

**JUDICIAL TRUSTEE'S FIRST REPORT TO THE INVESTORS
SEPTEMBER 30, 2019**

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

Contents

Exhibits	3
Introduction	4
Disclaimer and Limitations of the Report	6
Trustee’s Activities	6
Mortgages	8
Properties	10
Litigation	12
Creditor Claims	13
Receipts and Disbursements	15

Exhibits

1. Statement of Receipts and Disbursements for the period March 8, 2019 to September 23, 2019

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 Murin 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. WIT was established by way of a Declaration of Trust dated June 1, 2015. The Declaration of Trust was amended and restated by an agreement on September 3, 2015, and made effective June 30, 2015. The Trust is a mutual fund trust with the purpose of investing in mortgage and real estate assets.
8. Before WIT being established, the assets of the Trust were part of two Mortgage Investment Corporations ("MIC"). The MICs held assets in British Columbia, and Alberta and these assets were primarily mortgages.
9. WCC provided mortgage administration, capital raising and mortgage brokerage services to the MICs. Another corporation, WCSC, provided business support services, staffing and office space to the MICs.
10. The Trust, WCC and the MICs entered into the Arrangement Agreement whereby:
 - a) The MIC's affairs were rearranged; and
 - b) The MICs assets were consolidated into the Trust by way of MIC shareholders exchanging their shares in exchange for units of the Trust, (the "Arrangement").
11. The main reason for the Arrangement was there were income tax concerns arising from the MICs' interest in real estate assets as a result of foreclosure actions. Investors in the MICs received information circulars in support of the Arrangement.
12. WIT holds a beneficial interest in assets comprising mostly mortgages and some real estate holdings, which are held by various Companies in trust for WIT.
13. The foregoing is intended as a very brief overview. More detail of the foregoing is contained in the Munir Affidavit filed in these proceedings, a copy of which can be found on the website established by BDO as set out above.
14. BDO felt it was important to communicate essential information regarding the investors' investment in WIT on a semi-annual basis. This is the First Report to the Creditors ("Creditors Report"). This report will provide the Investors with the following information:

- a) Trustee's activities;
- 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

15. 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.

16. 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

17. 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.

18. The Companies have three main categories of assets. The majority of the assets are mortgages, and interests in various properties deriving from mortgage enforcement proceedings. Numerous lawsuits 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.

19. The assets of WIT 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	Estimated Recovery	Recovery to date
Mortgage	Calgary	\$224,573	\$3,625
Mortgage	Beaumont	56,073	2,400
Mortgage	Edmonton	1,250,000	50,000
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	-
Property	Cranbrook - River's Crossing Land	1,946,473	-
Property	Drumheller	875,000	4,800
Property	Bruderheim	3,336,888	-
Property	Wandering River	2,000,000	-
Property	Village at Paldi	500,000	-
Litigation	Alberta	1,400,000	-
Litigation - Paldi	British Columbia	Unknown	-
Litigation -	British Columbia	Unknown	-
Total		20,083,901	\$453,034

20. 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, and notwithstanding anything contained in this Creditors Report, the Trustee is not suggesting that these numbers represent the expected recoveries.

Mortgages

Mortgage - Calgary, AB

21. The civic address for the Calgary property is 42 Auburn Sound Landing SE, Calgary, AB (legally described as Lot 58, Block 4, Plan 0612118).
22. WCC holds a second mortgage on the above property.
23. The Receiver has received \$3,625 of mortgage payments, which represents two (2) months of payments to the Trustee.

Mortgage - Beaumont, AB

24. The civic address for this property is 5222-58 Street, Beaumont, AB (which is legally described as Lot 17, Block 9, Plan 7822295).
25. 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.
26. The borrower has continued to make payments on a timely basis, paying \$2,400, which represents four (4) months of payments to the Trustee.

Mortgage - Edmonton, AB

27. Luxury Greens by Soren Homes Ltd. is the registered owner of real properties located at 20245 - 93 Avenue, Edmonton, AB (legally described as Lots 232 and 233, Blocks 1 through 43, Condominium Plan 1721169).
28. As discussed in the Interim Receiver's First Report, WCC holds a blanket second mortgage (\$1,250,000) on the above properties and a blanket third mortgage (\$200,960) on the above properties.
29. Soren Hold Ltd is development and selling residential units and the agreement with WCC is a payment of \$50,000 per unit sold. The Receiver has received a payment of \$50,000 as the fifteenth unit has now been sold.

30. Based on discussions with KV Capital, the holder of the first mortgage, their mortgage is currently in default, as such the Receiver may not receive future payments until it has been made current.

