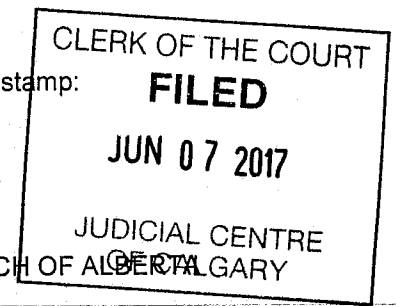


Clerk's stamp:



COURT FILE NUMBER 1601-14180
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF HILLSBORO PROPERTIES INC.
DEFENDANTS HALF MOON LAKE RESORT LTD. and ARMAC INVESTMENTS LTD.
DOCUMENT AFFIDAVIT
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Dentons Canada LLP
Bankers Court
15th Floor, 850 - 2nd Street S.W.
Calgary, Alberta T2P 0R8
Attention: Derek Pontin / John Regush
Ph. (403) 268-6301/7086 Fx. (403) 268-3100
File No.: 568964-1

AFFIDAVIT OF KEITH FERREL

Sworn on June 7, 2017


I, Keith Ferrel, of the City of Calgary, in the Province of Alberta, MAKE OATH AND SAY THAT:

1. I am the President of Hillsboro Properties Inc. ("**Hillsboro**" or the "**Lender**"), the applicant creditor herein and, as such, have personal knowledge of the matters deposed to except where stated to be based on information and belief, in which case I verily believe the same to be true. I have satisfied myself that I am possessed of sufficient information and knowledge to swear this Affidavit on behalf of Hillsboro. I am authorized by Hillsboro to make this affidavit.
2. Hillsboro is the senior secured lender to Half Moon Lake Resort Ltd. ("**Half Moon**"), a corporation that was amalgamated into Armac Investments Ltd. (without the knowledge or consent of Hillsboro), on or about January 14, 2016 ("**Armac**" or the "**Borrower**").
3. The details of the amalgamation and other defaults of Armac under its credit facility with Hillsboro are outlined in my earlier Affidavit filed in this matter. That Affidavit was filed in support of an application for a Receivership Order against the business and property of Armac comprising the Half Moon Lake Resort (the "**Resort**"). The receivership order was granted on May 12, 2017 (the "**Receivership Order**"), but stayed by Justice Eamon until 12:00 noon on June 7, 2017.

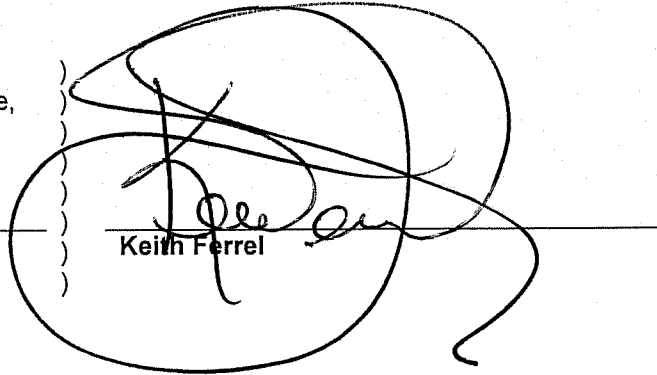
4. My earlier affidavit details the significant period of time Armac has had to address its indebtedness to Hillsboro. Hillsboro and its legal counsel ("**Dentons**") have been engaged in discussions with counsel to Armac for more than 6 months. Armac has had an extraordinary amount of time to secure financing or arrange a suitable strategic alternative.
5. No options in this respect have been proposed to Hillsboro. No discussions or proposals have been made to Hillsboro. All Hillsboro has received is verbal notice that an "emergency" application for a stay of the Receivership Order will be sought this morning, the day that the Receivership Order is to become effective.
6. On May 17, 2017, a letter was sent by Dentons to Armac's counsel, asking for delivery of various financial and other records. Hillsboro is entitled to significant reporting and disclosure under its security documents (as outlined in my earlier Affidavit). A copy of this correspondence is attached hereto, marked as Exhibit "A".
7. Hillsboro has received no response from Armac to this request. Hillsboro accordingly has no idea what the state of its collateral is. We have no visibility on occupancy, cash flows, budgets, financial statements, sale of leases, and efforts being made to resolve Hillsboro's indebtedness.
8. When the Receivership Order was granted, the record shows the property was in significant disrepair. What little financial information was available demonstrated that Armac would be liquidating certain of Armac's property to meet liquidity needs for funding maintenance and repairs – that would be Hillsboro's collateral that Armac is disposing of, eroding Hillsboro's position.
9. Hillsboro had previously requested financial statements from Armac and received an internally produced single page, reflecting almost nothing in response. There has been repeated disregard for Hillsboro's rights under its security, and a total absence of cooperation from the Borrower in respect of retiring this facility.
10. This issue is compounded by the fact that the amalgamation was done, which significantly impacts the priority of Hillsboro's security interests and may have compromised its position – Hillsboro of course cannot confirm this without proper reporting.
11. Armac has represented to Hillsboro's counsel that it will make interim payments and has cash available to it. If this is the case, that cash could have been proffered to Hillsboro before the eleventh hour of the last day before the Receivership Order becomes effective. That cash is subject to the security of Hillsboro, and I am concerned reflects proceeds from the liquidation of other Armac assets. This further erodes Hillsboro's position.

