

COURT FILE NUMBER 1501-11817  
COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

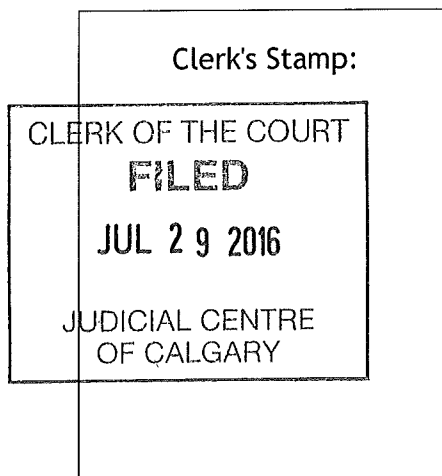
APPLICANT EASYLOAN CORPORATION AND MIKE TERRIGNO

RESPONDENTS BASE MORTGAGE & INVESTMENTS LTD. AND BASE FINANCE LTD.,  
ARNOLD BREITKRUETZ, SUSAN BREITKRUETZ, SUSAN WAY, AND GP  
ENERGY INC.

DOCUMENT SUPPLEMENTARY REPORT TO THE THIRD REPORT OF THE  
RECEIVER

DATED JULY 28, 2016

PREPARED BY BDO CANADA LIMITED



ADDRESS FOR SERVICE AND

Billington Barristers

CONTACT INFORMATION OF

1910, 717 - 7<sup>th</sup> Avenue SW

PARTY FILING THIS DOCUMENT

Calgary, Alberta T2P 0Z3

Lawyers: Richard Billington

Phone Number: (403) 930-4101

Fax Number: (403) 930-4110

Email Address:

rbillington@billingtonbarristers.com

## APPENDICES

A - Amended Amended Order dated November 6, 2015

B - February/March 2010 RBC Bank Statement Breitkreutz

C - Redemption Order dated July 25, 2016

D - Susan Way Form 79 (Statement of Affairs)

E - Receiver's Counsel Letter to Way's Licensed Insolvency Trustee - July 5, 2016

F - Way's Licensed Insolvency Trustee confirmation letter to Receiver - July 11, 2016

G - R. C. P. Smyth General Trust Ledgers

## INTRODUCTION AND BACKGROUND

### Introduction

1. This Supplementary Report is being submitted to the Court by BDO Canada Limited (“the Receiver”) in its capacity as Receiver of Base Mortgage & Investments Ltd., Base Finance Ltd. (“Base Mortgage” and “Base Finance”) (jointly the “Companies”). The purpose of this Supplementary Report to the Receiver’s Third Report (the “Supplementary Report”) is to update the Court on the Receiver’s review of certain bank accounts and trust ledgers of the individual named parties to the action obtained subsequent to the filing of the Third Report of the Receiver (the “Third Report”) was dated May 9, 2016.
2. The Receiver reviewed personal bank statements for four jointly held accounts with his spouse provided by Mr. Arnold Breitreutz; personal bank statements for one jointly held account provided by Ms. Susan Way; and a series of copied hand written general trust ledgers from Mr. R.C.P. Smyth.

### Disclaimer and Terms of Reference

3. In preparing this report, BDO has relied upon unaudited financial information, the Companies’ records and discussions with former management, interested parties, and the Companies’ stakeholders. The Receiver has not performed an independent accounting review or audit of the information provided in accordance with generally accepted accounting principles.
4. The findings contained herein are based primarily on review of various documents made available to the Receiver and discussions and communications with various parties. The Receiver may alter or refine its observations as further information is obtained or brought to its attention after the date of this report.
5. 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 this report. Any use which any party makes of this report, or any reliance on or decisions to be made based on it is the responsibility of such party.

### Properties of the Debtors

6. In the Third Report, the Receiver discusses a number of properties held in the name of the Companies or in the name of certain Respondents to this action. No new information on these properties has come to our attention, except where noted. We offer the following additional comments and findings in relation to these properties as follows:

#### 724 - 55 Avenue SW, Calgary, AB

7. Pursuant to the powers granted in paragraph (3)(l)(ii) of the Amended Amended Order granted November 6, 2015, attached as **Appendix “A”**, the Receiver intends to list the property for sale immediately pending court approval.

### 735 - 55 Avenue SW, Calgary, AB

8. Mr. Breitzkreutz advises that the property is one of two rental properties and is currently occupied by tenants. Mr. Breitzkreutz confirmed that no rental fees are being collected from the tenants and utilities are the tenant's responsibilities. The Receiver has requested the names and contact information of the tenants; at the time of writing, this has not been received.
9. Pursuant to the powers granted in paragraph (3)(l)(ii) of the Amended Amended Order granted November 6, 2015, attached as **Appendix "A"**, the Receiver intends to list the property for sale immediately pending court approval.

