Action No: 0601-09869

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. AND RUNDLE DEVELOPMENT CO-OPERATIVE

Defendants

EIGHTH REPORT OF THE RECEIVER OF

INTEGRA INVESTMENT SERVICE LTD.,
AURORA RIVER TOWERS INC.,
CARLING SPRINGS VILLAGE INC., AND
CARLING DEVELOPMENT (B.C.) INC.

ERNST & YOUNG INC.

April 8, 2008

ERNST & YOUNG

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INTRODUCTION AND BACKGROUND

1. On August 18, 2006, the Plaintiffs in these proceedings 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. Pursuant to the IR Order, Ernst & Young Inc. ("EYI") was appointed Interim Receiver of certain records of Integra Investment Service Ltd. ("Integra").

2. On September 8, 2006, the Plaintiffs obtained a Receivership Order pursuant to s. 13(2) of the Judicature Act (the "Receivership Order"). Pursuant to the Receivership Order, EYI was appointed Receiver and Manager (the "Receiver") of the following corporations:

   a. Integra;

   b. Aurora River Towers Inc. ("ART");

   c. Carling Springs Village Inc. ("CSV"); and

   d. Carling Development (B.C.) Inc. ("Carling BC")

   (collectively referred to as the "Integra Companies").

3. By previous Orders of this Honourable Court, Ernst & Young Inc. has also been appointed inspector of the Carling Group (the "Carling Inspector") and of the Rundle Development Cooperative ("RDC" and the "RDC Inspector").

4. The purpose of this eighth report of the Receiver (the "Eighth Report") is to:

   (a) Advise the Court of a letter the Receiver's counsel received from Mr. Frank Monaghan ("Monaghan") of Fleming LLP dated February 27, 2008 (the "Monaghan Letter"), in his capacity as counsel to Mr. Roy Jennex ("Jennix") and Ms. Maxine Cooke ("Cooke"). Monaghan, Cooke and Jennix are collectively referred to as the "Requesting Parties". A copy of the Monaghan Letter is attached at Appendix A to this Report;

   (b) Provide the Court with a summary of the background with respect to Monaghan, Jennix and Cooke in relation to the Intergra file;

   (c) Provide certain responses to the Monaghan Letter; and

(d) Seek advice and direction from the Court with respect to certain of the allegations set out in the Monaghan Letter;

(e) Provide an update to the Court regarding a proposed extension of the deadline for holding the meeting required by paragraph 8 of the March 5, 2008 Order approving the Settlement Agreement (the "Approval Order").

5. Capitalized terms not defined in this Eighth Report are as defined in the Receivership Order, the Receiver's First through Seventh Reports, the First Report of the Carling Inspector, the Settlement Agreement and the Approval Order.

6. All references to dollars in this Eighth Report are in Canadian currency unless otherwise noted.

THE MONAGHAN LETTER

7. The Monaghan Letter sets out a series of concerns, issues and questions that Monaghan, Jennix and Cooke have with respect to the duties and actions of the Receiver, the Carling Inspector and the RDC Inspector. Given the volume of questions, the span of time that they relate to, the general nature of certain of the questions and the expense which would be involved to address each and every issue raised, the Receiver has concluded to respond in this 8th Report by:

(a) Providing the Court with an overview of the relationship of the various companies involved in these proceedings;

(b) Summarizing for the Court the stakeholder positions of Cooke and Jennix with respect to the various entities involved in these proceedings;

(c) Responding to certain of the overall concerns included in the Monaghan Letter; and

(d) Seeking advice and direction of the Courts with respect to the remainder of the Monaghan Letter.

Background

8. The Monahan Letter advises that Monaghan acts as counsel for Jennix, and "perhaps until recently" Cooke. The Receiver understands that Monaghan, then at the firm of Thackray Burgess, originally acted as corporate counsel for Integra. Following the receivership of Integra, Monaghan purported to represent Cooke and/or Jennix. Cooke has recently assigned herself into bankruptcy and a Trustee (David Bromwhich, of Browmwich& Smith) now administers her assets and estate.

9. The Receiver has provided below a brief summary of the interaction between the relevant entities and also of Cooke's and Jennix's involvement, and has provided references to previous reports and Court Orders when applicable.

10. The Fourth Report of the Receiver dated May 22, 2007 provides a detailed background to Integra and its relationship with the Rundle Development Cooperative (the "RDC"), Carling Developments Inc. ("CDI") and Carling Financial Corporation ("CFC"). For the purpose of this report, CFC and CDI are collectively referred to as the Carling Group.

11. A brief summary of Cooke's and Jennix's relationship with the above companies is provided below:

    (a) Integra's sole director and shareholder, at all times, was Cooke. The Receiver understands that Jennix, while not a shareholder or director of Integra, was Integra's marketing manager and at all material times acted as a *de facto* director of Integra;

    (b) RDC is separate and distinct entity from Integra; however, the original formation (the founding member) of RDC involved the former principals of Integra (Cooke and Jennix). Cooke also held approximately $5,000 in membership shares of RDC. A detailed background of the RDC is provided in the RDC Inspector's First Report dated March 27, 2007;

    (c) Jennix and Cooke were not principals of the Carling Group; however, Integra raised funds on behalf of the Carling Group. A detailed analysis of the Carling Group and its relationship with Integra is set out in the Carling Inspector's First Report dated August 16, 2007.

12. As previously reported, Integra operated as a mortgage broker that coordinated the raising of funds from individual investors ("Investors") with the raised funds being syndicated and loaned to borrowers (the "Loans"). The borrowers included third parties, the RDC and the Carling Group. Integra received a commission for raising the funds.

13. The last main group of companies comprise ART, CSVI, and Carling BC, which are collectively referred to in this report as "Transfer Co". As set out in the Receiver's Fourth Report, Transfer Co was controlled by Jennix and Cooke. As part of a controversial set of transactions which spawned considerable litigation, the Carling Group, transferred the following assets (the "Transferred Assets") to Transfer Co:

    (a) Certain real estate located in Fort McMurray;

    (b) Certain real estate located in Airdrie; and

    (c) Certain options for property in British Columbia (which expired prior to the Receivership).

14. While the Transferred Assets are now held by Transfer Co, the corresponding liabilities of the Carling Group (i.e. the Investors whose funds were advanced to the Carling Group) were not transferred. Prior to the receivership, considerable litigation existed between Integra and the Carling Group regarding whether the transfer of the Transferred Assets was lawful. That litigation was resolved by the Approval Order. To date there has been no development on the Transferred Assets; however, the Settlement Agreement contemplates such development commencing.

Stakeholder positions of Cooke and Jennix

15. The Receiver has summarized the various claims that remain by each of Monaghan (on behalf of Thackray Burgess LLP), Cooke and Jennix below in order to illustrate the perspective of the stakeholder concerns raised in the Monaghan Letter. The Receiver believes it is important to understand the relative standing of each of Monaghan, Cooke and Jennix when evaluating the various questions and concerns set out in the Monaghan Letter.

16. The Receiver notes that claim processes followed for each of RDC, Integra and the Carling Group were approved by Court and were as set out in the relevant reports by the Carling Inspector, the Receiver and the RDC Inspector.

