

IN THE SUPREME COURT  
OF THE STATE OF NEVADA

MICHAEL PATRICK LATHIGEE,

Appellant,

— *vs.* —

BRITISH COLUMBIA SECURITIES COMMISSION,

Respondent.

Case No. 78833

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**JOINT APPENDIX**  
**Volume 4, Bates Nos. JAX537–753**

Appeal from Case No. A-18-771407-C  
Eighth Judicial District Court For Clark County  
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## **INDEX TO JOINT APPENDIX**

<b><u>DOCUMENT DESCRIPTION</u></b>	<b><u>LOCATION</u></b>
Complaint for Recognition of Foreign-Country Money Judgment (filed 03/20/18)	Vol. 1, Bates Nos. JAX1–16
Answer of Defendant Michel Patrick Lathigee (filed 04/09/18)	Vol. 1, Bates Nos. JAX17–20
First Amended Answer of Defendant Michael Patrick Lathigee (filed 06/06/18)	Vol. 1, Bates Nos. JAX21–25
Scheduling Order (filed 07/23/18)	Vol. 1, Bates Nos. JAX26–28
Order Setting Civil Jury Trial (filed 09/05/18)	Vol. 1, Bates Nos. JAX29–31
Motion for Summary Judgment by Defendant Lathigee (filed 10/19/18)	Vol. 1, Bates Nos. JAX32–33
Memorandum in Support of Motion for Summary Judgment by Defendant Lathigee (filed 10/19/18)	Vol. 1, Bates Nos. JAX34–148
Plaintiff's Opposition to Defendant's Motion for Summary Judgment and Plaintiff's Countermotion for Summary Judgment (filed 11/09/18)	Vol. 1, Bates Nos. JAX149–211 through Vol. 2, Bates Nos. JAX212–394 through Vol. 3, Bates Nos. JAX395–536 through Vol. 4, Bates Nos. JAX537-753 through Vol. 5, Bates Nos. JAX754–960 through Vol. 6, Bates Nos. JAX961–1203 through Vol. 7, Bates Nos. JAX1204–1217

<b><u>DOCUMENT DESCRIPTION</u></b>	<b><u>LOCATION</u></b>
Reply in Support of Defendant Lathigee's Motion for Summary Judgment (filed 11/21/18)	Vol. 7, Bates Nos. JAX1218–1235
Reply to Defendant's Opposition to Plaintiff's Countermotion for Summary Judgment (filed 11/30/18)	Vol. 7, Bates Nos. JAX1236–1392 through Vol. 8, Bates Nos. JAX1393–1409
Transcript of December 4, 2018 Hearing on Motions for Summary Judgment	Vol. 8, Bates Nos. JAX1410–1431
Statement of Facts in Support of Defendant Lathigee's Motion for Summary Judgment (filed 12/18/18)	Vol. 8, Bates Nos. JAX1432–1460
[British Columbia Securities Commission's Proposed] Findings of Fact, Conclusions of Law and Judgment (submitted 12/18/18)	Vol. 8, Bates Nos. JAX1461–1482
Order Granting Joint Application for Relief from Trial Deadlines (filed 01/10/19)	Vol. 8, Bates Nos. JAX1483–1486
Findings of Fact, Conclusions of Law and Judgment (filed 05/14/19)	Vol. 8, Bates Nos. JAX1487–1506
Notice of Entry of Order [with Findings of Fact, Conclusions of Law and Judgment] (filed 05/14/19)	Vol. 8, Bates Nos. JAX1507–1528
Notice of Appeal (filed 05/17/19)	Vol. 8, Bates Nos. JAX1529–1530

# EXHIBIT 9

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1                                   20 September 2013

2           Hearing before the British Columbia Securities

3           Commission in the matter of Michael Patrick

4           Lathigee and Earle Douglas Pasquill, FIC Real

5           Estate Projects Ltd., FIC Foreclosure Fund Ltd.,

6           WBIC Canada Ltd.:

7           (PROCEEDINGS COMMENCING AT 10:14 A.M.)

8   HEARING OFFICER: All rise.

9   THE CHAIR: Good morning.

10   MR. CHAPMAN: Good morning.

11   MR. AHMED: As my next witness, or as our next witness, I would

12           like to call Graham Woods.

13                               GRAHAM WOODS, affirmed:

14   HEARING OFFICER: Please state your full name and spell your

15           last name for the record.

16   THE WITNESS: Graham Woods, last name W-o-o-d-s.

17   EXAMINATION IN CHIEF BY MR. AHMED:

18   1   Q   Mr. Woods, you have a B.Com. from the University

19           of Victoria?

20   A   Yes, that's correct.

21   2   Q   And when did you obtain that degree?

22   A   Uh, I believe it was June of 1997.

23   3   Q   And subsequent to that, you begin working?

24   A   That's correct. I worked with a firm in Vancouver

25           commencing in 19 -- also in 1997.

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\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 4 Q What kind of work did you do?

2 A The firm was -- I started with basic, assisting  
3 with file preparation for notice to readers,  
4 review engagements, assisting with audits, tax  
5 returns, corporate as well as personal; and then  
6 progressed from there into more complicated areas.

7 5 Q And at some point, you left that place of work?

8 A Yes, in 2001.

9 6 Q And why was that?

10 A I just wanted to have -- I received my CA  
11 designation in, I believe it was June of 2001, and  
12 I just wanted to do something in, in industry  
13 instead.

14 7 Q And, and so then you went -- I guess you went to  
15 work in industries after that?

16 A Yes, that's correct. I worked in industry,  
17 various companies, and as well as self-employed  
18 assisting with accounting and finance matters with  
19 some different companies.

20 8 Q And at some point, you became involved in, in the  
21 FIC group of companies?

22 A Right. The firm I was at, I was a part of the

23 team that did the May 31st, 2006 audit of WBIC.

24 9 Q And we have heard some evidence here at this

25 hearing that you became the CFO of, of the FIC

2

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 group of companies at some point?

2 A Yes, that's correct. On May 1st, 2007 was my

3 first day on the job.

4 10 Q How long were you the CFO of FIC for?

5 A Until November 15th, 2008.

6 11 Q And just, just so that we are clear, when I, when

7 I refer to "FIC" it's a reference to the group of

8 companies generally.

9 A Okay.

10 12 Q And what -- so, during that time period of May

11 2007 to November 15, 2008, you were the CFO of the

12 FIC group?

13 A That's correct.

14 13 Q And what were your responsibilities during that

15 time period?

16 A Principally at the start, it was, well, based on

17 the information we had, compiling the quarterly

18 financial information for the different multiple

19 of companies we had, assisting the auditors with

20 their requirements when they were auditing the  
21 different companies, uhm, kind of seeing, keeping  
22 an eye on where the cash balances were at in  
23 different companies. And also, near the  
24 beginning, I was assisting with, started putting  
25 together what's called an SP1 filing for, for our

3

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 U.S. company. Those were my principal, principal  
2 roles.  
3 14 Q And why did you leave then on November 15th of  
4 2008, or around that time period?  
5 A I was having, at some points, worked probably 40  
6 days in a row at times. Just reaching exhaustion  
7 level from all the nuts and bolts of, of the vari  
8 -- of accounting for the various companies within  
9 the group. Just was, it got to a point of being  
10 physical, physically tasking as well.  
11 15 Q Well, can you elaborate on that? What was the  
12 source of your exhaustion?  
13 A Just -- there's obviously a lot of companies in  
14 the group, a lot of complexities, uhm, as it would  
15 be in a lot of other organizations, and it just  
16 got to where I had, you know, worn myself -- a lot



17 of, you know, 10 and 12-hour days, was just tired  
18 and wanted to take some time off and maybe do  
19 something different.

20 16 Q Well, who was part of the accounting staff at FIC  
21 during your time there?

22 A During my time, during the whole time or --

23 17 Q Sure. Well, why don't you just speak generally --

24 A Well, generally there was --

25 18 Q Why don't you speak generally about what the

4

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 staffing was like in the accounting department?

2 A Generally there was myself, an assistant  
3 comptroller, and two, I believe two other people,  
4 it might have got up to three at one point, in the  
5 accounting department.

6 19 Q You would have been in charge of that group?

7 A Yes, that's correct.

8 20 Q Now, you, are you aware of who replaced you then  
9 when you left on November 15th?

10 A Yes. It was Bill Baker.

11 21 Q And when did he start working at the company?

12 A He -- we would have -- he would have been there  
13 while I was still there for a while, just sort of

14           seeing what was happening and, and seeing what I  
15           was doing and, and kind of getting a sense for  
16           everything, and he officially would have taken  
17           over the role on November 15th, 2008.

18   22   Q   So, if I understand you correctly, he would have  
19           been there before that?

20   A   Yes, prior to November 15th, 2008. Sometime -- I  
21           believe he, he started there with me sometime in  
22           October of 2008.

23   23   Q   Okay. And so you resigned as the CFO on November  
24           15, 2008. Was that the end of the story with  
25           respect to your involvement with the group?

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1       A   No. In, I believe, I'm not sure I worked there in  
2           December of 2008, but commencing in January 2009,  
3           I came, I came back on board on a, a part --  
4           basically a half-time basis, to assist the team  
5           with anything that may arise, in particular, for  
6           Bill, and continuing to compile the quarterly  
7           financial statements based on the info we had, and  
8           also still assisting the auditors with, with the  
9           various audits.

10   24   Q   And how, how long did that arrangement last for,

11 that sort of halftime arrangement?

12 A Pretty much throughout all of 2009.

13 25 Q And what would have happened after 2009?

14 A I, I left and went to work elsewhere.

15 26 Q You found full -- you had full-time employment

16 elsewhere at that point?

17 A Yeah. I made a decision to move from Vancouver

18 and ended up residing elsewhere in a smaller town.

19 27 Q Okay. Now, during your time as a CFO, did you

20 have any involvement in the preparation of

21 financial statements for the group of companies?

22 A Yeah, based on the information we would have

23 available at a point in time, we did quarterly

24 unaudited statements and ultimately posted them to

25 the website for the different companies in the

6

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 group.

2 I also, as I mentioned previously, would have

3 -- would be assisting the auditors with any

4 information they needed to prepare their -- to

5 complete their audits of the different, of the

6 different companies.

7 28 Q And so which -- were audits, or were financial

8 statements created for all of the companies or

9 some of the companies or how did that work?

10 A All the ones that, I would say all the ones that

11 we, I think that we -- I think there was

12 ultimately seven in the end that we, that there

13 were offering memorandums for.

14 29 Q So, if there was an offering memorandum, there

15 would have been some financial statement?

16 A Yeah, those would have -- that would have started

17 -- prompted the start of the. . .

18 30 Q What about for Real Estate Projects?

19 A Real Estate Projects was a -- owned by four of,

20 four of those companies which we did audits for.

21 31 Q I see. Now, madam hearing officer, can you please

22 bring up Exhibit 279?

23 Mr. Woods, I will start with a general

24 question. Have you had a chance to review the

25 combined financial statements for the FIC group of

7

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 companies in advance of, of your testimony here

2 today?

3 A Yes, I have.

4 32 Q Okay. And that will save us some time. Now, is

5 -- this appears to be an e-mail you sent on May  
6 10, 2008, to Mr. Lathigee, Steve Rea and Earle  
7 Pasquill. Do you recall this e-mail?

8 A Yes, I do.

9 33 Q And can you explain what you meant by, at the  
10 second bullet point, the second bullet point:

11 With appreciation for unrealized land values,  
12 total assets are between 95 million and a  
13 hundred million.

14 A Sure. The combined statements themselves are  
15 based on, as, as best I can, GAAP, which would be,  
16 long story short, would have the different  
17 projects at cost. But as we, we also had dealings  
18 and estimations of ultimate future profits on the  
19 projects. So, while the combined financial  
20 statement, being a balance sheet, showed most  
21 things at cost, except for portfolio investments,  
22 which are shown at market value, I also wanted to  
23 indicate in the e-mails to the management team  
24 what we -- what I think it was -- were probably  
25 worth at, at present market value.

1 34 Q What do you mean when you say "cap, market cap"?

2 Oh, I'm sorry, what do you mean when you say

3 "GAAP"?

4 A Oh, sorry, generally accepted accounting

5 principles, which have to be followed obviously in

6 preparation of the audit statements, but we also

7 follow those when we did the quarterly ones as

8 well.

9 35 Q Right. Now this e-mail was attaching a January

10 31st, 2008 financial statement; is that right?

11 A Yes, that's correct.

12 36 Q Can we please go to the second page, and then the

13 third? Mr. Woods, can you explain to me what the

14 cash and cash equivalent line represents?

15 A That would be a line in, in total for the group of

16 basically non-restricted cash, cash that we would

17 have in a bank or cash that would be in the, in

18 the cash account of, of brokerage accounts. And

19 it's non-restrict, non-restricted in nature.

20 37 Q Would that have been -- where, where on the

21 financial statement would the marketable

22 securities be represented?

23 A It is the fourth line down, the portfolio

24 investments after value.

25 38 Q Could we go to page 5 please? And you see there

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 note number 4? That's the description of the

2 portfolio investments?

3 A That's correct.

4 39 Q And can you explain to me what the first reference

5 is to the numbered company 879?

6 A Sure. That would be the market value of the

7 investments held by the numbered company on

8 January 31st, 2008.

9 40 Q Now, Mr. Woods, was there any requirement that the

10 value of that account be at a certain level?

11 A At this -- yes, there was a lending agreement with

12 the, with TD that required that the level be at, I

13 believe 9 million for the, the cash in the

14 numbered company, as well as the, the portfolio

15 investments, which are shown in the, in note 4

16 here.

17 41 Q Now --

18 A Which, sorry, I believe, is it 9 or 10 million?

19 I'm not -- I, I don't recall.

20 42 Q Sure. And what you have just described, does it

21 have any relationship to the, the rest of the

22 companies listed here with portfolio investments?

23 A Sorry, the?

24 43 Q So, we have also got here portfolio investments

25 for FIC Financial Services, FIC Investments, FIC

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 Investments USA, FIC Southeast Asia Fund, WBIC  
2 Canada, and the WBIC Canada amount being \$1.5  
3 million.

4 A Right. That would be the, the stocks in the name  
5 of WBIC with different brokerage accounts in the,  
6 in the case of the WBIC Canada line item there.

7 44 Q Now, does that have anything to do with the TD  
8 loan agreement you just described?

9 A Not directly, no.

10 45 Q Can we please go to BCSC 133? Mr. Woods, this is  
11 the e-mail, the e-mail from you attaching the  
12 March 31st, 2008 combined statements?

13 A Yes, it is.

14 46 Q Do you remember this e-mail?

15 A Yes, I do.

16 47 Q And what, what did you mean here when you say,  
17 "the book value of assets nearing 100 million"?

18 A That would mean if we go -- when -- maybe look at  
19 the third page again, but it shows that the total,  
20 being the total assets on a combined basis, was  
21 just under 100 million on March 31st, 2008.

22 48 Q Can we go to Exhibit 436? Mr. Woods, do you  
23 recognize this document?



24 A Yes, I do.

25 49 Q And these are the combined financial statements

11

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 for May 31st, 2008?

2 A Correct.

3 50 Q Did you prepare this document?

4 A Yes, I did.

5 51 Q And can we go to Exhibit 437 please?

6 A Sorry, may I see the, the balance sheet on this

7 document?

8 52 Q Oh, yes.

9 A I just want to --

10 53 Q Go to page 2.

11 A Okay, thank you.

12 54 Q Do you recognize this?

13 A Yes, I do.

14 55 Q And then can we go to Exhibit 437? Mr. Woods,

15 this is another e-mail from you. Do you recognize

16 this?

17 A Yes, I do.

18 56 Q Can we go to the second page? Now, these are the

19 June 30th, 2008 financial statements?

20 A May I see page 2 please?

- 21 57 Q Yes. Can we go to page 2?
- 22 A Yes, that's correct.
- 23 58 Q And did you prepare this?
- 24 A Yes, I did. Yes, I did.
- 25 59 Q So, Mr. Woods, I have just taken you to four

12

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

- 1 different combined financial statements. Can you
- 2 describe what it is they represent?
- 3 A I, in my opinion, they represent, or basically
- 4 what they show, what they're showing --
- 5 60 Q Well, what they represent and I will ask you what
- 6 they show --
- 7 A Okay. They represent a combination of the, of the
- 8 different companies, which we mentioned earlier,
- 9 basically with any intercompany balances
- 10 eliminated so as not to double-count any numbers.
- 11 Uhm, and in this case, to June 30th, we are seeing
- 12 total assets on a combined basis of just under
- 13 \$115 million, and a net, net equity of just under
- 14 \$60 million.
- 15 61 Q So, what did, what did this tell you about the
- 16 financial state of the company at the time?
- 17 A Well, the main thing I would, I would look at here

18 is the total assets and, and in relation to what  
19 the total liabilities are, the amounts that are  
20 owed to different parties with different  
21 timeframes of due dates. And, and that's -- and  
22 the net result of that is the, obviously the  
23 equity of just under the 60 million. So, I would,  
24 I would feel that the company, on a purely balance  
25 sheet basis, on a combined basis, was in a, a

13

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 strong position.

2 62 Q Did this document tell you anything about the  
3 company's cash position?

4 A Yeah, as, as it shows, the un, unrestricted cash  
5 balance was just under \$7 million on June 30th,  
6 2008.

7 63 Q Could we please go to Exhibit 474? Mr. Woods, do  
8 you recognize this document?

9 A I do.

10 64 Q Can you explain what it is?

11 A Sure, this is a daily cash -- we, obviously, with  
12 all the companies, have a lot of different bank  
13 accounts, and this was a, a summary of the, the  
14 end of day's cash balance. It was on a

15 conservative basis as well, because it, it didn't  
16 necessarily match the bank balance. It also  
17 factored in any cheques that had been issued but  
18 hadn't to the bank yet. So, it was on a most  
19 conservative basis.

20 65 Q Who prepared this document?

21 A I prepared it.

22 66 Q Can we go to ID -- or Exhibit 475? Now, Mr.  
23 Woods, obviously this is a very similar document.

24 A Yeah, I agree.

25 67 Q So, can you -- so, did you produce this document

14

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 as well?

2 A Yes, I did.

3 68 Q Can you explain -- I can tell you that we have got  
4 in the record a series of documents that look like  
5 this. Can you explain why there are so many of  
6 them?

7 A Uh, because I, I did them every day. In fact, I  
8 believe I started doing them, as one of my first  
9 duties, I wanted to, when I first started there,  
10 get a sense of obviously what your different cash  
11 balances are. To me, it was very important to

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12 know that. And so I believe I began this in May  
13 of, of 2007, and would, would, would do it as a  
14 daily exercise at the start of each day.

15 69 Q And what did this, for example, this particular  
16 balance sheet tell -- or, or cash snapshot tell  
17 you about the company's cash?

18 A In this particular case, when I look at it, just  
19 eyeballing the total of just over 3 million, minus  
20 the restricted, I mean, the restricted would have  
21 to do with the, with the TD Bank loan, we have,  
22 you know, available cash of, of just over a  
23 million dollars.

24 70 Q Can, can we go to Exhibit 482 please? Mr. Woods,  
25 this document is similar to the two previous ones

15

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 I showed you, but there's another column with some  
2 notes there. Do you know whose notes are?

3 A I believe those are my notes.

4 71 Q And what, what, what are you expressing in those  
5 notes?

6 A I think I am just, I am indicating what, what gets  
7 restricted, what -- and we can't touch for other  
8 purposes. Just to, just to reiterate, although I

9 had a usage restricted column there on all these,  
10 on the, between the account name and the, and the  
11 dollar figure, uhm, this was a special one where I  
12 wanted to reiterate what was available and what  
13 wasn't for different purposes.

14 72 Q And so you've got a number of notes here about  
15 restrictions. In the middle of the page, for the  
16 numbered company, you got a note there that says  
17 "gone to Wood Gundy now for TD security." For  
18 Genesis by the Lakes Ltd. you have a series of  
19 notes that say you can't touch. Can you explain  
20 what that -- why it is that those amounts couldn't  
21 be touched?

22 A I believe they all related to the TD Bank and as  
23 part of the lending agreement with TD, and that  
24 they required a certain cash balance be in the  
25 accounts.

16

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 73 Q So, if I wanted to figure out how much of this  
2 12.6 million was restricted because of that TD  
3 loan, what, what categories, or what, what columns  
4 would I include in that?

5 A I believe in this case, when I am saying "gone to

6 Wood Gundy now," I have a feeling, on the morning

7 I am preparing this, that money is already gone.

8 So, I would minus that 3 million, as well as the,

9 pretty much the total of the Genesis on the Lakes

10 accounts.

11 74 Q Right. Okay.

12 A Oh, and perhaps the -- I'm not sure if that 2.5

13 million mentioned down below had -- was on its way

14 out or had left yet or it was certainly earmarked

15 to, to be moved.

16 75 Q Can, can we please have Exhibit 425? Mr. Woods,

17 why don't you take some time to, just to read this

18 e-mail.

19 A Okay. Can you -- do you mind just scrolling up

20 just to the -- thank you. Okay.

21 76 Q What were you expressing in this e-mail to Mr.

22 Lathigee and Mr. Pasquill on February 4th?

23 A This particular e-mail would have related to the,

24 one of the companies, FIC Investment Ltd., and it

25 obviously had an interest, bearing interest in

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 four of the real estate projects that we had. And

2 it was, it was sort of showing one of the, one of

3 the things, how much in -- dollars invested FIC  
4 Investment had in different projects.  
5 But also down below, based on our information  
6 we had available to us, and what we thought the  
7 ultimate profits would be on these projects,  
8 rolled back to how far along the products were,  
9 we, we -- I would do a calculation and an estimate  
10 of the overall profits that may be coming from the  
11 projects.

12 77 Q So --

13 A I'm sorry, and I should say too in this case,  
14 although I lay out four up top, the Pigeon Lake  
15 one, this company had a less than 1 percent  
16 interest in Pigeon Lake. So, it's not referred to  
17 down below beyond that. So, I'm basically down  
18 below, on the calculation of the numbers, I am  
19 speaking to the Calmar, Genesis and Ascot  
20 projects.

21 78 Q Can we please have Exhibit 409? Mr. Woods, this  
22 is another very lengthy e-mail. I will give you a  
23 chance to read it, and if you would like to scroll  
24 through it, just ask.

25 A Could you scroll? Thank you. Okay.



1 79 Q Now, Mr. Woods, you will see at the top, there's  
2 an e-mail from Mr. Lathigee to Mr. Pasquill, which  
3 you are not copied on. It says, "Graham is very  
4 concerned." Do you see that at the top?

5 A Yes, I do.

6 80 Q Were you concerned on February 23rd when you sent  
7 that e-mail below?

8 A My concern was I believe some information had come  
9 to us that perhaps some of the, the figures  
10 related to the Genesis project were not as  
11 originally projected, and that would have been my  
12 concern at that time. And then, going forward, we  
13 have to look at that, and I always have to  
14 consider we want, we want to operate on the best  
15 information available to us in projecting figures  
16 out and profits and that sort of thing. And so  
17 this is just sort of an indication that, you know,  
18 we have got, we have got to be as tight as we can  
19 on such projections.

20 81 Q Mr. Woods, if we go to your e-mail though, you  
21 say -- the e-mail says:  
22 I think that there is a chance that they are  
23 way off and this will really make me looking  
24 like a chump. Something like this could  
25 impact my chartered accountant designation.

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1       A   Yes, that's right. And this, this actually  
2       related I believe to the Genesis project itself.  
3       But also my comment there was just an indication  
4       to them that it's important that we're -- when new  
5       information becomes available, we assess that and  
6       determine the impact on our, on our future  
7       estimations. You know, I like to be accurate.  
8   82   Q   And Mr. Woods, what time did you send this e-mail?

9       A   10:20 on a Saturday night.

10   83   Q   And what were your thoughts generally about the,  
11       all of the properties in Alberta on, on this date?

12       A   Still, you know, overall profitability, but we  
13       would have to assess potentially -- and I believe  
14       what I was thinking this time, just thinking on  
15       Genesis, that we, you know, we have to, again,  
16       make sure our information is accurate and, and,  
17       and talk to the person that's responsible for  
18       that, our consultant, and, and be comfortable with  
19       the numbers.

20   84   Q   And, and what were your thoughts on Genesis  
21       generally?

22       A   Still, like, overall profit, profitable, but if  
23       perhaps the, either the, if the revenue side is  
24       too high or the cost side is, the estimation too

25 low, then we have to factor that in.

20

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 85 Q And in around this time period, you know, as you  
2 have just explained, you had some concerns about  
3 Genesis. What, what would have -- what was the  
4 reason for that?

5 A I believe it was becoming aware of some, of some  
6 costs, significant cost overruns to date on the  
7 Genesis project, and that would be, that would be  
8 the crux of the concern.

9 86 Q Can we please go to Exhibit 217? I will give you  
10 a chance to read this.

11 A Okay.

12 87 Q Now, at the top, you have sent an e-mail to Mr.

13 Pasquill and Mr. Rea in which you say:

14 We could talk a bigger payment to Gentech?

15 Steve and I will be calling Gentech early

16 Monday a.m. to determine how much to them

17 this week we will keep the trades under them

18 from putting liens on Genesis. I think we

19 can make everyone happy for the time being.

20 Do you remember saying that?

21 A Yes, I do.

22 88 Q What did you mean by the statement, "I think we  
23 can make everyone happy for the time being"?  
24 A Basically this related to the, the trades being  
25 unhappy that they were owed money, and obviously

21

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 wanted to be paid for their position. They want  
2 to get paid. And so we, we were attempting to  
3 work out a, an amount that, that kept things  
4 moving along on the project.  
5 89 Q And you, you said "keeping the trades happy."  
6 What, what work exactly are you talking about  
7 here?  
8 A It would have been most likely serve, different  
9 types of servicing work on the Genesis property.  
10 And then the term "time being" meaning, get  
11 them moving along now, you know, knowing that  
12 there obviously would still be a balance owing to  
13 them, and that, at some point, you know, we would  
14 have to, you know, face that with them at that  
15 time.  
16 90 Q Can you go to Exhibit 20 -- or can we have Exhibit  
17 26 please? Why don't you read this e-mail first?  
18 A Okay.

- 19 91 Q Now, Mr. Woods, what are you -- there's an e-mail  
20 from you in the middle of the page here dated  
21 March 1st at 10 a.m.? Do you see that?  
22 A Yes, I do.  
23 92 Q And it's to Mr. Lathigee, Mr. Pasquill and Steve  
24 Rea?  
25 A Yeah. Correct.

22

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 93 Q What are you talking about in, in this e-mail?  
2 A I am just going -- sorry, go through that part  
3 again. I am just going to read it again please.  
4 94 Q That's fine. Take your time.  
5 A Okay, thank you. This, this, this relates to,  
6 sorry, finding some funds to alleviate the trades.  
7 It's similar to the previous e-mail we just looked  
8 at, and this was another, you know, avenue or  
9 e-mail showing here, maybe we can do this to, to  
10 make, you know, keep the, get the trades happy.  
11 95 Q And you remember receiving Mr. Lathigee's e-mail  
12 there at the top?  
13 A Yes, I do.  
14 96 Q And you see there Mr. Tansowny has been copied as  
15 well?

16 A Yes.

17 97 Q It says here:

18 Our first priority is to save the company.

19 If Genesis loan is to be called by TD, which

20 is a real possibility, we have to factor that

21 we are doomed.

22 Do you know what your reaction was when you

23 received this e-mail?

24 A Yeah, that we were not, that we were not doomed.

25 98 Q Well, why do you say that, Mr. Woods?

23

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 A Because the purpose of this e-mail, and, and

2 several others, and most likely various phone

3 calls Mike would have had with John leading up to

4 this, was we had a management meeting coming up on

5 March 6th, and this was one of the ways for Mike

6 to attempt to motivate our real estate consultant

7 to basically do his job.