### 728-55 Avenue SW, Calgary, AB

10. Mr. Breitzkreutz advises that the property is one of two rental properties and is currently occupied by tenants. Mr. Breitzkreutz confirmed that no rental fees are being collected from the tenants and utilities are the tenant's responsibilities. The Receiver has requested the names and contact information of the tenants; at the time of writing, this has not been received.
11. Pursuant to the powers granted in paragraph (3)(l)(ii) of the Amended Amended Order granted November 6, 2015, attached as **Appendix "A"**, the Receiver intends to list the property for sale immediately pending court approval.

### 63 Suncastle Bay SE, Calgary, AB

12. Since the filing of the Third Report, the Receiver was able to obtain personal banking information from Mr. Breitzkreutz and his spouse. A review of the bank statements in the short period leading up to the purchase of this property, shows monies in the amount of \$1,399,250 withdrawn from the Base accounts and deposited into the personal account of Mr. Breitzkreutz and his spouse. This was done in four separate transactions dated Feb 24, 2015; February 25, 2010 and two on March 1, 2010. Attached as **Appendix "B"** is a copy of this bank statement. The purchase of the home was made on March 1, 2010 in the amount of \$1,370,000.
13. Pursuant to the powers granted in paragraph (3)(l)(ii) of the Amended Amended Order granted November 6, 2015, attached as **Appendix "A"**, the Receiver intends to list the property for sale immediately pending court approval.

### 242073 Range Road 255 Rural Wheatland County, AB

14. A redemption order was obtained on July 25, 2016 and is attached as **Appendix "C"**. Pursuant to the Redemption Order, the property will have a listing price of \$890,000 or higher. The amount due and owing to the plaintiff in the action is \$778,005.87. The Receiver anticipates all sales proceeds in excess of the balance owing to the secured lender net of associated costs, will flow to the Receivership.

### 27 Ceduna Park SW, Calgary, AB

15. On May 5, 2016, Ms. Susan Way, made an assignment into bankruptcy as evidenced by the Form 79 attached as **Appendix “D”**. The property of the bankrupt, including this property, vested with her Trustee in Bankruptcy. The home has been sold with a closing date of September 30, 2016. On July 5, 2016, through its legal counsel, the Receiver requested that all proceeds of sale, including the exempt portion, be held in trust by the trustee, not to be distributed without consent of the Receiver or by order of the Court. This letter is attached as **Appendix “E”**. Ms. Way’s Licensed Insolvency Trustee, acknowledged this request and advised that he will hold the proceeds of sale in trust. In regard to the personal exempt portion, he clarified that the trustee has no power to withhold these funds and therefore requests an order of the court to do so. This letter is attached as **Appendix “F”**.
16. The Receiver is seeking the Courts approval to have all proceeds of sale, including the personal exemption of \$40,000, of the 27 Ceduna Park SW property, once sold, and released to the Receiver for the benefit of the Companies’ creditors.

### 623 Lake Simcoe Close SE, Calgary, AB

17. The Receiver requested that Mr. R. C. P. Smyth (“Mr. Smyth”), legal counsel to the Respondents, provide his detailed general trust ledgers with supporting documentation for all non-privileged trust ledgers relating to the Respondents. The ledgers received to date are included as **Appendix “G”**.
18. The ledgers provided by Mr. Smyth, show \$153,000 was paid directly from the Companies for the purchase of 623 Lake Simcoe Close SE Calgary. The ledgers also indicate that the balance of the purchase price of \$400,000, was sourced from Mr. and Mrs. Breitzkreutz’ jointly held personal account. A day prior to the transaction, a deposit of \$400,000 was received by this joint account, but the source is unknown. The entirety of the purchase and subsequent proceeds were allocated to Mr. Breitzkreutz. On or around December 13, 2013, \$595,656.52 in proceeds for the sale of the home were deposited into the personal joint account. This is evidenced in both the ledger and confirmed against the personal bank account statement.
19. Given that the property was sold to a third party prior to the Receiver’s appointment, and the Companies no longer have an ownership interest, the Receiver released its interest in this asset and has removed the registration against the property.

### 912A - 69 Avenue SW, Calgary, AB

20. Pursuant to the powers granted in paragraph (3)(l)(ii) of the Amended Amended Order granted November 6, 2015, attached as **Appendix “A”**, the Receiver intends to list the property for sale immediately pending court approval.

### 1212 Lake Fraser Court SE, Calgary, AB

21. The purchase of the land in 2004 predates the available records that the Receiver had access to review, and the subsequent sale of the property in 2006 predates the available

personal banking records made available to the Receiver. As such, the Receiver cannot comment on the flow of funds related to this property purchase and sale.