17. The table below summarizes the **accepted** claims held by Thackray Burgess LLP, Cooke and Jennix.

Claim detail	**Total**
Cooke claims against Integra	
60 Sun Park	16,500
RDC - 620/624	23,000
Total Cooke against Integra	39,500
Cooke claims againts RDC	
RDC membership	5,000
Joint claim by Cooke/Jennix	
Carling Group	Nil
Claim by Thackray Burgess	
Integra (general unsecured)	122,075

18. The table above illustrates the following:

(a) Cooke's accepted claims against Integra total $39,500; however, her entitlement to the distributions relating to these claims is subject to the completion of the litigation against her by the Receiver;

(b) Cooke's claim for membership shares of RDC was accepted by the RDC at $5,000 and she received an interim distribution consistent with the other RDC membership;

(c) Jennix has no accepted claims against Integra or RDC;

(d) Cooke and Jennix jointly ("Cooke/Jennix") claimed against the Carling Group in the amount of $1,575,600 which was disputed, in whole, by the Carling Inspector. Cooke/Jennix did submit a Notice of Objection to the Carling Inspector, however they have failed to otherwise comply with the October 4, 2007 Claims Process Order in that they have failed to file a Notice Motion seeking the determination of their disputed claims. Therefore the claim by Cooke/Jennix is deemed to be dismissed by operation of the Claims Process Order; and

(e) Thackray Burgess has an unsecured claim against Integra in the amount of $122,075, which claim has been confirmed by this Court. A further amount is owed to Thackray Burgess in the amount of $13,038 relating to fees and costs incurred by Thackray Burgess in relation to the receivership. The Receiver has agreed to pay the $13,028 in costs to Thackray Burgess, subject to the Receiver's right to set off costs of $5,000 and possible future costs of an appeal by Thackray Burgess against the Order made by the Court.

19. Lastly, Cooke and Jennix would be entitled to any equity resulting after the full payment of all creditors (unsecured and secured) of Integra and the Transfer Co.

20. Based on the above, it appears to the Receiver that Cooke's and Jennix's stakeholder position is primarily concerned with the following:

(a) The recoveries that may be available to the shareholders (namely Cooke and Jennix) once all the creditors of Integra and Transfer Co have been paid in full;

(b) Cooke's recovery with respect to her $16,500 investment in 60 Sun Park (which the Receiver anticipates to be nil); or

(c) That any reductions in recoveries for the Integra Investors may increase the potential claims filed against Jennix and Cooke by Integra Investors.

21. The Receiver believes that the recovery of any amounts for the shareholders of Integra or Transfer Co is remote at best.

Summary of concerns raised

22. The Receiver has attempted to summarize the Monaghan Letter into various areas of concerns which it has summarized below:

 (a) Improper communication by the Receiver and Inspector:

  (i) There "has been improper or no communication between the parties which has or may potentially work a prejudice to my clients and investors who have claims against my clients";

  (ii) The Receiver has not "fully or properly reported to interested creditors or to the Court about all matters which might govern their considerations"; and

  (iii) Monaghan expresses concerns about the use by the Receiver and Inspector of its website.

 (b) That the "Receiver/Inspector [has put] himself in conflict by accepting various appointments";

 (c) The Receiver has not "pursued recovery of monies outstanding from borrowers";

 (d) The Receiver has denied Jennix access to its records which has prejudiced him in his ability to pursue his claim against the Carling Group; and

 (e) A concern that the Settlement Agreement is not fair for the creditors of Integra or his clients and its basis was on "poorly articulated and untested assumption that Integra's officers took possession of the lands for the benefit of all Carling Creditors". In addition, Monaghan believes the Settlement Agreement preferred the Investors of the Carling Group over Integra and that "properly affected parties" were not given notice of the order seeking approval of the Settlement Agreement;

23. In addition to the above categories of concerns, Mr. Monaghan then sets out approximately 60 questions regarding all areas of the Receivership and Inspectorships, which are not summarized herein.

RECEIVER'S RESPONSE TO THE MONAGHAN LETTER

24. The Receiver does not believe a detailed, point by point response to the Monaghan Letter is necessary, cost-effective or even possible at this time. However, the Receiver has responded briefly to the 'categories' of complaints that the Receiver summarized from the Monaghan Letter and seeks direction from the Court regarding whether a more detailed response is necessary or under what conditions a response should be provided.

Lack of communication/improper communication

25. The Receiver disagrees that there has been a lack of communication or improper communication. Attached at Appendix B is summary of the various reports issued by the Receiver, the Carling Inspector and the RDC Inspector since their respective appointments (along with the supporting court documents) provides full disclosure of the relevant proceedings to all stakeholders. In summary, 19 reports have been issued, including:

(a) 3 reports of the Interim Receiver of Integra and RDC;

(b) 8 reports from the Receiver of Integra;

(c) 6 reports by the RDC Inspector; and

(d) 2 reports by the Carling Inspector.

26. Monaghan is also concerned about the use of website to keep Investors and stakeholders up to date on the status of the various proceedings. The Receiver notes that initial reports issued by the Receiver and Inspector advised of the use of the website to post the relevant orders and reports. In addition, some of the Orders issued by this Honourable Court have required certain documents to be posted on the relevant website. Furthermore, any parties who requested to be on the distribution list received full copies of all materials filed with the Court.

27. The Receiver notes that it is not required or even customary to deliver full reports, Court pleadings and Court Orders to all the unsecured creditors in a particular insolvency file. The required practice is to deliver the materials to those parties who requested to be placed on the service list. However, the Receiver, the Integra Inspector, and the RDC Inspector have placed all reports and Court Orders and other relevant documents on their websites so that the various

investors, creditors and stakeholders would be able to view and download these documents without having to request from the Courthouse or have counsel placed on the service list.

28. In addition, on several occasions, EYI sent a letter via mail to each of the relevant Investors/creditors advising them of the issuance of a report, noting the website address where the report could be found or providing them contact details of an EYI representative who could send a hard copy of the relevant material if the party was unable to access the website. For example:

(a) On September 18, 2006, the Receiver sent an initial report as required by the Bankruptcy and Insolvency Act to each potential creditor. Approximately 800[1] notices were sent advising of the Receivership and providing an EYI contact;

(b) On March 28, 2007, the RDC Inspector mailed a letter to each member of RDC advising of the First Report of the Inspector and that the report could be found at the inspector's website address or a hard copy could be requested to be sent by the Inspector;

(c) On May 1, 2007, the RDC Inspector mailed a letter to each member of RDC advising of the Second Report of the Inspector and that the report could be found at the inspector's website address or a hard copy could be requested to be sent by the Inspector;

(d) On May 29, 2007, the Receiver mailed to all the Investors of Integra a letter advising of its Fourth Report (which was the first significant report that provided an overview of Integra's assets and investors) and that the report could be obtained by visiting the Receiver's website or by contacting the Receiver and requesting a hard copy;

(e) On June 28, 2007, the Receiver and Carling Inspector jointly mailed a letter to all Investors of the Carling Group advising them of the status of the Carling Inspector's report and advising of the Carling Inspector's website or that they could contact the inspector to obtain a hard copy of the relevant materials;

[1] Upon the granting of the Receivership, Integra's books and records were inaccurate and incomplete, including its creditor and investor listings. Accordingly, the Receiver sent its initial appointment report to all potential creditors per Integra's books and records.

