and
 - 31.4.3 A bank draft, a certified cheque or proof of funds paid into a solicitor's trust account in the amount of \$2.0 million (the "Minimum Deposit").
32. Four binding offers were received pursuant to the Sept 4 Submission Process, two for the outright purchase of the Property, one for a joint venture agreement and one for a BIA Proposal, to be filed on behalf of and to the exclusion of 3 Eau Claire.

The Post-Sept 4 LOIs

Post-Sept 4 Offers for Outright Purchase

33. The following section details the Post-Sept 4 LOIs. Two offers for outright purchase were received pursuant to the Sept 4 Submission Process, one from Bentall (the "Bentall Offer") and one from Tri-Win (the "Tri-Win Purchase Offer").
34. The Receiver notes that in any outright purchase scenario, the amount available for distribution to the creditors would be the amount of the net sale proceeds from an outright purchase transaction, less the following (the "Priority Charges"):
- 34.1 The Administrative Charge of \$100,000;
 - 34.2 The professional fees and disbursements of Deloitte, the Receiver's legal counsel and certain professional fees and disbursements of Bosa, related to their application for the appointment of a Receiver;
 - 34.3 Property taxes, which are estimated to total approximately \$163,000; and
 - 34.4 Commissions that may be payable to Avison Young pursuant to the Listing Agreement, which could total up to \$400,000.
35. Pursuant to the Sept 4 Submission Process, the Receiver contacted all parties who had previously expressed an interest in purchasing or otherwise acquiring the Property and, in addition, provided the September 4 Letter to legal counsel for an interested party, who was new to the proceedings but expressed an interest in purchasing the Property. We note that neither Market Vision Real Estate Strategies Inc., who had submitted an offer for outright-purchase in the Aug 1 Submission Process, nor the interested party who was new to the proceedings, ultimately submitted binding offers pursuant to the Sept 4 Submission Process.

The Bentall Offer

36. The Bentall Offer is for the outright purchase of the Lands and includes a total purchase price of \$39.6 million.
37. The Bentall Offer was in compliance with the terms of the Sept 4 Submission Process in that:
- 37.1 Bentall met the Maximum Due Diligence Period as the offer included a 30 day due diligence period (following execution of the Bentall Offer) with a closing date of 30 days after due diligence (which has since been negotiated to 10 business days);

37.2 Bentall provided confirmation that they had paid the Minimum Deposit into trust with their legal counsel, McCarthy Tetrault LLP ("McCarthy"); and

37.3 Bentall had previously provided Proof of Financing in the form of a comfort letter from the Royal Bank of Canada indicating that Bentall had adequate financial resources to undertake and complete a property acquisition in the \$37.0 million range (the "Comfort Letter"). The Receiver is satisfied that based both on the provision of the Minimum Deposit and the Comfort Letter, Bentall will have adequate financial resources to complete the transaction contemplated in the Bentall Offer.

38. As further described later in this report, following receipt of the Bentall Offer, the Receiver negotiated the terms of the Bentall Offer such that the sale of the Lands would be completed on an "as is, where is, with all faults" basis with limited representations or warranties being made by the Receiver.

The Tri-Win Purchase Offer

39. The Tri-Win Purchase Offer is for the outright purchase of the Lands and included a total purchase price of \$38.005 million.

40. The Tri-Win Purchase Offer was in compliance with the terms of the Sept 4 Submission Process in that:

40.1 The Tri-Win Purchase Offer meets the Maximum Due Diligence Period as the offer includes a 30 day due diligence period (following execution of the Tri-Win Purchase Offer); however, the Tri-Win Purchase Offer has a closing date of 90 days after due diligence as compared to the closing date of 30 days after due diligence included in the Bentall Offer (which has since been negotiated to 10 business days);

40.2 Tri-Win provided confirmation that they had paid the Minimum Deposit into trust with their legal counsel, Owens Wright LLP; and

40.3 Tri-Win had previously provided third party audited financial statements to the Trustee on a confidential basis for their Chinese parent company, Wu Hua, which provided satisfactory evidence that Wu Hua had adequate financial resources to complete the transaction contemplated in the Tri-Win Purchase Offer. Tri-Win has confirmed that Wu Hua would be financing the transaction contemplated in the Tri-Win Purchase Offer.

41. Like the Bentall Offer, the Tri-Win Purchase Offer would have needed to be negotiated such that the sale of the Lands would be completed on an "as is, where is, with all faults" basis with limited representations or warranties being made by the Receiver.

Summary of Post-Sept 4 Offers for Outright Purchase

42. The Bentall Offer includes a higher purchase price and a shorter closing period as compared to the Tri-Win Purchase Offer. As such, the Receiver is of the opinion that the Bentall Offer is both the most favourable and the most certain of the outright purchase offers. As further described below, the Receiver is recommending acceptance of the Bentall Offer and has negotiated an acceptable form of APA with Bentall.

Post-Sept 4 Offers for a Joint Venture Partnership/ BIA Proposal

43. The following is a discussion of the Post-Sept 4 LOIs for joint venture partnerships and/or BIA Proposal, which are described on an individual basis below. All of the Post-Sept 4 LOIs for joint venture partnerships and/or BIA Proposal were conditional on creditor and Court approval of a BIA Proposal and the approval from KDIC of a postponement of a portion of the debt owing to KDIC from 3 Eau Claire.

44. The Receiver notes that in any joint venture/ BIA Proposal scenario, the amount available for distribution to the creditors would be net of the Priority Charges; however, in this scenario, commissions payable to Avison Young pursuant to the Listing Agreement could total up to \$800,000.

45. Two offers for a joint venture partnership/ BIA Proposal were received pursuant to the Sept 4 Submission Process, one from Tri-Win (the "Tri-Win JV Offer") and one from Bosa (the "Bosa Proposal"). We note that Concord Pacific Investments Inc., who had previously submitted an offer for a joint-venture pursuant to the Aug 1 Submission Process, did not re-submit a binding offer pursuant to the Sept 4 Submission Process.

The Tri-Win JV Offer

46. The Tri-Win JV Offer is for a joint venture partnership with 3 Eau Claire pursuant to which Tri-Win would provide a cash contribution of \$30.8 million (the "TW Cash Contribution") for which they would receive a 90% interest in the Project. 3 Eau Claire would retain a 10% interest in the Project with their initial contribution of the Lands being deemed to have a value of \$4.2 million.

47. The Receiver did not provide Management with the Tri-Win JV Offer; however, 3 Eau Claire had previously indicated that Tri-Win was an acceptable joint venture partner.

48. We note as follows with respect to the Tri-Win JV Offer:

48.1 The Tri-Win JV Offer includes a 30 day due diligence period (following execution of a letter of intent pursuant to an un-appealable approval by the Court of Queen's Bench of Alberta);

48.2 The joint venture agreement contemplates the execution of an agreement of purchase and sale; whereby the Property would be transferred to a corporation as bare trustee for the joint venturers (being Tri-Win and 3 Eau Claire), which would be under the control of Tri-Win;

- 48.3 As previously reported Tri-Win met the Minimum Deposit Requirement and the Financing Requirement. In addition, Tri-Win provided adequate Proof of Qualification;
- 48.4 The Receiver contemplated that, in the event that the Tri-Win JV Offer had proceeded, the TW Cash Contribution would be used firstly to repay the Priority Charges and KEB. The remaining balance of the TW Cash Contribution would be used to provide an up-front payment to KDIC with the balance of KDIC's claim (the "KDIC Balance") being postponed. Should KDIC have agreed to additionally postpone an amount in excess of the KDIC Balance, (which collectively with the KDIC Balance will be referred to as the "Postponed Amount"), the equivalent amount of cash could have been used to fund payments under the BIA Proposal to the remaining Creditors. In the alternative, the remaining Creditors could have been provided with shares in exchange for their debt; however, this option was not discussed in depth with Tri-Win and would likely have had limited appeal for the Creditors due to the uncertainty of any corresponding recovery; and
- 48.5 The Receiver understands that the Postponed Amount under the Tri-Win JV Offer would have been secured against 3 Eau Claire's remaining 10% interest in the Project, which Tri-Win had indicated may generate approximately \$8.0 million (based on anticipated profits of \$80.0 million). Tri-Win further indicated that they would be agreeable to KDIC calculating an agreed upon percentage of interest on the Postponed Amount pending any payout of the Postponed Amount upon Project completion.

