



COURT FILE NUMBER 1701-11656

COURT QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

PLAINTIFF CROSSROADS-DMD MORTGAGE INVESTMENT CORPORATION

DEFENDANTS CMS FINANCIAL MANAGEMENT SERVICES LTD., CMS REAL ESTATE LTD., GERRY MACDONALD, MAUREEN MACDONALD, GERRY GARVEY, JAMES DEVLIN, 1658062 ALBERTA LTD., LTO REALTY LTD., BRENT ISFELD, QUALITY CONTAINER STORAGE LTD., BARRY GREGORY, AND LYNETTE GREGORY

DOCUMENT AMENDED STATEMENT OF CLAIM

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **PEACOCK LINDER HALT & MACK LLP**
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NOTICE TO DEFENDANTS

You are being sued. You are a defendant.

Go to the end of this document to see what you can do and when you must do it.

AMENDED this 1 day of August 2018

Rule 3.62 Pursuant to

dated the 1 day of Aug 2018

CLERK OF THE COURT

Note: State below only facts and not evidence (Rule 13.6)

Statement of facts relied on:

IDENTIFICATION OF PARTIES AND PERSONS

1. The Plaintiff, Crossroads-DMD Mortgage Investment Corporation (“Crossroads”) is an Alberta corporation, duly registered, which carries on business as a mortgage investment corporation (“MIC”) in Alberta and elsewhere in western Canada.
2. The Defendant, CMS Financial Management Services Ltd. (“CMS”) is an Alberta corporation which, ^from May 9, 2001 until September 30, 2010 acted as Crossroads’ fund manager, and from at least September 30, 2010 to November 30, 2016 acted as Crossroads’ Exempt Market Dealer, Restricted Portfolio Manager and Investment Fund Manager.
3. In addition to acting as the Exempt Market Dealer, Restricted Portfolio Manager and Investment Fund Manager for Crossroads, CMS also acted in such capacities in respect of other MICs, including:
 - DMD Mortgage Investment Corporation (“DMD”);
 - DMD II Mortgage Investment Corporation (“DMD II”);
 - DMD III Mortgage Investment Corporation (“DMD III”);
 - DMD IV Mortgage Investment Corporation (“DMD IV”);
 - DMD V Mortgage Investment Corporation (“DMD V”); and
 - Sun Country Mortgage Investment Corp. (“Sun Country”)(collectively the “Other CMS MICs”)
4. In or about August, 2016, following an examination ordered pursuant to section 58 of the *Securities Act*, the Alberta Securities Commission (“ASC”) imposed terms and conditions on CMS, requiring that CMS either be subject to special supervision by a third party monitor or that Crossroads retain a new Investment Fund Manager and Restricted Portfolio Manager and Exempt Market Dealer. As a result, the CMS engagement with Crossroads was terminated on November 30, 2016. On or about April 1, 2017, the ASC revoked the registration of CMS as an Exempt Market Dealer, Restricted Portfolio Manager and Investment Fund Manager.
5. The Defendant, CMS Real Estate Ltd. (“CMS Realty”) is an Alberta corporation which carries on business as a licensed mortgage brokerage and a licensed real estate brokerage firm.

6. The Defendant, Gerry Macdonald (“G. Macdonald”) is an individual resident in the City of Calgary, in the Province of Alberta. At all material times, G. Macdonald was a director of Crossroads and its president. He was also a director of CMS and CMS Realty. G. Macdonald was also registered with the ASC as CMS’s advising representative, dealer representative, chief compliance officer, and ultimate designated person under National Instrument 31-103 (“NI 31-103”) G. Macdonald was also a director of all of the Other CMS MICs.
7. The Defendant, Maureen Macdonald (“M. Macdonald”) is an individual resident in the City of Calgary, in the Province of Alberta and is the spouse of G. Macdonald. At all material times, M. Macdonald was a director of CMS and CMS Realty. She was a dealer representative of CMS and its secretary/treasurer and chief financial officer. She was also a director of all of the Other CMS MICs.
8. The Defendant, Gerry Garvey (“G. Garvey”) is an individual resident in the City of Calgary, in the Province of Alberta. At all material times, G. Garvey was a director of Crossroads and its vice president. He also served as a dealer representative with CMS and as a mortgage broker associate with CMS Realty.
9. The Defendant, James Devlin (“J. Devlin”) is an individual resident in the City of Calgary, in the Province of Alberta. At all material times, J. Devlin was a director of Crossroads and its secretary/treasurer. He also served as an accountant with CMS and CMS Realty. J. Devlin and his wife, Donna Devlin (“D. Devlin”) were also directors of all of the Other CMS MICs, with the exception of Sun Country. J. Devlin is also the brother of M. Macdonald.
10. The Defendant, 1658062 Alberta Ltd. (“165”) is an Alberta corporation duly registered in Alberta.
11. The Defendant, LTO Realty Ltd (“LTO”) is an Alberta corporation duly registered in Alberta.
12. The Defendant, Brent Isfeld (“B. Isfeld”) is an individual resident in the City of Calgary, in the Province of Alberta. At all material times he was a director of 165 and LTO and is the spouse of Geraldine Isfeld (“G. Isfeld”) who at material times was a licensed realtor who was employed by CMS Realty. B. Isfeld and G. Garvey have long been friends of one another.
13. The Defendant, Quality Container Storage Ltd. (“Quality Container”) is an Alberta corporation duly registered in Alberta with its registered office in the City of Medicine Hat, Alberta.
14. The Defendant, Barry Gregory (“B. Gregory”) is an individual resident in the City of Medicine Hat in the Province of Alberta. B. Gregory was at all material times a director and 50 percent shareholder of Quality Container, along with his wife, Lynette Gregory. B. Gregory and G. Macdonald have long been close friends of one another.

15. The Defendant, Lynette Gregory (“L. Gregory”) is an individual resident in the City of Medicine Hat in the Province of Alberta. L. Gregory was at all material times a director and 50 percent shareholder of Quality Container, along with her husband, B. Gregory.

