



Alberta Securities Commission

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**Via E-Mail**

File No.: ENF-010926

BDO Canada Limited  
620, 903 - 8th Avenue SW  
Calgary, AB T2P 0P7

**Attention: Craig Fryzuk**

Dear Mr. Fryzuk:

**Re: Arnold Breitreutz, Base Finance Ltd., Base Mortgage & Investments Ltd. and Susan Elizabeth Way**

We write to advise you about a recent decision of the Alberta Securities Commission (ASC) that may be helpful to BDO Canada Limited (BDO) as the Receiver of Base Mortgage & Investments Ltd. and Base Finance Ltd..

Following an investigation conducted by staff of the ASC (Staff), allegations of fraud were made against Arnold Breitreutz, Base Finance Ltd., Base Mortgage & Investments Ltd. and Susan Elizabeth Way (Respondents). After a two week hearing, a Panel of the Commission issued a decision in which it found the Respondents committed a fraud, contrary to section 93(b) of the *Securities Act* RSA 2000 c – S4. A copy of the decision is available on our website <http://www.albertasecurities.com/proceedings-decisions-and-orders/Pages/default.aspx>

The panel found that the Respondents conducted a Ponzi scheme in which new investors' funds were used to pay principal and returns to earlier investors. As stated in the decision:

{ 135] ...A Staff investigator's analysis of Base Finance's banking records from January 1, 2011 to September 24, 2015 revealed little evidence of a mortgage-lending business, there was no significant source of business revenue contributing to investment returns, and investors' funds were pooled in Base Finance's accounts with returns to investors largely paid from the contributions of other investors. These conclusions were consistent with those of the Receiver, whose review of Base Finance's banking records (with some missing documents) from August 2004 to September 2015 revealed that Base Finance had raised about \$137 million, that investors had been paid approximately \$125 million and were collectively owed some \$122 million at the time of Base Finance's receivership.

[136] Breitzkreutz, as the guiding mind of Base Finance, was the head of the Ponzi scheme. He created the business structure in which Base Finance obtained little, if any, revenue from its lending operations. He paid investors their promised returns – ostensibly as interest payments – using funds provided by other investors. This allowed him to maintain the façade that Base Finance was a legitimate private mortgage lender and ensured that Base Finance investors were satisfied with their investments, at least so long as timely payments were maintained...

Staff's investigation determined that approximately 260 individuals invested in this scheme and that Base Finance may have provided these investors with T5s showing interest income for taxation purposes. Given the Panel found that investors lost substantial sums of money as a result of this fraud, and that the payments were funded by using other investors' money, we have brought this matter to the attention of the Canada Revenue Agency for their consideration.

Please contact me should you require further information.

Kind regards,



Cynthia J. Campbell  
Director, Enforcement

CJC:/DE/tp