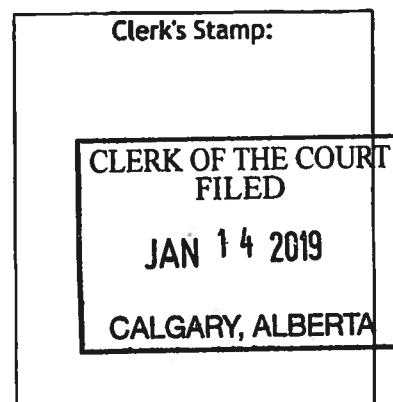


**COURT FILE NUMBER** 1501 - 11817  
**COURT** COURT OF QUEEN'S BENCH OF ALBERTA  
**JUDICIAL CENTRE** CALGARY  
**APPLICANT** EASYLOAN CORPORATION AND MIKE TERRIGNO  
**RESPONDENTS** BASE MORTGAGE AND INVESTMENTS LTD. AND BASE FINANCE LTD., ARNOLD BREITKRUETZ, SUSAN BREITKRUETZ, SUSAN WAY AND GP ENERGY INC.  
**DOCUMENT** SEVENTH REPORT OF THE RECEIVER  
  
DATED JANUARY 14, 2019  
  
PREPARED BY BDO CANADA LIMITED



**ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT**  
  
OSLER, HOSKIN & HARCOURT LLP  
SUITE 2500 TRANSCANADA TOWER  
450 - 1<sup>st</sup> Street SW  
Calgary, Alberta T2P 5H1  
Lawyers: Randal Van De Mosselaer  
Phone Number: 403.260.7060  
Fax Number: 403.260.7024  
Email Address: [rvandemosselaer@osler.com](mailto:rvandemosselaer@osler.com)

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## EXHIBITS

1. Memo to Investors of Base from the Receiver, dated April 15, 2018
2. Alberta Securities Commission Letter to the Receiver, Dated May 8, 2018
3. Update to Investors of Based from the Receiver, dated May 28, 2018
4. Notice of Investor Meeting, dated June 7, 2018
5. Minutes from the Investors Meeting, dated August 3, 2018
6. Statement of Receipts and Disbursements as at January 7, 2019
7. Email to Mr. Terrigno, stating out the reasons for the retention of Mr. Billington, dated November 1, 2018
8. Email from Mr. Terrigno, re: application to remove Mr. Billington, dated November 4, 2018
9. Email from Mr. Billington re: Mr. Billington's position regarding his independence
10. Email from Mr. Souster re: Riverside Law invoices and disbursements, dated November 15, 2018
11. Letter from Mr. Souster to Mr. Billington re: cost application
12. Email Exchange Between Mr. Souster and Mr. Van de Mosselaer re: Settlement of pre- Receivership Order costs, dated November 21, 2018
13. Invoices from Riverside Law for Post-receivership work performed
14. Court Order granting payment to investor based on a lowest intermediate balance rule, granted February 8, 2016
15. Amended Civil Notice of Appeal, dated June 3, 2016
16. Court of Appeal Memorandum of Judgment: Easy Loan Corporation v. Wiseman, 2017 ABCA 58
17. Email from Mr. Terrigno: re post-Receivership Order Costs, dated December 17, 2018
18. Court Order granting the ability to sell properties, granted December 2, 2016
19. Trustee Letter Provide with funds from the sale of Ms. Way's property
20. Receiver's Counsel's November 29, 2018 Letter
21. Emails from Trustee, re: Receiver's Counsel's Letter
22. Receiver's Counsel's Letter to Arnold and Susan Breitzkreutz, re: Reasons for Decision, dated, December 10, 2014

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23. Civil Notice of Appeal filed by Arnold Breitreutz, filed December 19, 2018
24. Court of Appeal letter, dated January 2, 2019
25. Receiver Initial Report for Powder Petroleum International Inc.
26. Sample Investor Ledger
27. Action brought by Mr. Terrigno and the statements of claims that are known to the Receiver
28. Emails from Mr. Terrigno to Receiver's counsel re: actions taken against investors, limitation act and Yamauchi order, dated December 12, 2018
29. Barile Investments Inc. v. Harbison et al, Action No. 1701-12991
30. Easy Loan Corporation v. Opal Management Inc., et al, Action No. 1701-12994
31. Easy Loan Corporation v. Hogaboam et al, Action No. 1701-12995
32. Easy Loan Corporation v. Denoon et al, Action No. 1701-12996
33. Easy Loan Corporation v. Olson et al, Action No. 1701-12997
34. Mr. Breitreutz's Letter to Madam Justice Romaine of the Court of Queen's Bench of Alberta
35. Email exchange between Mr. Terrigno and Receiver's legal counsel, between November 23, 2018 to November 27, 2018
36. Email exchange between Mr. Terrigno and Receiver's legal counsel, between December 12, 2018 to December 18, 2018
37. Email from Mr. Terrigno re: indemnity agreement, dated December 22, 2018
38. Affidavit of Arnold Breitreutz sworn March 13, 2017 and Easy Loan Corporate records search

## INTRODUCTION

1. On October 15<sup>th</sup>, 2015, pursuant to an Ex Parte Order (the "Receivership Order") issued by the Honourable Justice K. Yamauchi of the Court of Queen's Bench of Alberta (the "Court"), 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, BDO Canada Limited (hereinafter referred to as "BDO" or the "Receiver") was appointed Receiver of all current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situated, of Base Mortgage & Investments Ltd. and Base Finance Ltd. ("Base Mortgage" and "Base Finance" respectively, or jointly the "Debtors" or the "Companies"), including (without limitation) certain specifically enumerated property (collectively, the "Property").
2. On November 5, 2015, the First Report of the Receiver ("First Report") was filed with the Court.
3. On November 6<sup>th</sup>, 2015, the Court granted an Order (the "Amended Receivership Order") amending the Receivership Order and making certain directions against Mr. Arnold Breitreutz, Mrs. Susan Breitreutz, Ms. Susan Way, Mr. Brian Fox, and all corporations controlled by any of them.
4. On January 19, 2016, the Second Report of the Receiver ("Second Report") was filed with the Court. On January 20, 2016, the Receiver filed the First Supplement to the Second Report.
5. On May 16, 2016, the Third Report of the Receiver ("Third Report") was filed with the Court. On July 29, 2016, the Supplementary Report to the Third Report was filed with the Court.
6. On April 11, 2017, the Fourth Report of the Receiver ("Fourth Report") was filed with the Court.
7. On May 5, 2017, the Fifth Report of the Receiver ("Fifth Report") was filed with the court.
8. On August 23, 2017, the Sixth Report of the Receiver ("Sixth Report") was filed with the Court.
9. On March 2, 2018, the Alberta Securities Commission ("ASC") released a decision (the "ASC Decision") on their investigations into various allegations against Arnold Breitreutz, Base Finance Ltd., Base Mortgage and Investments Ltd., and Susan Way. The ASC Decision concluded that the named parties had contravened s.93 (b) of the *Securities Act* by engaging in prohibited acts relating to securities that they knew would perpetrate a fraud on investors, including: (a) deceiving investors into thinking that they were investing in mortgages held by Base Finance rather than in a loan to an undisclosed entrepreneur involved in oil and gas developments in the US, and (b) operating a Ponzi scheme that recirculated investors' funds to pay purported returns to existing investors. Attached as Exhibit D to the Supplemental Report to the Sixth Report is a copy of the ASC Decision.
10. On March 14, 2018, the Supplemental Report to the Sixth Report of the Receiver ("Supplemental Sixth

