

**DISTRICT OF ALBERTA**  
**DIVISION: 24 – Edmonton**  
**ESTATE: 24-1440761**

**PricewaterhouseCoopers Inc.**  
Suite 1501, TD Tower  
10088 – 102 Avenue NW  
Edmonton, Alberta  
Canada T5J 3N5  
Telephone +1 (780) 441 6700  
Facsimile +1 (780) 441 6776

**In the Matter of the Bankruptcy of**  
**Federal Mortgage Corporation Ltd. (“FMC”)**

**PricewaterhouseCoopers Inc.**  
Trustee

**Minutes of the First Meeting of Creditors**  
**January 12, 2011**

Chairperson: Mr. Randy Parker, representative of the Office of the Superintendent in Bankruptcy

Trustee: PricewaterhouseCoopers Inc. (“PwC”) – represented by Mr. Donald MacLean and its counsel Mr. Charles Russell of McLennan Ross LLP

Debtor: FMC – represented by Mr. Jay Peers and its counsel Mr. Richard Reeson of Miller Thomson LLP

1. The meeting was called to order at 3:15 PM.
2. The attendance list is attached as Exhibit 1.
3. The Chairperson briefly described the purpose of the meeting, provided the agenda for the meeting and introduced the people at the head table listed above.
4. The Trustee presented the Trustee’s Preliminary Report which summarized its findings to date in respect of the estate of FMC and is attached as Exhibit 2.
5. The Chairperson announced that a question period would be available and opened the floor to questions. The following questions were tabled:
  - a) Darren Bieganek – What procedures are in place for the Trustee to avoid conflicts of interest?
    - Trustee – There was a general discussion, as summarized in Section H of the Trustee’s Preliminary Report, about potential conflicts and what the Trustee has done to ensure that they are not in a position of conflict. There was a further discussion regarding the potential consolidation of the bankrupt estates and what procedures the Trustee would follow to avoid potential conflicts.
  - b) Ed Kelly – In the material presented at the November 2009 investors meeting it was represented that investors’ funds were secured by first charge short term mortgages. Why was this strategy not followed?
    - Mr. Peers – FMC’s intent was to adopt that strategy but the immediate needs of other business ventures did not allow for that strategy.

- c) Peter Stack – He was advised his investment would be put into high grade mortgages with a first charge. How did this strategy change?
  - Mr. Peers – FMC always had active business investments and had mortgages as well but it was not the sole investment strategy.
- d) Peter Harleman – Stated that Mr. Peers advised that the HME Evans was being liquidated and was a family matter. How did the liquidation affect FMC?
  - Mr. Peers – HME Evans liquidation did not affect FMC.
- e) Andy Banack – What is the corporate structure of PFK and how does FMC fit into that estate?
  - Mr. Peers – Provided a general description of the corporate structure.
  - Trustee – The Trustee displayed the corporate structure of PFK for the attendees. A general discussion ensued regarding the security position of FMC in PFK, the intercompany loans and other secured creditors.
- f) Sheri Samuels and Cyndi Snider – Asked general questions regarding the possible consolidation of estates and FMC security in PFK?
  - Trustee – The Trustee is considering a consolidation of the estates as a means to reduce administrative costs. FMC is the largest creditor in PFK and is secured so it is likely that funds that are available in PFK will flow to FMC.
  - Mr. Russell – Provided a general description of the merits of a consolidation and the process the Trustee will follow which will include inspector approval, approval of the Office of the Superintendent in Bankruptcy and then Court approval. This process will not be taken lightly and would not be permitted so as to prejudice the position of any claimants.
- g) Karl Strickler – Have any assets been sold or put up for sale and how will updates be provided?
  - Trustee – Nothing has been sold to date as the Trustee's appointment has not been affirmed and inspector approval would be required. Updates of progress of general information will be posted to the Trustee's website.
- h) Richard White, Larry Pelensky, Peter Stack and Diane Krissa – Had questions on the issuance, recording and availability of T4's, T5's and RRSP contributions.
  - Trustee – The Trustee will undertake to determine what slips need to be issued, will post a general comment on its findings on the website and will undertake to answer these questions by the end of February.
- i) Mike Boyd – A number of debenture holders transferred some portion of their investment into shares in PFK based on representations of Mr. Peers. Why was this advice given when investors may not have known the risks associated with the change?
  - Mr. Peers – Mr. Peers stated he was unable to recall the disclosures that were given. At the time of those transactions, the change in risk was not considered to be excessive.
- j) Louis Belzil – Will the Trustee make available individual investor files and were credit documents retained in each of the investor's files?
  - Mr. Russell – The Trustee will investigate what can be made available and will update the website accordingly. There was a general discussion on reviewable transactions.