THE BUSINESS OF CROSSROADS, ITS RELATIONSHIP WITH CMS AND DUTIES AND OBLIGATIONS OWED BY PRINCIPALS OF CROSSROADS AND CMS

16. At all material times, Crossroads, as a MIC, has been engaged in the business of raising investor money through the issuance of offering memoranda, seeking the investment by individuals in Crossroads through the issuance of preferred class B shares which entitle investors to receive dividends out of the profits of Crossroads. Crossroads, in turn, was to use the investment funds in accordance with the terms of the offering memoranda to provide mortgage financing to qualified borrowers.
17. As directors and officers of Crossroads, each of G. MacDonald, G. Garvey and J. Devlin owed fiduciary and common law duties to Crossroads, including
- (a) A duty to act honestly and in good faith with a view to the best interests of Crossroads;
 - (b) A duty to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
 - (c) A duty to provide proper supervision, governance and financial stewardship;
 - (d) A duty to ensure that mortgages issued on behalf of Crossroads were in conformity with the offering memoranda of Crossroads, the requirements imposed on Crossroads as a MIC and in the best interests of Crossroads;
 - (e) A duty of loyalty;
 - (f) A duty to avoid conflicts of interest;
 - (g) A duty to refrain from self-dealing and from putting his interests ahead of those of Crossroads;
 - (h) A duty of full disclosure;
 - (i) A duty to reasonably monitor, supervise and oversee the actions of CMS and CMS Realty insofar as they affected or had the potential to affect the interests of Crossroads, including a duty to monitor the fees and expenses charged by CMS and CMS Realty to Crossroads;
- (the “Directors’ and Officers’ Duties”)
18. CMS entered into a written Management Agreement with Crossroads effective April 30, 2011. Subsequently, CMS entered into a revised written Management Agreement with

Crossroads effective May 30, 2013. The Management Agreements set forth the contractual obligations of CMS and the terms of compensation to which CMS was entitled as a management fee. Among the obligations which CMS owed pursuant to the Management Agreements, CMS was obliged to

- (a) establish and maintain an effective compliance system in order for Crossroads to meet its ongoing fitness requirements of applicable securities laws;
- (b) maintain an effective compliance system in order for Crossroads to meet all proficiency and compliance requirements of applicable securities laws;
- (c) perform its services in a proper and businesslike manner to industry standards and at all times in compliance with all laws applicable to Crossroads and CMS;
- (d) ensure that the investments of Crossroads complied with investment policies, guidelines and criteria specified, including the offering memoranda issued on behalf of Crossroads;
- (e) ensure that it took necessary actions to protect and preserve the investments of Crossroads, including enforcement steps in relation to all security, in the event of default, including foreclosing on mortgaged property;
- (f) supervise the negotiation and execution of any agreements, including term sheets, mortgage commitments and all mortgage documents;
- (g) provide general administration of Crossroads' books and records;
- (h) manage and administer all of Crossroads' funds and assets in accordance with the requirements of the arrangements, mortgages, agreements undertakings and contracts therefore;
- (i) provide day-to-day administrative services to Crossroads;
- (j) provide regular and continuing accounting on the basis of GAAP, respecting all costs and expenses of Crossroads;
- (k) institute, prosecute and defend legal actions affecting Crossroads;
- (l) maintain and administer all records, documents and materials in the possession or control of Crossroads;
- (m) process all documentation relating to the business of Crossroads including applications, appraisals, commitments, registration, funding, collection and discharge of such documents;
- (n) provide ongoing assistance and guidance to Crossroads to ensure it was compliant at all times with all legislation and its business and capital raising activities including the *Income Tax Act*, the *Real Estate Act*, the *Securities Act* and any

associated regulations and policies including National Instrument 45-106 and National Instrument 31-103;

- (o) refrain from making any investment which would result in Crossroads not qualifying as a MIC pursuant to the *Income Tax Act*; and
- (p) refrain from making any investments that would result in CMS developing or managing real property on behalf of Crossroads.

(collectively the “CMS Obligations”)

19. Given its express statutory and regulatory obligations as an Exempt Market Dealer, Restricted Portfolio Manager and Investment Fund Manager and given CMS’s scope for the exercise of discretion and power over Crossroads, its ability to exercise such discretion and power to affect the interests of Crossroads, and the vulnerability of Crossroads to CMS, CMS also owed fiduciary and common law duties to Crossroads, including,

- (a) A duty to act fairly, honestly and in good faith and in the best interests of Crossroads;
- (b) A duty to exercise the degree of care, diligence and skill that a reasonably prudent person or company would exercise in the circumstances;
- (c) A duty of loyalty;
- (d) A duty to avoid conflicts of interest;
- (e) A duty to refrain from self-dealing and from putting its interests ahead of those of Crossroads;
- (f) A duty of full disclosure;
- (g) A duty to establish and enforce a system of controls and supervision to ensure compliance with statutory and regulatory requirements;
- (h) A duty to manage risks in accordance with prudent business practices;
- (i) A duty to maintain accurate records regarding its business activities, financial affairs and client transactions;
- (j) A duty to disclose the nature and extent of the relationship or connection when a security being recommended is a security of a related or connected issuer;
- (k) A duty to accurately calculate the net asset value (“NAV”) of Crossroads and make adjustments in a timely manner;
- (l) A duty to recommend adjustments to preferred class B share value in a timely manner;

(m) A duty to make appropriate mortgage investments as prescribed by Crossroads' offering memoranda;

(n) A duty to properly manage mortgage defaults and enforcement steps.

(collectively the "CMS Duties")

20. By virtue of her respective role with CMS, and her inter-relationship with G. Macdonald, G. Garvey and J. Devlin, M. Macdonald owed common law and fiduciary duties to Crossroads co-extensive with the Directors' and Officers' Duties, the CMS Obligations and the CMS Duties ("M. Macdonald Duties").

21. By virtue of their respective roles with CMS and their inter-relationships with each other and M. Macdonald, each of G. Macdonald, G. Garvey and J. Devlin owed common law and fiduciary duties to Crossroads, in addition to the Directors' and Officers' Duties, co-extensive with the CMS Obligations and the CMS Duties ("Supplementary Duties").

CROSSROADS IDENTIFIES BREACHES ON THE PART OF CMS, CMS REALTY, G. MACDONALD, M. MACDONALD, G. GARVEY AND J. DEVLIN

22. As a result of the termination of the relationship between CMS and Crossroads on November 30, 2016, Crossroads engaged Caplink Financial Corporation ("Caplink") effective that date as its Exempt Market Dealer, Restricted Portfolio Manager and Investment Fund Manager and entered into a Mortgage Administration and Management Agreement with Caplink (the "Caplink Engagement").

23. Following the Caplink Engagement, Crossroads discovered numerous breaches of the Directors' and Officers' Duties, the CMS Obligations, the CMS Duties, the M. Macdonald Duties and the Supplementary Duties. Particulars of the facts underlying such breaches are provided below.