8 99 Q Mr. Woods, how, how can you say that was the

9 purpose of the e-mail? What's the basis for you

10 to say that?

11 A Just all of our ongoing dialogue within the office

12 as to the, you know, that the projects weren't --

13 the real estate wasn't selling that were indicated  
14 would have been sold, selling. There just -- it  
15 wasn't flowing cash. And there was a lot of  
16 stress regarding, you know, the inactivity of our,  
17 our real estate projects and the ones, sorry, the  
18 ones that were -- the, the real estate consultant  
19 indicated could be sold by certain dates, and  
20 they're creating a lot of tension, in particular,  
21 between Mike and, and our real estate consultant.

22 100 Q Who is the real estate consultant you keep  
23 referring to?

24 A It's John Tansowny.

25 101 Q And did you agree with the contents of Mr.

24

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 Lathigee's e-mail here?

2 A No, I don't agree with the term that "we are  
3 doomed." I agree with the, the attempts and the  
4 effort to motivate him to start delivering.

5 102 Q Why don't you agree that, that we are doomed?

6 A The numbers at this point just do not indicate  
7 that, that that was the case. Uhm, we had, we had  
8 assets. We had unleveraged assets. We had cash  
9 flow to meet our short-term requirements, uhm,

- 10           among other things.
- 11   103   Q   Can you we please go to Exhibit 40? Now, Mr.
- 12           Woods, your -- this e-mail is, or this e-mail
- 13           chain is forwarded to you, it looks like, on March
- 14           3rd at 12:58 p.m.? Do you see that?
- 15       A   Yes, I do.
- 16   104   Q   And below that, there is an e-mail from Mr.
- 17           Lathigee to Mr. Tansowny with Mr. Pasquill copied.
- 18           Why don't you just read that e-mail?
- 19       A   Starting with, "John, there was much cash"?
- 20           That's --
- 21   105   Q   Yes?
- 22       A   -- the part?
- 23   106   Q   Yes.
- 24       A   Okay.
- 25   107   Q   What was -- did you receive -- do you remember

25

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1           receiving this?
- 2       A   I, I don't specifically recall receiving this
- 3           e-mail but. . .
- 4   108   Q   Okay. But you did, you did --
- 5       A   But I am on it, so. The context of it, yes, I, I
- 6           recall.



7 109 Q Okay. Well, why don't -- since you don't remember  
8 receiving it on that particular date, why don't I  
9 ask you instead, what are your thoughts about the  
10 statements made by Mr. Lathigee here?  
11 MR. CHAPMAN: Well, I object -- I am just going to object here.  
12 He doesn't recall receiving this e-mail and now he  
13 is being asked to give his thoughts about what Mr.  
14 Lathigee is saying? Is he saying now, today?  
15 Uhm, if he doesn't remember receiving it, then  
16 it's kind of difficult for him to give an opinion  
17 or his, what his thoughts are today about what it  
18 says there.  
19 MR. AHMED: Well, Mr., Mr. Woods was the CFO of the company at  
20 the time period. He was obviously familiar with  
21 the finances of the company. I think I am  
22 entitled to ask him whether or not Mr. Lathigee's  
23 e-mail, or the contents of it, correspond with  
24 what his understanding of the company was.  
25 THE CHAIR: Go ahead.

26

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 MR AHMED:  
2 110 Q Mr. Woods, I will ask you again, did Mr. Lathigee  
3 -- what, what, what are your thoughts about the

4 contents of Mr. Lathigee's e-mailing you?

5 A I believe it was similar to the prior two

6 documents we looked at. At the time as well, it

7 was more, more pressure leading up to that meeting

8 for the same reasons that I outlined before.

9 111 Q What -- do you have any thoughts on this sentence

10 here, "We need about 10 million to stay solid"?

11 A Yeah, I don't exactly know where that figure came

12 from.

13 112 Q But based on your recollection that this financial

14 situation of the company was at the time, do you

15 have any comment on the suggestion that some money

16 was required to stay solid?

17 A Yeah. Well, further to my previous, previous

18 documents, well, we had assets, we had unleveraged

19 assets. We had cash for short term, short-term

20 requirements. So, I don't really agree that we

21 were near, like, insolvency or, or need 10 million

22 to avoid -- to stay solid at this point in time.

23 113 Q What about the comment, "This is the worst

24 situation we have ever been in"?

25 A Again, further to motivating him to generate

1 sales.

2 114 Q Now, can we please go to Exhibit 41? Now, Mr.

3 Woods, unlike the previous e-mails I took you to,

4 it doesn't appear that you were copied on this

5 e-mail. I am referring to the e-mail at the top.

6 A Okay.

7 115 Q But I will give you a chance to read it.

8 A Okay.

9 116 Q Now, there are a number of statements here. Mr.

10 Lathigee is telling Mr. Tansowny:

11 We are suffering from no cash flow and now in

12 desperation we are doing a promissory note

13 offering that will encompass the entire staff

14 for one month to save the company.

15 Well, let's break that down. Did you -- do you

16 agree that there was no cash flow at the time?

17 A No, I do not.

18 117 Q Well, why do you say that?

19 A Because there was cash flow.

20 118 Q What about the statement, the use of the word

21 "desperation"?

22 A I don't agree with that either. Again, and just

23 further to that, uhm, this is the day before that,

24 that, that management meeting that I mentioned

25 previously. Uhm, again, more of a, of a

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 motivational factor is really the, the gist of

2 this e-mail, in my opinion.

3 119 Q Can we go to Exhibit 433 please? Now, Mr. Woods,

4 these are, these appear to be minutes from an

5 executive management team retreat that took place

6 on March 5th and 6th, 2008?

7 A Yes.

8 120 Q And the minutes list you as being in attendance?

9 A That's correct.

10 121 Q And do you remember being in attendance at this

11 meeting?

12 A Yes, I do.

13 122 Q And can you tell us generally what took place at

14 that meeting?

15 A We went through all -- everything that the

16 different companies were at, uhm, brainstormed

17 ideas, in particular, the Real Estate Projects.

18 Uhm, covered a lot of bases.

19 123 Q If we could go to page 6 please? Now, you will

20 see a section near the top of the page, it says

21 "numbered company tax"? Do you see that?

22 A Yes, I do.

23 124 Q And then there's, it says "action" underneath

24 that.

25 Graham to speak with government and see when

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1           we can pay the minimum amount with an  
2           attached plan as we are in a cash crunch.  
3       A   Yes, I see that.  
4   125   Q   Can you explain, first of all, what the government  
5           payment is a reference to?  
6       A   Sure, it's the, the September 30th, 2007 income  
7           taxes owing for 0760838 BC Ltd.  
8   126   Q   And there's a reference there to "cash crunch."  
9           Do you have any thoughts on that phrase?  
10       A   I think I'm more -- I'm not really -- nobody liked  
11           the use of that term there. I didn't type it up.  
12           But it's really just, they're, they're things that  
13           obviously come up with the, with Genesis and the  
14           trades, to alleviate that. And there's an  
15           opportunity here to not have to pay that 2.2  
16           million all at once. Why would we not -- or we  
17           needed to explore that possibility of spreading  
18           out those payments.  
19   127   Q   Now, Mr. Woods, you have said you don't like the  
20           use of that phrase, but, but can you speak  
21           generally about the cash position of the company  
22           at the time?

23 A The cash position was good. I think it just  
24 there's, like I say, there's, when you have an  
25 opportunity to make your position even a little

30

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 bit looser, so to speak, or better, uhm, you, you  
2 want to pursue that, and that's just one of the  
3 items we looked at, to do that. And yes, most  
4 people don't like paying income taxes, so we  
5 wanted to delay that as much as possible, if we  
6 could.

7 128 Q But we saw an e-mail earlier that, clearly, you  
8 were making some effort on making sure payments  
9 were made?

10 A Oh, yes, in regards to the project?

11 129 Q Yes.

12 A Yes, that's correct.

13 130 Q Were there no cash problems?

14 A Well, there's cash -- there was all -- you know,  
15 cash problems throughout, but we've always, we  
16 viewed them as short term in nature, as I  
17 mentioned previously.

18 131 Q Well, why would you describe them as short term in  
19 nature?

20 A Because we, at that time, as I mentioned had  
21 significant assets that were non-leveraged. We  
22 had events coming up, such as our InvestFest  
23 event, which would have been in June 2008, which  
24 is always a good revenue generator for the group.  
25 Uhm, we had the opportunity to, to, to explore

31

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 refinancing the TD loan or bringing in new  
2 financing to replace that loan if we needed to go  
3 that route.  
4 132 Q What about addressing the issues with respect to  
5 the Genesis property? Did you put any thought to  
6 how to deal with that?  
7 A Could you -- more specifics?  
8 133 Q Well, we just -- you gave some evidence about cost  
9 overruns on the Genesis property. Did, did, did  
10 you do any work on trying to address that issue?  
11 A I think, well, in our, in our previous documents  
12 we looked, we are always looking at addressing  
13 that and keeping the project moving along, uhm,  
14 keeping the trades satisfied so that work  
15 continues to move forward with that.  
16 134 Q Can we go to Exhibit 290 please? Can we start on

17 the second page or -- well, first, let's go to the  
18 first page and scroll down. Mr. Woods, do you see  
19 there's a, an e-mail from yourself to Steve Rea  
20 and Earle Pasquill?  
21 A Yes, I do.  
22 135 Q And I will give you a chance to read it.  
23 A That's okay, you can proceed.  
24 136 Q Can we go to the second page?  
25 A Okay.

32

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 137 Q You don't need time to read it?  
2 A No, I don't.  
3 138 Q Okay. Can you explain what it is you were  
4 suggesting in this e-mail?  
5 A Sure. I mean, it's our responsibility to kind of  
6 -- to look at all options as a project goes  
7 through its life cycle. In this case, I am  
8 exploring the possibility of, of, of us as a team,  
9 as a group of companies, selling the Genesis  
10 project as it is, as it's partially serviced, and  
11 that's really what this is calculating out.  
12 139 Q So, you are saying, "selling the project as it  
13 is." Who, who would you be selling it to?



- 14 A Ideally, it would be the, it would be a group  
15 that -- you know, it could be any -- a third party  
16 obviously, but ideally a group that was related to  
17 the trades that were owed money on the project, if  
18 somehow they could be a part of that, uhm, would  
19 have probably made the most sense if we were able  
20 to do that.
- 21 140 Q And what, what does your analysis say here about  
22 profit, if any, if, if, if, if Genesis was sold  
23 that way?
- 24 A I think based on the, the, the appraised value we  
25 had on the lots as fully serviced, it's a fair

33

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 figure for the amount I am estimating this could  
2 be sold at, at this point in time, and it shows me  
3 that, you know, a profit could still be made on,  
4 on, on this project if we were able to sell it as  
5 is at this point in time.
- 6 141 Q Now, Mr. Woods, we have spoken about Genesis, but  
7 did the FIC group of companies also have other  
8 properties?
- 9 A Yes, they did.
- 10 142 Q And where were those properties?

11 A Principally Alberta, and actually I believe all in  
12 Alberta.  
13 143 Q And you have said you, you, at the time, explored  
14 the option of selling Genesis. What about those  
15 properties?  
16 A Those other properties?  
17 144 Q Yes.  
18 A Yeah, we had, some of them, lots were listed on a,  
19 on one of the projects; and another one, which  
20 was, which was purchased as serviced, but hadn't  
21 been completed by the, the seller yet, was also  
22 listed for, for, available for sale.  
23 145 Q So, around this time period of March 2008, what,  
24 what were your thoughts in about -- your thoughts  
25 about those other properties that were listed for

34

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 sale in Alberta?  
2 A Oh, that, that they could be sold within a  
3 reasonable time period as well, and again, simply  
4 to generate some, some revenue.  
5 146 Q Did you have any thoughts about what, at what  
6 price those properties could be sold at?  
7 A At that time, we had a price that provided us with

8 a profit.

9 147 Q If we could please go to Exhibit 14? Mr. Woods,

10 this is an e-mail from you to Earle Pasquill and

11 Steve Rea at -- on Saturday, March 29th at 4:04

12 p.m.?

13 A Yes.

14 148 Q Do you need any time to read this or are you

15 familiar with it?

16 A No, I don't. I am familiar with its contents.

17 149 Q If we can go to the second page. Well, first of

18 all, why don't I just ask you generally, what,

19 what were you expressing in this e-mail here?

20 What are you talking about? The subject line is

21 "commissions".

22 A Basically they're speaking to money brought in on

23 the, uhm, I believe Real Estate Projects offering,

24 and I am basically calculating out a, a, a

25 commission of some type for some of the, of the

35

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 sales staff.

2 150 Q And what are you, what are you expressing about

3 those commissions?

4 A I am upset that, this is about as upset as I get

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5 in an e-mail, but I'm, I just want the money used  
6 principally for the real estate and not be, you  
7 know, trickled down by commissions and the sort.  
8 151 Q And if we are on the second page. If you can -- I  
9 will read a part of it out to you.  
10 However, the percentage would be between a  
11 quarter of 1 percent and half of 1 percent  
12 and we cannot be shortsighted with this.  
13 Also, we are in a tight cash situation.  
14 People cannot view this promissory note money  
15 is free money as it is "desperation money."  
16 In effect, this money is already spent and I  
17 am starting to get that feeling.  
18 Furthermore, I have been burnt before by  
19 paying commissions based on subscriptions and  
20 not on cash deposited.  
21 First, can you explain the second part of that,  
22 being "burnt before by paying commissions"?  
23 A Yeah, sure. And the term "subscription" is  
24 incorrect there. I had been burnt before in a  
25 position where we paid sales commissions on

1 regular product, a type of good, nothing do with

2 subscriptions, and the customer -- and the, the  
3 employee fully received their commission, and the  
4 customer never paid for their -- for the product.

5 That's what I am referring to.

6 152 Q And when did that take place?

7 A Uh, that would have been in, in my industry, time  
8 in 2000 and, somewhere 2001 through 2005.

9 153 Q So, that didn't -- did that have anything to do  
10 with FIC?

11 A Oh, it had nothing to do with it at all.

12 154 Q Okay. And, well, let's move back to the first  
13 part of what I read out. You used the word, you  
14 say:

15 People cannot view this promissory note money  
16 as free money as it is desperation money.

17 What are you, what are you saying there?

18 A I'm -- it is obviously a poor choice of  
19 terminology, but as I indicated, I was quite upset  
20 when I put this e-mail together. What I'm saying,  
21 what I -- the gist of it is, this money is  
22 earmarked for the real estate projects, and I want  
23 to, you know, move as much of that as I can to  
24 that, and not have it eroded by other, by other  
25 parties taking some of it. And I was probably,

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1           you know, unfair with my comments on the staff at  
2           that point, but. . .

3   155   Q   Well, at the time, Mr. Woods, did you think FIC  
4           was in a desperation -- was in desperation?

5       A   No, not at this time. Still, we obviously still,  
6           we had cash. We had short-term issues. But as we  
7           mentioned previously, uhm, and the item is of a  
8           long-term nature. We could refinance. We had  
9           assets. We had assets to leverage.

10   156   Q   Can you please go to Exhibit 370? To the second  
11           page. Mr. Woods, this is an e-mail from Mr.  
12           Tansowny to yourself and Earle Pasquill with Steve  
13           Rea copied, and he seems to be speaking about the  
14           Genesis project; is that right?

15       A   Yeah, that's correct.

16   157   Q   Uhm, if we go to the third page, Mr. Tansowny says  
17           here:

18           Profit can be projected worst case at around  
19           10 million, best case 20 million plus.

20       A   Yes, I see that.

21   158   Q   And if we can go back to the first page, it seems  
22           you have responded to Mr. Tansowny, or sorry, you  
23           have responded, but not to Mr. Tansowny, only to  
24           Mr. Pasquill and Steve Rea?

25       A   Yeah, that's correct.

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 159 Q And what are you expressing in this e-mail here?

2 A I am expressing, I am bringing question into the  
3 calculations done by Mr. Tansowny on the Genesis  
4 project.

5 160 Q And why would you be doing that?

6 A Uhm, there was something in -- excuse me, there  
7 was something in it that didn't make sense to me  
8 and I, I kind of laid that out to Earle and Steve  
9 in the e-mail here.

10 161 Q What were your thoughts about Mr. Tansowny at the  
11 time?

12 A That I had to, you know, really contact him on  
13 things and clarify amounts and stuff as they arose  
14 on, you know, as I needed on different projects.

15 162 Q And we have got another e-mail from you, I guess  
16 in response to your own e-mail of -- on the same  
17 day. So, your first e-mail was at 2:00 in the  
18 morning on Saturday, and your response is at 3  
19 p.m. on, on Saturday, and you say:

20 I have spoken with John and I have  
21 misunderstood (sic) some of the figures.

22 A Yeah, that's correct.

23 163 Q And then Mr. Pasquill responds to you on Monday,

24 at 9:30 a.m.

25 Oh, good. Does that mean that his project,

39

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 or his profit projections are attainable?

2 So, Mr. Woods, did you have a conversation with

3 Mr. Tansowny?

4 A Yes, I would have. And in that call, he would

5 have alleviated, I can tell from the context of

6 the e-mail, he would have alleviated any concerns

7 I had on the numbers that he presented in the,

8 previously in this e-mail chain.

9 164 Q Now, Mr. Woods, we have already spoken about the

10 TD loan a number of times here. Did you have any

11 involvement with dealing with TD on behalf of the

12 company?

13 A Yeah, I did at various times. General discussions

14 providing, you know, information that was

15 specified in the, in the, in the TD agreement

16 itself. I wasn't -- it was, it was signed off on

17 before I started there. Uhm --

18 165 Q And what -- how would you describe FIC's

19 relationship with TD during the February to,

20 February to November of 2008 time period?



21 A I thought it was good. I thought it was good  
22 communications and we, we did have some meetings  
23 and it's -- it seemed, it seemed fine.  
24 166 Q Did you have any thoughts at that time about  
25 whether or not TD might call the loan?

40

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 A I didn't think they would, they certainly wouldn't  
2 call it early, but when it ended, I didn't think  
3 they'd -- I thought there would be some flex -- I  
4 would have thought there would be some flexibility  
5 there.  
6 167 Q Why do you say that?  
7 A Just from the relationship with them. I mean, I  
8 didn't foresee them, uhm, doing what they  
9 ultimately did.  
10 168 Q And in 2008, were you responsible for making sure  
11 that payments were made to TD, or was someone else  
12 responsible?  
13 A We were all responsible for that. I believe we  
14 may have -- I can't recall if we set up an auto  
15 pay or, or, or, you know, I may have, you know,  
16 sent the payment when it was due. I don't recall.  
17 Or we may have moved money into an account and

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18           they automatically would have taken out interest  
19           payments, so. I would have been a part of that  
20           process.

21 169   Q   Do you know if those mortgage payments in 2008  
22           were paid on time?

23       A   I believe they were all paid on time.

24 170   Q   Now, can we please go to Exhibit 486? Mr. Woods,  
25           this is an e-mail chain. Starting at the bottom,

41

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1           it's between you and Mr. McKechnie and -- or from  
2           you to Mr. McKechnie and Earle Pasquill.

3       A   Okay.

4 171   Q   Who is Mr. McKechnie?

5       A   Matthew is an individual, Matthew McKechnie is the  
6           individual we, we hired to basically, as his, one  
7           of his starting duties was to assess the Alberta  
8           real estate. As at this time -- now, this is the  
9           dated May 25th, 2008, we had obviously serious  
10          issues with, with Mr. Tansowny. And Matthew was  
11          brought onboard to assess the real estate  
12          projects, and that was his basic role when he  
13          started, and just see where things are at and get  
14          things, continue things moving along.

15 172 Q And this, in this e-mail of May 25th, 2008, at  
16 11:34 a.m., what, what are you talking about here?  
17 It seems that you are, you are having some  
18 discussion about Instafund?  
19 A Yeah, discussing either a draft or an offer that  
20 we had on the -- from Instafund, the lender,  
21 regarding the Genesis project. And, and  
22 furthermore, sorry, the real crux of it was the  
23 term that we would need to get to, to feel  
24 comfortable with making such a switch.  
25 173 Q And if we can go to the second page, you will see

42

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 there, at the end of the e-mail, you say:  
2 Once again, I do not view not getting  
3 Instafund as the end of the world. We will  
4 just need to move forward accordingly.  
5 What do you mean by "not the end of the world"?  
6 A I, I think meaning there's other lenders out there  
7 and we're not in a, a desperate situation where we  
8 have to, if we don't take Instafund, that, you  
9 know, we're, we're in big trouble. That's the  
10 crux of what I'm, what I'm saying at that point.  
11 174 Q And in the larger paragraph in the middle of the

12 page there, it starts with:

13 I spoke with Kevin of TD on Friday and we had

14 a good conversation. I feel that I can work

15 with TD, however, the biggest problem with TD

16 now, in my opinion, is that there's only six

17 months left on the loan with them.

18 Do you recall having that conversation with, with

19 -- well, who is Kevin, first of all?

20 A Uh, Kevin, Kevin Hamaoka, I am not going to try to

21 spell that last name, was the, the individual, I

22 don't want to say in charge of the loan from TD's

23 perspective, but he was certainly -- we, we dealt

24 with him quite frequently on it, so he may have

25 been the manager on that loan.

43

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 175 Q And do you, do you recall having a conversation

2 with him that day?

3 A Yes, I do.

4 176 Q And what, what did, what did you speak about?

5 A We would have spoken on the status of the loan.

6 177 Q Was it a good conversation?

7 A Yes, it would have been.

8 178 Q What, what --

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9 A I don't recall it being a, a bad or a negative

10 conversation.

11 179 Q And you say here, "I feel that I can work with

12 TD."

13 A Yes.

14 180 Q Do you recall that?

15 A Yes.

16 181 Q Now, do you remember what happened with Instafund

17 eventually?

18 A I, I believe we had -- I believe we, we turned it

19 down.

20 182 Q And --

21 A From my recollection.

22 183 Q And do you know why you turned it down?

23 A Uh, it was probably a combination of term and

24 interest rate. We felt, we would have felt at

25 that time there was still, you know, potentially a

44

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 better offer, or offers out there.

2 184 Q Can we please go to Exhibit 271? Mr. Woods, why

3 don't you read this e-mail first?

4 A Okay. Okay.

5 185 Q Do you remember ever receiving this e-mail?

- 6 A Yes, I do.
- 7 186 Q And then you respond to the e-mail at the top, on
- 8 the next day, at 5:40 in the morning.
- 9 A Yes.
- 10 187 Q And you say:
- 11 No more good money, a troubled money.
- 12 A Yes.
- 13 188 Q Do you remember that?
- 14 A Yes.
- 15 189 Q First of all, can you explain to me what you
- 16 understood Mr. Lathigee to be proposing or telling
- 17 you in that e-mail?
- 18 A He appears to be proposing a type of direct
- 19 interest or investment into the Genesis property
- 20 or the Genesis company.
- 21 190 Q And so what did, what did your comment mean when
- 22 you said, "no more good money, a troubled money"?
- 23 A Well, at this point, we've obviously having --
- 24 we've had challenges with the trades, keeping them
- 25 moving along. We were having uncertainty as to --

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 we still believe the project to be overly --
- 2 overall profitable, but we may, may not know what

3           that figure actually is. And so I don't think  
4           it's the best time, for, for that reason, to --  
5           for members to take a direct investment in a very  
6           subordinate position.

7           And further to that, we had two joint venture  
8           partners on this project which would have made  
9           this difficult. And some Mike, of the numbers  
10          proposed in his, in his document itself, would  
11          have most likely been, the percentage may not have  
12          made -- worked or made sense anyway. So, there's  
13          a lot of moving parts in this that just didn't  
14          really make a lot of sense.

15 191 Q You are making reference to his sentence here that  
16          says:

17          I suggest since FIC has 10 million in, we say  
18          that, we say they can participate side by  
19          side with the club for 10 million and own 50  
20          percent.

21 A Yeah, that's a, yeah, that's a number that we  
22          would have to explore. I just don't think it  
23          really worked at all. So, you have to get the  
24          approval of the two, of the JV partners in, most  
25          likely.

1 192 Q So, what, what do you mean -- what would have been  
2 the difficulty, given that they were JV partners?

3 Can you explain that?

4 A That they're simply JV partners. In my opinion, I  
5 just think it's, at this point as well, we have  
6 had the, discovered the overruns. And so the  
7 relationship with them had soured, especially the  
8 one in, the eyes and ears in Edmonton, you know,  
9 was not being too responsive. I just, I would not  
10 have seen, him in particular, agreeing to any such  
11 of a, a deal.

12 193 Q Now, you also used the, you used the phrase  
13 "subordinate position." What do you mean by that?  
14 What, what, what are you talking about --

15 A Well, it sounds like the only possibility for this  
16 to work if they came in in some type of, of, of  
17 common share, common or other shareholder of, of  
18 Genesis, Genesis company, which would have put  
19 them basically last in ranking behind, behind  
20 everyone else.

21 194 Q And who is everyone else? Who would have been --

22 A It would be TD or it would be the companies that  
23 had loaned money to put money into the Genesis  
24 company as a loan, any other creditors. It pretty  
25 much, that pretty much covers it, but -- the



\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 trades who were owed money.

2 195 Q Now, the company loans you referred to, where,

3 where are those coming from?

4 A They're coming from the other, the FI -- the

5 various FIC companies, and they would have a, a

6 creditor position.

7 196 Q Now, you, you, you made reference to someone in

8 Edmonton who, who was the eyes and ears for FIC?

9 A Yes.

10 197 Q Who, who is that?

11 A That was to be -- that was one of the JV partners,

12 Dennis O'Dowd.

13 198 Q Okay. Can we go to Exhibit --

14 A And then, sorry, and then the phrase I used, that,

15 that's Mr. Tansowny's, the phrase he used, that he

16 -- that that individual was the eyes and ears, as

17 that individual resided in Edmonton.

18 199 Q Now, can we go to, I don't have the exhibit

19 number, but it's BCSC 400.

20 Mr. Woods, this is another response from you

21 to the same identical e-mail. I should have taken

22 you to this one first, because it looks like this

23 was actually earlier. This was 5:14 a.m. The

24 other one was 5:40 a.m. in the morning.

25 A Okay.

48

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 200 Q What were you making reference to here? You say:

2 No way am I having anything to do with  
3 getting our members into FIC's Vietnam. I  
4 can see the lawsuits coming now.

5 What are you talking about?

6 A I am speaking again further to the point of, of my  
7 response to the prior e-mail. Bringing them in as  
8 -- with a direct equity interest in Genesis. Uhm,  
9 putting them at the lowest ranking. There's,  
10 there's, there's so many issues surrounding that,  
11 that it's not -- no go.

12 And my comment about that, uhm, I am meaning  
13 there that the project is obviously partway  
14 completed, and the most -- the option we always  
15 were pursuing was obviously bringing the project  
16 to completion. We did explore other alternatives  
17 as we went along. So, that's sort of my, my  
18 comment there.

19 201 Q Now, Mr. Woods, you've just now made reference to  
20 "loans from other companies in the FIC group." Is  
21 that right?

22 A That's correct.

23 202 Q Can you, can you explain, we have heard earlier

24 evidence at this hearing describing those as

25 "intercompany loans"?

49

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 A Yes.

2 203 Q Is that a term you are familiar with?

3 A Yes, it is.

4 204 Q Can you explain to me how that worked?

5 A Sure. There would be funds available in the

6 various companies. And as part of our decision,

7 we would use those funds for the various real

8 estate projects. And it would, in effect, be a, a

9 movement of cash down from the, uhm, different --

10 from the top companies down to the different real

11 estate projects.

12 205 Q And what would be the terms of those loans?

13 A Uh, I believe they, during this period, would have

14 been 1 percent a month. There might have been

15 some that were up to 15 percent a year, but I

16 believe, I believe in this case, 1 percent a

17 month. Is that what you are referring to, the

18 terms of the interest rate?

19 206 Q That's what I am asking, yes.

