

COURT FILE NUMBER B-150741
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF APOLLO GROUP MANAGEMENT LTD.**

SECOND REPORT OF THE PROPOSAL TRUSTEE

SEPTEMBER 23, 2015

INTRODUCTION

1. On July 23, 2015, Apollo Group Management Ltd. (“**Apollo**” or the “**Company**”) filed a Notice of Intention to File a Proposal (“**NOI**”) pursuant to Part III, Division I of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”). FTI Consulting Canada Inc. (“**FTI**”) was appointed as the Trustee (the “**Proposal Trustee**”) under the NOI.
2. The reports of the Proposal Trustee and other information in respect of these proceedings are posted on the Proposal Trustee’s website at <http://cfcanada.fticonsulting.com/ApolloGroupManagementLtd/>.

PURPOSE

3. The first report of the Proposal Trustee dated August 14, 2015, (the “**First Report**”), informed the Court on the following:
 - (a) The activities of the Company since the filing of its NOI;
 - (b) An overview of the Purchase and Sale Agreement entered into between Apollo and the Purchaser;
 - (c) A summary of Apollo’s creditors;
 - (d) An analysis of the Company’s actual cash receipts and disbursements to August 9, 2015, compared to the forecast filed on July 31, 2015;
 - (e) The Company’s cash flow forecast for the period from August 10, 2015 to January 23, 2016; and
 - (f) The Company’s request for an extension of the current stay of proceedings under the NOI from August 22, 2015 to October 5, 2015.
4. On August 21, 2015, an Order of this Honourable Court was granted extending the stay of proceedings for the Company to October 5, 2015 (the “**First Extension Order**”).

5. The purpose of this report, the second report of the Proposal Trustee (the “**Second Report**”), is to provide the Court with an update on the following:
- (a) The activities of the Company since the filing of the First Report;
 - (b) A summary of the Company’s actual cash receipts and disbursements for the period from July 27, 2015 to September 18, 2015;
 - (c) The Company’s cash flow forecast for the period from September 19, 2015 to January 23, 2016; and
 - (d) An update on the status of the Company’s secured lenders.

TERMS OF REFERENCE

6. In preparing this report, the Proposal Trustee has relied upon unaudited financial information, other information available to the Proposal Trustee and, where appropriate, the Company’s books and records and discussions with various parties (collectively, the “**Information**”).
7. Except as described in this Second Report:
- (a) The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) The Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.

8. Future oriented financial information reported or relied on in preparing this report is based on assumptions regarding future events; actual results may vary from forecast and such variations may be material.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
10. Defined terms have the meaning ascribed to them in this report or in prior reports filed by the Proposal Trustee.

UPDATE ON THE COMPANY'S ACTIVITIES

11. Based on the Proposal Trustee's discussions with Peter Dhillon (the "**Farm Manager**"), the Company has continued to operate the Cranberry Farm in the normal course.
12. As a result of the Company's NOI filing, several of the Company's suppliers have demanded to be paid in advance for their services or prior to the delivery of goods. However this has not affected the cash flow as the payment in advance of services or cash on delivery for goods were anticipated at the time of preparing the initial cash flow.
13. According to the Farm Manager, one of the Cranberry Farm's fields is expected to be harvested commencing the week of September 27, 2015 with the remaining fields expected to be harvested in mid-October.
14. The Farm Manager's production estimate remains unchanged since the filing of the First Report, with a minimum crop yield of 50,000 barrels expected, which exceeds the maximum crop yield achieved in the past three years.

PURCHASE AND SALE AGREEMENT

15. As noted in the First Report, the Company entered into a Purchase and Sale Agreement on July 15, 2015 (the “**Sale Transaction**”). The purchase price pursuant to the Sale Transaction is \$24,875,000. A deposit of \$500,000 which is to be credited toward the purchase price on closing of the Sale Transaction, was held in the trust account of the purchaser’s legal counsel.
16. As noted in the First Report, the Company was in negotiations with the purchaser for the release of the deposit funds held in trust by the purchaser’s legal counsel to provide liquidity for either servicing the Company’s debt or funding on-going operations.
17. Since the filing of the First Report, the negotiations were concluded on the basis of mutual directions being provided to the purchaser’s legal counsel to release the deposit funds as follows:
 - (a) \$228,000 to be paid to HSBC Bank Canada (“**HSBC**”) towards principal reduction of their operating loan;
 - (b) \$88,000 to be remitted to DB Barnston Investment LLP, relating to payment of interest estimated to accrue during the period to the closing of the Sale Transaction in respect of its secured loan; and
 - (c) \$174,000 to be remitted to Farm Credit Canada (“**Farm Credit**”) relating to interest estimated to be payable in November 2015 in respect of its secured loan.
18. The balance of \$10,000 was to be held by the purchaser’s legal counsel as a retainer for the services provided with respect to the release of the deposit funds.