Report”) was filed with the Court.

11. A copy of the Receivership Orders, the Receivers Reports and various other relevant documents can be accessed by the public on BDO’s website at [www.extranets.bdo.ca/base/](http://www.extranets.bdo.ca/base/).

#### NOTICE TO READER

12. 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.
13. The findings contained herein are based primarily on a 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.
14. 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

15. The purpose of the Receiver’s Seventh Report is to provide this Honourable Court with the following information:
  - a) The Receiver’s activities since its last report;
  - b) A Statement of Receipts and Disbursements for the period October 15, 2015, to January 7, 2019;
  - c) An explanation for why the Receiver has recently changed legal counsel;
  - d) A discussion as to the settlement of the pre-receivership costs of Easy Loan Corporation (“Easy Loan”) and Mr. Terrigno;
  - e) A discussion of the Receiver’s application for advice and directions with respect to payment of post-receivership costs (or any portion thereof) of counsel for Easy Loan and Mr. Terrigno;
  - f) Information with respect to funds from the sale of the Susan Way property which had been dealt with in the December 2, 2016 Order (filed April 21, 2017) of this Honourable Court;
  - g) Information related to finalizing the form of Order arising out of the November 30, 2018 decision of this Honourable Court (issued by the Honourable Madam Justice Romaine);
  - h) Information related to a proposed “Clawback” calculation;

- i) Outstanding matters; and
- j) Other matters.

16. In addition, the Receiver is seeking a Court Order:

- a) Approving the Receiver's actions to date;
- b) Approving the pre-receivership settlement of costs between the Receiver and Riverside law;
- c) Confirmation that the entirety of the Way Sale Proceeds (as this term is defined below), including the \$40,000 portion which would otherwise be exempt, are to be available to the Receiver for general purposes of the estate; and
- d) Declaring that all Clawback Actions (as that term is defined below) are stayed pending further Order of this Honourable Court.

#### RECEIVER'S ACTIVITIES SINCE ITS LAST REPORT

- 17. On April 15, 2018, the Receiver circulated an update to Investors as to the progress with the RCMP and the ASC investigations and ongoing matters regarding the recovery of funds. Attached as Exhibit 1 is a copy of the April 15, 2018 update to the Investors.
- 18. On May 8, 2018, the Receiver obtained a letter dated May 8, 2018 from the ASC (the "ASC Letter") indicating that, following an investigation and a two-week hearing, an ASC panel concluded that the Companies, Arnold Breitreutz, and Susan Way committed a fraud and conducted a Ponzi scheme. The Receiver posted a copy of this letter online. Attached as Exhibit 2 is a copy of the ASC Letter.
- 19. On May 28, 2018, the Receiver circulated an update to Investors advising the Investors that the RCMP had laid fraud charges against Mr. Arnold Breitreutz and Ms. Susan Way. Attached as Exhibit 3 is a copy of the May 28, 2018 update to Investors.
- 20. On June 7, 2018, the Receiver circulated a notice to the Investors advising of the Receiver's intention to hold an Investors' meeting on August 3, 2018. The purpose of this meeting was to discuss the outstanding matters, provide answers to any questions that the Investors may have, and see if the Investors had any directions and information for the Receiver. Attached as Exhibit 4 is a copy of the notice to the Investors with respect to this Investors' meeting.
- 21. On August 3, 2018, the Receiver facilitated the informal Investors' meeting. Attached as Exhibit 5 are the Minutes of this meeting. Approximately 56 investors attended either in person or by phone. The Receiver continues to respond to numerous inquiries from Investors regarding specific actions taken against them by other parties.

22. On November 16, 2018, the Receiver engaged Osler, Hoskin & Harcourt LLP as new legal counsel in place of Billington Barristers. The events leading up to and reasons for the change in legal counsel are discussed below in detail.

#### STATEMENT OF RECEIPTS AND DISBURSEMENTS

23. Attached as Exhibit 6 to this Seventh Report is a Statement of Receipts & Disbursements for the period October 15, 2015, to January 7, 2019. As shown, over the history of this receivership the Receiver collected approximately \$1,691,316 to date mainly from the recovery of the sale of the Properties as defined in the Fourth Report.
24. The receivership has approximately \$527,345 remaining in its bank accounts to complete the outstanding tasks and if any funds remain, distribute them to the Investors of the Debtors.

#### RECEIVER'S CHANGE IN LEGAL COUNSEL

25. In October 2018, the Receiver had discussions with various investors regarding the lack of progress that was being made in the receivership. These investors wanted the Receiver to either obtain new legal counsel or ensure that the current legal counsel was held to agreed-upon timelines to have the receivership progress at a faster rate.
26. On October 31, 2018, the Receiver had discussions with Mr. Billington regarding the lack of progress and the various concerns various investors had with the receivership to date. A timeline of remaining steps was prepared with the intention of being executed.
27. On November 1, 2018, the Receiver sent an email to Mr. Mike Terrigno (one of the original applicants in this receivership action) setting out the reasons the Receiver decided to continue to retain Mr. Billington as counsel - the primary reason being that Mr. Billington had been involved with the matter and engaging new counsel would incur additional costs to the estate. Attached as Exhibit 7 is a copy of that email.
28. On November 4, 2018, the Receiver received an email from Mr. Terrigno, with an unfiled and unsworn Affidavit and an unfiled application, for the removal of Mr. Richard Billington as counsel for the Receiver. Attached as Exhibit 8 is a copy of that email with the draft application materials. Based on a review of the application materials and Affidavit, it appears that Mr. Terrigno was alleging Mr. Billington was not independent, as he had privileged information regarding Mr. Terrigno and Easy Loan that may adversely affect the handling of the receivership.



