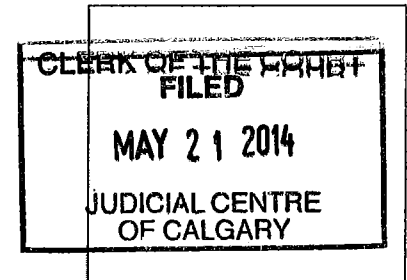


Clerk's stamp



COURT FILE NUMBER 1101-16994

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT BRUCE BRANDER

RESPONDENTS COPESTONE CAPITAL INC., COPESTONE ASSET MANAGEMENT INC., NUTERRA INVESTMENTS CORPORATION, BROOKSTONE DEVELOPMENTS INC., LUANO BAISI, LES BAISI, BRADLEY BAKER AND MARY BAKER

IN THE MATTER OF THE APPOINTMENT OF A RECEIVER OF COPESTONE CAPITAL INC. AND COPESTONE ASSET MANAGEMENT INC.

DOCUMENT FIFTH REPORT OF THE RECEIVER

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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**FIFTH REPORT OF THE RECEIVER
DATED MAY 15, 2014**

BDO Canada Limited
620, 903 - 8th Avenue S.W.
Calgary, Alberta
T2P 0P7
Telephone (403) 531-0537
Facsimile: (403) 262-6184
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1.0 PURPOSE OF THE REPORT

1.1. The purpose of this report is to:

- (i) Highlight the steps taken since the Fourth Report of the Receiver filed June 13, 2013;
- (ii) Outline for the Court the updated findings of the Receiver from investigations and analysis of the books and records of Copestone Capital Inc. ("Copestone Capital") and Copestone Asset Management Inc. ("Copestone Asset") (collectively the "Companies").

2.0 RECEIVERSHIP ACTIVITY

- 2.1. As outlined in the Fourth Report of the Receiver¹, the Receiver attempted to reach agreement with Les and Luano Baisi regarding the release of the proceeds from the sale of Property #15. The parties did not reach an agreement and the Receiver applied to the Court for directions regarding the \$726,493.85 held in trust (the "Funds").
- 2.2. In an Affidavit filed on July 30, 2013, Luano Baisi deposed that Eco Living Inc., Eco Logic Developments (2000) Inc., and Brookstone Developments Inc. may have claims against the Funds for an amount up to \$264,040.00. The Receiver therefore asked the Court to Order that \$462,453.90 of the Funds be released to the Receiver and that the remaining amount of \$264,040.00 be left in trust pending further adjudication.
- 2.3. On August 6, 2013, McLeod J. granted the requested Order such that \$462,453.90 was released to the Receiver and \$264,040.00 is still held in trust by the Receiver with respect to Property #15.
- 2.4. Under the Receivership and Attachment *Ex Parte* Order, the Receiver questioned further third parties with information related to the Companies. Counsel for the Receiver questioned Justin O'Connell on August 15, 2013 and questioned David Campbell on September 11, 2013.
- 2.5. The Receiver has undertaken a further detailed analysis of the accounting records of Copestone to determine the disposition and dissipation of investor funds with respect to certain, specific properties. As a result, some of the figures outlined in the Receiver's Third Report have been updated as outlined below.
- 2.6. Draft financial statements of Copestone Capital for the period ending December 14, 2011 have been updated by the Receiver and are attached as **Schedule "A"**.

¹ Fourth Report of the Receiver at para. 4.3.

2.7. The Receiver has undertaken numerous steps in order to advance Action Number 1201-11805 issued by the Receiver on September 18, 2012 (the "Action").²

2.7.1. Counsel for the Receiver questioned the following defendants on the following dates:

(i) Mary Baker on November 26 and December 10, 2013.

(ii) Dr. Lyle Smith on November 27, 2013.

(iii) Luano Baisi on February 11 and 12 and May 7, 2014.

(iv) Les Baisi on February 20 and 21 and May 8 and 9, 2014.

2.7.2. Counsel for the Receiver wrote to Chief Justice Wittmann on October 16, 2013 requesting that the Action be placed into case management. Chief Justice Wittmann responded on October 22, 2013 granting that request and the first case management meeting was held on December 13, 2013 before Madame Justice Romaine.