20 A Oh, okay.

21 207 Q Yes. And would, would there have been a, a length

22 of time, a term on those loans?

23 A The term, we, obviously as the projects were

24 realized, then, then the repayment would have

25 happened. So, there wasn't really no -- wasn't

50

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 really a term attached to them, a set, like, three

2 months or six months. We just envisioned that,

3 obviously, when, when the projects realize the

4 profits, and the funds came in, it would be, you

5 know, the loans would be repaid.

6 208 Q Can we go to Exhibit 439 please?

7 THE CHAIR: Mr. Ahmed, I don't know if you're going to go

8 through a series of documents now, but it's not a

9 bad time for the morning break, if it works.

10 MR. AHMED: Yes, this works.

11 THE CHAIR: Okay, 11:40.

12 (PROCEEDINGS ADJOURNED AT 11:20 A.M.)

13 (PROCEEDINGS RESUMED AT 11:46 A.M.)

14 HEARING OFFICER: All rise please.

15 MR. CHAPMAN: I am just -- some technical problems that are

16 just being resolved I believe. Okay.

17 THE CHAIR: So they're fixed?

18 MR. CHAPMAN: Yes. I believe so, yes.

19 THE CHAIR: Mr. Ahmed.

20 MR. AHMED: Thank you.

21 209 Q Can we have Exhibit 349 again? Now, Mr. Woods,

22 just before we took the break, we were discussing

23 the intercompany loans. There are five pages

24 here. I wonder if we can just flip through them.

25 Mr. Woods, do you recognize these documents?

51

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 A Yes, I do.

2 210 Q What do they represent?

3 A They represent the, showing the calculation or how

4 it should be calculated on the, on various of the

5 intercompany loans, which we mentioned, we talked

6 about before the break.

7 211 Q So, these the agreements covering that off?

8 A Yes, that's correct.

9 212 Q Who drafted these agreements?

10 A I did.

11 213 Q Now, what, what these agreements, at least from my

12 viewing, don't show is exactly how much money was

- 13           being lent between the companies; is that right?
- 14       A   That's correct.
- 15   214   Q   Was there an accounting somewhere else of that?
- 16       A   It would be, it would be within the records of
- 17           the, of each -- the accounting records of each
- 18           company.
- 19   215   Q   And would those amounts eventually be reflected in
- 20           the financial statements?
- 21       A   Yeah, that's correct. When we did the quarter for
- 22           each of the companies, we would have recorded the
- 23           applicable interest at that point in time for the
- 24           quarter, and we would have obviously compared that
- 25           to the, the counterparty, the other company to

52

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

- 1           that as well at the same time, just to make sure
- 2           obviously our intercompany balances reconcile.
- 3   216   Q   Can we please go to Exhibit 273? Mr. Woods, this
- 4           is an e-mail chain. If we can go to page 2 first.
- 5           This is an e-mail chain that originates from
- 6           yourself to Wayne Sims. Who is Wayne Sims?
- 7       A   Wayne, I believe Wayne Sims was the predecessor of
- 8           Kevin Hamaoka, who I mentioned before our break.
- 9           I believe he was the, at one time, the manager on

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- 10 the, on our loan for TD.
- 11 217 Q Okay. And Mr. Sims seems to have responded to
- 12 you. You have, again, responded to him. And if
- 13 you can go to the first page. In the middle
- 14 there, it's an e-mail from you of April 17, 2008
- 15 to Steve Rea and Mr. Pasquill copied? Do you see
- 16 that?
- 17 A Yes, I do.
- 18 218 Q Do you remember this e-mail?
- 19 A Yes, I do.
- 20 219 Q On the third line you say:
- 21 Personally, I will feel as a complete failure
- 22 if I sign over a 9 million portfolio. I just
- 23 don't know how all this works if they call
- 24 the loan. I wish I understood better.
- 25 A Yes. That's a reflection -- you know, I am not an

53

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 expert in, in lending and loans. And what we had
- 2 received here is something called a, I believe
- 3 called they're "control document" from TD that
- 4 they required us to sign.
- 5 220 Q Can we go to page 2 again? Just in the middle
- 6 there of Mr. Sims' e-mail to you of April 17th,

7           there's the words:

8           We have given Steve the required control

9           agreement and power of attorney.

10          Is that --

11         A   Yes, that's the terminology that, that I was not

12          familiar with.

13   221   Q   So, what did you mean when you said:

14          Personally I will feel as a complete failure

15          if I sign over a 9 million portfolio?

16         A   Well, it wouldn't be me signing it. It would be

17          Earle. But I am basically if I hand this off to

18          Earle without us understanding what these mean,

19          and just, they're documents that we don't have to

20          sign, I, I just don't think that's appropriate.

21   222   Q   And the next sentence is:

22          I just don't know how all this works if they

23          call the loan.

24          And this is an e-mail of April 17, 2008. What do

25          you mean by that sentence?

54

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1         A   I think, ultimately, I don't know how this, how

2          those documents would tie into their, their

3          strength of moving on us, like, at the --

BCSC\_000964



4 obviously, at the end of the loan, if need be.

5 Again, I am not, and I'm not, I'm not a loan

6 lending expert, so, I, I just had some unfamiliar,

7 I can acknowledge I had some unfamiliarity here

8 with, with these documents.

9 223 Q Can we please go to Exhibit 335? If we go to the

10 second page please?

11 Mr. Woods, this is an e-mail to you from Mr.

12 Pasquill dated May 7, 2008? Mr. Pasquill says:

13 Smile, we got 1 million in cheques today.

14 FYI, Mike is wanting to do some foreclosure

15 short sales to the tune of about 2 million as

16 funds are available.

17 And then if we go back to the first page, that's

18 your reply at the bottom. Why don't you read it

19 to yourself?

20 A Okay.

21 224 Q Now, you'll see in that e-mail, the third

22 paragraph, you say:

23 We are still in serious dire straits here

24 with Genesis and other payments that need to

25 be made before any short sales.

1           What are you talking about?

2           A   That at this point, as mentioned, at various times

3           before the break, that we're, with Genesis still,

4           you know, believed to be profitable. But again,

5           with what's happening with the trades and, and the

6           work that's been done and hasn't been done yet,

7           you know, there's not absolute certainty regarding

8           the outcome of the project. So, I am just sort of

9           being, being, I would say conservative, in that I

10          want to preserve as much, have as much cash

11          available to meet those requirements as I, as I

12          possibly can, or as we possibly can.

13 225   Q   Can we go to the document marked ID ZZZ-I? Mr.

14          Woods, this is a document at the top titled "Lien

15          Settlement Agreement" between Genesis on the

16          Lakes, FIC Investments USA Corp., Gentech

17          Developments Ltd. and Kran Construction Limited.

18          And if we can go to the second page of the

19          document, all the way at the bottom, there are

20          some signatures there, or initials, May 13th, '08

21          and May 14th, '08. Do you see that --

22          A   Yes, I see those.

23 226   Q   Do you recognize this document?

24          A   I do.

25 227   Q   And if you want time to review it --

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 A No, that's fine.

2 228 Q Okay. Well, can you tell me what, what this

3 document was about?

4 A Yeah. This document relates to, again, the main,

5 the main contractor on the project had put a lien

6 on, a lien on one of our stages of, of the Genesis

7 project that was, you know, had lots ready to go,

8 and we had some pending sales and other activity,

9 or potential sales that this would be disruptive

10 to, and we could not complete on the sale with

11 liens on that stage.

12 So, what this document enabled us to do is,

13 by paying 2.5 million of the balance owing to the

14 trades, we were able to have them move the lien

15 from that stage to a, a stage that was less

16 developed at the time and would be sold in a

17 future -- available for sale in a future period.

18 229 Q And what impact did that have on your view of the

19 company, that agreement?

20 A I felt that it was, it was good. There was no --

21 by moving to the second, or to a different stage,

22 that was, you know, probably months away from

23 completion, uhm, but by freeing up that first

24 stage, for us to have full flexibility on, it just

25 helped out a lot that way and it removed an

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 unnecessary entitlement.

2 230 Q Did you know then whether or not lots of land on

3 which the lien was previously on I guess phase 1,

4 if those were available for sale then?

5 A Yes, they were available for sale, as far as my --

6 my, my recollect -- my recollection is that on a

7 certain part of, I believe it was, I am going to

8 say stage 1AB, that the lots were available for

9 sale.

10 231 Q Can we please go to Exhibit --

11 THE CHAIR: Before you leave that one, did you want it? In.

12 MR. AHMED: Oh, yes. Yes, I would like to have that marked.

13 THE CHAIR: Exhibit 494.

14 (EXHIBIT NO. 494: Lien Settlement Agreement

15 between Genesis on the Lakes, FIC Investments USA

16 Corp., Gentech Developments Ltd. and Kran

17 Construction Limited - Document No. ID-ZZZI)

18 MR. AHMED: Can we please have ID-ZZZG?

19 232 Q Mr. Woods, this appears to be consolidated

20 financial statements for FIC Investments USA

21 Corp., years-ended April 30th, 2007 and 2006?

22 A Yes.

23 233 Q And I will take you to the second page please. Do  
24 you see that's a letter, it looks to be from the  
25 auditor to the board of directors of FIC

58

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 Investments USA Corp.?  
2 A Yes, it's, it's their, their standard auditor's  
3 report.  
4 234 Q And the letter is dated November 16, 2007?  
5 A Uh, yes, that's correct.  
6 235 Q Do you remember receiving this audit?  
7 A Yes, I do.  
8 236 Q Did you have any involvement in working on it or  
9 anything?  
10 A Oh, I would have, I would have assisted them along  
11 the way with any documentation or other  
12 information that they required to complete the  
13 audit.  
14 237 Q Do you know if this audit, or if this financial  
15 statement rather, was ever posted on FIC's  
16 website?  
17 A Yes, if it was -- it would have, I believe, been  
18 posted, uhm, some short period after November  
19 16th, 2007, as that's the date of the auditor's

20 report, most likely would have been a couple of  
21 weeks. I have no reason to believe it wasn't  
22 posted to the website.  
23 238 Q What typically would have happened after you  
24 received an audited financial statement?  
25 A I, I most likely discussed it with Earle that the

59

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 audit was done, and then basically say that, you  
2 know, that's what we will post on the, on the  
3 website. So, I would, you know, have somebody do  
4 that. I certainly don't know how to do that  
5 myself.  
6 239 Q Was there sort of a timeframe within which things  
7 would be posted on the website, or was it done  
8 differently --  
9 A I, I, I find it hard to believe if we didn't post  
10 our audited statements within a week or two at, at  
11 the latest.  
12 240 Q Now, I am going to take you --  
13 A I, sorry, I should clarify within a week or two of  
14 the, of the date we received them from the  
15 auditor. Now, in this case, the auditor's report  
16 indicates November 16, 2007. That's the

BCSC\_000970

17           substantial -- they may have actually got it to us  
18           maybe a week or so after that, but, but not much  
19           longer after that.  
20 MR AHMED: Can I please mark this as an exhibit?  
21 THE CHAIR: 495.  
22           (EXHIBIT NO. 495: Consolidated financial  
23           statements for FIC Investments USA Corp.,  
24           years-ended April 30th, 2007 and 2006 - Document  
25           No. ID-ZZZG)

60

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 MR. AHMED:  
2 241 Q Now, unfortunately the pages aren't numbered, but  
3 I would like to take you to note 20, and that is  
4 -- well, it's actually not that bad. It's the  
5 second-to-last page. You see that, Mr. Woods?  
6 It's "20, Subsequent Events"?  
7 A Yes, I do.  
8 242 Q And you see there, there's information in that  
9 section about the TD mortgage on the Genesis  
10 property?  
11 A Yes.  
12 243 Q Did you provide that information to the auditor?  
13 A Yes, I would have.

BCSC\_000971

- 14 244 Q Now, Mr. Woods, once this was posted on the  
15 website, who would have had access to it?
- 16 A I, I, I believe not just the members of, uhm, of  
17 this particular company, but I believe all, uhm,  
18 FIC members would have had access to it. I can't,  
19 for a hundred percent, say that that is the case.
- 20 245 Q Now, can we go to the next document, and I think  
21 it's ID ZZZ -- yes, this is the one. There's too  
22 many letters.
- 23 THE CHAIR: H, for the record.
- 24 MR. AHMED: Yes.
- 25 246 Q Mr. Woods, this is another financial statement for

61

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 WBIC or, in this case, for WBIC Canada Limited for  
2 the years ended May 31st, 2007 and 2006?
- 3 A Yes.
- 4 247 Q If you can go to the second page. Do you remember  
5 receiving this letter from Grant Thornton?
- 6 A Yes, I do.
- 7 248 Q And you see that's dated January 25th, 2008?
- 8 A Yes.
- 9 249 Q Would this audit -- this financial statement,  
10 audited financial statement, would it have been



11 posted on the website after January 25th, 2008?

12 A Yes, I would have expected it would have been,

13 again, within, most likely, two weeks at the most.

14 250 Q Now, if we can go to page 21 of the document. It

15 should be two page, two pages, or one page. One

16 more page please. Yes, can we scroll to the

17 bottom, note 15, guarantee? Mr. Woods, do you

18 recognize the information contained in that note?

19 A Yes, I do.

20 251 Q What does it reflect?

21 A It reflects that WBIC is a guarantor on the, on

22 the TD loan, and as such, under -- in audited

23 financial statements, you are to disclose material

24 guarantees of this nature. And as such, the

25 information was provided to the auditor and it

62

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 appears in the, as a note in the financials.

2 MR AHMED: Can we please mark this as an exhibit?

3 THE CHAIR: 496.

4 (EXHIBIT NO. 496: Financial statement for WBIC

5 Canada Limited for the years ended May 31st, 2007

6 and 2006 - Document No. ID-ZZZH)

7 MR AHMED:

8 252 Q Can we please go to Exhibit 487?

9 A Sorry, just to add to that, as you see in the last  
10 sentence of this as well, it also, as it's audited  
11 financial statements, they were -- require us to  
12 -- they have to report -- we reported information  
13 from the year-end date, being May 31st, 2008 in  
14 this case, to the date of their auditor's report,  
15 being January of 2008, whatever the date was.

16 And in this case, they now took 50 million  
17 plus of an advance between May 31, sorry, May '07  
18 year-end, and the date of their sign-off. So,  
19 that's also disclosed in the same note.

20 253 Q Can we go to Exhibit 487 please? Mr. Woods, this  
21 is an e-mail, it appears, you sent on September  
22 15, 2008, to Mr. Lathigee with Mr. Pasquill and  
23 Mr. McKechnie copied?

24 A Yes.

25 254 Q Do you remember this e-mail?

63

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 A Yes, I do.

2 255 Q And it appears in this e-mail that you are, you  
3 are setting out the net asset values for a number  
4 of different companies in the group?

5 A That's right.

6 256 Q And what, what do the, what do these numbers  
7 reflect exactly?

8 A To me this, looking at this, they reflected, based  
9 on the information that we had to that date, that  
10 the NAVs were fairly flat between the date of  
11 September 15th, 2008, and approximately 12 months  
12 prior to that.

13 257 Q Who was responsible for putting these together?

14 A I would, based on the information we had, they  
15 would have flown out from -- or -- that's a poor  
16 choice of words -- they would have been calculated  
17 based on the quarterly financials, which I would  
18 have compiled based on the information that we had  
19 available to us.

20 258 Q Yes. And so based on the information you had at  
21 the time, did you consider these numbers to be  
22 accurate?

23 A Yes, I did.

24 259 Q Now, I just have a few more questions for Mr.  
25 Woods, and I would like to have the benefit of

1 reviewing my notes. If we can take an earlier

2 lunch break than usual?

3 THE CHAIR: That's fine, if it's all right with everybody else.

4 MR. CHAPMAN: Yes, that's fine.

5 THE CHAIR: Okay. Well, we will come back at 1:30 then.

6 MR. AHMED: Thank you.

7 (PROCEEDINGS ADJOURNED AT 12:05 P.M.)

8 (PROCEEDINGS RESUMED AT 1:34 P.M.)

9 HEARING OFFICER: All rise.

10 THE CHAIR: Good afternoon.

11 MR. AHMED: Good afternoon.

12 260 Q Now, Mr. Woods, you are aware that sometime in

13 2009, the FIC group of companies went into

14 receivership?

15 A Yeah. Well, I believe it was very early 2010. I

16 don't -- is that --

17 261 Q Yes.

18 A Or late 2009? Yes, I am.

19 262 Q The application was made in late --

20 A Okay. Yes, I am.

21 263 Q And Mr. Woods, what, in your view, led to, led to

22 that receivership?

23 A I, in my opinion, clearly, and it's always been

24 since it handed, that the great recession of, of

25 late, you know, 2008. In particular, the impact

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1           it had on the, the real estate market values  
2           within Alberta was the underlying reason for the,  
3           the, ultimately, the receivership being used by,  
4           by TD Bank.

5   264   Q   And when, in your view, did the FIC group of  
6           companies begin to realize that, that drop in  
7           Alberta real estate prices?

8           A   It would have been very late 2008, if not early  
9           2009.

10   265   Q   Okay. Thank you. Those are my questions.

11   THE CHAIR: Mr. Chapman?

12   CROSS-EXAMINATION BY MR. CHAPMAN:

13   266   Q   Mr. Woods, can we all agree, or can you help us  
14           all agree that, as a general proposition, the  
15           e-mails that you would send to FIC's upper  
16           management, can we assume that you were being  
17           truthful in those e-mails?

18           A   Yes.

19   267   Q   And we can assume that you were being honest and  
20           doing your best you could to carry out your duties  
21           as the CFO of FIC?

22           A   Yes.

23   268   Q   If the hearing officer can please bring up 284?  
24           You see the e-mail at the top of the page there?  
25           You were being truthful there?

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 A Oh, yes, sorry.

2 269 Q And if the hearing officer can please go to 271.

3 The e-mail at the top of the page, you were being  
4 truthful there?

5 A Yes.

6 270 Q If the hearing officer can please go to Exhibit

7 335? Your e-mail -- further down the page there

8 -- May 8, 2008, you were being truthful there?

9 A I just need to read it.

10 271 Q Oh, sorry, yeah.

11 A Yes.

12 272 Q And if the hearing officer can please go to

13 Exhibit 146. Sorry, I added an imaginary number  
14 there. Exhibit 14 is what I was hoping to. . .

15 And this e-mail of March 29, 2008, and if the  
16 hearing officer could just show the second page as  
17 well, you were being truthful in this e-mail?

18 A Yes.

19 273 Q And if the hearing officer can please go to

20 Exhibit 409? The e-mail at the bottom of the  
21 page, February 23rd, 2008, you were being truthful  
22 there?

23 A Yes.

24 274 Q Okay. So, if I understand, again, with this  
25 e-mail, you were so concerned about the Genesis

67

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 project that you were worried about it affecting  
2 your chartered accountant designation?  
3 A As I indicated earlier, as a chartered accountant,  
4 I always need to be concerned about my  
5 designation. And as I indicated earlier this  
6 morning, that was a -- and a reminder, going  
7 forward, that we always need to best reflect  
8 estimates as we can -- as possible, to, to have  
9 accurate numbers. So, that, that was my comment  
10 this morning.  
11 275 Q Maybe just for the benefit of the, not accountants  
12 in the hearing room today, if you can just explain  
13 to me I guess how the Genesis project, and just  
14 how does that potentially affect your designation  
15 as a chartered accountant, just the mechanics of  
16 it?  
17 A Well, basically, yeah, using that project as an  
18 example, we would prepare the -- it doesn't impact  
19 so much the actual financial statements as it does  
20 the estimations of the future value of the

21 projects upon realization. And, and those  
22 estimations are prepared based on the best  
23 information that we have available at the time of  
24 doing it.  
25 And I, you know, I insist on having the most

68

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 accurate information, or I have on all  
2 information, to be able to assess, to make such a  
3 calculation, and without that, a calculation  
4 cannot be made. Or if it also comes to light that  
5 we realize that, you know, a source of our  
6 information maybe, not be so accurate, I need to  
7 remind everybody that we have to have accurate  
8 numbers.  
9 276 Q This might sound like a silly question, but it was  
10 obviously a very serious matter for you if you  
11 were to lose your CA designation?  
12 A Oh, of course it would be. It would be for any of  
13 us.  
14 277 Q That's something that you worked very hard to  
15 earn?  
16 A Yes, I did.  
17 278 Q And is it fair to say that, in your working life



18 as an accountant, being concerned about losing  
19 your designation because of a certain project was  
20 not a common occurrence?  
21 A I would say "no". I mean, talking about anywhere  
22 I have worked, if I'm, as a CA, not thinking about  
23 doing things according to our rules of  
24 professional conduct, that I am not doing my job.  
25 So, that's been the case since, even before I was

69

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 a CA, '97 through, through till today, and that  
2 hasn't changed.  
3 279 Q Was this the first FIC project that you were aware  
4 about, or involved in, that led to possible  
5 concerns about losing your CA designation?  
6 A I, I believe this is the first one I was concerned  
7 about, that we needed to reevaluate the value of,  
8 the future value of what we were realized on, the  
9 potential profits.  
10 280 Q If the hearing officer can please bring up Exhibit  
11 410. Mr. Woods, do you see the -- do you recall  
12 this chain of e-mails?  
13 A I am just going to read it --  
14 281 Q Please do.

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- 15 A Okay.
- 16 282 Q Now, you will recall that the e-mail from Mr.
- 17 Lathigee at the bottom of the page, the
- 18 promotional piece being referred to, it was the
- 19 promotional piece that was being prepared for the
- 20 promissory note offering, the cash flow
- 21 opportunity?
- 22 A Yeah, I believe that to be the case.
- 23 283 Q And you reply in the middle of the page there:
- 24 Mike, I am going to read this in more detail
- 25 tomorrow. However, it is important that you

70

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 in no fashion indicate that the promissory
- 2 note is backed or secured by the real estate.
- 3 Do you see that sentence there?
- 4 A Yes, I do.
- 5 284 Q Now, you were telling Mr. Lathigee that because,
- 6 to do so, would be misleading, wouldn't it?
- 7 A Well, yeah. If the, if the note is not, not
- 8 backed by real estate, it would be inappropriate
- 9 to say it was backed by, like, literally, legally,
- 10 with real estate as security.
- 11 285 Q And you said "backed" or "secured." So, obviously

12 the promissory note offering wasn't secured,  
13 correct?  
14 A Well, I am saying there that if, if it were not  
15 legally tying security of the notes to the real  
16 estate, then that is inappropriate to, to, to  
17 indicate such.  
18 286 Q And I see that you say, "in no fashion should it  
19 indicate that the promissory note is backed or  
20 secured." So, you are obviously acknowledging  
21 that there's a wide range of ways that you can do  
22 that that you have to avoid. It's not simply  
23 saying it's not secured. You have to -- you can't  
24 make -- you can't give the appearance that it  
25 appears to be --

71

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 A No -- excuse me. No, my intention, or what I'm  
2 saying there, and I can still picture writing  
3 this, is that I am picturing a legal document that  
4 has the real estate, and has the secured parties  
5 on it, and that it would not be on that document  
6 and it had to be -- and, and such an offering that  
7 was being made, couldn't say that it's, you know,  
8 backed by the real estate.

9 287 Q The --

10 A And I'm speaking totally in legal, legal, legally

11 backed --

12 288 Q And --

13 A -- on title.

14 289 Q -- the other reason that you didn't say that is

15 that it's -- there was actually, of course,

16 liabilities that were securing the properties,

17 there was mortgages, and those are things?

18 A That's not why I said that. I just -- I'm -- the

19 context of this, the most important part of it, is

20 that if the real estate were not going to be --

21 the real estate, sorry, the promissory notes were

22 not going to be on the title of these properties,

23 that the promissory note offering not say that.

24 That's the, the gist of this.

25 290 Q If the hearing officer can go please to Exhibit

72

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 40. And you will recall in your direct, you were

2 asked a question about Mr. Lathigee's e-mail at

3 the top, the March 3rd, 2008, and in particular,

4 where he says, "we need about 10 million to stay

5 solid," and you indicated that you weren't sure

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6           and you weren't aware of where that figure came  
7           from, the \$10 million?

8       A   Yes.

9   291   Q   Okay. If we can now go back please to Exhibit  
10           410? At the top of the page, in response to your  
11           e-mail, Mr. Lathigee replies:  
12           I show a degree of certainty with \$100  
13           million in assets and only a 10 million loan  
14           but do not say it is a security.  
15           Does the fact that -- the promissory note offering  
16           was for \$10 million. Does that refresh your  
17           memory about where the \$10 million came from?

18       A   It, it, it tells me that this, this e-mail, the 10  
19           million in this e-mail, ties into the one you  
20           previously showed me. But I still don't know, I  
21           don't recall where that actual \$10 million  
22           calculation arose from. I don't recall that.

23   292   Q   Okay. But you, having looked at this e-mail, this  
24           will refresh your memory that the promissory note  
25           offering was for \$10 million?

73

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1       A   I do recall the idea of that, yes.

2   293   Q   Thank you. Can you please, if the hearing officer

3           could please go to Exhibit 374? Who is Keith  
4           Hirsh?  
5       A   Keith Hirsh was our, I want to say HR manager for  
6           a while, but I don't know if that is the exactly  
7           correct title of his.  
8   294   Q   Okay. Have you seen this e-mail before?  
9       A   Sorry, I will have to read it. Just one moment.  
10           Some of the numbers are familiar but I don't  
11           recall the specific, seeing this specific e-mail.  
12           I may have, but I honestly don't recall.  
13   295   Q   Okay. As far as timing goes, you will recall this  
14           is March 3rd. So, this is two days after you have  
15           told Mr. Lathigee that the promotional materials  
16           should, in no way, indicate -- in no fashion  
17           indicate that the promissory note offering is  
18           backed or secured by the real estate? So, is this  
19           two days after that?  
20       A   Uh, may I see the other one?  
21   296   Q   Certainly.  
22       A   I believe --  
23   297   Q   Can you please go back to Exhibit 410? So, the  
24           string of e-mails --  
25       A   Okay. Yes.

1 298 Q So, you indicate to Mr. Lathigee on March 1st:

2 It's important that you in no fashion

3 indicate that the promissory note is backed

4 or secured by the real estate.

5 So, this is March 1st?

6 A Yes.

7 299 Q If the hearing officer can now go back to Exhibit

8 374, is this the first time, or you weren't sure

9 whether or not this is the first time you had seen

10 this e-mail, but in this -- halfway down the page,

11 it says:

12 Frequently asked questions.

13 Is the loan secured?

14 They must be taught to never say "no"

15 directly, but use a softer response that

16 still says "no"?

17 Do you see that?

18 A I see that sentence, yes.

19 300 Q And this is an e-mail from Mr. Lathigee?

20 A It, it appears to be.

21 301 Q And that would obviously be contrary to your

22 advice about, in no way suggesting that the loan

23 is secured or --

24 MR. AHMED: Well, I object to that question. And, first of

25 all, he never received the e-mail; and his opinion

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 as to whether or not it corresponds with whatever  
2 he said in a previous e-mail is irrelevant. His  
3 opinion doesn't matter. The panel is going to  
4 decide that.

5 MR. CHAPMAN: In Mr. Woods' direct, he was asked to comment on  
6 an e-mail that he never -- that he wasn't, wasn't  
7 in receipt of, between Mr. Tansowny and Mr.  
8 Lathigee, about the money being desperation. He  
9 was asked in direct to comment on the e-mail,  
10 "What were your thoughts of this e-mail?" And so  
11 in cross-examination, on this e-mail, I am going  
12 to ask Mr. Woods, what are your thoughts that you  
13 see in the two days after you told Mr. Lathigee  
14 about being careful, promoting this promissory  
15 note, he's e-mailing Mr. Hirsh saying, someone,  
16 they, must be taught to never say "no" directly  
17 but use a softer response that still says "no."  
18 First of all, do you know who "they" refers to?