22. Given that the property was sold to a third party prior to the Receiver's appointment, and the Companies no longer have an ownership interest, the Receiver released its interest in this asset and has removed the registration against the property.

#### 1721 - 22 Street SW, Calgary, AB (Whitehawk Ranch)/2004 - 45<sup>th</sup> Avenue SW Calgary

23. The address of this property was misidentified in the Third Report. The 1721 22<sup>nd</sup> Street address is in fact the address of the Whitehawk Ranch legal counsel found on the originating mortgage documents. The CLP registered by the Receiver was registered against the proper legal address, however, this address is 2004 - 45<sup>th</sup> Avenue SW, Calgary. The Land Title Search was attached as **Appendix "Z"** to the Third Report.
24. The Base Finance Ltd. mortgage was discharged from title of the property on October 3, 2008. The repayment of the mortgage to Base does not appear to have been made to the Companies. Based upon the review of the trust ledgers provided to the Receiver and the analysis of the personal bank statements of Mr. Breitkreutz, given that the proceeds from this mortgage do not appear to have been received by the Companies, it could be assumed to have been received by Mr. Breitkreutz or his related parties. The Receiver has not able to confirm this payment as the discharge of the mortgage occurred in a period prior to the first available personal bank statement provided to the Receiver.

#### NAMED PARTIES OF INTEREST

25. Stemming from receipt of additional information, the Receiver makes the following comments in respect to the named parties of interest as identified in the Third Report.

##### Arnold Breitkreutz

26. Mr. Breitkreutz provided the Receiver with support for four personal bank accounts held jointly with his spouse, Mrs. Susan Breitkreutz. This information came from Mr. Breitkreutz and not directly from the banks.
27. Statements and cancelled cheques for RBC account 5038245 located at 807 49<sup>th</sup> Avenue SW were provided for the period of January 31, 2009 through January 12, 2016. In addition to the RBC account, the Receiver reviewed statements, but no cancelled cheques, from TD accounts: 104 6393339; 294 0550163; and 294 0551153. Both the TD accounts 104 6393339 and 294 0550163 kept nominal balances, the other TD account, 104 6393339, had a more substantial balance, \$72,417.86 as at January 31, 2009 up to \$115,884 in September 2015, with modest activity until it was effectively liquidated in October 2015, post receivership. Generally, the RBC account was the more active account and appears to have been used primarily by Mr. Breitkreutz.

28. A review of the bank statements as compared to the Base records, suggest that many of the payments or drafts paid from the Companies to Mr. Breitkreutz were received into this RBC personal account. There were also deposits received into Base from the RBC account. However, many of the deposits into Base were immediately directed back to this personal RBC account within days, and the purpose of running the monies through the Base account is unknown. For the most part, however, the regular deposits into this RBC account do not reconcile to the Base statements, and as such the source of incoming funds is unknown and concerning.
29. The purchase of the 63 Suncastle Bay SE, Calgary property is traceable directly from the Base account into the RBC bank account.
30. For the most part, over the period provided, there are many untraceable deposits made in round numbers that are not traceable to their source. These deposits ranged from the tens of thousands to the hundreds of thousands. Given the quantum of the deposits and the inability to trace them to the Base accounts, it is not known if some investor funds were being directed to the personal account rather than through Base, or if there were other unrelated investments or income sources that Mr. Breitkreutz was managing personally.
31. The bulk of withdrawals out of the RBC personal account relate to regular living expenses such as utilities, what appears to be an allowance or regular cash advances made available for Mrs. Breitkreutz, and regular cash withdrawals for Mr. Breitkreutz. We also note, that regular withdrawals were made from a specific Calgary casino as evidenced on the bank statements; these transactions increased substantially in 2014 through 2015.
32. Post receivership, as determined through a review of the general ledger provided by Mr. Smyth, Mr. Breitkreutz was able to access \$192,000. These monies were provided to Mr. Smyth by way of cheque for endorsement and by bank draft. When questioned by the Receiver about these transactions, Mr. Breitkreutz advised, through his counsel, that \$62,000 of this was accessed through an RBC line of credit that had not been compromised by the receivership order, and another \$110,000 was accessed from the TD personal account 0550163. The balance of \$30,000 was not addressed by counsel. These existing accounts were not previously disclosed to the Receiver.

#### Susan Way

33. Ms. Way provided the Receiver with personal bank statements and cancelled cheques for the period of January 23, 2009 through January 25, 2016. The account provided is jointly held with a Ms. Lynda Tovee, whose relationship to Ms. Way is unknown to the Receiver. Ms. Way advised this is her only bank account.
34. Included in the Receiver's seizure of books and records upon appointment, were personal tax returns filed with CRA by Ms. Way. The Receiver was able to review the T1 tax returns for 2011 through 2014. According to these returns, Ms. Way earned an income of \$42,000 per year from Base, which would equate to a gross income of \$3,000 per month. The income was reported as a T4A Commission slip, rather than a regular T4 for employment income. The receiver understands this to have been Ms. Way's sole income source.