Proposal from Bosa (the "Bosa Proposal")

49. Bosa provided an offer in the form of a BIA Proposal, which they contemplated would be filed by a Receiver to the exclusion of 3 Eau Claire. We highlight the following with respect to the Bosa Proposal:
- 49.1 The Bosa Proposal provided for a gratuitous payment of \$500,000 to the shareholders of 3 Eau Claire in order to secure the transfer of 3 Eau Claire's shares to Bosa;
- 49.2 The Bosa Proposal provided for a distribution to the Creditors under two scenarios. In both scenarios, Bosa would pay KEB in full upon Court approval of the Proposal and take an assignment of KEB's secured claim;
- 49.3 Bosa provided the Receiver with a copy of a Letter of Intent with a third party (the "LOI Party"), whose intention was to purchase the entire residential rental portion of the Project upon completion. Upon Court approval of a BIA Proposal, Bosa indicated that the LOI Party would repay \$10.0 million of KDIC's secured claim in exchange for an assignment of KDIC's security position with respect to that payment. KDIC's rights would be subordinated to that of the LOI Party with respect to repayment of the \$10.0 million payment upon Court approval of a BIA Proposal; and

49.4 The Bosa Proposal was in compliance with the terms of the Sept 4 Submission Process in that:

49.4.1 The Bosa Proposal met the Maximum Due Diligence Period as it included a 21 day due diligence period;

49.4.2 Bosa provided confirmation that they had paid the Minimum Deposit into trust with their legal counsel, Dentons LLP;

49.4.3 Bosa previously provided a comfort letter from the Canadian Imperial Bank of Commerce indicating that they had adequate financial resources to complete the transaction. The Receiver notes; however, that the Receiver has not completed any due diligence with respect to the LOI Party; and

49.4.4 Bosa provided adequate Proof of Qualification.

50. In the first scenario ("Scenario 1"), Bosa would finish and sell the Project with further creditor distributions being available only upon the successful completion of the Project. In this scenario, Bosa anticipated that creditors would receive 100% of their claims; however, Bosa indicated that it could take up to three years and nine months after Court approval of a BIA Proposal to complete the Project. We note as follows with respect to Scenario 1:

50.1 The Receiver calculates that the scheme of distribution under Scenario 1 is contingent on the Project generating at least approximately \$45.3 million in profits. We note that Bosa continues to take the position that the claim of 1713744 Alberta Limited ("171") for approximately \$3.4 million should be postponed to the claims of the other Creditors as a result of Bosa's belief that 171 is related to 3 Eau Claire. Bosa had estimated that, with the involvement of the LOI Party, the Project could generate approximately \$71.1 million in profits;

50.2 The payments contemplated in Scenario 1, had Bosa receiving payments from the profits of the Project in advance of full payment being made to 3 Eau Claire's other creditors including KDIC; and

50.3 \$10.0 million would be available to KDIC as an up-front payment from the LOI Party. KDIC's total distributions would be limited to the lesser of KDIC's entitlement calculated using the base, non-default interest rate provided in KDIC's loan documentation, and \$27.0 million.

51. Under the second scenario ("Scenario 2"), Bosa may elect not to complete the Project with notice of same to be given to Creditors within nine months of Court approval of the Proposal (subject to any extension of this period that may be approved by any inspectors appointed in the estate). Bosa would then market and sell the Lands. In advance of other Creditors sharing in the sale proceeds, Bosa would be reimbursed for its costs to market and sell the Lands and for its costs, since Court approval of the Proposal, to proceed with the Project or sell the Lands. The remaining Creditors would be paid according to their established priorities. As previously reported by the Trustee, should Scenario 2 take effect, the Creditors may be prejudiced to the extent that there would be an additional

nine month delay in any recovery of their claim and that they would be agreeing to allow an unknown quantum of costs to rank ahead of their claims.

Summary of Post-Sept 4 LOIs for a Joint Venture Partnership/ BIA Proposal

52. Of the joint venture partnership/ BIA Proposal Offers, the Tri-Win JV Offer provided for a higher up-front payment to KDIC than the Bosa Proposal and, should KDIC have agreed to postpone a portion of their indebtedness in excess of the difference between their total indebtedness and the TW Cash Contribution, the Tri-Win JV Offer could have provided an improved recovery to the other Creditors. In addition, the timing of the payments contemplated under the Tri-Win JV Offer would likely have provided for a more certain and timely recovery to the Creditors than would be available under the Bosa Proposal.
53. The recovery provided for in the Bosa Proposal could potentially be higher than that contemplated in the Tri-Win JV Offer; however, the timing and quantum of the payments to be made pursuant to the Bosa Proposal are uncertain and, should Bosa elect not to complete the Project, the recovery to Creditors could be substantially less than if an offer for outright purchase or joint venture was completed today.
54. Following receipt of the Post-Sept 4 Offers, the Receiver provided KDIC with details of the Post-Sept 4 LOIs and sought input from KDIC as to whether it would be willing to postpone a portion of its indebtedness equal to or in excess of the difference between KDIC's total indebtedness and the TW Cash Contribution, which postponement would be required in order for 3 Eau Claire to file a BIA Proposal. KDIC subsequently indicated that they were not willing to postpone their indebtedness on the terms included in any of the offers for a joint venture/ BIA Proposal and that KDIC's preference was for the acceptance of the Bentall Offer.

Recommendation

55. Based on the Post-Sept 4 LOIs and the Receiver's understanding of KDIC's position, at the September 25 Hearing, the Receiver is seeking an order approving the APA with Bentall and providing the necessary authorization to the Receiver to complete the Transaction.
56. Copies of all of the Post-Sept 4 LOIs will be available at the August 15 Hearing.

The Bentall APA

57. Attached as "Schedule 3" is the form of APA, which has been agreed to by both the Receiver and Bentall.

58. The Receiver highlights the following from the APA:

58.1 The total purchase price is \$39.6 million (the "Purchase Price"). The Receiver notes as follows with respect to payment of the Purchase Price:

58.1.1 The deposit of \$2.0 million is currently being held in trust by McCarthy but will be released to the Receiver's counsel upon execution of the APA and held in trust subject to the terms of the APA. The remainder of the Purchase Price will be payable to the Receiver's counsel once the transfer of the Lands has been registered; and

58.1.2 The Purchase Price is subject to all usual adjustments relating to similar sale transactions of vacant land in Alberta, including realty taxes and utilities, as further described in the APA. A statement of adjustments is to be delivered to Bentall at least five business days prior to the closing date for the Transaction with all further adjustments or revisions thereto being requested within 60 days following the closing date;

58.2 The sale is being completed on an "as is, where is, with all faults" basis;

58.3 The Transaction is subject to a purchaser's inspection condition (the "Inspection Condition"), pursuant to which Bentall shall be satisfied, in its sole discretion with the results of the inspections and investigations of the Property. The Inspection Condition must be satisfied or waived within 30 days of Court Approval of the Transaction;

58.4 The Transaction is conditional on Court approval; and

58.5 Closing is scheduled to take place within 10 business days following Bentall's waiver of the Inspection Condition.

Commission Payable to Avison

59. As noted above, pursuant to the Listing Agreement, Avison would have been eligible to receive a commission of \$400,000 plus GST upon the successful negotiation of the outright purchase of the Property. The Receiver is not subject to any agreement with Avison with respect to the Marketing Process. In addition, the Receiver notes that Avison has had minimal involvement in the Marketing Process since the July 31 Hearing and has had no involvement in the Marketing Process since the August 15 Hearing. As such, Avison was not involved in the submission of the Bentall Offer or the negotiation of the APA.
60. The Receiver recognizes; however, the contribution of Avison in bringing forward key interested parties, including Bentall, throughout the Marketing Process and in keeping these parties engaged in the Marketing Process. As such, the Receiver would not oppose the payment of a discounted commission of \$350,000 plus GST to Avison upon closing of the Transaction to recognize the contribution that Avison made to the Marketing Process despite the fact that they were not involved in the final negotiations with Bentall. The Receiver has discussed this with Avison and they are agreeable to the discounted commission described herein.

Comparison of Actual vs. Projected Cash Flow

61. Attached as "Schedule 4" is a variance analysis for the seven week period ended September 13, 2014 (the "Variance Period"), which is based on the Third Forecast (the "Variance Analysis"). The Variance Analysis reflects an overall net positive variance of approximately \$3,200.
62. 3 Eau Claire reported the following two permanent variances during the Variance Period:
- 62.1 A negative net variance of approximately \$2,000 was reported for parking revenue as a result of parking revenue being lower than anticipated during July 2014 (the "Parking Variance"); and
 - 62.2 A positive net variance of approximately \$3,900 was reported for salaries payable to three third-party contractors employed by 3 Eau Claire (the "Contractors") as, following the August 15 Hearing, Management agreed to reduce the amount payable to the Contractors from \$19,000 per month to \$15,000 per month to reflect the fact that the Contractors' duties had decreased as a result of the appointment of the Receiver (the "Contractor Variance").
63. With the exception of the Parking Variance and the Contractor Variance, all of the variances included in the Variance Analysis are timing related. The Receiver has the following additional comments with respect to the actual cash flow reported by Management:
- 63.1 The Company paid approximately \$3,500 to Miller Thomson LLP on September 10, 2014 as a retainer for go-forward services. As Deloitte had already been appointed as Receiver of 3 Eau Claire, it is likely that the role of Miller Thomson LLP would entail advising Management and may have limited benefit to the Company itself.
 - 63.2 The Company paid \$3,500 on September 10, 2014 for a security deposit for a new rental property to be occupied by one of the Contractors. Although we note that the Company had historically been paying rent for the Contractors, the nature and the timing of the payment, at a point where the future operations of 3 Eau Claire were highly uncertain, may not have been appropriate.

