



File No.: 5920/AGY

May 8, 2009

Mr. Bruce Alger
Alger & Associates Inc.
400, 602 - 11th Avenue S.W.
Calgary, Alberta L5R 3K4

Delivered

Dear Sir:

Re: Bonaventure Court
Chronology of Units Claimed by Kendax Investments Inc.

This letter is written in response to your letter dated January 20, 2009.

In that letter you asked Ms. Joyce Kendall the following questions:

Question 1

"As noted within this draft schedule under footnote 2, the circumstances surrounding the sale/transfer back of the 20 units that you initially obtained in 1988 as partial consideration for commissions owed on your sale of units in the Properties are unknown to the Judicial Trustee. Can you please provide us with an explanation as to the circumstances involved with the sale/transfer back of these units to 658051 Ontario Limited ("658"), including copies of the applicable documentation for this sale/transfer back".

And

Question 2

"Additionally, please provide us with an explanation as to the circumstances surrounding 658's subsequent sale of these and other units noted in footnote 3, whereby the promissory notes under these agreements were assigned to your company; including copies of applicable documentation."

Answer to Question 1

Footnote 2 in the "Chronology of units claimed by Kendax Investments Inc." is incorrect. The footnote refers to "sale/transfer back to 658 for subsequent resale." This did not occur.

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Joyce Kendall was the original beneficial owner of 20 units.¹

By Agreement dated April 1, 1992 the 20 units were transferred from Joyce Kendall to Kendax Investments Inc.²

After the transfer of the 20 units from Joyce Kendall to Kendax, Kendax was the beneficial owner of those units. 658051 Ontario Limited remained throughout as the legal owner on the units. As such there was no transfer of legal title to Joyce and subsequently Kendax. Rather there was transfer of beneficial ownership from Joyce Kendall to Kendax Investments Inc.

In 1992 Joyce met with Carmichael through several meetings and telephone calls with respect to the sale of the 20 units. Carmichael had an inventory of returned units that he wanted to market. Cliff Sabirsh, a salesman, was interested in selling these units on behalf of both Kendax and 658. Cliff Sabirsh was given the authority by Kendax Investments Inc. to market the 20 units on behalf of Kendax Investments Inc. in the name of 658051 Ontario Limited. This is explained in more detail below.

When Kendax Investments Inc. sold the 20 Units, the UPA Agreements signed by Joyce Kendall were not assigned to the new Purchasers. Rather, new UPA agreements were executed between 658 and the new purchaser.

The Healeys, Kalina and Duke bought their units from Kendax Investments Inc. and paid Kendax Investments Inc. Each of the new purchasers made their cheques payable to Kendax Investments Inc.³

Summary

1. Kendax Investments Inc. bought the 20 Units from Joyce Kendall, with consent to same from the Respondents;
2. Kendax Investments Inc. made covenant to bind itself to same terms and conditions of UPA Agreements;
3. Cliff Sabirsh sold 20 Units to Healeys, Kalina, Duke;
4. Sabirsh informed the new Purchasers that the units were beneficially owned by Kendax;
5. The new Purchasers made monthly payments directly to Kendax Investments Inc.; and
6. Kendax Investments Inc. reported the income from the sale of the land, building, appliances and services in its' bookkeeping and financial statements.

Answer to Question 2

On March 12, 2009 you confirmed that you required explanations with respect the following 25 units:

¹ Copies of the UPAs are available on the Bonaventure Court Website.

² A copy of the transfer agreement showing the transfer of the units from Joyce to Kendax is attached.

³ Copies of the cheques from Healey and Kalina are attached.

33, 112, 135, 166, 184, 63, 86, 102, 145, 151, 167, 195, (sold to the Healeys and Kalina)
20, 21, 24, 29, 52, 65, 78, 82, 95, 97, 120, 133, 186 (sold to Painvins and Moore)

1988

In 1988, before Bonaventure Court was sold to Ontario investors, the Kingscroft agreed that as part of the compensation package for Kendax's role in packaging and marketing Bonaventure Court, Joyce Kendall ("Kendall") would receive 20 units "at cost", defined as the per unit price that the Respondents paid to purchase Bonaventure Court. Kendall was to receive 10 – 1 Bedroom ("1 BR") units and 10 – 2 Bedroom ("2 BR") units as follows: \$31,000 for a 1 BR and \$40,200 for a 2 BR, for land, building and appliances only (no services).⁴

