

**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

SECOND REPORT OF THE INTERIM RECEIVER

ERNST & YOUNG INC.

AUGUST 24, 2006

INTRODUCTION AND BACKGROUND

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. On August 22, 2006, the IR Order was amended (the "Amendment to the IR Order") to include the residential address of Mr. Frank Hassan situated at 71 Sweetwater Place, Calgary, Alberta (the "Hassan Residence").

4. The purpose of this second report of the IR (the “Second Report”) is to provide this Honourable Court with an update in respect of the following:
 - (a) The IR’s execution of the IR Order since the First Report;
 - (b) The IR’s execution of the Amendment to the IR Order; and
 - (c) Request for advice and directions with regard to the removal of Records from additional locations that have been identified by the IR since the First Report.

IR’s EXECUTION OF THE IR ORDER AND THE AMENDMENT TO THE IR ORDER

Records of Integra relating to RDC

5. The IR’s counsel has been advised by Thackray Burgess, counsel to Integra, that it has agreed to allow the IR to review any Records pertaining to RDC with the exclusion of any Documents considered to be privileged.

The Hassan Residence

6. On August 22, 2006, the IR attended the Hassan Residence. Upon attendance at the Hassan Residence, the IR served the IR Order and the Amendment to the IR Order upon Ms. Hassan.
7. Immediately after being served, Ms. Hassan contacted Mr. Hassan by telephone. The IR advised Mr. Hassan that he should contact his legal counsel. Mr. Hassan requested the IR to leave his premises until legal counsel was located and further advised the IR that he had no Records. Mr. Hassan subsequently returned to the Hassan Residence and agreed to allow the IR to search the Hassan Residence and the IR found no substantial Records except for one invoice issued to RDC by Mr. Hassan.
8. During the course of the IR’s search of the Hassan Residence, Mr. Hassan advised the IR that he had expected to receive records of RDC that were in the possession of Michael Mackin (the “Mackin Records”), a director of RDC; however the Mackin Records had

not been delivered to the Hassan Residence. The IR has been informed by its counsel that:

- a. Mr. Mackin's current whereabouts are unknown; and
 - b. The Law Society is interested in the whereabouts of Mr. Mackins records.
9. Mr. Hassan advised the IR that the Mackin Records were located at a storage facility located near the Calgary Olympic Park. Mr. Hassan could not provide the IR with a definitive address of the Mackin Records. The IR advises the Court that there are two separate storage facilities located near the Calgary Olympic Park fitting the description as provided by Mr. Hassan. The addresses of these locations are:
- a. Space Place Self Storage, 118 Bowridge Drive, NW, Calgary; and
 - b. Sentinel Self-Storage, 2 Bowridge Drive NW, Calgary.

731 Madeira Drive NE, Calgary, Alberta, residence of Mr. John Boustead (the "Boustead Residence")

10. On August 22, 2006, at 4:57 PM, Calgary Time, Mr. Pat Mahoney, legal counsel to RDC, advised the IR's legal counsel by electronic mail, that he recently received information that a Mr. John Boustead was in possession of information belonging to Mr. Mackin that related to Integra and/or RDC. Mr. Mahoney advised that he obtained the detail of the location of the Records from a confidential and reliable source. Mr. Mahoney recommended that the IR take police assistance if the Boustead Residence was visited.

Accountants and Law Offices of the Defendants

11. The First Report advised the Court that Records of the Defendants' were located at its accountants and law offices. The IR provides the Court with the following update with respect to these locations:
- a. The IR understands that all the records held by Ms. Weibe (external accountant for Integra) have been seized by the Calgary Police. The IR has contacted the

Calgary Police, advised of the IR's appointment and is in the process of arranging to make a copy of the Records in the possession of the Police;

- b. Thackray Burgess (counsel to Integra) has provided an undertaking that any Records in its possession were not to be removed, altered or destroyed. The IR has visited the offices of Thackray Burgess and made an inventory of the Records in its possession;
- c. Lawson Glod Mahoney ("LGM"), counsel for RDC, have provided an undertaking that any Records in its possession were not to be removed, altered or destroyed. The IR's counsel has requested from LGM a complete inventory of the Records at LGM's offices;
- d. Kelly & Creaghan, Chartered Accountants (accountants for RDC) provided an undertaking that any Records in its possession were not to be removed, altered or destroyed. The IR attended Kelly & Creaghan's offices on August 23, 2006 and completed an inventory of the Records and received a copy of the undertaking; and
- e. The IR contacted Tharp, Sinclair, Watson, Quigley, Taylor ("Tharp"), the registered office of Integra. Tharp advised the IR that neither Integra nor RDC were clients and that it had no Records at its offices.

Summary of the IR's Execution of the IR Order and the Amendment to the IR Order

- 12. Attached to this Second Report at Appendix A is a summary of all the Residential Premises and Business Premises identified by the IR to have Records relating to either RDC or Integra. The schedule summarizes, by location, the IR's actions to date with respect to the Records.