The Fourth Amended Forecast

64. As previously reported, the Fourth Amended Forecast is attached as "Schedule 1".
65. The Fourth Amended Forecast includes the receipt of parking revenue in the amount of approximately \$48,000 over the Forecast Period pursuant to a management agreement with Imperial Parking Canada Corporation whereby 3 Eau Claire receives monthly parking revenue net of a management fee and selected agreed upon costs.
66. The more significant disbursements projected in the Fourth Amended Forecast are as follows:
 - 66.1 Travel expenses of \$14,000, which are currently due to the Contractors and include travel related to the Marketing Process undertaken prior to Deloitte's appointment as Receiver;
 - 66.2 Salaries and wages of \$15,000 payable to the Contractors; and
 - 66.3 Rent of approximately \$7,600 relates to 3 Eau Claire's presentation centre and to two rental properties that are provided for the Contractors.
67. Based on the Fourth Amended Forecast, the Company is anticipated to continue to generate sufficient cash to fund its operations during the Forecast Period. Should the expanded Receivership Order be granted, the Receiver will take possession of the Property and manage 3 Eau Claire's operations until such time as the sale of the Property has been completed.
68. The Fourth Amended Forecast does not reflect any payment of professional fees and expenses, which are anticipated to be paid upon the filing of a BIA Proposal or the outright sale of the Property.

Conclusion

69. Based on its review of the Post-Sept 4 LOIs and the input provided by KDIC, the Receiver is of the opinion that it will not be possible to negotiate a postponement of a portion of KDIC's indebtedness on terms that will be agreeable to KDIC. Based on this and the Receiver's review of the Post-Sept 4 LOIs, the Receiver is recommending acceptance of the Bentall Offer which the Receiver believes is the most favourable and the most certain of the outright purchase offers, and seeking the following relief from the Court at the September 25 Hearing:

69.1 Expanding Deloitte's powers as Receiver granted pursuant to the August 15 Order as set out in the draft Amended and Restated Receivership Order attached to the Application;

69.2 Authorizing the Receiver to enter into the APA between the Receiver and Bentall and approving the APA and the transfer of the Lands and vesting title in the Lands to Bentall free and clear of all encumbrances upon closing of the APA and declaring that the Transaction is commercially reasonable; and

69.3 Authorizing and directing the Receiver to execute and deliver the APA to Bentall to proceed with the Transaction and to take all steps necessary to complete the Transaction substantially in accordance with the terms of the APA, subject to such amendments as Bentall and the Receiver may agree to which do not materially and adversely alter the Transaction or the APA and approving the sale of the Lands pursuant to paragraph 3(l) of the Expanded Receivership Order.

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



Jeff Keeble CA, CIRP, CBV
Senior Vice-President

Schedules

Schedule 1

3 Eau Claire Developments Inc. ("3 Eau Claire")
Fourth Amended Statement of Projected Cash Flow
For the seven week period ending November 1, 2014

	20-Sep-14	27-Sep-14	4-Oct-14	11-Oct-14	18-Oct-14	25-Oct-14	1-Nov-14	Total	Notes
Receipts									
Parking receivables	-	-	10,000	28,000	-	-	10,000	48,000	1
Total Receipts	-	-	10,000	28,000	-	-	10,000	48,000	
Disbursements									
Travel expenses	(1,500)	(1,500)	(2,500)	(2,500)	(2,000)	(2,000)	(2,000)	(14,000)	2
Utilities	-	-	(550)	-	-	-	(550)	(1,100)	3
Business taxes	-	-	(148)	-	-	-	(148)	(296)	4
Salaries and wages	-	-	-	-	(18,000)	-	-	(18,000)	5
Real estate rental	-	-	-	(7,544)	-	-	-	(7,544)	6
Meals and entertainment	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(1,400)	
Office Supply	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(700)	
Vehicle	(100)	(100)	(100)	(774)	(100)	(100)	(100)	(1,374)	7
Insurance	(316)	-	(118)	-	(316)	-	(118)	(868)	8
Contingency	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(1,400)	
Total Disbursements	(2,416)	(2,100)	(3,918)	(11,418)	(17,516)	(2,800)	(3,416)	(43,784)	
Net Cash Flow	\$ (2,416)	\$ (2,100)	\$ 6,084	\$ 16,582	\$ (17,516)	\$ (2,800)	\$ 5,584	\$ 4,218	
Bank Balance									
Beginning Cash Balance	\$ 4,708	\$ 2,282	\$ 192	\$ 6,276	\$ 22,858	\$ 4,942	\$ 2,342	\$ 4,708	
Net Cash Flow	(2,416)	(2,100)	6,084	16,582	(17,516)	(2,800)	6,694	4,218	
Ending Bank Balance	\$ 2,292	\$ 192	\$ 6,276	\$ 22,858	\$ 4,942	\$ 2,342	\$ 6,926	\$ 8,928	

Prepared as at the 15 day of September, 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 its capacity as
Trustee under the proposal of 3 Eau Claire
Developments Inc. and not in its personal
capacity

3 Eau Claire Developments Inc.

Per: James Hong Park, CEO

Per: Jeff Keeble, Senior Vice-President

Notes & Assumptions - General:

- Unless otherwise stated, amounts are based on historical data and management estimates.
- All amounts include applicable GST.
- The Cash Flow does not include any payments to be made pursuant to a proposal to be filed pursuant to Part II, Division I of the *Bankruptcy and Insolvency Act* (the "BIA Proposal").
- On August 15, 2014, the Court granted an Order appointing Deloitte Restructuring Inc. ("Deloitte") as Receiver of 3 Eau Claire for the limited purpose of negotiating a BIA Proposal or the outright sale of 3 Eau Claire's property, located at 633 3rd Avenue SW in Calgary, Alberta (the "Lands"). Management of 3 Eau Claire ("Management") remains in possession of 3 Eau Claire's assets.
- The Cash Flow Does not include payments for the professional fees of the Proposal Trustee, the Proposal Trustee's legal counsel and 3 Eau Claire's legal counsel (the "Professional Fees"). Pursuant to the Order granted by the Court of Queen's Bench of Alberta on May 8, 2014 and on July 31, 2014, a first charge in the amount of \$100,000 has been established over all of the assets, rights, undertakings and properties of 3 Eau Claire as security for the Professional Fees.

Notes & Assumptions - Specific:

- 3 Eau Claire entered into a management agreement with Imperial Parking Canada Corporation ("Impark") whereby 3 Eau Claire receives monthly parking revenue net of a management fee and selected agreed upon costs. Impark has agreed to advance \$10,000 on the 1st of each month with the balance due from the prior month to be paid on or before the 10th of each month.
- Travel expenses of approximately \$14,000 are due to be repaid to 3 Eau Claire's three employees, who are retained on a contract basis (the "Contractors"). Travel expenses were largely incurred related to Management's efforts to market the Lands in advance of Deloitte's appointment as Receiver.
- Includes telephone and internet services for 3 Eau Claire's presentation centre (the "Presentation Centre").
- Includes business taxes for the Presentation Centre.
- Following Deloitte's appointment as Receiver of 3 Eau Claire, Management agreed to reduce the amount payable to its contractors from \$10,000 per month to \$15,000 per month to reflect the fact that Management's duties had decreased as a result of the appointment of the Receiver.
- Includes rent for the Presentation Centre as well as for two rental properties that are provided for 3 Eau Claire's employees.
- 3 Eau Claire leases a 2014 Ford Explorer for use by its employees.

3 Eau Claire Developments Inc.
Estimated Statement of Professional Cash Flow
 For the week period ending September 17, 2014

	20-Sep-14	27-Sep-14	4-Oct-14	11-Oct-14	18-Oct-14	25-Oct-14	1-Nov-14	Total	Notes
Receipts									
Parking receivables	-	-	10,000	28,000	-	-	10,000	49,000	1
Total Receipts	-	-	10,000	28,000	-	-	10,000	49,000	
Disbursements									
Travel expenses	(1,500)	(1,500)	(2,500)	(2,500)	(2,000)	(2,000)	(2,000)	(14,000)	2
Utilities	-	-	(550)	-	-	-	(550)	(1,100)	3
Business taxes	-	-	(140)	-	-	-	(140)	(280)	4
Salaries and wages	-	-	-	-	(15,000)	-	-	(15,000)	5
Real estate rental	-	-	-	(7,044)	-	-	-	(7,044)	6
Meals and entertainment	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(1,400)	
Office supply	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(700)	
Vehicle	(100)	(100)	(100)	(774)	(100)	(100)	(100)	(1,374)	7
Insurance	(318)	-	(118)	-	(300)	-	(118)	(836)	8
Contingency	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(1,200)	
Total Disbursements	(2,418)	(2,100)	(3,518)	(11,418)	(17,910)	(2,600)	(3,418)	(42,792)	
Net Cash Flow	\$ (2,418)	\$ (2,100)	\$ 6,084	\$ 16,582	\$ (17,910)	\$ (2,600)	\$ 6,582	\$ 4,218	
Bank Balance									
Beginning Cash Balance	\$ 4,708	\$ 2,592	\$ 192	\$ 8,278	\$ 22,858	\$ 4,942	\$ 2,342	\$ 4,708	
Net Cash Flow	(2,418)	(2,100)	6,084	16,582	(17,910)	(2,600)	6,582	4,218	
Ending Bank Balance	\$ 2,290	\$ 492	\$ 6,276	\$ 24,860	\$ 4,942	\$ 2,342	\$ 8,924	\$ 8,924	


