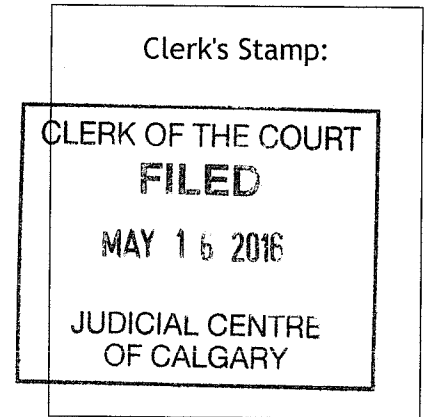


COURT FILE NUMBER 1501-11817  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY  
APPLICANT EASYLOAN CORPORATION AND MIKE TERRIGNO  
RESPONDENTS BASE MORTGAGE & INVESTMENTS LTD. AND BASE FINANCE LTD.,  
ARNOLD BREITKRUETZ, SUSAN BREITKRUETZ, SUSAN WAY, AND GP  
ENERGY INC.  
DOCUMENT THIRD REPORT OF THE RECEIVER  
DATED MAY 9, 2016  
PREPARED BY BDO CANADA LTD.



ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT

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## APPENDICES

- A - Receivership Order; Amended Amended
- B - Oral Questioning of Breitzkreutz April 19, 2016
- C - ASC Affidavit; Vi Pickering
- D - BMO Letter Dated May 14, 2014
- E - Civil Notice of Appeal; February 8, 2016 - Yamauchi Application
- F - RBC Dominion Securities Letter; Valuation of Powder River Shares
- G - The Receiver's Initial Interim Report to the Court Regarding the Receivership Estate of Powder River Petroleum International, Inc.
- H - Land Title; 724 - 55 Avenue SW
- I - Land Title; 735 - 55 Avenue SW
- J - Land Title; 728 - 55 Avenue SW
- K - Bank Draft to purchase 728 - 55 Avenue SW
- L - Land Title; 63 Suncastle Bay SE
- M - Land Title; 242073 Range Road 255 Rural Wheatland County
- N - Order for Foreclosure; 242073 Range Road 255 Rural Wheatland County
- O - Bank Draft to purchase 27 Ceduna Park SW
- P - Detailed Trust Ledger to purchase 27 Ceduna Park SW
- Q - Historical Land Title; 27 Ceduna Park SW
- R - Land Title; 27 Ceduna Park SW
- S - Notes on purchase of 623 Lake Simcoe Close SE
- T - Detailed Trust Ledger to purchase 623 Lake Simcoe Close SE
- U - Land Title; 623 Lake Simcoe Close SE
- V - Land Title; 912 A - 69 Avenue SW
- W - Land Title; 722 - 56 Avenue SW
- X - Land Title; 726 - 56 Avenue SW
- Y - Land Title; 1212 Lake Fraser Court SE
- Z - Land Title; 1721 - 22 Street SW
- AA - Base Mortgage Whitehawk Ranch Corp.
- BB - Grinman Affidavit

CC - Land Title; 13851 Broadwater Road, Lake Country, B.C.

DD - GP Energy Corporate Search Records

EE - LDI Corporate Search Records

FF - Retirement Mortgage Corporate Search Records

## INTRODUCTION AND BACKGROUND

### Introduction

1. On October 15th, 2015, pursuant to an Ex-Parte Order ( the “Order”) filed with the Court of Queen’s Bench of Alberta (the “Court”) Justice K. Yamauchi, pursuant to section 13(2) of the Judicature Act, R.S.A. 2000, c.J-2 and section 99(a) of The Business Corporations Act, R.S.A. 2000, c.B-9, appointed BDO Canada Limited (hereinafter referred to as “BDO” or the “Receiver”) as Receiver of all current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situated, including (without limitation) (the “Property”) of Base Mortgage & Investments Ltd. and Base Finance Ltd. (“Base Mortgage” and “Base Finance” respectively, or jointly the “Debtors” or the “Companies”). A copy of the Receivership Order can be accessed on BDO’s website at [www.extranets.bdo.ca/base/](http://www.extranets.bdo.ca/base/).
2. As part of the Order, Mr. Arnold Breitzkreutz, his spouse Ms. Susan Breitzkreutz, the debtors’ sole employee, Ms. Susan Way, Brian Fox, and 334103 Alberta Ltd. (now GP Energy Inc.) were also listed as Respondents, subject to certain terms of the Order.
3. The application was brought by the applicants, Easyloan Corporation and Mr. Mike Terrigno. Mr. Terrigno filed affidavits dated October 7, 2015, October 13, 2015, and October 15, 2015 (the “Terrigno Affidavits”), to support the

originating application. A Mr. Robert Comtois also filed an affidavit in support of the application dated October 13, 2015.

4. The Receiver obtained an Amended Amended Order as of November 6, 2015 extending the powers of the Receiver to include Mr. Arnold Breitzkreutz, Mrs. Susan Breitzkreutz, Ms. Susan Way, Mr. Brian Fox, and all corporations controlled by any of them. A copy of the Amended Amended Order is attached as **Appendix "A"** and can be accessed on BDO's website at [www.extranets.bdo.ca/base/](http://www.extranets.bdo.ca/base/).
5. The Receiver has retained Billington Barristers as its independent legal counsel.

#### Notice to Reader

6. 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 review or audit of the information provided.
7. 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.
8. 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.

#### Purpose of the Report

9. The purpose of this report is to:
  - a) Report on the activities of the Receiver not previously reported on in prior receiver reports;
  - b) Outline the relief sought by the Receiver.
10. This report constitutes the third report to the Court of the Receiver (the “Third Report”). The Third Report is being filed in support of the Receiver’s application to this Honourable Court on **May 20, 2016** seeking the following:
  - a) Approval of the reported actions of the Receiver to date in respect of administering these receivership proceedings;
  - b) Request financial institutions to provide historical to current banking information for all Respondents including Mr. Brian Fox and additionally, Mr. Lyle Hogaboam;
  - c) Obtain detailed Trust ledgers with support for all legal trust accounts related to the Respondents held by Mr. Robert Smyth of Robert C.P. Smyth Law Office in Calgary; and
  - d) Approval to list the following properties for sale immediately:
    - i. 724 - 55 Avenue SW, Calgary, AB
    - ii. 735 - 55 Avenue SW, Calgary, AB

- iii. 728 - 55 Avenue SW, Calgary, AB
- iv. 63 Suncastle Bay SE, Calgary AB
- v. 27 Ceduna Park SW, Calgary, AB

## Background

11. Base Mortgage was formed in 1978 and registered to carry on business in the Province of Alberta. Mr. Arnold Breitzkreutz is the sole director and shareholder. The stated original intent of the business was to act as a mortgage broker. Mr. Breitzkreutz advises that over the last twenty (20) years (approximately), it has operated as the administrator for Base Finance with only operating costs flowing through this company.
12. Base Finance was incorporated in 1984 and registered to carry on business in the Province of Alberta. Mr. Arnold Breitzkreutz is the sole director and shareholder. The stated intent of the business was to act as the investment company where the investor funds were deposited and distributed. Base Finance regularly paid an administrative fee to Base Mortgage in addition to rent. Both companies operated concurrently out of 724 - 55<sup>th</sup> Avenue SW, Calgary.
13. According to the Receiver's review of investors' filed affidavits; Alberta Securities Commission (the "ASC") filed affidavits; and discussions with several of the Debtors' investors, the investors of the Base Finance believed that they were investing in first charge security against Alberta based mortgages. This was confirmed by Mr. Breitzkreutz during the Oral Questioning

of Mr. Breitzkreutz held on April 19, 2016, attached as **Appendix “B”**, on page 12, lines 26-27 of the questioning, wherein he confirms that investors were told that they had an interest in the first mortgage that base held.