(f) On November 13, 2007, the Carling Inspector mailed a notice to certain of the Carling Group's Investors about a meeting to be held on November 23, 2007 and advising them of the information on the Inspector's website or that they could contact the inspector to obtain a hard copy of the relevant materials;

(g) On December 4, 2007, the Receiver mailed a letter to all Investors of Integra advising of the 6th Report which set out the Receiver's Proposed Distribution Methodology ("PDM") and the application for court approval of the PDM and advising them of the information on the Receiver's website or that they could contact the Receiver to obtain a hard copy of the relevant materials; and

(h) On February 12, 2008, the Receiver's counsel mailed a letter to all investors of Integra and the Carling Group advising of the application on February 27, 2008 regarding approval of the Settlement Agreement and advising that the materials (including the Receiver's 7th Report and the Carling Inspector's 2nd Report) could be found on the Receiver's and Carling Inspector's website or by contacting a representative of EYI. The letter also stated explicitly "that if you or your lawyer do not appear at the hearing at the scheduled time an order may be granted which impacts your rights and economic interests".

29. The Receiver believes that more than adequate notice has been given to the various stakeholder groups advising them of various means to obtain the relevant court materials.

30. With respect to Monaghan's concerns about improper communication, the Receiver's belief is that all significant decisions (such as the various claim process orders, Settlement Agreement, proposed distribution methodologies) were subject to Court Approval. The Receiver takes the position that if Monaghan, or his clients, had any concerns regarding the method the Receiver/Inspector was delivering the information, the information itself or the Receiver's and/or Inspector's recommendations, those concerns should have been brought up at the date of the relevant applications.

Conflict of Interest

31. With respect to Monaghan's concerns about potential conflicts of interest, the Receiver responds as follows:

    (a) All appointments have been by Court Order after full disclosure by EYI of its prior appointments; and

    (b) EYI has been appointed Receiver of Integra, and is **not** Receiver of the Carling Group or RDC. Its roles and duties with respect to Inspector of the Carling Group and RDC were specifically set out by Court Order, and there is no conflict in these roles and duties.

The Receiver's lack of efforts pursuing recovery from borrowers

32. The Receiver believes that its reports to Courts (as set out above) have fully described its recovery efforts. Furthermore, the Receiver believes that is has made sufficient and diligent efforts to recover assets.

The Receiver has denied Jennix Access to the books and records

33. On February 27, 2008, during the time when the Receiver was applying for the Approval Order, Jennix appeared in Court with a recently filed but unserved Notice of Motion seeking an Order requiring the Receiver to allow Jennix access to the Receiver's records. Based on the observations of the Receiver's legal counsel, who was present in Court that day, the Receiver believes this application by Jennix was either dismissed or not heard. In either event, no Order was taken out by Jennix in that regard.

Fairness of the Settlement Agreement

34. Monaghan is concerned that the Settlement Agreement is not fair and that certain relevant parties were not given notice. Specifically, Monaghan states, although he does not represent these stakeholders, that "the COP, Sunpark and Kicking Horse creditors for example have no idea how their rights will be impacted by virtue of the decisions made regarding the Private Investors".

35. As discussed above, the Receiver's 7th Report and the Carling Inspector's 2nd Reports provided full details and analysis of the Settlement Agreement. In addition, all Investors of both the Carling Group and Integra (including the COP, Sunpark and Kicking Horse creditors) were notified of the date that the Receiver's application seeking approval of the Settlement Agreement and advising them how to obtain copies of the above noted reports (by requesting a copy from EYI or from the relevant website).

36. The Receiver continues to believe the Settlement Agreement provides the best alternative to the stakeholders of Integra. With respect to Monaghan's comment as to the Receivers "poorly articulated and untested assumption", the Receiver takes the position that that the time to raise such concerns or comments was at the application on February 27, 2008. We note that Monaghan did not attend the February 27, 2008 application. Jennix did attend the application and objected to the Settlement Agreement and his objection was heard by the Court, and ultimately dismissed.

37. Finally, the Approval Order declares that the Receiver's application for approval of the Settlement Agreement was properly served.

Other Questions

38. Commencing on page 5 of the Monaghan Letter, a series of questions is posed to the Receiver. The Receiver again does not think it prudent to answer the question in detail at this time given the following:

(a) The Receiver believes many of the questions can be answered by a review of the court reports issued by the Receiver, the Carling Inspector, the RDC Inspector and the various other materials that have been filed with the court (including bench briefs);

(b) Monaghan has been on the service list for all court documents (including the reports of the Receiver) on behalf of clients; and

(c) Considerable cost and effort would need to be expended by the Receiver to fully answer all of the questions; and

(d) The Receiver is unsure how these questions relate to or affect the stakeholders' positions of Monaghan, Jennix and Cooke, as outlined above.

ADVICE AND DIRECTION REGARDING THE MONAGHAN LETTER

39. Considerable cost and effort has been expended by the Receiver and its counsel in dealing with various applications and other activities of the Requesting Parties, including:

(a) Several Court applications to compel Monaghan to release Integra's books and records to the Receiver;

(b) Addressing claims without any substance by Thackray Burgess that it had a valid solicitor's lien;

(c) Participating in an application to this Honourable Court made by the Alberta Securities Commission (the "ASC"), which resulted from a position take by Jennix that the ASC proceedings against him were stayed by the Receivership Order;

(d) The need to reschedule several Court appearances as Monaghan failed to appear; and

(e) The failure by Cooke and Jennix to comply with the Rules of Court.

40. The Receiver is now seeking this Courts direction as to whether the time, and related costs, should be incurred to fully answer the series of questions set out in the Monaghan Letter.

41. The Receiver believes that reasonable and adequate disclosure of all relevant information has been made to the stakeholders of Integra and the Carling Group, as more fully described above. Furthermore, the Receiver has previously met with Monaghan, Cooke and Jennix, and prior to the Monaghan Letter, all information which the Requesting Parties were entitled to has been made available by the Receiver.

42. Accordingly, the Receiver seeks an Order declaring:

(a) That the Receiver's, RDC Inspector's and Carling Inspector's disclosure of information has been good and sufficient;

(b) That no further response is required to the Monaghan Letter, other than what has been provided in this 8th Report; and

(c) Any further inquiries by either Jennix, Cooke and Monaghan be subject to obtaining leave of this Honourable Court.

43. As an alternative, the Receiver suggests that a further response to the Monaghan Letter could be completed if Monaghan's clients agree to fund the costs responding to such questions, which the Receiver anticipates would cost between $7,500 to $12,500.

UPDATE ON THE STATUS OF THE SETTLEMENT AGREEMENT

44. The terms of the Settlement Agreement required that the closing would take place no later than March 15, 2008 and that a meeting of the Investors (the "Carling Investor Meeting") was to take place within 30 days of the granting of the Approval Order. Certain delays have occurred in completing the sale of the Airdrie Lands. The Receiver and Carling have agreed to extend the closing of the Settlement Agreement (Article 3.1) to April 15, 2008 and the Carling Inspector is seeking an amendment to the Approval Order extending the time to call the Carling Investor Meeting to within 120 days of the granting of the Approval Order. A copy of the letter sent to Integra Investors and the Carling Group Investors is attached at Appendix C to this report.