24. Crossroads states that the breaches were committed knowingly and deliberately and in concert among CMS, CMS Realty, G. Macdonald, M. Macdonald, G. Garvey and J. Devlin or among one or more of them. Alternatively, such breaches were committed recklessly or negligently by one or more of these Defendants.

25. Crossroads states that the breaches committed by the Defendants only became discoverable by Crossroads following the termination of the CMS engagement on November 30, 2016. Further, and in the alternative, Crossroads states that the breaches committed by the Defendants were concealed by CMS and G. Macdonald, M. Macdonald, G. Garvey and J. Devlin such that the operation of any limitation period was suspended until December 1, 2016.

Costs associated with Cease Trade Order

26. Crossroads became subject to the issuance of a cease trade order by the Alberta Securities Commission on or around September 13, 2013, and the British Columbia Securities Commission on or around November 5, 2013 (the "Cease Trade Order").
27. The Cease Trade Order resulted from the failure of CMS, G. Macdonald, M. Macdonald, G. Garvey and J. Devlin to comply with the terms of Offering Memoranda issued on behalf of Crossroads, and other regulatory breaches, all contrary to their duties and obligations as alleged in paragraphs 17-19 of this Amended Statement of Claim ("the Cease Trade Order Breaches").
28. The Cease Trade Order Breaches have resulted in Crossroads suffering costs and losses totaling approximately \$860,000.

Loans in respect of 1339 9th Avenue SE

29. 1339 9th Avenue SE is undeveloped, vacant land located in the Inglewood district of Calgary (the "Inglewood Land").
30. On May 1, 2012, Rim Capital Corporation ("Rim") entered into a purchase contract to acquire the Inglewood Land for \$1,470,000.
31. On July 11, 2012 Rim entered into an assignment of the purchase contract with 165.
32. 165 was incorporated on February 9, 2012 and B. Isfeld became its sole director and officer on July 11, 2012. Prior to then, it had been a shelf company owned by Daniel Aberle. 165 did not carry on any business prior to the assignment of the purchase contract and had no income, operating history or assets.
33. By a letter dated July 9, 2012, Crossroads issued a mortgage commitment to 165 in the sum of \$1,830,000. The commitment letter offered to loan to 165 the sum of \$1,830,000, of which \$1,775,000 was to be initially advanced, with a lender bonus of \$55,000 to be paid on maturity of the loan. The loan was to be of 8 months duration and only required the payment of interest. The commitment letter contemplated the funds being used to pay the purchase price of \$1,440,000, an 8 month interest reserve of \$118,000, a lender fee of \$35,500 and a brokerage fee to CMS Realty of \$17,750 (the "Isfeld Mortgage").
34. G. Garvey was the individual that underwrote the Isfeld Mortgage on behalf of CMS and Crossroads. The mortgage application and related memo prepared by G. Garvey contained no meaningful underwriting information. The mortgage application listed B. Isfeld as self-employed with no reported annual income. Though there was no meaningful mortgage analysis shown, the application referred to the underwriting analysis as "excellent".
35. G. Garvey's memo to the file indicated that the property was to be developed as an 18 unit residential condominium complex with 5,000 square feet of main floor retail lease

space. It referred to a letter of interest to lease from Co-op Liquor Store and an agreement from the vendor to purchase 3 condominium units.

36. Notwithstanding the contemporaneous purchase price of \$1,470,000, G. Garvey's memo referred the property as having a value of \$2,091,000 based on an appraisal prepared for Rim with a value of \$1,891,000 and a note that an additional \$200,000 of value existed based on purported progress in the development.
37. G. Garvey's memo calculated projected payments of the mortgage proceeds as including the payment of \$99,500 of costs incurred by RIM and \$64,250 for working capital and soft costs.
38. There were numerous improprieties related to the Isfeld Mortgage, including:
 - (a) The loan was for an amount in excess of the purchase price by approximately \$400,000;
 - (b) Neither 165 nor B. Isfeld contributed any of its own funds toward the purchase;
 - (c) Even the payment of interest was taken out of the mortgage proceeds such that neither 165 nor B. Isfeld had to make any payment from their own resources;
 - (d) No personal net worth statement was obtained from B. Isfeld;
 - (e) B. Isfeld was not required to provide a personal guarantee and neither 165 nor B. Isfeld was required to provide any collateral security;
 - (f) At the time, B. Isfeld's wife, G. Isfeld, was a realtor with CMS Realty;
 - (g) No pro forma income and expense summary was obtained from 165;
 - (h) No current appraisal of the Inglewood Land "as is" or "as improved" was obtained by 165 with a letter of transmittal to Crossroads as lender;
 - (i) The value used for the loan of \$2,091,000 was unsubstantiated;
 - (j) Crossroads' mortgage underwriting guidelines permitted it to generally invest in mortgages with loan to value ratios of up to 85%. Even utilizing the unsubstantiated value of \$2,091,000, the loan value of \$1,830,000 comprised 87.5%, not the 83%. The calculation ought to have been based on the actual purchase price of the land rather than the unsubstantiated value, resulting in a loan to value ratio of 124.5%. Regardless, industry practice was to not lend more than 50% of value for undeveloped raw land;
 - (k) No current geotechnical report addressed to 165 with a letter of transmittal to Crossroads as lender was provided;

- (l) No current environmental report addressed to 165 with a letter of transmittal to Crossroads as lender was provided;
- (m) No property tax assessments were provided;
- (n) No construction cost pro forma reviewed by a qualified quantity surveyor was provided;
- (o) No executive summary for the project was provided;
- (p) No resume of B. Isfeld detailing his real estate development experience and qualifications was provided;
- (q) No list of experts and consultants involved with the project was provided;
- (r) No architectural drawings or renderings were provided;
- (s) No copies of condominium unit purchase and sale agreements were provided;
- (t) The documentation indicated that Rim was only acquiring one condominium unit rather than three and for a price at less than half of market value;
- (u) No current real property report with surveyor's certification was provided;
- (v) No letter of interest from Co-op Liquor store was provided;
- (w) On July 6, 2012, Jenkins Architecture Ltd. invoiced G. Garvey at CMS Realty for a pre-application meeting for the Inglewood Land;
- (x) The \$55,000 fee which was to be paid on loan maturity, was paid from the initial loan proceeds;
- (y) The Isfeld Mortgage was underwritten, committed to and instructed all within a single day, July 9, 2012, and was funded seven days later, an extraordinary turnaround for any commercial mortgage.