14. The investments by investors were supported by a one page document effectively identical for all investors, with the only difference being the date, interest percentage, time period terms, and amount. Each investment was tracked by a number, name and principal amount. It does not appear that details related to the type of mortgage was provided to the investors.
15. Pursuant to the September 28, 2015 filed affidavit of Vi Pickering (“the Pickering Affidavit”) of the ASC, attached as **Appendix “C”**, in May 2012 Mr. Breitzkreutz advised the ASC that since 2009, very little brokering had been done as he had a view to retirement.
16. Per the Pickering Affidavit, on or around September 28, 2015, the ASC was advised by the Royal Bank of Canada (“RBC”) that they had concerns about the validity of the Debtor businesses as a result of a large Not Sufficient Funds (“NSF”) cheque issued to Base Finance.
17. The Pickering Affidavit stated that prior to the RBC contacting the ASC, Mr. Breitzkreutz had communicated to RBC that Base Finance operated as a mortgage broker; and had approximately 100 mortgages that were secured on title and that all mortgage funds were obtained from investors.
18. In conducting their own review, RBC was of the position that none of the transactions made out of the Base Finance account appeared to be for the purpose of lending for mortgages. The RBC investigator determined that the



only RBC account that held funds was that of Base Finance and that many deposits were made to individual investors with memo notations of principal and interest.

19. As noted in the Pickering Affidavit an ASC investigation revealed that Base Finance and Mr. Breitzkreutz were previously investigated by the ASC in 1992.
20. According to the RBC, and verified by the ASC, there is only one active bank account with RBC, the Base Finance account number 100-405-0. This account appears to use pooled funds and distributes interest based upon specified terms to investors. There is no indication that any mortgage loans were ever made out of Base Finance.
21. Ms. Susan Way was a signing authority on the bank account. Ms. Way was also the signatory on the majority of the mortgage investor certificates. Ms. Way has been an employee of the Companies since inception.
22. Approximately 240 investors invested approximately \$122 Million in Base Finance, based upon the information provided by Mr. Breitzkreutz and Ms. Way and confirmed through an initial review of the books and records of the Debtors. All records were kept by hand and not electronically.
23. Based upon the initial review of the books and records and pursuant to the many conversations with Ms. Way and Mr. Breitzkreutz, the Receiver has not discovered any underlying Alberta based mortgages that the Debtors' have invested in for the benefit of their investors.
24. Mr. Breitzkreutz maintains that Base Finance has a first charge mortgage security in the form of a Deed of Trust on approximately six (6) leasehold

interests in the Goliad County region in the State of Texas. These leases are held by Saddle Lake LLC, a company whose sole director and shareholder appears to be Mr. Brian Fox. At the date of incorporation, Mr. John Manolescu was the director of Saddle Lake LLC. Mr. Manolescu advised the Receiver that he resigned as director of Saddle Lake LLC.

25. Mr. Breitkreutz advises that Base Finance has been investing in Mr. Fox and his related companies, including, most recently, Saddle Lake LLC since before 2000. Mr. Breitkreutz indicated to the Receiver that, “he does not know how much has been invested in Mr. Fox and his related companies, but it is in the range of \$30 Million to upwards of \$80 Million”. Mr. Fox opposes this position.
26. Mr. Breitkreutz has told the Receiver that the bulk of the investor funds from Base Finance, in the approximate amount of \$80 Million, was lost when Powder River Petroleum International, Inc., (“Powder River”) a public company which Mr. Fox was the sole director, president, CFO, and CEO filed for bankruptcy protection under Chapter 7 of the US Bankruptcy Code.
27. Pursuant to the Oral Questioning of Mr. Breitkreutz on April 19, 2016, on page 4, line 5 of the questioning, Mr. Breitkreutz advises that the monies lent to Mr. Fox over a span of 35 years, were approximately \$120 Million. This includes those monies invested in Powder River.
28. Mr. Breitkreutz stated that no significant income was earned by the Debtors after the liquidation of Powder River.
29. According to Mr. Breitkreutz, in an effort to recover from the approximately \$80 Million in losses, Mr. Breitkreutz continued to solicit investments from his

Base Finance investor group in order to maintain the interest payments and principal redemption requirements of his investor group.

30. Confirmed by Mr. Breitzkreutz in the Oral Questioning, at page 19 line 14, he never advised the investors of Base that the investment in Powder River, to the approximate extent of \$80 Million had been lost.
31. Mr. Breitzkreutz also advised that he continued to forward investor funds to Mr. Fox and his related companies in an effort to recover the leases lost in the Powder River liquidation, as evidenced by the purchase of the Saddle Lake leases and the Deed of Trust.
32. Mr. Breitzkreutz advised that investor funds in the approximate amount of \$200,000 were used to pay for legal fees related to SEC allegations against Mr. Fox relating to the Powder River actions. Mr. Fox did not quantify the amounts paid to his legal counsel, but did agree that Base Finance helped fund his legal costs. At page 25 line 20, as well as page 27 line 23, of the Oral Questioning, Mr. Breitzkreutz confirms that he never disclosed to the investors that their monies were being used to fund Mr. Fox' litigation in relation to SEC sanctions.

#### Actions Taken by the Receiver

33. The primary activities undertaken by the Receiver since its appointment and subsequent to the Receiver's Second Report issued January 15, 2016, are as follows:

- a) Responded to numerous inquiries from creditors, their financial advisors and legal counsel seeking information, input, and guidance on the status of proceedings;
- b) Extensive review of banking records of the Company in order to ascertain how funds flowed through the Company;
- c) Requested additional banking information for unidentifiable transactions and missing bank statements;
- d) Requested the personal banking records of the Respondents and Mr. Brian Fox;
- e) Completed Corporate searches on a myriad of corporations that presented as potential related parties to Base Finance and Base Mortgage transactions;
- f) Completed Historical Land Title searches on properties of interest;
- g) Completed Personal Property Searches on the various vehicles that have been identified;
- h) Attended meetings with the RCMP;
- i) Attended a meeting and participated in various conversations with ASC;
- j) Facilitated access to the books and records of the Companies for third party reviews;
- k) Reviewed current insurance policies and adjusted coverage accordingly for the purposes of the receivership;

- l) Discussed and corresponded with Companies' legal counsel, Receiver's legal counsel, and various creditor's legal counsel;
- m) Attended court for the January 21 application in relation to various trust claims over the frozen RBC funds; and
- n) Attended the Oral Questioning of Mr. Breitzkreutz.