REQUEST FOR ADVICE AND DIRECTION

- 13. As discussed above, the IR has been made aware of the existence of Records at a storage facility and at the Boustead Residence (collectively, the "Additional Locations"). The IR

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.

14. The bailiff assisting the IR has indicated that obtaining an appropriate order allowing the IR to break open and enter the storage facility may be required in order to access any Records on site.
15. The IR believes that the IR Order should be further amended such that the Additional Locations be added to Schedule B of the IR Order at the earliest convenience to this Honourable Court.
16. Should this Court provide for the amendment as described, the IR will promptly attend at the Additional Locations and inventory and remove any Records under seal pending further Order of the Court.

All of which is respectfully submitted this 24th 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, appearing to be 'Narfason', with a long horizontal stroke extending to the right.

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

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Defendants

**SECOND 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

Integra Investment Service Ltd. ("Integra") and Rundle Development Co-operative ("RDC")
Summary of Known Locations of Records

Name	Location	Date IR Attended Location:	Date the IR Order was delivered/couriered	Undertaking Provided that Records were not to be Removed, Altered or Destroyed	IR Comments
<u>Integra Investment Services Inc.</u>					
Residential Premises					
Ms. Maxime Cooke (Director)	16 Wolf Willow Ridge, Elbow Valley, Calgary, Alberta	18-Aug-06	18-Aug-06	n/a	Records seized and sealed by the IR.
Ms. Rose Wiebe (Accountant)	unknown	n/a	No address available	n/a	Calgary Police seized all records dealing with Integra in Ms. Wiebe's possession. IR provided the Calgary Police with a copy of the IR Order.
Business Premises					
Tharp, Sinclair, Watson, Quigley, Taylor (Legal Counsel)	Suite 800, 933 17th Ave S.W., Calgary, AB T2T 5R6	n/a	21-Aug-06	n/a	A registered office of Integra. Personnel at Tharp indicate their records do not show either Integra/RDC as clients and that they have no Records in their possession.
McConnell McInnis Graham (Legal Counsel)	700, 10655 Southport Road S.W., Calgary, Alberta	21-Aug-06	n/a	n/a	The IR attended this location on August 21, 2006 and advises that this location was empty. MMG have moved to a new location - see below.
McConnell McInnis Graham (Legal Counsel)	1245-70th Avenue SE, Calgary, Alberta T2H 2X8	n/a	18-Aug-06	n/a	MMG advised that all Records had been transferred to Lawson Glog Mahoney.
Thackray Burgess (Legal Counsel)	1900, 736 – 6 th Avenue S.W., Calgary, AB T2P 3T7	21-Aug-06	18-Aug-06	Yes	IR completed inventory of Records. Records remain at Thackray Burgess per Undertaking.

Integra Investment Service Ltd. ("Integra") and Rundle Development Co-operative ("RDC")
Summary of Known Locations of Records

Name	Location	Date IR Attended Location:	Date the IR Order was delivered/couriered	Undertaking Provided that Records were not to be Removed, Altered or Destroyed	IR Comments
<u>Rundell Development Cooperative</u>					
Residential Premises					
Leandre St. Pierre	506-18 Avenue NW; Calgary, Alberta	18-Aug-06	18-Aug-06	n/a	Records seized and sealed by the IR.
Frank Hassan	71 Sweet Water Place	22-Aug-06	22-Aug-06	n/a	No Records were located except one invoice which was seized by the IR.
<i>John Boustead</i>	<i>731 Madeira Dr. NE</i>	<i>Pending</i>	<i>Pending</i>	<i>Pending</i>	Pending amendment to the IR Order.
Business Premises					
Kelly & Creaghan Chartered Accountants, Leo Kelly	400, 1000 Centre Street North, Calgary, Alberta T2E 7W6	Augsut 23, 2006	21-Aug-06	Augsut 23, 2006	IR attended offices of Kelly and Creaghan on August 23, 2006 to complete a Records inventory. Records to remain at offices pursuant to the Undertaking.
Lawson Glod Mahoney, Pat Mahoney	Suite 402, 11012 Macleod Trail S. Calgary, AB T2J 6A5	To be completed	21-Aug-06	Yes	IR to attend offices of Lawson Glod Mahoney to complete a Records inventory. Records to remain at offices pursuant to the Undertaking.
RDC Mailing Address	3012 – 17 th Avenue S.E., Suite 405, #2, Calgary, Alberta	n/a	21-Aug-06	n/a	August 21, 2006, the IR attended at this location and confirmed location was a UPS retail outlet and that RDC had a mailbox at this location. The IR hand delivered a copy of the IR Order to a representative at this location.
<i>Space Place Self Storage</i>	<i>118 Bowridge Drive, NW</i>	<i>Pending</i>	<i>Pending</i>	<i>Pending</i>	Pending amendment to the IR Order.
<i>Sentinel Self-Storage</i>	<i>2 Bowridge Drive NW</i>	<i>Pending</i>	<i>Pending</i>	<i>Pending</i>	Pending amendment to the IR Order.