



**Base Finance Ltd and Base Mortgage & Investments Ltd
Investors Meeting Minutes
August 3, 2018**

Call to Order - 10:00 am

1. Receiver reminded investors to go to the website for updates.
<http://www.extranets.bdo.ca/base/>
2. Currently the estate has approximately \$450,000.
3. There is potential for approximately \$550,000 that should come in from the remaining properties.

Properties: 27 Ceduna Park SW, Calgary & 912A 69 Avenue SW, Calgary

4. The Receiver's plan was to deal with the Properties in July. However, Mr. Breitkruetz appealed a decision on similar assets and the Receiver has postponed obtaining a court order for the sale, to ensure that the estate did not have two appeals.
5. The Receiver's legal counsel, Mr. Richard Billington, indicated that the delay was caused by Mr. Breitkruetz's two applications: one to the Court of Appeal, and one application seeking to include new evidence. The Court of appeal delayed the decision, until Justice Romaine dealt with the matter regarding new evidence. Justice Romaine has not yet come back with a decision on the matter due to dealing with a significantly larger file which has caused a backlog on her other decisions, including Base. Counsel is expecting to have a decision within two (2) weeks, but have felt this way for past six (6) weeks.

Saddle Lake

6. Saddle Lake has been reviewed by two different investors, both of whom found nothing of value that could be recovered for the estate.
7. The Receiver's analysis found that only \$200,000 flowed to Saddle Lake.

Ongoing matters

8. Opposing counsel for some of the defendants has fallen gravely ill. New counsel has been retained, causing delays in obtaining an extension to the Order to include various other parties.

9. Mr. Billington indicated that part of the ongoing delays has been supplying information to the RCMP and the Alberta Securities Commission (“ASC”).
10. Mr. Billington is in the process of questioning various parties of interest and plans to have the questioning done by mid-September.
11. Mr. Billington had planned the examination of Mr. Breitkruetz a week and a half before this meeting, but the day before the examination, counsel for Mr. Breitkruetz advised that his client would not be attending the examination based on the advice of his criminal lawyer. Mr. Billington and the Receiver are of the view this is not an appropriate basis to avoid examination and will be seeking guidance from the Courts.
12. The Receiver spoke to two members of Base that are being criminally charged by the RCMP and that the Receiver has communicated all it knows as it pertains to criminal prosecution against agents for Base.

Questions

13. Where did the money go?
 - (a) The majority of the records in the possession of the Receiver date back to 2004 and have been reconstructed based on source documents such as bank statements.
 - (b) In the third Receiver’s report details how approximately \$137 million was invested, with the majority going out as principal or interest repayment for approximately \$125 million.
14. What is going on with investments/properties in the USA?
 - (a) This was discussed during the Saddle Lake matter.
 - (b) The attending investors indicated that they had no interest in pursuing this matter further.
15. Was there not a bank account where the money that Base invested in Saddle Lake?
 - (a) There is no evidence that funds went down to Powder River Basin Gas Corp. and Mr. Breitkruetz has never been able to

provide the Receiver with the necessary source documents to support these claims.

- (b) Certain investors indicates that they had records dating back to the late 80's and early 90's when there were verified legitimate mortgages backing the investments, but that it is unknown when Base ceased making legitimate mortgage investments with investor's money.
16. Can Investor's losses be offset by the assets in America?
 - (a) This question has already been addressed.
 17. Is the property outside of Strathmore that Brian Fox was occupying at the time of the RCMP search, potentially one of the assets we can go after in recovery records?
 - (a) The property had a mortgage. The Mortgagor foreclosed on the property and suffered a shortfall.
 18. Various questions from investors about Brian Fox
 - (a) Mr. Billington responds that Mr. Fox is a Canadian citizen residing around Calgary and is included in the Receiver's scope. A Receiver's Examination of Mr. Fox is currently being prepared that will allow for a line of questioning that previously was unavailable.
 19. Have we followed up with John Manolescu?
 - (a) The Receiver indicated that Mr. Manolesu is a person of interest and information is being gathered that will be included in an upcoming report.
 - (b) Mr. Billington advises we are in talks with Mr. Manolescu's lawyer to obtain the ASC investigation transcripts which cannot be obtained through the ASC. This will provide a significant cost saving. Review of these transcripts will determine what additional questioning is required.
 20. Is Lyle Hogaboam a person of interest?