19 THE CHAIR: Mr. Chapman, I'm, I'm not the sure how this  
20 witness's opinion on that issue helps the panel.  
21 I mean, at the appropriate time, you will  
22 certainly be free to make submissions to us as to  
23 whether this statement is contrary to Mr. Woods'  
24 areas potentially or not. But Mr. Woods' opinion



25 on that I don't think is relevant to the panel.

76

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 MR. CHAPMAN:

2 302 Q Were you aware if this was happening in the  
3 office, that there was people who were being  
4 taught to never say "no" directly but use a softer  
5 response that still says "no"?

6 A No, I wasn't.

7 303 Q Okay. If that was going on, would that have  
8 concerned you as the CFO of the company?

9 MR. AHMED: Well, I think that's the same question, just  
10 packaged slightly differently. It's still asking  
11 for his opinion.

12 MR. CHAPMAN: I, I am prepared to move on.

13 THE CHAIR: Okay, go ahead. Move on please.

14 MR. CHAPMAN:

15 304 Q If the hearing officer can please bring up Exhibit  
16 433.

17 Now, in your direct, you were asked some  
18 questions about this retreat, the executive  
19 management retreat of March 5th and 6th, 2008?

20 A Yes.

21 305 Q Okay. And if the hearing officer can scroll down

22 a little bit, it looks like one of the first  
23 things that you discussed at this retreat was:  
24 I am coming to the realization was [I am  
25 reading the line here] a backup plan needs to

77

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 be ready in case TD fails.  
2 Do you see that there?  
3 A Yes, I do.  
4 306 Q So, that was the action plan or that was the  
5 realization or part of the discussions at that  
6 point in time?  
7 A Well, I mean, that loan was, was coming due in  
8 November. I think it's, it's part of our  
9 management team, is a management meeting, to being  
10 -- to exploring those, those sorts of things well  
11 in advance in case -- to not have a backup plan I  
12 think is, is inappropriate.  
13 307 Q And the backup plan, according to the minutes,  
14 says it needs to be ready in case TD fails?  
15 A Yes, I see that area.  
16 308 Q And if the hearing officer can go right below  
17 that. According to the minutes, there was also  
18 some discussion about a scenario if the TD called

- 19 a loan and mortgage? Do you see that there?
- 20 A I do see that, yes.
- 21 309 Q So, that was also one of the first things that was
- 22 discussed on March 5th, 2008 at this executive
- 23 retreat?
- 24 A Yes.
- 25 310 Q Now, this, this, about halfway below, or four or

78

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 five lines down, maybe six lines down from that
- 2 heading, it says:
- 3 Conversation with Wayne Sims.
- 4 Are you aware of who Wayne Sims is?
- 5 A Yeah, Wayne Sims, at one time, was, I'm going to
- 6 say he was the manager on our file, for TD.
- 7 311 Q The minutes say that the conversation:
- 8 Conversation with Wayne Sims shows that our
- 9 fears were not inflated.
- 10 Do you know what discussion took place with Mr.
- 11 Sims?
- 12 A No, I don't.
- 13 312 Q Okay. Do you know what, what the fears were at
- 14 that time, that weren't inflated, according to
- 15 this?

16 A I, I would be speculating. I, I, I don't believe  
17 that discussion was between myself and Mr. Sims.  
18 I had some conversations and exchange of  
19 information with Mr. Sims over the time, but it  
20 was usually of a financial nature or, or, like, a  
21 list of stocks that we had in the numbered company  
22 account, that sort of thing. I don't think I was  
23 the one that, that had the conversation that we  
24 are referring to here.  
25 313 Q Okay, fair enough. If the hearing officer can

79

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 please go to page 3. And if the hearing officer  
2 can please scroll down the page. There's a name  
3 about eight or nine names up from the bottom, Ken  
4 Gora, Earthworks. Do you see that name there?  
5 A Yes, I do.  
6 314 Q It says:  
7 Lien filed on all of Genesis 8 million.  
8 Do you see that there?  
9 A I do see that.  
10 315 Q It was your understanding that the amount owing to  
11 the trades on the Genesis project at that time was  
12 approximately \$8 million?

- 13 A In total, yes.
- 14 316 Q And if the hearing officer can please go to page
- 15 6. You were asked some questions about the
- 16 numbered company, the tax bill, the \$2.2 million?
- 17 A Yes.
- 18 317 Q Obviously, the company didn't have any ability to
- 19 pay that tax bill outright in full at that point
- 20 in time, based on the minutes?
- 21 A Uh, I, I can't say for sure that we couldn't have
- 22 come up with 2.2, but it's hard to say without me
- 23 seeing, seeing the actual cash position.
- 24 318 Q And I don't -- I remember that you took some issue
- 25 with the, with the phrase "cash crunch" in the

80

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

- 1 minutes, and I think you said, and your evidence
- 2 was, that you preferred "cash problems" which --
- 3 but you viewed them as short term in nature? You
- 4 recall --
- 5 A Yes.
- 6 319 Q -- your evidence?
- 7 A Yes.
- 8 320 Q Okay. So, using your term instead, cash problems,
- 9 that you viewed as short term in nature, what were

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- 10 the cash problems at that point in time?
- 11 A Oh, just that we -- you know, I like to have a
- 12 certain reserve of cash available to meet
- 13 operations and, and, and some in addition to that.
- 14 So, what I may perceive as a, a, a cash tightness,
- 15 uhm, that just still gives us some leeway to have
- 16 cash and not obviously run out of cash.
- 17 321 Q But did you have -- you had no sense of what the
- 18 problem was? You can't give any more detail about
- 19 what the problem was, other than wanting more
- 20 money?
- 21 A Well, not specifically, no.
- 22 322 Q You have trades who were owed \$8 million. That
- 23 was obviously a cash problem?
- 24 A It was.
- 25 323 Q And if I understand how part of the problem from

81

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 the amount owing to the trades, and correct me if
- 2 I'm wrong here, there was cost overruns on the
- 3 Genesis project?
- 4 A That's correct.
- 5 324 Q And all, or a lot of them, occurred on phase 2, or
- 6 phase 2 work?

7 A Uh, I believe so, yes.

8 325 Q And the problem, or the reason that was the  
9 problem, or one of the reasons that that was the  
10 problem, was that the funding for phase 2 was only  
11 going to be triggered after a certain amount of  
12 sales?

13 A I, I can't speak to that. I'm not actually sure  
14 about that, that sort of specific.

15 326 Q If the hearing officer can please go to Exhibit  
16 201. This, Mr. Woods, is a transcript of a  
17 conference call involving Mr. Lathigee, Mr.  
18 Pasquill and hundreds of FIC members on March 7,  
19 2008? You will recall that there was a conference  
20 call, or there would have been a conference call  
21 somewhere around that point to promote the  
22 promissory note offering?

23 A Yeah, I recall there would have been a conference  
24 call related to that, yes.

25 327 Q Okay. If the hearing officer can please go to

82

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 page 20? And if you could please read lines 17 to  
2 24?

3 A Okay. Go ahead.

4 328 Q Now, will you, would you agree with me that what  
5 is in this transcript right here, on those lines,  
6 is exactly what you were telling Mr. Lathigee not  
7 to do in your e-mail of March 1st, 2008?

8 MR. AHMED: I have the identical objection. I think it's also  
9 helpful to point out that Mr. Woods hasn't been  
10 asked whether or not he was on this call as well.

11 MR. CHAPMAN: I didn't know whether he --

12 329 Q Were you on this call?

13 A No, I was not.

14 330 Q I didn't think you were on this call.

15 THE CHAIR: Isn't this the same issue though as before?

16 MR. CHAPMAN: What, as far as whether it's, if it's --

17 THE CHAIR: Whether --

18 MR. CHAPMAN: -- it's the panel's decision to guess whether

19 this is, this is misleading, this is the panel's

20 issue or --

21 THE CHAIR: Yes.

22 MR. CHAPMAN: All right. Well, I'll move on.

23 THE CHAIR: I'm sure we will hear from you again on this

24 subject.

25 MR. CHAPMAN: It will be. . .



1 331 Q Exhibit -- sorry, on page 21 please. Do you see  
2 at the very top line, there's a reference there  
3 to, it says, "like the seven previous cash flow  
4 offerings," just that phrase?

5 A I do see that phrase, yes.

6 332 Q And then if the hearing officer can please go back  
7 to page 19, and starting at line 20, it says:

8 The Freedom Investment Club has offered seven  
9 previous cash flow opportunities. All seven  
10 opportunities have had a fixed rate of  
11 interest at a fixed term. We have -- we have  
12 a 100 percent track record with all interest  
13 payments and all principal amounts being  
14 repaid the last six years of all of these  
15 offerings.

16 Do you --

17 A I see that.

18 333 Q You were aware, as the CFO, that that wasn't quite  
19 accurate?

20 MR. AHMED: Well, I mean, this is the same question I think.

21 He's even asked his opinion. Now, if Mr. Chapman  
22 wants to ask him whether or not there had been  
23 seven previous cash flow opportunities, he can ask  
24 that. That's a factual question that Mr. Woods  
25 might know the answer to.

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 MR. CHAPMAN: That was assuming the question.

2 334 Q You're, you're aware that FIC had raised money

3 previously?

4 A If you, I think if you are referring to the debt

5 offerings within one of the companies, I, I don't

6 know the exact number, there were some, some

7 borrowings and investment and then return of

8 those, of that, of those funds. But some of that,

9 I believe, I believe a lot of that would have

10 happened before my time, or some of it.

11 335 Q They were all bonds before, weren't they? They

12 weren't promissory notes?

13 A Uh, I, I don't, I don't know. I can't answer

14 that.

15 336 Q If the hearing officer can please bring up Exhibit

16 205?

17 Mr. Woods, this is a letter from counsel for

18 FIC dated November 7, 2008. And if the hearing

19 officer can please go to page 2? It says:

20 The previous offerings were bonds, not

21 promissory notes, and there were eight

22 offerings, not seven, as Mr. Lathigee

23 mistakenly said. All eight were offered by

24 FIC Income Fund Ltd. using an offering

25 memorandum and risk acknowledgement form. In

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 all cases, all exempt transaction form 45-106

2 F1 was filed with the appropriate provincial

3 Securities Commission. The dates of, and

4 amount raised, from eight offerings are

5 listed below.

6 And you will see there's eight bond offerings

7 issued between March 10, 2005 and May 1st, 2007.

8 Do you see those there?

9 A I see a listing, yes.

10 337 Q And obviously those, all of those offerings were

11 much smaller than the \$10 million being raised on

12 the promissory note offering of March 7?

13 A At the -- oh, yes, one at a time, yes, that would

14 be -- yes.

15 338 Q And it says, the sentence below that says:

16 The bonds from 2005 have been redeemed and

17 the remainder will be redeemed on their two-

18 year anniversaries.

19 Do you see that there?

20 A I see that.

21 339 Q So, according to this letter, of the eight

22 previous offerings, which were all bonds, only two

23            have been redeemed at that point in time, which,  
24            which was November of 2008?  
25        A   Oh, yes. Sorry, I didn't know that was a

86

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1            question.  
2    340    Q   I'm sorry?  
3            A   I didn't think -- I didn't know it was a question  
4            before. But yes, the -- yes, I see what you are  
5            saying, yes.  
6    341    Q   So, six, according to this letter, six of the  
7            eight bonds haven't been redeemed yet? They're  
8            not going to be redeemed?  
9            A   That would, yeah, that would be reasonable. But I  
10           just want to say that I don't specifically  
11           remember these amounts and, well, a lot of them  
12           were during my time there. They, they, a lot of  
13           them began before I even started there, so.  
14    342    Q   If the hearing officer can please go to Exhibit  
15           264. And we will just start at the bottom there.  
16           I think you were asked about this in your direct.  
17           The e-mail says:  
18           To reiterate my position --  
19           And if the hearing officer can please go to page

BCSC\_001000

20           2. And you have talked about this in your direct,  
21           where you added all of the notations --  
22       A   Yes, correct.  
23   343   Q   -- on the right-hand side.  
24           If we can go back to the e-mail of page 1 at  
25           the bottom, when you say, "to reiterate my

87

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1           position," from your various notations, I take it,  
2           your position was that there was not a lot of cash  
3           available at that point in time?  
4       A   I don't, I don't know what I was saying there  
5           when I am saying that. Obviously, the, that cash  
6           debt cash flow was attached and I, I think I am  
7           more saying, here's the situation. I don't recall  
8           my, my thinking at the time on that, on that  
9           issue.  
10   344   Q   Well, maybe this will help refresh your memory.  
11           Maybe it won't. But if the hearing officer can  
12           look at page 2 again, and if you can scroll down  
13           to the bottom of the page. The bottom of the page  
14           shows an amount, I can't quite read it clearly,  
15           maybe 12.8 million, roughly, 12.652 million? Do  
16           you see that there?

- 17 A Yes, I do.
- 18 345 Q And the only non-minimal amounts which are
- 19 available or where you have a "yes" next to, are
- 20 the \$1.3 million approximately raised in FIC
- 21 Foreclosure Fund?
- 22 A Yes.
- 23 346 Q Do you see that there?
- 24 A Yes, I see that.
- 25 347 Q So, does that help perhaps refresh your memory

88

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 about what you were reiterating, as far as your
- 2 position goes in the e-mail, by setting this and
- 3 by adding those notation?
- 4 A I'm, I'm not sure. I'm just -- I think I am
- 5 reiterating whether there's cash available or
- 6 whether there's not cash available, yeah.
- 7 348 Q And if we can go to page 1 again please. You will
- 8 see Mr. Pasquill here is e-mailing Mr. Lathigee
- 9 and yourself about where the \$10 million that was
- 10 raised from the promissory note offering, the cash
- 11 flow opportunity, where it was going? Do you see
- 12 this here?
- 13 A I do.

- 14 349 Q So, \$3 million went to CIBC Wood Gundy to top up  
15 the account to the minimums required by TD for  
16 security on Genesis? Do you see that there?  
17 A Yeah, I do.  
18 350 Q And I believe there was another \$300,000 that had  
19 to be wired as well to that account?  
20 A I don't recall that.  
21 351 Q Okay. But that's the account that you understood  
22 had to have a minimum balance of \$9 million?  
23 A Yes, that would be the account.  
24 352 Q Yes. So, the second item, \$2 and-a-half million  
25 to Genesis trades payable to remove liens. I

89

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

- 1 think you showed that in your summary from page 2.  
2 So, \$2 and-a-half million went to pay trades on  
3 Genesis?  
4 A Yes.  
5 353 Q At the third item there, the \$1.695 million to be  
6 kept in reserve for interest payments and  
7 operations? Do you see that there?  
8 A Yes, I do.  
9 354 Q I believe that this promissory note was done where  
10 the interest payments were to be paid quarterly;

11 does that sound correct?

12 A Yeah, that does, that sounds correct.

13 355 Q So, by putting aside the interest payments from

14 the investors' own money, you obviously realized

15 that there was no way of paying that interest from

16 any other source at that point in time?

17 A Uh, immediately that day, I, I, I, I don't recall,

18 but I would have expected it would have been short

19 term, and again, money would have flowed in the

20 near future and come back into there. But I don't

21 recall that exact, what that exact calculation is.

22 But I see the line that you're referring to, of

23 course.

24 356 Q So, my point is simply that \$1.695 million of the

25 investment was put aside to pay the investment's

90

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 interest?

2 A At that time, temporarily perhaps. I, I don't

3 know if this is the actual figure that was, was

4 decided on or --

5 357 Q And isn't it fair to read in from that, that there

6 was no other sources to pay that interest

7 otherwise at that point in time?

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8 A At that point in time? Well, we still would have  
9 expected that the, heading into the April/March,  
10 or sorry, April/May summer season, that some of  
11 the projects would have started flowing and gone  
12 back into this company. So, on this particular --  
13 obviously, at this particular point in time, I am  
14 trying to preserve some, some cash flow in, in  
15 projects I would, I would guess.

16 358 Q If the hearing officer can please go to Exhibit  
17 51, page 1.

18 You have talked about this a bit already I  
19 think in your direct evidence. These are the  
20 March 31, 2008 financial statements for the FIC  
21 group of companies?

22 A Okay, yes.

23 359 Q And if, maybe if the hearing officer can go to  
24 page 2, just to -- and then page 3, just to  
25 satisfy you that that's what --

91

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 A Yes.

2 360 Q -- these documents are?

3 A Yes.

4 361 Q If the hearing officer can please go back to page

5 1?

6 Now, this is the combined group of financial

7 statements?

8 A That's correct.

9 362 Q So, I take it, that these kind of statements

10 wouldn't have been posted on the FIC website?

11 A No, they would not have.

12 363 Q Okay. So, this was just for internal use only?

13 A Basically, for the most part, we would have to

14 wear two hats, one of which was the different

15 companies by themselves had financials; but also,

16 we would talk in terms of the different projects

17 which we talked about today. And this was a way

18 of showing those, all those projects together in

19 one spot, and would have -- and were not posted to

20 the website. They do not have the specific --

21 they do not relate specifically to the individual

22 clubs.

23 364 Q And so when Mr. Lathigee was talking about a

24 hundred million dollars in assets on the

25 conference call on March 7, 2008, how would

1 investors ever have any way of verifying that

2 information then from your website?

3 A They would -- they could add up the different

4 financials. That would be probably the only way,

5 from the website, to do it.

6 365 Q So, how many, how many companies are we talking

7 about?

8 A Sorry?

9 366 Q How many companies are we talking about?

10 A At that, at that time, I believe six.

11 367 Q Okay. So --

12 A But I'm not, I'm not totally sure if it would have

13 been six or seven at that time.

14 368 Q See if this helps refresh your memory. If the

15 hearing officer can go to page, I think it's 3.

16 No? Page 4. Do you see the heading 1 there,

17 "Principles of Combinations"?

18 A Yes.

19 369 Q And it lists all those companies as being members

20 of the FIC group of companies?

21 A Yes.

22 370 Q Would all of those companies have a website with

23 posted financials?

24 A No, they would not have.

25 371 Q Approximately how many of those companies?

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 A Uhm, well, just one moment. Eight.

2 372 Q Okay.

3 A Eight, I believe. And, and, and the one, the

4 other ones that don't, for the most part, are

5 subsidiaries or underneath the other ones.

6 373 Q Eight. Okay.

7 If the hearing officer can please go to page

8 2 of this document? And page 3 then, sorry.

9 So, the liabilities, as of the end of March,

10 2008, were approximately \$49 million?

11 A Oh, yes. Sorry.

12 374 Q The assets were approximately \$97 million?

13 A Yes.

14 375 Q And on page 5 please?

15 By that point in time, the first company

16 there is 0760838 BC Ltd., there's an amount of

17 portfolio investments of \$5.8 million. So, that's

18 roughly \$3.2ish million at that point below the \$9

19 million minimum?

20 A Yes. However, just, just to be clear, this figure

21 doesn't include the cash, any cash balance that

22 may have been in the, in the numbered company.

23 376 Q And if the hearing officer can go to page 7? Note

24 8, at that point in time, it says:

25 Accounts payable and accrued liabilities,

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 balance includes \$7.7 million roughly going

2 to Genesis contractors.

3 That was accurate?

4 A Yes, that seems reasonable.

5 377 Q And then on page 8, you have the details of the

6 three loans: the TD Bank loan, the IMOR Capital

7 loan and the Liberty Mortgage Services loan?

8 A Yes.

9 378 Q And it shows the amounts and the fact that they're

10 secured and registered on title against certain

11 properties?

12 A Yes.

13 379 Q And just to conclude from what you have said, if I

14 understand what you are saying correctly, the only

15 way that the FIC members would be able to access

16 this sort of information would be if they went on

17 the website for the eight companies that had the

18 statements posted and somehow combine them all,

19 like you have done in your role as CFO for the

20 company, to come up with all these numbers?

21 A I think in regards to the total assets figure,

22 that, that is probably an accurate statement. But

23 in regards to this note you are showing me, uhm, I

24 don't, I don't recall when or which financials on  
25 the website for the different clubs would have

95

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 also had no disclosure, which we covered a couple  
2 of them this morning, the WBIC '07 audit and the  
3 FIC, I believe it was USA '07 audit in their notes  
4 as well, as their guarantors on those loans had  
5 the full note disclosure. And as the companies,  
6 if they're guarantors, or they're, they're the  
7 controlling company of these underlying real  
8 estate companies or loans, they would also have  
9 the disclosure in there. But I don't recall which  
10 financial statement or when that, when that may  
11 have commenced. I am just saying that there's  
12 another opportunity to, to see that information.

13 MR. CHAPMAN: Thank you. I have no further questions.

14 THE CHAIR: Any redirect?

15 MR. AHMED: If I could just have a moment.

16 THE CHAIR: Sure.

17 MR. AHMED: I just have one question, Mr. Woods.

18 RE-EXAMINATION BY MR. WOODS:

19 380 Q You were just looking at the, the March 31st

20 combined financial statement and, and you were at

21 -- you, you made a statement about the subsidiary  
22 companies. I think you were taken to a list of  
23 all the companies and you were asked about the  
24 subsidiaries.  
25 A Yes.

96

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 381 Q So, my question is simply, if, if -- would, would  
2 the value of the subsidiaries have been reflected  
3 on the financial statements that were on the  
4 website?  
5 A Yeah. If you could go to page 3 for one moment  
6 please. Page 4, sorry. Yes.  
7 So, basically for the clubs where, where the  
8 statements are posted, they would each have either  
9 investment in, or a loans-to-line item on their,  
10 in their asset section for money that they put  
11 into these different underlying real estate  
12 entities.  
13 382 Q Okay. Thank you.  
14 (OFF-THE-RECORD DISCUSSION AMONGST THE PANEL)  
15 EXAMINATION BY THE CHAIR:  
16 383 Q Mr. Woods, would you look at Exhibit 217 please.  
17 And we have looked at this before. This was an

18 e-mail that you sent to Mr. Pasquill dealing with  
19 the, making payments to the trades, and you say:  
20 I think we can make everyone happy for the  
21 time being.  
22 I believe, in response to questions by Mr.  
23 Chapman, you said you weren't able to pay  
24 everybody, but you thought you could give  
25 everybody enough to keep them by for a while, or

97

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 (inaudible) about that?  
2 A I think basically, to put myself in the position  
3 of those trades, if I am owed 8 million, now, from  
4 our position, we sort of contested and weren't  
5 happy that it had grown to 8 million and with the  
6 overruns. But from their position being owed 8  
7 million, uhm, you know, 2.5 satisfied them enough  
8 to, to, to move the lien off of, of the properties  
9 we could sell, which was, was better for everybody  
10 overall.  
11 But they're, obviously at some point in time,  
12 going to want another payment on their, on their  
13 remaining balance. So, I think that's what I'm,  
14 I'm sort of getting at there.



15 384 Q All right. Just if you scroll down, and just to  
16 make sure I understand what you are saying, if you  
17 go to the e-mail on the bottom of the page from  
18 you to Steve Rae and Earle Pasquill, March 1, you  
19 are talking about trades more than 50,000, and  
20 there's a certain number of amounts in there that  
21 are not in the 5 million range, and then Earle  
22 says to you there will be another deposit date  
23 plus transferring the 675, and the 900,000 in the  
24 account (inaudible). Would this really have  
25 anything to do with the 5 million (inaudible) or

98

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 is this really just kind of leading up to that --  
2 A I have a feeling that --  
3 385 Q -- and matching things up before you got to that  
4 stage?  
5 A If I recall correctly, I think the part down below  
6 is actually, is, is smaller trades and not, not  
7 the 2.5 million.  
8 386 Q So, I just thought that maybe the first e-mail I  
9 took you to really related to that kind of thing  
10 as opposed to the 5 million. It's part, part of  
11 the same chain.

12 A Where does the 5, the 5 million --

13 387 Q Well, I just got that from the answer you gave me

14 a minute ago.

15 A Oh, the, sorry, the remaining balance?

16 388 Q Yeah.

17 A Yeah, I think the actual, the bottom part is, is

18 the 8 million total, which we paid 2.5 million

19 down on, was to, to Gentech and Kran sort of

20 together.

21 And the, the part down below here was

22 actually a separate issue to do with smaller

23 trades and one-offs, like, maybe a trade that did

24 electrical work directly or something like that, I

25 needed that list of, of trades.

99

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 389 Q And so when you are saying, "I think we can make

2 everyone happy for the time being," you were kind

3 of talking about the small fry?

4 A I think at the, at the top there, actually, that,

5 that may be referenced to the smaller trades

6 actually. I'm not -- I can't really recall.

7 Like, I don't know if it's the big fry or the, or

8 the smaller guys.

9 390 Q And the answer to this may be obvious, but why  
10 wouldn't you just pay them off completely?  
11 A The small ones?  
12 391 Q Yes, pay everybody.  
13 A I believe we did pay the small ones, but we  
14 weren't in a -- considering the overruns and the  
15 question of, was part of that on the trades  
16 themselves, until we sort that out, we are  
17 comfortable paying 2.5 million, and then we can  
18 talk about the rest, which we continued to do for  
19 some time after that. And I'm not sure what the  
20 ultimate resolution on that issue was, but. . .  
21 392 Q Were you, were you, would you have been able to  
22 pay? Did you have the cash just to pay them all  
23 off?  
24 A Have the cash to pay them all off? I can't say  
25 specifically. It may have been, it would have

100

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 certainly been a challenge at that point in time  
2 to just outright pay them. But as I mentioned,  
3 legally, we had an issue with these overruns that  
4 we felt that they were a part of the issue, and  
5 we, we needed to sort that out before -- it's a

6 lot harder to pay, to pay them the 8 million and  
7 then try to get 4 million back in the courts.  
8 393 Q Okay. Thank you.  
9 Can we go to Exhibit 486 please. If you go  
10 to page 2, this is you writing to McKechnie and  
11 Pasquill, and there's a big paragraph on that  
12 page. At the very last sentence, it says:  
13 But again, there is only six months left on  
14 the TD loan and little chance of renewal with  
15 them, which is the biggest problem.  
16 So, when I read that, it looks to me like you  
17 thought there wasn't much chance TD was going to  
18 renew the loan. Is that a fair reading of that?  
19 A I think that's a fair reading from that, that by  
20 November of, of '08, we -- it would be difficult  
21 to. That's just my, that's my opinion on that,  
22 yes.  
23 THE CHAIR: Anything arising from that?  
24 MR. AHMED: Nothing from me.  
25 MR. CHAPMAN: No.

101

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 THE CHAIR: If nobody has any more questions, you are excused.  
2 Thank you, Mr. Wood.

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3 THE WITNESS: Thank you.

4 (WITNESS EXCUSED)

5 MR. AHMED: Now, we do have one more witness, but he is also

6 from out of town and he won't be here until Monday

7 morning.

8 THE CHAIR: Right. Yes?

9 MR. ANDERSON: Yes, you were going to -- you undertook to

10 provide some dates, Mr. Aitken.

11 THE CHAIR: Yes, that was a very reckless verb choice on my

12 part. Anyway, I did look at the dates. So,

13 hopefully that lets me off the hook.

14 I don't know what counsel have in mind for

15 filing written submissions.

16 You can leave the stand, Mr. Woods.

17 THE WITNESS: Thank you.

18 THE CHAIR: I note that counsel had mentioned a time for

19 written submissions. The Commission's calendar is

20 quite full, but depending on what happens with

21 other hearings, I think we might be able to find a

22 day in a couple of places. So -- and I am

23 assuming we can probably do oral submissions in a

24 day on this matter? Is that reasonable to assume?

25 MR. ANDERSON: I think that's reasonable.

1 THE CHAIR: Okay. So, one possibility, which I won't know for  
2 sure about until next week, but one possibility  
3 would be the first week of October. Now, that's  
4 fairly short for getting written submissions in  
5 between now and then. So, I don't know if that  
6 works for counsel or not. Failing that, we may be  
7 able to find some time sort of latter part of  
8 October or very early in November.