Prepared as at the 15 day of September, 2014

Purpose:

This Estimated Cash Flow Statement (the "Cash Flow") has been prepared by 3 Eau Claire's management pursuant to section 68.4(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 its capacity as Trustee under the proposal of 3 Eau Claire Developments Inc. and not in its personal capacity

3 Eau Claire Developments Inc.


 Per: James Wong, CEO

Per: Jeff Keeble, Senior Vice-President

Notes & Assumptions - General:

- Unless otherwise stated, amounts are based on historical data and management estimates.
- All amounts include applicable GST.
- The Cash Flow does not include any payments to be made pursuant to a proposal to be filed pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act* (the "BIA Proposal").
- On August 15, 2014, the Court granted an Order appointing Deloitte Restructuring Inc. ("Deloitte") as Receiver of 3 Eau Claire for the limited purpose of negotiating a BIA Proposal or the outright sale of 3 Eau Claire's property, located at 633 3rd Avenue SW in Calgary, Alberta (the "Lands"). Management of 3 Eau Claire ("Management") remains in possession of 3 Eau Claire's assets.
- The Cash Flow does not include payments for the professional fees of the Proposal Trustee, the Proposal Trustee's legal counsel and 3 Eau Claire's legal counsel (the "Professional Fees"). Pursuant to the Order granted by the Court of Queen's Bench of Alberta on May 8, 2014 and on July 31, 2014, a first charge in the amount of \$100,000 has been established over all of the assets, rights, undertakings and properties of 3 Eau Claire as security for the Professional Fees.

Notes & Assumptions - Specific:

- 3 Eau Claire entered into a management agreement with Imperial Parking Canada Corporation ("Impark") whereby 3 Eau Claire receives monthly parking revenue net of a management fee and selected agreed upon costs. Impark has agreed in advance \$10,000 on the 1st of each month with this balance due from the prior month to be paid on or before the 10th of each month.
- Travel expenses of approximately \$14,000 are due to be repaid to 3 Eau Claire's three employees, who are retained on a contract basis (the "Contractors"). Travel expenses were largely incurred related to Management's efforts to market the Lands in advance of Deloitte's appointment as Receiver.
- Includes telephone and internet services for 3 Eau Claire's presentation centre (the "Presentation Centre").
- Includes business taxes for the Presentation Centre.
- Following Deloitte's appointment as Receiver of 3 Eau Claire, Management agreed to reduce the amount payable to its contractors from \$18,000 per month to \$15,000 per month to reflect the fact that Management's duties had decreased as a result of the appointment of the Receiver.
- Includes rent for the Presentation Centre as well as for two rental properties that are provided for 3 Eau Claire's employees.
- 3 Eau Claire leases a 2014 Ford Explorer for use by its employees.

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 fourth amended statement of projected cash flow of 3 Eau Claire Developments Inc., as of the 15th day of September, 2014, consisting of the statement of projected cash flow for the seven week period from the week ending September 20, 2014 to the week ending November 1, 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.

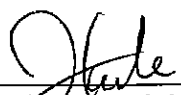
- (a) Based on our review, nothing has come to our attention that causes us to believe that, in all material respects, the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported 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 15th day of September 2014.

Deloitte Restructuring Inc. - Trustee



700 Bankers Court, 850 - 2nd Street SW
Calgary AB T2P 0R8
Phone: (403) 267-1777 Fax: (403) 260-4077

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 fourth amended statement of projected cash flow of the insolvent company as of the 15th day of September, 2014, consisting of the statement of projected cash flow for the seven week period from the week ended September 20, 2014 to the week ended November 1, 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 15th day of September 2014.



3 Eau Claire Developments
Inc.
Debtor

James Hong Park, CEO

Name and title of signing officer

Schedule 2



Deloitte Restructuring Inc.
850 – 2nd Street SW
700 Bankers Court
Calgary, Alberta T2P 0R8
Canada

Tel: 403-267-1700
Fax: 403-718-3681
www.deloitte.ca

September 4, 2014

To those parties who previously expressed an interest in purchasing or otherwise acquiring the assets of 3 Eau Claire Developments Inc. ("3 Eau Claire"):

RE: Opportunity to re-submit final offers

Background

As you are aware, 3 Eau Claire was originally incorporated for the purpose of building an approximately 865,000 square foot mixed-use condominium project (the "Project") located at 633 3rd Avenue SW in Calgary, Alberta (the "Lands").

3 Eau Claire filed a Notice of Intention to Make a Proposal on April 11, 2014 and Deloitte Restructuring Inc. ("Deloitte") acts as Proposal Trustee (the "Trustee"). 3 Eau Claire was granted an initial 30-day stay of proceedings (the "Initial Stay") pursuant to Section 69(1) of the *Bankruptcy and Insolvency Act* (the "BIA"). 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"). The Court has now granted five orders extending the stay of proceedings with the most recent Order being granted at a hearing on August 15, 2014 (the "August 15 Order", the "August 15 Hearing") and extending the stay of proceedings to September 29, 2014, among other things described in greater detail below.

The Trustee's Fourth Report was dated August 13, 2014 (the "Fourth Report") and included the Trustee's analysis of binding offers (the "Post-Aug 1 Offers") received pursuant to the process for the submission of binding offers set out in correspondence from the Trustee dated August 1, 2014 (the "August 1 Letter"). Capitalized terms used but not otherwise defined herein have the meanings given to them in the Fourth Report. The Post-Aug 1 Offers included three offers for outright purchase, two joint-venture offers and one BIA Proposal. Offerors are invited to review the Fourth Report, which can be accessed via Deloitte's website at www.deloitte.ca under the Insolvency and Restructuring link. As noted therein, offers involving a BIA Proposal (pursuant to a joint venture or otherwise) would provide for a higher potential recovery to the Creditors; however, such offers would be contingent on the Korea Deposit Insurance Corporation ("KDIC"),

who is the beneficiary of a registered mortgage (the "Computershare Mortgage") against the Lands held in the name of Computershare Trust Company of Canada ("Computershare") agreeing to postpone a portion of its indebtedness until such time as the Project could be completed.

In addition to extending the stay of proceedings, the August 15 Order appointed Deloitte, pursuant to section 243(1) of the BIA, as Receiver, without security, of all of 3 Eau Claire's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Assets"). The Receiver was granted limited powers, set out in detail in paragraph 4 of the August 15 Order, which included the following:

- 1) To file with the Court and the Official Receiver, on behalf of and to the exclusion of 3 Eau Claire, a proposal to 3 Eau Claire's creditors (the "Creditors") pursuant to sections 50 and 62 of the BIA (the "BIA Proposal");
- 2) To communicate with and otherwise negotiate the terms of a BIA Proposal with the Creditors and any proponents of a proposal;
- 3) To call a meeting of the Creditors pursuant to section 51 of the BIA and to chair and otherwise conduct that meeting in accordance with sections 51 to 57 of the BIA and, upon acceptance of a BIA Proposal by the requisite majority of Creditors pursuant to section 54 of the BIA, to seek Court approval of that BIA Proposal pursuant to section 58 of the BIA;
- 4) To market, sell convey, transfer, lease or assign the Assets or any part or parts thereof out of the ordinary course of business with the approval of the Court; and
- 5) To apply for any vesting order or other orders necessary to convey the Assets to a purchaser, free and clear of any liens or encumbrances.

KDIC's Position

KDIC has indicated that the total amount owing pursuant to the Computershare Mortgage as at August 31, 2014 is approximately \$38.5 million (approximately \$21.3 million – principal and approximately \$17.2 million – interest). The Trustee's legal counsel is currently reviewing the security held by KDIC in order to provide a legal opinion with respect to the validity and enforceability of the Computershare Mortgage.

3 Eau Claire had previously been in discussions with KDIC regarding postponing a portion of the principal balance and all accrued interest on the Computershare Mortgage. In the Fourth Report, the Trustee indicated that there was a great deal of uncertainty surrounding both the amount of any postponement by KDIC and the timing to obtain KDIC's required internal approvals for any postponement. Following the August 15 Hearing, the Receiver had ongoing discussions with legal counsel for KDIC. Based on those discussions, KDIC has now provided the following clarification with respect to its position:

- 1) KDIC is unable or unwilling to provide specific information on the amount that it would agree to postpone in relation to the KDIC indebtedness in the event of a BIA Proposal; however, any up-front cash payment would need to be materially equivalent to that which would have arisen had the Trustee pursued the outright purchase of the Assets, as described in the Fourth Report as being the most favourable outright purchase option; and
- 2) Any joint venture would need to be advanced pursuant to a formal BIA Proposal with the postponement by KDIC likely being included in the terms of the BIA Proposal.