UPDATE ON THE STATUS OF THE REMAINING INTEGRA PROJECTS

Interim Distribution

45. The Receiver advises that in January 2008, it made an interim distribution as set out in the Receiver's 6th Report. An interim distribution was made to Mortgage Investors relating to the RDC and Kicking Horse projects.

Integra's Remaining Assets

46. Integra's remaining material assets comprise:

(a) The real estate referred to as Community First – MRI;

(b) Integra's actions against Cooke and Jennix (the "Statement of Claim") and the Receiver's Certificate of *Lis Pendens* registered against 16 Wolf Willow (the "CLP"); and

(c) Integra's potential recovery from the Carling Group as set out in the Settlement Agreement.

Community First - MRI

47. The Receiver has received an offer to purchase at a purchase price considered acceptable by the Receiver. The Receiver intends to execute the purchase and sale agreement and seek Court approval of the sale in the near term. A further report by the Receiver will be issued in conjunction with seeking Court approval of the sale.

Statement of Claim and CLP

48. As previously report to this Court, the Receiver's Statement of Claim seeks among other forms of relief, a declaration that Cooke and Jennix (the "Defendants") hold any real or personal property as trustees for the benefit of Integra as well as damages for breach of fiduciary duty. The Receiver's counsel is proceeding with its efforts to obtain default judgements against the Defendants.

49. On December 21, 2006, an Order for Judicial Listing (the "Listing Order") was obtained by the holders of certain mortgages registered against 16 Wolf Willow. As a result of the Listing Order, 16 Wolf Willow is currently listed for sale by Remax Landan Real Estate and is currently listed for sale at $2.9 million. The Receiver notes that over $2.5 million in secured claims registered against 16 Wolf Willow.

50. The Receiver's recovery with respect to its CLP is unknown at this time as the ultimate recovery is dependent upon the success of the Receiver with respect to its Statement of Claim.

Contingent recovery from the Carling Group

51. A potential recovery to the Receiver relates to the contingent recovery as set out in the Settlement Agreement. The Settlement Agreement stipulates a Fort McMurray Equity Charge

(as defined in the Settlement Agreement) that secures for the Receiver a recovery of 35% of the equity in the Fort McMurray project, up to a maximum of $4 million.

RECOMMENDATIONS

52. The Receiver recommends the following:

(a) That no further response is required to the Monaghan Letter, other than what has been provided in this 8th Report; and

(b) Any further inquiries by either, Jennix, Cooke and Monaghan be subject to obtaining leave of this Honourable Court.

53. As an alternative, the Receiver recommends that a further response to the Monaghan Letter could be completed if Monaghan's clients agree to fund the costs responding to such questions.

All of which is respectfully submitted this 8th day of April, 2008.

ERNST & YOUNG INC.
in its capacity as Court Appointed Receiver
of Integra Investment Service Ltd, Aurora River Towers Inc.,
Carling Springs Village Inc. and Carling Development (B.C.) Inc.

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

Deryck Helkaa, CA•CIRP
Vice-President

Appendix A

Integra

FEB 27 2008

FLEMING LLP

Barristers and Solicitors

FRANK J. FLEMING, QC 1931-2005

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Our File: 33946

WITH PREJUDICE

February 27, 2008

Fraser Milner Casgrain LLP
Manulife Place
2900, 10180 - 101 St. NW
Calgary, AB T5J 3V5

Attention: Mr. David LeGeyt

Dear Sirs:

Re: Ernst & Young Inc. Receivership of Integra Investment Services Ltd.
Ernst & Young Inc. Re: Carling Development Inc.
Action No. 0501-16173 – Integra Investment Service Ltd., Aurora River Towers, Carling Springs Village Inc. Roy Jennix and Maxine Cooke vs. Michael J. Mackin, John Anderson and Terrance Dawe
Action No. 0501-14195 - Carling Development Inc., Danny Chang et al. vs. Integra Investment Service Ltd.
Action No. 0701-01156 – Alicandro vs. Integra Investment Services Ltd., Maxine Cooke and Roy Jennix et al.

Thank you for your January 11, 2008 correspondence and our discussion outside of Chambers February 8th, 2008. I regret that neither you nor the receiver would meet with me on January 11, 2008 to discuss some of the issues of the Receivership.

As you know I as counsel for Roy Jennix and, perhaps until recently Maxine Cooke, have had some concerns about the manner in which this Receivership has unfolded largely because from my perspective there has been improper or no communication between the parties which has or may potentially work a prejudice to my clients and investors who have claimed against my clients, all of who are involved in a series of actions in circumstances where we are unaware of what the Receiver is doing.

This frustration has been compounded by the Receiver/Inspector putting himself in conflict by accepting various appointments as the Inspector with competing duties to competing creditors in circumstances where we do not believe he has fully or properly reported to interested creditors or to the Court about all matters which might govern their considerations.

Some of the most recent examples of this include:

- The Receiver and Inspector have never given particulars of the services provided and fees charged with supporting affidavit evidence notwithstanding the Alberta and Ontario Court of Appeal decisions mandating this (which in the face of objection the Supreme Court of Canada has refused to review);

- The Receiver and Inspector has arguably gone far beyond what Bennett on Receivership states the purpose of a Report to the Court is and what is appropriate to include as content, beyond which we say the Receiver/Inspector is obliged to introduce appropriate evidence (in affidavit or otherwise), especially when seeking relief set out in Notice of Motion form. In other circumstances the reports have not contained full disclosure, such as the failure to advert to the Wilton Developments $11,700,000.00 offer to purchase the RDC lands. The most recent example of this is in the latest notice of motion where he seeks to have the Court short circuit the rights of litigants and prefer the rights of others when it has neither enumerated the actions, explained the rights of parties, sought their input, nor put the evidentiary and legal conclusions squarely before the Court in appropriate form or with appropriate notice. The COP, Sunpark and Kicking Horse creditors for example have no idea how their rights will be impacted by virtue of the decisions made regarding the Private Carling Investors and the decision to treat them separately;

- The Receiver and Inspector have purported to use its web-site ostensibly to inform creditors and give them notice when there is no evidence that they can or have accessed the web-site which raises squarely our Court of Appeal's considerations concerning when the use of the internet and e-mail is adequate. Given the expense of the proceedings to date why has the Receiver/Inspector avoided use of the mail?;

- The Receiver has refused to engage or discuss his considerations or seek directions in advance of taking actions which impact upon the rights of creditors, and has, as an Inspector not sought the Court's determination in advance of taking decisions which he on short notice asks the Court to bless.

On September 8, 2006 Madam Justice Kent granted a Receivership Order for the Integra Group of companies. That Order provided in part as follows:

> The Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or advisable:

(k) To market any or all of the Property including advertising and soliciting offers in respect of the property or any part or parts thereof and negotiating such terms and conditions for the sale as the Receiver in its discretion may deem appropriate;

(l) To sell, convey, transfer.... the Property and any parts thereof out of the ordinary course of business,

(ii) With the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause.

(n) To report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the Receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable.

By virtue of Article 4 of the Order Maxine Cooke and Roy Jennix, as principals for the Integra Companies, were defined as "affected persons". You will know Maxine Cooke and Roy Jennix are parties who are being sued and are suing various individuals in connection with the Carling transaction including their lawyers and the Principals of the Carling Group. Still others most notably Mr. Pflueger's clients, are suing them in negligence and fraud, largely we suspect based upon the unsubstantiated conclusions presented in the various reports presented to the Court and published on its web-site. The nature of the claims involve the Alberta and British Columbia Law Societies, their insurers and potentially the Assurance Funds.