2.7.3. On December 23, 2013, the defendant 1625183 Alberta Ltd. filed an Application to remove the certificate of *lis pendens* registered against lands at issue in the Action, along with the Affidavit in support of Luano Baisi filed December 23, 2013. Counsel for the Receiver questioned Luano Baisi on that Affidavit on January 13, 2014. The Receiver filed the Affidavit of Naomi McGregor in response on March 14, 2014. The Application was scheduled to be heard on April 9, 2014. The parties filed their respective Briefs of Law and, on April 2, 2014, the Application was adjourned *sine die* by consent.

2.7.4. The next case management meeting before Madame Justice Romaine is scheduled for May 22, 2014.

3.0 FINDINGS OF THE RECEIVER FROM INVESTIGATIONS OF THE COMPANIES' BOOKS AND RECORDS RELATING TO PROPERTY INVESTMENTS

3.1. As indicated in the Receiver's First Report, dated February 28, 2012, and the Receiver's Third Report, dated January 29, 2013, the Receiver obtained various books and records of the Companies and undertook an initial analysis of these records. Further analysis of these records including bank statements, deposit books, agreements of purchase and sale, cancelled cheques and recorded and tracked material payments out of the Companies has resulted in some updated

² Receiver's Third Report at para. 4.1.

information with respect to certain properties discussed in the Receiver's Third Report and the amounts payable to Copestone. Specifically:

- 3.1.1. With respect to Property #3 – 4921 20A Street SW³, the Receiver has found evidence of full repayment of all funds loaned by Copestone Capital to Eco-Living Inc. and Les Baisi.
- 3.1.2. With respect to Property #4 – 219 – 17 Avenue NE and Property #5 – 221 – 17 Avenue NE⁴, the Receiver has found evidence of full repayment of all funds loaned by Copestone Capital to Eco-Living Inc.
- 3.1.3. With respect to Property #6 – 732 – 56 Avenue SW⁵, the Receiver has found evidence of full repayment of all funds loaned by Copestone Capital to Ecologic Developments (2000) Inc.

4.0 SUMMARY OF FUNDS RECEIVED BY THE RECEIVER TO DATE

- 4.1. Shortly after it was appointed, the Receiver froze all known bank accounts and received \$5,181.96 from two separate accounts in the name of Copestone Capital and \$36.20 from two separate accounts in the name of Copestone Asset, as they existed at the CIBC.⁶
- 4.2. The Receiver has realized on the following properties with the approval of the Court as noted in the Third and Fourth Reports of the Receiver⁷ and paragraphs 2.1 to 2.3, above:

| Ref.# | Civic Address | Legal Description | Amount Realized |
|-------|------------------------------|--------------------|---|
| 11 | 648 – 26 Avenue NW | P3955R B8 L23&24 | \$298,777.41 |
| 12,13 | 2022 and 2020 – 23 Avenue NW | P8100AF B41 L10&11 | \$400,000 |
| 14 | 2806 – 24 Street | P1010578 B2 L26 | \$130,469.43 (held in trust) |
| 15 | 2432 – 27 Avenue NW | P1010578 B2 L25 | \$726,493.85 (\$265,460.40 held in trust) |

- 4.3. In total, the Receiver has received funds in the amount of \$1,176,455.42 to date and \$395,929.83 is held in trust.

5.0 STATEMENT OF RECEIPTS AND DISBURSEMENTS

- 5.1. The Receiver's Statement of Receipts and Disbursements for the period of the Receivership to date is included herein as **Schedule "B"**.

³ Third Report of the Receiver at para. 3.7.3.

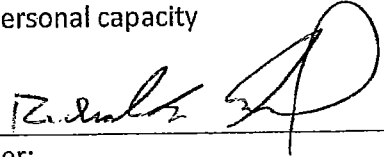
⁴ Third Report of the Receiver at para. 3.7.4.

⁵ Third Report of the Receiver at para. 3.7.5.

⁶ First Report of the Receiver at para. 2.5.

⁷ Receiver's Third Report at paras. 2.2 to 2.5; Fourth Report of the Receiver at paras 4.1. to 4.5.