29. On November 5, 2018, the Receiver received an email from Mr. Billington stating he believed that he was independent and that Mr. Terrigno had engaged Mr. Billington to act as counsel for the Receiver. His reason is supported by an unsigned engagement letter prepared by Mr. Terrigno. Attached as Exhibit 9 is a copy of that email and engagement letter.
30. On November 5, 2018, the Receiver informed Mr. Billington that the Receiver was in the process of obtaining an independent legal opinion and told Mr. Billington that he was no longer to proceed with any actions on behalf of the Receiver until the Receiver was able to determine if there was an independence issue.
31. On November 5, 2018, the Receiver engaged independent legal counsel, Fasken Martineau DuMoulin LLP ("Fasken"), to review and opine on the independence of Mr. Billington. The Receiver requested that this work be completed by November 9, 2018.
32. On November 5, 2018, the Receiver informed Mr. Terrigno by email that it had commenced the process of obtaining a legal opinion about Mr. Billington's independence. Mr. Terrigno responded by email stating that his concerns about Mr. Billington's continued representation of the Receiver was not just an issue of independence but was actually about his concerns with respect to solicitor-client privilege. Further, Mr. Terrigno made several allegations of negligence against Mr. Billington and advised Mr. Billington to contact the Alberta Lawyers' Insurance Association.
33. On November 6, 2018, the Receiver informed Mr. Bill Janman (one of the investors who had taken a more active interest in the estate) about the steps taken by Mr. Terrigno and that these steps were going to delay the administration of the receivership.
34. In addition, the Receiver requested a third firm, Osler Hoskin & Harcourt LLP ("Osler") to clear conflicts to ensure that the Receiver would have legal counsel in the event Mr. Billington was not able to continue to act. The Receiver believed it was necessary for Fasken to maintain its independence.
35. On November 9, 2019, the Receiver obtained the requested legal opinion from Fasken, which opined that Mr. Billington was independent, but went on to indicate that it was possible that the Court may find that he is not independent due to the potential perception of an independence threat.
36. On November 13, 2018, Mr. Terrigno sent a further email communicating further allegations against Mr. Billington and requesting that a call be scheduled. The nature of the allegations raised by Mr. Terrigno related to a real or perceived conflict by Mr. Billington, as well as allegations of negligence, misrepresentations by Mr. Billington to the investors and the Receiver, as well as solicitor-client privilege issues. A call was scheduled on November 15, 2018, to discuss these allegations.

37. On November 15, 2018, Mr. Terrigno and the Receiver held a telephone conversation to discuss these allegations against Mr. Billington and payment of the legal fees of Mr. Terrigno's and Easy Loan's legal counsel in relation to the receivership.
38. On November 16, 2018, these allegations were discussed with Mr. Billington, and it was agreed that Mr. Billington should no longer represent the Receiver in these proceedings.
39. On November 16, 2018, the Receiver engaged Mr. Randal Van de Mosselaer of Osler.
40. The Receiver and Mr. Van de Mosselaer are in the initial phases of reviewing these allegations against Mr. Billington, and more information will be provided once our review is complete.

#### **RIVERSIDE LAW LEGAL FEES**

41. In the Receiver's Sixth report, the Receiver acknowledges the application brought by Riverside Law, filed on May 18, 2017, on behalf of Easy Loan and Mr. Mike Terrigno for payment of certain fees and disbursements.
42. The Receiver believed, and still believes, that the quantum of fees of Riverside Law is not unreasonable for the work outlined in the invoices. However, upon further discussion with counsel, the Receiver is now of the opinion that unless the services performed by Riverside Law had been requested by the Receiver, it would be inappropriate for the receivership estate to bear the cost associated with those services solely on the basis that the estate may have benefited from those services.
43. The legal fees for Riverside Law can be broken into two parts:
  - a) pre-Receiver's Order costs, which, pursuant to paragraph 32 of the Receivership Order, had already been awarded to the Applicants "on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate in priority to all other claims against the Debtor's estate", and
  - b) post-Receiver's Order amounts, in respect of which paragraph 32 of the Receivership Order simply indicated that the Applicants "shall have leave to reapply to the Court for additional costs (and indemnity from the Debtor's estate in respect of same) in the event that they determine that circumstances warrant such an application".

#### **PRE-RECEIVERSHIP COSTS SETTLEMENT**

44. Paragraph 32 of the Amended Receivership Order reads as follows:

*The Plaintiffs, Easyloan Corporation and Mike Terrigno shall have their costs of this motion, up to and including entry and service of this Order, on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate in priority to all other claims against the Debtor's estate. The Plaintiff, Easyloan Corporation and Mike Terrigno shall have leave to reapply to the Court for additional costs (and indemnity from the Debtor's estate in respect of same) in the event that they determine that circumstances warrant such an application.*

45. As discussed above, the Receiver has held discussions with Mr. Terrigno about Easy Loan's legal costs for the work done for both the pre-Receivership Order work and post-Receivership Order work. The Receiver agreed that the Amended Receivership Order awarded costs to the Plaintiffs up to the date of the Receivership Order to be paid from the estate.
46. On November 15, 2018, Mr. Chris Souster, sent his invoice for the pre-Receivership Order costs, with supporting invoices for disbursements. The invoice and disbursements for pre-Receivership Order costs totalled \$92,473. Attached as Exhibit 10 is a copy of the invoices and supporting invoices for disbursements.
47. At the time Osler was engaged by the Receiver, the Applicants' counsel Mr. Chris Souster had filed an application (the "Costs Application") originally returnable May 26, 2017, but adjourned from that date and scheduled to be heard on November 22, 2018, supported by an Affidavit sworn by Mr. Terrigno on May 11, 2017 (the "Terrigno Costs Affidavit"), seeking to recover all of Mr. Terrigno's legal fees (both pre- and post-Receivership Order costs) out of the receivership estate. Attached as Exhibit 11 is a copy of a November 7, 2018 letter from Mr. Souster to Mr. Billington, enclosing a copy of the Costs Application and indicating that Mr. Souster was setting the Costs Application down to be heard on November 22, 2018. A complete copy of the Terrigno Costs Affidavit will be available at the Receiver's application for which this Report is prepared.
48. On November 21, 2018, the Receiver (through its counsel, Osler) agreed to pay, and Mr. Terrigno's and Easy Loan's legal counsel agreed to accept, \$50,000 to settle the Applicant's claim for \$92,473 in pre-Receivership Order costs, subject to Court approval. Attached as Exhibit 12 is a copy of the email exchange between Mr. Souster and Mr. Van de Mosselaer in connection with the settlement of these pre-Receivership Order costs.