9 MR. ANDERSON: Do you have any kind of -- do you have any dates  
10 that you could give me right now? Because I do  
11 have, like, I'm just, just for the -- I imagine it  
12 would be in the first full week of October, which  
13 is the week that would commence around the 8th, I  
14 think?

15 THE CHAIR: Well, I was looking, the dates I was looking at is,  
16 well, I guess in that week, it would be Friday,  
17 the 4th.

18 MR. ANDERSON: I am going to be in Alberta that, I think for  
19 the first four days a week, and I won't get back  
20 until the night of the 3rd, and I really don't  
21 think I could do that day anyway. And I think  
22 what we've got between now and then, I doubt we  
23 would be in a position to have filed and exchanged  
24 argument.

25 THE CHAIR: Well, that's fine. I am not really pushing for

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1           that. It's quite -- that's maybe sooner than we  
2           need to go.

3 MR. ANDERSON: The latter part of, of October, I do have some  
4           availability, not every day. And I can't recall  
5           when the Samji hearing is set.

6 THE CHAIR: The Samji begins November 4th.

7 MR. ANDERSON: Right. So, my sense of it right now is Mr.  
8           Ahmed and my availability will not be very good  
9           that, that week.

10 THE CHAIR: You mean the last week of October?

11 MR. ANDERSON: I think I have some dates in there.

12 THE CHAIR: Okay.

13 MR. ANDERSON: I, I don't have my diary with me. And I think  
14           it would probably give us enough time to work with  
15           Mr. Chapman on the exchange. We could talk to him  
16           over the weekend I suppose, try to see which dates  
17           he is available, and then talk about some kind of  
18           a schedule so we don't waste your time debating it  
19           here.

20 THE CHAIR: Okay, good. Any comments then on all this  
21           discussion so far, Mr. Chapman?

22 MR. CHAPMAN: No. I had a suspicion that my calendar was going  
23           to be the main challenge. So, we are looking at  
24           potentially the week of October 28th for oral

25 submissions. That would be the date that we would

104

\*\*\*\*\* REALTIME UPDATE - DRAFT TRANSCRIPT \*\*\*\*\*

1 try to work back from for our proposed exchange of  
2 written submissions?  
3 THE CHAIR: Yes.  
4 MR. CHAPMAN: I think that's, that's, I mean, that's workable.  
5 THE CHAIR: Okay. Well, I need to, uhm, we need to speak with  
6 other parties in another hearing to see if we can  
7 clear up some time in that week. So, that's kind  
8 of what I am scheming about doing here. So --  
9 because, otherwise, if we just went by the way of  
10 calendars, book now, it would be, well, Christmas  
11 Day would be one opportunity. I assume everybody  
12 is free then.  
13 MR. ANDERSON: I'm, I'm not available.  
14 THE CHAIR: Oh, really?  
15 MR. ANDERSON: That's one of the few days a year I'm not.  
16 THE CHAIR: Anyway, and it's just going to slop into, like,  
17 December or January, and I think we would all like  
18 to have submissions behind us long before then.  
19 So, maybe we'll just have a little discussion  
20 about that point, and I will see what I can do on  
21 Monday, but I may not have answers for you until a



22 bit later in the week, next week.

23 MR. ANDERSON: Thanks.

24 THE CHAIR: Anything else before we see you on Monday?

25 MR. ANDERSON: Not from me.

105

\* \* \* \* \* REALTIME UPDATE - DRAFT TRANSCRIPT \* \* \* \* \*

1 THE CHAIR: Okay.

2 MR. ANDERSON: Thank you.

3 THE CHAIR: Until Monday.

4 (PROCEEDINGS ADJOURNED AT 2:24 P.M.)

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# EXHIBIT 10

2013-09-20 Lathigee Transcript of September 21, 2013.txt

1 SEPTEMBER 23, 2013  
2 VANCOUVER, BC  
3 (PROCEEDINGS COMMENCED AT 10:01 A.M.)  
4 THE HEARING OFFICER: All rise.  
5 THE CHAIR: Good morning.  
6 MR. CHAPMAN: Good morning.  
7 MR. AHMED: Good morning.  
8 THE CHAIR: Mr. Ahmed.  
9 MR. AHMED: Our last witness is going to be Bill Baker, and I'd  
10 Mr. Baker to please take the stand so he can be  
11 sworn in.  
12 BILL BAKER, AFFIRMED:  
13 THE HEARING OFFICER: Thank you. Please state your full name  
14 and spell your last name for the record.  
15 THE WITNESS: William Donald Baker. B-a-k-e-r.  
16 MR. AHMED: Now, before I begin with Mr. Baker there is one  
17 issue that I'd like to raise to the panel's  
18 attention. On Sunday night I received from Mr.  
19 Baker a spreadsheet which I'm going to ask to put  
20 to him as evidence during his examination, and  
21 what this spreadsheet is is it's a printout of FIC  
22 Management Group's QuickBooks ledger, and then in  
23 addition to that there's some five further columns  
24 which contain his commentary sort of identifying  
25 what some of the payments represent. The contents

2013-09-20 Lathigee Transcript of September 21, 2013.txt

1 of that document are relevant to this hearing  
2 because one of the allegations is that of course  
3 is that the money raised by FIC foreclosure fund  
4 was spend not in accordance with the stated  
5 purpose of the money being raised. And during Mr.  
6 Pasquill's cross-examination my friend put to him  
7 the spreadsheet put together by Ms. Lyons, and one  
8 of the entries there was \$950,000 of foreclosure  
9 fund money from the Prospera bank account that  
10 went to FIC Foreclosure Fund, so it's relevant  
11 because I'd like to provide the panel with  
12 evidence as to how that money was eventually  
13 spent, the money that went to foreclosure fund.  
14 There appear, at least from my hearing of the  
15 cross-examination, there's some suggestion that  
16 the money, all of that money went to Mr. Pasquill  
17 and Mr. Lathigee, but the spreadsheet itself says  
18 that FIC -- I believe their names are actually  
19 identified on the column. There are two slashes  
20 and it says I think FIC/Lathigee/Pasquill. So Mr.  
21 Baker put that spreadsheet together for me Sunday  
22 night and finished it, he added some further  
23 comments this morning, and I provided it to my  
24 friend early this -- well, not that early, around  
25 9:15 this morning, so understandably he hasn't had

2013-09-20 Lathigee Transcript of September 21, 2013.txt

1 a lot of time with it, but he's told me he's going  
2 to object to its admission into evidence, and so I  
3 thought it best to raise that now.

4 THE CHAIR: Mr. Chapman.

5 MR. CHAPMAN: Thank you, yeah, I got an e-mail from Mr.  
6 Anderson Ahmed this morning, 9:17 please see  
7 attached spreadsheet. The spreadsheet was created  
8 by Bill Baker this morning and represents a  
9 printout of the QuickBooks ledger with the  
10 exception of the last five columns.

11 Getting new evidence that's created the  
12 morning of a hearing that started last week I  
13 think there has to be some point, there has to be  
14 some -- some line in the sand where the panel has  
15 to say at some point that's too late. You have a  
16 disclosure obligation, you had this information  
17 for a long time in your possession. The table  
18 that my friend is referring to, and perhaps if I  
19 can ask the hearing officer bring up, I think it's  
20 283 the table you're talking about.

21 MR. AHMED: No, I don't think --

22 MR. CHAPMAN: Not this one, the table that Ms. Lyon talked  
23 about. This is the one that shows by category  
24 where the money went. My friends had this table  
25 in an earlier disclosure back when this file was

2013-09-20 Lathigee Transcript of September 21, 2013.txt

1           began. This was modified ever so slightly,  
2           literally cleaned up for August of 2013, and so my  
3           friends have had this since August and we are now  
4           here into the second week of this hearing and  
5           there's new evidence that's being prepared and  
6           disclosed. As I said this is supposed to be  
7           somewhat civil litigation, and you know to get new  
8           evidence the second week of the hearing that  
9           hasn't even been created until the morning of or  
10          night before, at some point, my submission, enough  
11          is enough. No, you've had a chance. Mr. Woods  
12          who was the CFO during all this period, I mean the  
13          first entry is in May 31st, 2008. Mr. Baker, my  
14          understanding was, wasn't even employed until  
15          November of 2008. So this is all on Mr. Woods'  
16          watch. So to get -- to get -- to get this dropped  
17          on you the morning of what I thought was going to  
18          be the last day of the hearing is unacceptable,  
19          and submission it shouldn't be admitted. And it's  
20          certainly not Mr. Baker's will say statement that  
21          there was going to be some sort of evidence to  
22          this point. This should simply not be admitted.  
23          And the case with respect to the foreclosure fund  
24          is that it wasn't spent on what it was said it was  
25          spent for, and to actually go through the details

2013-09-20 Lathigee Transcript of September 21, 2013.txt

1 of how this -- it's simply too late. It's too  
2 late, it's unfair. I mean am I supposed to have  
3 enough time at some time to go and look at this.  
4 No backup documentation. I'll conclude by saying  
5 at some point it is too late. You've had enough  
6 chances. This has been going on for years.  
7 You've had this information. Wait till now? It's  
8 too late. This should not be admitted.

9 MR. AHMED: well, I don't have much to add except to say first  
10 of all that it's clearly relevant evidence and on  
11 that basis I think it has to be admitted. Now, I  
12 don't intend to be long in chief with Mr. Baker,  
13 in fact if I include going over this table I  
14 expect to be 45 minutes. Mr. Baker is here for  
15 the rest of the day. If Mr. Chapman wants to  
16 stand down immediately after that pointing to over  
17 the documents or he can have further time to  
18 prepare his cross-examination I have no problem  
19 with that. But it is relevant evidence. I mean  
20 it goes to the heart of the allegations and it  
21 addresses specifically how money was spent. Now,  
22 this spreadsheet is a printout of the company's  
23 records maintained in its quick book account  
24 software program, so while Mr. Baker wasn't there,  
25 they're company records and in his capacity as CFO



2013-09-20 Lathigee Transcript of September 21, 2013.txt

1                   is able to identify them, and I think he's able to  
2                   speak to them.  
3   THE CHAIR:   Mr. Ahmed, can you help the panel with an  
4                   explanation of having been in the company's  
5                   records all along and our having heard from the  
6                   CFO at the relevant time why is it coming up now?  
7   MR. AHMED:   Yeah, the explanation is simply that it didn't  
8                   become clear to Mr. Anderson and I that the manner  
9                   in which FIC Management spent the funds it  
10                  received from foreclosure was going to be relevant  
11                  to the hearing until Mr. Pasquill's  
12                  cross-examination on Wednesday afternoon, and we  
13                  didn't have enough time to --  
14   THE CHAIR:   I'm sorry, I'm not following. The notice of  
15                  hearing is pretty clear that the allegation is the  
16                  money was not spent in the way it was represented  
17                  it would be spent.  
18   MR. AHMED:   Yeah.  
19   THE CHAIR:   And once you get to that stage if that's proved,  
20                  well, that's kind of the end of it. It doesn't  
21                  matter where it did go if it didn't go where it  
22                  was supposed to. So that's the essence of the  
23                  allegation, so where is the surprise here?  
24   MR. AHMED:   Well, I'm not calling it a surprise. And you're  
25                  absolutely right, there is some detail in the

2013-09-20 Lathigee Transcript of September 21, 2013.txt

1 notice of hearing about use of funds being an  
2 issue. I mean the importance of it, of this  
3 particular category, the money that went to FIC  
4 Management, it just -- it simply didn't occur to  
5 Mr. Anderson and I how important it would be until  
6 that cross-examination on Wednesday, and that's  
7 really all I can say on that.

8 THE CHAIR: We'll take a short recess.

9 (PROCEEDINGS ADJOURNED AT 10:11 A.M.)

10 (PROCEEDINGS RESUMED AT 10:19 A.M.)

11 THE HEARING OFFICER: All rise.

12 THE CHAIR: We can't say the evidence is not relevant, but at  
13 the same time in our view this information  
14 probably could have been entered sooner and so if  
15 you wish to proceed the panel is prepared to give  
16 Mr. Chapman pretty much as much time as he wants  
17 to prepare for cross-examination, which might mean  
18 he might not be proceeding today, and you might  
19 have to recall your witness at a later date, and  
20 so if you wish to proceed and put the document to  
21 him you can do that, but that evidence will go in  
22 subject to there being cross-examination. So if  
23 for some reason cross-examination doesn't happen  
24 then we won't be looking at it.

25 MR. CHAPMAN: I don't know if this would assist or not, but I

2013-09-20 Lathigee Transcript of September 21, 2013.txt  
1 would ask to start tomorrow morning. It's a 17  
2 page document and there's presumably backup  
3 documents somewhere, but I'd look to go back and  
4 look at all the evidence and see what these relate  
5 to so just so in advance my friends know what time  
6 I'd be looking for, and I'm prepared to start --  
7 well, I could start earlier than ten tomorrow, but  
8 certainly by ten tomorrow.  
9 THE CHAIR: Unfortunately the panel can start early tomorrow  
10 because --  
11 MR. CHAPMAN: Okay. Ten o'clock.  
12 THE CHAIR: -- we have something at nine.  
13 MR. AHMED: Maybe we should ask Mr. Baker if he's available  
14 tomorrow morning.  
15 THE WITNESS: I shall make myself available to the panel, sure.  
16 MR. AHMED: On that basis then I think I will proposed this  
17 morning and I will put the table to Mr. Baker and,  
18 given that Mr. Baker is available tomorrow we can  
19 come back tomorrow. Now, I suppose the  
20 alternative is I could begin my examination  
21 tomorrow and we could do it all in one piece, but  
22 I think it's probably better to do it now. But I  
23 am flexible on that, that's all I'm saying.  
24 THE CHAIR: Why don't you do your direct now and then Mr.  
25 Chapman nose what he's dealing with when he's

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1 preparing for cross.

Page 8

2013-09-20 Lathigee Transcript of September 21, 2013.txt

2 MR. AHMED: Because Mr. Baker will go through the table in  
3 detail.

4 EXAMINATION IN CHIEF BY MR. AHMED:

5 1 Q Mr. Baker, you have a B.Com from McGill  
6 University?

7 A Yes, I do.

8 2 Q What year did you obtain that degree?

9 A 1971.

10 3 Q And what did you do subsequent to obtaining that  
11 degree?

12 A I spent four years in the Canadian military as an  
13 officer, and then I left the military and studied  
14 to become a chartered accountant.

15 4 Q And when did you obtain your CA designation?

16 A In 1978.

17 5 Q And at some point you began working for the FIC  
18 group of companies?

19 A Yes, in late October 2008 I entered into a  
20 contract with the FIC group of companies.

21 6 Q And you became FIC CFO's at some point as well?

22 A Yes, I was a contract CFO from about mid November  
23 of 2008.

24 7 Q And what, if any, is your relationship with the  
25 FIC group of companies now?

1 A I still do provide some consulting services for

2013-09-20 Lathigee Transcript of September 21, 2013.txt

2                   them.

3       8       Q    Are you still the contract CFO?

4               A    No, I'm just an outside consultant.

5       9       Q    And before you joined the FIC group of companies

6               in late October 2008 did you do any due diligence

7               on the company?

8               A    Yes, I did. I did do some due diligence of the

9               company. I checked them out on line, there were

10              some financial statements made available. So I

11              did find out in fact from some friends who were

12              members of the FIC group a little bit about them,

13              and heard very good things about them.

14      10      Q    You said you took a look at the financial

15              statements?

16              A    I got a look at the financial statements around

17              the time that I was considering doing the

18              assignment.

19      11      Q    Yeah.

20              A    Some -- I think I got some of on-line but they

21              were also provided to me by the FIC group.

22      12      Q    And what did the financial statements tell you

23              about the company?

24              A    They provided a picture of a healthy growing

25              company that had a lot of really interesting

1                   particularly real estate assets that were on the

2                   books at cost at a time when real estate in

2013-09-20 Lathigee Transcript of September 21, 2013.txt

3 Alberta seemed to be on the up swing.  
4 13 Q And do you know if at the time the company had any  
5 filings with the US Securities and Exchange  
6 Commission at the time?  
7 A They did inform me that one of the companies,  
8 FIC investments USA, had filed for a public issue  
9 in the United States, and I was provided a copy of  
10 the filing.  
11 14 Q And did you review that filing?  
12 A Yes, I did.  
13 15 Q And what kind of information did that file  
14 contain?  
15 A It was particularly centered on that one company,  
16 FIC USA, but it certainly showed that it was a  
17 company that had some really good real estate  
18 assets and that it was financially healthy.  
19 16 Q And did you have any meetings with management  
20 before you joined the company?  
21 A Yes, I did, I had a meeting with three of the  
22 senior members of management, that was Earle  
23 Pasquill, Matthew McKechnie and Graham Woods, we  
24 met there.  
25 17 Q what did you discuss during that meeting?

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1 A we discussed the whole group, of the real estate  
2 of the FIC group, what the prospects were, what

Page 11

BCSC\_001033

2013-09-20 Lathigee Transcript of September 21, 2013.txt

3           some of the plans were and how they intended to  
4           make those companies very, very successful to the  
5           benefit of the members.

6       18       Q   what did they tell you about the prospects of the  
7               group of companies?

8               A   That they expected that the values would grow,  
9               that the real estate would be either sold or  
10              developed, and that the benefits of that would  
11              show up and in an increased and growing net asset  
12              value.

13      19       Q   Did they have any discussions with you at that  
14              meeting about the company's cash position?

15              A   We did discuss some of the cash flow issues, but  
16              not a that particular meeting. That was an  
17              initial meeting. We really talked more in a  
18              global sense about what their plans were for the  
19              company. But in looking at the financial  
20              statements, you know, it appeared that the cash  
21              position of the company plus its liquid assets  
22              were more than sufficient to carry out their  
23              plans.

24      20       Q   So, Mr. Baker, why did you decide to start working  
25              for the company through your own corporation?

12

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1              A   I had been working as sole proprietor doing things  
2              like leasing assets, and the challenge there isn't  
3              that tremendous so I was looking for some new

Page 12

BCSC\_001034

2013-09-20 Lathigee Transcript of September 21, 2013.txt

4 challenges, and one of the key things that came up  
5 was the issue of options. They were renting  
6 options as part of this contract, and so I saw  
7 that as a real tremendous upside for me and my  
8 company for helping to grow the FIC group of  
9 companies. I saw on the balance sheet there were  
10 a lot of assets that were not yet at their full  
11 value, particularly the real estate, but also some  
12 of the stocks, bonds and so forth. So I saw that  
13 as an opportunity to get in at a point where there  
14 would be really good growth beyond that, and that  
15 the options would become very worthwhile.

16 21 Q Did you learn more about the company's financial  
17 status after joining the company?

18 A Yes, I learned lots more about the financial  
19 status of the company thereafter.

20 22 Q What kind of documents would you have reviewed or  
21 who did you speak to gain that understanding?

22 A I was spoken with Mr. Woods in terms of the  
23 accounting information, I would have reviewed more  
24 of the financial statements. There were, you  
25 know, substantial number of financial statements

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1 to review. I would have reviewed the company's  
2 cash flow forecasts, and reviewed again what the  
3 plans were for the particularly the real estate

Page 13

BCSC\_001035



2013-09-20 Lathigee Transcript of September 21, 2013.txt  
4 assets.  
5 23 Q what effect if any did that review have on the  
6 opinion you had on the group of companies before  
7 you joined it?  
8 A I still held the same opinion that there was a  
9 real tremendous upside potential here.  
10 24 Q Can you explain in more detail what you mean by  
11 upside potential?  
12 A well, for example, all of the real estate on the  
13 balance sheet was at cost, and of course as a  
14 developer what you want to do that is develop that  
15 and get the retail prices for that, so you're  
16 going to have a fairly significant increase in  
17 value as you begin to sell off some of the  
18 properties that were either already developed or  
19 were under development. So I saw that he had an  
20 asseted cost that had potential to be worth  
21 substantially more once the process of taking that  
22 either through the development process or the sale  
23 of already existing lots would take place.  
24 25 Q Did you have any thoughts at the time of where the  
25 company's potential sources of revenues were?

1 A we actually went through that as a management  
2 group. we looked at all of the potential inflows,  
3 and what some of the outflows would be as well.  
4 There were a number of potential inflows of

2013-09-20 Lathigee Transcript of September 21, 2013.txt

- 5 capital and inflows of cash that were identified.
- 6 26 Q Can you identify those potential inflows?
- 7 A They had some significant commissions owing to
- 8 them from the sale of foreclosed homes in the
- 9 United States, somewhere in the neighbourhood of a
- 10 million dollars for one. They were actively
- 11 selling a product called Invest Tools, and I think
- 12 the forecast was somewhere in the 13 to 15,000 a
- 13 month there. They were still actively selling
- 14 memberships in the FIC group, and that looked like
- 15 it might be about a \$25,000 a month inflow of
- 16 capital. So those are some of the major areas.
- 17 27 Q Was there any discussion at that meeting where
- 18 you, the management and yourself discussed cash
- 19 flow, was there any discussion of the Alberta real
- 20 estate?
- 21 A One of the areas that was also anticipated was
- 22 that some of the ready to sell assets, the real
- 23 estate assets, would also be sold. These were
- 24 lots that were accumulated particularly in Calmar,
- 25 willow Park and part of Genesis, the phase 1 of

15

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- 1 Genesis. So they had those available and could be
- 2 selling those as well.
- 3 28 Q Can we please go to BCSC 196. Mr. Baker, this
- 4 appears to be an affidavit you filed in the

Page 15

BCSC\_001037

2013-09-20 Lathigee Transcript of September 21, 2013.txt  
5 Alberta courts. Do you recognize this document?  
6 A Yes.  
7 29 Q Can we please go to page 4. Mr. Baker, you'll see  
8 there under item number 6 titled Gentech lien.  
9 I'll give you a chance to read that paragraph.  
10 A Okay. I've read it.  
11 30 Q Can you explain what you were talking about in  
12 that paragraph?  
13 A Yes, the general contractor, a company named  
14 Gentech out of Abbotsford was claiming an amount  
15 that was in dispute, it was for work done that was  
16 not authorized, and they had filed liens on the  
17 property that Genesis on the lakes property, this  
18 is one of the major developments of the company in  
19 the Edmonton area of Alberta, and so this was  
20 always an impediment and sore point with the TD  
21 Bank, they didn't like the fact that there were  
22 liens on the property, even though the TD Bank was  
23 in first position on the full property.  
24 31 Q And so to your knowledge you have here in the  
25 first line it says in May 2009 it became apparent

16

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1 that the general contractor Gentech would not be  
2 finishing the critical service work needed to  
3 complete phase 1A and B. Do you know if Gentech  
4 was working on the project prior to May of 2009?  
5 A Yes, they were, and I was working with them to try

Page 16

2013-09-20 Lathigee Transcript of September 21, 2013.txt

6 and complete phase 1A and B, so that the lots that  
7 were designated could be sold off. Gentech, you  
8 know it was disputing the fact that they were  
9 owed, you know, the sizeable amount of work for  
10 work that was not authorized, and ultimately they  
11 withdraw their contract services.

12 32 Q There's a reference to critical work, do you know  
13 what work remained outstanding?

14 A The shell services in the development had not yet  
15 been completed, and by that I mean the cable, the  
16 telephone and running the electricity, sidewalks  
17 and those sorts of things. Things that were  
18 needed in order to allow a builder to build a home  
19 and have somebody occupy it. And Genesis on the  
20 lakes was really designed for sale to builders,  
21 they would buy up five or ten lots at a time and  
22 they would build a home and sell to an end user or  
23 homeowner.

24 33 Q Now, it appears that at least as of May of 2008  
25 that work wasn't completed, but do you know if the

17

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1 phase 1A/1B projects or lots on Genesis were  
2 available for sale?

3 A Yes, they were available for sale. Did you say  
4 May 2008 or 2009?

5 34 Q May 2009?

Page 17

BCSC\_001039

2013-09-20 Lathigee Transcript of September 21, 2013.txt

6           A    They were available for sale, in fact Genesis had  
7                    taken deposits from a number of parties to wrap up  
8                    some of those lots, they sold a number of them  
9                    already to builders, developers.  
10       35     Q   All right. Now, I'd like to take you to this  
11                    table we were discussing earlier.  
12           A    Can I get my reading glasses?  
13       36     Q   Yes. Now, Mr. Baker, do you recognize this  
14                    document?  
15           A    Yes, I do.  
16       37     Q   Can you describe it for us?  
17           A    This is a printout of the general ledger account  
18                    for the HSBC bank account or FIC Management group,  
19                    to which I've attached on the right-hand side,  
20                    three, four, five columns by way of explaining or  
21                    categorizing out certain of the payments.  
22       38     Q   Okay. And when did you prepare this document?  
23           A    The final preparation of this, of course, occurred  
24                    this morning as has already been pointed out.  
25                    This was -- this was sent a couple of days ago and

18

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1                    now revised.  
2       39     Q   Can you explain to me what -- what the source of  
3                    the information is for the quick book entries or  
4                    quick book part of the spreadsheet?  
5           A    The source would have been the bank account  
6                    information. This is a printout of the actual

Page 18

2013-09-20 Lathigee Transcript of September 21, 2013.txt

7                   cheques and deposits into that bank account.  
8       40       Q     Okay. Can we please mark this as an exhibit?  
9     THE CHAIR: 497.  
10    MR. AHMED:  
11       41       Q     Now, Mr. Baker, this spreadsheet on the most far  
12                   right column says funds received from F O R?  
13                A     Yes.  
14       42       Q     That's FIC foreclosure fund?  
15                A     That is correct.  
16       43       Q     What is the total amount received from FIC  
17                   foreclosure fund?  
18                A     That is shown on page 17 at the far right, a  
19                   million forty-nine nine thirty.  
20       44       Q     And the last payments received from FIC  
21                   Foreclosure Fund, I believe that can be found on  
22                   page 12; is that right?  
23                A     Yes, at the bottom of the page dated 10/31/08 for  
24                   99,990.  
25       45       Q     And just for the panel's benefit, that amount of

19

□

1                   99,990 does not appear on this line of the  
2                   spreadsheet. And Mr. Baker, the first payment for  
3                   foreclosure fund, where can I find those?  
4                A     Those occur in May.  
5       46       Q     I believe they're on the first page?  
6                A     Yeah, right at the top. May 31st is the date of

Page 19

BCSC\_001041

2013-09-20 Lathigee Transcript of September 21, 2013.txt  
7 the entry, and the transactions occurred from May  
8 8th through to the May 20th.  
9 47 Q May 29th?  
10 A 29th, correct.  
11 48 Q And you have another column here. The first  
12 column is called mortgage payments?  
13 A Yes, that's correct.  
14 49 Q Can you explain what that is?  
15 A At the time the FIC group of companies had -- in  
16 addition to the TD Bank they had two other  
17 mortgage companies involved. One was Imor Capital  
18 and another was Liberty Mortgage Services.  
19 50 Q So if we look, for example, on the first page  
20 there's an amount of -- in that column an amount  
21 of \$46,666?  
22 A Yes, these were the interest payments on the  
23 mortgage amount, the monthly interest payments  
24 that were being paid.  
25 51 Q And further down for Liberty Mortgage Services

20

□

1 there's additional 112,000 or so?  
2 A Yeah, 111,750.  
3 52 Q And you tracked all of those mortgage payments  
4 throughout this spreadsheet?  
5 A Yes. So you'll see a number of those on regular  
6 basis of both of those amounts.  
7 53 Q And what's the total of those amounts?