- (a) The Receiver indicated that Mr. Hogaboam is a person of interest and information is being gathered that will be included in an upcoming report.
21. Can Brian Fox's personal assets be pursued?
- (a) Advises this avenue is being looked into, but the Receiver also is not aware of there being any tangible assets in Mr. Fox's name to realize on.
22. Can the Receiver apply to court to obtain an order stating that the amounts paid to the investors was principal repayment and not interest?
- (a) The Receiver is aware of a case to classify the matter as a Ponzi scheme and there is potential for investors to receive a refund on the taxes paid from the T5 issued by Base;
 - (b) Advises this has recently been brought to counsel, Mr. Billington's attention and that it looks plausible
 - (c) One concern is whether a Net Winner/Loser Calculation is required, as the court may want to see who benefited or been negatively affected the most out of the approximate 280 investors.
 - (d) Canada Revenue Agency ("CRA") would need to be placed on notice.
 - (e) An Investor (Bill Janman) presented the Receiver with a petition of some of the investors requesting the Receiver use funds currently in the estate to obtain a Court Order regarding this tax matter.
 - (f) The Investors at the meeting believed that this will provide most immediate benefit to the investors.
23. Did Base hold legal titles on any of the real estate realized on?

- (a) The property was in the names of individuals but the money was traced from Base.
24. Is there enough evidence already to prove Base was a Ponzi scheme?
- (a) The Receiver believes there is enough to prove there was a Ponzi scheme since 2004.
 - (b) The complex calculations to determine net winners have not yet been performed.
25. Has there been precedent set for this net winners repaying net losers?
- (a) Yes, several examples were provided.
26. What date can an investor use to advise the CRA of when their investment income became returns of capital due to the Ponzi scheme?
- (a) This question would be better handled by the investor's accountant or tax lawyer.
 - (b) The Receiver will reach out to its tax department to see if they can offer any advice.
 - (c) Mr. Billington replies that getting records from investors regarding their money invested and received would be of great benefit. He also mentions there are issues such as limitation periods within the Income Tax Act and fraud may impact these limitation periods regarding the timing used by CRA as to when Base investments became fraudulent.
27. Could the Receiver reissue the T5?
- (a) Mr. Billington will look into whether the Receiver has the ability to re-issue the T5's in lieu of the original issuer, Base Finance Ltd.
28. Would the ASC sentencing fines be paid to the estate?
- (a) Mr. Billington answered that "in the normal course" these funds go into the general provincial fund. There may be a

small chance that the Receiver could claim these funds as coming from innocent investors and thus be returned to them.

29. How is Mr. Breitkruetz, paying for his living expenses and legal counsel?
 - (a) The Receiver is not aware of how this is occurring.
30. Will Mr. Breitkruetz face jail time?
 - (a) The Receiver cannot answer this because it would surely be a guess and it would be improper to speculate on a court decision.
31. Who had prepared Base's tax returns and financials?
 - (a) The accountant has passed away. The Receiver confirms this is a topic that has been looked into and will be spoken to in the next report.
32. Will CRA conduct their own tax fraud investigation?
 - (a) The Receiver believes they may do an investigation.
33. If other parties are eventually prosecuted as being complicit in the fraud will their assets come into the scope of the receivership?
 - (a) This will be addressed if it occurs and it is not appropriate to speculate until all facts are known in such a situation.
34. Can the investors file an Allowable Business Investment Loss ("ABIL") with CRA as a means to recover monies?
 - (a) Trustee, Mr. David Lewis states that CRA may be of the view that the investor's investment losses are not ABILs due to the American section. This will be dealt with in a report at the same time as the potential application for changing previously filed interest income to a return of capital.
35. Investor advises that Mr. Breitkruetz was a licensed as a mortgage broker by RECA (Real Estate Council of Alberta) until 2013 and RECA is obligated to do audits every five years but this does not appear to have been done. Can the Receiver act on behalf of the investors and pursue RECA for negligence?

(a) We will look into this.

36. Investor on the phone raises a similar issue but with Bank of Montreal (“BMO”). By issuing this letter did BMO not have a duty to report this to the ASC and could they be liable to Base investors for not reporting?

(a) Mr. Billington responds that it comes down to, what is the legal duty of BMO and does BMO owe that duty to the investors. We will look into this.

Next Steps

37. Legal counsel will be preparing a legal opinion in regards to the potential of having the interest deemed to be principal repayment. This will be done before the end of September.
38. Legal counsel and the Receiver will look into potential negligence claims against BMO and RECA.
39. Dealing with the sale of the other properties already discussed.
40. Questioning of parties of interest
41. Dealing with the remaining properties. An investor on the phone announces that they did have success-getting CRA to reverse the interest income and reclassified as repayment of principal. This was done based on the ASC report and only for the past couple of years.

Meeting adjourned at 11:50AM.