## ASSETS

### Cumulative Summary of Cash Transactions

34. The Receiver has completed an extensive review of the financial records of the Companies available at the time of this report. Financial records missing for specific periods in each account are subsequently outlined in their respective sections. The accounting of funds through Base Finance and Base Mortgage, collectively, and the use of those funds are summarized as follows:

Cash Receipts (Disbursements)	Cumulative \$
Deposits from Investors	137,211,801.31
Interest and Principal Repayments to Investors	(125,422,752.50)
Miscellaneous Transactions	(1,344,175.63)
Unidentified Deposits (Withdrawals)	(1,207,742.52)
Cash Withdrawals	(1,720,845.09)
Intercompany Transactions	(535,591.54)
RBC Dominion Securities Transactions	(132,524.15)
Saddle Lake LLC	(1,900.00)
Renco Energy Inc.	56,500.00
Powder River Basin Gas Corp.	1,738,451.84
Real Estate Property - 735 - 55 Avenue SW	(443,300.00)
Real Estate Property - 728 - 55 Avenue SW	(135,400.00)
Real Estate Property - 27 Cednua Park SW	(125,000.00)
Real Estate Property - 623 Lake Simcoe Close SE	(216,839.00)
Mortgage - 1721 - 22 Street SW	(517,000.00)
Vehicles	(155,254.44)
Arnold Bretkreutz	(1,152,268.75)
Susan Breitreutz	(203,400.00)
Susan Way	(717,626.88)
GP Energy Inc. (formerly 334103 AB Ltd.)	(61,940.00)
Brian Fox	(458,797.13)
John Manolescu	(14,900.00)
Lyle Hogaboam	(483,590.00)
LDI Realty Western Ltd.	(1,297,178.00)
Robert Smyth	(1,226,780.96)
Edward Bresky	(7,000.00)
Lelslie Shelton	(10,000.00)
Pam Moon	(37,366.16)
Zario Resources	(800.00)
Quinn Breitreutz	(18,434.94)

Cash on Hand - Base Finance

35. The Receiver completed a detailed review of the known bank accounts that have been identified to date in the name of Base Finance. The ending balance at the date of the receivership for these bank accounts are as follows:

Royal Bank or Canada ("RBC")	Acct 101-405-0	\$ 1,084,604.03
Bank of Montreal ("BMO")	Acct 0526 1028-098	NIL
Bank of Montreal ("BMO")	Acct 0526 4601-089	NIL

BMO - Acct 0526 1028-098 - Canadian Operating Account

- a) As a result of the seizure of the books and records of Base Finance, the Receiver obtained bank statements for the period August 1, 2006 to June 30, 2014.
- b) On May 14, 2014, BMO issued a letter, attached as **Appendix "D"**, requesting Base Finance make alternate banking arrangements due to a lack of comfort with the transactions through the accounts or the nature of the business operations. The account balance of \$619.14 was cleared and the account was closed as of June 17, 2014.
- c) The Receiver has summarized the transactions from August 1, 2006 to June 17, 2014 and has requested additional information from BMO regarding the transactions that could not be clearly identified.

Transfers to BMO Acct 0526 1028-098	291,963.45
Cheques Processed by Branch	(886,961.65)
Wire payments	(54,990.75)
Money Order payments	(47,000.00)
Bank drafts issued	(1,683,292.56)
Debit Memo	<u>(870,324.91)</u>
Total Unidentified Transactions	<u><u>(3,250,606.42)</u></u>

- i. Transfers totaling \$291,963.45 have not been traced to any of the known bank accounts of the Companies.
  - ii. Disbursements totaling \$886,961.65 were listed on the bank statements as “Cheque Processed by Branch” without a reference to a cheque number or payee.
  - iii. Wire payments totaling \$54,990.75 had no documentation attached to support the nature of the payment.
  - iv. Money order payments totaling \$47,000 and bank drafts totaling \$1,683,292.56 had no supporting documentation to determine the nature of the transaction.
  - v. Lastly the bank statements recorded transactions described as “Debit Memo” with no additional information totaling \$870,324.91.
- a) \$1,478,519.14 of cash was withdrawn from the bank account. The Receiver is unable to verify how these funds were used once withdrawn from the bank account.
  - b) This account was used as Base Finances main operating account. The main source of deposits were funds advanced from investors.



The Receiver has been unable to identify any sources of income which were generated from investments made.

- c) The Receiver has reconciled the transfers to and from BMO Acct 0526 4601-089, the USD operating account. No discrepancies were found.
- d) It is the Receiver's position that, until evidence is provided to the contrary, these unidentified funds have been removed from the Companies by the Principals for their personal benefit.

BMO - Acct 0526 4601-089 - USD Operating Account

- a) As a result of the seizure of the books and records of Base Finance, the Receiver obtained bank statements for the periods August 1, 2004 to October 2007, January 2008, June 2008 and August 2008 to July 2011.
- b) The Receiver has requested copies of the missing statements for the periods November 2007 to December 2007, February 2008 to May 2008, June 2008 and August 2011 to June 2014 from BMO.
- c) The Receiver has summarized the transactions from August 1, 2004 to June 17, 2014. Very few transactions occurred through this account with the majority of the funds being transferred from this account into BMO Acct 0526 1028-098, the Canadian operating account.
- d) Additional information has been requested from BMO regarding the transactions that could not be clearly identified due to a lack of

supporting documentation. These transactions total \$541,070.52 and consist mainly of bank drafts and wire payments. Until proven to the contrary, it is the Receiver's position that these funds were removed from Base Finance by the principals of the company for their personal gain.

- e) Similarly, Cash withdrawals in the amount of \$8,306.69 were taken from the account. The Receiver is unable to verify how these funds were used once withdrawn from the bank account.

RBC - Acct 101-405-0

- a) This account was opened on May 16, 2014 as a result of BMO terminating its relationship with the Companies.
- b) Transactions ceased in the account as of September 24, 2015 due to the account being frozen by the ASC.
- c) The Receiver has summarized the transactions from May 16, 2014 to September 24, 2015 and has requested additional information from RBC regarding the transactions that could not be clearly identified.

Deposits	\$ 1,375,000.00
Branch to Branch transfers	\$ 700,000.00
Transfers into RBC Acct 101-405-0	<u>\$ 508,934.42</u>
Total Unidentified Transactions	<u><u>\$ 2,583,934.42</u></u>

- i. Deposits totalling \$1,375,000.00 had no corresponding deposit slip information to verify the source of the funds being deposited.

- ii. Branch to branch transactions totaling \$700,000.00 had no documentation attached to verify the source of the funds being received or support the nature of the transaction.
- iii. Transfers into the account totalling \$508,934.42 have not been traced to any of the known bank accounts of the Companies.
- d) Cash withdrawals in the amount of \$201,065.96 were taken from the account. The Receiver is unable to verify how these funds were used once withdrawn from the bank account and assumed to be taken by the Companies' principals.
- e) As discussed in the Second Report of the Receiver, one hundred four (104) cheques appear to have been issued but have not cleared the account. The majority, if not all, of these outstanding cheques have been dishonored due to the account being frozen by the ASC.
- f) On January 21, 2016, an application was heard by the Honourable Justice K.D. Yamauchi to determine how the funds frozen by the ASC should be distributed. The Reason for Judgement dated February 8, 2016, attached as **Appendix "E"**, supports that the funds frozen are impressed with a constructive trust and will be distributed in accordance with the lowest intermediate balance rule ("LIBR"). The Receiver will only obtain funds for the benefit of all creditors in the event that there are funds remaining in the bank account after the LIBR calculation is completed.

- g) This judgement was appealed by one of the investors and filed with the Court of Appeal on February 9, 2016.
- h) Notwithstanding the appeal, the awarded trust recipients have prepared a Finalized Form of Order for Approval as well as the corresponding LIBR calculations.