19. The Proposal Trustee has confirmed with the purchaser's legal counsel that all of the payments noted above have now been paid to the intended recipients.
20. The Proposal Trustee has not been made aware of any circumstances that would affect the timing of the closing of the Sale Transaction.

STATUS OF SECURED CREDITORS

21. As noted in the First Report, the Company's principal secured creditors are Farm Credit, First West Credit Union ("**First West**"), HSBC and DB Barnston Investment LLP ("**Barnston**").
22. At the hearing for the First Extension Order, an agreement was reached between the Company and Farm Credit such that the stay of proceedings would not apply to the rights and remedies of Farm Credit and that Farm Credit was at liberty to commence and continue foreclosure proceedings provided that Farm Credit did not seek a redemption period of less than six months for its Order Nisi.
23. As a result, the Company should have the time necessary for it to conclude the Sale Transaction prior to the expiration of the redemption period with respect to Farm Credit's mortgage. At the date of this report, Farm Credit has not commenced foreclosure proceedings.
24. Subsequent to the date of the First Report, the Company entered into a forbearance agreement with HSBC (the "**HSBC Agreement**"). The principal terms of the HSBC Agreement are summarized as follows:

- (a) HSBC will forbear from taking any steps to enforce its security until the earlier of a default under the HSBC Agreement or the closing of the Sale Transaction as detailed in the First Report. However, HSBC is not required to forbear under any circumstance beyond February 29, 2016.
- (b) In exchange for HSBC's forbearance, the Company has agreed to pay HSBC the following:
 - (i) All amounts owing on account of interest accruing as it becomes due in accordance with the credit agreement as between the Company and HSBC;
 - (ii) Payment of the amount of \$228,000 by August 21, 2015;
 - (iii) Payment of the amount of \$100,000 by December 31, 2015;
 - (iv) Payment of the amount of \$72,000 by January 31, 2016; and
 - (v) Payment of the balance outstanding upon the closing of the Sale Transaction.
- (c) Provided that the Company remains compliant with the terms of the HSBC Agreement, the Company is permitted to utilize the proceeds from the collection of receivables from Ocean Spray Cranberries Inc. ("**Ocean Spray**"), after payment of the above amounts, for general corporate purposes.

25. D.R. Barnston Holdings Ltd. is the purchaser pursuant to the Sale Transaction, a company related to Barnston. Accordingly Barnston would appear to have no interest in pursuing any action that would jeopardize the closing of the Sale Transaction, especially in light of its agreement to allow Apollo to utilize the deposit as noted previously.

26. The Company has on-going discussions with its other secured creditor, First West, with the objective of reaching an agreement that would allow the Company to file a proposal to its creditors.

SUMMARY OF RECEIPTS AND DISBURSEMENTS

27. The following table summarizes the actual receipts and disbursements of the Company for the period from July 27, 2015 to September 18, 2015 (the “Reporting Period”).

	TOTAL
Opening Cash (Canadian Dollar)	3,940
Cash Receipts	
Collections on AR	487,960
Sale Transaction Deposit	490,000
Other	13,900
Total - Operating Receipts	991,860
Cash Disbursements	
Interest and Pricipal Payments to Secured Creditor	490,000
Operating Costs	91,374
Professional Fees	27,500
Management Fees	92,530
Total - Operating Disbursements	701,404
Net Change in Cash from Operations	290,456
Ending cash (Canadian Dollar)	294,396

28. During the Reporting Period the Company's receipts totaled approximately \$992,000.
29. As noted in the First Report, the Company received \$487,960 from Ocean Spray relating to receivables from prior year harvests. In addition, the purchaser pursuant to the Sale Transaction agreed to allow the Company to utilize \$490,000 of the deposit funds in advance of the closing of the Sale Transaction.
30. Disbursements during the Reporting Period totaled approximately \$701,000 consisting of:
- (a) Payments of \$490,000 from the release of the Sale Transaction deposit funds to secured creditors related to principal reductions and interest;
 - (b) \$91,000 of costs related to the Cranberry Farm operation;
 - (c) \$27,000 of professional fees, \$15,000 of which related to a fee retainer for the Proposal Trustee; and
 - (d) \$93,000 of management fees relating to the months of August and September 2015.
31. As a result, the Company held a cash balance of approximately \$294,000 as at September 18, 2015.

