

**IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY**

BETWEEN:

**VECKENSTEDT HOLDINGS INC., HERB VECKENSTEDT,
FRED PIPER, JOAN PIPER, LIPOTH CONSULTING, AND
PAUL LIPOTH**

Plaintiffs

- and -

**INTEGRA INVESTMENT SERVICE LTD. ("INTEGRA")
AND
RUNDLE DEVELOPMENT CO-OPERATIVE ("RDC")**

Defendants

FIRST REPORT OF THE INTERIM RECEIVER

ERNST & YOUNG INC.

AUGUST 21, 2006

INTRODUCTION

1. On August 18, 2006, the Plaintiffs applied for and obtained an Order (the “IR Order”) pursuant to s. 13(2) of the *Judicature Act*, R.S.A. 2000, c. J-2, as amended.
2. Pursuant to the IR Order, Ernst & Young Inc. was appointed Interim Receiver (“IR”) of certain records as described in Schedule A of the IR Order (the “Records”).
3. The purpose of this first report of the IR (the “First Report”) is to provide this Honourable Court with an update in respect of the following:
 - (a) IR’s execution of the of the IR Order to date; and
 - (b) Request for advice and directions with regard to the removal of Records from an additional residential location that was identified to the IR.

IR’s EXECUTION OF THE IR ORDER TO DATE

4. On August 18, 2006, the IR attended following residential premises (the “Residential Premises”):
 - a. 16 Wolf Willow Ridge, Elbow Valley, Calgary, Alberta; and
 - b. 506-18 Avenue N.W., Calgary, Alberta.
5. Upon attendance at each Residential Premise, the IR served the Statement of Claim, the IR Order, the Affidavits of Herb Veckenstedt and Paul Lippoth and the Plaintiff’s Notice of Motion for the appointment of a Receiver and Manager over all the property, assets and undertaking of the Defendants filed or issued under these proceedings. The specific individuals served with the above-noted materials were:
 - a. Ms. Maxine Cooke, Interga’s sole shareholder who was at 16 Wolf Willow Ridge, Elbow Valley, Calgary, Alberta; and
 - b. Mr. Leandre St. Pierre, President of RDC who was at 506-18 Avenue N.W., Calgary, Alberta.

16 Wolf Willow Ridge, Elbow Valley, Calgary, Alberta

6. Immediately after being served, Ms. Cooke advised that she would contact her legal counsel. Ms. Cooke was able to discuss the IR Order with her counsel and advised that her counsel, Mr. Frank Monaghan, would attend at her Residential Premise prior to the IR entering.
7. Upon the arrival of Mr. Monaghan, the IR discussed the IR Order and Mr. Monaghan advised that all the records were considered privileged pursuant to Paragraph 7(e) of the IR Order. Accordingly, the Records of Integra and RDC located at 16 Wolf Willow Ridge, Elbow Valley, Calgary, Alberta were inventoried, removed under seal and transferred to the IR's offices.

506-18 Avenue N.W., Calgary, Alberta

8. Immediately after being served, Mr. St. Pierre was advised of his ability to contact his legal counsel pursuant to Paragraph 7(g) of the IR Order. Mr. St. Pierre made attempts to contact legal counsel; however, he was unable to make contact. As a result, all Records were removed under seal and transferred to the IR's offices. The Records at this location were not inventoried. Mr. St. Peirre agreed to the removal of the Records under the condition that the IR would temporarily unseal the Records for the purpose of preparing an inventory of the Records and immediately re-seal them. The IR will only un-seal the Records removed from this location under the supervision of Mr. St. Pierre or his counsel.

Business Premises

9. The Business Premises, as described in Schedule B to the IR Order, are:
 - a. a registered office of 700, 10655 Southport Road S.W. Calgary, Alberta; and
 - b. a mailing address of 3012 – 17th Avenue S.E., Suite 405, #2, Calgary, Alberta.