- k) Darren Bieganek – Is the Trustee recommending an examination of the bankrupt?
  - Mr. Russell – The Office of the Superintendent in Bankruptcy will be scheduling an examination of the bankrupt and the Trustee will review the examination prior to its own examinations.
- l) Jill Harleman – Is Darrell Kremer a creditor in the estate?
  - Chairperson – The Trustee will make an investigation of the affairs of the company and will act on the facts of the case. Mr. Peers has been cooperative to date and his cooperation is expected to continue to assist in discovering facts.
- m) Mike Dunlap – What was the cause of the bankruptcy of FMC?
  - Mr. Peers – Originally the company invested in real estate mortgages and active businesses and had a number of successful returns based on the active business ventures. In 2003, there was concern over the baby boomers and their needs, the low interest rates available in the market and high rates of return currently being provided. In 2005 or 2006 we looked at markets that were going to benefit in the future and environmental organizations had these opportunities. Titanwall was very promising from the onset but it has taken longer to get to the market than expected and requires continued investment. For all the investments, it seemed like future business was imminent so continued investment was reasonable in an attempt to achieve the returns that had been paid historically.
- n) Shaun Cody – What written representations were made to investors to show the change in investment strategy and was the non-arms length relationship disclosed?
  - Mr. Peers – The annual investment meeting minutes should show the disclosures and the companies mentioned and I do not recall if the relationships were disclosed.
- o) Ron Krissa – Why were audited statements not prepared in recent years?
  - Mr. Peers – The cost of the audit was too expensive for the companies and this would have been discussed at prior investor meetings.
- p) Peter Stack – What do you recall during the 2009 investor meeting, where investors were advised that FMC had no involvement with Titanwall and Metaform?
  - Mr. Peers – I do not recall those representations.
- q) Ron Krissa – Information provided at the last investors meeting showed a number of companies as being active. They are now listed as inactive. Will the trustee look at these transactions?
  - Trustee – The Trustee will, with authorization from the inspectors and consideration of the costs and benefits of doing so, assess these transactions and determine if there are realizable assets or if any activities need to be reported to other authorities.
- r) Tamara Leigh – Is there an approximate timeline for the bankruptcy process?
  - Trustee – The Trustee will attempt to administer the estate as expeditiously as possible while considering the possible realization strategies available. We will take direction from the inspectors on these strategies. The Trustee has a duty to maximize recoveries to the estate.
- s) Mike Boyd – Can shareholders be included in the bankruptcy process?
  - Chairperson – Shareholders can attend the creditor meetings but cannot vote on any resolutions.
  - Trustee – The Trustee will undertake to:

# PRICEWATERHOUSECOOPERS

- i. provide a notice of the bankruptcy to the shareholders of record and direct them to the Trustee's Website;
- ii. remove some information from the Trustee's website with notice being provided to the Office of the Superintendent in Bankruptcy;
- iii. provide a FAQ section on the website; and,
- iv. provide updates on the website as information becomes available.

t) Joan Smith – How much will the bankruptcy process cost?  
• Trustee – It is not possible to estimate the costs. The more complicated the issues are and the longer the realization process the greater the costs. Our fees will be reviewed and approved by the inspectors, the Office of the Superintendent in Bankruptcy and the court.

u) Wayne Pasemko – How accurate are the realizations represented by the Company?  
• Trustee – This is an estimate by management of the Company and can materially change.

6. The Chairperson requested that the creditors vote on the affirmation of the appointment of PricewaterhouseCoopers Inc. as trustee of the estate.  
• **IT WAS UNANIMOUSLY RESOLVED** that PricewaterhouseCoopers Inc. be affirmed as trustee of the estate of FMC.

7. The Chairperson requested nominations for the appointment of up to 5 inspectors in the estate.  
• Nominees: Charlie Cappello, Lori Griffith, Ean Sharp, Al McInnes, Peter Stack  
• **IT WAS UNANIMOUSLY RESOLVED** that Charlie Cappello, Lori Griffith, Ean Sharp, Al McInnes and Peter Stack be appointed as inspectors for the estate of FMC.

8. There being no further business, the Chairperson adjourned the meeting at 5:25 PM.

Dated at the City of Edmonton in the Province of Alberta this 12<sup>th</sup> day of January, 2011.



Randy Parker  
Chairperson



Donald A. MacLean  
Trustee