35. In reviewing the bank statements, beginning on January 25, 2009, the Receiver notes that the average deposits were far in excess of \$3,000, as summarized below. Note that only 11 months of statements were available for 2009, therefore this year is averaged over 11 months rather than 12.

	2009	2010*	2011	2012	2013	2014	2015
Deposits	\$ 99,952.64	\$ 607,934.28	\$ 148,436.59	\$ 123,599.49	\$ 185,461.02	\$ 269,187.05	\$ 231,237.56
Per Month Avg Year	\$ 9,086.60	\$ 50,661.19	\$ 12,369.72	\$ 10,299.96	\$ 15,455.09	\$ 22,432.25	\$ 19,269.80

\* in June 2010 the Receiver is aware that Ms. Way accessed a loan believed to be related to the purchase of her home, the balance which was paid for using Base funds. This had a result of skewing monthly deposit results as compared to other years.

36. An analysis of the statements reveals that deposits increased substantially beginning in 2013 with some monthly deposits as high as \$40,000. In reviewing the withdrawals from her account, which effectively equaled deposits into her account each month, it appears that Ms. Way withdrew significant amounts of money at a particular Calgary casino. As much as \$10,000 per month was being withdrawn from this casino as evidenced from the bank statements. She also appears to have been supporting, in part, some family members. The Receiver also notes that the deposits into Ms. Way's accounts ceased, with the exception of the Smyth directed funds noted in his last ledger, after the Base account was frozen.

#### Brian Fox

37. Mr. Fox declined the Receiver's request to provide his personal banking information.

#### Robert C. P. Smyth

38. Mr. Smyth, counsel to both Mr. Breitreutz and the Companies, provided a series of general ledgers to the Receiver, these ledgers are summarized at Appendix "G" with copies of the ledgers. There was no source documentation received to accompany the ledgers. We note in the summary, that the majority of the ledgers refer to Mr. Breitreutz or his spouse, personally, rather than Base.
39. The ledger support provided by Mr. Smyth supports a number of the known transactions through Base, though does not provide for the eventual discharge of the alleged mortgages, which presumably was done through the sale of the properties as current land titles do not have the Companies, or related parties, registered on title any longer. Examples of such properties would be the previously discussed, Whitehawk Ranch (\$550,000), James F. MacLeod (\$490,000), and the Walker (\$767,000) property. Given the known discharge of the lien at least in relation to the Whitehawk ranch, the Receiver presumes that there would be an offsetting ledger account showing the sale of the property and redemption of the mortgages unless the sales transaction was completed by another lawyer.
40. A January 12, 2009 transaction found in the Smyth ledger records \$443,300 of funds used to purchase 735 55<sup>th</sup> Avenue SW. The Companies books describe the \$443,300 as a withdrawal from the Companies for the purchase of 735 55<sup>th</sup> Avenue SW Calgary.



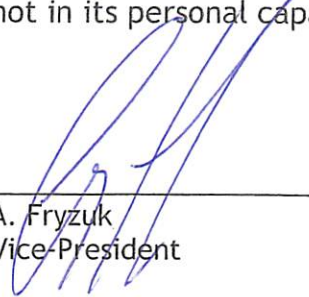
Notwithstanding that the funds were sourced from Base, the Smyth ledger references Mr. and Mrs. Breitzkreutz as the purchasers. The land title reflects the owner of this property to be 334103 Alberta Ltd., now named GP Energy Inc., a company solely owned by Mr. Breitzkreutz.

41. An April 26, 2012 transaction found in the records of Base attributes \$135,400 in funds to Mr. Smyth, in Trust, for the purchase of 728 55<sup>th</sup> Avenue. The funds were sourced from Base, but the Smyth ledger references Mr. and Mrs. Breitzkreutz as purchasers. The land title reflects Mr. and Mrs. Breitzkreutz as the owners of the property.
42. Between the period of 2010 and late 2015 there do not appear to be any transactions, according to the general trust ledger provided by Smyth. This is consistent with the Base banking records.

## Conclusion

43. The Receiver continues to gather information to ascertain where the contributions from the investors of the Companies have gone, and to trace assets that were purchased directly or indirectly from those funds. The Receiver continues to find additional leads and is not confident that full disclosure has been made in relation to their requests for information from the Respondents.

BDO CANADA LIMITED, solely in its capacity as Court Appointed Receiver (as defined in the Order), and not in its personal capacity

Per:   
Name: Craig A. Fryzuk  
Title: Senior Vice-President