

**JUDICIAL TRUSTEE'S THIRD REPORT TO THE INVESTORS
SEPTEMBER 30, 2020**

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

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Exhibits

1. Statement of Receipts and Disbursements for the period March 8, 2019 to September 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 Third 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) Potential realization; 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 Second 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 have 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	9,600
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	181,950
Property	Bruderheim	3,336,888	-
Property	Wandering River	2,000,000	320,651
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	\$1,450,996

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.
17. The Receiver is currently in discussions to settle the mortgage amount.

Mortgage - Beaumont, AB

18. 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.
19. The borrower has continued to make payments on a timely basis, paying \$6,000, which represents 16 months of payments to the Trustee.
20. The Receiver has enquired about settling the mortgage; however, she currently does not have the fund. The Receiver estimates five (5) years for recovery.

Mortgage - Edmonton, AB

21. WCC holds a blanket second mortgage (\$1,250,000) on the above properties and a blanket third mortgage (\$200,960) on the above properties.
22. 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.

23. Payment on the third mortgage has been 12,000. The Company has not paid since December.
24. A third party mortgage company, KV Capital, has a first charge mortgage. Until the unit are all sold and a determination can be made, as to what, if any, shortfall may occur to KV Capital, the Receiver cannot determine if any recovery can be made. The Receiver estimates that based on current absorption rates, it should take 4-5 years.

Mortgage - Beach Grove Properties

25. The Receiver has filed a statement of claim for the entire amount owing against the properties.
26. The Receiver has just recently switched legal counsel dealing with the file. In addition, the owner of the development is trying to figure out financing for a potential settlement.
27. If a settlement is unable to be reached in the short term, the Receiver estimates that it would take approximately three (3) years to deal with the property.

Properties

River Crossing Land

28. The Receiver has successfully completed the sale of the west lots to a third party. The Receiver has an offer on the east side that is to close by the end of September.
29. There was no recovery for the estate from the sale of this property, as the first mortgage holder was not paid in full.

Drumheller, AB

30. The Receiver has sold all but one of the vacant lots.
31. The Receiver estimates that this last lot will be sold by the end of 2021.

Bruderheim, AB

32. The Receiver has an offer on the property, subject to court approval and obtaining a phase 2 environmental report.
33. The Receiver is currently in the process of obtaining a phase 2 environmental report. This should be completed by the end of November 2020. Once completed, assuming conditions are waived the property would close in early 2021.

Wandering River, AB

34. 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.
35. The Receiver has sold two of the commercial lots and has 11 residential lots remaining. The Receiver estimates that the remainder of the lots will be sold by the end of 2021.

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

36. 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 \$100,000 of funds are being held in trust with the lawyer who handled the conveyance.
37. The Receiver intends to have this matter resolved by the end of 2021.

Litigation

Berry Homes Ltd. and Performance Paving Services Inc.

38. The Receiver is in the process of making an application requiring Berry Homes Ltd. to compel Berry Homes Ltd to produce an affidavit of records.
39. This application is schedule for October 1, 2020. Once this step is done they will be given time to produce the affidavit of records. Assuming they file the materials, we will likely proceed to questioning and setting a trial date for the matter.
40. There is approximately \$1.5 million in Court and three parties claiming an interest to these funds. Berry Homes is claiming an interest to the entire amount. Performance Paving Services Inc. is claiming a portion of the amount, approximately \$300,000 for unpaid work on the project. The Trustee is claiming an interest to the entire amount.

Paldi and Lack et al

41. The Receiver has retained WCC counsel, Martin Sennott of Boughton Law Corporation, on these files to move the matters forward.

Paldi

42. The Paldi litigation arises because of reliance by WCC on an appraisal provided to WCC, which was allegedly significantly overvalued the lands.
43. The Receiver is currently in discussions to have this matter settled and is hopeful that it is completed by the end of 2020.

Lack et al

44. Previously referred to as the Braun matter, Lack et al. is litigation between WCC and its former counsels for the alleged failure to register a mortgage in a timely fashion.

45. On or near July 3, 2020, counsels for both defendants were successful in obtaining an Order for Security for Costs requiring the Receiver to pay into court approximately \$68,000.
46. On July 8, 2020, the Receiver sent the funds to Mr. Sennott, its counsel engaged in this litigation matter.
47. As with other litigation matters initiated by WCC, this matter has stalled but the Receiver is seeking to conclude these matters.
48. The Receiver is currently obtaining an appraisal on the property on which the mortgage was to be registered.
49. In addition, the Receiver's counsel is requesting the Notices to Admit are completed by the defendants by the end of September.
50. Assuming that we do not do examinations, we hope that this matter will be heard before the end of November.

Potential Realization

51. The Receiver has been requested by one of the Investors to provide an estimate for recovery. The Receiver estimates a recovery, which would be available for distribution of \$1,000,000 to \$7,000,000. Note that actual recovery may vary substantially from the estimated amount.

Receipts and Disbursements

52. The statement of receipts and disbursements from March 8, 2019, to March 15, 2020, is attached as Exhibit 1. The Receiver currently has \$509,874 of funds on hand to deal with ongoing holding costs for the properties.
53. In addition to the professional fees disbursed, there is approximately \$500,000 in professional fees owing to the Trustee, its legal counsels.