The profound difficulty with the manner in which matters have unfolded to date is that the Receiver of Integra has neither pursued recovery of monies outstanding from borrowers, or Carling, (or explained why), has not pursued money LoVecchio J. discussed Integra might be entitled to in relation to its efforts and which the Receiver/Inspector has not explained to the Court why it has failed to pursue (or in fact even alluded to) and then denies access to Jennix so that he can properly bring it to the Court's attention and explain the Proof of Claim filed in circumstances where Ernst & Young and its counsel, who having failed to properly advance Integra's rights, then deny access to the company's records so that the matters cannot be exposed.

This is compounded by the Reciever/Inspector's failure to review with the Court the evidence obtained by Mr. Shorn prior to his passing of the various agreements entered into between the Carling Group and its Private Investors, and the separate Agreement Mr. Hoarwood has which ought to have been considered in determining the rights of competing parties to the surplus monies available once the value of the Ft. McMurray, Airdrie, Surrey, and Wisdo lands are accounted for and the missing Carling money is found.

We believe the Receiver's agreement with the Carling Group that the Private Investor's are entitled to share in the surplus proceeds for the Ft. McMurray and Airdrie lands (as opposed to Mr. Pflueger's clients and other investor's of Integra who have suffered a shortfall) is premised upon a poorly articulated and untested assumption that Integra's officers took possession of the lands for the benefit of all Carling creditors. The contrary evidence that exists has not been raised with the Court by Ernst & Young or its counsel who my client believes has purposefully been kept in the dark, because it was more expedient to ignore his rights, and the rights of those who might claim through him or Integra, namely the COP investors, the 20 Sunpark investors, the 60

Sunpark investors, and the investors in the Kicking Horse lands in the event Integra does not recover from the borrower.

The failure of Ernst & Young to address the competing rights of Integra's investors, to prefer the Carling Private Investors (who Integra, if it had any connection to, is premised upon untested factual conclusions) over the other Integra investors or to even give notice to properly affected parties where the Notice of Motion filed seeks to determine and end various litigation certainly prefers one group over another and will have profound effects for the COP investors, the other Integra investors, Mr. Larson (as opposed to Mr. Anderson) none who have been given notice of this application or indeed any of the earlier ones and who as a consequence do not fully appreciate how giving the lands to the Carling Group and monies to the Private Investors increases their losses and the lawyers' and the Law Societies' insurer's potential increase in exposure .

In the face of the Order, the various actions and my understanding of the obligations of the Receiver as a fiduciary to all parties we are more than somewhat frustrated by the lack of communication, discussion and information that we have been visited with. While the Receivership Order provides the Receiver with certain rights and obligations, it does not supplant Ms. Cooke's residual rights as a Director or the obligation to Integra's investors, its creditors and others. Ms. Cooke and Mr. Jennix say neither they nor Integra has any obligation to the Carling Private Investors, and Mr. Jennix and I believe Mr. Mackin have said so in evidence the Reciever has not raised with the Court.

That they have residual rights is emphasized in *Canadian Commercial Bank vs. Simmons Drilling Ltd.* (1989) 76 C.B.R. (N.S.) 241 (Sask. C.A.) where the Court, in the context of a construction lien situation, had to address the role of a Court-appointed Receiver. The Court, having noted that in the first instance, the jurisdiction of the Receiver must be found in the statute pursuant in which he is appointed, went on at page 6 to comment as follows:

> The appellant relied on the common law with respect to receivers and reasoned as follows. A Receiver appointed by the Court becomes a principal and is answerable to the Court which appointed him. As a principal, he is not the agent of the security holder, the debtor, or of any particular creditor. He has a duty to exercise such reasonable care, supervision and control of the debtor's property as an ordinary man would give to his own, and if he fails to provide this standard of care, he may be liable for his negligence: Bennett on Receiverships (1985), pp. 15-16; Plisson v. Duncan (1905), 36 S.C.R. 647 [N.W.T.]. The powers and duties of a court-appointed receiver are summarized in Parsons v. Sovereign Bank of Can., [1913] A.C. 160 at 167 (P.C.) by Viscount Haldane:
>
> > A Receiver and manager appointed... is the agent neither of the debenture holders whose credit he cannot pledge, nor of the company, which cannot control him. He is an officer of the Court put in to discharge certain duties prescribed by the Order appointing him; duties which in the present case extended to the continuation of the management of the business. <u>The company remains in existence, but has not lost its title to control its assets and affairs...</u>

In a recent correspondence to Ernst & Young among others Mr. Kruger has suggested that my insistence upon being involved in the Receivership as counsel for Cooke and Jennix has been improper and that I have attempted to obstruct the Receiver. While he has copied that allegation to others, he not particularized that complaint. If he complains that I have to the best of my ability represented the interests of Jennix and Cooke (pro bono if he has his way) then I offer absolutely no apology for it.

I am aware that similar complaints were advanced against counsel in the Gott Electric Receivership. You will know of your firm's involvement in that case.

I wished and now wish to clarify my understanding of the Receiver's views and actions having regard to my own and in particular I wished to discuss, and do wish to discuss the following in an effort to balance the rights and interests of all parties:

(a) What does the Receiver, having regard to my views, understand his obligations are pursuant to the terms of the Order and is there case law he can point to support his seeming position that he has no duty to keep Roy Jennix informed or to subordinate his interests to those of others? Can you provide me with case law that says that where the Reciever/Inspector seeks relief against parties he is relieved of the obligation of filing an affidavit? How is he different than any other officer of the Court in this respect?;

(b) What discussions has the Receiver had with the Carling Group, and others, and what agreements, arrangements have been made beyond what has now been disclosed? Did Mr. Anderson's counsel or Mr. Mackin's counsel participate in these discussions? Is there a record of discussions contained in memorandums correspondence or elsewhere and can Jennix have access to review the correspondence;

(c) Why does the Receiver propose to involve the Carling unsecured creditors who should be looking to the Carling Group and Wisdo rather than the proceeds of sale of the Fort McMurray and Airdrie lands? Will that prejudice other creditors of Integra particularly the Kicking Horse, Sunpark and COP creditors? Why are they treated differently and as a separate class, why were they not advised of the various motions taken in respect of the claims of the private investors and why were these issues not detailed in the various reports to the Court?;

(d) What was the nature of Borden Ladner Gervais and Brownlee Fryett's involvement in the Wisdo transactions and where did the millions of dollars go? Why did Mr. Horwood and his investor's committee not pursue this? Are considerations addressed by the Supreme Court of Canada in cases such as Citadel General Assurance Company v. Lloyd's Bank applicable? Has the Receiver/Inspector investigated the facts in relation to this issue?

(e) Should the pooling/direct approach not be applied to all creditors of Integra (as opposed to Carling and John Anderson) without segregation as proposed by the Receiver;

(f) Why was Jennix denied access to the November 23, 2007 Investor's Meeting by Mr. Kruger? Who were the Secured Creditors who were present? Were any of them investors in other Integra projects? Was the effect of acknowledging the claims of Private Investors explained to them especially in the context of investments in other projects? What were they told? Why was this issue not specifically addressed in the

Receiver's reports and are any of the Ft. McMurray investors investors in other projects like the COP lands? Was a record kept of what was discussed, especially a transcript? Were conclusions of fact advanced or legal opinions expressed? If so by whom and what was said?