Go-Forward Submission of Offers

Based on the further direction provided by KDIC, the Receiver is inviting interested parties to re-submit binding offers pursuant to the process outlined below (the "Submission Process"):

- 1) Offers that are binding, subject to further due diligence (the "Binding Offers"), may be submitted in any of the following forms:
 - a. An outright offer to purchase the property owned by 3 Eau Claire;
 - b. A joint-venture agreement to co-own and develop the property owned by 3 Eau Claire; or
 - c. A BIA Proposal, to be filed and submitted for creditor and Court approval pursuant to the provisions of the *BIA*.
- 2) Binding Offers submitted pursuant to either 1b) or 1c) above would provide for Offerors to undertake the development of the Project either in conjunction with or exclusive of 3 Eau Claire's existing management team ("Management"). To the extent that a Binding Offer contemplates the ongoing involvement of Management, approval of any Binding Offer would be conditional on the Receiver obtaining confirmation from Management that they are agreeable to having this Offeror as a development partner.

- 3) Binding Offers submitted pursuant to either 1b) or 1c) above would include the filing of a BIA Proposal which, for greater clarity would be prepared and filed by the Receiver in cooperation with the successful Offeror and subject to Court approval. For greater clarity, Binding Offers submitted pursuant to 1c) above do not need to be in the form of a BIA Proposal, but only need to include an outline of the timing and payments contemplated pursuant to a BIA Proposal.
- 4) Binding Offers in any of the forms described above must be submitted to the Receiver by no later than **12:00 p.m. Mountain Time on Thursday, September 11, 2014** (the "Offer Deadline"). Binding Offers received after the Offer Deadline will not be considered by the Receiver.
- 5) Any Offeror's conditions contained in the Binding Offers related to due diligence requirements must be limited to 30 days. As previously reported, environmental and geotechnical reports have been prepared for the Lands and will be provided upon request. For greater clarity, preference will be given to those Binding Offers with shorter due diligence periods.
- 6) All Offerors, must submit the following information with their Binding Offer:
 - a. For those parties whose Binding Offer takes the form of a joint venture agreement/ BIA Proposal, information on their relevant qualifications, which could include, but are not limited to, the following:
 - i. Corporate information on the Offeror;
 - ii. Specific information on comparable projects that may have been completed or are in the process of being completed by the Offeror; and/ or
 - iii. Any other information deemed relevant to the consideration of a Binding Offer.Where Offeror(s) have previously provided such information to the Trustee, the onus is on the Offeror to confirm whether the information that was previously provided was sufficient or whether there are deficiencies that need to be addressed. Offeror(s) may also refer to the comments provided by the Trustee in the Fourth Report regarding whether the information provided with respect to an Offeror's qualifications (defined therein as the "Proof of Qualifications" was noted as being sufficient.
 - b. All parties must submit evidence that they have adequate financing in place to complete the Transaction (as defined herein) meaning the financing required to pay the purchase price, provide the initial investment under the joint venture and/

or make those payments required upon Court approval of a BIA Proposal. This evidence must include one of the following:

- I. A letter from a Chartered Canadian bank showing that sufficient funds have been set aside to complete the Transaction;
- II. A letter from a Chartered Canadian bank indicating that they are prepared to advance loan funds to the Offeror sufficient to complete the Transaction; and/or
- III. Audited financial statements prepared within the last six months showing sufficient assets on the balance sheet to demonstrate that the Offeror or its proposed funding source has the ability to complete the Transaction.

Where Offeror(s) have previously provided such information to the Trustee, the onus is on the Offeror to confirm whether the information that was previously provided was sufficient or whether there are deficiencies that need to be addressed. Offeror(s) may also refer to the comments provided by the Trustee in the Fourth Report regarding whether the information provided with respect to an Offeror's financing (defined therein as the "Proof of Financing") was noted as being sufficient.

- 7) The Receiver will be independently reviewing, assessing and reporting to the Court on all Binding Offers at an application in advance of the September 29 expiry of the stay of proceedings (the "Receiver's Application"). It is the Receiver's intention at the Receiver's Application to seek approval of one of the Binding Offers. For greater clarity, at the Receiver's Application, the Receiver intends to provide to the Court a finalized version of either a BIA Proposal (which could be completed in conjunction with a joint venture) or a Purchase and Sale Agreement, which will be executed and/ or filed upon Court approval of same.
- 8) Any parties who have previously submitted Binding offers and wish to continue to participate in the offer solicitation process must submit a new Binding Offer. All parties submitting Binding Offers on or before the Offer Deadline will be collectively referred to as the "Offerors".
- 9) Interested parties should direct all inquiries to the undersigned via telephone at 403-298-5955 or 403-477-9661 or via email at vanallen@deloitte.ca.
- 10) All Binding Offers must be open for acceptance until at least September 30, 2014 and must be submitted with a bank draft, a certified cheque or proof of funds paid into a solicitor's trust account in the amount of \$2.0 million payable to "Deloitte Restructuring Inc. in Trust", which deposit will be subject to the following terms:

- a. Once a Binding Offer is accepted by the Receiver, subject to Court approval (the "Accepted Offer"), the bank draft or certified cheque accompanying the Accepted Offer shall be deemed to be a cash deposit, which will only be refunded in the event that one of the following occurs:
 - i. The Court does not approve the Accepted Offer;
 - ii. The Offeror does not waive any due diligence condition, as set out the Accepted Offer; or
 - iii. In the event that the Accepted Offer includes a BIA Proposal, the BIA Proposal does not receive creditor or Court approval.
- b. If the transaction contemplated in the Accepted Offer (the "Transaction") is completed, the deposit will be applied, without interest, against the purchase price or the payments to be made pursuant to the BIA Proposal. If the Transaction is not completed by the Offeror by reason of the Offeror's default, the deposit shall be retained on account of liquidated damages by the Receiver for the benefit of 3 Eau Claire's creditors and the Receiver shall be entitled to pursue all of its rights and remedies against the Offeror.
- c. Bank drafts or certified cheques accompanying Binding Offers that are not accepted by the Receiver will be returned without interest thereon by prepaid registered mail or courier to the Offeror at the address set forth in the Binding Offer on or before October 3, 2014.

11) Upon receipt of a Binding Offer by the Receiver, no person shall be entitled to retract, withdraw, vary or amend the Binding Offer prior to acceptance or rejection thereof, without the prior written consent of the Receiver.

12) The highest Binding Offer or any Binding Offer shall not necessarily be accepted or recommended.

13) Deloitte is acting strictly in its capacity as Receiver and not in its personal or corporate capacity.

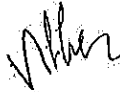
14) All stipulations as to time are strictly of the essence.

Should you have any questions, please contact the undersigned as set out herein.

Yours very truly,

DELOITTE RESTRUCTURING INC.,

In its capacity as Receiver of 3 Eau Claire
Developments Inc. and not in its personal or corporate
capacity

A handwritten signature in black ink, appearing to read 'V Allen', is positioned above the typed name.

Vanessa A. Allen, B. Comm, CIRP
Vice-President

Schedule 3

AGREEMENT OF PURCHASE AND SALE

633 – 3rd Avenue SW, Calgary, Alberta

THIS AGREEMENT is dated for reference the ____ day of September, 2014 and is made,

BETWEEN: **BENTALL KENNEDY (CANADA) LP**

(the "Purchaser")

AND: **DELOITTE RESTRUCTURING INC.**, *solely in its capacity as Court-Appointed Receiver and Manager of 3 Eau Claire Developments Inc. and not in its personal capacity*

(the "Vendor")

1. DEFINITIONS

In this Agreement, the following words and phrases used herein with initial capitals shall, unless otherwise expressly provided herein or unless the context otherwise requires, have the following respective meanings:

- (a) "**Agreement**" means this agreement and all schedules and instruments supplementary or ancillary hereto; and the expression "section", "subsection", "paragraph", "subparagraph" or "schedule" followed by a number or letter, respectively, means and refers to the specified section, subsection, paragraph, subparagraph or schedule of this Agreement;
- (b) "**BIA**" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;
- (c) "**Business Day**" means a day when both the Alberta Land Titles office and chartered banks are open for business;
- (d) "**Closing Date**" means 10 Business Days after the waiver or satisfaction of the Purchaser's Inspection Condition;
- (e) "**Condition Date**" means that date being 30 days following the date that the Vendor obtains the Order;
- (f) "**Contracts**" means all existing contracts and agreements with third parties with respect to (without limiting the generality of the foregoing) the ownership, development, maintenance, repair, operation, cleaning, security, fire protection, servicing and any other aspect of the Lands, including without limitation, all pre-sale agreements entered into by 3 Eau Claire Developments Inc.;
- (g) "**Court**" means the Court of Queen's Bench of Alberta;
- (h) "**Deposit**" means \$2,000,000, which shall be paid as specified in Sections 2.2 and 3;