39. The events from and following the granting of the Isfeld Mortgage include:

- On July 16, 2012, the initial mortgage amount of \$1,775,000 was advanced to 165;
- On July 17, 2012, Crossroads received its \$55,000 lender bonus fee. It was first credited to the 165 mortgage advance account and then debited to Crossroads' operating income, which has the net effect of the mortgage balance remaining unchanged;
- On July 17, 2012, Crossroads received its \$118,000 interest reserve. The calculations in the mortgage commitment were inaccurate such that the interest reserved was short of the actual interest required;

- On July 17, 2012, Crossroads received its \$35,500 lender fee. It was first credited to the 165 mortgage account and then debited to Crossroads' operating income, which has the net effect of the mortgage balance remaining unchanged;
- On December 12, 2012, the \$55,000 lender bonus was reversed which had the effect of both reducing Crossroads' operating income and the mortgage balance. It effectively treated the lender bonus like it never happened;
- On December 12, 2012, Crossroads advanced an additional \$44,603.03. On the same day, CMS issued a cheque in that amount payable to LTO Realty, an entity owned by B. Isfeld but which had nothing to do with the mortgage transaction;
- On March 15, 2013 the 8 month term of the Isfeld Mortgage matured;
- On October 23, 2013 Crossroads paid the outstanding property taxes for 165. Failure to pay property taxes constituted default by the borrower;
- On November 29, 2013, CMS adjusted the interest rate factor from 10% to 11 % based on a mortgage renewal agreement which was executed on September 28, 2013 but made effective March 16, 2013. The Isfeld Mortgage was renewed even though 165 was in default. Furthermore, no mortgage renewal fee was charged and monthly mortgage payments were waived in favour of interest accruing, thereby increasing the amount outstanding under the mortgage;
- On August 31, 2014 Crossroads charged 165 a \$52,375 mortgage renewal fee but instead of it being paid by 165, CMS capitalized the fee into the loan principal, again increasing the amount of the mortgage. The March 16, 2013 mortgage renewal had a 12 month term. However, the renewal was not executed until August 12, 2014. Once again, interest was capitalized into the mortgage, resulting in the mortgage balance increasing. As of August 31, 2014, the mortgage balance had increased from \$1,775,000 to \$2,124,046.65;
- On March 11, 2015, Crossroads paid the outstanding property taxes for 165 in the sum of \$50,318.91 and other expenses on behalf of 165 in the cumulative sum of \$48,403.15. Of that amount, \$45,051.58 was used to pay out a builder's lien claim of Jenkins Architecture Ltd. No attempt was made to recover any of these amounts from 165 and no foreclosure proceedings were commenced despite 165 being in default;
- On June 24, 2015, Crossroads paid legal fees of \$2,223.16 on behalf of 165 in respect of a sale of the Inglewood Property from 165 to 1864069 Alberta Ltd., the principal of which was James Clayton, and 1884108 Alberta Ltd., the principal of which was John Torode, (the "165 Sale").
- Although the 165 Sale occurred on March 19, 2015, it was not recorded until August 31, 2015. As part of the purchase of \$1,800,000, the purchasers obtained a new mortgage from Crossroads, through CMS, in the sum of \$1,799,999 ("186-188 Mortgage"). After three years, 165 never made a single mortgage payment to

Crossroads. The original principal balance grew to \$2,475,671.41. In turn, the 186-188 Mortgage did not require personal guarantees or the provision of collateral security. Once again, the mortgage file was devoid of any underwriting documentation supporting the loan. Further, this mortgage had a three year term where interest accrued to the principal balance and where the mortgage could be postponed twice. Firstly, it could be postponed in favour of a \$400,000 first mortgage and secondly, it could be postponed in favour of a construction first mortgage of up to \$13,500,000. In exchange, Crossroads received a carried interest whereby Crossroads is entitled to receive \$600,000 of the first \$1,000,000 of profit from the development. This potentially makes Crossroads an equity partner, which is something a MIC is prohibited from doing pursuant to section 130.1(6)(b) of the *Income Tax Act*;

- On August 31, 2015 CMS wrote down \$52,865.72 from the ^Isfeld Mortgage and transferred it to the 186-188 Mortgage. With the transfer of mortgage principal and interest to the 186-188 Mortgage, the ^Isfeld Mortgage balance was reduced to \$675,672.41;
- On August 31, 2015, CMS wrote down \$42,829.04 of accrued interest and charged it to Crossroads' operating income;
- On August 31, 2016, CMS wrote down the ^Isfeld Mortgage by a further \$47,285.10, bringing the balance to \$600,000 which coincided with the carried interest of Crossroads under the 186-188 Mortgage;
- After writing the ^Isfeld Mortgage down to \$600,000, CMS transferred the balance to a new non-interest calculating ^lien in contemplation of the carried interest of Crossroads under the 186-188 ^Mortgage^;
- On April 1, 2018, the 186-188 Mortgage's three year term matured. Having made no mortgage payments for over 3 years the 186-188 Mortgage balance, as of July 13, 2018 with accrued interest and charges, had grown from \$1,799,999 to \$2,357,663;
- On July 13, 2018, as both 1864069 Alberta Ltd. and 1884108 Alberta Ltd. failed to repay the 186-188 Mortgage, Caplink commenced foreclosure proceedings on the 186-188 Mortgage;
- As of July 30, 2018, the Property Tax Statement of Account for the Inglewood Land showed an outstanding balance of \$31,364.14 and assessed value of \$1,720,000;
- As of July 1, 2018, the first mortgage balance on the Inglewood Land was \$650,000. With a 186-188 Mortgage balance of \$2,357,663 and outstanding property taxes of \$31,364, the total first mortgage, second mortgage and property tax indebtedness on the Inglewood Land is approximately \$3,039,027. Based on the assessed value of \$1,720,000 Crossroads will only recover approximately

\$1,038,636 of the 186-188 Mortgage before deducting foreclosure costs. Thus, Crossroads will suffer a loss on the 186-188 Mortgage in excess of \$1,319,027;

