

**JUDICIAL TRUSTEE'S SECOND REPORT TO THE INVESTORS
MARCH 16, 2020**

**IN THE MATTER OF THE JUDICIAL TRUSTEE APPOINTMENT OF
WESTPOINT INVESTMENT TRUST**

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1. Statement of Receipts and Disbursements for the period March 8, 2019 to March 15, 2020

Introduction

1. On March 8, 2019, the Court of Queen's Bench of Alberta (the "**Court**") granted an Order (the "**Judicial Trustee Order**") appointing BDO Canada Limited as a Judicial Trustee ("**BDO**" or the "**Trustee**") in respect of Westpoint Investment Trust, ("**WIT**" or the "**Trust**"), pursuant to an application made on behalf of WIT, by Munir Virani and Marnie Kiel, ("**Former Trustees**").
2. Copies of relevant documents in the Judicial Trustee proceedings are available on the Trustee website at <http://www.extranets.bdo.ca/WestpointInvestmentTrust/>
3. In addition to the above Order, the Court also granted an Interim Receiver Order (the "Interim Receiver Order") appointing BDO as Interim Receiver of Westpoint Capital Corporation ("WCC"), Westpoint Capital Management Corporation ("WCMC"), Westpoint Capital Services Corporation ("WCSC"), Westpoint Syndicated Mortgage Corporation ("WSMC"), Canadian Property Direct Corporation ("CPDC"), Westpoint Master Limited Partnership ("WMLP"), River's Crossing Ltd. ("RCL"), 1897849 Alberta, Ltd. ("1897849"), 1780384 Alberta Ltd. ("178 AB"), 1897837 Alberta Ltd. ("1897837"), (collectively the "Companies").
4. On April 10, 2019, the Court of Queen's Bench of Alberta (the "**Court**") granted an Order (the "**Order**") appointing BDO Canada Limited as Receiver ("**BDO**" or the "**Receiver**") of the Companies.
5. On May 30, 2019, the Court of Queen's Bench of Alberta (the "Court") granted a further Order, consented to by the sole director of The Village at Paldi Ent. Ltd. ("Paldi") amending the Receivership Order to add Paldi as a party Respondent in these proceedings, and to extend the terms of the Receivership Order to include Paldi as a party in receivership.
6. Copies of relevant documents in the interim receivership and receivership proceedings are available on the Receiver's website at <http://www.extranets.bdo.ca/WCC ET. AL.>

7. BDO felt it was important to communicate essential information regarding the investors' investment in WIT on a semi-annual basis. This is the Second Report to the Creditors ("Creditors Report"). This report will provide the Investors with the following information:
 - a) Trustee's activities since its last report;
 - b) Status of the various investments made by WIT;
 - c) Creditors matters; and
 - d) Receipts and disbursements to date.

Disclaimer and Limitations of the Report

8. This report has been prepared by BDO to provide the Investors with the information as outlined above. In preparing this report, the Trustee necessarily relied upon unaudited financial statements and other information supplied and representations made to the Trustee by various parties. Although the information supplied has been reviewed for reasonableness, we have not independently verified the accuracy or completeness of the information, nor have we conducted an audit and, as a result, we are not providing any form of assurance of the information subject to our review. Our work may not necessarily disclose all significant matters about WIT or any errors, misstatements, irregularities, or illegal acts, if any such exist, on the part of WIT, or its former Trustees, or the officers, directors, employees and advisors of the Companies or in the underlying information. Accordingly, the Trustee may refine or alter its observations as further information is obtained or is brought to its attention after the date of this Creditors' Report.
9. The Trustee assumes no responsibility or liability for any loss or damage incurred by any party because of the circulation, publication, reproduction or use of the Investors Report. Any use that any party makes of this report, or any reliance on or decision to be made based on it, is the responsibility of such party.

Trustee's Activities Since its First Report

10. The Trustee has taken several steps to secure the various properties foreclosed on by WCC, to deal with several litigation matters, and to obtain appraisals on the properties.

