

COURT FILE NUMBER 0201-13248
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
APPLICANT: KENDAX INVESTMENTS INC.
RESPONDENTS: DONALD CARMICHAEL, 658051 ONTARIO LIMITED AND
KINGSCROFT INVESTMENTS LIMITED
INTERESTED PARTY: BONAVENTURE SMALL INVESTORS GROUP

DOCUMENT: **JUDICIAL TRUSTEE'S FIFTEENTH REPORT
TO THE BENEFICIAL OWNERS OF CONDOMINIUM
PLAN 8811686, UNITS 1 TO 195,
205 HERITAGE DRIVE S.E., CALGARY, ALBERTA
("BONAVENTURE COURT" OR THE "PROPERTIES")**

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File No.: 58585-1

Purpose of Report

1. This report updates the Beneficial Owners of the Bonaventure Court condominium units (the "Beneficial Owners") as to the status of the administration of Bonaventure Court and the related litigation. More specifically, this report contains information on the proposed second interim distribution to four beneficial owners from funds that would have been distributed in the first interim distribution in July 2010, but for the disputed ownership of these units, which dispute has now been resolved.

Access to Information

2. Copies of all Court Orders referred to and certain other Court documents are posted at www.bonaventurecourt.com. Copies of any other filed Court documents are available from the Judicial Trustee upon request.

Court Filings Since Last Report

3. On January 12, 2011, counsel for the Judicial Trustee filed a brief for the Court Application originally scheduled for January 18, 2011, but which application was adjourned to March 24, 2011.
4. On March 24, 2011, the Court approved all items outlined in the Judicial Trustee's Notice of Application of December 15, 2010 with the exception of the Respondents set-off matters and the proposed second interim distribution matter, which matters were adjourned *sine die*. The latter two items were subsequently scheduled for May 12, 2011.
5. On April 15, 2011, Glenmount Management Ltd. ("Glenmount"), a creditor of the Respondents, filed an affidavit and a brief in relation to the Respondents set-off matter. On April 28, 2011, counsel for the Judicial Trustee filed an additional brief in relation to the same matter. The May 12, 2011 application was adjourned to July 28, 2011.
6. On May 9, 2011, Kendax Investments Inc. ("Kendax") filed an affidavit and a Notice of Application seeking an Order for security for costs against Bonaventure Small Investors Group ("BSIG"), with the matter scheduled to be heard at the May 12, 2011 Court application. The May 12, 2011 Court application was adjourned to July 28, 2011.

7. On May 10, 2011, McGuigan Nelson LLP filed a Notice of Withdrawal as Lawyer of Record for Donald Carmichael.

Judicial Trustee's Statement of Receipts and Disbursements ("R&D")

8. Attached as Exhibit 1 is a copy of the Judicial Trustee's R&D to April 30, 2011. The total cash held in trust as at April 30, 2011 was \$7,532,925.
9. The Judicial Trustee's R&D includes as an addendum a notional allocation of the R&D on a line item basis to one and two bedroom units using the Proportionate Shares as defined in the Unit Purchase Agreements.
10. As outlined in previous reports, the cash in trust is segregated into six trust accounts, comprised of one operating account and five T-bill accounts. The five T-bill accounts have been established for the following matters:
 - a. Contingency Fund for Future Costs of Administration, Litigation and Taxes
 - b. Disputed units and PN proceeds – Respondents et al
 - c. Disputed unit proceeds – Applicant et al
 - d. Disputed unit proceeds – Unit 124 (Dunn-Warr)
 - e. Non-Resident Beneficial Owner's unit proceeds

Respondents Set-off Matter

11. The application to approve the Respondents Set-off matter contained in the Judicial Trustee's Notice of Motion of December 15, 2010 was adjourned on January 18, 2011, March 24, 2011 and May 12, 2011 and is now scheduled for July 28, 2011 with additional briefs to be filed prior thereto by counsel for Glenmount and counsel for the Judicial Trustee.
12. The proceeds held in trust for the 12 units at issue between Glenmount and the Judicial Trustee (i.e. the 13th unit approved by the Court on March 24, 2011 as being a Respondent beneficially-owned unit – unit 142 – did not have a registration made against it by Glenmount in 2003) is contained in the schedule attached as Exhibit 2. This schedule also contains speculative increased recoveries for these 12 units on a range of issues affecting all of the Bonaventure Court units, as outlined in this schedule.