- In the addition to an anticipated write-down of \$1,319,027, Crossroads has also lost its opportunity to recover the \$600,000 in profit sharing from the 165 Sale. Consequently, Crossroads will suffer a total loss on the 186-188 Mortgage of over \$1,919,027.
40. At no time did CMS cause Crossroads to pursue any enforcement proceedings against any of 165, B. Isfeld or LTO Realty, nor did Crossroads make any such request of CMS.
 41. Crossroads, through CMS, provided the 186-188 Mortgage on a non-recourse basis to James Clayton and John Torode. As their holding companies, 1864069 Alberta Ltd. and 1884108 Alberta Ltd., have no other assets than the Inglewood Land, Crossroads has no opportunity to recover any of its mortgage shortfall from either James Clayton or John Torode.
 42. In summary, Crossroads funds were used to make an unsubstantiated and improvident loan to an entity whose principal, B. Isfeld, had direct and indirect ties to the principals of Crossroads and CMS (“the Improvident Mortgage Scheme”). Based on the events, the roles and responsibilities of the parties and the documents created, G. Garvey, G. Macdonald and M. Macdonald were direct participants in the Improvident Mortgage Scheme which was contrary to the interests of Crossroads. Further, given the role and involvement of J. Devlin, he participated in the Improvident Mortgage Scheme or was aware of and acquiesced to it. Alternatively, J. Devlin at the very least ought to have learned of the Improvident Mortgage Scheme and taken steps to protect the interests of Crossroads.
 43. Crossroads seeks from G. Garvey, J. Devlin, M. Macdonald, G. Macdonald and CMS \$3,100,000 in compensatory damages, which includes the principal, accrued interest and expenses incurred as a result of their authorizing both the Isfeld and 186-188 Mortgages.

Failure to Monitor NAV

44. Since 2008, CMS failed to accurately calculate and monitor the NAV of Crossroads and make adjustments in a timely manner, as necessary for the proper management of Crossroads. The failure to monitor and adjust the NAV of Crossroads fed into further significant failures by CMS, the directors of Crossroads, and M. Macdonald to appropriately manage Crossroads and its overall investment fund.
45. In particular, during this time Crossroads was made to pay dividends and shareholder redemptions in violation of the *Business Corporations Act*. These payments and redemptions were made at a time when Crossroads’ expenses and losses exceeded its revenues. These dividends and redemptions were improperly recommended by CMS and M. Macdonald, and approved by the directors of Crossroads.

46. Total dividends paid from 2009 until 2016 was \$30,035,596. As a result of the failure to monitor and adjust NAV, these dividends were paid when the value of Crossroads' assets was suffering significant losses and when Crossroads did not satisfy the test under section 43 of the *Business Corporations Act*.
47. The total shareholder redemptions made from 2009 until 2015 was \$12,047,200 (the "Redemptions"). As a result of the failure to monitor and adjust NAV, these redemptions were also made during this period of significant losses in asset value and when Crossroads did not satisfy the test under section 36 of the *Business Corporations Act*. Furthermore, these redemptions were made for \$1.00 at a time when the NAV of Crossroads did not support a \$1.00 per share valuation.
48. Further, the directors of Crossroads are personally liable for these amounts pursuant to section 118(3)(a) and (b) of the *Business Corporations Act*.
49. Related to the reduced NAV, in or around April 2016, Crossroads sought the approval of shareholders for two resolutions that would make significant amendments to the terms of the Offering Memorandum under which Crossroads investors subscribed for shares. The two resolutions were an Amendment Resolution and Stated Capital Reduction Resolution. By virtue of these two shareholder resolutions, Crossroads sought to make significant changes to dividend entitlement, redemption price and procedure (including a drop in value from \$1.00 to \$0.716), wind-up rights, and to make a significant reduction of the stated capital of Crossroads.
50. There were forty-one shareholders who dissented in the shareholders' vote and on or around November 9, 2016, action 1601-09513 was brought by shareholders Gail Cunningham and James Carmichael for determination of the fair value of shares in Crossroads for the purpose of redeeming the shares of the dissenting shareholders (the "Fair Value Hearing"). In the Fair Value Hearing, the value of Crossroads shares was ultimately determined to be \$0.525 per share.
51. From 2014 until present, Crossroads has incurred costs of approximately \$394,000 relating to the Fair Value Hearing. These costs resulted from breaches of CMS, M. Macdonald and the directors of Crossroads, contrary to their duties and obligations as described in paragraphs 17-19.
52. CMS and M. Macdonald were directly responsible for calculating, monitoring, and adjusting the NAV on a regular basis. Further, the directors of Crossroads were responsible for reviewing and approving all financial statements produced by CMS on behalf of Crossroads and knew or ought to have known, and approved or acquiesced to the failure to accurately calculate, monitor and adjust the NAV. At the least, the directors had a responsibility to take steps to protect the interests of Crossroads with respect to the failure to monitor NAV.

Unauthorized and Excessive Payment of Fees and Expenses

53. CMS charged and recovered overstated management fees as a result of it failing to properly report corporate losses of Crossroads.
54. Under the Management Agreement effective April 30, 2011, the calculation of management fees charged to Crossroads by CMS was to be calculated based on the value of Crossroads' mortgage portfolio net of related loans. However, CMS calculated its management fee based on subscription price of shares plus the payable amount related to certain promissory notes, resulting in an elevated management fee.
55. Furthermore, while the April 30, 2011 Management Agreement ought to have been in place for a 20-year term, CMS amended the Management Agreement effective May 30, 2013 in order to legitimize the method that it had been using to calculate its management fee.
56. From April 30, 2011 to November 2016, CMS benefited from an inflated calculation resulting in a higher management fee paid by Crossroads. The amount that CMS overcharged Crossroads is estimated to exceed \$1.3 million.
57. In addition, CMS charged Crossroads from \$1,050 to \$4,711 a month for storage of Crossroads' closed files in a warehouse owned by CMS Realty. In addition to the Crossroads closed files, the warehouse stored the records of CMS, the closed files for the Other CMS MICs and the personal belongings of G. and M. Macdonald, including a jet ski and a motor boat. Subsequent to Caplink assuming management of Crossroads, the files were relocated to a proper storage facility (Western Archives) for a monthly fee of approximately \$76. The difference in cost to Crossroads over the last 8 years is in excess of \$200,000.
58. Furthermore, CMS improperly charged Crossroads a renewal fee of \$200 on mortgages.[^] It is estimated that these fees charged by CMS approximate \$150,000. CMS was not entitled to charge a \$200 renewal fee under its management agreement.
59. CMS also improperly charged Crossroads \$2,625 as agreement for sale documentation fees whether the transaction actually closed. It is estimated that these fees approximate \$144,000.
60. CMS also improperly charged Crossroads consulting fees to which it was not entitled to reimbursement including:
 - (a) In excess of \$40,000 to G. Isfeld for managing foreclosures on behalf of CMS Realty;
 - (b) In excess of \$60,000 to Blair Robertshaw for Race Car Sponsorship;
 - (c) In excess of \$90,000 to Blair Robertshaw for EMD consulting work, despite him not being registered as an EMD and/or not qualified to provide expert consulting services;

- (d) In excess of \$55,000 to G. Garvey for marketing costs on behalf of CMS;
- (e) In excess of \$5,000 to CMS Realty and M. Macdonald for Cutco Knives bearing the CMS Realty brand.