#### POST-RECEIVERSHIP COSTS

49. With respect to Mr. Terrigno’s claim for post-Receivership Order costs, a review of the Terrigno Costs Affidavit discloses that he is seeking payment for seven invoices in total. The table below summarizes the invoices attached to the Terrigno Costs Affidavit (and includes a portion of the pre-Receivership Order amounts which have been settled):

Description	Action No.	Riverside File No.	Invoice Amount
Receivership	1501-11817	3097	\$159,038
Appeal of LIBR		3139	71,727
Manolescu		3121	29,128
Susan Way	1601-00081	3124	17,395
Quinn Breitzkreutz	1601-02294	3135	13,921
Susan Way Bankruptcy		3156	11,517
Robert Way, Brian Fox, et al.	1701-03606	3215	<u>2,649</u>
<b>Total</b>			<b><u>\$305,375</u></b>

Attached as Exhibit 13 are copies of these invoices. For the reasons set out in paragraph 51 below, after taking into account the settlement of pre-Receivership Order costs as discussed above, the balance of all of the accounts in the table above for which Mr. Souster, Mr. Terrigno and Easy Loan are seeking payment of post-Receivership Order costs is approximately \$243,716.

50. With the exception of requesting Mr. Souster to have his process server serve some documents on behalf of the receivership estate, none of the work reflected in these invoices was work that the Receiver requested Mr. Souster, Mr. Terrigno or Easy Loan to undertake. Not only did the Receiver not ask Mr. Souster, Mr. Terrigno or Easy Loan to undertake any of this work on behalf of the receivership estate, at no time did the Receiver advise Mr. Souster, Mr. Terrigno or Easy Loan that the estate could or would pay for these services. Each of the invoices set out in the table above will be discussed individually.

**Receivership - Riverside File No. 3097 - \$159,038**

51. Based on a review of this invoice, approximately \$61,660 relates to pre-receivership costs, which have been settled for \$50,000 as discussed above. The total of \$92,473 in pre-Receivership Order costs which had been sought by Mr. Souster, and which have been settled for this \$50,000, includes some third party costs, which had not been included in Mr. Souster’s invoices set out in the above table. This leaves an outstanding balance on this file of \$97,378.

52. The Receiver has reviewed the invoices on this file in detail from the period of October 16, 2015, onward. The Receiver did not request Mr. Terrigno or Easy Loan, nor their counsel Mr. Souster, to take any of the steps reflected on these invoices. Nor did the Receiver ever advise Mr. Souster, Mr.

Terrigno or Easy Loan that the receivership estate could or would pay for any of these services. Accordingly, the Receiver is of the view that there is no basis for the receivership estate paying any portion of the \$97,378 remaining on the invoices issued on this file.

Appeal of LIBR - Riverside File No. 3139 - \$71,727

53. On February 8, 2016, the Honourable Justice K. Yamauchi granted an Order declaring approximately \$1.08 million held in a Royal Bank of Canada account belonging to the Debtors (the "RBC Account") was impressed with a constructive trust in favour of the various investors who were applicants on that application. As a result, Justice Yamauchi decided these funds did not belong to the receivership estate, but instead belonged to the applicant investors. Justice Yamauchi also decided that the funds in the RBC Account should be allocated amongst the applicant investors on the lowest intermediate balance rule ("LIBR") rather than the *pro rata ex post facto* rule. *Easy Loan Corporation v. Base Mortgage & Investments*, 2016 ABQB 77 (Exhibit 14) at para. 42 to 53, 72.
54. Easy Loan appealed this decision and argued at the appeal that the funds in the RBC Account should instead be shared according to the *pro rata ex post facto* rule. Attached as Exhibit 15 is a copy of the Amended Civil Notice of Appeal. Attached as Exhibit 16 is a copy of the Court of Appeal Memorandum of Judgment: *Easy Loan Corporation v. Wiseman*, 2017 ABCA 58 ("Court of Appeal Judgment").
55. Importantly, Justice Yamauchi's decision that the funds in the RBC Account were impressed with a constructive trust in favour of the applicant investors (and as a result, the funds in the RBC Account did not belong to the receivership estate) was not appealed. (Court of Appeal Judgment para. 17.) Accordingly, the only issue before the Court of Appeal was how the funds in the RBC Account should be allocated amongst the applicant investors. As Justice Yamauchi's decision that the funds in the RBC Account were impressed with a constructive trust in favour of the applicant investors was not appealed, there was no prospect that the receivership estate might benefit from the outcome of this appeal. In the result, the Court of Appeal dismissed the appeal and upheld Justice Yamauchi's decision with respect to the allocation of the funds in the RBC Account amongst the applicant investors.
56. As a result, it appears to the Receiver that this appeal could not possibly have been for the benefit of the estate and the general body of creditors. Without an appeal of the finding of a constructive trust, the estate could not possibly have benefited from the outcome of this appeal. Rather, the only persons affected by this appeal were the applicant investors, as the appeal only had the prospect of affecting the allocation amongst those investors. (As it turned out, as the appeal was dismissed, no one benefited from the appeal.)

57. If the appeal had addressed the constructive trust issue, there might have been the possibility of some benefit to the estate; however, this is not the case. The Receiver did not ask Mr. Souster, Mr. Terrigno or Easy Loan to bring this appeal on behalf of the receivership estate and never indicated that the receivership estate would pay for the costs of the appeal if it was brought. Accordingly, the Receiver is of the view that there is no basis for the receivership estate paying any portion of this \$71,727 invoice.

**Manolescu- Riverside File No. 3121 - \$29,128**

58. The Receiver has reviewed this invoice in detail as well as the comments in the Terrigno Costs Affidavit. The Receiver did not ever ask Mr. Souster, Mr. Terrigno or Easy Loan to take these steps and did not ever advise them that the receivership estate would pay for the costs associated with taking these steps. Accordingly, the Receiver is of the view that there is no basis for the receivership estate paying any portion of this \$29,128 invoice.

**Susan Way - Riverside File No. 3124 - \$17,395**

59. The Receiver has reviewed this invoice in detail as well as the comments in the Terrigno Costs Affidavit. The Receiver did not ever ask Mr. Souster, Mr. Terrigno or Easy Loan to take these steps and did not ever advise them that the receivership estate would pay for the costs associated with taking these steps. Accordingly, the Receiver is of the view that there is no basis for the receivership estate paying any portion of this \$17,395 invoice.