The unit numbers for the 20 units Kendall acquired ("20 Units") are: 33, 42, 50, 63, 86, 102, 112, 135, 141, 145, 151, 155, 166, 167, 171, 180, 184, 185, 194, 195. ⁵ Of these the following were originally acquired by Kendall pursuant to the VTB Agreement dated August 9, 1990:

33, 112, 135, 166, 184, 63, 86, 102, 145, 151, 167, 195

The down payment on the 20 Units was paid by set-off against Kendax's commissions as shown on the enclosed copy of Marketing Status Report dated February 28, 1991. The down payment paid on each unit is equal to the pro-rata share of the Kingscroft Investments Ltd. mortgage in the amount of \$1,149,000 which is the down payment Kingscroft paid at the time of purchase.

The allocation is as follows:

	One Bedroom	Two Bedroom
Unit Factor	.43435%	.56185%
At cost unit price	\$31,000	\$40,200
Kingscroft Mortgage	\$5,487	\$6,402
Net Price	\$25,540	\$35,460

1988 – 1991

Kendax, through its' sales team, sold units in Bonaventure Court to Ontario investors. By 1990 – 1991 some investors had defaulted on making payments on their Promissory Notes and their units were returned to the Respondents.

⁴ A copy of the Bonaventure Court VTB Agreement is attached.

⁵ The Unit Purchase Agreements for the 20 units may be viewed at www.bonaventurecourt.com.

1992 – 1994

As noted above Kendall sold her 20 Units to Kendax in April 1992.² Kendax paid Kendall the down payment as agreed upon over 5 years ending in 1997.

In 1992 Kendax hired Clifford Sabirsh (“Sabirsh”) to sell the 20 Units recently purchased from Kendall. Kendax told Sabirsh specifically that Kendax beneficially owned the 20 Units and that they were not beneficially owned by the Respondents (although the Respondents did have their own returned units that Sabirsh was also hired by Kendax to resell). In a meeting attended by the Respondents, Kendax and Sabirsh, the Respondents confirmed to Sabirsh that the 20 Units were formerly owned by Kendall who then sold them to Kendax.

Sabirsh sold Kendax’s 20 Units to:

Purchaser	Units Sold
David and Katherine Healey (the “Healeys”)	33, 112, 135, 166, 184
Thomas Kalina (“Kalina”)	63, 86, 102, 145, 151, 167, 195
Ronald Duke (“Duke”)	42, 50, 141, 155, 171, 180, 194, 185

In discussions with the Respondents about how to process the sale of the 20 Units, Kendax was advised to have the new purchasers sign the standard UPA Agreements so as to bind them to the same terms and conditions as the other investors. The 20 Units were sold, together with a package of prepaid services, to the Healeys, Kalina and Duke (with the Respondents acting as agent for the sale and for delivering the prepaid services on Kendax’s behalf). Kendax paid the 658 and Kingscroft Investments for their role as agent in the sale and for performing services on its’ behalf by set-off against commissions.

A few years later Kalina and the Healeys asked Kendax to release them from any further obligations to make monthly payments on their promissory notes in exchange for transferring their beneficial interest in their units to Kendax. Accordingly, the parties signed Debt Settlement Agreements (copy for Kalina enclosed) transferring to Kendax the 5 units from the Healeys⁶ and the 7 units from Kalina.

In the period 1992 to 1994 Sabirsh resold units which had been returned to 658, due to previous investor default.

In particular, Sabirsh resold the following 13 units: 20, 21, 24, 29, 52, 65, 78, 82, 95, 97, 120, 133, 186 (the “13 Units”). The promissory notes from the 13 units were assigned by 658 and Kingscroft to Kendax.

In 1992 Sabirsh sold 6 of the 13 (Units 20, 21, 24, 52, 97,133) to Arnaud & Catherine Painvin (the “Painvin’s Units”).

⁶ A copy of the Debt Settlement Agreement for Healey will provided in due course.

In November 1993 Sabirsh sold the other 7 of the 13 (Units 29, 65, 78, 82, 95, 120, 186) units to Brett Moore (the "Moore Units")

To further reduce the balance of commissions owing to Kendax, the Respondents suggested assigning some promissory notes to Kendax. The Painvins and Moore were notified and consented to the assignments. Thereafter the Respondents and Kendax agreed upon a consideration for the assignments of the promissory notes. 658, Kingscroft and Kendax then executed the Assignment Agreements (copies enclosed). The Painvins and Moore were notified of the assignments and were directed to make payments to Kendax.