Improvident, Improper and Unsecured Loans in Winnipeg

61. CMS caused Crossroads to make several improvident, improper and poorly documented loans to one or more entities owned by Peter Dragvik ("Dragvik") in relation to properties in Winnipeg, Manitoba. In addition to the loans advances to Dragvik, one additional loan was advanced to Ken Carroll ("Carroll") and Russ Knight ("Knight") in relation to a property in Winnipeg, Manitoba. Particulars include:
- (a) For loan #102551, \$200,000 principal was loaned to 5780692 Manitoba Ltd. (Dragvik), resulting in total losses of \$219,128.52 including interest;
 - (b) For loan #123052, \$582,406.55 principal was loaned by Crossroads to 6300171 Manitoba Ltd. (Dragvik), resulting in total losses of \$982,409.15 including payments made to service the first mortgage, interest, renewal and administration fees, disbursements, and legal costs;
 - (c) For loan #123053, \$1,122,200 principal was loaned to 5376115 Manitoba Ltd. (Carroll and Knight), resulting in total losses of \$2,156,692.49 including payments made to service the first mortgage, interest, renewal and administration fees, disbursements, and legal costs;
 - (d) For loan #123085, \$820,000 principal was loaned to 5376115 Manitoba Ltd. (Carroll and Knight), resulting in total losses of \$1,651,481.82 including payments made to service the first mortgage, interest, renewal and administration fees, disbursements, and legal costs; and
 - (e) For loan #133352, \$545,500 principal was loaned to 5846839 Manitoba Ltd. and 6718907 Manitoba Ltd. (Dragvik), resulting in total losses of \$1,804,477.27 including payments made to service the first mortgage, interest, renewal and administration fees, disbursements, and legal costs;
 - (f) For loan #143381, \$300,000 principal was loaned by Crossroads to 6851445 Manitoba Ltd. (Dragvik), resulting in a total loss of \$740,623.07 including payments made to service the first mortgage, interest, renewal and administration fees, disbursements, and legal costs;
 - (g) For loan #143445, \$473,000 principal was loaned by Crossroads to Peca Investments Ltd. (Dragvik), resulting in a total loss of \$229,481.00 including interest, renewal and administration fees, and legal costs;
 - (h) For loan #143471, \$268,000 principal was loaned by Crossroads to 229 Machray Ave. Ltd. (Dragvik), resulting in a total loss of \$640,155.97 including payments

made to service the first mortgage, interest, renewal and administration fees, disbursements, and legal costs;

- (i) For loan #143495, \$150,000 principal was loaned by Crossroads to Peca Investments Ltd. (Dragvik), resulting in a total loss of \$234,934.41 including interest, renewal and administration fees, disbursements, and legal costs;
- (j) Further and other loans as proven at trial.

(the "Winnipeg Loans")

- 62. Generally, these loans were second and third mortgages intended for projects involving the renovation and rehabilitation of low-rise residential apartment complexes. These loans failed and rather than liquidate those properties, CMS chose to needlessly and inappropriately service the first mortgages for a prolonged period of time. Net of approximately, \$1.02 million in recoveries, these receivables nearly doubled in size to \$8.66 million, which included mortgage principal of approximately \$4.46 million, accrued interest of approximately \$3.11 million, first mortgage debt service of approximately \$1.87 million, plus legal fees and disbursements of approximately \$240,000.
- 63. There were numerous improprieties related to the Winnipeg loans, including but not limited to:
 - (a) The initial values used for the Winnipeg Loans were unsubstantiated;
 - (b) The Winnipeg Loans were underwritten by G. Garvey when he:
 - (i) Worked for CMS Financial as a dealer representative;
 - (ii) Worked for CMS Real Estate Ltd. as a mortgage broker associate; and
 - (iii) Was Vice President and Director of Crossroads;
 - (c) The Winnipeg Loans were devoid of mortgage underwriting documentation;
 - (d) The Winnipeg Loans were in violation of the express lending criteria for Crossroads;
 - (e) The Winnipeg Loans were renewed when the borrower was already in default without any additional security;
 - (f) Additional loans were made to Dragvik and his entities when they were already in default on earlier loans;
 - (g) Security for certain of the Winnipeg Loans was released without receiving full payment on the loans; and

- (h) In December 2015, the auditor was presented with information by management which led it to believe a reasonable approach to valuation of the properties secured in relation to the Winnipeg Loans would be as though construction was completed on the residential units and the units were fully occupied. In reality, the renovation and rehabilitation was not complete and the properties were not occupied.
64. It has since been determined that all or substantially all of the loans were of no value.
65. CMS, G. Macdonald and G. Garvey were directly responsible for the investment decisions made on behalf of Crossroads, and CMS benefited from the inflated asset value as indicated above. Further, the directors of Crossroads were responsible for oversight of the activities of CMS on behalf of Crossroads. They knew or ought to have known, and approved or acquiesced to the Winnipeg Loans.

Improvident, Improper and Poorly Documented Loans to Other CMS MICs

66. CMS, the directors of Crossroads and M. Macdonald caused Crossroads to make several improvident, improper and poorly documented loans to Other CMS MICs or their borrowers. Particulars include:
- (a) Crossroads made unsecured and poorly or entirely undocumented loans to one or more of the Other CMS MICs in circumstances where those MICs lacked the ability to meet their obligations and had no reasonable prospect of repaying Crossroads. These advances were made with the knowledge that the advancement of unsecured loans was contrary to the offering memorandums of Crossroads and contrary to the regulatory restrictions placed on CMS and Crossroads;
 - (b) In other instances, Crossroads made loans to one or more of the Other CMS MICs which were secured by mortgages. However, no steps were taken to realize on mortgages which were not renewed or otherwise extended[^];
 - (c) Crossroads made loans to one or more of the Other CMS MICs to cover their operating expenses. Such loans were inherently inappropriate and, moreover, as a result of such loans being made, CMS received the benefit of such advances to cover its management fees charged to the Other CMS MICs;
 - (d) Crossroads granted mortgages, the proceeds of which were used in an attempt to protect Other CMS MICs as second mortgage holders by assisting them in paying out mortgagees holding priority security in circumstances where Crossroads had no reasonable prospect of recovering on the loan. In several instances, Crossroads had no interest in the second mortgage for which the financial assistance was being provided. In other instances, Crossroads funds were used to pay out the priority security holder without Crossroads stepping into that security holder's position. Instead, CMS simply noted that one of the Other CMS MICs owed it for such advance.