(g) Why has the Receiver denied Cooke, Jennix and their counsel access to the Receivership documentation which in some fashion would assist it in advancing the Proof of Loss that has been filed and which you are you seeking having regard to the terms what Justice LoVecchio said and which we are anxious to point out to you, having regard to the Receiver's apparent failure to collect from Carling and which would be available to Integra creditors;.

(h) Why did the Inspector's Reports in the face of looking to compromise the specific rights of parties, not make reference to and address each of the various actions and related actions as follows:

Carling Group

	Action No.	Style of Cause
(a)	0401-05549	Abday et al. vs. Carling Development Inc., Danny Cheng, Lisa Wong, John Anderson, Terrance Dawe, Carling Canada Group Inc. (Airdrie private investors claim) – brought by Michael Mackin with McCarthy Tetrault footer;
(b)	0301-19649	Carling Development Inc. and Carling Financial Corporation vs. Aurora River Towers Inc. and Carling Springs Village Inc.;
(c)	0501-14195	Carling Development Inc, Carling Financial Corporation, Danny Cheng and Lisa Wong vs. Integra Investment Service Ltd., Aurora River Towers Inc., Carling Springs Village Inc., Carling Development (B.C.) Inc., Roy Jennix, Maxine Cooke and Michael Mackin;
(d)	0501-16175	Integra Investment Service Ltd., Aurora River Towers Inc., Carling Springs Village Inc., Roy Jennix and Maxine Cooke vs. Michael John Mackin, John Charles Anderson;
(e)	0501-16158	Anderson v. Carling Development Inc. et al.;
(f)		Bailey et al. vs. Carling Development Inc., Cheng, Anderson, et al. (Surrey investor action) – Plaintiff represented by Scott Hall LLP;
(g)	0501-08487	Arens et al. vs. Carling Financial Corporation (Fort McMurray mortgage investors action) – represented by Scott Hall LLP

(h)	0501-161783	Mackin vs. Integra Investment Service Ltd.

RDC

	Action No.	Style of Cause
(i)	0601-04622	Integra Investment Service Ltd. v. Rundle Development Co-operative
(j)	0401-07321	DeRoca Ltd. (St. Pierre) vs. Rundle Development Co-operative and Integra Investment Service Ltd. – represented by Larry Revitt

	Action No.	Style of Cause
(k)		Wega vs. Integra Investment Service Ltd. (Provincial Court Action)
(l)	0501-05721	Integra Investment Service Ltd. vs. Jason Wega and Wega Financial Inc.;
(m)	0401-16340	Maschmeyer vs. Jennix, Mackin and the Rundle Development Co-operative – Plaintiff represented by Shea Nerland;

Sunpark

(n)	06130 11134	Hengel vs. Integra et al. (603 Lands) – Plaintiff represented by Mr. Cooper;
(o)		Petromax vs. Integra et al. (20 and 60 Sunpark Lands and Kicking Horse Lands) - represented by Edmonton lawyer;
(p)		Veerma vs. Community First Diagnostic Imaging Inc. (20 Sunpark foreclosure) Plaintiff represented by Vickers & Associates;
(q)		Levenson vs. Integra Investment Service Ltd., Cooke and Jennix (20 Sunpark Lands) – represented by Pat Peacock;
(r)		Investors vs. Community First Diagnostic Imaging (60 Sunpark foreclosure);

(s)		Kor-Alta Construction (Kadylo) vs. Integra Investment Service Ltd. et al.;
(t)	0701-01156	Alicandro et al. vs. Integra Investment Service Ltd., Cooke and Fennix (COP Action);
(u)	0501-14620	TD Bank vs. Rundle Development Co-operative;
(v)		Bamford et al. vs. Integra Investment Service Ltd. – Plaintiffs represented by Frank Tosto and commenced 2005, where Mr. Tosto instructed Integra's counsel to intervene in the 60 Sunpark foreclosure;

In addition there are related actions as follows:

	Action No.	Style of Cause
(w)	0601-08130	Serendipity Developments Ltd. vs. Better Life Solutions Inc. et al.;
(x)	0403-10959	Mackin vs. Kor-Alta Construction;
(y)	0501-14195	Mackin vs. Carling Development Inc. et al.;
(z)	0501-16183	Mackin vs. Integra Investment Service Ltd.
(aa)	0403-10959	Carling Development Inc. vs. Kor-Alta Construction;
(bb)	0603-00501	Carling Development Inc. vs. Kadylo and Fresh Start Construction;
(cc)	0501-03061	Carling Development Inc. vs. Simon Ng;
(dd)	0501-13854	Carling Development Inc. vs. Arens Capital Inc.;
(ee)	0601-05068	Carling Development Inc. vs. Business Corporations Act;

(i) Where in the Receiver's Fouth Report is all this litigation and the allegations between the parties addressed? What are the specific assumptions of fact that the Receiver/Inspector has made in determining to favour some creditors over others and what evidence has been reviewed to arrive at conclusions that the assumptions are valid? Why has this not been detailed for the Court before asking for relief for some litigants or creditors but not others?

(j) Why does the relief sought stay actions against Carling but not stay Carling actions especially in light of comments made in paragraph 28? What evidence does the Inspector rely upon for those conclusions set out in paragraph 26 of its 2nd Report?

(k) Has the Receiver obtained appraisals for the Ft. McMurray and Airdrie lands? Has it determined whether the lands might be worth more if properly advertised? Please provide us with the analysis and evidence which the Inspector has prepared which it references in paragraph 26 of its 2nd Report?

(l) What are the fees to date of the Receiver, its counsel, Carling's counsel? Please provide us with particulars of the description of work undertaken and the time dockets that have been kept. Please do so for all fees and disbursements of the Receiver/Inspector, its counsel and the applicant's counsel.

(m) What steps did the Receiver/Inspector take to assess the validity of Carlings ability to complete the project? Did the Inspector engage commercial real estate firms to assess the propriety or nature of the proposed development? What is the length of time for the construction? Is there adequate financing? Who is providing it and upon what terms? Has the Receiver/Inspector reviewed what forms of agreements Carling intends to enter into? Who is the project engineer being paid? How much? Why in the face of uninvestigated red badges of fraud (Twynn's case)? Who is the project architect? Have the tender documents been reviewed? Who are the invited trades who will be bidding? Do they have access to sufficient labour? Are they from Ft. McMurray Airdrie or elsewhere? Please provide us with all information you have in respect of the build out scenario. Do Mr. Cheng, Mr. Horwood or Mr. Kadylo receive payment for services as part of the build out scenario? Does anyone related to them receive remuneration?

(n) What are the circumstances in which Ft. McMurray or other secured investors have been paid? Who paid them? Has Mr. Prasow been specifically advised of his client's rights to advance a Proof of Claim? If not why not?

(o) How did the Receiver of Integra determine to subordinate the interests of Jennix and Cooke, and other investors, to the interests of the private investors and those associated with the Carling Group?