- (i) "**Environmental Law**" means all applicable federal, provincial, municipal or other laws, regulations, guidelines, orders and codes concerning pollution or protection of the natural environment or otherwise relating to the environment, including applicable laws pertaining to (i) reporting, licensing, permitting, investigating and remediating the presence of Hazardous Substances, and (ii) the storage, generation, use, handling, manufacture, processing, transportation, treatment, release and disposal of Hazardous Substances, all as the same may be amended from time to time;
- (j) "**Execution Date**" means the date on which this Agreement has been executed and delivered by both the Vendor and the Purchaser;
- (k) "**GST**" means the goods and services tax pursuant to the *Excise Tax Act* (Canada);
- (l) "**Hazardous Substances**" means any contaminants, pollutants, dangerous substances, dangerous goods, liquid wastes, industrial wastes, hauled liquid wastes, radioactive wastes, toxic substances, hazardous wastes, hazardous materials or hazardous substances as defined in or pursuant to Environmental Law, or other substances that pollute or otherwise impair or damage the environment, human health or safety, or property;
- (m) "**Lands**" means the lands in the City of Calgary, Alberta, described in Schedule "A", attached hereto and all rights and benefits appurtenant thereto;
- (n) "**Leases**" means collectively, all agreements to lease, leases, renewals of leases and other rights (including licenses) which entitle any person to possess or occupy any space within the Lands, together with all security, guarantees and indemnities relating thereto, in each case as amended, assigned, renewed or otherwise varied, and "Lease" means any one of the Leases;
- (o) "**Order**" means the Order of the Court approving this Agreement pursuant to the authority to sell contained in the Receivership Order and vesting all right, title and interest in and to the Property absolutely in favour of the Purchaser, free and clear of and from any and all liens (whether contractual, statutory or otherwise), mortgages, charges, trusts or deemed trusts (whether contractual, statutory or otherwise), security interests, writs of execution, levies, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, and free and clear of all Leases and Contracts (collectively, the "**Claims**") ;
- (p) "**Permits**" means all development, zoning, density and construction permits relating to the Lands;
- (q) "**Permitted Encumbrances**" are those encumbrances set forth in Schedule "B" hereto;
- (r) "**Property**" means the Lands and the Permits;
- (s) "**Purchase Price**" means the sum of THIRTY-NINE MILLION, SIX HUNDRED THOUSAND DOLLARS (\$39,600,000.00);

- (t) "**Purchaser's Inspection Condition**" has the meaning set forth in Section 4.3;
- (u) "**Purchaser's Solicitors**" means McCarthy Tétrault LLP, Attention Danny C. Grandilli;
- (v) "**Receiver's Solicitors**" means Blake, Cassels & Graydon LLP, Attention Kelly J. Bourassa / Larissa Svekla; and
- (w) "**Receivership Order**" means an order of the Court granted **[September 25]**, 2014 in Action No. 25-1859192 appointing Deloitte Restructuring Inc. as receiver of the assets, property and undertaking of 3 Eau Claire Developments Inc.

2. **PRICE AND PAYMENT**

- 2.1 **Purchase and Sale.** The Purchaser agrees to purchase the Property from the Vendor and the Vendor agrees to sell the Property to the Purchaser on the terms and subject to the conditions contained in this Agreement, for the Purchase Price, subject to adjustment as provided for herein.
- 2.2 **Payment of Purchase Price.** The Purchaser shall pay the Purchase Price for the Property as follows:
 - (a) the Vendor hereby confirms receipt by the Receiver's Solicitors of the Deposit which they are holding in their trust account in trust for the benefit of the Vendor and Purchaser pursuant to the terms of this Agreement; and
 - (b) the balance of the Purchase Price, subject to adjustment provided for hereunder, shall be paid on the Closing Date.

3. **DEPOSIT**

- 3.1 **No Interest on Deposit.** Unless otherwise agreed in writing, no interest on the Deposit will be paid to the Vendor or the Purchaser.
- 3.2 **Deposit Held in Trust.** If the transaction contemplated by this Agreement is not completed for any reason except the sole default of the Purchaser, the Deposit shall be immediately returned to the Purchaser without deduction and the Receiver's Solicitors are hereby irrevocably directed by the parties hereto to do so without further instruction. If the transactions contemplated by this Agreement are not completed as a result solely of the default of the Purchaser, the Vendor shall be entitled to retain the Deposit as liquidated damages in full and complete satisfaction of any and all claims that the Vendor may have against the Purchaser as a result of such breach and the Vendor shall have no further or other claim and hereby specifically releases the Purchaser from all liability relating thereto, which release will survive the termination of this Agreement.
- 3.3 **Dispute Regarding Deposit.** If there is a dispute as to the entitlement of the Deposit, the Receiver's Solicitors shall continue to hold the Deposit in trust but may elect at any time to take such steps as may be necessary to pay the Deposit into Court by way of interpleader, to be disbursed by the Court in accordance with the terms of this Agreement, and thereby be forever released from any and all obligations or liabilities in respect thereof.

4.

PURCHASER'S ACCESS AND INSPECTION CONDITION

- 4.1 Delivery of Documents. Upon the acceptance of this Agreement, the Vendor shall deliver or make available to the Purchaser the following documents, correspondence and files and any other documents reasonably requested by the Purchaser in writing, relating to the Property as are within the Vendor's possession or control including, without limitation, the following:
- (a) copies of all plans, specifications, drawings and expansion plans for the Lands;
 - (b) copies of all Permitted Encumbrances;
 - (c) a plan of survey of the Property;
 - (d) a current and complete legal description of the Lands and any current realty tax assessment notices and tax bills relating to the Lands;
 - (e) copies of all environmental reports, engineering reports, audits or studies relating to the Lands;
 - (f) all current permits (including the Permits), licences and agreements with the municipality in which the Property is situate or other regional or provincial authorities or commissions having jurisdiction and any agreement with neighbouring land owners;
 - (g) operating statements for the Property for the last three (3) calendar years;
 - (h) details of all disputes and litigation involving the Property and files relating to same; and
 - (i) copies of all existing work orders, notices, directives, letters of non-compliance issued by any governmental or other authority affecting the Lands.
- 4.2 Access. From and after the date of this Agreement, the Vendor agrees to allow the Purchaser and the Purchaser's authorized representatives reasonable access to the Property to conduct inspections and investigations (including soil tests and environmental audits) of the Property from time to time and on at least twenty-four (24) hours prior written notice to the Vendor. If required by the Vendor in its sole discretion, such inspections and investigations will only be conducted in the presence of a representative of the Vendor. The Purchaser covenants and agrees to repair or pay the cost of repair of any damage occasioned during and resulting from the inspection or investigation of the Property conducted by the Purchaser or its authorized representatives. The Purchaser covenants and agrees to indemnify and save the Vendor harmless from and against all losses, costs, claims, third party claims, damages, expenses (including legal costs as between a solicitor and its own client) which the Vendor may suffer as a result of the inspection of the Property conducted by the Purchaser or its authorized representatives. The liability and indemnity provisions of this Section 4.2 shall survive closing of the transaction contemplated in this Agreement or other termination of this Agreement. The Purchaser agrees that the Vendor shall be entitled to deduct from the Deposit the amount of any losses, costs, claims, third party costs, damages, expenses (including legal costs as between a solicitor and its own client) which the Vendor may suffer as a result of a breach of this Section 4.2 by the Purchaser. The Vendor, upon the

request of the Purchaser, shall forthwith deliver consents and/or authorizations addressed to such governmental or other authorities as may be requested by the Purchaser or its solicitors authorizing each such authority to release to the Purchaser such information as to compliance matters that the authority may have with respect to the Property. Such authorizations will not request any inspections of the Property by such authorities.

4.3 Purchaser's Diligence Conditions. The Purchaser's obligation to carry out the transaction contemplated in this Agreement is subject to the fulfilment of the following conditions (collectively, the "**Purchaser's Inspection Condition**") on or before the Condition Date:

- (a) **Purchaser's Investigations** – The Purchaser shall be allowed until the Condition Date to conduct inspections and investigations of the Property and with respect to such matters in connection with the Property and the Purchaser's intended use and development and leasing thereof as the Purchaser may deem necessary or desirable and the Purchaser is satisfied, in its sole, absolute and subjective discretion with the results of such tests, audits, inspections and investigations.
- (b) **Environmental** – On or before the Condition Date: the Purchaser shall have conducted soil tests, environmental audits and other environmental inspections and investigations of the Property as the Purchaser may deem necessary or desirable and the Purchaser is satisfied, in its sole, absolute and subjective discretion with the results of same;
- (c) **Deliveries** – On or before the Condition Date, the Vendor shall have delivered to the Purchaser the documents relating to the Property to be delivered or made available to the Purchaser in accordance with Section 4.1;
- (d) **Approvals** – On or before the Condition Date, the Purchaser shall have obtained all necessary approvals from the requisite board, investment committee and/or senior officers as to the transactions contemplated by this Agreement, such approvals to be given or withheld in such board's, committee's and/or officers' sole, absolute and subjective discretion.

The Purchaser may, by notice in writing, notify the Vendor that the Purchaser's Inspection Condition is satisfied or waived. If no such written notice is delivered on or before the Condition Date, the Purchaser will be deemed not to have satisfied itself and this Agreement shall automatically terminate and be null and void and the Deposit shall be immediately returned to the Purchaser by the Receiver's Solicitors, who are irrevocably directed by the Vendor pursuant to the provisions hereof to do so.