67. Several of the Other CMS MICs are now in receivership or bankruptcy. Sun Country has been placed into bankruptcy while DMD, DMD II, and DMD III are in receivership. All Other CMS MICs, including DMD IV and DMD V, are in various stages of liquidation.
68. Secured Claims filed by Crossroads with the receiver or trustee in bankruptcy had been disallowed as the receiver and trustee maintain that CMS never took any enforcement proceedings on behalf of Crossroads to enforce and realize on the defaulted loans within the period required under the *Limitations Act*. Legal fees in excess of \$100,000 have been incurred in rectifying this and taking steps in an attempt to realize on these claims.
69. It is estimated the Crossroads' damages flowing from the losses on the inter-MIC loans approximates \$^7.5 million including accrued interest.
70. In addition to the non-recoverable loans to Other CMS MICs, CMS, the directors of Crossroads and M. Macdonald caused Crossroads to record entries, related to the three properties described below, in its accounting records which effectively transferred cash advances made by Crossroads to Sun Country, from the Sun Country loan receivable account to the Fairview Ventures Limited Partnership ("Fairview LP") and/or Fairview Ventures GP Inc. ("Fairview Inc.") loan receivable account:
 - (a) The first property was at 5638 – 55A Street, Wetaskiwin, Alberta ("Property 1"). Property 1 was initially owned by Sun Country and DMD III after foreclosing on a mortgage in 2009. From 2010-2011, Crossroads made multiple cash advances to Sun Country, unrelated to Property 1. In 2012, a mortgage was registered in favour of Crossroads against Property 1 in relation to these loans. In 2013, Sun Country's ownership interest in the property was transferred to Fairview Inc. In 2014, the property was sold for \$163,000, at which time the outstanding mortgage balance was \$283,956.52. Crossroads received partial payment of the mortgage from the proceeds of sale. The outstanding balance of \$134,204.28 was charged back to a Fairview Inc. intercompany loan account, despite Sun Country having received benefit of the funds advanced;
 - (b) The second property was at 1702 – 26 Street, Lethbridge, Alberta ("Property 2"). Property 2 was owned by Sun Country after it foreclosed on its second position mortgage in 2010. On October 9, 2012, Crossroads paid out the first position mortgage on Property 2 in the amount of \$172,595.79, and a mortgage was registered on title in favour of Crossroads. Crossroads advanced an additional approximately \$46,500 in cash to Sun Country in 2012. In 2013, Sun Country transferred title to Property 2 to Fairview LP. In 2014, Property 2 was sold for \$245,349. Crossroads received a cheque for the proceeds from sale of Property and on June 30, 2014, issued a cheque for the full amount to Fairview Inc. Crossroads' mortgage was extinguished in the sale, and a loan receivable recorded from Fairview Inc. in the amount of the loan balance of \$297,481;
 - (c) The third property was at 220 Fallswater Road NE, Calgary, Alberta ("Property 3"). In 2009, Crossroads syndicated a second position mortgage with Sun Country on Property 3 (each at 50 percent). In 2011, Crossroads and Sun Country

foreclosed on and took possession of Property 3. At this time, Crossroads paid out the first position mortgage in full, in the amount of \$119,279.73. In 2013, Sun Country transferred its 50 percent ownership interest in Property 3 to Fairview Inc. In 2014, Crossroads registered a \$300,000 mortgage on title to Property 3. In July 2015, Property 3 was sold and Crossroads received \$211,765 of the sales proceeds. These amounts were confusingly applied towards amounts advanced pursuant to the original syndicated mortgage (which was ostensibly cancelled pursuant to the foreclosure) and the amounts paid out towards the first position mortgage. Again confusingly, the \$300,000 mortgage on title was closed back to the intercompany account for Fairview Inc.

71. As far as is known by Crossroads, the business of Fairview LP and Fairview Inc. was to own properties on behalf of CMS MICs for regulatory purposes. However, its activities were entirely directed by J. Devlin, G. MacDonald and M. MacDonald as directors of Fairview Inc. The shareholders of Fairview Inc. included G. and M. MacDonald, jointly (10%), and G. MacDonald (10%).
72. Crossroads is unable to recover the \$134,204.28 receivable relating to Property 1, the \$297,481 relating to Property 2, or the \$300,000 relating to Property 3, as Fairview Inc. was struck as a company as of May 2, 2018. Crossroads damages in respect of the loans and lost security regarding these three properties approximates \$731,685.
73. Further, the directors of Crossroads and M. Macdonald caused to be deposited \$431,188 of capital raised from the sale of Crossroads shares into the bank account for Sun Country without consideration and failed to correct the error. Upon Sun Country being placed into bankruptcy, these funds were lost to Crossroads.
74. Given the inter-relationship between the principals of Crossroads, CMS, CMS Realty and the Other CMS MICs, each of G. Macdonald, M. Macdonald, G. Garvey and J. Devlin knowingly participated in the improper, unauthorized and unlawful conduct for their own benefit and the benefit of each other.
75. Alternatively, to the extent any of G. Macdonald, M. Macdonald, G. Garvey or J. Devlin did not knowingly participate, they either acquiesced in such improprieties or, at the very least, breached their duties and obligations to Crossroads by failing to protect Crossroads from such wrongdoing by failing to exercising reasonable care, diligence and skill to identify the wrongdoing and take action to protect the interests of Crossroads.