Page 20

2013-09-20 Lathigee Transcript of September 21, 2013.txt

8           A    On page 17, 998,824.99.  
9       54     Q   Okay.  Let's go to the next column over, it says  
10               other real estate related?  
11           A    Yes.  
12       55     Q   What do you mean by that?  
13           A    Payments that were made on behalf of other FIC  
14               companies which were related to various real  
15               estate transactions.  
16       56     Q   So the first entry in that column seems to me to  
17               be on page 4?  
18           A    Yes, a hundred thousand dollars.  
19       57     Q   It says there fast track to cash flow July 14,  
20               2008, \$100,000?  
21           A    Yes.  
22       58     Q   What was that amount for?  
23           A    That was a marketing fee paid to the company who  
24               organized tours and potential sales of Calmar  
25               lots.  Calmar being a large project of ready to

21

□

1               sell lots that was owned by some of the FIC  
2               companies.  
3       59     Q   When you say tours, you mean tours of the lots?  
4           A    People would come into town and they would be  
5               taken on a tour of the project and briefed on the  
6               project.  
7       60     Q   Now, if we go to --

Page 21

BCSC\_001043



2013-09-20 Lathigee Transcript of September 21, 2013.txt

8           A    with the intent obviously of selling some of those  
9                properties to the tour participants.  
10       61     Q   Yes.  Now, if we go to page 5 there's a series of  
11                numbers in that other real estate expenses column,  
12                and they appear to be a number of refunds on  
13                Calmar.  Can you tell me what that is?  
14           A    All of these people had provided deposits for  
15                purchases of lots, and unfortunately the way in  
16                which those lots had been sold would not allow  
17                those transactions to proceed and therefore FIC  
18                Management refunded all of the monies to each of  
19                these parties.  
20       62     Q   Okay.  And so what's the total on page 17 for  
21                other real estate related expenses?  
22           A    The total is \$209,270.04.  
23       63     Q   Okay.  We've got another -- let's move on to the  
24                next column, it says payments to Earle P.  Is that  
25                for Mr. Pasquill?

22

□

1           A    Yes.  
2       64     Q   Now, we've got one item here on the first page in  
3                the amount of \$500?  
4           A    That looks like it was an expense amount that was  
5                paid out to Mr. Pasquill.  
6       65     Q   Yeah.  Now, I have noticed, Mr. Baker, aside from  
7                that \$500 entry there are a number of smaller  
8                amounts that appear to have been paid to Mr.

Page 22

BCSC\_001044

2013-09-20 Lathigee Transcript of September 21, 2013.txt

9                   Pasquill with either the notation or expenses or  
10                   no notation at all, but they're all relatively  
11                   smaller amounts?  
12           A     Right. And the notation in the far left indicates  
13                   what type of a payment it was, and these payments  
14                   are pay cheques essentially, salary payment. So  
15                   those weren't included in the column under  
16                   payments to Earle P.  
17     66       Q     So under the column -- just so we're all clear,  
18                   under the column of payments to Earle P you only  
19                   -- except for this \$500 amount on the first page  
20                   you only captured the larger amounts paid?  
21           A     Yes, that's correct.  
22     67       Q     It seems in fact to be just one amount on page 13?  
23           A     Yes, I see that.  
24     68       Q     And it says in the name field or in the name field  
25                   it says Earle Pasquill expenses it says November

23

□

1                   14, 2008, and it's an amount -- it appears to be  
2                   an amount paid of \$242,000?  
3           A     Yes.  
4     69       Q     Have you reviewed the corporate records with  
5                   respect to that amount?  
6           A     Yes, I have.  
7     70       Q     And are you able to say what that amount was for?  
8           A     Yes, I can tell you what it is for. First of all

Page 23

BCSC\_001045

2013-09-20 Lathigee Transcript of September 21, 2013.txt  
9 the description of expenses is inaccurate. It  
10 wasn't actually for expenses. This was a payment  
11 to Mr. Pasquill for the sale of two properties  
12 that he purchased personally in Calmar. So he  
13 purchased the properties, and they got sold, the  
14 monies then went to the lawyer in Edmonton and got  
15 co-mingled with all of the other lot sales that  
16 were in Calmar, so that ultimately Mr. Pasquill's  
17 specific amount was a little lost in the  
18 co-mingling. The funds were actually owed to Mr.  
19 Pasquill by Calmar Lakeside developments, but they  
20 were paid out from FIC Management group on behalf  
21 of Calmar Lakeside developments. So this is  
22 actually a real estate transaction he entered into  
23 personally, and these are the proceeds from the  
24 sale of those lots that he had purchased  
25 personally.

24

□

1 71 Q And we see the total there for Mr. Pasquill on  
2 page 17 is \$242,500?  
3 A Correct.  
4 72 Q So that's the total of payments received by Mr.  
5 Pasquill --  
6 A Other than salary, that is correct.  
7 73 Q Other than salary and some expenses?  
8 A Yes.  
9 74 Q Let's move on to the next column, and that's

Page 24

2013-09-20 Lathigee Transcript of September 21, 2013.txt

10 payments to a numbered company 07498885 BC  
11 limited. Do you know what that company is?  
12 A My understanding is it's a personal holding  
13 company for Mr. Lathigee.  
14 75 Q And if we go to page 4, I think that's the first  
15 entry in that column, it's an amount of \$78,750?  
16 A Yes.  
17 76 Q And in the memo field, and this is July 10, 2008,  
18 and in the memo field it says commission on Mohawk  
19 home sales?  
20 A Yes.  
21 77 Q Can you explain what that is?  
22 A During this period of time there was a program of  
23 sales of foreclosure homes in the United States  
24 that were being offered at various events and  
25 meetings that were being put on by FIC Management,

25

□

1 and Mr. Lathigee through his company had a  
2 commission agreement such that if homes were sold  
3 there would be a commission paid. So these are  
4 commission payments based on performance based on  
5 sales.  
6 78 Q Now, on page 8, it's August 29, 2008, it's again  
7 the numbered company is -- this might be actually  
8 another numbered company, it says 0779243 BC  
9 limited?

Page 25

BCSC\_001047

2013-09-20 Lathigee Transcript of September 21, 2013.txt

10           A    why he.  
11       79     Q   And in the memo field it says commissions to ten  
12               homes?  
13           A    Yes.  
14       80     Q   Do you know what that was?  
15           A    Same kind of an arrangement wherein there was a  
16               payment, a commission payment made for homes sold,  
17               and this was another of Mr. Lathigee's holding  
18               companies.  
19       81     Q   Okay. And on page 10?  
20           A    Yes.  
21       82     Q   October 1st, 2008, a \$6,300 payment to 07498885 BC  
22               limited?  
23           A    Right.  
24       83     Q   Did you know what that payment was?  
25           A    No, actually I don't know what that one was for.

26

□

1       84     Q   Okay. But that's Mr. Lathigee's holding company?  
2           A    Yes.  
3       85     Q   Okay. And then on page 12, October 21st, 2008,  
4               there's a payment of \$10,000, and in this case Mr.  
5               Lathigee is identified directly?  
6           A    Yes.  
7       86     Q   Do you know what that payment was for?  
8           A    I don't know what the specific reason was for that  
9               \$10,000 payment.  
10      87     Q   And then the total on page 17 for that column is

Page 26

BCSC\_001048

2013-09-20 Lathigee Transcript of September 21, 2013.txt

11                   \$105,550?  
12           A    Yes.  
13    88    Q    Now, Mr. Baker, you've already identified funds  
14                   coming into this bank account from the foreclosure  
15                   fund?  
16           A    Yes.  
17    89    Q    Were there any other sources of deposits into this  
18                   account?  
19           A    Yes, there were a number of other sources.  
20    90    Q    And that's reflected in this spreadsheet?  
21           A    It's not in a specific column, but it is in the  
22                   spreadsheet, yes.  
23    91    Q    Okay. Now, Mr. Baker, you can put that document  
24                   away, I don't have any further questions on it for  
25                   you.

27

□

1           A    Okay.  
2    92    Q    Were you -- were you the CFO for the FIC group of  
3                   companies in 2009?  
4           A    Yes, I was.  
5    93    Q    And you are then obviously aware that at some  
6                   point in 2009 FIC was facing receivership  
7                   application?  
8           A    In late 2009, yes.  
9    94    Q    Can you explain to us what in your view led to  
10                   that receivership?

Page 27

BCSC\_001049

2013-09-20 Lathigee Transcript of September 21, 2013.txt

11           A    The group was put into receivership by the TD Bank  
12                despite the fact that all the payments, monthly  
13                payments on interest were made, nevertheless the  
14                bank became uncomfortable with their loan. Some  
15                of the pre-sales that had occurred in the Genesis  
16                project had dissipated, people had walked away  
17                from their deposits because of the state of the  
18                Edmonton real estate market at that time, so this  
19                was a result of an unprecedented real estate crash  
20                in the Alberta market combined with a much, much  
21                tighter credit by banks and lending institutions  
22                as a result of the credit crisis that was ongoing  
23                in the United States and now had crept into  
24                Canada. So really you had a perfect storm of  
25                crashing real estate prices and people who would

28

□

1                like to buy properties not even being able to get  
2                the credit and the money they needed in order to  
3                accomplish those sales. So the bank felt  
4                uncomfortable. They had a lot of -- they had more  
5                than enough security, they had two to three times  
6                security as they really needed. Their payments  
7                were up to date nevertheless they decided they  
8                wanted out of the loan and they had the right  
9                under the agreements to call in a receiver. We  
10                had continually asked them if they wouldn't simply  
11                agree to give us time to take out the loan with a

Page 28

BCSC\_001050

2013-09-20 Lathigee Transcript of September 21, 2013.txt

12 new lender and we had a couple of lenders that we  
13 were work actively working with and in fact around  
14 Christmas of 2009 we had one offer, it was low, we  
15 didn't -- you know, it was low and we were working  
16 with that lender. And we had another one that was  
17 going through due diligence. However, on January  
18 the 10th, 2010 the TD Bank decided they weren't  
19 going to wait any longer, they'd rather build  
20 their receivership route and they went to the  
21 courts and they got a receiver appointed.

22 95 Q Now, you made reference to an unprecedented real  
23 estate crash?

24 A Yeah.

25 96 Q You were referring to Alberta I assume?

29

□

1 A Yes. As it occurs it happened in many, many  
2 markets, but certainly in Alberta.

3 97 Q Now, with respect to Alberta when in your view did  
4 that happen?

5 A We started to become aware of the reduction,  
6 significant reduction in the real estate market  
7 there after the snows left. You don't sell a lot  
8 of real estate in Alberta, you know, during the  
9 wintertime when you can't see the land it's under  
10 six feet of snow. So in the May, June time frame  
11 it became apparent prices were coming down and for

Page 29

BCSC\_001051



2013-09-20 Lathigee Transcript of September 21, 2013.txt  
12 raw land, developable raw land it was coming down  
13 significantly, you know, in the order of 50  
14 percent.  
15 98 Q what year, you said May, June, what year were you  
16 referring to?  
17 A 2009.  
18 99 Q Okay. And when you joined FIC in late October or  
19 November 2008 what were your views about Alberta  
20 real estate at the time?  
21 A Alberta real estate had been unbelievably hot and  
22 very, very buoyant, pretty solid because it is the  
23 oil patch, and oil prices continued to stay high,  
24 so we thought there'd be a blip maybe, but we were  
25 still very confident that people would be buying

30

□

1 homes, buying lots and that the real estate would  
2 be developed and sold.  
3 100 Q Okay. You just said we. who are you referring?  
4 A FIC, the FIC group.  
5 101 Q Does that include management of the FIC group?  
6 A Yes.  
7 102 Q So would you have had actual conversations along  
8 those lines with Mr. Pasquill and Mr. Lathigee?  
9 A Yes, on a continuing basis we were always  
10 reviewing the options for increasing value of the  
11 real estate holdings.  
12 103 Q Now, you also earlier in addition to an

Page 30

2013-09-20 Lathigee Transcript of September 21, 2013.txt

13                   unprecedented real estate crunch or crash, rather,  
14                   you referred to a credit crunch or tightening of  
15                   financing?

16           A    Yes.

17    104    Q    When did you become aware of that?

18           A    We had been looking into replacing the TD loan in  
19                   any event, and certainly traditional financial  
20                   institutions just didn't seem to be very  
21                   interested in funding development -- developmental  
22                   land, so we did come to the conclusion that  
23                   instead of going to a chartered bank or trust  
24                   company where there was very little appetite for  
25                   that type of a loan that we would have to be

31

□

1                   dealing with mortgage investment companies and  
2                   alternative sources of lending, so that really  
3                   happened in the summer and into the fall of 2009.

4    105    Q    And when you joined the FIC group in late October  
5                   or November 2008 what were your thoughts about  
6                   availability of financing for FIC's Alberta  
7                   projects?

8           A    I thought given the amount of security that they  
9                   had and the health of the general group of FIC  
10                  companies that lenders would look upon that as  
11                  being -- you know, a very viable type of loan that  
12                  they would do.

Page 31

BCSC\_001053

2013-09-20 Lathigee Transcript of September 21, 2013.txt

13 106 Q Do you know if that view was shared by anyone else  
14 at FIC?

15 A I think everyone shared that view, that the  
16 company was solid, had good assets and was  
17 financeable.

18 107 Q Did you have conversations along those lines with  
19 Mr. Pasquill and Mr. Lathigee?

20 A Probably on a continuing basis we would be  
21 reviewing options.

22 MR. AHMED: Okay. Thank you, Mr. Baker, those are all my  
23 questions for you.

24 THE WITNESS: Okay.

25 THE CHAIR: All right. And we're adjourned for tomorrow at ten

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1 o'clock.

2 MR. CHAPMAN: Thank you.

3 THE CHAIR: Yes, Mr. Anderson.

4 MR. ANDERSON: I can tell you that I looked at my calendar, I  
5 thought I could probably do October 31st or  
6 November 1st, although it would be pretty tight,  
7 but I think it would be dependent on getting, and  
8 I don't know if this is doable for Mr. Chapman,  
9 getting his submission by the 4th of October,  
10 because we got the week after that where Mr. Ahmed  
11 and I have some time where we could get to it, but  
12 then we have a trial right after that, other  
13 commitments.

Page 32

BCSC\_001054

2013-09-20 Lathigee Transcript of September 21, 2013.txt

14 THE CHAIR: Do you want to think about that over night, Mr.  
15 Chapman, or do you have an answer now?  
16 MR. CHAPMAN: No, my friend and I discussed this at the  
17 beginning and I'll speak to that tomorrow. I'll  
18 probably need a bit more time than that. I also  
19 have other submissions due next Monday on another  
20 matter. Yeah, if we could address that tomorrow  
21 that would be great.  
22 MR. ANDERSON: I do as well, we looked at this, I know it's not  
23 your preference but I think starting December the  
24 5th, my memory serves me right Mr. Ahmed and I are  
25 basically available right up to the 20th. I'm

33

□

1 just telling you that.  
2 THE CHAIR: Okay.  
3 MR. ANDERSON: You may already be in Maui by then.  
4 THE CHAIR: I wish.  
5 MR. ANDERSON: I'm kidding, I'm kidding.  
6 THE CHAIR: On that note we'll see you tomorrow.  
7 (PROCEEDINGS ADJOURNED AT 11:02 A.M.)

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2013-09-20 Lathigee Transcript of September 21, 2013.txt

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# EXHIBIT 11

1                                SEPTEMBER 23, 2013

2                                VANCOUVER, BC

3                                (PROCEEDINGS COMMENCED AT 10:01 A.M.)

4 THE HEARING OFFICER: All rise.

5 THE CHAIR: Good morning.

6 MR. CHAPMAN: Good morning.

7 MR. AHMED: Good morning.

8 THE CHAIR: Mr. Ahmed.

9 MR. AHMED: Our last witness is going to be Bill Baker, and I'd

10                                Mr. Baker to please take the stand so he can be

11                                sworn in.

12                                BILL BAKER, AFFIRMED:

13 THE HEARING OFFICER: Thank you. Please state your full name

14                                and spell your last name for the record.

15 THE WITNESS: William Donald Baker. B-a-k-e-r.

16 MR. AHMED: Now, before I begin with Mr. Baker there is one

17                                issue that I'd like to raise to the panel's

18                                attention. On Sunday night I received from Mr.

19                                Baker a spreadsheet which I'm going to ask to put

20                                to him as evidence during his examination, and

21                                what this spreadsheet is is it's a printout of FIC

22                                Management Group's QuickBooks ledger, and then in

23                                addition to that there's some five further columns

24                                which contain his commentary sort of identifying

25                                what some of the payments represent. The contents

1 of that document are relevant to this hearing  
2 because one of the allegations is that of course  
3 is that the money raised by FIC foreclosure fund  
4 was spend not in accordance with the stated  
5 purpose of the money being raised. And during Mr.  
6 Pasquill's cross-examination my friend put to him  
7 the spreadsheet put together by Ms. Lyons, and one  
8 of the entries there was \$950,000 of foreclosure  
9 fund money from the Prospera bank account that  
10 went to FIC Foreclosure Fund, so it's relevant  
11 because I'd like to provide the panel with  
12 evidence as to how that money was eventually  
13 spent, the money that went to foreclosure fund.  
14 There appear, at least from my hearing of the  
15 cross-examination, there's some suggestion that  
16 the money, all of that money went to Mr. Pasquill  
17 and Mr. Lathigee, but the spreadsheet itself says  
18 that FIC -- I believe their names are actually  
19 identified on the column. There are two slashes  
20 and it says I think FIC/Lathigee/Pasquill. So Mr.  
21 Baker put that spreadsheet together for me Sunday  
22 night and finished it, he added some further



23            comments this morning, and I provided it to my  
24            friend early this -- well, not that early, around  
25            9:15 this morning, so understandably he hasn't had

2

1            a lot of time with it, but he's told me he's going  
2            to object to its admission into evidence, and so I  
3            thought it best to raise that now.  
4 THE CHAIR: Mr. Chapman.  
5 MR. CHAPMAN: Thank you, yeah, I got an e-mail from Mr.  
6            Anderson Ahmed this morning, 9:17 please see  
7            attached spreadsheet. The spreadsheet was created  
8            by Bill Baker this morning and represents a  
9            printout of the QuickBooks ledger with the  
10           exception of the last five columns.  
11           Getting new evidence that's created the  
12           morning of a hearing that started last week I  
13           think there has to be some point, there has to be  
14           some -- some line in the sand where the panel has  
15           to say at some point that's too late. You have a  
16           disclosure obligation, you had this information  
17           for a long time in your possession. The table  
18           that my friend is referring to, and perhaps if I  
19           can ask the hearing officer bring up, I think it's

20           283 the table you're talking about.

21 MR. AHMED: No, I don't think --

22 MR. CHAPMAN: Not this one, the table that Ms. Lyon talked

23           about. This is the one that shows by category

24           where the money went. My friends had this table

25           in an earlier disclosure back when this file was

3

1           began. This was modified ever so slightly,

2           literally cleaned up for August of 2013, and so my

3           friends have had this since August and we are now

4           here into the second week of this hearing and

5           there's new evidence that's being prepared and

6           disclosed. As I said this is supposed to be

7           somewhat civil litigation, and you know to get new

8           evidence the second week of the hearing that

9           hasn't even been created until the morning of or

10          night before, at some point, my submission, enough

11          is enough. No, you've had a chance. Mr. Woods

12          who was the CFO during all this period, I mean the

13          first entry is in May 31st, 2008. Mr. Baker, my

14          understanding was, wasn't even employed until

15          November of 2008. So this is all on Mr. Woods'

16          watch. So to get -- to get -- to get this dropped

17 on you the morning of what I thought was going to  
18 be the last day of the hearing is unacceptable,  
19 and submission it shouldn't be admitted. And it's  
20 certainly not Mr. Baker's will say statement that  
21 there was going to be some sort of evidence to  
22 this point. This should simply not be admitted.  
23 And the case with respect to the foreclosure fund  
24 is that it wasn't spent on what it was said it was  
25 spent for, and to actually go through the details

4

1 of how this -- it's simply too late. It's too  
2 late, it's unfair. I mean am I supposed to have  
3 enough time at some time to go and look at this.  
4 No backup documentation. I'll conclude by saying  
5 at some point it is too late. You've had enough  
6 chances. This has been going on for years.  
7 You've had this information. Wait till now? It's  
8 too late. This should not be admitted.  
9 MR. AHMED: Well, I don't have much to add except to say first  
10 of all that it's clearly relevant evidence and on  
11 that basis I think it has to be admitted. Now, I  
12 don't intend to be long in chief with Mr. Baker,  
13 in fact if I include going over this table I

14 expect to be 45 minutes. Mr. Baker is here for  
15 the rest of the day. If Mr. Chapman wants to  
16 stand down immediately after that pointing to over  
17 the documents or he can have further time to  
18 prepare his cross-examination I have no problem  
19 with that. But it is relevant evidence. I mean  
20 it goes to the heart of the allegations and it  
21 addresses specifically how money was spent. Now,  
22 this spreadsheet is a printout of the company's  
23 records maintained in its quick book account  
24 software program, so while Mr. Baker wasn't there,  
25 they're company records and in his capacity as CFO

5

1 is able to identify them, and I think he's able to  
2 speak to them.  
3 THE CHAIR: Mr. Ahmed, can you help the panel with an  
4 explanation of having been in the company's  
5 records all along and our having heard from the  
6 CFO at the relevant time why is it coming up now?  
7 MR. AHMED: Yeah, the explanation is simply that it didn't  
8 become clear to Mr. Anderson and I that the manner  
9 in which FIC Management spent the funds it  
10 received from foreclosure was going to be relevant

11 to the hearing until Mr. Pasquill's  
12 cross-examination on Wednesday afternoon, and we  
13 didn't have enough time to --  
14 THE CHAIR: I'm sorry, I'm not following. The notice of  
15 hearing is pretty clear that the allegation is the  
16 money was not spent in the way it was represented  
17 it would be spent.  
18 MR. AHMED: Yeah.  
19 THE CHAIR: And once you get to that stage if that's proved,  
20 well, that's kind of the end of it. It doesn't  
21 matter where it did go if it didn't go where it  
22 was supposed to. So that's the essence of the  
23 allegation, so where is the surprise here?  
24 MR. AHMED: Well, I'm not calling it a surprise. And you're  
25 absolutely right, there is some detail in the

1 notice of hearing about use of funds being an  
2 issue. I mean the importance of it, of this  
3 particular category, the money that went to FIC  
4 Management, it just -- it simply didn't occur to  
5 Mr. Anderson and I how important it would be until  
6 that cross-examination on Wednesday, and that's  
7 really all I can say on that.

8 THE CHAIR: We'll take a short recess.

9 (PROCEEDINGS ADJOURNED AT 10:11 A.M.)

10 (PROCEEDINGS RESUMED AT 10:19 A.M.)

11 THE HEARING OFFICER: All rise.

12 THE CHAIR: We can't say the evidence is not relevant, but at

13 the same time in our view this information

14 probably could have been entered sooner and so if

15 you wish to proceed the panel is prepared to give

16 Mr. Chapman pretty much as much time as he wants

17 to prepare for cross-examination, which might mean

18 he might not be proceeding today, and you might

19 have to recall your witness at a later date, and

20 so if you wish to proceed and put the document to

21 him you can do that, but that evidence will go in

22 subject to there being cross-examination. So if

23 for some reason cross-examination doesn't happen

24 then we won't be looking at it.

25 MR. CHAPMAN: I don't know if this would assist or not, but I

1 would ask to start tomorrow morning. It's a 17

2 page document and there's presumably backup

3 documents somewhere, but I'd look to go back and

4 look at all the evidence and see what these relate

5 to so just so in advance my friends know what time  
6 I'd be looking for, and I'm prepared to start --  
7 well, I could start earlier than ten tomorrow, but  
8 certainly by ten tomorrow.  
9 THE CHAIR: Unfortunately the panel can start early tomorrow  
10 because --  
11 MR. CHAPMAN: Okay. Ten o'clock.  
12 THE CHAIR: -- we have something at nine.  
13 MR. AHMED: Maybe we should ask Mr. Baker if he's available  
14 tomorrow morning.  
15 THE WITNESS: I shall make myself available to the panel, sure.  
16 MR. AHMED: On that basis then I think I will proposed this  
17 morning and I will put the table to Mr. Baker and,  
18 given that Mr. Baker is available tomorrow we can  
19 come back tomorrow. Now, I suppose the  
20 alternative is I could begin my examination  
21 tomorrow and we could do it all in one piece, but  
22 I think it's probably better to do it now. But I  
23 am flexible on that, that's all I'm saying.  
24 THE CHAIR: Why don't you do your direct now and then Mr.  
25 Chapman nose what he's dealing with when he's

1 preparing for cross.

2 MR. AHMED: Because Mr. Baker will go through the table in  
3 detail.

4 EXAMINATION IN CHIEF BY MR. AHMED:

5 1 Q Mr. Baker, you have a B.Com from McGill  
6 University?

7 A Yes, I do.

8 2 Q What year did you obtain that degree?

9 A 1971.

10 3 Q And what did you do subsequent to obtaining that  
11 degree?

12 A I spent four years in the Canadian military as an  
13 officer, and then I left the military and studied  
14 to become a chartered accountant.

15 4 Q And when did you obtain your CA designation?

16 A In 1978.

17 5 Q And at some point you began working for the FIC  
18 group of companies?

19 A Yes, in late October 2008 I entered into a  
20 contract with the FIC group of companies.

21 6 Q And you became FIC CFO's at some point as well?

22 A Yes, I was a contract CFO from about mid November  
23 of 2008.

24 7 Q And what, if any, is your relationship with the  
25 FIC group of companies now?



1 A I still do provide some consulting services for  
2 them.

3 8 Q Are you still the contract CFO?

4 A No, I'm just an outside consultant.

5 9 Q And before you joined the FIC group of companies  
6 in late October 2008 did you do any due diligence  
7 on the company?

8 A Yes, I did. I did do some due diligence of the  
9 company. I checked them out on line, there were  
10 some financial statements made available. So I  
11 did find out in fact from some friends who were  
12 members of the FIC group a little bit about them,  
13 and heard very good things about them.

14 10 Q You said you took a look at the financial  
15 statements?

16 A I got a look at the financial statements around  
17 the time that I was considering doing the  
18 assignment.

19 11 Q Yeah.

20 A Some -- I think I got some of on-line but they  
21 were also provided to me by the FIC group.

22 12 Q And what did the financial statements tell you  
23 about the company?

24 A They provided a picture of a healthy growing  
25 company that had a lot of really interesting

1 particularly real estate assets that were on the  
2 books at cost at a time when real estate in  
3 Alberta seemed to be on the up swing.

4 13 Q And do you know if at the time the company had any  
5 filings with the US Securities and Exchange  
6 Commission at the time?

7 A They did inform me that one of the companies,  
8 FIC investments USA, had filed for a public issue  
9 in the United States, and I was provided a copy of  
10 the filing.

11 14 Q And did you review that filing?

12 A Yes, I did.

13 15 Q And what kind of information did that file  
14 contain?

15 A It was particularly centered on that one company,  
16 FIC USA, but it certainly showed that it was a  
17 company that had some really good real estate  
18 assets and that it was financially healthy.

19 16 Q And did you have any meetings with management  
20 before you joined the company?

21 A Yes, I did, I had a meeting with three of the  
22 senior members of management, that was Earle  
23 Pasquill, Matthew McKechnie and Graham Woods, we

24 met there.

25 17 Q What did you discuss during that meeting?

11

1 A We discussed the whole group, of the real estate

2 of the FIC group, what the prospects were, what

3 some of the plans were and how they intended to

4 make those companies very, very successful to the

5 benefit of the members.

6 18 Q What did they tell you about the prospects of the

7 group of companies?

8 A That they expected that the values would grow,

9 that the real estate would be either sold or

10 developed, and that the benefits of that would

11 show up and in an increased and growing net asset

12 value.

13 19 Q Did they have any discussions with you at that

14 meeting about the company's cash position?

15 A We did discuss some of the cash flow issues, but

16 not at that particular meeting. That was an

17 initial meeting. We really talked more in a

18 global sense about what their plans were for the

19 company. But in looking at the financial

20 statements, you know, it appeared that the cash

21 position of the company plus its liquid assets  
22 were more than sufficient to carry out their  
23 plans.  
24 20 Q So, Mr. Baker, why did you decide to start working  
25 for the company through your own corporation?

