

**DISTRICT OF ALBERTA  
DIVISION NO. 1 – EDMONTON**

**ESTATE NUMBER: 24-1440762  
COURT NUMBER: 24-1440762**

**IN THE MATTER OF THE BANKRUPTCY OF  
PEERS FOSTER KRISTIENSEN INC.**

**TRUSTEE'S PRELIMINARY REPORT**

**PricewaterhouseCoopers Inc.  
Trustee in Bankruptcy**

Peers Foster Kristiensen Inc. ("PFK" or the "Company") was in the business of providing investment management services. The Company was located in Edmonton, Alberta.

On December 9, 2010, PFK assigned itself into bankruptcy and PricewaterhouseCoopers Inc. was appointed trustee ("Trustee") of the estate.

Attached as Exhibit 1 is the ownership chart for PFK and its related companies as provided by management and as Exhibit 2, a more specific chart for PFK only. Exhibit 3 illustrates the cash flow of PFK.

It is the Trustee's understanding that the causes of insolvency of PFK were a combination of factors that including investments in new ventures unable to fund their operations and the development of real estate projects for specific users that were materially over budget.

All of the financial information set out in this report has been provided to the Trustee by management of PFK or as a result of its review of the books and records.

**SECTION A – ASSETS**

Exhibit 3 also provided an analysis of the asset of PFK and estimated realizations as provided by management. Set out below is a summary of these assets categories:

	<u>Book Value</u>
	\$
Accounts Receivable	22,428.11
Demand Loan	8,751,212.12
Investment in shares	15,343,724.00
Intercompany Loans Receivable	31,223,487.00
Real Estate	16,926,673.00
Furniture	22,750.87
Vehicles - leased	46,808.77
Machinery, Equipment and Plant	148,816.26
Other	59,513.81
<b>Total</b>	<b><u>72,545,413.94</u></b>

*Accounts Receivable - \$22,428.11*

PFK made a number of payments for the benefit of parties known to PFK and created a receivable. Management advises these balances are likely uncollectable.

*Demand Loan - \$8,751,212.12*

Management advises that this represents loans to Grayling Wireless U.S.A. ("Grayling"). The loans were made to Clearcomm, a subsidiary of Grayling, which was developing wireless safety communications technology. The loans are convertible to shares in Grayling. We are attempting to ascertain the nature and details of these loans.

*Investment in shares of various companies - \$15,343,724.00*

These investments are comprised as follows:

- \$6,420,203.00 – Visionwall Solutions Inc. and Visionwall Corporation – these companies developed curtain wall windows used in construction of commercial buildings. Both of these companies are currently experiencing financial difficulties.
- \$4,754,367.00 – Thinkcorp Inc – this company is owned 97.8% by PFK. The Trustee has requested additional information to ascertain what value these shares may have.
- \$1,522,439.00 – Grayling Wireless U.S.A. – this amount represents the purchase of Grayling shares by PFK. The Trustee is investigating the viability of Grayling to ascertain the value of these shares.
- \$2,003,060 – Metaform Venture Corp – This is a company related to PFK and the Trustee has requested information from Metaform to determine what value is attributable to these shares.
- \$643,655 – Various other companies - The Trustee has requested information on 9 companies to determine the value of the shares held by PFK.

## *Intercompany Loans Receivable - \$31,223,487.00*

These receivables are made up of a number of loans to related companies as follows:

- \$13,686,692.50 - Metaform Ventures – this represents unsecured cash and asset transfers. The Trustee has requested information from Metaform in relation to this loan balance.
- \$9,366,424.80 – Titanwall group of companies – this represents unsecured cash and asset transfers. The Trustee has requested information from Titanwall in relation to this loan balance.
- \$6,409,009.20 – Tower Farms Ltd. – this represents unsecured cash payments to Tower Farms.
- \$1,761,360.50 – the remaining loans represent numerous smaller loans which have not yet been investigated.