(p) What considerations were taken by the Receiver to avoid conflicts in his capacity as an Inspector and what considerations was the Court advised of before the May 23, 2007 Order? How has it met that obligation after the Order and what safeguards have been put in place?

(q) Why has the Inspector not pursued the Carling Group and its principals to determine where monies advanced have gone?

(r) Why has the Court not been advised of the agreements that exist between the private investors and Danny Cheng, and in particular been advised the specific agreement entered into between Mr. Horwood and the Carling Group?

(s) What considerations did the Inspector/Receiver make in determining to prefer the claims of the private investors over those of the investors who invested in the 20 Sunpark Lands, 60 Sunpark Lands, Kicking Horse Lands and COP Lands?

(t) Why should the Inspector be relieved of an obligation to hold a meeting in advance of proceeding to Court to seek a Settlement Agreement?

(u) Why has the Receiver rejected the claims of Maxine Cooke and Roy Jennix in circumstances where it will not grant access to Integra's records so that they can prove their claim?

(v) What steps has the Receiver taken to recover the amounts expended by Integra in the Carling litigation which Mr. Justice LoVecchio made comment upon?

(w) Why has the Receiver determined to conclude litigation upon facts it has determined without reporting to the Court about them.

(x) Why did the Receiver exclude Roy Jennix and Maxine Cooke and their counsel from various meetings and settlement discussions that were had? What is the caveat of 916866 Alberta Ltd. in relation to?

(y) Please explain the 35% equity charge against the Ft. McMurray lands in favour of the Receiver?

(z) Please set out the considerations that have led to the conclusions offered as comment in paragraph 15 of the Receiver's Seventh Report. How can this settlement proceed in the face of the unresolved evidentiary issues raised by the Court of Appeal and Mr. Justice LoVechio without putting the Receiver/Inspector in a complete conflict of interest and causing a preference to one set of creditors over another?

(aa) Please explain why the Receiver has denied Jennix and Cooke access to Integra's records and whether it will now grant them access to the records, particularly Justice LoVechio's transcripts so that they may properly establish their Proof of Claim or establish the efforts of the Receiver to secure monies owing to Integra?

We expect other questions will arise especially in respect of the continued involvement of the Inspector. However given the questions asked, the absence of evidence in appropriate affidavit form, the tendering of argument on 1 day's notice, and the absence of appropriate service upon the appropriate parties, please confirm that you will be adjourning the application brought until each and every investor of Integra has been served with notice of this application which I expect can proceed in May, 2008 after the Receiver has had appropriate discussion with those who wish it of him and which I expect may include representatives of insurers at the Law Societies of British Columbia and Alberta.

Thank you for your continued assistance in this regard.

Yours truly,

FLEMING LLP

FRANK MONAGHAN
Barrister and Solicitor

FM/ld

cc Roy Jenniz

Gowlings
Attn: Ms. Tanya Frizzell

Walsh Wilkens
Attn: Mr. Michael Pflueger

Appendix B

Reports Issued by the Receiver, RDC Inspector and Carling Inspector

Court appointment	Matter	Report name	Report Date	Content of report
Interim Receiver	Integra and RDC	First Report of the Interim Receiver	August 31, 2006	(a) IR's activities of the IR [illegible] to date; and (b) Request for [illegible] directions [illegible]
Interim Receiver	Integra and RDC	Second Report of the Interim Receiver	August [illegible], 2006	(a) The IR's activities [illegible] First Report (b) The IR's execution of the Amendment to the IR Order; and (c) [illegible]
Interim Receiver	Integra and RDC	Third Report of the Interim Receiver	August [illegible], 2006	(a) The IR's response to the affidavit of [illegible] on August [illegible], 2006; and (b) [illegible] Order of [illegible] Alberta
Receiver and Manager	Integra	Notice and Statement of Receiver and Manager	September 18, 2006	Appointment of Receiver and Manager Net Book Value of investments and loans receivable Summary of [illegible]
Receiver and Manager	Integra	First Report of the Receiver	September 22, 2006	(a) Receiver's actions to date; and (b) The Receiver's findings [illegible] Integra Companies
Receiver and Manager	Integra	Second Report of the Receiver	October 25, 2006	(a) [illegible] First Report (b) the Receiver's findings with respect to certain funds transferred from Integra's Trust and Operating Accounts; and (c) an analysis of [illegible] Calgary, Alberta
Receiver	Integra	Third Report of the Receiver	November 7, 2006	(a) [illegible] 500 Block and the 600 Block and collectively the "RDC Properties" (b) The Receiver's [illegible] to the RDC Properties; and (c) [illegible] by Integra [illegible] the RDC Properties
Inspector	RDC	First Report of the Inspector	March 23, 2007	(a) Activities of the Inspector to date (b) The amount owing by RDC to Integra under certain mortgages registered by RDC in favour of Integra. (c) Whether RDC [illegible] Integra and [illegible] RDC (d) The [illegible] July 7, 2006 (e) [illegible] RDC [illegible] and (f) [illegible] RDC [illegible] TR Capital [illegible] October 11, 2006

Reports Issued by the Receiver, RDC Inspector and Carling Inspector

Court appointment	Matter	Report name	Report Date	Content of report
Inspector	RDC	Supplement to the 1st Report of the Inspector	May [illegible] 2007	(a) [illegible] the First Report (b) To provide the Honourable Court with an update on certain legal proceedings taken by RDC and Baranek with respect to the Bandet Transaction which failed to close; (c) [illegible] Real Estate Purchase [illegible] between RDC and [illegible] (the "TRL Transaction") regarding purchase and sale of the 500 Block [illegible] (d) The Inspector's [illegible] direction; and (e) [illegible] Due to the [illegible] RDC Board's [illegible] the First Report [illegible]
Receiver	Integra	Fourth Report of the Receiver	May 11, 2007	(a) The Receiver's actions since the Third Report of the Receiver. (b) [illegible] Integra Companies (c) [illegible] efforts. (d) [illegible] Integra Companies (e) The Receiver's efforts to date to secure and realize upon the Integra Companies' assets (f) [illegible] (g) [illegible] summary of [illegible] the Receiver (h) Establishment by the Receiver and Inspector of a website that includes copies of the relevant Court Orders and Reports of the Receiver and Inspector
Inspector	RDC	Second Report of the Inspector	May 18, 2007	(a) [illegible] Loan Agreements, Mortgage Agreements and the Term Sheets between RDC and [illegible] (b) The Current RDC Board's position with respect to the escalation of interest; and (c) The Inspector's [illegible]
Receiver	Integra	Fifth Report of the Receiver	June [illegible] 2007	(a) [illegible] Avenue SE; (b) The foreclosure sale by TD Canada Trust as first mortgagee on 605; and (c) [illegible]
Inspector	RDC	Third Report of the Inspector	August [illegible] 2007	(a) [illegible] RDC [illegible] July 13, 2007 (b) The RDC claims process; and (c) [illegible]