11. WIT is a trust and its investments were made through various corporate entities which, although legal title to the various assets are held by the companies, the beneficial interest in those assets remains with WIT.

12. The Companies have three main categories of assets. The majority of the assets are mortgages. There are also interests in various properties deriving from mortgage enforcement proceedings. Lastly, there are numerous lawsuits which been initiated by WCC, which are not assets per se but could result in generating proceeds if successful. These assets are discussed in detail below.

13. The assets are summarized in the table below, with the estimated recovery amount for each asset. Note, that actual recovery may vary substantially from the estimated amount.

Type of asset (mortgage, land, lawsuit)	Location	Recovery as Estimated by WIT's Former Trustees	Recovery to date
Mortgage	Calgary	\$224,573	\$9,063
Mortgage	Beaumont	56,073	6,000
Mortgage	Edmonton	1,250,000	55,000
Mortgage	Edmonton	200,960	6,000
Mortgage	Salmon Arm	7,584,934	-
Mortgage	Penticton	300,000	336,209
Property	Cranbrook - 240 Shadow	159,000	50,000
Property	Cranbrook - 112 Purcell	250,000	128,030
Property	Cranbrook - River's Crossing Land	1,946,473	-
Property	Drumheller	875,000	109,178
Property	Bruderheim	3,336,888	-
Property	Wandering River	2,000,000	-
Property	Village at Paldi	500,000	354,493
Litigation	Alberta	1,400,000	-
Litigation - Paldi	British Columbia	Unknown	-
Litigation -	British Columbia	Unknown	-
Total		20,083,901	\$1,059,974

14. Please note that the foregoing estimated recovery numbers were provided to the Trustee by the former Trustees, and the Trustee has not independently verified the accuracy or the reasonableness of these estimates. Notwithstanding anything contained in this Report, the Trustee is not suggesting that these numbers represent the expected recoveries, and the Trustee makes no representations regarding any amounts that may be realized on any of the assets.

Mortgages

Mortgage - Calgary, AB

15. WCC holds a second mortgage on the above property.
16. The Receiver has received \$9,063 of mortgage payments, which represents five (5) months of payments to the Trustee.

Mortgage - Beaumont, AB

17. WCC holds a second mortgage on the above property. The Receiver is currently in the process of drafting a new mortgage agreement with the borrower, as the mortgage has expired.
18. The borrower has continued to make payments on a timely basis, paying \$6,000, which represents ten (10) months of payments to the Trustee.

Mortgage - Edmonton, AB

19. WCC holds a blanket second mortgage (\$1,250,000) on the above properties and a blanket third mortgage (\$200,960) on the above properties.
20. Based on discussions with KV Capital, the holder of the first mortgage, their mortgage is currently in default, the Receiver has negotiated a small payment of \$2,000 per sale to cover its expenses.
21. Payment on the third mortgage has been 12,000. The Company has not paid since December.

Mortgage - Beach Grove Properties

22. The Receiver has filed a statement of claim for the entire amount owing against the properties.
23. The Receiver is considering next steps due to a counter claim filed by the debtor.

Properties

112 Purcell Place, Cranbrook, B.C. (Strata Lot 50)

24. The property has been sold and the mortgage paid out in full. The net proceeds were \$128,030.

River Crossing Land

25. There are approximately 100 residential lots for sale on the property.
26. The Receiver has an offer to purchase the East side of the development from a third party and different party to purchase the West side of the development. The Receiver will be seeking court approval for the sale prior to the end of the month.
27. There is approximately \$240,000 of outstanding property taxes from 2019 and 2018.

Drumheller, AB

28. The Receiver has obtained an appraisal on Lots 1 through 7, Block 11, Plan: 1110970. These lots have approximately \$11,500 of outstanding property taxes from 2018 and 2019.
29. The Receiver has sold two (2) vacant lots and has closed the sale on the residential home with the tenant.