Interim Distribution Matters

13. With the resolution of ownership on 21 of the 50 disputed units arising from the March 24, 2011 Court Application and pending the results of the Respondents Set-off matter, the Judicial Trustee is proposing the following for the eight units that have been approved by the Court as being beneficially owned by parties other than the Respondents:

- a. For the four units owned by three Beneficial Owners (i.e. Kraly [148], Mayers [87, 117] and McManus [123]) where the proceeds in trust from the initial interim distribution in July 2010 are in excess of the Promissory Note (“PN”) amounts owed, an interim distribution be made to the Beneficial Owners of these proceeds in trust in excess of the PN amounts owed. An interim distribution of these proceeds does not prejudice the interests of any parties to these proceedings, including the Respondents, the Applicant, BSIG or Glenmount. The proposed interim distribution amounts are outlined on the table below:

	Initial Interim Dist. Proceeds	PN Amounts Owed	Net Amount Proposed for Distribution
1. Kraly, Joseph (unit 148)	\$106,635.47	\$54,802.83	\$51,832.64
2. Mayers, S. Michael (unit 87)	\$106,635.47	\$55,845.64	\$50,789.83
3. Mayers, S. Michael (unit 117)	\$106,635.47	\$55,845.64	\$50,789.83
4. McManus, David (unit 123)	\$106,635.47	\$39,282.30	\$67,353.17
	<u>\$ 426,541.88</u>	<u>\$205,776.41</u>	<u>\$ 220,765.47</u>

- b. For the remaining four units where the PN amounts owed by Beneficial Owners are in excess of the initial interim distribution proceeds, the funds presently held in trust remain in trust pending further Order of this Court. The Judicial Trustee will be transferring the Unit 124 (Ian Dunn) proceeds contained within its own trust account to the Disputed Units/PN proceeds – Respondents et al units trust account, where the other 20 formerly disputed units’ proceeds are held in trust, pending further Order of this Court.

Statement of Claim against Kendax

14. Kendax filed its Affidavit of Records ("AOR") in relation to the above litigation on May 5, 2011. A copy of Kendax' AOR has been posted to the Judicial Trustee's web-site at www.bonaventurecourt.com.
15. As outlined in the Judicial Trustee's Thirteenth and Fourteenth Reports, counsel for the Judicial Trustee will be amending the amounts contained in its Statement of Claim against Kendax for the results of the updating of the accounting for 2008 to 2010 activity now that this accounting was approved by the Court on March 24, 2011 and will be circulating a Consent Order to counsel for Kendax for this purpose.
16. The Examination for Discovery process has been scheduled between counsel for the Judicial Trustee and counsel for Kendax to be commenced the week of June 6, 2011 and to be completed by the week of June 13, 2011.

Income Tax Matters

17. The Judicial Trustee will be meeting in the near future with its tax advisors to strategize on commencing a process to initiate discussions with Canada Revenue Agency ("CRA"). These discussions would be initiated with a view to obtaining rulings from, or letters of understandings with, CRA on various matters of relevance on this file, including ultimately obtaining a clearance certificate from CRA on the Judicial Trustee's role in this matter prior to the Judicial Trustee seeking its discharge.