**Quinn Breitreutz - Riverside File No. 3135 - \$13,921**

60. The Receiver has reviewed this invoice in detail as well as the comments in the Terrigno Costs Affidavit. The Receiver did not ever ask Mr. Souster, Mr. Terrigno or Easy Loan to take these steps and did not ever advise them that the receivership estate would pay for the costs associated with taking these steps. Accordingly, the Receiver is of the view that there is no basis for the receivership estate paying any portion of this \$13,921 invoice.

**Susan Way Bankruptcy - File No. 3156 - \$11,517**

61. The Receiver has reviewed this invoice in detail as well as the comments in the Terrigno Costs Affidavit. The Receiver did not ever ask Mr. Souster, Mr. Terrigno or Easy Loan to take these steps and did not ever advise them that the receivership estate would pay for the costs associated with taking these steps. Accordingly, the Receiver is of the view that there is no basis for the receivership estate paying any portion of this \$11,517 invoice.

62. The Receiver has reviewed this invoice in detail as well as the comments in the Terrigno Costs Affidavit. The Receiver did not ever ask Mr. Souster, Mr. Terrigno or Easy Loan to take these steps and did not ever advise them that the receivership estate would pay for the costs associated with taking these steps. Accordingly, the Receiver is of the view that there is no basis for the receivership estate paying any portion of this \$2,649 invoice.

#### SETTLEMENT OFFER FROM MR. TERRIGNO

63. On December 17, 2018, Mr. Terrigno sent an email to the Receiver, offering to settle the post-Receivership Order Costs. Attached as Exhibit 17 is a copy of that email. The amount of the offer, being in the nature of a settlement offer, has been redacted from this email.
64. Mr. Terrigno indicated in his email the following:
- a) Mr. Billington and/or Mr. Craig Fryzuk requested that Mr. Chris Souster perform work for the receivership estate;
  - b) Mr. Billington and/or Mr. Fryzuk told Mr. Terrigno that he would be reimbursed for the work that Mr. Souster was doing;
  - c) Mr. Fryzuk agreed to pay Mr. Terrigno's post-receivership fees or any portion thereof; and
  - d) Mr. Fryzuk provided Mr. Terrigno with a document showing a column of post-receivership fees that Mr. Fryzuk agreed to support Mr. Terrigno on, as they are reasonable and should be recovered.
65. The Receiver has spoken with both Mr. Fryzuk and Mr. Billington concerning these allegations, and has confirmed that (subject to one exception) both of them deny having made such commitments or given such assurances to either Mr. Souster or Mr. Terrigno. The exception to this is that Mr. Fryzuk has acknowledged asking Mr. Souster to effect service of some documents on behalf of the estate. Moreover, on December 18, 2018, the Receiver's legal counsel requested, in the email contained at Exhibit 17, that Mr. Terrigno provide copies of any communications or documentation to support these claims. As of the date of this report, neither the Receiver nor its legal counsel has received any such supporting documents.
66. On December 18, 2018 the Receiver (through its counsel) rejected Mr. Terrigno's settlement offer, as based on a review of the receivership file, the relevant invoices and the Terrigno Costs Affidavit, and based on discussions with the individuals involved, the Receiver is of the view that (subject only to the issue of service of some documents discussed above) the work for which Mr. Terrigno is claiming

reimbursement from the estate was not work which was done at the Receiver's request, and the costs claimed were not costs which the Receiver indicated would be reimbursed by the receivership estate.

#### FUNDS FROM THE SALE OF THE HOME OF SUSAN WAY

67. On December 2, 2016, this Honourable Court granted an Order (the "December 2, 2016 Order") directing (amongst other things) that the Bankruptcy Trustee of the Estate of Susan Way pay to the Receiver all proceeds related to the sale of Ms. Way's property at 27 Ceduna Park SW, Calgary, net of costs of sale, and including the \$40,000 exempt equity portion (the "Way Sale Proceeds"). Attached as Exhibit 18 is a copy of the Order.

68. The December 2, 2016 Order was not filed until April 21, 2017. The reason for the delay between the time the Order was granted and the filing of the Order is unknown to the Receiver.

69. On May 17, 2017, the Trustee of Susan Way sent the Way Sale Proceeds to the Receiver's (then) legal counsel. The transmittal letter by which the cheque for the Way Sale Proceeds was sent stated (in part) that:

"[i]f there is no finding of fraud, it is our position that the enclosed funds must be returned to us for distribution to the bankrupt's creditors." (the "Return Condition")

Attached as Exhibit 19 is a copy of the Trustee's letter. The Receiver's former legal counsel treated the Return Condition as a trust condition, held the Way Sale Proceeds in its trust account upon receipt, and did not release them to the Receiver.

70. On November 29, 2018, Receiver's counsel wrote to Susan Way's Bankruptcy Trustee pointing out that the inclusion of the Return Condition was contrary to the direction in the December 2, 2016 Order, and that in any event since the Trustee's May 17, 2017 letter the Alberta Securities Commission had made a finding of fraud against Susan Way. Receiver's counsel therefore asked Susan Way's Bankruptcy Trustee to remove the Return Condition in respect of the Way Sale Proceeds. Attached as Exhibit 20 is a copy of the Receiver's counsel's November 29, 2018 letter.

71. On November 29, 2018 and December 4, 2018, Susan Way's Bankruptcy Trustee sent emails to legal counsel of the Receiver, stating that their May 17, 2017 letter "does not impose a condition on release of the" Way Sale Proceeds and that it "was not our intent" to have the Release Condition treated as a trust condition. In any event, Susan Way's Bankruptcy Trustee indicated that in light of the finding of fraud by the Alberta Securities Commission, this issue "now appears to be a moot point." Attached as Exhibit 21 are copies the Trustee's November 29, 2018 and December 4, 2018 emails.



72. On December 19, 2018, Receiver's former counsel forwarded the Way Sale Proceeds (with accrued interest, being the sum of \$203,943.73) to Receiver's counsel, with a cover letter that was copied to Susan Way's Bankruptcy Trustee. In light of the history of the Way Sale Proceeds, the Receiver is seeking an Order confirming that the entirety of the Way Sale Proceeds, including the \$40,000 portion which would otherwise be exempt, are to be available to the Receiver for general purposes of the estate.