4.4 Purchaser's Closing Conditions. The Purchaser's obligations to complete the transactions contemplated in this Agreement is subject to the fulfilment of the following conditions on or before the Closing Date, which conditions are inserted for the sole benefit of the Purchaser and may be waived at its sole option:

- (a) the Vendor shall have performed each of its obligations under this Agreement;
- (b) the Vendor's representations and warranties shall be true and accurate in all material respects;

- (c) the Order shall not have been stayed, reversed or dismissed, and shall vest in the Purchaser all right, title and in the Property free and clear of all liabilities and encumbrances other than Permitted Encumbrances.

To the extent the foregoing conditions are not satisfied or waived, this Agreement shall be terminated and the Deposit immediately returned to the Purchaser without deduction.

5. **UNCONDITIONAL OFFER/PROPERTY AS-IS**

5.1 **"As Is" Condition.** Subject to the terms of Section 10.1 hereof, the Purchaser agrees to accept the Property on the Closing Date on an "as is, where is, with all faults" basis and condition and subject to any and all deficiencies, outstanding work orders or notices of infractions as of the Closing Date and subject to the existing municipal or other governmental by-laws, restrictions or orders affecting its use, including subdivision agreements, development agreements, building and development permits and easements and any encroachment by the subject or nearby buildings or by fences located on the Property or adjacent lands or streets and subject to the Permitted Encumbrances. The Purchaser hereby acknowledges and agrees:

- (a) that the Vendor and the Vendor's advisers have not made, do not make and shall not be required to provide any warranty or representation with respect to:
 - (i) the fitness, condition, quality, merchantability, zoning or lawful use of the Property, statutory or otherwise (including under the *Sale of Goods Act* (Alberta), any defaults under the Leases, and the Contracts, the size/measurements of the Property, title, encumbrances, the availability of services and utilities, or in respect of any other matter or thing whatsoever; or
 - (ii) the existence or non-existence of Hazardous Substances and the Vendor specifically makes no representation regarding the compliance of the Lands with Environmental Law or with respect to any rule, regulation, covenant or agreement whether statutory or non statutory;
- (b) that all information (written or oral) obtained by the Purchaser from the Vendor and the Vendor's advisers with respect to the Property has been obtained from such person for the convenience of the Purchaser and is not warranted to be accurate or complete and does not form part of the terms of this Agreement;
- (c) that it is a sophisticated purchaser of real estate and acknowledges that it is the Purchaser's responsibility to satisfy itself with respect to the Property and all matters relating to or affecting the Property including without limitation, the condition and state of repair of the Property, the availability of services and utilities, the zoning of the Property and the environmental condition of the Property; and
- (d) to and does hereby release and discharge the Vendor together with its employees, officers, directors, agents and shareholders from every claim of any kind that the Purchaser may make, suffer, sustain or incur in regard to breach of any Environmental Law. The Purchaser further agrees that the Purchaser will not, directly or indirectly attempt to compel the Vendor to clean

up or remove or pay for the cleanup or removal of any Hazardous Substances, remediate any condition or matter in, on, under or in the vicinity of the Property or seek an abatement in the Purchase Price or damages in connection with any breach of any Environmental Law.

5.2 Vendor's Representations. The Vendor represents and warrants to the Purchaser as follows:

- (a) the Vendor has been duly appointed as receiver of the Property pursuant to the Receivership Order with the authority to exercise the power of sale contained therein;
- (b) the Vendor has the right to enter into this Agreement and to complete the sale of the Property in accordance with the terms of the Order;
- (c) the Vendor has done no act to encumber or charge the Lands other than the existence of the Receiver's Charge, Administrative Charge and Receiver's Borrowings Charge as set out in the Receivership Order;
- (d) the Vendor is not a non-resident of Canada for the purposes of s.116 of the *Income Tax Act*; and
- (e) the Vendor has obtained, and the Court has issued, the Order.

6. **CLOSING DATE**

6.1 Closing Date. The closing of the sale and purchase of the Property as herein contemplated shall take place on the Closing Date.

6.2 Possession. The Purchaser shall be entitled to have vacant possession of the Property subject to the Permitted Encumbrances following payment of the balance of the Purchase Price on the Closing Date.

7. **CLOSING DOCUMENTS AND PROCEDURE**

7.1 Vendor's Closing Deliveries. The Vendor shall cause the Receiver's Solicitors to deliver to the Purchaser's Solicitors at least three (3) Business Days prior to the Closing Date the following documents on reasonable trust conditions customary in similar transactions in Calgary, Alberta:

- (a) a certified copy of the Order, which Order shall not be registerable at the Land Titles Office unless accompanied by an original letter from the Receiver's Solicitors confirming the receipt of the Purchase Price, in accordance with Section 2.2;
- (b) a statement of adjustments (the "**Statement of Adjustments**") setting forth the adjustments in Section 10;
- (c) an undertaking by the Vendor to readjust any errors, omissions or changes in the statement of adjustments within the 60 day period after Closing;
- (d) a certificate confirming that 3 Eau Claire Developments Inc. is not a non-resident of Canada pursuant to s.116 of the *Income Tax Act*;

- (e) such specific assignment and assumption agreements as are necessary to assign the Permitted Encumbrances and Permits, if any, in favour of the Purchaser; and
- (f) all other conveyances and other documents which are reasonably requested by the Purchaser to give effect to the proper transfer, assignment and conveyance of the Property by the Vendor to the Purchaser.

7.2 Purchaser's Closing Deliveries. The Purchaser shall deliver to the Vendor or the Receiver's Solicitors on the Closing Date the following on reasonable trust conditions customary in similar transactions in Calgary, Alberta:

- (a) the balance of the Purchase Price;
- (b) an undertaking by the Purchaser to readjust any errors, omissions or changes in the statement of adjustments within the 60 day period following after Closing;
- (c) the certificate and indemnity of the Purchaser setting out its registration number for GST purposes in accordance with Section 8.1;
- (d) such specific assignment and assumption agreements as are necessary to assume the Permitted Encumbrances; and
- (e) all other conveyances and other documents which are reasonably requested by the Vendor to give effect to the proper transfer, assignment and conveyance of the Property by the Vendor to the Purchaser.

7.3 Escrow. The Vendor and Purchaser acknowledge and agree as follows:

- (a) prior to submitting for registration the Order, the Purchaser shall deposit the balance of the Purchase Price due on Closing with the Receiver's Solicitors;
- (b) all closing documents, except for the Order shall be held in trust in the Purchaser's Solicitors' offices;
- (c) the Purchaser shall instruct and cause its solicitors to submit for registration the said Order on the Closing Date (together with all affidavits, payment of transfer taxes and other documents required in connection therewith) in the applicable land titles office;
- (d) on the date when completion of registration occurs for the Lands, the Purchase Price being held by the Receiver's Solicitors may be released to the Vendor; for the purposes of this section, "completion of registration" shall mean the registration of the said Order, the assignment of a registration number to it and the issuance of title to the Lands to the Purchaser by the applicable land titles office with title thereto only being subject to Permitted Encumbrances; and
- (e) save as provided above, all closing documents shall remain in escrow until the completion of registration for the Lands.

7.4 Costs. The Purchaser will pay the cost to register the Order approving this sale and will pay all its legal and other costs incurred in negotiating and preparing this Agreement and otherwise in connection with this transaction.

7.5 No RPR. The Vendor is not required to provide the Purchaser with an up-to-date real property report or compliance certificate in respect of the Property.

8. **TAXES**

8.1 GST. The Vendor shall not require payment from the Purchaser of any goods and services tax in connection with the transactions herein provided the transferee is a GST registrant as at the Closing Date and the Purchaser shall deliver to Vendor on the Closing Date a statutory declaration that the transferee is a registrant for the purposes of goods and services tax and specifies the registration number of the transferee. The Purchaser indemnifies the Vendor with respect to any goods and services tax payable in connection with the transactions herein.

9. **ADJUSTMENTS**

9.1 Adjustments. All usual adjustments relating to the Property for a similar sale transaction of vacant lands in Alberta, including realty taxes and utilities, shall be adjusted and pro-rated between the Vendor and the Purchaser as at the Closing Date so that the Vendor shall pay all expenses and receive all income related to the Property which are in respect of any time prior to the Closing Date and the Purchaser shall pay all expenses and receive all income related to the Property which are in respect of any time from and including the Closing Date.

9.2 Delivery. The Statement of Adjustments showing a breakdown of the adjustments pursuant to Section 9.1 to which there will annexed details of the calculations made thereon shall be delivered to the Purchaser by the Vendor at least five (5) Business Days prior to the Closing Date. The Purchaser shall have the right to inspect and verify the Vendor's working papers and invoices to confirm the entries on the Statement of Adjustments.