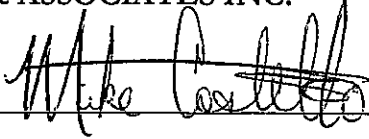
Service of Report

18. This report will be sent to the Beneficial Owners and other interested parties via e-mail where available, or via mail where not available. If recipients wish to receive a copy of future reports and other information from the Judicial Trustee via e-mail, please contact the Judicial Trustee. Similarly, if recipients wish to receive copies of future reports and other information via mail, please contact the Judicial Trustee. The Judicial Trustee can be contacted by telephone at 403-298-5800 or toll-free at 1-800-661-8284 or via e-mail at Michael.Costello@ca.gt.com or Bruce.Alger@ca.gt.com.

DATED this 24th day of May, 2011.

Yours truly,

ALGER & ASSOCIATES INC.

Per: 
Michael Costello

- TO: Respondents
Attention: Donald Carmichael
- AND TO: Davis LLP
Counsel for the Applicant
Attention: James Bancroft
- AND TO: A.G. Young Legal Centre
Counsel for the Applicant
Attention: Tony Young
- AND TO: Fraser Milner Casgrain LLP
Counsel for Bonaventure Small Investors Group
Attention: David LeGeyt
- AND TO: Burnet, Duckworth & Palmer LLP
Counsel for the Judicial Trustee
Attention: Douglas Nishimura
- AND TO: Court of Queen's Bench of Alberta
- AND TO: The other Beneficial Owners and purported Beneficial Owners and other interested parties

ACTION # 0201-13248

IN THE MATTER OF
KENDAX INVESTMENTS INC. V. DONALD CARMICHAEL & 658051 ONTARIO LTD.
JUDICIAL TRUSTEE'S STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 22, 2003 TO APRIL 30, 2011

	Notional Alloc. by UPA Propor. Share	
	0.434364% Per 1 BR unit	0.561856% Per 2 BR unit
Receipts		
Sale of Properties, net	\$ 19,647,028	\$ 85,340 \$ 110,388
Net receipts from Fireside Management Ltd.	4,113,886	17,869 23,114
Interest income	206,958	899 1,163
Other receipts/recoveries	17,718	77 100
Total Receipts	\$ 23,985,590	\$ 104,185 \$ 134,764
Disbursements		
Distributions to Beneficial Owners	\$ 14,075,759	\$ 61,140 \$ 79,085
Judicial Trustee fee advances	929,465	4,037 5,222
Advances on Judicial Trustee's legal fees and costs	428,807	1,863 2,409
BSIG Costs	370,852	1,611 2,084
Solicitor for BSIG	301,101	1,308 1,692
Mortgage and divestiture related expenses	125,154	544 703
Accounting fees	40,201	175 226
Agent for the Judicial Trustee	36,237	157 204
Office, administrative, travel and other disbursements	32,549	141 183
Solicitor for the mortgagee	7,822	34 44
GST/PST	104,720	455 588
Total Disbursements	\$ 16,452,665	\$ 71,465 \$ 92,440
Cash Held in Trust (1)	\$ 7,532,925	\$ 32,720 \$ 42,324

(1) Cash Held in Trust comprised of:	
Regular trust account	\$ 6,750
T-Bill savings accounts	
> Contingency Fund - Future Costs and Taxes	2,592,487
> Disputed unit/PN proceeds - Respondents, BSIG et al	1,982,377
> Disputed unit proceeds - Applicant, BSIG et al	2,843,298
> Disputed unit proceeds - Unit 124 (Warr/Dunn)	107,278
> Non-Resident Beneficial Owners	735
	\$ 7,532,925

INITIAL INTERIM DISTRIBUTION FUNDS ONLY					
Initial Interim Distribution Funds - July 2010			\$18,979,158	> See attached	
Unit #	Last Name	First Name/Principal	BR's	Prop. Shr. %*	Amount**
37	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 106,635.47
66	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 106,635.47
76	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 106,635.47
96	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 106,635.47
113	658051 Ontario Limited	Donald Carmichael	1	0.434364344	\$ 82,438.70
115	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 106,635.47
129	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 106,635.47
149	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 106,635.47
154	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 106,635.47
177	658051 Ontario Limited	Donald Carmichael	1	0.434364344	\$ 82,438.70
181	658051 Ontario Limited	Donald Carmichael	1	0.434364344	\$ 82,438.70
187	658051 Ontario Limited	Donald Carmichael	1	0.434364344	\$ 82,438.70
Total				6.2323	\$ 1,182,838.50