Reports Issued by the Receiver, RDC Inspector and Carling Inspector

Court appointment	Matter	Report name	Report Date	Content of report
Inspector	Carling Group	Final Report of the Inspector	August 16, 2007	(a) [illegible] Inspector's actions to date (b) A detailed [illegible] between the Carling Group and the Integra Companies (c) The identity of the investors of the Carling Group, the amount of their investments and the projects in which they invested in; (d) Proposed proof of [illegible] (e) An analysis of the Carling Projects (f) [illegible] for the following projects: i. Liquidation of [illegible] lands in Fort McMurray and Airdrie, Alberta; or ii. Development of the Fort McMurray and Airdrie lands; and (g) Summary of [illegible] Carling Inspector [illegible] June 28, 2007 [illegible] Inspector's website
Inspector	RDC	Fourth Report of the Inspector	September 21, 2007	(a) The RDC's [illegible]; and (b) A [illegible] of RDC
Receiver	Integra	Sixth Report of the Receiver	November [illegible], 2007	(a) The [illegible] of the Integra properties of the Receiver to date (b) The status of the Receiver's action against the former directors of Integra; (c) The [illegible] Claims Process; and (d) The Receiver's recommendations with respect to the proposed distribution [illegible] Appendix A [illegible] Appendix B [illegible] Claims Bar Date
Inspector	RDC	Fifth Report of the Inspector	January 21, 2008	[illegible]
Receiver	Integra	Seventh Report of the Receiver	February 11, 2008	(a) The proposed settlement agreement between Carling Group and the Receiver dated February [illegible], 2008; and (b) Summary of [illegible]
Inspector	Carling Group	Second Report of the Inspector	February 11, 2008	(a) The [illegible] of the Fort McMurray [illegible], November 23, 2007 (b) The Direct Investment Approach vs. Pooled Investment Approach (c) An update [illegible] for the following [illegible]: i. Liquidation of [illegible] lands in Fort McMurray and Airdrie, Alberta; or ii. Development of the Fort McMurray and Airdrie lands. (d) The Settlement Agreement between the Integra Receiver and the Carling Group (e) An update [illegible] to be determined by the Court; and (f) Summary of recommendations [illegible] of the Inspector

Appendix C

ERNST & YOUNG

Ernst & Young Inc.
Ernst & Young Tower
1000, 440 2nd Avenue S.W
Calgary, Alberta T2P 5E9

Phone: (403) 290-4100
Fax: (403) 290-4265

March 25, 2008

VIA COURIER

TO THE ADDRESSES ON THE ATTACHED SCHEDULE "A"

VIA REGULAR MAIL

TO THE INVESTORS AND CREDITORS OF INTEGRA INVESTMENT SERVICE LTD., CARLING SPRINGS VILLAGE INC., AURORA RIVER TOWER INC., CARLING DEVELPOMENT (B.C.) INC., CARLING DEVELOPMENT INC., CARLING FINANCIAL CORPORATION, CARLING GROUP CANADA INC.

Re: Settlement Agreement dated February 6, 2008 between Carling and Integra ("Settlement Agreement")

Dear Sirs

Closing of the Settlement Agreement

As you are aware, the Court approved the Settlement Agreement on February 27, 2008. An Approval Order was granted that day and filed on March 5, 2008. The terms of the Settlement Agreement at Article 3.1 required that Closing would take place no later than March 15, 2008. Furthermore, paragraph 8 of the Approval Order authorized and directed the Receiver to call, organize and convene a meeting of the Investors within 30 days of the granting of the Approval Order (the "Investor Meeting").

Prior to the calling the Investor Meeting, the Receiver would like to have the Transfer of the Airdrie Lands (per Article 4 of the Settlement Agreement) completed and the Settlement Agreement closed. The Settlement Agreement had a condition precedent at Article 8.1 (d) that the Airdrie Purchaser or its nominee shall have obtained financing to pay the Airdrie Purchase Price, plus adjustments. The Airdrie Purchaser has advised that they require additional time in order to complete its financing and have advised that they expect to be in a position to close on the Airdrie Lands in early April. In order to allow for the financing arrangements to be put in place and to Transfer the Airdrie Lands, the Receiver and Carling have agreed to extend the Closing in Article 3.1 (of the Settlement Agreement) to April 15, 2008.

■ **Ernst & Young Inc.**
Ernst & Young Tower
1000, 440 2nd Avenue S.W
Calgary, Alberta T2P 5E9

■ Phone: (403) 290-4100
Fax: (403) 290-4265

Investor Meeting

Upon the completion of the Transfer of the Airdrie Lands and the closing of the Settlement Agreement, the Receiver will convene a meeting of Investors for the purposes of:

a) providing a general update on the Integra Receivership and Carling Inspectorship proceedings and discussing the Reports filed in those proceedings; and

b) constituting the Investor's Committee.

Based on the amended time line to allow the Airdrie Lands to be transferred, the Receiver expects that the notice for calling the Investor Meeting will be sent out in mid-April and the meeting with take place in early to mid May.

The Receiver's counsel will be seeking the necessary Court approval to amend paragraph 8 of the Approval Order to allow for the revised time lines.

Fort McMurray Lands - update

Mr. Cheng has advised the Receiver that the process of re-issuing the building/development permit for the Fort McMurray Lands will take approximately four months. As a result, the earliest that construction could begin on the Fort McMurray Lands will be late summer 2008.

In addition, the Receiver understands that the outstanding property taxes on the Fort McMurray Lands were paid on March 17, 2008.

If you have any questions or concerns, please contact Mr. Deryck Helkaa of our offices at (403) 206-5381

Yours very truly,

ERNST & YOUNG INC.
In its capacity as Court appointed Receiver of
Integra Investment Service Ltd., Aurora River Tower Inc.,
Carling Springs Village Inc. and Carling Development (B.C.) Inc.
and not in it's personal capacity.

Neil Narfason CA•CIRP, CBV

Encl.

SCHEDULE "A"

131079-77

Name	Counsel (or Party's Address)	Party	Phone No.	Fax No.
Josef G.A. Krüger jrkuger@blgcanada.com	Borden Ladner Gervais 1000 400 3 Avenue SW Calgary AB T2P 4H2	Receiver (other than interests involving Carling Springs Village Inc. and Carling (B.C.) Inc.)	232-9563	266-1395
Neil Narfason neil.narfason@ca.ey.com Daryck Helkaa daryck.helkaa@ca.ey.com	1000 440 2 Avenue SW Calgary AB T2P 5E9	Ernst & Young Inc. Receiver and Manager of Integra Investment Service Ltd., Aurora River Towers Inc., Carling Springs Village Inc. and Carling (B.C.) Inc.	206-5067 206-5381	206-5075
Philippe V. Lalonde plalonde@brownleelaw.com	Brownlee LLP 2000 530 8 Avenue SW Calgary AB T2P 3S8	Carling Development Inc., Carling Financial Corporation, Denny Cheng and Lisa Wong	260-1465	232-8408
Bill MacLeod bmacleod@macleodlaw.com	MacLeod & Company 1900 - 777 Hornby Street Vancouver, B.C. V6Z 1S4		604-687-6731	604-682-2534
Eric D. Lawson elawson@sagefunding.net	2 Flr 1911 34 Avenue SW Calgary AB T2T 2C2	Sage Funding	287-0066 874-0036 (c)	287-0063
Graham Price gprice@mmsmlawyers.com	Machida Mack Shewchuk Meagher LLP 1300, 707 - 7th Avenue S.W. Calgary, AB T2P 3H6	John Anderson, Terrance Daw and Dawe Law Office	221-8333	221-8339
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As at February 12, 2008

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