#### DECEMBER 2, 2016 ORDER

73. The December 2, 2016 Order dismissed an application by the Companies and Mr. Breitzkreutz which sought to amend the Amended Receivership Order to remove certain properties from the scope of the Receivership Order, and granted the Receiver's application to (amongst other things) market and sell these properties. The December 2, 2016 Order then dealt with the issue of costs for the application. Paragraph 7 of the December 2, 2016 Order states:

"In the event that parties are unable to agree on costs, they may make written submission of no more than 5 pages with 90 days of the filing of this Order."

74. Rather than submitting such a written submission, on July 21, 2017, Receiver's former counsel filed an application for costs arising out of the December 2, 2016 Order. This application was originally returnable August 29, 2017.

75. On August 28, 2017, Mr. Billington agreed with (then) legal counsel for Mr. Breitzkreutz that the Receiver's costs application would be adjourned to be heard together with an application by Mr. Breitzkreutz to vary the December 2, 2016 Order (which application had been set to be heard on August 31, 2017).

76. Ultimately, Mr. Breitzkreutz's application to vary the December 2, 2016 Order was heard on March 20, 2018. However, the Receiver's application for costs arising out of the December 2, 2016 Order was not also heard at that time, and appears to have been forgotten. Accordingly, the issue of costs arising out of the December 2, 2016 Order remains outstanding.

77. The Receiver is accordingly seeking its taxable costs arising out of the December 2, 2016 Order in the amount of \$2,000.

## NOVEMBER 30, 2018 DECISION

78. On November 30, 2018 this Honourable Court released its decision (the “Application to Vary Decision”) dismissing an application brought by Mr. Arnold Breitreutz and Mrs. Susan Breitreutz under Rule 9.15 of the *Alberta Rules of Court* to vary the decision of this Honourable Court issued on December 2, 2016. (*Easy Loan Corporation et al v. Base Mortgage & Investments Ltd. et al*, 2018 ABQB 979.)
79. On December 10, 2018, Osler sent a letter to Mr. Arnold Breitreutz and Mrs. Susan Breitreutz enclosing the Application to Vary Decision and a proposed form of Order arising from that decision. Attached as Exhibit 22 is a copy of that letter and attachment. As of the date of this report, the Receiver’s legal counsel has not received a copy of the Order signed by Mr. Arnold Breitreutz and Mrs. Susan Breitreutz indicating their approval as to form and content, or any reply by Mr. Arnold Breitreutz and Mrs. Susan Breitreutz to the December 10, 2018 correspondence. As such, the Receiver is applying to have the proposed form of Order signed by this Honourable Court.
80. On December 19, 2018, Mr. Arnold Breitreutz (on behalf of himself and Susan Breitreutz, as well as various companies) filed a Civil Notice of Appeal, appealing the December 2, 2016 Order, as well as the November 30, 2018 decision. Attached as Exhibit 23 is a copy of the Civil Notice of Appeal. On January 2, 2019 the Court of Appeal issued a letter to Mr. Arnold Breitreutz and Mrs. Susan Breitreutz (as well as the other appellants) pointing out various procedural issues and required next steps in respect of this appeal. Attached as Exhibit 24 is a copy of the January 2, 2019 Court of Appeal letter. Further updates in respect of this appeal will be provided to the Court at the application for which this Report is prepared.

## CLAWBACK CALCULATION

81. The Receiver is seeking advice and direction on the Receiver performing a “Net Winner/Net Loser” or “Clawback Calculation” (sometimes known as a “Titan calculation”) for the estate, similar to that used in Titan Investments Ltd. and (more recently) in the Smaji Group Ponzi schemes (the “Clawback Calculation”).
82. As in all Ponzi schemes, there will be net “winners” and net “losers” in the scheme operated by the Companies. Net “winners” are those who recover their investment, or have profited from the scheme. Net “losers” are those who recover little or none of their investment or received less than their original investment. The Clawback Calculation would allow the receivership estate to recover funds from the net “winners”, and to distribute those funds amongst the net “losers”.
83. The Receiver is seeking advice and direction with respect to its performing any proposed Clawback Calculation for the following reasons:

- a) Given that the Companies at one time appear to have operated a legitimate mortgage investment program, it is difficult (or impossible) to determine precisely when this legitimate business ended and when the Ponzi scheme began;
- b) Base's financial records are kept in handwritten ledgers that are not complete. The fact that the books and records are in handwritten ledgers makes it extremely difficult and time-consuming to analyze the information in the records. The fact that the records are incomplete means that it will be impossible to be certain that any Clawback Calculation which would be based on those records is correct or complete;
- c) The Receiver only has bank statements for the Companies from 2006 onward, and does not have all of those statements;
- d) Mr. Terrigno has expressed the view that any claims pursuant to such a Clawback Calculation would be statute-barred;
- e) The majority of the investors have advised the Receiver that they do not want the Receiver to perform a Clawback Calculation;
- f) The estate does not have sufficient funds to allow the Receiver to complete the Clawback Calculation and pursue recovery from the investors who would be shown as net "winners" under such a Clawback Calculation; and
- g) The Receiver has been advised that six (6) actions have been filed in the Court of Queen's Bench of Alberta by Mr. Terrigno (or one of his companies or by other alleged net "losers") in which (so the Receiver understands) the named plaintiff(s) seek the return of funds from over 140 investors who the claims allege are "winners" in the Companies' Ponzi scheme.

84. Base Mortgage was formed in 1978 and Base Finance in 1984 and it is unclear from the documents and available evidence when Base became a Ponzi scheme.

85. Mr. Breitreutz in oral questioning states that for over 35 years over \$120 million has been invested with Mr. Fox or his related companies. If this is true, then Base Mortgage has invested or lent money to Mr. Fox since approximately 1980.

86. Mr. Breitreutz has advised the Receiver that the Companies lost \$80 million when Powder River Petroleum International Inc. ("Powder") - a U.S. company in respect of which Mr. Fox was President and CEO and which received funds from Mr. Breitreutz through the Companies - was placed into receivership. However, Mr. Fox denies that this is the case. The Receiver has not been able to find support for Mr. Breitreutz's claim and has only found evidence to the contrary, as discussed below.

87. On July 14, 2008, Powder was placed into receivership in the United States. Attached as Exhibit 25 is a copy of the initial interim report to the Court by Powder's Receiver regarding the receivership of

Powder. Based on the review of filings on the U.S. Securities and Exchange Commission, and the initial report of Powder's Receiver, it does not appear that the Companies lent or invested \$80 million to or in Powder as alleged by Mr. Breitzkreutz.