12. Upon receiving the request for an extension to the stay last night, Hillsboro proposed terms to Armac upon which it would be willing to forbear. In summary, Hillsboro proposed a forbearance fee of approximately 1.75%, increased pricing by 4% on the loan, interim payments on account using the amounts and timing proposed by Armac, and final payout by the date proposed by Armac.
13. The proposed forbearance fee and increased pricing are commercially reasonable and reflect the risk and prejudice that Hillsboro continues to face in light of the complete absence of reporting. That offer was rejected by Armac and is no longer available. I verily believe a suitable forbearance arrangement cannot be reached.
14. In the event the Receivership commences as ordered, I am aware of no reason that Armac could not continue to seek to resolve financing or another strategic alternative to settle the debt in the context of the receivership.

Sworn before me in the City of Calgary in
the Province of Alberta, the 7th day of June,
2017.

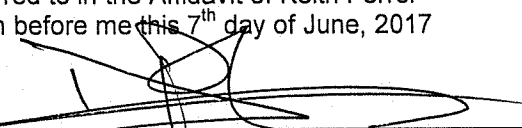


Commissioner of Oaths in and for Alberta



Keith Ferrel

THIS IS EXHIBIT "A"
referred to in the Affidavit of Keith Ferrel
Sworn before me this 7th day of June, 2017



A Commissioner for Oaths in and for Alberta



Derek Pontin
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D +1 403 288 6301

Dentons Canada LLP
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850-2nd Street SW
Calgary, AB, Canada T2P 0R8

大成 Salans FMC SNR Denton McKenna Long
dentons.com

May 17, 2017

File Number: 568964-1

SENT VIA E-MAIL (FRICLOW@TELUSPLANET.NET)

Fric, Lowenstein & Co. LLP
420, 1925 18th Ave. N. E.
Calgary, AB T2E 7T8

Attention: Howard Lowenstein

Dear Sir:

**RE: Hillsboro Properties Inc. ("Hillsboro") v Half Moon Lake Resort Ltd. and Armac Investments Ltd. (together "Armac")
Court Action No.: 1601-14180**

As you are aware, on Friday, May 12, 2017, Honourable Justice Eamon granted a Receivership Order (a copy of which is enclosed), and issued a stay of the same until 12:00 noon on June 7, 2017. We will hold the same, unfiled, until June 7, 2017 at 12:00 noon, at which time the stay will cease to apply and the Receivership Order will become effective.

The foregoing gives rise to a few eventualities. Either the indebtedness to Hillsboro will not be repaid before June 7 and the receivership will commence; the indebtedness to Hillsboro will be repaid before June 7, in which instance we would need to vacate or permanently stay the Receivership Order (e.g. by Consent Order); or the length of the stay period will be adjusted, whether to shorten or extend that time, by further order obtained by either party.

In respect of the third item above, recall Honourable Justice Eamon indicated he may have availability on June 1 or 2 for a further hearing on this matter, if necessary. The writer is available and has set aside those dates in the event a further appearance is required. It is noted that, in the event your client is going to seek an extension of the stay period, the same would need to be adjudicated, and an order in that regard made, prior to 12:01 pm on June 7, 2017. Barring a further order being granted, the receivership will become effective at that time. In other words, you can appreciate the filing of an application alone would not suffice for an extension, and we are not in a position to simply agree to an extension given the terms of the stayed order.

In the interim, you are aware that Hillsboro is entitled to extensive information under its security documents. We had previously asked for certain information regarding the Resort and received substantially inadequate reporting. We are concerned about the value and whereabouts of our clients' collateral, which includes all personal and real property of Armac. Accordingly, we hereby request and demand the following information on behalf of Hillsboro:

- copies of all leases, whether registered or unregistered, as pertain to the Resort;
- copies of any financial statements for Armac Investments Ltd., audited or unaudited, as have been prepared in the past 12 months;

- copies of any budgets, cash flows or cash flow forecasts for Armac, whether prepared internally or externally, created in the past 12 months;
- statements of Armac's aged accounts receivable and accounts payable;
- proof of that all of Armac's tax remittances are up to date and not in arrears, including for all payroll withholdings, income taxes, property taxes and similar liabilities;
- copies of any outstanding tax notices received by or issued against Armac;
- a list of all real property or properties owned by Armac;
- a list or summary of all personal property owned by Armac and the respective locations of such personal property;
- a certificate stating what property of Armac has been removed from Alberta, identifying specific items, dates of removal and present location;
- a breakdown of Armac's employees, contractors, payroll obligations and payroll cycle (excluding employees' personal information);
- a breakdown of what repairs and maintenance have been performed on the Resort, or related property (in which case specifying that property) in 2016 and 2017; and
- a list of outstanding claims or litigation against Armac.

Given the pendency of the receivership, we require that the following be delivered before the end of business on May 25, 2017. Should that timing be a problem, please specify exactly what is or is not available in that time frame and why – certainly any information presently on hand can be delivered as requested.

Please note KPMG may wish to review the foregoing and may demand the same from Hillsboro or Armac in due course. We would be required to provide the same to KPMG upon their request, further to the Receivership Order.

Should you have any questions, please contact the writer.

Yours truly,
Dentons Canada LLP


for: Derek Pontin

cc. FRICLOW2@TELUSPLANET.NET

Hillsboro Properties Inc.
Attention: Keith Ferrel