12

1 A I had been working as sole proprietor doing things  
2 like leasing assets, and the challenge there isn't  
3 that tremendous so I was looking for some new  
4 challenges, and one of the key things that came up  
5 was the issue of options. They were renting  
6 options as part of this contract, and so I saw  
7 that as a real tremendous upside for me and my  
8 company for helping to grow the FIC group of  
9 companies. I saw on the balance sheet there were  
10 a lot of assets that were not yet at their full  
11 value, particularly the real estate, but also some  
12 of the stocks, bonds and so forth. So I saw that  
13 as an opportunity to get in at a point where there  
14 would be really good growth beyond that, and that  
15 the options would become very worthwhile.  
16 21 Q Did you learn more about the company's financial  
17 status after joining the company?

18 A Yes, I learned lots more about the financial  
19 status of the company thereafter.  
20 22 Q What kind of documents would you have reviewed or  
21 who did you speak to gain that understanding?  
22 A I was spoken with Mr. Woods in terms of the  
23 accounting information, I would have reviewed more  
24 of the financial statements. There were, you  
25 know, substantial number of financial statements

13

1 to review. I would have reviewed the company's  
2 cash flow forecasts, and reviewed again what the  
3 plans were for the particularly the real estate  
4 assets.  
5 23 Q What effect if any did that review have on the  
6 opinion you had on the group of companies before  
7 you joined it?  
8 A I still held the same opinion that there was a  
9 real tremendous upside potential here.  
10 24 Q Can you explain in more detail what you mean by  
11 upside potential?  
12 A Well, for example, all of the real estate on the  
13 balance sheet was at cost, and of course as a  
14 developer what you want to do that is develop that

15 and get the retail prices for that, so you're  
16 going to have a fairly significant increase in  
17 value as you begin to sell off some of the  
18 properties that were either already developed or  
19 were under development. So I saw that he had an  
20 asseted cost that had potential to be worth  
21 substantially more once the process of taking that  
22 either through the development process or the sale  
23 of already existing lots would take place.

24 25 Q Did you have any thoughts at the time of where the  
25 company's potential sources of revenues were?

14

1 A We actually went through that as a management  
2 group. We looked at all of the potential inflows,  
3 and what some of the outflows would be as well.  
4 There were a number of potential inflows of  
5 capital and inflows of cash that were identified.

6 26 Q Can you identify those potential inflows?

7 A They had some significant commissions owing to  
8 them from the sale of foreclosed homes in the  
9 United States, somewhere in the neighbourhood of a  
10 million dollars for one. They were actively  
11 selling a product called Invest Tools, and I think

12 the forecast was somewhere in the 13 to 15,000 a  
13 month there. They were still actively selling  
14 memberships in the FIC group, and that looked like  
15 it might be about a \$25,000 a month inflow of  
16 capital. So those are some of the major areas.

17 27 Q Was there any discussion at that meeting where  
18 you, the management and yourself discussed cash  
19 flow, was there any discussion of the Alberta real  
20 estate?

21 A One of the areas that was also anticipated was  
22 that some of the ready to sell assets, the real  
23 estate assets, would also be sold. These were  
24 lots that were accumulated particularly in Calmar,  
25 Willow Park and part of Genesis, the phase 1 of

15

1 Genesis. So they had those available and could be  
2 selling those as well.

3 28 Q Can we please go to BCSC 196. Mr. Baker, this  
4 appears to be an affidavit you filed in the  
5 Alberta courts. Do you recognize this document?

6 A Yes.

7 29 Q Can we please go to page 4. Mr. Baker, you'll see  
8 there under item number 6 titled Gentech lien.

9 I'll give you a chance to read that paragraph.

10 A Okay. I've read it.

11 30 Q Can you explain what you were talking about in

12 that paragraph?

13 A Yes, the general contractor, a company named

14 Gentech out of Abbotsford was claiming an amount

15 that was in dispute, it was for work done that was

16 not authorized, and they had filed liens on the

17 property that Genesis on the lakes property, this

18 is one of the major developments of the company in

19 the Edmonton area of Alberta, and so this was

20 always an impediment and sore point with the TD

21 Bank, they didn't like the fact that there were

22 liens on the property, even though the TD Bank was

23 in first position on the full property.

24 31 Q And so to your knowledge you have here in the

25 first line it says in May 2009 it became apparent

16

1 that the general contractor Gentech would not be

2 finishing the critical service work needed to

3 complete phase 1A and B. Do you know if Gentech

4 was working on the project prior to May of 2009?

5 A Yes, they were, and I was working with them to try



6 and complete phase 1A and B, so that the lots that  
7 were designated could be sold off. Gentech, you  
8 know it was disputing the fact that they were  
9 owed, you know, the sizeable amount of work for  
10 work that was not authorized, and ultimately they  
11 withdraw their contract services.

12 32 Q There's a reference to critical work, do you know  
13 what work remained outstanding?

14 A The shell services in the development had not yet  
15 been completed, and by that I mean the cable, the  
16 telephone and running the electricity, sidewalks  
17 and those sorts of things. Things that were  
18 needed in order to allow a builder to build a home  
19 and have somebody occupy it. And Genesis on the  
20 lakes was really designed for sale to builders,  
21 they would buy up five or ten lots at a time and  
22 they would build a home and sell to an end user or  
23 homeowner.

24 33 Q Now, it appears that at least as of May of 2008  
25 that work wasn't completed, but do you know if the

1 phase 1A/1B projects or lots on Genesis were  
2 available for sale?

3 A Yes, they were available for sale. Did you say  
4 May 2008 or 2009?  
5 34 Q May 2009?  
6 A They were available for sale, in fact Genesis had  
7 taken deposits from a number of parties to wrap up  
8 some of those lots, they sold a number of them  
9 already to builders, developers.  
10 35 Q All right. Now, I'd like to take you to this  
11 table we were discussing earlier.  
12 A Can I get my reading glasses?  
13 36 Q Yes. Now, Mr. Baker, do you recognize this  
14 document?  
15 A Yes, I do.  
16 37 Q Can you describe it for us?  
17 A This is a printout of the general ledger account  
18 for the HSBC bank account or FIC Management group,  
19 to which I've attached on the right-hand side,  
20 three, four, five columns by way of explaining or  
21 categorizing out certain of the payments.  
22 38 Q Okay. And when did you prepare this document?  
23 A The final preparation of this, of course, occurred  
24 this morning as has already been pointed out.  
25 This was -- this was sent a couple of days ago and

1 now revised.

2 39 Q Can you explain to me what -- what the source of

3 the information is for the quick book entries or

4 quick book part of the spreadsheet?

5 A The source would have been the bank account

6 information. This is a printout of the actual

7 cheques and deposits into that bank account.

8 40 Q Okay. Can we please mark this as an exhibit?

9 THE CHAIR: 497.

10 MR. AHMED:

11 41 Q Now, Mr. Baker, this spreadsheet on the most far

12 right column says funds received from F O R?

13 A Yes.

14 42 Q That's FIC foreclosure fund?

15 A That is correct.

16 43 Q What is the total amount received from FIC

17 foreclosure fund?

18 A That is shown on page 17 at the far right, a

19 million forty-nine nine thirty.

20 44 Q And the last payments received from FIC

21 Foreclosure Fund, I believe that can be found on

22 page 12; is that right?

23 A Yes, at the bottom of the page dated 10/31/08 for

24 99,990.

25 45 Q And just for the panel's benefit, that amount of

1 99,990 does not appear on this line of the  
2 spreadsheet. And Mr. Baker, the first payment for  
3 foreclosure fund, where can I find those?

4 A Those occur in May.

5 46 Q I believe they're on the first page?

6 A Yeah, right at the top. May 31st is the date of  
7 the entry, and the transactions occurred from May  
8 8th through to the May 20th.

9 47 Q May 29th?

10 A 29th, correct.

11 48 Q And you have another column here. The first  
12 column is called mortgage payments?

13 A Yes, that's correct.

14 49 Q Can you explain what that is?

15 A At the time the FIC group of companies had -- in  
16 addition to the TD Bank they had two other  
17 mortgage companies involved. One was Imor Capital  
18 and another was Liberty Mortgage Services.

19 50 Q So if we look, for example, on the first page  
20 there's an amount of -- in that column an amount  
21 of \$46,666?

22 A Yes, these were the interest payments on the  
23 mortgage amount, the monthly interest payments  
24 that were being paid.

25 51 Q And further down for Liberty Mortgage Services

20

1 there's additional 112,000 or so?

2 A Yeah, 111,750.

3 52 Q And you tracked all of those mortgage payments

4 throughout this spreadsheet?

5 A Yes. So you'll see a number of those on regular

6 basis of both of those amounts.

7 53 Q And what's the total of those amounts?

8 A On page 17, 998,824.99.

9 54 Q Okay. Let's go to the next column over, it says

10 other real estate related?

11 A Yes.

12 55 Q What do you mean by that?

13 A Payments that were made on behalf of other FIC

14 companies which were related to various real

15 estate transactions.

16 56 Q So the first entry in that column seems to me to

17 be on page 4?

18 A Yes, a hundred thousand dollars.

19 57 Q It says there fast track to cash flow July 14,

20 2008, \$100,000?

21 A Yes.

22 58 Q What was that amount for?

23 A That was a marketing fee paid to the company who

24 organized tours and potential sales of Calmar

25 lots. Calmar being a large project of ready to

21

1 sell lots that was owned by some of the FIC

2 companies.

3 59 Q When you say tours, you mean tours of the lots?

4 A People would come into town and they would be

5 taken on a tour of the project and briefed on the

6 project.

7 60 Q Now, if we go to --

8 A With the intent obviously of selling some of those

9 properties to the tour participants.

10 61 Q Yes. Now, if we go to page 5 there's a series of

11 numbers in that other real estate expenses column,

12 and they appear to be a number of refunds on

13 Calmar. Can you tell me what that is?

14 A All of these people had provided deposits for

15 purchases of lots, and unfortunately the way in

16 which those lots had been sold would not allow

17 those transactions to proceed and therefore FIC

18 Management refunded all of the monies to each of

19           these parties.

20   62   Q   Okay. And so what's the total on page 17 for

21           other real estate related expenses?

22       A   The total is \$209,270.04.

23   63   Q   Okay. We've got another -- let's move on to the

24           next column, it says payments to Earle P. Is that

25           for Mr. Pasquill?

22

1       A   Yes.

2   64   Q   Now, we've got one item here on the first page in

3           the amount of \$500?

4       A   That looks like it was an expense amount that was

5           paid out to Mr. Pasquill.

6   65   Q   Yeah. Now, I have noticed, Mr. Baker, aside from

7           that \$500 entry there are a number of smaller

8           amounts that appear to have been paid to Mr.

9           Pasquill with either the notation or expenses or

10          no notation at all, but they're all relatively

11          smaller amounts?

12       A   Right. And the notation in the far left indicates

13          what type of a payment it was, and these payments

14          are pay cheques essentially, salary payment. So

15          those weren't included in the column under

16 payments to Earle P.

17 66 Q So under the column -- just so we're all clear,

18 under the column of payments to Earle P you only

19 -- except for this \$500 amount on the first page

20 you only captured the larger amounts paid?

21 A Yes, that's correct.

22 67 Q It seems in fact to be just one amount on page 13?

23 A Yes, I see that.

24 68 Q And it says in the name field or in the name field

25 it says Earle Pasquill expenses it says November

23

1 14, 2008, and it's an amount -- it appears to be

2 an amount paid of \$242,000?

3 A Yes.

4 69 Q Have you reviewed the corporate records with

5 respect to that amount?

6 A Yes, I have.

7 70 Q And are you able to say what that amount was for?

8 A Yes, I can tell you what it is for. First of all

9 the description of expenses is inaccurate. It

10 wasn't actually for expenses. This was a payment

11 to Mr. Pasquill for the sale of two properties

12 that he purchased personally in Calmar. So he



13 purchased the properties, and they got sold, the  
14 monies then went to the lawyer in Edmonton and got  
15 co-mingled with all of the other lot sales that  
16 were in Calmar, so that ultimately Mr. Pasquill's  
17 specific amount was a little lost in the  
18 co-mingling. The funds were actually owed to Mr.  
19 Pasquill by Calmar Lakeside developments, but they  
20 were paid out from FIC Management group on behalf  
21 of Calmar Lakeside developments. So this is  
22 actually a real estate transaction he entered into  
23 personally, and these are the proceeds from the  
24 sale of those lots that he had purchased  
25 personally.

24

1 71 Q And we see the total there for Mr. Pasquill on

2 page 17 is \$242,500?

3 A Correct.

4 72 Q So that's the total of payments received by Mr.

5 Pasquill --

6 A Other than salary, that is correct.

7 73 Q Other than salary and some expenses?

8 A Yes.

9 74 Q Let's move on to the next column, and that's

10 payments to a numbered company 07498885 BC  
11 limited. Do you know what that company is?  
12 A My understanding is it's a personal holding  
13 company for Mr. Lathigee.  
14 75 Q And if we go to page 4, I think that's the first  
15 entry in that column, it's an amount of \$78,750?  
16 A Yes.  
17 76 Q And in the memo field, and this is July 10, 2008,  
18 and in the memo field it says commission on Mohawk  
19 home sales?  
20 A Yes.  
21 77 Q Can you explain what that is?  
22 A During this period of time there was a program of  
23 sales of foreclosure homes in the United States  
24 that were being offered at various events and  
25 meetings that were being put on by FIC Management,

25

1 and Mr. Lathigee through his company had a  
2 commission agreement such that if homes were sold  
3 there would be a commission paid. So these are  
4 commission payments based on performance based on  
5 sales.  
6 78 Q Now, on page 8, it's August 29, 2008, it's again

7 the numbered company is -- this might be actually  
8 another numbered company, it says 0779243 BC  
9 limited?  
10 A Why he.  
11 79 Q And in the memo field it says commissions to ten  
12 homes?  
13 A Yes.  
14 80 Q Do you know what that was?  
15 A Same kind of an arrangement wherein there was a  
16 payment, a commission payment made for homes sold,  
17 and this was another of Mr. Lathigee's holding  
18 companies.  
19 81 Q Okay. And on page 10?  
20 A Yes.  
21 82 Q October 1st, 2008, a \$6,300 payment to 07498885 BC  
22 limited?  
23 A Right.  
24 83 Q Did you know what that payment was?  
25 A No, actually I don't know what that one was for.

1 84 Q Okay. But that's Mr. Lathigee's holding company?  
2 A Yes.  
3 85 Q Okay. And then on page 12, October 21st, 2008,

4           there's a payment of \$10,000, and in this case Mr.

5           Lathigee is identified directly?

6           A   Yes.

7   86   Q   Do you know what that payment was for?

8           A   I don't know what the specific reason was for that

9           \$10,000 payment.

10   87   Q   And then the total on page 17 for that column is

11           \$105,550?

12           A   Yes.

13   88   Q   Now, Mr. Baker, you've already identified funds

14           coming into this bank account from the foreclosure

15           fund?

16           A   Yes.

17   89   Q   Were there any other sources of deposits into this

18           account?

19           A   Yes, there were a number of other sources.

20   90   Q   And that's reflected in this spreadsheet?

21           A   It's not in a specific column, but it is in the

22           spreadsheet, yes.

23   91   Q   Okay. Now, Mr. Baker, you can put that document

24           away, I don't have any further questions on it for

25           you.

1 A Okay.

2 92 Q Were you -- were you the CFO for the FIC group of  
3 companies in 2009?

4 A Yes, I was.

5 93 Q And you are then obviously aware that at some  
6 point in 2009 FIC was facing receivership  
7 application?

8 A In late 2009, yes.

9 94 Q Can you explain to us what in your view led to  
10 that receivership?

11 A The group was put into receivership by the TD Bank  
12 despite the fact that all the payments, monthly  
13 payments on interest were made, nevertheless the  
14 bank became uncomfortable with their loan. Some  
15 of the pre-sales that had occurred in the Genesis  
16 project had dissipated, people had walked away  
17 from their deposits because of the state of the  
18 Edmonton real estate market at that time, so this  
19 was a result of an unprecedented real estate crash  
20 in the Alberta market combined with a much, much  
21 tighter credit by banks and lending institutions  
22 as a result of the credit crisis that was ongoing  
23 in the United States and now had crept into  
24 Canada. So really you had a perfect storm of  
25 crashing real estate prices and people who would

1       like to buy properties not even being able to get  
2       the credit and the money they needed in order to  
3       accomplish those sales. So the bank felt  
4       uncomfortable. They had a lot of -- they had more  
5       than enough security, they had two to three times  
6       security as they really needed. Their payments  
7       were up to date nevertheless they decided they  
8       wanted out of the loan and they had the right  
9       under the agreements to call in a receiver. We  
10      had continually asked them if they wouldn't simply  
11      agree to give us time to take out the loan with a  
12      new lender and we had a couple of lenders that we  
13      were work actively working with and in fact around  
14      Christmas of 2009 we had one offer, it was low, we  
15      didn't -- you know, it was low and we were working  
16      with that lender. And we had another one that was  
17      going through due diligence. However, on January  
18      the 10th, 2010 the TD Bank decided they weren't  
19      going to wait any longer, they'd rather build  
20      their receivership route and they went to the  
21      courts and they got a receiver appointed.

22   95   Q   Now, you made reference to an unprecedented real  
23       estate crash?

24       A   Yeah.

25   96   Q   You were referring to Alberta I assume?

1 A Yes. As it occurs it happened in many, many  
2 markets, but certainly in Alberta.

3 97 Q Now, with respect to Alberta when in your view did  
4 that happen?

5 A We started to become aware of the reduction,  
6 significant reduction in the real estate market  
7 there after the snows left. You don't sell a lot  
8 of real estate in Alberta, you know, during the  
9 wintertime when you can't see the land it's under  
10 six feet of snow. So in the May, June time frame  
11 it became apparent prices were coming down and for  
12 raw land, developable raw land it was coming down  
13 significantly, you know, in the order of 50  
14 percent.

15 98 Q What year, you said May, June, what year were you  
16 referring to?

17 A 2009.

18 99 Q Okay. And when you joined FIC in late October or  
19 November 2008 what were your views about Alberta  
20 real estate at the time?

21 A Alberta real estate had been unbelievably hot and  
22 very, very buoyant, pretty solid because it is the

23 oil patch, and oil prices continued to stay high,  
24 so we thought there'd be a blip maybe, but we were  
25 still very confident that people would be buying

30

1 homes, buying lots and that the real estate would  
2 be developed and sold.  
3 100 Q Okay. You just said we. Who are you referring?  
4 A FIC, the FIC group.  
5 101 Q Does that include management of the FIC group?  
6 A Yes.  
7 102 Q So would you have had actual conversations along  
8 those lines with Mr. Pasquill and Mr. Lathigee?  
9 A Yes, on a continuing basis we were always  
10 reviewing the options for increasing value of the  
11 real estate holdings.  
12 103 Q Now, you also earlier in addition to an  
13 unprecedented real estate crunch or crash, rather,  
14 you referred to a credit crunch or tightening of  
15 financing?  
16 A Yes.  
17 104 Q When did you become aware of that?  
18 A We had been looking into replacing the TD loan in  
19 any event, and certainly traditional financial



20 institutions just didn't seem to be very  
21 interested in funding development -- developmental  
22 land, so we did come to the conclusion that  
23 instead of going to a chartered bank or trust  
24 company where there was very little appetite for  
25 that type of a loan that we would have to be

31

1 dealing with mortgage investment companies and  
2 alternative sources of lending, so that really  
3 happened in the summer and into the fall of 2009.  
4 105 Q And when you joined the FIC group in late October  
5 or November 2008 what were your thoughts about  
6 availability of financing for FIC's Alberta  
7 projects?  
8 A I thought given the amount of security that they  
9 had and the health of the general group of FIC  
10 companies that lenders would look upon that as  
11 being -- you know, a very viable type of loan that  
12 they would do.  
13 106 Q Do you know if that view was shared by anyone else  
14 at FIC?  
15 A I think everyone shared that view, that the  
16 company was solid, had good assets and was

17 financeable.

18 107 Q Did you have conversations along those lines with

19 Mr. Pasquill and Mr. Lathigee?

20 A Probably on a continuing basis we would be

21 reviewing options.

22 MR. AHMED: Okay. Thank you, Mr. Baker, those are all my

23 questions for you.

24 THE WITNESS: Okay.

25 THE CHAIR: All right. And we're adjourned for tomorrow at ten

32

1 o'clock.

2 MR. CHAPMAN: Thank you.

3 THE CHAIR: Yes, Mr. Anderson.

4 MR. ANDERSON: I can tell you that I looked at my calendar, I

5 thought I could probably do October 31st or

6 November 1st, although it would be pretty tight,

7 but I think it would be dependent on getting, and

8 I don't know if this is doable for Mr. Chapman,

9 getting his submission by the 4th of October,

10 because we got the week after that where Mr. Ahmed

11 and I have some time where we could get to it, but

12 then we have a trial right after that, other

13 commitments.

14 THE CHAIR: Do you want to think about that over night, Mr.  
15 Chapman, or do you have an answer now?  
16 MR. CHAPMAN: No, my friend and I discussed this at the  
17 beginning and I'll speak to that tomorrow. I'll  
18 probably need a bit more time than that. I also  
19 have other submissions due next Monday on another  
20 matter. Yeah, if we could address that tomorrow  
21 that would be great.  
22 MR. ANDERSON: I do as well, we looked at this, I know it's not  
23 your preference but I think starting December the  
24 5th, my memory serves me right Mr. Ahmed and I are  
25 basically available right up to the 20th. I'm

33

1 just telling you that.  
2 THE CHAIR: Okay.  
3 MR. ANDERSON: You may already be in Maui by then.  
4 THE CHAIR: I wish.  
5 MR. ANDERSON: I'm kidding, I'm kidding.  
6 THE CHAIR: On that note we'll see you tomorrow.  
7 (PROCEEDINGS ADJOURNED AT 11:02 A.M.)  
8  
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# EXHIBIT 12

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

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September 24th, 2013 - 10:00 a.m.

1  
2 THE CHAIR: Good morning.  
3 MR. CHAPMAN: Good morning. If I could ask Mr. Baker be  
4 recalled to the stand.  
5 THE CHAIR: You're still under oath, Mr. Baker.  
6 THE WITNESS: Yes.  
7 CONTINUED CROSS-EXAMINATION BY MR. CHAPMAN:  
8 Q Mr. Baker, I think your evidence was that you  
9 started at FIC sometime in approximately late  
10 October of 2008?  
11 A Yes.  
12 Q Okay. If the hearing officer can please bring up  
13 Exhibit 247. And if the hearing officer can please  
14 scroll down a little bit to the about the of the  
15 page. Mr. Baker, you recognize this e-mail being  
16 from yourself of November 14th, 2008, and this is  
17 to Mr. Pasquill, Mr. McKechnie, and the chairman  
18 being Mr. Lathigee?  
19 A Yes, uh-huh.  
20 Q And the subject line is Minutes of Executive  
21 Committee Meeting, and when you scroll down a  
22 little bit, the heading is minutes of executive  
23 committee meeting held in FIC boardroom on February  
24 14, 2008 at ten thirty. Would you agree that's  
25 probably a typo and that should refer to November

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14th, 2008?

1  
2 A Yes, that does appear to be a typo, Mr. Chapman.  
3 Q That's because you weren't employed by FIC in  
4 February of 2008?  
5 A Correct.  
6 Q Okay. The second paragraph -- these are your  
7 minutes from the meeting, is that my understanding;  
8 is that correct?  
9 A The second paragraph?  
10 Q Sorry, these are your minutes from the executive  
11 meeting?  
12 A This would appear to be my e-mail from the  
13 executive meeting.  
14 Q Okay. Can you just read the second paragraph  
15 that's numbered 2, and perhaps just read it to  
16 yourself if you'd like. It's lengthier, just --  
17 I'm not sure when you last read this paragraph,  
18 but.  
19 A Okay. I've read it, Mr. Chapman.  
20 Q Okay. And I'm just going to read then the third  
21 line from the bottom where it starts:  
22 "Nevertheless the goal is to ensure that each fund  
23 is managed as if it was a single entity (like a  
24 silo) and to ensure that when and if loans or  
25 guarantees are provided, that they are fully

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documented including a list of benefits for the  
funds involved." Do you see that?

1  
2 A I do see that.  
3 Q Can you perhaps just paraphrase for the benefit of  
4 the panel what you were -- what this issue that you  
5 identified here, what you're talking about, what  
6 are you -- what does this refer to?  
7  
8 A This refers to the fact that there were a number of

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

9 intercompany transactions, and although they were  
10 documented, they were becoming very complicated.  
11 And we discussed the goal of attempting to  
12 completely separate all of the companies into their  
13 individual entities so that it would be a little  
14 easier to be able to follow, and to understand each  
15 of the individual companies.

16 Q Now, when you indicate that the goal is to ensure  
17 that each fund is managed as if it was a single  
18 entity, based on your review of what had happened  
19 up to that point, was that not the case?

20 A would you repeat the question, please? I wasn't  
21 quite sure what you were getting at.

22 Q Sure. When you were indicating here that the goal  
23 is ensure that each fund is managed as if it was a  
24 single entity, like a silo, was your -- when you  
25 came on as CFO, was it your impression that that

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1 wasn't being the case up to that point in time?

2 A Not that it wasn't being the case. I mean, the  
3 entities were being managed individually, but there  
4 was also a holistic approach as well, the objective  
5 being that it would benefit all of the members of  
6 all of the clubs. When I say "clubs", I mean each  
7 of the companies.

8 Q If the hearing officer can please bring up Exhibit  
9 352, and if the hearing officer can please scroll  
10 down to the bottom of the page here, this is  
11 Mr. Baker, an e-mail from yourself December 2nd,  
12 2008, to the chairman, Mr. Lathigee, and to  
13 Mr. McKechnie and Mr. Pasquill. The subject is  
14 areas of concern. Do you see that e-mail in front  
15 of you?

16 A There are two e-mails. Am I looking at the one at  
17 the bottom or --

18 Q Yes, and I will ask in a few seconds that the  
19 hearing officer go to the second page, but the one  
20 that starts at the bottom of page 1, the one that  
21 says it's at 3:40 p.m.; do you see that?

22 A Yes, I do see that.

23 Q Okay. And this is your e-mail, you're the author  
24 of this e-mail?

25 A It is from Bill Baker, that's correct.

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1 Q You're Bill Baker?

2 A Yes. I haven't read it yet so I don't know the  
3 content.

4 Q I will just ask if you could please read the first  
5 2 paragraphs that appear at the bottom of this  
6 page, and then when you're ready I'll ask if you  
7 could just ask the hearing officer to turn to page  
8 2 to read the paragraph at the top of the next  
9 page. Maybe if you can just stop when you finish  
10 reading the paragraph at the top of the page, the  
11 first paragraph.

12 A And the question is?

13 Q Okay, you've read now that --

14 A I've read that.

15 Q Now, this, you'll recall, is an e-mail the subject  
16 line was areas of concern. Can you paraphrase for  
17 the benefit of the panel that first paragraph that

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

18 started on the first page and continued on to the  
19 top of the second page, what was the gist of what  
20 the concern was?  
21 A The area of concern was that I did not see in the  
22 records the documentation that would have  
23 accompanied each of the investment decisions, and I  
24 was looking to have the executive committee be a  
25 little more formal in the structure and in the way

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2 in which transactions got documented.  
3 Q So are you referring to then why a particular  
4 company or fund made an investment in the fashion  
5 that it did, or is that an example of what you were  
6 talking about, where that wasn't documented to show  
7 if that was a beneficial investment for --  
8 A I'm not suggesting that it wasn't documented, I was  
9 looking for better documentation. We're always  
10 looking to improve our processes.  
11 Q What was lacking then in the documentation that you  
12 saw that you felt had to be improved?  
13 A Not having read the rest of it, I may have  
14 explained that already in the document. Do I have  
15 an opportunity to go through --  
16 Q Yes, certainly. And I'm going to ask you to read  
17 the next paragraph to yourself as well. I have  
18 some questions about the next paragraph that  
19 starting with "each fund"?  
20 MR. AHMED: Maybe he should just read the entire e-mail  
21 if it's going to be put to him.  
22 MR. CHAPMAN: Certainly, I have no objection to that.  
23 THE CHAIR: Just take the time to read the e-mail, and  
24 then we'll be set.  
25 THE WITNESS: Thank you. Okay, I've had a chance to  
quickly review that e-mail.