88. The Receiver's Third report, and specifically paragraph 34 thereof, accounts for the funds received and distributed by the Companies since 2006 (subject to missing financial records as noted therein). Based on the banking records, no funds were sent into the United States during this period of review, and the funds were primarily used in the Companies business operations in Canada. As indicated in that report, missing banking information, such as details of certain transactions, have resulted in the Receiver being unable to identify the outcome of approximately \$1.3 million in transactions, which are classified as "miscellaneous transactions".
89. Based on the banking statements it would appear that the Companies' business transformed from a legitimate business into a Ponzi scheme sometime before 2006. As the Receiver is in possession of the majority (although not all) of the Companies' banking records from 2006 forward, it may be appropriate to deem January 1, 2006 as the beginning of the Companies' Ponzi scheme, and to begin a Clawback Calculation as of this date. However, such a Clawback Calculation cannot be performed - even if the Receiver were to use January 1, 2006 as the starting date - with any degree of certainty.
90. As noted above, the majority of all investments with the investors were kept on handwritten ledgers. Based on a review of the individual investors' ledger, investors' investments would be reflected in individual interest-bearing promissory notes. When a promissory note matured, the investor could either: (a) roll forward their entire investment with accrued interest, (b) roll forward the initial principal investment and receive payment for the interest earned, (c) receive a partial payment of their initial investments plus interest earned, or (d) receive payment in full for the initial investment plus accrued interest. Attached as Exhibit 26 is a sample of the investor ledgers, with the name redacted.
91. Complicating matters further, it appears that the Receiver is not in possession of all historical ledgers for all the investors. This makes it impossible to determine with any degree of certainty who the net "winners" are, as the Receiver cannot determine in every case which promissory notes were repaid in full.
92. Apart from the difficulty presented by the incompleteness of the Debtors' books and records, the estate may not have the necessary funds to permit the Receiver to perform a Clawback Calculation. This will depend largely on the outcome of the issue related to Mr. Terrigno's and Easy Loan's claim for post-Receivership Order costs, as discussed above. Given the volume of handwritten records that would need to be reviewed and analyzed, it is difficult to conclude with precision what such an

exercise might cost, but the Receiver estimates that it would cost approximately \$150,000 to \$200,000 (or perhaps more) to prepare the Clawback Calculation. This would not include costs associated with pursuing the various net “winners” to recover gains for the benefit of the estate.

93. Even if the Receiver were able to determine who some (but perhaps not all) of the net “winners” are, there is a serious problem with determining who the net “losers” are who would be entitled to receive a distribution. Due to the inadequate records in the Receiver’s possession, the only way to determine who the net “losers” are and the amount of distribution each net “loser” would be entitled to receive would be to administer a formal claims process. The Receiver estimates costs of doing a claim process would be approximately \$50,000 - \$75,000.
94. For these reasons, the Receiver has received a petition signed by approximately 160 investors, who invested approximately \$70.5 million in Base, indicating they do not wish the Receiver to perform a Clawback Calculation.
95. It should be noted that in *Re Titan Limited Partnership*, 2005 ABQB 637, the Court directed the “Overpaid Investors” to repay the full amount of their redemptions to the Receiver, failing which the Receiver would be entitled to recover judgment against such “Overpaid Investors” in the amount of such payments. A search of the Court records shows that the Receiver in that case recovered judgment against 35 investors. In addition to the costs associated with preparing the Clawback Calculation for the Companies, if a similar Order were granted in the within action, the Receiver would also incur additional costs associated with obtaining judgment against the net “winners” and taking enforcement steps in respect of those judgments, with no certainty that any funds would be recovered.
96. As mentioned above, the Receiver has become aware that a number of actions have been filed in the Court of Queen’s Bench of Alberta by Mr. Terrigno and/or one of his companies, and/or by other alleged net “losers”, against over 140 investors in which the named plaintiff(s) seek the return of funds from the named defendants who (the claims allege) are “winners” in the Companies’ Ponzi scheme. It appears that all such actions have been filed through Mr. Souster’s office.
97. Attached as Exhibit 27 are copies of a Statement of Claim and an application in one such action filed by Mr. Terrigno (in action 1701-12992 in the Court of Queen’s Bench of Alberta (the “Winch Action”)) which is known to the Receiver. On December 12, 2018, the Receiver’s counsel sent an email to Mr. Terrigno regarding the Winch Action, outlining the Receiver’s concerns with the Winch Action and the application in the Winch Action, as follows:
  - a) It is clear from the Court’s decision in *Re Titan Limited Partnership*, 2005 ABQB 637 that the results of a “Titan” claim (which includes claims advanced pursuant to the *Fraudulent*

*Preferences Act*, RSA 2000, c. F-24 (“FPA”), and is explicitly the basis of the Winch Claim and the application) are claims which belong to the company/estate;

- b) As a result, it is the Receiver’s view that the plaintiff’s efforts to recover funds in the Winch Action offend the stay granted in paragraphs 9 and 10 of the Receivership Order;
- c) The Receiver is currently considering its options with respect to a Titan-style calculation (i.e. a Clawback Calculation) and recovery of funds paid out under the Companies’ Ponzi scheme; and
- d) In any event, it is clear that claims such as that advanced in the Winch action, being claimed advanced under the FPA, are not claims for the benefit of the Plaintiff advancing the claim, but are rather a claim for all affected creditors.

98. Mr. Terrigno has informed the Receiver’s counsel that actions have been commenced against 140 parties seeking to claw back gains made by certain investors, and that Mr. Terrigno intends to oppose any effort by the Receiver to perform a “Clawback Calculation” for the following reasons:

- a) The Receiver has no rights due to the Yamauchi order regarding the “LIBR” calculation;
- b) The Amended Receivership Order will not allow it; and
- c) He believes any similar efforts by the Receiver would be statute-barred.

Attached as Exhibit 28 are the emails where Mr. Terrigno informs the Receiver’s counsel of the above.

99. Mr. Terrigno has advised the Receiver that he and/or Easy Loan have sued approximately 140 parties seeking to recover from the net “winners” (the “Clawback Actions”). Mr. Souster has advised the Receiver that there are six such actions. Apart from the Winch Action, the only other Statements of Claim of which the Receiver is currently aware in such Clawback Actions are:

- a) Barile Investments Inc. v. Harbison et al, Action No. 1701-12991 (Exhibit 29).
- b) Easy Loan Corporation v. Opal Management Inc., et al, Action No. 1701-12994 (Exhibit 30);
- c) Easy Loan Corporation v. Hogaboam et al, Action No. 1701-12995 (Exhibit 31)
- d) Easy Loan Corporation v. Denoon et al, Action No. 1701-12996 (Exhibit 32)
- e) Easy Loan Corporation v. Olson et al, Action No. 1701-12997 (Exhibit 33)

100. As it appears that such Clawback Actions are an effort to recover funds and pursue actions which belong to the Debtors’ estate, and therefore offend the stay ordered in paragraphs 9 and 10 of the Receivership Order, the Receiver is requesting an order directing that all such Clawback Actions be stayed pending further Order of this Honourable Court.