Mortgage - Beach Grove Properties

31. Beach Grove Properties Ltd. ("BGPL") is the registered owner of the real property described as Lot 1, Section 9, Township 21, Range 10 West of the 6th Meridian, Kamloops Division, Yale District Plan KAP44752 except Strata Plan EPS1523 (Phase 1).
32. House & Castle Construction Ltd. ("HCCL") is the registered owner of the real property described as Lot 57, Section 17, Township 22, Range 10 West of the 6th Meridian, Kamloops Division, Yale District Plan KAP44752.
33. As discussed in the Interim's Receiver First Report, the above properties were part of a three (3) phase, vacation property development plan on the Shuswap Lake near Salmon Arm, BC, which when completed, would be comprised of forty-three (43) units.
34. Foreclosure proceedings by WCC were underway on the properties, however, were stayed as a result of a counter-claim filed by the Principle of BGPL and HCCL.
35. The Receiver has been in contact with WCC counsel on this file and has provided directions to move the foreclosure steps forward.

Mortgage - 1465 Naramata Road, Penticton B.C.

36. This property is legally described as Lot 2, District Lots 199 and 672, Similkameen Division, Yale District Plan 2318, Except Parcel A (Plan B5643).
37. CIBC Mortgages Inc. ("CIBC") holds a first mortgage in the approximate amount of \$1 million.
38. The property was subject to a foreclosure proceeding initiated by CIBC. On April 18, 2019, an application to approve the sale of the property was brought forth by CIBC. The Court approved the sale of the property, which closed on May 9, 2019.

39. On May 9, 2019, Brian Markus legal counsel dealing with the foreclosure action on behalf of 178, made an application to have the excess funds paid to 178 for the second mortgage.
40. The Receiver has received net proceeds of \$336,209 from the sale of the property.

Properties

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

41. On November 18, 2019, the house and lot were listed by Re/Max Blue Sky Realty in Cranbrook, BC for \$649,900. On July 1, 2019, the price was reduced to \$579,000. One offer has been received since the price drop with was significantly lower than the asking price.
42. Capital Direct Lending Corporation ("CDLC") holds a first mortgage on the property. The mortgage is being kept current. CDLC is owed approximately \$330,000. The Receiver has been making monthly mortgage payments of approximately \$1,600.

240 Shadow Mountain Boulevard, Cranbrook, B.C. (Strata Lot 119)

43. The house and lot are complete. This property is subject to a Five Year Joint Venture Agreement which was signed on February 3, 2016. The Receiver and the Partner have reached an agreement, such that, the Joint Venture Partner purchased WCC's 50 percent interest for \$50,000.

River Crossing Land

44. There are approximately 100 residential lots for sale on the property that are listed for sale between \$100,000 and \$200,000. These lots have been selling at a rate of approximately two (2) lots a year for the past several years. In 2018, an auction occurred, which resulted in 18 lots being sold.
45. The Receiver has obtained an appraisal for the property and is currently in discussions with the first mortgage holder, Conexus, on next steps regarding this property.

46. There is approximately \$340,000 of outstanding property taxes from the current and prior year.

Drumheller, AB

47. 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.
48. One of the lots has been developed into a single-family home located at 812 - 3rd Street SW in Drumheller, AB (legally described as Lot 8, Block 11, Plan 1110970) ("Drumheller Home"). There is a first mortgage on the property from KV Capital for approximately \$275,000.
49. The current tenant has made an offer to purchase the home, but as of the date of this report the sale of the property has not closed, nor is it certain that the tenant will be able to close the sale.

Bruderheim, AB

50. 837 is the registered owner of real property located at 555051 Range Road 203, Lamont County, AB. (legally described as Lot 1, Block 1, Plan 0827309 containing 13 Hectares (32.12 Acres) more or less excepting there out Plan 1420761 Subdivision containing 2.65 Hectares (6.55 Acres) more or less).
51. There are potential environmental issues with sodium chlorate in the soil around the Bruderheim Industrial Rail Facility building. The Receiver is in the process of reviewing old environmental reports and obtaining an environmental assessment of its own.
52. The Bruderheim Property has access to a salt cavern belonging to an unrelated third party.
53. The Receiver currently has an offer on the property, and both parties are working diligently to remove conditions before court approval.

Wandering River, AB

54. 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.

55. The Receiver is in the process of listing all of the property for sale.

56. The lands are currently being farmed by a third party, paying rent of \$2,000 per year. The Trustee has received payment in full.

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

57. On August 7, 2019, the Court granted an order approving the sale of the property. The sale of the property closed September 6, 2019.

58. 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, funds are being held in trust with the lawyer who handled the conveyance.