Constructive Trust funds***
\$ 106,635.47
\$ 82,438.70
\$ 106,635.47
\$ 106,635.47
\$ 82,438.70
\$ 106,635.47
\$ 106,635.47
\$ 82,438.70
\$ 82,438.70
\$ 82,438.70
\$ 484,783.79

- * Proportionate shares of .56185% and .43436% per UPAs add up to 99.999%, therefore grossed-up to 100% to eliminate rounding difference
- ** To be retained in trust pending resolution of matters
- *** Units were purchased with funds obtained directly from Property Manager therefore associated funds regarded as Constructive Trust

AFTER CONSIDERATION OF ADDITIONAL FUNDS THAT COULD BE RECOVERED					
Total Potential Recovery Funds			\$23,199,296	> See attached	
Unit #	Last Name	First Name/Principal	BR's	Prop. Shr. %*	Amount**
37	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 130,346.55
66	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 130,346.55
76	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 130,346.55
96	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 130,346.55
113	658051 Ontario Limited	Donald Carmichael	1	0.434364344	\$ 100,769.47
115	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 130,346.55
129	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 130,346.55
149	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 130,346.55
154	658051 Ontario Limited	Donald Carmichael	2	0.561855619	\$ 130,346.55
177	658051 Ontario Limited	Donald Carmichael	1	0.434364344	\$ 100,769.47
181	658051 Ontario Limited	Donald Carmichael	1	0.434364344	\$ 100,769.47
187	658051 Ontario Limited	Donald Carmichael	1	0.434364344	\$ 100,769.47
Total				6.2323	\$ 1,445,850.29

Constructive Trust funds***
\$ 130,346.55
\$ 100,769.47
\$ 130,346.55
\$ 130,346.55
\$ 100,769.47
\$ 130,346.55
\$ 130,346.55
\$ 130,346.55
\$ 100,769.47
\$ 100,769.47
\$ 100,769.47
\$ 592,578.60

- * Proportionate shares of .56185% and .43436% per UPAs add up to 99.999%, therefore grossed-up to 100% to eliminate rounding difference
- ** To be retained in trust pending resolution of matters
- *** Units were purchased with funds obtained directly from Property Manager therefore associated funds regarded as Constructive Trust

Due from 658051 Ontario Limited per Thirteenth Report	\$ 1,519,131
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**Bonaventure Court
Total Funds Calculation**

First Interim Distribution		
Cash in Trust Per Statement of R&D as at July 2, 2010	\$	21,979,158
Less: Holdback for Future Costs of Administration, Litigation and Tax Contingency	\$	(3,000,000)
First Interim Distribution availability, before consideration of the following	\$	18,979,158

Future Potential Recoveries		
Add: Holdback funds above	\$	3,000,000
Less: Portion utilized for costs to Apr-30-11	\$	(424,975)
Less: Most optimistic view on future costs	\$	(200,000)
		\$ 2,375,025
Add: Due from Kendax at balance sheet amount (Sep-30-10) - Thirteenth report (Excluding joint and several liability issues from Statement of Claim)	\$	1,226,877
Add: Due from Kingscroft at balance sheet amount (Sep-30-10) - Thirteenth report		
Stated amount per report	\$	3,148,791
Use PN set-off funds from Fourteenth Report as practical maximum	\$	618,236
Total Additional Funds	\$	4,220,138

Total Potential Recovery Funds	\$	23,199,296
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Note:

Amounts due from:

Kingscroft Capital per Thirteenth report	\$	26,735
Winchester Properties per Thirteenth Report	\$	196,000

viewed as 100% uncollectible.