## *Real Estate - \$16,926,673.00*

The real estate owned by PFK is highly leveraged by third party mortgages and mortgage loans by Federal Mortgage Corporation Ltd. The Trustee is reviewing the security documents filed by the third party secured creditors, discussed below.

## *Furniture, Vehicles and Other - \$277,889.71*

The Furniture and Other assets represent the assets retained in the offices of PFK. The Trustee will work with the creditors or inspectors to solicit offers and undertake to sell these assets.

The vehicles and equipment are leased. The Trustee is reviewing the security documents filed by the lessors to determine if their security is valid or if there is any equity in the vehicles for the benefit of the estate.

## **SECTION B – SECURED CREDITORS**

Set out below are the known secured creditors registered against PFK:

	<u>\$</u>	<u>Type of Security</u>
Alberta Treasury Branches	2,238,583.49	Mortgage and GSA
Bank West	180,806.91	Lease - assets held by Titanwall
BMW Canada Inc.	77,520.10	Lease - BMW's driven by Titanwall employees
Federal Mortgage Corporation Ltd.	24,441,742.59	Mortgage and GSA
GMAC of Canada Limited	18,822.95	Lease - 2006 GMC truck driven by Titanwall employee
HSBC Bank Canada	1,404,846.70	Mortgages on condos and a house
Mintage Financial	82,210.08	Lease - assets held by Titanwall
National Leasing Group Inc.	5,995.12	Lease - specific assets
RoyNat Inc.	52,947.36	Lease - assets held by Titanwall
Saddle Hills County	40,000.00	Caveat

Said and Aline Arrata	4,864,632.00	GSA
Schwab Pontiac Buick GMC Ltd.	23,154.16	Lease - Vehicle driven by Titanwall employee
The City of Calgary	<u>36,176.85</u>	Tax arrears
	<u>33,496,372.23</u>	

As discussed below we have retained McLennan Ross LLP as independent counsel to review the validity and enforceability of this security.

## **SECTION C – CONSERVATORY AND PROTECTIVE MEASURES**

On December 9, 2010, the Trustee took possession of the Company's books and records, secured the PFK premises located at 11207-103 Avenue and took the following additional steps:

- notified the insurance company of PFK's bankruptcy and requested that the Trustee be added as a loss payee on the insurance policy;
- made copies of all electronic records;
- blocked any remote access to the books and records of the Company;
- notified all financial institutions known to have been dealing with PFK and changed the bank accounts to the Trustee's name; and,
- established new bank accounts in the Trustee's name.

## **SECTION D – PROVABLE CLAIMS**

Exhibit 3 describes how PFK has funded its operations. It has raised approximately \$78.8 million through the issuance of shares, loans from FMC, third party mortgages and retained earnings.

Since the date of the Notice of Bankruptcy and First Meeting of Creditors, December 16, 2010, we are not aware of any material changes in the nature or amount of liabilities of PFK. To date, the Trustee has received provable claims totalling \$8,820,322.44 being unsecured claims and secured claims totalling \$18,913,403.48.

## **SECTION E – LEGAL PROCEEDINGS**

The Trustee has retained the law firm of McLennan Ross LLP to provide independent opinions as to the validity and enforceability of the secured claims against the estate.

## **SECTION F – REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS**

The Trustee is currently reviewing PFK's books and records and the details of payments made to creditors in the period immediately preceding the bankruptcy to identify any reviewable transactions or preference payments.

To date, a number of transactions have been identified for further review.

**SECTION G – ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION**

The assets of the Company may be subject to the security interests noted above, however, there may be equity in the assets available to the estate over and above these charges. The Arrata security interest is under review and may materially impact the realizations in the estate.

If the Arrata and FMC security is not considered, and management has assumed the intercompany receivables are of no value, they have estimated that there may be approximately \$2 million available in the estate after payment of the secured creditors' claims. The Trustee is reviewing the Company's estimates and where appropriate will seek approval to obtain independent market valuations.

**SECTION H – OTHER MATTERS**

PricewaterhouseCoopers Inc. is also acting as the trustee of the estate of Federal Mortgage Corporation Ltd.