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



Per:

Name: Richard Edwards

Title: Senior Vice-President

Schedule 'A'

DRAFT

Copestone Capital Inc
Financial Statements
For the period ended December 14, 2011
(Unaudited - see Notice to Reader)

| | <u>Contents</u> |
|-------------------------------------|-----------------|
| Notice to Reader | 2 |
| Financial Statements | |
| Balance Sheet | 3 |
| Statement of Operations and Deficit | 4 |

Notice to Reader

DRAFT

On the basis of information provided by management, we have compiled the balance sheet of Copestone Capital Inc as at December 14, 2011 and the Statement of Operations and Deficit for the period then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Chartered Accountants

Calgary, Alberta

Copestone Capital Inc
Balance Sheet
(Unaudited - see Notice to Reader)

| December 14 | 2011 | 2010 |
|-----------------------------------|---------------------|---------------------|
| Assets | | |
| Cash | \$ 5,380 | \$ 123,190 |
| Accounts receivable | 1,143 | 1,142 |
| Due from Nuterra Investments Inc. | 5,553,116 | 5,436,538 |
| | <u>\$ 5,559,639</u> | <u>\$ 5,560,870</u> |
| Liabilities | | |
| Dividends payable | \$ - | \$ 29,485 |
| | <u>-</u> | <u>29,485</u> |
| Share capital | 6,160,697 | 5,921,959 |
| Deficit | (601,058) | (390,574) |
| | <u>5,559,639</u> | <u>5,531,385</u> |
| | <u>\$ 5,559,639</u> | <u>\$ 5,560,870</u> |

Copestone Capital Inc
Statement of Operations and Deficit
(Unaudited - see Notice to Reader)

| For the period ended December 14 | 2011 | 2010 |
|----------------------------------|---------------------|---------------------|
| Revenues | | |
| Interest income | \$ 141,389 | \$ 455,061 |
| Management fees | 9,668 | 86,692 |
| | <u>151,057</u> | <u>541,753</u> |
| Expenses | | |
| Bank charges | 215 | 144 |
| Investment interest | 345,260 | 665,133 |
| Office expenses | 702 | - |
| Professional fees | 15,363 | 16,670 |
| | <u>361,540</u> | <u>681,947</u> |
| Net loss | (210,483) | (140,194) |
| Deficit, beginning of year | <u>(390,574)</u> | <u>(250,380)</u> |
| Deficit, end of year | <u>\$ (601,057)</u> | <u>\$ (390,574)</u> |

Schedule 'B'

Estate No. 25-094239

COPESTONE CAPITAL INC.
INTERIM REPORT OF THE RECEIVER PURSUANT TO S. 246(2) OF THE BIA
BDO CANADA LIMITED COURT APPOINTED RECEIVER
FOR THE PERIOD FROM DECEMBER 14, 2011 TO MAY 9, 2014

Receipts:

| | | |
|---|----|---------------------|
| Sale of real property - 2432 27th Ave SW (Note 1) | \$ | 265,460.40 |
| Sale of real property - 2020/2022 23rd Ave NW | | 400,000.00 |
| Sales of real property - 648 26th Ave NW | | 298,777.41 |
| Sale of real property - 2432 27th Ave SW | | 464,122.27 |
| Cash on hand | | 5,181.96 |
| Utilities refund | | 621.97 |
| Interest | | <u>7,751.81</u> |
| Total receipts | \$ | <u>1,176,455.42</u> |

Disbursements:

| | | |
|---|----|-------------------|
| Receiver's fees | | 284,967.29 |
| GST on Receiver's fees | | 14,285.90 |
| Legal fees | | 538,955.77 |
| GST on Legal fees | | 26,831.49 |
| Fees paid to the Official Receiver | | 70.00 |
| Fax, courier and postage | | 17.53 |
| GST paid | | 30.00 |
| Change of locks | | 103.00 |
| Land title fees | | 630.00 |
| Utilities | | 700.00 |
| Repairs and building maintenace | | 600.00 |
| Transfer to Copestone Asset Management Receivership Trust Account | | <u>30,421.79</u> |
| Total disbursements | \$ | <u>897,612.77</u> |

Funds on hand at May 9, 2014

\$ 278,842.65

NOTES:

- 1 Net proceeds of \$265,460.40 from the sale of 2432 - 27th Ave SW are being held in a Receiver's general trust account, separate and apart from the Receiver's trust account in accordance with a Court Order. These funds are currently not available for use.
- 2 Surplus sales proceeds in the amount of \$130,469.43 for the sale of 2804 - 24th Street NW property are being held in trust by Mr. O'Connell, pursuant to Court Order dated March 12, 2012.
- 3 The Receiver has realized all known assets of the debtor, including the real property.