Litigation

Barry Homes Ltd. and Performance Paving Services Inc.

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

60. 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

61. The Receiver has retained WCC counsel, Martin Sennott of Boughton Law Corporation, on these files to move the matters forward.
62. The Paldi litigation arises as a result of reliance by WCC on an appraisal provided to WCC, which was allegedly significantly overvalued the lands.
63. 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

Noteholders

64. Once the MICs were restructured into WIT, there were approximately 1,600 unitholders (the "Unitholders"). These Unitholders had the ability, under the terms of the Restated Declaration of Trust to request a redemption of their units.
65. The various Unitholders who requested redemption of their units either received a promissory note or Class D Unit. Receiving Class D Units was dependent on the nature of the investment, such that unitholders who held the units in their registered plans, were issued Class D units.
66. As of February 25, 2019, approximately 800 of the 1,600 Unitholders have redeemed their units in Class A and/or B. This resulted in these Unitholders became noteholders, as approximately follows:
 - a) 400 holders of Class D Trust Units (approximately 27.5 million units); and
 - b) 400 holders of redemption notes.(the "Noteholders")
67. The Noteholders are owed approximately \$18.3 million.

68. Since February 25, 2019, but before the Judicial Trustee Order was granted, three (3) Unitholders sent in the request for redemption form. The Judicial Trustee has not reviewed these document as of the date of this report.

Unitholders

69. As of February 25, 2019, the outstanding units are as follows:

- a) Class A Trust Units - approximately 29.5 million;
- b) Class B Trust Units - approximately 2 million; and
- c) Class C Trust Units - 2.

70. The initial investments for these 800 Unitholders is approximately \$25,000,000.

Redemption and Transfer of units

71. As of March 8, 2019 (the date the Judicial Trustee Order was issued), all redemption requests are stayed. BDO in its capacity as Judicial Trustee of WIT and Receiver of Westpoint and related entities and its counsel are still trying to determine, what can be done with redemption requests made prior to the stay.

72. BDO in its capacity as Judicial Trustee of WIT and its counsel are currently reviewing whether or not the Receiver has the power to allow and facilitate the transfer of units between various parties. The Judicial Trustee should have an answer by October 31, 2019. An update to this matter will be sent to all investors by mail.

Other matters

73. Based on a review of the Declaration of Trust, the Judicial Trustee notes that the two main bodies of creditors, the Unitholders and the Noteholders may have conflicting interests.

74. Schedule A, Article 6, states that there is a redemption queue such that the first person requesting to be redeemed is the first person to be paid. As such, the individuals in the redemption queue may want the realization of the property to be done quickly to recover their funds. Unitholders will want to maximize the amount recovered to protect their investments.

75. Due to the conflict between the two main parties; the Judicial Trustee believes that it is appropriate that each group of creditors have independent counsel.
76. The Judicial Trustee is still working on a resolution to this matter, but believe it will likely not occur until sufficient assets are realized upon.

Receipts and Disbursements

77. The statement of receipts and disbursements from March 8, 2019, to September 23, 2019, is attached as. The Receiver currently has \$182,456 of fund on hand to deal with ongoing holding costs for the properties.
78. In addition to the professional fees disbursed, there is about \$610,000 in professional fees are owed to the Trustee, its legal counsel and corporate legal counsel.

**EXHIBIT ONE TO THE JUDICIAL TRUSTEE'S FIRST REPORT TO
THE INVESTORS**

SEPTEMBER 30, 2019

BDO Canada Limited
Statement of Receipts and Disbursements For
WestPoint Capital Corporation et al.
For the period of March 8, 2019 to September 23, 2019

Receipts

Loan	\$	500,000
Funds from foreclosure		336,209
Sale of land		202,185
Cash on hand		135,922
Rental income and mortgage payments		36,439
Miscellaneous income		21,750
Rental income		13,450
Sale of vehicle		10,010
GST collected		6,275
Interest Income		883
		1,263,123

Disbursements

Legal fees		368,376
Wages		165,139
Receiver fees		97,155
Insurance		67,995
Construction		60,756
Payment to secured creditor		59,732
Appraisal fees		51,235
Strata fees		50,423
GST paid		30,787
Mortgage payments		27,385
Payroll deductions		20,193
Utilities		19,978
Consulting fees		16,377
Real property taxes		11,076
Repairs and maintenance		10,672
Settlement amount		6,685
Commission		5,730
Office expenses		5,580
Occupation rent		4,000
Advertising		1,000
Storage		150
Payroll services		134
Filing fees paid to the Official Receiver		70
Bank Fees		18
Photocopies		13
Search fee		10
		1,080,667

\$ 182,456