Bruderheim, AB

30. There are potential environmental issues with sodium chlorate in the soil around the Bruderheim Industrial Rail Facility building. The Receiver has completed a Phase 1

Environmental Report, which recommends completing a Phase 2 Environmental Report. The recommendation is based on the potential contamination.

31. The offer on the property was withdrawn.

Wandering River, AB

32. The property contains a mixture of residential and commercial lots. These lots are in Athabasca County, AB, as following:

- a) Lots 2 through 8, Block 1, Plan 1021304;
- b) Lots 6 through 14, Block 2, Plan 1021304;
- c) Lot 16, Block 2, Plan 1021304; and
- d) Lots 18 through 23, Block 2, Plan 1021304.

33. The Receiver has listed all of the commercial lots and is in the process of listing the residential lots.

The Village at Paldi Ent. Ltd. ("PALDI")

34. There is an issue of the appropriate distribution of the net sale proceeds among the creditors participating in the mortgage syndicate regarding Paldi, which has yet to be resolved. Accordingly, approximately \$250,000 of funds are being held in trust with the lawyer who handled the conveyance.

Litigation

Barry Homes Ltd. and Performance Paving Services Inc.

35. The Receiver retained WCC counsel, Kevin Chapotelle of Bryan and Co LLP, on this file to move the matter forward.

36. There is approximately \$1.5 million in Court and three parties claiming an interest to these funds. The Trustee is claiming an interest to the entire amount.

Paldi and Braun

37. The Receiver has retained WCC counsel, Martin Sennott of Boughton Law Corporation, on these files to move the matters forward.
38. The Paldi litigation arises as a result of reliance by WCC on an appraisal provided to WCC, which was allegedly significantly overvalued the lands.
39. The Braun matter appears as a result of legal counsel for WCC failing to register a mortgage on title, and a resulting loss of priority.

Creditor Claims

Other matters

40. The Trustee has received a number of calls from investors, frustrated by the lack of change in the amount that the units are valued. The Trustee will be making a court application to see if it can obtain court approval to have the units valued at a nil.

Receipts and Disbursements

41. The statement of receipts and disbursements from March 8, 2019, to March 15, 2020, is attached as Exhibit 1. The Receiver currently has \$143,502 of funds on hand to deal with ongoing holding costs for the properties.
42. In addition to the professional fees disbursed, there is about \$765,000 in professional fees owing to the Trustee, its legal counsel and corporate legal counsel.

EXHIBIT 1

**TO THE JUDICIAL TRUSTEE'S SECOND REPORT
TO THE INVESTORS**

MARCH 16, 2020

BDO Canada Limited
Statement of Receipts and Disbursements For
Westpoint Capital Corporation et al.
For the period of March 8, 2019 to March 15, 2020

Receipts

Sale of land	\$	1,843,754
Loan		500,000
Funds from foreclosure		336,209
Cash on hand		113,562
Rental income and mortgage payments		44,606
Sewer Hauling contract		31,750
Rental income		25,665
Sale of vehicle		10,010
GST collected		6,800
Investments		5,354
Interest Income		2,850
Sale of office furniture		500
		<u>2,921,059</u>

Disbursements

Legal fees	901,756
Payment to secured creditor	812,180
Receiver fees	290,960
Wages	172,039
Strata fees	114,208
Appraisal fees	68,935
Insurance	67,994
Loan payments	67,811
Construction	60,756
GST paid	56,565
Consulting fees	44,797
Real property taxes	28,081
Payroll deductions	20,193
Utilities	19,454
Repairs and maintenance	11,765
Office expenses	9,921
Advertising	9,032
Commission	6,780
Settlement amount	6,685
Occupation rent	4,000
Deemed trust claim	3,055
Storage	325
Payroll services	134
Filing fees paid to the Official Receiver	70
Photocopies	34
Bank Fees	18
Search fee	10
	<u>2,777,557</u>
	<u><u>\$ 143,502</u></u>