The Trustee was provided with a \$30,000 retainer by PFK as an indemnification for its reasonable professional fees and disbursements.

On June 11, 2010, PricewaterhouseCoopers Inc. was appointed pursuant to the Business Corporations Act as the Court Liquidator of H.M.E Evans & Company, Limited, a related company with the mandate of liquidating the assets (real estate) under the direction of the Court.

PricewaterhouseCoopers Inc. has acted, and is now discharged, as the Court appointed Monitor in the Companies' Creditors Arrangement Act restructuring of Visionwall Corporation.

The Trustee proposes to act as Agent for HSBC Bank Canada and ATB Financial, if required, in the sale of their respective collateral. By acting as Agent, it is anticipated the costs incurred by the secured creditors will be reduced potentially increasing the recoveries to the estate.

The Trustee has been contacted by the Alberta Securities Commission ("ASC") which has requested certain information from the records of PFK.

The Trustee has established a website at [www.pwc.com/car-pfkandfmc](http://www.pwc.com/car-pfkandfmc) where it will post all available information including this report.

No bond has been requested to date by the Official Receiver.

DATED at Edmonton, Alberta this 11<sup>th</sup> day of January, 2011.

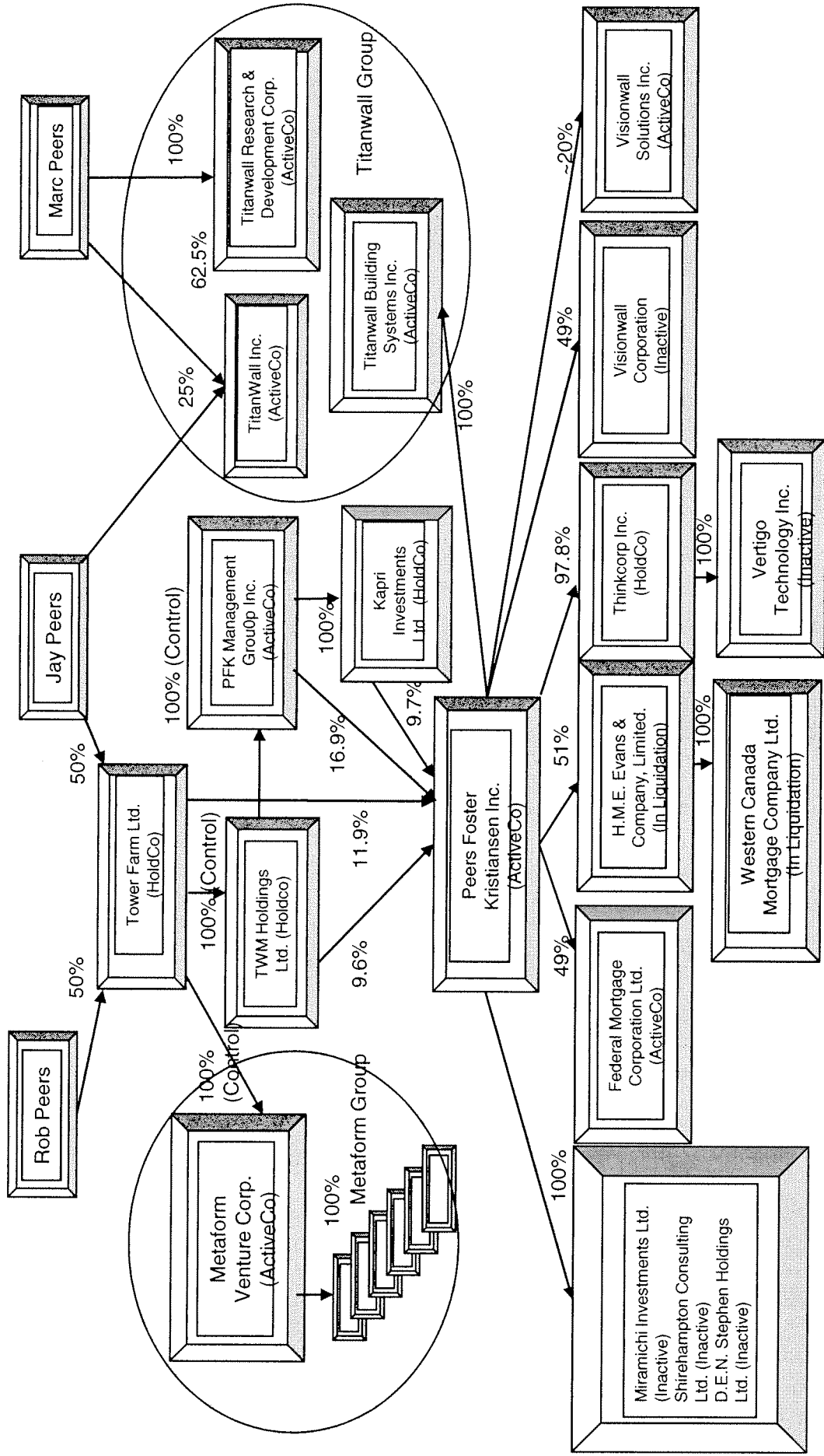
**PricewaterhouseCoopers Inc.**  
**Trustee of the Estate of Peers Foster Kristiansen Inc.**