Kendax paid the Respondents for the promissory notes for the 13 Units by set-off against commissions. The amount set-off was the amount of the face value of the promissory notes, that is, the amount of principal of the promissory notes. At the same time Kendax set-off commissions to purchase the pro-rata share of the Kingscroft mortgage on each of the 13 Units.

Painvins Units

Kendax set-off an amount of \$104,220 + \$58,530. Referring to the Marketing Status Report dated 27 May 94, 1st page, lines 16 & 17 are set-offs of commission for 7 units as follows which 7 units are:

4 - 2 Br units (\$104,220) for Dorrington (1) and Painvins (3), and for
3 - 1 Br units (\$58,530) for Painvins (3)

4 (2 Br units) x \$72,565 (price) - (\$11,050 commission* + \$35,460 1st mortgage*) = \$104,220
3 (1 Br units) x \$56,100 (price) - (\$11,050 commission* + \$25,540 1st mortgage*) = \$58,530

* The commission payable by the Respondents to Kendax for the sale of a unit (\$11,050 per unit) was factored into the transaction.

Moore Units

6 (2 Br units) x \$72,565 (price) - (\$11,050 commission* + \$35,460 1st mortgage) = \$156,330
1 (1 Br unit) x \$56,100 (price) - (\$11,050 commission* + \$25,540 1st mortgage) = 19,510
Plus prepaid package of upgrades, administration and accounting for 7 units 40,297

\$ 216,137

* The commission payable by the Respondents for the sale of the unit (\$11,050 per unit) was factored into the transaction.

The Painvins wished to get out of their investment and wanted to exchange their beneficial interest in their 6 Units for a release on their promissory notes. Kendax did not consent to releasing them and sued them when they defaulted on the promissory notes. The Painvins
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counterclaimed. The parties agreed to mediate the dispute. All parties present at the mediation were the Painvins and their lawyer, Joyce Kendall from Kendax and her lawyer, Donald Carmichael for the Respondents and his lawyer and the mediator, Norman Ross. The mediation was successfully concluded on July 6, 1998 by unanimous agreement that the Painvins would transfer their beneficial interest in the 6 Units to Kendax in exchange for a full release on the promissory notes.

Paragraph 1 on page 3 of the Minutes of Settlement states:

"Arnaud Painvin and Catherine Painvin:

- a) hereby grant, assign and transfer any and all right and interest in and to the units and all benefits and advantage to be derived therefrom from the Unit Purchase Agreements or otherwise to Kendax Investments Inc;*
- b) irrevocably authorize and direct 658051 Ontario Limited to take all steps and do all things necessary to effect the registration of the said units to Kendax Investments Inc;*
- c) hereby undertake to execute any and all further documents or assurances to give force and effect to this grant, transfer and assignment."*

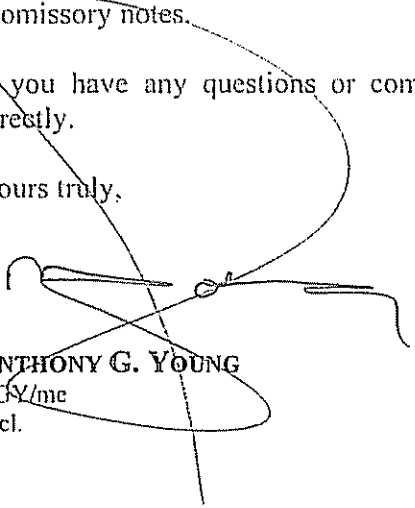
In a letter dated 23 January 1998 (copy enclosed), Brett Moore wrote to Kendax:

"At these times I disclosed my worsening financial circumstances. The monthly payments have now become a financial hardship. At this time I now request a release from my obligation from the promissory notes. In exchange for this, I will transfer my units in Bonaventure Court to Kendax Investments Inc."

Kendax, the Respondents and Moore then signed a Debt Settlement Agreement transferring Moore's right, title and interest in the 7 units to Kendax in exchange for a release on the promissory notes.

If you have any questions or comments, please do not hesitate to contact the undersigned directly.

Yours truly,



ANTHONY G. YOUNG
AGY/me
encl.