## **OUTSTANDING MATTERS**

101. The Receiver has one potential property for which recovery of funds may be possible. This property is 912A - 69 Avenue SW, Calgary, AB. However, the Receiver notes that DLA Piper (Mr. Breitzkreutz's former counsel) has filed a charge against this property for \$250,000.
102. In addition, the Receiver may still be interested in examining or attempting to question two individuals who may have additional knowledge regarding the operations of the Companies and potential location of further assets. These individuals are:
  - a) Mr. Brian Fox; and
  - b) Mr. John Manolescu.

The Receiver will consider the propriety and efficacy of doing so if the receivership estate has sufficient funds.

103. The Receiver has received a petition signed by approximately 88 investors, who invested over \$70 in Base, requesting the Receiver apply to Court and obtain a Court Order that would assist the Investors in their efforts to have the taxes paid on the supposed interest income reversed.
104. The Receiver has held several discussions with legal counsel for CRA and is in the process of preparing the necessary documents required to support the efforts made to date regarding this matter.
105. The Receiver and its legal counsel are reviewing the allegations made by Mr. Terrigno against Mr. Billington.
106. The Receiver will be setting a date for the taxation of Mr. Billington's fees in the near future.

## **OTHER MATTERS**

107. On November 27, 2018, Mr. Arnold Breitzkreutz wrote a letter to Madam Justice Romaine of the Court of Queen's Bench of Alberta. Attached as Exhibit 34 is a copy of that letter. In the letter, Mr. Breitzkreutz makes the following comments:
  - a) Mr. Terrigno appears to be running the receivership;
  - b) The Receiver has made payments of his substantial fees; and
  - c) That Mr. Terrigno has filed multiple lawsuits despite the stay created by the Amended Receivership Order.

108. The Receiver believes that a number the Debtors' investors share the concerns raised by Mr. Breitzkreutz.
109. The Receiver would make the following observations:
- a) Mr. Terrigno has been reminded a number of times that the Receiver is a Court officer, as such takes direction from the Court, and while Mr. Terrigno's views (and the views of other stakeholders) are considered by the Receiver, the Receiver does not take direction from Mr. Terrigno. Moreover, in the circumstances the Receiver believes that some of Mr. Terrigno's conduct and interaction with the Receiver and its counsel is inappropriate and needs to be brought to the Court's attention;
  - b) Discussion regarding the payment of legal fees for Mr. Terrigno and Easy Loan are discussed above; and
  - c) Mr. Terrigno appears to be the driving force behind the Clawback Actions discussed above.
110. Mr. Terrigno has been one of the more vocal and actively involved investors since the start of the receivership. At times, Mr. Terrigno has attempted to dictate to the Receiver steps that he believes the Receiver ought to be taking. Recently, two such incidents occurred and are discussed in detail below. One of these emails includes a discussion concerning the Clawback Actions against over 140 investors.
111. On November 23, 2018, the Receiver's legal counsel sent Mr. Terrigno an email indicating that he was acting as new legal counsel to the Receiver. The initial email requested that Mr. Terrigno provide any information, documentation, opinions or analysis that would assist the Receiver's recently engaged counsel in getting up to speed with the various outstanding matters as outlined in that email.
112. Mr. Terrigno and the Receiver's counsel exchanged a number of emails after that initial email. Attached as Exhibit 35 are copies of these emails.
113. In the first email, Mr. Terrigno requests that the Receiver wind up the receivership, assign to Mr. Terrigno any claim that the estate may have against Mr. Billington and provide Mr. Terrigno with all of Mr. Billington's invoices. Mr. Terrigno then set out his view as to why the Receiver cannot pursue a "Titan Calculation".
114. From December 12 to December 18, 2018, the Receiver's counsel and Mr. Terrigno engaged in another series of emails. Attached as Exhibits 36 are copies of these emails.



115. In these email exchanges, Mr. Terrigno's language becomes unprofessional, has a threatening tone, and suggest that he is controlling the receivership. The Receiver's counsel reminds Mr. Terrigno that the Receiver is an Officer of the Court and as such requires Court approval of actions and steps taken.
116. On December 21, 2018, Mr. Terrigno requested, by email, a copy of the indemnity agreement entered into between the Receiver and Easy Loan. On December 22, 2018, Mr. Terrigno purported to withdraw the indemnity agreement. Attached as Exhibit 37 is a copy of the email withdrawing the indemnity agreement and a copy of the indemnity agreement.
117. It has come to the Receiver's attention that both Mr. Breitzkreutz's last name, and Easy Loan Corporation has been previously misspelled in prior Receiver's reports, Orders, as well as the Style of Cause in this action. Attached as Exhibit 38 is the Affidavit of Arnold Breitzkreutz sworn on March 13, 2017 (excluding exhibits) confirming the spelling of his last name and a corporate record search confirming Easy Loan Corporation registered name. The Receiver respectfully submits to the Court these be updated in the Style of Cause for this action.

RELIEF SOUGHT

118. The Receiver respectfully submits this Seventh Report of the Receiver in support of the Receiver's application to this Honourable Court seeking the following:
- i. Approval of the reported actions of the Receiver to date in respect of administering these receivership proceedings; and
  - ii. Approving the settlement of pre-Receivership Order costs between the Receiver and Riverside law;
  - iii. Providing advice and direction with respect to the payment of post-Receivership Order costs sought by Mr. Terrigno and Mr. Souster;
  - iv. Confirming that the entirety of the Way Sale Proceeds, including the \$40,000 portion which would otherwise be exempt, are to be available to the Receiver for general purposes of the estate;
  - v. Awarding costs to the Receiver payable by Mr. Breitreutz arising out of the December 2, 2016 Order;
  - vi. Approving and signing the form of Order arising out of the November 30, 2018 decision of this Honourable Court;
  - vii. Directing that all Clawback Actions be stayed pending further Order of the Court;
  - viii. Providing advice and directions to the Receiver with respect to its preparation of a Clawback Calculation recovery of gains from net "winners" for distribution amongst net "losers"; and
  - ix. Correcting the Style of Cause in the within action to correct spelling of "Breitreutz" and "Easy Loan Corporation".

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

Per:  \_\_\_\_\_

David Lewis, CA, CPA, CIRP, LIT  
Vice-President