Donald A. MacLean  
Senior Vice President

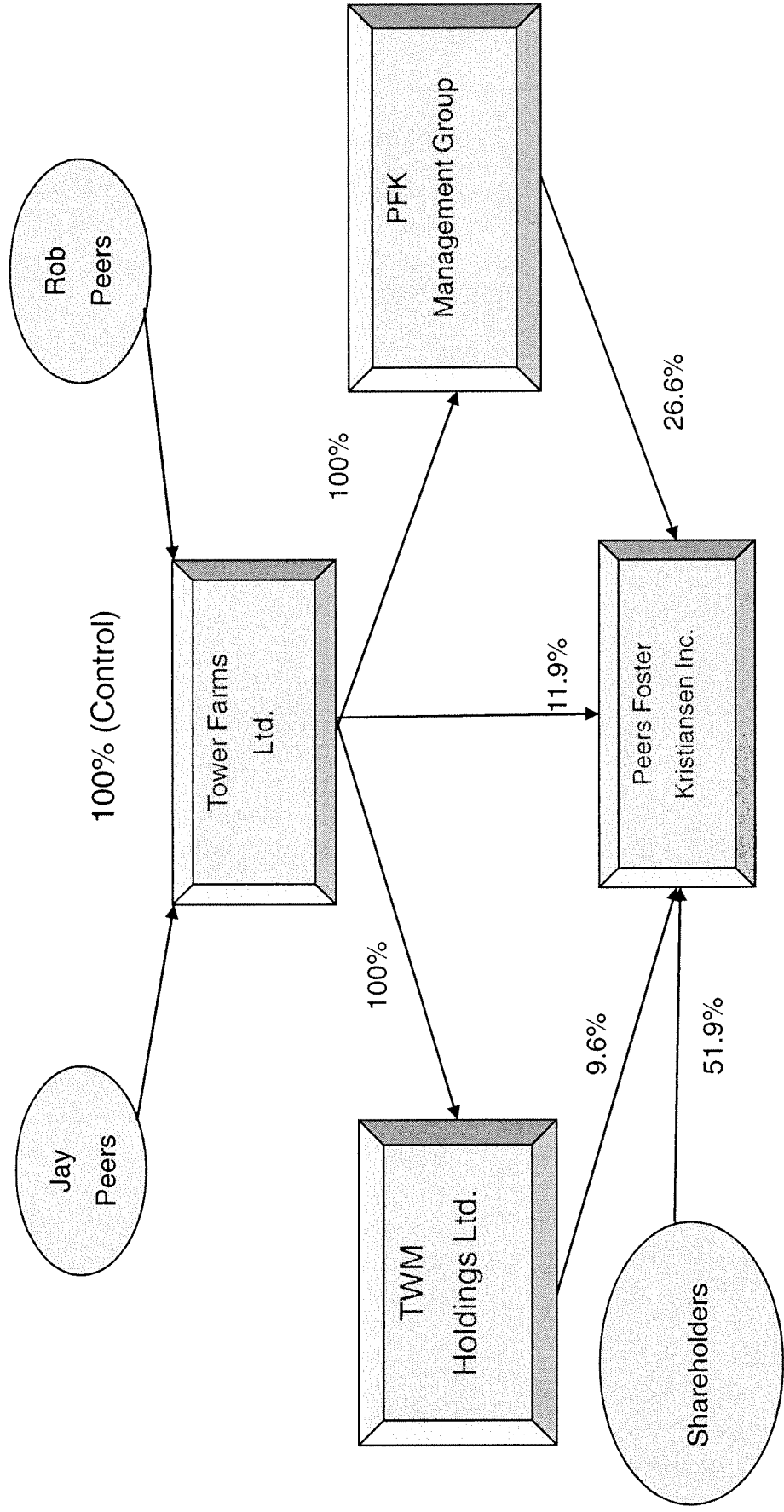
# Exhibit 1

# Corporate Structure of PKF Group of Companies



## Exhibit 2

# Ownership Structure of Peers Foster Kristiansen Inc.

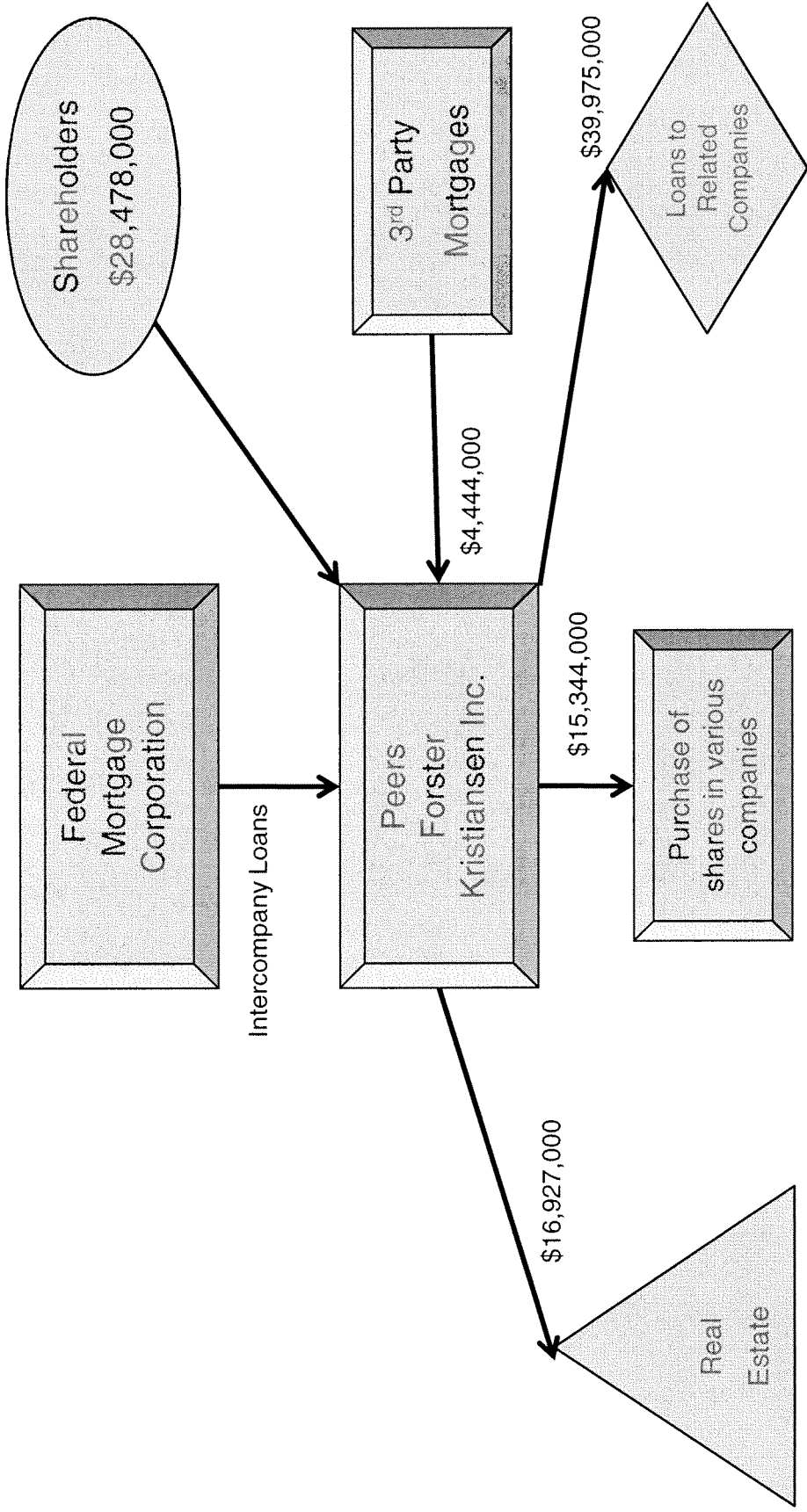


\*Based on information provided by Management

# Exhibit 3

# Peers Foster Kristiansen Inc. Cashflow Diagram\*

\*Based on information provided by Management



# Real Estate

	Book Value	FMV	Encumbrance \$	Estimated Realization
	\$	\$	\$	\$
Cross Filed Condo Complex	3,445,650	1,600,000	3,895,250	-
Springbank Warehouse	6,237,429	5,000,000	9,392,360	-
Canyon Ridge Joint Venture	2,466,957	Undetermined	3,045,950	Undetermined
Duplex #1	701,765	550,000	500,000	50,000
Duplex #2	701,765	550,000	500,000	50,000
Sobush House	547,964	550,000	405,442	144,558