CLAIMS IN RESPECT OF B. GREGORY, L. GREGORY AND QUALITY CONTAINER

76. CMS, M. Macdonald and the directors of Crossroads caused to be transferred seven well-performing mortgages to B. Gregory and L. Gregory personally for no apparent business reason, at a loss to Crossroads in the amount of the interest to be received on the mortgages, plus legal costs associated with these transactions (the "Gregory Mortgages");
77. CMS, M. Macdonald and the directors of Crossroads caused to be transferred four foreclosed houses (the "Quality Container Properties") to B. Gregory's company, Quality

Container, for inadequate compensation, which properties were immediately sold by Quality Container for a total profit of \$242,000, as follows:

- (a) Crossroads was owner of 101-3 Street, Redcliffe, Alberta after foreclosing on a second position mortgage. In January 2012 and December 2013, the property was valued at \$165,000 to \$175,000 and \$135,000 to \$145,000, respectively. Crossroads entered into an Agreement for Sale of the property to Quality Container for \$105,000 effective June 14, 2015. The Agreement for Sale was not sent to Crossroads for signing until August 12, 2015. Quality Container sold the property for \$158,000 on August 20, 2015 for a profit (and loss to Crossroads) of \$53,000;
 - (b) Crossroads was owner of 581-21 Street, Medicine Hat, Alberta after foreclosing on a second position mortgage. From February 2014 to April 2014, three list prices were recommended, ranging from \$122,000 to \$165,000. Crossroads entered into an Agreement for Sale with Quality Container for \$142,500, effective June 14, 2015. The property was transferred to Quality Container on September 3, 2015. Quality Container sold the property for \$172,000 on or about October 14, 2015 for a profit (and loss to Crossroads) of \$29,500;
 - (c) Crossroads was owner of 346-8 Street, Medicine Hat, Alberta after foreclosing on a second position mortgage. From December 2013 to August 2014, multiple list prices were recommended for the property, ranging from \$145,000 to \$199,000. Crossroads entered into an Agreement for Sale of the property to Quality Container for \$125,000, effective June 14, 2015. The property was then transferred to Quality Container for \$125,000 on August 24, 2015. Quality Container sold the property for \$225,000 on or about September 15, 2015 for a profit (and loss to Crossroads) of \$100,000; and
 - (d) Crossroads was owner of 60 Somerset Street, Medicine Hat, Alberta after foreclosing on a second position mortgage. In January 2015, this property was appraised at \$445,000. Crossroads entered into an Agreement for Sale to Quality Container for \$360,000 effective May 31, 2016. Crossroads continued to incur \$13,176.14 of expenses related to the property before the land transfer was completed October 27, 2016. Quality Container sold the property for \$419,500 in November 2016 for a profit of \$59,500. Total losses to Crossroads were \$72,676.14;
78. These transfers were made to harm the interest of Crossroads, and for the benefit of those with a personal relationship with G. Macdonald, and had no business value for Crossroads. As a result of the transfers, damages to Crossroads approximate \$242,000 for the Quality Container Properties and an additional amount for the Gregory Mortgages, to be determined at trial.
79. G. Macdonald, B. Gregory, L. Gregory and Quality Container, or any combination of them, conspired to injure the interests of Crossroads by transferring assets from Crossroads to Gregory, L. Gregory and Quality Container below market value.

80. Further and in the alternative, G. Macdonald, B. Gregory, L. Gregory and Quality Container, or any combination of them, conspired and by unlawful means did injure the interests of Crossroads by transferring assets from Crossroads to Gregory, L. Gregory and Quality Container improperly and/or below market value.
81. Further and in the alternative, CMS, G. Macdonald and G. Garvey were directly responsible for the decisions made on behalf of Crossroads. Further, the directors of Crossroads were responsible for oversight of the activities of CMS on behalf of Crossroads. They knew or ought to have known, and approved or acquiesced to the transfers of the Gregory Mortgages and the Quality Container Properties intentionally and/or below market value, for the benefit of B. Gregory, L. Gregory and Quality Container.
82. Given the inter-relationship between the principals of Crossroads, CMS, CMS Realty, each of G. Macdonald, M. Macdonald, G. Garvey and J. Devlin knowingly participated in the improper transfers to B. Gregory and Quality Container.
83. Alternatively, to the extent any of G. Macdonald, M. Macdonald, G. Garvey or J. Devlin did not knowingly participate, they either acquiesced in such improprieties or, at the very least, breached their duties and obligations to Crossroads by failing to protect Crossroads from such wrongdoing by failing to exercising reasonable care, diligence and skill to identify the wrongdoing and take action to protect the interests of Crossroads.
84. Further, B. Gregory, L. Gregory and Quality Container were unjustly enriched by the transfer of the Gregory Mortgages and the Quality Container Properties improperly and/or below market value, to the detriment of Crossroads, with no juristic reason.

CLAIMS IN RESPECT OF B. ISFELD, 165 AND LTO

85. Crossroads states that B. Isfeld, 165 and LTO knowingly participated in the Improvident Mortgage Scheme and accordingly are jointly and severally liable with the other Defendants, for the damages caused to Crossroads.
86. In the alternative, 165 remains liable to Crossroads under the covenants contained in the Isfeld Mortgage for which Crossroads is entitled to judgment.

TRIAL OF ACTION

87. This Plaintiff proposes that the trial of this action be held at the Court House in the City of Calgary, in the Province of Alberta. The Plaintiff does not anticipate that the trial of this action will exceed 25 days in length.

Remedy sought:

88. Crossroads seeks damages from the Defendants, other than B. Isfeld, 165, LTO, B. Gregory, L. Gregory and Quality Containers, jointly and severally in the sum of ^\$20,720,257 or such other amount as may be awarded at Trial of the Action;

89. Crossroads seeks recovery against the Directors of Crossroads, for redemptions and dividends improperly paid out in violation of the terms of the *Business Corporations Act*, in the amount of \$42,082,796;
90. Crossroads seeks damages or judgment against B. Isfeld and 165 for the full amount of principal and interest resulting from the Isfeld Mortgage, in the amount of \$3,100,000 or such other amount as may be awarded at Trial of the Action;
91. Crossroads seeks damages against LTO for any benefits it derived as a result of the Isfeld Mortgage, in an amount to be proved at Trial;
92. Crossroads seeks damages against B. Gregory and Quality Container in the amount of \$242,000 or such other amount as may be awarded at Trial of the Action;
93. Crossroads seeks costs against the Defendants on a solicitor and client basis, or on such basis as awarded by the Court; and
94. Crossroads seeks the recovery of interest on its damages at the rate it would have reasonably earned on these sums had the Defendants not deprived Crossroads of these funds. Alternatively, Crossroads seeks the recovery of interest in accordance with the *Judgment Interest Act*.

WARNING

NOTICE TO THE DEFENDANTS

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada.

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the Court of Queen's Bench at Calgary, Alberta, AND serving your statement of defence or a demand for notice on the plaintiff's address for service.

WARNING

If you do not file and serve a statement of defence or a demand for notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff against you.