Cash on Hand - Base Mortgage

36. The Receiver completed a detailed review of the bank accounts that have been identified to date in the name of Base Mortgage. The ending balance at the date of the receivership for these bank accounts are as follows:

RBC	Acct 101-288-9	NIL
RBC	Acct 101-289-7	NIL

RBC - Acct 101-288-9

- a) The Receiver obtained bank statements for the periods August 1, 2004 to July 31, 2006 and August 1, 2007 to October 31, 2015.
- b) The Receiver has requested copies of the missing statements for the period August 1, 2006 to July 31, 2007 from RBC.
- c) The Receiver has summarized the transactions of all statements in its possession to date. This account was the only known operating account of Base Mortgage.
- d) The majority of the deposits into the Base Mortgage account were administration fees paid out of Base Finance. Upon reconciling these intercompany transactions, the Receiver notes a discrepancy of \$535,591.54. The cause of the discrepancy is likely due to the

different time periods covered by the Receiver's review of the various bank statements and the foreign exchange on transfers between the Companies' Canadian bank accounts and foreign bank accounts. The Receiver will continue to investigate this discrepancy.

- e) Cash withdrawals in the amount of \$32,953.30 were taken from the account between August 1, 2004 to September 30, 2015. The Receiver is unable to verify how these funds were used once withdrawn from the bank account.
- f) In accordance with the Receiver's request, RBC closed the account as of November 19, 2015 and advanced the remaining funds in the amount of \$4,804.63 to the Receiver.

RBC - Acct 101-289-7

- a) The Receiver is in possession of bank statements for the periods August 1, 2004 to July 31, 2006 and August 1, 2007 to February 28, 2015.
- b) Based on the review of transactions, this account appears to have been a holding account with a constant \$0.00 balance. All deposits into the account were made by investors and subsequently transferred to Base Finance. The majority of the monthly bank statements had no activity.
- c) Due to the nature of this account, the Receiver has requested that RBC simply confirm that the account was inactive for the period of

missing statements, August 1, 2006 to July 31, 2007. In the event there are transactions within this time period, the statements are to be provided to the Receiver for review.

#### RBC Dominion Securities

37. Advances in the amount of \$132,524.15 were made to RBC Dominion Securities out of BMO Account 0526 4601-089. On October 29, 2015 the Receiver requested that all accounts held with RBC Dominion Securities be frozen and all remaining funds forwarded to the Receiver.
38. All investments were held in Powder River Petroleum International Inc. ("Powder River") As a result of the receivership of Powder River, all shares were deemed to be valueless. RBC Dominion Securities confirmed the value of these shares in a letter dated December 4, 2015, attached as **Appendix "F"**.

#### Edward Jones

39. The books and records of the Companies indicated accounts being held with Edward Jones. The Receiver requested an immediate freeze on the accounts and have all funds forwarded to the Receiver. Edward Jones provided written confirmation that they had no involvement with the Companies since 2009 and no funds are available for the Receiver.
40. The Receiver has also sent requests to RBC Dominion Securities and Edward Jones to provide information regarding any accounts held by Mr. Arnold Breitkreutz, Mrs. Susan Breitkreutz, Ms. Susan Way, and Mr. Brian Fox pursuant

to the Amended Amended Order pronounced on November 6, 2015. No information on accounts held by these individuals has been forthcoming.

#### Accounts Receivable

41. As stated in the First Report, Mr. Arnold Breitzkreutz and Mr. Brian Fox agree that Base Finance paid approximately US\$300,000.00 on behalf of Saddle Lake LLC to various lawyers, land owners, and operations staff for the purchase of the leases and start-up of oil well production.
42. Upon review of the transactions of all known bank accounts, the Receiver has accounted for disbursements totaling \$1,900.00 directly paid to Saddle Lake LLC.
43. Disbursements of \$18,000.00 with reference to Saddle Lake LLC were not paid directly to the company. Cheques were made payable to Mr. Arnold Breitzkreutz, Mr. Brian Fox and Mr. John Manolescu.
44. Additional transactions may be found upon receipt of the additional banking information that has been requested for the transactions that the Receiver has been unable to identify.
45. The Receiver continues its efforts in reconciling the discrepancy of approximately \$280,100.00 and quantifying the total amount of the outstanding receivable relating to funds disbursed on behalf of Saddle Lake LLC by the Companies.

Saddle Lake and Brian Fox Related Companies

46. The Receiver has traced funds directly being received from and paid to the following companies related to Mr. Brian Fox:
- a) Renco Energy Inc.
    - i. Renco Energy Inc. paid \$63,600.00 to Base Finance between July 29, 2009 and June 5 2013. The nature of the payment is not known.
    - ii. \$7,100.00 was paid to Renco Energy Inc. from the Companies on September 10, 2009. The nature of the payment is unknown.
  - b) Powder River Basin Gas Corp.
    - i. Powder River Basin Gas Corp. advanced \$1,738,451.84 during the periods of August 13, 2004 to August 31, 2007 to Base Finance. The nature of these deposits are unknown.
    - ii. Notwithstanding Mr. Breitkreutz' claim that \$80 Million was invested in Powder River, there is no evidence that the Receiver found to substantiate this claim. The Receiver's Initial Interim Report to the Court Regarding the Receivership Estate of Powder River Petroleum International, Inc., attached as **Appendix "G"**, refers only to \$40 Million owed to various Asian investors, there is no mention of Base Finance or Base Mortgage.
47. Additional transactions may be found upon receipt of the additional banking information that has been requested for the transactions that the Receiver has been unable to identify.



48. The Receiver has been working in conjunction with a creditor group that has experience and expertise working in the oil and gas industry to determine the value and validity of the identified leases in the United States through Saddle Lake LLC.
49. Due to the lack of resources available to the Receiver, we have not been able to obtain the legal advice that is required to determine the authenticity and validity of Deeds of Trust that Base Finance holds.

724 - 55 Avenue SW, Calgary, AB

50. The land title search, attached as **Appendix "H"**, lists Mr. Arnold Breitzkreutz as the owner of the property. Within the powers of the Amended Amended Order, the Receiver has registered the receivership and a Certificate of Lis Pendens ("CLP") on title of the property.
51. Funds of Base Mortgage were used monthly to pay rent and maintain this property up to the date of the receivership. Rental fees were made payable to Mrs. Susan Breitzkreutz increasing from \$1,500 to \$1,800 per month in March 2011. Other disbursements made to maintain the property included insurance fees, utilities, and repairs and maintenance expenses.
52. Mr. Arnold Breitzkreutz continues to live at the premises in the basement of the home and is responsible for all utilities. Mr. Breitzkreutz has not been paying the Receiver rent, however is maintaining and safe keeping the property.
53. The Receiver has prepared an occupancy agreement to Mr. Breitzkreutz which the Receiver intends to enforce during the sales process of the property.

54. The Receiver enlisted the assistance of an independent realtor to complete a Comparative Market Analysis of the property in anticipation of listing the property for sale.
55. The Receiver is seeking the Courts approval to list the property for sale immediately.

735 - 55 Avenue SW, Calgary, AB

56. The Receiver has registered the receivership and a CLP on title of the property as shown on the Land Titles Search, attached as **Appendix "I"**.
57. Title of the property transferred from GP Energy Inc. to Mr. Arnold Breitzkreutz on January 28, 2009 at a value of \$430,000, as indicated on the Land Title Search. The same day a bank draft in the amount of \$443,300.00 was issued out of Base Finance. The Receiver has requested additional information from the bank regarding this draft to confirm that it directly related to the transfer of this property.
58. The property was 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.
59. The Receiver enlisted the assistance of an independent realtor to complete a Comparative Market Analysis of the property in anticipation of listing the property for sale.
60. The Receiver is seeking the Courts approval to evict the tenants in accordance with the Alberta Landlord Tenancy Act and list the property for sale immediately.