Parkdale Lot	440,970	400,000	440,000	-
HME Evans Properties	1	1,500,000	568,360	931,640
Working Land	1	30,000	40,000	-
Rollover Properties	2,384,171	2,384,171	2,384,171	-
	<u>\$16,926,673</u>	<u>\$12,564,171</u>	<u>\$21,171,533</u>	<u>\$1,176,198</u>

# Investment in Shares

	Book Value \$
Ceiba Financial	10
D.E.N. Mortgage Corporation Ltd.	100
Federal Mortgage Corporation Ltd.	49
Grayling Wireless U.S.A.	1,522,439
H.M.E. Evans & Company Limited	574,000
Liberty International	15,000
Metaform Research & Development Corporation	54,196
Metaform Venture Corp	2,003,060
Miramichi Investments Ltd.	100
Shirehampton Consulting Ltd.	100
Thinkcorp Inc.	4,754,367
Titanwall Building Systems Inc.	100
Visionwall Corporation	780,000
Visionwall Solutions Inc.	5,640,203
	<u>\$15,343,724</u>

# Loans to Related Companies

Company	Book Value \$
Grayling Wireless U.S.A.	8,751,212
H.M.E. Evans & Company Limited	1,198,865
Kapril Investments Inc	522,440
Metaform Venture Corp.	13,687,834
PFK Investments Inc.	450
Titanwall Building Systems Inc.	4,617,233
Titanwall Inc.	3,329,301
Titanwall Research & Development Corporation	1,419,891
Tower Farm Ltd.	6,409,009
Vertigo Technology Inc.	38,464
	<u>\$39,974,699</u>

The collectability of these loans is unknown at this time.

# Summary of Cash Inflows and Outflows as at date of Bankruptcy

Inflows	\$
Shares Purchased by Investors	28,478,000
Loans form FMC	28,980,000
Third Party Mortgages	4,444,000
Retained Earnings from Previous Operations	10,344,000
	<u>\$72,246,000</u>

Outflows	\$
Real Estate Purchases	16,927,000
Investment in Shares of Various Companies	15,344,000
Loans to Related Companies	39,975,000
	<u>\$72,246,000</u>