CASH FLOW FORECAST

32. The Company has prepared a revised cash flow forecast (the “**Cash Flow Forecast**”) for the period from September 19, 2015 to January 23, 2016 (attached as Appendix A) taking into account some permanent cost savings that were not anticipated in the cash flow forecast filed as Appendix B to the First Report.
33. The Cash Flow Forecast indicates that the Company should have sufficient resources to meet its obligations during the period covered by the Cash Flow Forecast.

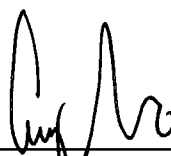
COMPANY REQUEST FOR AN EXTENSION

34. The Company is seeking an extension of the stay of proceedings to November 19, 2015. Absent an extension, the stay of proceedings would expire on October 5, 2015. The Company is seeking an extension for the following reasons:
 - (a) To provide the Company with the time required to finalize its negotiations with its secured lenders which would allow Apollo to close the Sale Transaction; and
 - (b) To formulate a proposal to its creditors in conjunction with the closing of the Sale Transaction.
35. The Proposal Trustee supports the Company’s request for an extension of its stay of proceedings based on the following:
 - (a) The Proposal Trustee has observed that the Company has acted in good faith and with due diligence;

- (b) The Sale Transaction if closed, would appear to provide sufficient proceeds to satisfy the claims of all creditors in full; and
- (c) The Company appears to have sufficient resources to allow it to keep its creditors current during the extension period and accordingly does not appear to be prejudicial to any of the creditors.

All of which is respectfully submitted this 23rd day of September, 2015.

FTI Consulting Canada Inc.,
in its capacity as Proposal Trustee under a NOI
filed by Apollo Group Management Ltd.



Name: Craig Munro
Title: Managing Director,
FTI Consulting Canada Inc.

APPENDIX A

	Month					TOTAL	Notes
	September 19 - 30	October	November	December	January 1 - 23		
Opening Cash (as of September 19, 2015)	294,396	179,396	197,721	5,146	233,571	294,396	1
Cash Receipts							
Collections on AR	-	200,000	-	516,000	-	716,000	2
Total - Operating Receipts	-	200,000	-	516,000	-	716,000	
Cash Disbursements							
Interest and Principal Payments to Secured Creditor	39,000	39,000	39,000	139,000	111,000	367,000	3
Operating Costs	46,000	72,675	83,575	83,575	46,425	332,250	4
Professional Fees	30,000	25,000	25,000	20,000	20,000	120,000	5
Management Fees	-	45,000	45,000	45,000	45,000	180,000	6
Total - Operating Disbursements	115,000	181,675	192,575	287,575	222,425	999,250	
Net Change in Cash from Operations	(115,000)	18,325	(192,575)	228,425	(222,425)	(283,250)	
Ending cash	179,396	197,721	5,146	233,571	11,146	11,146	

Notes:

Apollo Group Management Ltd. ("Apollo") has prepared this Projected Cash Flow Statement solely for the purposes of determining the liquidity requirements of Apollo for the period from September 19, 2015 to January 23, 2015.

The Projected Cash Flow Statement is based on the probable and hypothetical assumptions detailed in Notes 1 - 6.

Consequently, actual results will likely vary from performance projected and such variations may be material.

- 1 - Opening bank balance as at September 19, 2015.
- 2 - Ocean Spray International Inc. pays Apollo for its annual harvest on a bi-monthly basis over an agreed upon period (12 months for the 2015 harvest). This represents the amount expected to be collected from Ocean Spray relating to accounts receivable for the 2013, 2014, and estimated 2015 harvest. Payments are made in USD and are subject to currency fluctuation. The forecast is based on a USD/CAD exchange rate of 1.31.
- 3 - Apollo proposes to fund the post-filing interest expense of its secured creditors; Farm Credit Canada, DB Barnston Investment LP, First West Credit Union, and HSBC until the sale closes in February 2016. Apollo also proposes to make payments to HSBC on account of principal in the amounts of \$100,000 in December 2015 and \$72,000 in January 2016.
- 4 - Operating costs are based on Apollo's 2015 operating budget and assumed to be on a COD basis. The operating costs are based on historical costs which reflect the farm in full operation.
- 5 - Professional fees are based on estimates provided by the Proposal Trustee and the company's legal counsel.
- 6 - Management fees relate to management services provided to Apollo.