728-55 Avenue SW, Calgary, AB

61. The Receiver has registered the receivership and a CLP on title of the property as shown on the Land Titles Search, attached as **Appendix “J”**.
62. The property was purchased by Mr. Arnold Breitkreutz and Mrs. Susan Breitkreutz from a third party on May 2, 2012. A bank draft in the amount of \$135,400.00, attached as **Appendix “K”**, was issued out of Base Finance for the purchase of the property.
63. This property is the second rental property and is also occupied by tenants. While the utilities are the tenants responsibly, no rental fees are being collected.
64. The Receiver enlisted the assistance of an independent realtor to complete a Comparative Market Analysis of the property in anticipation of listing the property for sale.
65. The Receiver is seeking the Courts approval to evict the tenants in accordance with the Alberta Landlord Tenancy Act and list the property for sale immediately.

63 Suncastle Bay SE, Calgary, AB

66. The Receiver has registered the receivership and a CLP on title of the property as shown on the Land Titles Search, attached as **Appendix “L”**.
67. The property was purchased by Mr. Arnold Breitkreutz from a third party on March 2, 2010 and was transferred to Mrs. Susan Breitkreutz on January 28, 2011.

68. To the best of the Receiver's knowledge, the only source of income for Mr. and Mrs. Breitzkreutz was obtained from the Companies. As the property was purchased with Company funds and transferred at no value, the Receiver is seeking the Courts approval to list the property for sale immediately with the proceeds from the sale to be paid to the Receiver to the benefit of the creditors.

242073 Range Road 255 Rural Wheatland County, AB

69. The Receiver has registered the receivership and a CLP on title of the property as shown on the Land Titles Search, attached as **Appendix "M"**.
70. The property was transferred to Base Finance from Mr. Arnold Breitzkreutz on August 27, 2013.
71. The property is used as the personal residence of Mr. Brian Fox. To the best of the Receiver's knowledge Mr. Fox has never paid rental or occupancy fees while residing at the premises.
72. Base Finance made regular payments to Wheatland County regarding the property taxes and like charges for this property.
73. Foreclosure action has commenced against the property by the secured lender on title. The Receiver has consented to lift the stay of proceedings as per the Order attached as **Appendix "N"**, and will be entitled to all sales proceeds in excess of the balance owing to the secured lender. The March 8, 2016 application in relation to the foreclosure was adjourned to April 20, 2016.

27 Ceduna Park SW, Calgary, AB

74. The property was purchased by Base Finance on May 31, 2010 by way of bank draft in the amount of \$325,000 payable to R.C.P. Smyth "In Trust", attached as **Appendix "O"**.
75. Upon the Receivers request, Mr. Robert Smyth provided a copy of his detailed trust ledger on February 18, 2016, confirming receipt of the bank draft relating to the purchase. The detailed trust ledger is attached as **Appendix "P"**.
76. The historical Land Title Search, attached as **Appendix "Q"**, shows the property was transferred from Base Finance to Ms. Susan Way on July 28, 2010 for consideration in the amount of \$385,000.00.
77. Base Finance received a deposit from Ms. Way in the amount of \$200,000.00 on August 18, 2010, however there is no supporting documentation confirming the nature of this deposit. The Receiver has requested additional information regarding this transaction to determine its true nature. The Receiver has not identified any other repayments to Base Finance.
78. The Receiver has not seen any evidence that a mortgage agreement was executed between Base Finance and Ms. Way, nor did the Company register a mortgage on title. Mr. Breitzkreutz confirms on page 44 line 10 that there were no repayment terms in place in relation to the \$325,000 payment for the home, though denied that the purchase of the home was a gift.
79. The Receiver has registered a CLP on title of the property as shown on the Land Titles Search, attached as **Appendix "R"**.

80. The Receiver is seeking the Courts approval to enlist the assistance of an independent realtor to complete a Comparative Market Analysis and list the property for sale immediately with the funds to be payable to the Receivership for the benefit of the creditors.

623 Lake Simcoe Close SE, Calgary, AB

81. The Receiver located notes within the books and records of the Company, attached as **Appendix "S"**, pertaining to the purchase of 623 Lake Simcoe Close SE.
82. Bank drafts payable to R.C.P. Smyth "In Trust" totaling \$203,000.00 coincide with the file notes. Upon the Receivers request, Mr. Robert Smyth provided a copy of his detailed trust ledger on February 18, 2016, confirming receipt of funds relating to the purchase. The detailed trust ledger is attached as **Appendix "T"**.
83. Additional funds in the amount of \$13,839.00 were paid out of Base Finance to a third party for, what appears to be, repairs and maintenance of the property prior to resale.
84. Mr. Arnold Breitzkreutz, the listed owner of the property as per the Land Title Search, sold the property within four (4) months of the original purchase to a third party for an approximate gain of \$45,000.00. The Land Title Search is attached as **Appendix "U"**.
85. The Receiver has seen no evidence of sales proceeds being received by Base Finance or repayment of the funds used to purchase the property.

86. The Receiver has received a sworn affidavit of the current third party owner of the property, confirming that the purchase was arm's length and done in good faith. The Receiver will not be pursuing recoveries from the third party for this property, but notes that the sales proceeds appear to be used for the benefit of the Companies' principals.

912A - 69 Avenue SW, Calgary, AB

87. A Land Title Search, attached as **Appendix "V"**, confirms that Mr. Arnold Breitreutz and Mrs. Susan Breitreutz purchased 912A - 69 Avenue SW on June 17, 2002. On January 28, 2011 the property was transferred to Mrs. Susan Breitreutz for "Nominal" consideration as indicated on the Land Title search. The property was transferred a second time, after the appointment of the Receiver, on November 27, 2015 from Mrs. Susan Breitreutz to Mr. Quinn Breitreutz, their son.
88. Company funds have not been directly advanced or received in the transfers of the property.
89. It is not clear how funds for the purchase of the property were sourced.
90. As it does not appear that the Breitreutz family had any source of income other than funds obtained from the investors of Base, the Receiver is endeavoring to register a CLP with the view to sell the property for the benefit of the creditors.

722 - 56 Avenue SW, Calgary, AB

91. GP Energy Inc. (formerly 344103 Alberta Ltd.) purchased 722 - 56 Avenue SW on April 13, 1994 and sold the property to a third party on December 3, 2002. The Land Title Search is attached as **Appendix "W"**.
92. It is not clear how funds for the purchase of the property were sourced.
93. The Receiver will continue its efforts to determine if Base Finance or Base Mortgage funds were used directly or indirectly for the purchase of this property.

726 - 56 Avenue SW, Calgary, AB

94. GP Energy Inc. (formerly 344103 Alberta Ltd.) purchased 726 - 56 Avenue SW on March 3, 1997 and sold the property to a third party on December 3, 2002. The Land Title Search is attached as **Appendix "X"**.
95. It is not clear how funds for the purchase of the property were sourced.
96. The Receiver will continue its efforts to determine if Base Finance or Base Mortgage funds were used directly or indirectly for the purchase of this property.
97. The Receiver is endeavoring to register a CLP with the view to sell the property.

1212 Lake Fraser Court SE, Calgary, AB

98. Mr. Arnold Breikreutz purchased 1212 Lake Fraser Court SE on February 11, 2004 and sold the property to a third party on September 15, 2006. The Land Title Search is attached as **Appendix "Y"**.
99. It is not clear how funds for the purchase of the property were sourced.