700, 10655 Southport Road S.W. Calgary, Alberta (“Southport”)

10. The IR confirmed that the Southport location was the former offices of the law firm of McConnell MacInnes Graham (“MMG”). The IR attended this location on August 21, 2006 and advises that this location was empty.
11. On August 21, 2006, the IR contacted the MMG law firm, identified their new address and sent them, via courier and fax, a copy of the IR Order. The IR was advised by a representative of MMG that they believe that Pat Mahoney, of Lawson Glod Mahoney (“LGM”), has taken over all the MMG files regarding RDC. MMG will confirm with their lawyer who had worked on RDC matters that the MMG files relating to RDC have been transferred to LGM.

3012 – 17th Avenue S.E., Suite 405, #2, Calgary, Alberta (“3012”)

12. On August 21, 2006, the IR attended at this location and confirmed that this location was UPS retail outlet a mailing address only for RDC. The IR hand delivered a copy of the IR Order to a representative at this location.

Accountants and Law Offices of the Defendants

13. The IR was advised by Ms. Cooke and Mr. St. Pierre that Records were located at their accountants and lawyers offices. Specifically, the accountants and lawyers identified were:
 - a. Ms. Rose Wiebe, Integra accountant;
 - b. Thackray Burgess, Integra counsel - 1900, 736 - 6th Avenue S.W., Calgary, AB T2P 3T7;
 - c. Lawson Glod Mahoney and Taylor (“LGM”), RDC counsel - Suite 402, 11012 Macleod Trail S. Calgary, AB T2J 6A5; and
 - d. Kelly & Creaghan Chartered Accountants (“Kelly & Creaghan”), RDC accountant - 400, 1000 Centre Street North, Calgary, Alberta T2E 7W6.
14. In addition, the IR identified, via an Alberta Corporate Search, that the law firm of Tharp, Sinclair, Watson, Quigley, Taylor (“TSWQT”) is a registered office of Integra.

15. On August 18, 2006, the IR faxed a copy of the IR Order to Thackray Burgess. On August 21, 2006 the IR couriered and faxed a copy of the IR Order to LGM, Kelly & Creaghan and TSWQT. The IR is attempting to locate the address of Ms. Wiebe in order to provide her with a copy of the IR Order and attend at her office to remove any Records.
16. The IR is currently making arrangements to attend at the above-noted locations of the accountants and lawyers to remove the Records.

Additional Residential Premises

17. On August 18, 2006 Ms. Cooke and Mr. Monaghan advised the IR of an additional location of Records being at Mr. Frank Hassan at 71 Sweet Water Place, Elbow Valley, Calgary, Alberta (the “Additional Location”).
18. Mr. Hassan was identified by Ms. Cooke and Mr. Monaghan as a friend of Michael Mackin, a director of RDC.

REQUEST FOR ADVICE AND DIRECTION

19. As discussed above, the IR has been made aware of the existence of Records at an Additional Location and is seeking advice and direction pursuant to Paragraph 13 in the IR Order relating to the discharge of the IR’s powers and duties under the IR Order.
20. The IR believes that the IR Order should be amended such that the Additional Location be added as a Residential Premises in Schedule B of the IR Order at the earliest convenience to this Honourable Court.
21. Should this Court provide for the amendment as described, the IR will promptly attend at this Additional Location and inventory and remove any Records under seal pending agreement between the IR and the Defendant and or Mr. Hussan or further Order of the Court.

All of which is respectfully submitted this 21st day of August 2006.

ERNST & YOUNG INC.

**In its capacity as Interim Receiver of
Investment Service Ltd. and Rundle Development Cooperative**

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Neil Narfason, CA•CIRP, CBV
Senior Vice-President

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Defendants

**FIRST REPORT OF THE INTERIM
RECEIVER**

BORDEN LADNER GERVAIS LLP

Barristers and Solicitors
1000, 400 - 3rd Ave SW
Calgary, Alberta T2P 4H2

Attention: Josef Kruger
Telephone: (403) 232-9563
Fax: (403) 266-1395