9.3 Readjustment. If the final cost or amount of an item which is to be adjusted cannot be determined at the Closing Date, then an initial adjustment for such item shall be made at closing on the Closing Date, such amount to be estimated by the parties hereto acting reasonable as of the Closing Date on the basis of the best evidence available at the closing as to what the final cost or amount of such item will be. In each case when such cost or amount is determined, the Vendor or the Purchaser, as the case may be, shall, within 30 days of determination, provide a complete statement thereof to the other and within 30 days thereafter the parties shall make a final adjustment as of the Closing Date for the item in question. Notwithstanding the foregoing, all adjustments or revisions thereto must be requested within sixty (60) days following the Closing Date, after which time neither party shall have any right to request adjustments.

10. **RISK**

10.1 Risk. The Property shall be at the risk of the Vendor until completion of the closing on the Closing Date and thereafter at the risk of the Purchaser.

11. **MISCELLANEOUS**

11.1 Currency. All dollar amounts referred to in this Agreement are Canadian dollars.

11.2 Tender. Any tender of documents or money may be made upon the party being tendered or upon its solicitors and money may be tendered by certified solicitor's

cheque or bank draft or wire transfer in each case drawn on any Schedule I Canadian chartered bank.

- 11.3 Time of Essence. Time shall be of the essence of this Agreement, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Vendor and the Purchaser or by their respective solicitors who are hereby expressly appointed in this regard. If the time limited for the performance or completion of any matter under this Agreement expires or falls on a day that is not a Business Day, the time so limited shall extend to the next following Business Day.
- 11.4 Contact Information. Any notice required, or permitted to be given pursuant to this Agreement shall be given by personal delivery, mail, facsimile transmission or email at the addresses set out below.

To the Purchaser:

Bentall Kennedy (Canada) LP

Attention: John McKinlay
55 University Avenue
Suite 300
Toronto, ON M5J 2H7
Phone: (416) 681-3442
Fax No. (416) 681-3405
Email: JMcKinlay@bentallkennedy.com

Cc:

McCarthy Tétrault LLP

Attention: Danny C. Grandilli
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto-Dominion Centre
Toronto, ON M5K 1E6
Phone: (416) 601-7597
Fax No. (416) 868-0673
Email: dgrandil@mccarthy.ca

To the Vendor:

Deloitte Restructuring Inc.

Attention: Jeff Keeble / Vanessa Allen
700 Banker's Court
850 - 2nd Street SW,
Calgary, AB T2P 0R8
Phone: (403) 503-1458 / (403) 298-5955
Fax No. (403) 718-3681 / (403) 718-3696
Email: jkeeble@deloitte.ca / vanallen@deloitte.ca

Cc:

Blake, Cassels & Graydon LLP

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Attention: Kelly J. Bourassa / Larissa Svekla
3500 Bankers Hall East Tower
855 2nd Street SW
Calgary, AB T2P 4J8
Phone: (403) 260-9697 / (403) 260-9759
Fax No. (403) 260-9700
Email: Kelly.bourassa@blakes.com / larissa.svekla@blakes.com

with a copy to such other address or facsimile number or email address as a party may advise the other by written notice hereunder. Any notice addressed and provided as aforesaid shall be deemed to have been given on the day of delivery or transmission by facsimile or by electronic transmission if a Business Day and if not a Business Day, then on the next Business Day or if mailed, on the third Business Day following the posting thereof, provided that if there is a postal strike, dispute or slowdown, notices shall only be effective if delivered or transmitted by facsimile or electronic transmission.

- 11.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the sale and purchase of the Property and supersedes all prior agreements, negotiations and discussions, whether oral or written, of the Vendor and the Purchaser and there are no agreements, covenants, representations or warranties, express, implied, statutory, collateral or otherwise, save as set forth herein. This Agreement shall not be amended except in a written instrument executed by both the Vendor and the Purchaser or their solicitors and stated to be an amendment to this Agreement.
- 11.6 Assignment. No party hereto may assign this Agreement or any part hereof without the prior written consent of the other which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, the Purchaser may, prior to Closing, assign this Agreement to one or more entities (collectively an "Assignee") to which it provides advisory or management services if it provides an agreement in favour of the Vendor executed by the Assignee agreeing to be bound hereunder along with specific evidence that the Assignee has adequate financing in place or the ability to finance the transaction contemplated herein, in which event the Purchaser which originally executed this agreement shall be fully released from its obligations hereunder from and after the effective date of such assignment. The Vendor shall execute a release in favour of the Purchaser in such circumstances upon the request of the Purchaser.
- 11.7 References. Wherever the singular or masculine is used in this Agreement, the same shall be deemed to include references to the plural, feminine or body corporate or politic, as the context may require.
- 11.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein. The Vendor and the Purchaser agree to submit to the jurisdiction and the courts of the Province of Alberta with respect to any dispute relating to this Agreement or the purchase and sale transaction contemplated herein and to appoint respective agents for the receipt and service of process in Alberta.
- 11.9 Binding Effect. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

11.10 Execution by Facsimile or Other Electronic Means. This Agreement may be executed by the parties and transmitted by facsimile or other electronic means and if so executed and transmitted, this Agreement shall be for all purposes as effective as if the parties had delivered an executed original Agreement.

11.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same document.

12. **VENDOR'S CAPACITY**

The Vendor is a party to this Agreement and acts in its capacity as Receiver and Manager and shall have no personal or corporate liability under this Agreement.

DELOITTE RESTRUCTURING INC., *solely in its capacity as court-appointed receiver and manager of 3 Eau Claire Developments Inc. and not in its personal capacity*

BENTALL KENNEDY (CANADA) LP,
by its general partner,
BENTALL KENNEDY (CANADA) G.P. LTD.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE "A"

DESCRIPTION OF THE LANDS

PLAN A1
BLOCK 14
LOTS 1 TO 10 INCLUSIVE

SCHEDULE "B"

PERMITTED ENCUMBRANCES

General Encumbrances

1. The reservations, limitations, exceptions, provisos and conditions, if any, expressed in any original grants from the Crown including, without limitation, the reservation of any mines and minerals and any statutory exceptions;
2. Any encumbrance registered with any municipal, provincial or federal governments or authorities and any public utilities or private suppliers of services including without limitation, subdivision agreements, development agreements, engineering, grading or landscaping agreements and similar agreements;
3. Registered easements for the supply of utilities or telephone services to the Property and for drainage, storm or sanitary sewers, public utility lines, telephone lines, cable television lines or other services;
4. Registered easements or rights of way for the passage, ingress and egress of persons and vehicles over parts of the Property;
5. Any encumbrance, registration or instrument implied in the Certificate of Title pursuant to the provisions of Section 61(1)(a), (c), (e) and (f) of the *Land Titles Act*, R.S.A., 2000, as amended;
6. Any encumbrance the source of which is attributable to Purchaser; and
7. The Permits.

Specific Encumbrances

None.

Schedule 4

3 Eau Claire Developments Inc. ("3 Eau Claire" or the "Company")

Variance Analysis

For the seven week period ended September 13, 2014

	Forecast Total	Total Actual	Variance (A-F)	Notes
Receipts				
Parking receivables	\$ 70,000	\$ 68,001	\$ (1,999)	1 & 2
Total Receipts	70,000	68,001	(1,999)	
Disbursements				
Travel expenses	(6,500)	(5,740)	760	2 & 3
Utilities	(1,100)	(655)	445	4
Business taxes	(296)	(296)	-	
Salaries and wages	(38,000)	(34,110)	3,890	4
Real estate rental	(15,288)	(16,084)	(796)	4
Meals and entertainment	(1,400)	(1,366)	34	4
Office Supply	(700)	(470)	230	4
Vehicle	(2,048)	(1,152)	896	4
Insurance	(552)	(552)	-	
Professional fees	(3,000)	(3,500)	(500)	4
Contingency	(1,400)	(1,120)	280	4
Total Disbursements	(70,284)	(65,046)	5,238	
Net Cash Flow	\$ (284)	\$ 2,955	\$ 3,239	
Bank Balance				
Beginning Cash Balance	\$ 1,122	\$ 1,753		
Net Cash Flow	(284)	2,955		
Ending Bank Balance	\$ 838	\$ 4,708		

Prepared as at the 22 day of September, 2014

Notes & Assumptions - General:

1. All amounts include applicable GST.
2. Actual results include transactions between August 3 and September 6, 2014.
3. Forecast information is from Third Amended Statement of Projected Cash Flow for the ten week period from the week ended July 12, 2014 to the week ended September 13, 2014.

Notes & Assumptions - Specific:

1. 3 Eau Claire entered into a management agreement with Imperial Parking Canada Corporation, pursuant to which 3 Eau Claire receives monthly parking revenue of approximately \$35,000 with \$10,000 advanced on the 1st of the each month and the balance due from the prior month to be paid on or before the 10th of each month.
2. Permanent variances as a result of actual receipts/ required expenditures being slightly lower/ higher than originally forecast.
3. Approximately \$14,000 in travel expenses continue to be due to three contractors employed by 3 Eau Claire for activities related to the marketing of 3 Eau Claire's assets following the Company's filing of the Notice of Intention to Make a Proposal.
4. Timing related variances, which are expected to reverse themselves in future weeks.