100. The Receiver continues its efforts to determine if Base Finance or Base Mortgage funds were used directly or indirectly for the purchase of this property.
101. The Receiver is endeavoring to register a CLP with the view to sell the property.
102. The Receiver has received a sworn affidavit of the current third party owner of the property, confirming that the purchase was arm's length and done in good faith. The Receiver will not be pursuing recoveries upon this property.

1721 - 22 Street SW, Calgary, AB (Whitehawk Ranch)

103. Base Finance registered a mortgage in the amount of \$550,000.00 on title of 1721 - 22 Street SW, owned by Whitehawk Ranch Corp. The Land Title Search is attached as **Appendix "Z"**.
104. A cheque in the amount of \$550,000.00 was issued to Robert CP Smyth and cleared the bank account on March 6, 2007. The properly executed mortgage, attached as **Appendix "AA"**, outlines repayment terms of \$33,000.00 semi-annually and the entire balance, including interest, was due and payable on March 5, 2008.
105. Based on the information available at the time of this report, the Receiver has identified one payment of \$33,000.00 being received. Additional payments may be identified upon receipt of the additional banking information that has been requested.

106. The mortgage was discharged from title of the property on October 3, 2008. The Receiver continues its efforts to determine if this mortgage had been paid out in full before being discharged.
107. The Receiver also continues its efforts to determine if there are similar mortgages on additional properties.

13851 Broadwater Road, Lake County, BC

108. The Affidavit of Jorge Grinman (the “Grinman Affidavit”), sworn on October 15, 2015, indicated that Mr. Arnold Breitreutz owned property near Kelowna, BC. The Exhibits of the Grinman Affidavit relating to this property are attached as **Appendix “BB”**.
109. Upon learning of this property, the Receiver attended 13851 Broadwater Road, Lake County, BC on October 28, 2015 to complete a search of the premises for any books and records relating to the Companies. Due to the potential nature of the seizure, local RCMP escorted the Receiver. Residence of the premises were not given notice of the receivership prior to the Receiver attending the premises.
110. Mr. Arnold Carl Breitreutz of British Columbia was served with a copy of the Receivership Order and promptly noted that he had no idea who Susan Breitreutz was nor had he ever owned property in Alberta. The property in question is jointly owned by Arnold Carl Breitreutz and Judith Alice Breitreutz, his wife, as per the British Columbia Land Title Office search included in **Appendix “CC”**. This was indeed a different Mr. Arnold Breitreutz.

111. Notwithstanding the misidentification of ownership, Mr. Arnold Carl Breitzkreutz pleasantly consented to a search of the premises. The Receiver searched both floors of the house, the outbuildings, the recreational vehicle located on the premises and a small safe looking for any documents or property of the Companies.
112. There were no books and records or any other assets belonging to the Companies located on site.

#### Vehicles

113. Throughout the review of books and records to date, the Receiver has identified twenty-two (22) vehicles that were purchase and or sold by Mr. Arnold Breitzkreutz. Many of the vehicles had very little supporting documentation, however the Receiver notes the following:
  - a) Nine (9) vehicles had sufficient documentation to confirm that the vehicles had been sold or traded off on other vehicles; and
  - b) Thirteen (13) vehicles require further investigation to determine if the vehicles have been sold or disposed of.
114. The Receiver has confirmation of \$66,817.82 being advanced from Base Finance for the purchase of four (4) vehicles.
115. The Receiver has confirmed that Base Mortgage was listed as the payee on pre-authorized deposit agreements for two (2) vehicles and a total of \$88,436.62 was withdrawn from Base Mortgage relating to vehicle payments.

116. The Receiver is continuing its efforts to determine if additional funds relate to vehicles purchased and how sales proceeds of the disposed vehicles were used.

**NAMED PARTIES OF INTEREST**

Arnold Breitreutz

117. Based on available financial records reviewed by the Receiver, the accounting of funds related to Mr. Arnold Breitreutz during the period of August 2006 to October 2015, is as follows:

Funds advanced to the Companies	\$ 2,077,185.50
Funds received from the Companies	\$ <u>3,229,454.25</u>
Net Funds Advanced (Received)	\$ <u>(1,152,268.75)</u>

- a) Mr. Breitreutz advanced funds to the Companies totaling \$2,077,185.50. Majority of these deposits were labeled as “investments”. It is not known at this time if the advances were sourced from external funds or were simply circular in nature.
- b) Total funds received from the Companies consists of the following:

Interest and principal repayments	\$ 2,222,638.00
Employment compensation & Expense Reimbursements	\$ 869,829.03
Addition payments	\$ 54,942.18
Certified Cheque	\$ 50,000.00
Sporting Event Tickets & Related Expenses	\$ 18,208.44
Golf Membership & Related Expenses	\$ <u>13,836.60</u>
	\$ <u>3,229,454.25</u>

- c) \$2,222,638.00 had been received from the Companies as interest and principal repayments. Cheques were made payable to either Arnold Breitreutz or Arnold or Susan Breitreutz.
- d) Mr. Breitreutz received \$869,829.03 from Base Mortgage. The majority of the cheques did not contain a reference memo however the Receiver believes, based on payment patterns and consistence of amounts that the majority of these payments related to employment compensation.
- e) Additional cheques totaling \$54,942.18 were made payable to Mr. Breitreutz. The reference memo on these cheques included, but are not limited to, "B Fox Chg Back", "FF LDI/Cobalt", "Borrower", "Saddlelake Lease", "Fox Ln" and "Houston Exp".
- f) A certified cheque in the amount of \$50,000.00 was payable to Mr. Breitreutz with no supporting documentation.
- g) A total of \$18,208.44 was made payable to Calgary Stampeder Club for sporting event tickets and related expenses.
- h) Base Mortgage paid for golf membership dues and related expenses in the amount of \$13,836.60.

#### Susan Breitreutz

- 118. Mrs. Susan Breitreutz received \$203,400.00 as rental income. Base Mortgage paid \$1,800 per month to Mrs. Susan Breitreutz for the occupancy of 724 - 55 Avenue SW.

119. To the best of the Receiver's knowledge Mrs. Breitzkreutz has never been employed and this is the only source of income that she earned.

Susan Way

120. Based on the available financial records reviewed by the Receiver, the accounting of funds related to Ms. Susan Way during the period of Jun 2007 to October 2015, is as follows:

Funds advanced to the Companies	\$	19,473.53
Funds received from the Companies	\$	<u>737,100.41</u>
Net Funds Advanced (Received)	\$	<u><u>(717,626.88)</u></u>

a) Total funds advanced to the Companies consist of:

Investments	\$	15,000.00
Reimbursements	\$	<u>4,473.53</u>
	\$	<u><u>19,473.53</u></u>

- i. \$15,000.00 advanced to the Companies was identified as an "investment".
- ii. Base Mortgage pays for the business use portion of Ms. Way's cellular telephone. As a result of this agreement Ms. Way reimbursed the Company a total of \$4,473.53 for the personal use portion of the monthly bills. Ms. Way confirmed that Base Mortgage agreed to pay 100% of the monthly bills starting approximately two (2) years ago.

b) Total funds received from the companies consist of the following:

Employment Compensation & Related Expenses	\$ 413,434.41
Interest and Principal Repayments	\$ 210,668.00
Unsupported Payments	<u>\$ 112,998.00</u>
	<u><u>\$ 737,100.41</u></u>

- i. Base Mortgage paid Ms. Way a total of \$413,434.41 for compensation of office support and reimbursement of office expenses.
- ii. Ms. Way received a total of \$210,668.00 as interest and principal repayments. This level of interest and principle repayment appears to be inconsistent with the documented \$15,000 of invested principle.
- iii. An additional \$112,998.00 was received with no documentation to support the nature of payment.

GP Energy Inc. (formerly 334103 Alberta Ltd.)

121. GP Energy Inc. (formerly 334103 Alberta Ltd.) was incorporated on July 31, 1985 and is wholly owned by Mr. Arnold Breikreutz. The Corporation Search is attached as **Appendix “DD”**.
122. Based on the available financial records reviewed by the Receiver, the accounting of funds related to GP Energy Inc. is as follows:

Funds advanced to the Companies	\$	8,000.00
Funds received from the Companies	\$	<u>69,940.00</u>
Net Funds Advanced (Received)	\$	<u><u>(61,940.00)</u></u>

- a) GP Energy Inc. advanced a total of \$8,000.00 to Base Mortgage. The nature of the deposit is unclear.

- b) Base Finance paid GP Energy Inc. a total of \$69,940.00 with reference to administration fees.

123. Subsequent to the receipt of the Amended Amended Order, the Receiver has requested copies of the RBC bank statements for the period August 1, 2006 to November 30, 2015.

#### OTHER PARTIES OF INTEREST

Brian Fox

124. Based on the available financial records reviewed by the Receiver, the accounting of funds related to Mr. Brain Fox during the period of February 2006 to October 2015, is as follows:

Funds advanced to the Companies	\$ 3,500.00
Funds received from the Companies	<u>\$ 462,297.13</u>
Net Funds Advanced (Received)	<u><u>\$ (458,797.13)</u></u>

- a) Mr. Brian Fox advanced \$3,500 on September 14, 2009, presumably as repayment of previous loans provided by Base Finance.
- b) Funds received from the Companies consists of the following:

Miscellaneous payments	\$ 301,347.13
Payments related to Renco Energy Inc.	\$ 95,600.00
Payments related to Powder River Basin Gas Corp.	\$ 50,350.00
Payments related to Kanark Energy Inc.	<u>\$ 15,000.00</u>
	<u><u>\$ 462,297.13</u></u>

- i. Mr. Brian Fox received \$301,347.13 between the periods of September 7, 2006 and September 18, 2015, regarding various



oil and gas projects including, but not limited to, Saddle Lake, Victoria project, personal loans, and expenses.

- ii. Payments totaling \$95,600.00 related to leases held by Renco Energy Inc. in Osage County Oklahoma between the periods of March 31, 2010 and December 22, 2010. The cheques were made payable to Mr. Brian Fox. It is unknown if the funds paid to Mr. Fox were provided to Renco Energy Inc.
- iii. Payments totaling \$50,350.00 related to Powder River Basin Gas Corp. operations between the period of September 5, 2008 and February 19, 2010. The cheques were made payable to Mr. Brian Fox. It is unknown if the funds paid to Mr. Fox were provided to Powder River Basin Gas Corp.
- iv. A Payment totaling \$15,000.00 on June 18, 2010, related to leases known as Hurricane Creek Gas Field held by Kanark Energy Inc. in Arkansas. The cheques were made payable to Mr. Brian Fox. It is unknown if the funds paid to Mr. Fox were provided to Kanark Energy Inc.

Edward Bresky

- 125. Mr. Edward Bresky received \$7,000 for legal fees regarding Brian Fox and Powder River on September 18, 2008.

Leslie Shelton

- 126. Mr. Leslie Shelton received \$10,000 "In Trust" for Powder River Basin Gas Corp on September 16, 2008, nature of funds unknown.

Pam Moon

127. Ms. Pam Moon received two payments totaling \$37,366.16. The first payment on August 29, 2008 in the amount of \$19,366.16 related to Powder River Basin Gas Corp. The Second payment on October 1, 2008 in the amount of \$18,000.00 referred to expenses of Brian Fox.

Zario Resources

128. Zario Resources received \$800 on December 22, 2008 on behalf of Brian Fox.

129. The Receiver completed a corporation search on Zario Resources and no matches were found. The Receiver suspects that this company is or at one time was registered in the United States and was related to Mr. Fox.

John Manolescu

130. Based on the available financial records reviewed by the Receiver, the accounting of funds related to Mr. John Manolescu is as follows:

Payments related to Powder River Basin Gas Corp.	\$	9,500.00
Additional Payments	\$	2,600.00
Payments related to Saddle Lake LLC	\$	1,500.00
Finder's Fee	\$	<u>1,300.00</u>
Net Funds Received	\$	<u><u>14,900.00</u></u>

- a) Mr. John Manolescu received a total of \$9,500.00 relating to Powder River Basin Gas Corp. The nature of the payments are unknown.
- b) Payments totaling \$1,500.00 were related to consulting services provided for the Saddle Lake project.

- c) Additional payments in the amount of \$2,600.00 were made to Mr. Manolescu and Ms. Maryanne Manolescu with no documentation to support the nature of the payments.
- d) Mr. John Manolescu received \$1,300.00 as a finder's fee. Through discussions with Mr. Arnold Breitzkreutz and Ms. Susan Way the Receiver confirmed that the Companies paid related parties a finder's fee for soliciting investments on behalf of Base Finance. The terms of these finder's fees remains unclear.

Lyle Hogaboam

131. Based on the available financial records reviewed by the Receiver, the accounting of funds related to Mr. Lyle Hogaboam is as follows:

Funds advanced to the Companies	\$	472,500.00
Funds received from the Companies	\$	<u>956,090.00</u>
Net Funds Advanced (Received)	\$	<u>(483,590.00)</u>

- a) Mr. and Mrs. Lyle Hogaboam advanced \$472,500.00 as "investments".
- b) \$956,090.00 was received as interest and principal repayments. Cheques were made payable to either Lyle Hogaboam, Randi Hogaboam, or Lyle or Randi Hogaboam.

132. The Receiver can confirm that Mr. Hogaboam had a working relationship with the Companies as far back as 1995. Hand written notes referring to "our staff" referring to Base's staff, and Mr. Hogaboam's signature has been found on Company letterhead during the Receiver's review of books and records.

133. In the Oral Questioning, on page 37 line 26, Mr. Breitzkreutz confirmed that Mr. Hogaboam received referral fees. It is our understanding that Mr. Hogaboam was a promoter or agent of the Companies as evidenced in investor correspondence and the issuance of T4A CRA income reporting slips issued by the Companies to Mr. Hogaboam.

LDI Realty Western Ltd.

134. LDI Realty Western Ltd., owned by Mr. Lyle Hogaboam, is classified as a real estate loan company. The Corporation search is attached as **Appendix “EE”**.

135. Based on the available financial records reviewed by the Receiver, the accounting of funds related to LDI Realty Western Ltd. is as follows:

Funds advanced to the Companies	\$ 600,000.00
Funds received from the Companies	<u>\$ 1,897,178.00</u>
Net Funds Advanced (Received)	<u>\$ (1,297,178.00)</u>

- a) LDI Realty advanced a total of \$600,000.00 as “investments”. These investments appear to have been tracked under Mr. Hogaboam’s name. The Receiver does not know if the funds advanced were the personal funds of Mr. Hogaboam or if the funds were raised and invested on behalf of third parties.
- b) Funds received by Mr. Hogaboam from the Companies consists of the following:

Interest and Principal Repayments	\$ 1,887,278.00
Finder’s Fee	<u>\$ 9,900.00</u>
Funds Received from the Companies	<u>\$ 1,897,178.00</u>

- i. \$1,887,278.00 was paid out of Base Finance as interest and principal repayments. Cheques were made payable to either LDI Realty Western Ltd., LDI Realty Corp, or LDI Realty.
- ii. One cheque in the amount of \$9,900.00 payable to LDI Realty contained a reference to a finder's fee.

136. The Receiver notes that multiple cheques payable to various parties cleared the Companies account with the reference memo including the phrase "FF LDI". Through discussions with Mr. Arnold Breitzkreutz and Ms. Susan Way the Receiver confirmed that the Companies paid related parties a finder's fee for soliciting investments on behalf of Base Finance. The terms of these finder's fees remains unclear. The Receiver has not quantified these payments to date.

Robert C. P. Smyth

137. Mr. Smyth is a Calgary lawyer that appears to have worked for Base in relation to various transactions over the years. Mr. Smyth advises that he is current counsel for the Respondents. Based on the available financial records reviewed by the Receiver, the accounting of funds related to Mr. Robert Smyth is as follows:

Funds advanced to the Companies	\$ 40,410.00
Funds received from the Companies	\$ <u>1,267,190.96</u>
Net Funds Advanced (Received)	\$ <u><u>(1,226,780.96)</u></u>

- a) Mr. Robert Smyth advanced \$40,410.00. The nature of the transactions are not clear.

b) Funds received from the Companies consist of the following:

"In Trust" Payments	\$ 1,257,744.15
Miscellaneous Payments	<u>\$ 9,446.81</u>
Funds Received from the Companies	<u>\$ 1,267,190.96</u>

- i. \$1,257,744.15 was advanced "In Trust" to Mr. Robert Smyth.
- ii. Payments totaling \$9,446.81 with no documentation to support the nature of the transactions.

138. The Receiver requested copies of Mr. Smyth's detailed trust ledgers to verify the nature of the transactions by way of email on February 17, 2016. Mr. Smyth responded on February 18, 2016 providing the Receiver with copies of his non privileged trust ledgers relating to the named parties.

139. The Receiver is seeking the Courts approval to compel Mr. Smyth to provide copies of all detailed ledgers with supporting documentation for all accounts related to the named parties.

#### Quinn Breitreutz

140. Based on the available financial records reviewed by the Receiver, the accounting of funds related to Mr. Quinn Breitreutz is as follows:

Funds advanced to the Companies	\$ 15,565.06
Funds received from the Companies	<u>\$ 34,000.00</u>
Net Funds Advanced (Received)	<u>\$ (18,434.94)</u>

141. Mr. Quinn Breitreutz advanced \$15,565.06 as "investments" and received \$34,000.00 as interest and principal repayments.

Karen Breitkreutz

142. Ms. Karen Breitkreutz received a total of \$23,750.00. The majority of the cheques did not contain reference memos to indicate the nature of the payments, however certain cheques did indicate the payment as compensation for general office work. Given the regularity of payment and the consistency in amounts, the Receiver believes all cheques written were for general office work.

Bonnie Way

143. Ms. Bonnie Way received \$96,712.00 of interest and principal repayments. We are not clear of the relationship between Ms. Bonnie Way and Ms. Susan Way. The books and records of the Company do not list Ms. Bonnie Way as an investor of the Companies.

Cameron Way

144. Mr. Cameron Way received \$3,444.04 for, what appears to be, repairs and maintenance on the various properties Mr. Arnold Breitkreutz owned.

Premier Operating Co.

145. Premier Operating Co. received three incremental payments of \$100,000.00 for a total of \$300,000.00 between the periods of June 6, 2006 to August 18, 2006. It is not clear what the nature of the payments were.
146. The Receiver completed a corporation search on Premier Operating Co. and no matches were found. Based on additional research, the company appears to be a privately held company in Tulsa, Oklahoma and is categorized under

nature gasoline production. The Receiver suspects that funds advanced related to an oil and gas project being managed by Mr. Fox.

#### Retirement Mortgage Company

147. Retirement Mortgage Company received \$2,000.00 with reference to a shareholder loan.
148. The Corporation Search of Retirement Mortgage Corporation, attached as **Appendix “FF”**, listed Mr. Arnold Breitreutz as the director of the company. Shareholders included Mr. Arnold Breitreutz, Mr. Larry Kunh, Ms. Bonnie Way, and Ms. Susan Way. The company was struck from corporate registry on June 2, 2010 and to the best of the Receiver’s knowledge is no longer operating.

#### POTENTIAL PARTIES FOR QUESTIONING

149. While the Receiver continues to obtain additional information with respect to the Companies and named parties, the Receiver has reason to believe that certain parties both related and arm’s length may be in possession of records and or knowledge insofar as the conduct by the Companies and the named parties. The Receiver anticipates requesting the Court to direct the following parties to appear for questioning:
  - a) Mr. Lyle Hogaboam;
  - b) Mr. Arnold Breitreutz;
  - c) Mrs. Susan Breitreutz;
  - d) Mrs. Susan Way;
  - e) Mr. Brian Fox; and



- f) Other potential relevant parties that area identified by the Receiver at a later date.

## OTHER MATTERS

### Income Tax Implications

150. The Receiver has not identified any source of income aside from funds advanced by the investors. As a result, the “interest” earned and or paid on the investor’s investment should be considered a repayment of principal and no 2015 tax slips will be issued for “interest income”.
151. The Receiver is not in a position to determine if these “investments” would qualify as an Allowable Business Investment Loss.

## FEES AND EXPENSES OF THE RECEIVER TO DATE

152. Due to the lack of recoveries to date in the Receivership, no professional fees have been paid to the Receiver or its counsel. Professional fees to April 15, 2016 are summarized as follows:

Receivership fees		\$ 210,307.15
Legal fees		
Account Receivable	\$ 46,937.18	
WIP	\$ 66,754.82	
Outlays	\$ 4,324.00	
Total Legal Fees		<u>\$ 118,016.00</u>
		<u>\$ 328,323.15</u>

## CONCLUSION AND RECOMMENDATION

153. The remaining actions and investigations of the Receiver include, but are not limited to, the following:

- a) Further investigate the inflows and outflow of funds in the known bank accounts as the information becomes available;
- b) Secure the real properties and facilitate the sale of same;
- c) Determine viability and recoverability of Saddle Lake assets and Deed of Trust. Including exploration of value and possibility of recovery for creditors if further investment and development incurred;
- d) Continue to work with and assist RCMP and other stakeholders as required; and
- e) Investigate various other related parties that may possess proceeds or assets sourced from the Companies' funds.

## RELIEF SOUGHT

154. The receiver respectfully submits this third report and is being filed in support of the Receiver's application to this Honourable Court seeking the direction on the following:

- a) Approval of the reported actions of the Receiver to date in respect of administering these receivership proceedings;

- b) Request specific financial institutions to provide historical to current banking information for all named parties as well as Mr. Brian Fox and Mr. Lyle Hogaboam;
- c) Obtain detailed Trust ledgers with support for all accounts related to the named parties by Mr. Robert C. P. Smyth; and
- d) Approval to list the following properties for sale immediately:
  - i. 724 - 55 Avenue SW, Calgary, AB
  - ii. 735 - 55 Avenue SW, Calgary, AB
  - iii. 728 - 55 Avenue SW, Calgary, AB
  - iv. 63 Suncastle Bay SE, Calgary AB
  - v. 27 Ceduna Park SW, Calgary, AB

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, CIRP, Licensed Insolvency Trustee

Title: Senior Vice-President