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2 MR. CHAPMAN:  
3 Q Okay thank you. If the hearing officer can please  
4 go back to page 2. In the second paragraph from  
5 the top, "Each fund has a different mix of  
6 shareholders and needs to be treated as a stand  
7 alone pool of capital (a silo) to be invested for  
8 the benefit of the shareholders." What was your  
9 understanding, or sorry, you understood that each  
10 of the funds had separate investment guidelines?  
11 A Yes.  
12 Q Okay. So what was your area of concern that you  
13 were identifying in this paragraph?  
14 A The specific area of concern was to ensure that  
15 each of the funds would be treated as an individual  
16 fund, and I'm not suggesting it wasn't being done.  
17 This whole e-mail was a process and procedure  
18 suggestion to the investment committee. So it  
19 wasn't referring to, you know, this is wrong, and  
20 we need to fix it. It's, here is a guideline that  
21 I think we should establish, it may be that we're  
22 already following many of these guidelines, but I  
23 would like to become more formal in providing those  
24 guidelines. So this was just a blueprint for  
25 something going forward.  
Q Is it fair to say that based on your review of

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2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

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1 FIC's financial documents when you came on as CFO  
 2 that in reality, the FIC group of companies were  
 3 run as one big fund?  
 4 A I wouldn't say that, no.  
 5 Q If the hearing officer can please go to Exhibit  
 6 182. Mr. Baker, this is a transcript of an FIC  
 7 Management update video that took place on January  
 8 20th, 2009, I'm not sure if you recall being  
 9 involved in this or not?  
 10 A I don't specifically recall being involved in it,  
 11 no.  
 12 Q Okay. If the hearing officer can please go to page  
 13 24. You will see on line 12, "Mr. Baker, welcome,  
 14 my name is Bill Baker, I'm the chief financial  
 15 officer of the FIC group of companies and today I  
 16 will be -- on the FIC family of funds". Do you see  
 17 that there?  
 18 A I do.  
 19 Q You will agree that you were involved in this video  
 20 update, does this help refresh your memory?  
 21 A Yes.  
 22 Q Okay. Can you read the paragraph that starts at  
 23 line 20, to line 26 at the above the page?  
 24 A So you want me to read from line 20 to line 26; is  
 25 that correct?

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1 Q Yes, can you read that out loud, please?  
 2 A "These funds are all operated under the direction  
 3 of FIC Management, and while many of the funds have  
 4 investments in common, or intercompany loans,  
 5 receivables or payables they are in fact all  
 6 different funds owned by different shareholders,  
 7 and therefore really they can't be considered as  
 8 one large fund."  
 9 Q Why were you telling members on January 20th, 2009,  
 10 that the FIC group of companies can't be considered  
 11 as one large fund?  
 12 A Many of the members were shareholders in multiple  
 13 funds, and I had heard comments from the members,  
 14 particularly those who had a number of investments  
 15 in each of the funds, that they really saw  
 16 themselves as being part of a larger FIC group of  
 17 companies. And I wanted, simply wanted to remind  
 18 the members, the shareholders, that in fact, each  
 19 of these funds was different, and that it wasn't  
 20 just one large fund.  
 21 Q If the hearing officer can please go to Exhibit  
 22 497. This is the general ledger for the FIC  
 23 Management group bank account at HSBC. Do you see  
 24 this document in front of yourself?  
 25 A I do.

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1 Q Now, if you can explain, why did you prepare this  
 2 document?  
 3 A At the request of Mr. Pasquill, I had the document  
 4 prepared in order to demonstrate what happened in  
 5 the FIC bank account during the period of time from  
 6 I believe it was April 1st through to the end of  
 7 the year, of December 2008.  
 8 Q Okay. So according to my review of this document,

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

9 it starts the first entries are on May 31st, 2008,  
10 at the top of page 1?  
11 A Correct.  
12 Q And if the hearing officer could please go to page  
13 17, and perhaps if you could, if the hearing  
14 officer can maybe just zoom in a little bit. The  
15 last entry is December 31st, 2008, do you see that?  
16 A I do.  
17 Q Was there any magic in stopping it at that point in  
18 time as opposed to going further --  
19 A It was -- no, it was just simply the end of that  
20 fiscal year for that company.  
21 Q Now, I've gone through this, I have had a chance to  
22 go through this document. I just want you to  
23 correct me if I'm wrong, but you have noted that  
24 there was roughly a million dollars that came into  
25 the FIC Management account from the FIC Foreclosure

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1 Fund over that period of time?  
2 A Yes.  
3 Q Okay. Now, in exchange for this roughly \$1  
4 millions for the FIC Foreclosure Fund that was  
5 deposited into this bank account, between March,  
6 sorry, May 31st and December 31, 2008, there was  
7 not a single interest payment made to FIC  
8 Foreclosure Fund for the use of that money anywhere  
9 in this document; does that sound correct?  
10 A That sounds correct.  
11 Q Okay.  
12 A Interest was typically accrued.  
13 Q As opposed to being paid?  
14 A Yes.  
15 Q Sorry --  
16 A Yes.  
17 Q Thank you. Now, if we can go back to, I'm sorry,  
18 we're still on Exhibit 497, page 1, one of the  
19 first items maybe about six lines down from the top  
20 you see a name, a reference to IMOR Capital?  
21 A I see that.  
22 Q June 2008, and the amount is \$46,666.67?  
23 A Yes, I see that.  
24 Q And this appears to be the first of several IMOR  
25 mortgage payments that was made by FIC Management?

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1 A Yes.  
2 Q Okay. If the hearing officer can please go to  
3 Exhibit 51, and we're on page 2. Mr. Baker, I'm  
4 not sure when you last saw this, but this is the  
5 FIC group of companies combined financial  
6 statements for the period ending March 31, 2008.  
7 Do you see this?  
8 A I see that, yes.  
9 Q If the hearing officer can please go to page 8, and  
10 scrolling down to about half-way down the page  
11 where there's a note, (b). Now, these are lines  
12 payable and you'll see, Mr. Baker, under note (b)  
13 the heading IMOR Capital Corp.?  
14 A I see that.  
15 Q And it says "On November 16, 2007, FIC Investments  
16 USA Corp. and IMOR Capital Corp. entered into a \$4  
17 million mortgage loan. The IMOR loan bears

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

18 interest the a the Royal Bank prime rate plus 7.75  
19 per cent per annum minimum of 14 per cent per  
20 annum. The interest is calculated and paid  
21 monthly." Do you see that?  
22 A I see that.  
23 Q So going -- when we go back, I'll take you back to  
24 your general ledger statement, FIC Management is  
25 paying the June mortgage payment that's owed by FIC

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1 Investments USA Corporation?  
2 A Yeah, that would appear to be the case.  
3 Q Do you know why FIC Investments USA Corporation was  
4 unable to pay its monthly mortgage payment owing to  
5 IMOR?  
6 A I don't know that it was it was unable to make it,  
7 so I can't comment.  
8 Q Do you know if this payment in June was the first  
9 payment that FIC Management corporation made on  
10 this mortgage for FIC Investments USA Corporation?  
11 A Actually without the records, I can't say that  
12 definitively.  
13 Q Okay.  
14 A It does indicate that it was a November 16th, 2007  
15 loan.  
16 Q And if the hearing officer can please turn to page  
17 4 -- I'm sorry, this is going back to Exhibit 497.  
18 And perhaps the hearing officer can just zoom in a  
19 little bit. I'm going to be looking at about six  
20 items from the top. Do you see this entry there,  
21 IMOR Capital corporation July 2008, \$46,000  
22 approximately?  
23 A Yes, I see that.  
24 Q So FIC Management paid the July mortgage payment as  
25 well for FIC Investments USA Corp.?

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1 A Yes.  
2 Q And if the hearing officer can go to page 6. This  
3 time I'm going to ask if the hearing officer can go  
4 to the very last entry at the bottom of the page,  
5 second last, I'm sorry. You will see on this  
6 second page -- I guess its the last on this page,  
7 FIC Management paid the August interest payment as  
8 well, IMOR Capital?  
9 A Yes, I see that.  
10 Q And if the hearing officer can go to page 8. And  
11 about two-thirds of the way down the page, if the  
12 hearing officer can scroll down a little bit  
13 further, I can't read the date -- oh, sorry, that's  
14 page 7. Go to page 8. You can see about  
15 two-thirds of the way down the page there,  
16 Mr. Baker, FIC Management made the IMOR Capital  
17 mortgage payment in September of 2008 as well?  
18 A Yes, I see that.  
19 Q And that's the one owing by FIC Investment USA  
20 Corporation?  
21 A That's correct.  
22 Q And if the hearing officer can go to page 10.  
23 About three-quarters of the way down the page  
24 there, now you'll see if you put the column on the  
25 right-hand side, \$46,000, you see that FIC

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2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

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1 Management made the October payment on that  
2 mortgage loan as well to IMOR Capital?  
3 A Yes.  
4 Q And if you can, you see that there's a line about  
5 four rows below that, and perhaps if the hearing  
6 officer can zoom in on that just so we can read  
7 that. And I'm looking at, it's -- the date is  
8 October 1, 2008, do you see where it says Instafund  
9 Financial?  
10 A Yes, I see that.  
11 Q Loan renewal fee, and the amount is approximately  
12 \$68,000?  
13 A Yes.  
14 Q You will recall that that would have been the  
15 mortgage loan renewal fee for the IMOR loan?  
16 A Yes.  
17 Q So FIC Management paid the renewal fee on behalf of  
18 FIC Investment Corporation USA at that point in  
19 time?  
20 A Yes.  
21 Q Again, any idea why FIC Investment Corporation USA  
22 was unable to pay that?  
23 A Again, I don't know if it was unable to pay that.  
24 This may have simply been an administratively  
25 easier way to do it.

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1 Q But you don't know?  
2 A I do not know.  
3 Q If the hearing officer can go back to page 1. A  
4 few lines, about maybe ten lines down from the top,  
5 similar to the other questions here, Mr. Baker, you  
6 see the Liberty Mortgage Service amount, there's an  
7 interest payment June 2008 of \$111,750?  
8 A Yes.  
9 Q So FIC Management made that mortgage payment?  
10 A Yes.  
11 Q Okay. If the hearing officer can please go back to  
12 Exhibit 51, page 8. And scrolling down, please, to  
13 the bottom of the page here, Mr. Baker, you'll  
14 recall these are the financial statements for the  
15 FIC group of companies as of March 31, 2008?  
16 A Yes.  
17 Q So under the heading (c), Liberty Mortgage Services  
18 Ltd., it says on March 7, 2008, an \$8.94 million  
19 mortgage loan was signed between Aspen Hills  
20 Development Ltd. and Liberty Mortgage Services Ltd.  
21 The loan bears interest at 15 per cent per annum  
22 calculated and payable monthly as a 12 month term  
23 and includes a \$357,000 broker fee. Do you see  
24 that there?  
25 A Yes.

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1 Q So when we go back again to Exhibit 497, which we  
2 will do in a second, the mortgage payment that FIC  
3 Management was paying was owed by Aspen Hills  
4 Development Ltd.?  
5 A On the face of it, that's correct.  
6 Q Do you know why, as of June 2008, Aspen Hills  
7 Development Ltd. was unable to make its mortgage  
8 payment?

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

9 A Again, I don't know that it was unable to make it.  
 10 However, I believe that there was an  
 11 administratively easier way to make the payment  
 12 through FIC Mortgage -- FIC Management.  
 13 Q And because your bank ledger printed out begins on  
 14 May 31, 2008, you can't tell me today whether or  
 15 not the June payment would have been the first  
 16 payment that FIC Management made on that mortgage?  
 17 A I don't have those records in front of me.  
 18 Q Okay. So then if we go to page 4, please, back to  
 19 Exhibit 497, Madam Hearing Officer, and page 4.  
 20 And you'll see at the top, towards the top of the  
 21 page you've made a note in the far right-hand  
 22 column that FIC Management paid the Liberty  
 23 mortgage payment for July 2008?  
 24 A I see that, yes.  
 25 Q And if the hearing officer can please go to page 7.

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 1 At the very top, towards the top of the page you  
 2 will see that FIC Management made again the August  
 3 mortgage payment on behalf of Aspen Hills  
 4 Development Ltd.?  
 5 A Yes, I see that.  
 6 Q And page 8, please. And looking about two-thirds  
 7 of the way down the page you'll see that FIC  
 8 Management made the September 2008 mortgage payment  
 9 on behalf of Aspen Hills Development Ltd.?  
 10 A Yes, I see that as well.  
 11 Q And page 10, please. And if the hearing officer  
 12 can scroll down towards the bottom of the page,  
 13 you'll see roughly eight lines up from the bottom  
 14 FIC Management made the October mortgage payment on  
 15 that loan for, that was owing by Aspen Hills  
 16 Development Ltd.?  
 17 A I see that as well.  
 18 Q If the hearing officer can go back to page 5,  
 19 please. On this page, there are a slew of refunds  
 20 to people for the Calmar, their Calmar deposits?  
 21 A Yes.  
 22 Q I wasn't exactly clear, when you were explaining in  
 23 your direct evidence, what the actual problems was  
 24 with that development that required all these  
 25 people to be refunded their deposit?

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 1 A Okay. I was not there at the time, but my  
 2 understanding from speaking with other management  
 3 team members was that the sales process that was  
 4 going on with Calmar where individuals were  
 5 subscribing for a portion of a property as opposed  
 6 to the full property turned out to be both  
 7 administratively and potentially legally hazardous,  
 8 and therefore they decided ultimately that they  
 9 would cease and desist doing that particular  
 10 programme and refund all of the deposits.  
 11 Q To your knowledge, when you said "legally", to your  
 12 knowledge were they told that they had to refund  
 13 the money by someone else or some --  
 14 A Not that I know of.  
 15 Q Okay. If the hearing officer can please go to  
 16 Exhibit 250. Now, I'm just going to -- I'm not  
 17 sure when you last read this, there's an e-mail

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

18 from yourself March 30, 2009, to Earle Pasquill,  
19 Matthew McKechnie, Bonnie Zheng, and the subject  
20 line is loans from REP. But before I ask this, who  
21 is Bonnie Zheng?

22 A She was the accountant for the company.

23 Q The accountant. Can you maybe just refresh your  
24 memory from this e-mail, read the e-mail first and  
25 then I'll have a question for you.

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1 A Okay. I have read it.

2 Q And tell me, my understanding of what you're saying  
3 you can tell me if I'm wrong, and please correct  
4 me, but the gist of what I understand you're saying  
5 here is that these various intercompany loans were  
6 accrued at 12 per cent interest, however the  
7 promissory note holders for real estate projects  
8 were getting interest of 12 to 14 per cent  
9 interest, as a result they were paying out more  
10 than was being recorded on the books in return?

11 A Potentially, not all of them were 14, not all of  
12 them were at 12.

13 Q And that's why you were saying that this wasn't a  
14 reasonable deal for real estate projects?

15 A Yes.

16 Q And you were recommending that those agreements be  
17 amended?

18 A Yes, the agreements for the intercompany loan  
19 agreements.

20 Q And that's by jacking up the interest rate to 15  
21 per cent?

22 A Yes.

23 Q Do you know if that ever took place?

24 A Not to my knowledge.

25 Q Let's go back to the management update video if we

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1 could, and that's Exhibit 182, I believe, and page  
2 25. If the hearing officer, you'll note,  
3 Mr. Baker, at lines 4 through 6 you were giving an  
4 update on the foreclosure fund?

5 A Yes.

6 Q And you say, and this is just to refresh your  
7 memory, this is January 20th, 2009, starting at  
8 line, on line 10, the last word, the companies, and  
9 this is FIC, the foreclosure fund, the company's  
10 largest asset is an investment in loans to related  
11 parties; do you see that there?

12 A Uh-huh.

13 Q So that FIC Foreclosure Fund, that was their  
14 largest asset by January of 2009?

15 A Yes.

16 Q If the hearing officer can please go to page 26.  
17 If you can just first of all refresh your memory,  
18 read lines 4 to 10 just to yourself.

19 A I've read 4 to 10.

20 Q Okay. You are obviously referring here, when you  
21 say the company, FIC Foreclosure, has purchased 100  
22 foreclosure fund the US, this is for the bulk  
23 purchase agreement entered into with Mohawk  
24 properties back in May of 2008?

25 A Yes.

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2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

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- 1 Q Okay. And so if I understand what you're saying  
2 here, that was entered into in May of 2008, and  
3 you're saying -- starting at line 7, and "over the  
4 course of 2009 we expect to complete the purchase  
5 and sale of all 100 homes, resulting in a stream of  
6 payments into the fund." So those properties still  
7 were in the process of being transferred to FIC  
8 Foreclosure?  
9 A Yes, that's correct.  
10 Q And at lines 11 to 13, going forward, "we expect to  
11 be in a position in 2010 and '11 to begin selling  
12 the mortgages and receiving our gains on these  
13 transactions." Do you see that there?  
14 A I see that.  
15 Q So as of January 2009, the people who invested in  
16 FIC Foreclosure Fund where these 100 homes are  
17 purchased, you were anticipating that those gains  
18 on that investment would be realized in 2010 and  
19 2011?  
20 A Yes.  
21 Q If the hearing officer can please go to Exhibit  
22 248, and to the bottom of the page. Mr. Baker,  
23 you've indicated that Bonnie Zheng was the  
24 accountant at FIC?  
25 A Yes.

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- 1 Q And this e-mail to you on January 30th, 2009, and I  
2 would ask the hearing officer to go to page 2, and  
3 can you just read that, can you read this e-mail  
4 out loud, please?  
5 A Okay. "Investment in Mohawk foreclosure houses,  
6 the agreement is signed for 1.4 M, and we paid for  
7 1.4 M. But as per Graham, we recorded 1.5 in the  
8 in the book as investment, the difference of a  
9 hundred thousand was credited as accrued  
10 liabilities. He mentioned that it should be  
11 recognized as our revenue at some point because  
12 this is the fees that Mohawk agreed we deducted for  
13 the work FIC had done here. I don't have any thing  
14 to support it and don't know if we should do so.  
15 Do you know anything about this story? Please  
16 advice."  
17 Q And if the hearing officer can go to page 1, and to  
18 the bottom of the page, can you just read out loud  
19 here your reply on January 30th, 2009, at 4:38  
20 p.m.?  
21 A "This might be 100 K due from foreclosure fund to  
22 FIC Management for negotiating the deal. We'll  
23 need an agreement or invoice or some backup."  
24 Q So just to stop you at this point, you'll agree  
25 that these e-mails indicate that there was

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- 1 potentially a \$100,000 fee going to FIC Management  
2 for negotiating this Mohawk bulk purchase agreement  
3 on behalf of FIC Foreclosure Fund?  
4 A I was speculating that this might be.  
5 Q Okay. If we go to the e-mail above this and  
6 perhaps read Ms. Zheng's response to you on 1107  
7 and I notice that she also, she's e-mailing Mr.  
8 Pasquill and copies you on the e-mail?

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

9 A Yes.  
 10 Q And if you can read that out loud?  
 11 A "Do you happen to know an agreement between FIC  
 12 Foreclosure Fund and FIC Management group regarding  
 13 to the 100 K on Mohawk homes."  
 14 Q And then just to the top of the page, if you could  
 15 read Mr. Pasquill's reply out loud?  
 16 A "I do not know why Graham set up the purchase this  
 17 way. Let's discuss."  
 18 Q Now, you obviously know that Graham, that Mr.  
 19 Pasquill is referring to is Graham Woods your  
 20 predecessor CFO?  
 21 A Yes.  
 22 Q Did you ever determine if FIC Management was paid  
 23 \$100,000 for negotiating the Mohawk deal on behalf  
 24 of FIC Foreclosure Fund?  
 25 A I can't recall.

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 1 Q Okay. I notice Mr. Pasquill says "Let's discuss".  
 2 You don't recall any discussions with Mr. Pasquill  
 3 around this time about what that number related to  
 4 and whether or not it was ever paid?  
 5 A I don't recall any of those specific discussions,  
 6 no.  
 7 Q Okay. If we can go back, please, to Exhibit 497.  
 8 This is your, the general ledger again, and page 4.  
 9 Mr. Baker, you discussed a bit of this in your  
 10 direct evidence, but if you can go down, if the  
 11 hearing officer can go towards the bottom of this  
 12 page, there's an item you'll see, July 10, 2008,  
 13 for a number company, 0749885 B.C. Ltd. commission  
 14 on Mohawk home sales, \$78,750, and you've put this  
 15 on the right in the column for Mr. Lathigee?  
 16 A Yes.  
 17 Q And I do have a question for you, will you just  
 18 bear with me. If the hearing officer can please go  
 19 to page 7 and four lines from the top there, August  
 20 1, 2008, 0749885 B.C. Ltd. Mohawk home sales  
 21 commission \$61,425. This is the fourth item from  
 22 the top?  
 23 A The type is very small, I'm just trying to --  
 24 Q If the hearing officer can please just zoom in on  
 25 that. It's --

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 1 A Oh, yes, I do see that now.  
 2 Q And now I'm going to ask -- Mr. Lathigee's company?  
 3 A Yes.  
 4 Q And if the hearing officer -- this is the last one  
 5 I will take you to before asking you a question.  
 6 On page 8, and you commented I believe on this as  
 7 well, in your direct evidence, about 15 lines down  
 8 I'm guessing, August 29, 2008, and it's, the entry  
 9 is 0779243 B.C. Ltd. Com 210 homes, 10,500, and you  
 10 have indicated that was again Mr. Lathigee?  
 11 A Yes.  
 12 Q And I just want to understand what these commission  
 13 payments relate to, and again, correct me if I'm  
 14 wrong, but these commissions have nothing to do  
 15 with the 100 homes, 100 foreclosed homes that FIC  
 16 Foreclosure Fund purchased from Mohawk in the bulk  
 17 purchase agreement?



2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

18 A That is my understanding, yes.  
 19 Q This was the same type of investment, but this was  
 20 one that Mr. Lathigee was making from the stage  
 21 directly to the members, selling the actual homes  
 22 themselves?  
 23 A They were sold at events that were organized by FIC  
 24 Management, and Mr. Lathigee was there to introduce  
 25 the speakers, as I understand. I wasn't there.

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 1 Q And the reference in these, in your general ledger  
 2 to Mohawk, is that the supply of the homes came  
 3 from Mohawk as well for those investments?  
 4 A Yes, that's correct.  
 5 Q If the hearing officer can please go to Exhibit  
 6 340. Perhaps zoom in a little bit on this.  
 7 Mr. Baker, you have an e-mail in front of you from  
 8 Mr. Lathigee to Brad at Mohawk REO.com, which I am  
 9 going to suggest was Brad Hess from Mohawk, and  
 10 it's dated May 29, 2008. Do you see this e-mail in  
 11 front of you?  
 12 A I see that.  
 13 Q And I'm going to suggest to you that what  
 14 Mr. Lathigee is talking about here is the  
 15 investments you're referring to, these are the  
 16 Mohawk sales directly to investors that are made,  
 17 and first of all the I'm going to ask you to just  
 18 read the first paragraph to yourself.  
 19 MR. AHMED: While he's reading that, I note this is an  
 20 e-mail that's dated May 28, 2008, from Mr. Lathigee  
 21 and Mr. Baker is not on this e-mail. I am not sure  
 22 what he can contribute to it.  
 23 MR. CHAPMAN: Well, I will ask him to read the e-mails  
 24 first, and I'll ask him and see if he can help us  
 25 because he's given evidence in direct and now just

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 1 in cross-examination about what these commission  
 2 payments to Mr. Lathigee were for, and he's  
 3 indicated that it was for a separate investment,  
 4 not the Mohawk foreclosure fund purchase of  
 5 foreclosed homes, but a separate investment that  
 6 was being made from the -- right to the floor of  
 7 the investors for the same types of houses from  
 8 Mohawk.  
 9 Q So I will just -- Mr. Baker, please read this  
 10 e-mail first and then I will ask you a question  
 11 later.  
 12 A Okay, I've read the e-mail, Mr. Chapman.  
 13 Q Brad at Mohawk REO, is it your understanding that  
 14 that's Brad Hess of Mohawk?  
 15 A That's the only Brad I know that was associated  
 16 with Mohawk, yes.  
 17 Q And item number 3, here's the upcoming tour with  
 18 TY, June 17 Vancouver, June 18 Edmonton, June 19  
 19 Calgary, June 20, Winnipeg, June 21, Mississauga,  
 20 June 23, Seattle, June 24, Los Angeles. Was it  
 21 your understanding that these were the events that  
 22 FIC was involved in where they would sell these  
 23 foreclosed homes directly to the members on the  
 24 stage on that day?  
 25 A That would appear to be the case, reading from the

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2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

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1 e-mail.  
2 Q And the last item, item 6, "let's do biweekly -- I  
3 suggest the 15th and 30th of each month. To date  
4 78 units paid \$78,000, less payments \$37,500,  
5 outstanding \$40,500. Does this e-mail, does that  
6 entry remind you at all about how often  
7 Mr. Lathigee was to get commissions for these  
8 sales?  
9 A It doesn't remind me because I never -- I was never  
10 aware of what that arrangement was.  
11 Q Okay. If the hearing officer can please go to  
12 Exhibit 16. And just towards the bottom of the  
13 page, actually, perhaps if the hearing officer can  
14 please go to the top and we can get a sense of it.  
15 Down to, sorry, if the hearing officer can go back  
16 down to the bottom of the page here. This,  
17 Mr. Baker, is a mass e-mail to FIC members and it's  
18 the title is "Special FIC Foreclosure Event", do  
19 you see that there?  
20 A I do.  
21 Q And it's a message from Mike Lathigee CEO?  
22 A Yes, I see that.  
23 Q And it says "Over the weekend at InvestFest the  
24 Freedom Investment Club offered 500 homes for sale  
25 at pennies on the dollar through our foreclosure

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1 opportunity. Every single home was sold and we  
2 were overwhelmed by the enthusiasm and excitement  
3 surrounding this deal." Now, reading that  
4 paragraph, we're still talking about the same  
5 investment; these are the ones where foreclosed  
6 properties were sold to people directly?  
7 A These would appear to be the Mohawk homes that FIC  
8 was involved with.  
9 Q Okay. And these are the ones that Mr. Lathigee was  
10 getting his commissions for, as far as you were  
11 aware?  
12 A As far as I'm aware.  
13 Q Okay. If the hearing officer can go to page 3.  
14 You'll see the third paragraph down from the top it  
15 says "At the upcoming FIC meetings between June 17  
16 and 27 we will be offering 100 homes per city at  
17 \$20,000 each payable by cheque only. We are  
18 allowing up to 5 homes per investor. Those wishing  
19 to purchase more will be put on a waiting-list and  
20 notified as houses become available. Here are the  
21 dates we'll be in your area." And again, you'll  
22 recognize these are the same dates that we saw in  
23 the earlier e-mail from Mr. Lathigee?  
24 A Yes.  
25 Q And 100 homes per city. So at those seven cities

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1 there would be a total of 700 homes, foreclosed  
2 homes offered for sale, that's my math, seven times  
3 100?  
4 A Well, the math is correct; I don't know that it's  
5 entirely accurate. I don't know whether there were  
6 a hundred homes available per city, but --  
7 Q Okay.  
8 A -- hypothetically, yes.

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

9 Q Mr. Lathigee, in this document, is indicating that  
10 they will be offering 100 homes per city at \$20,000  
11 each between June 17th and 27th?  
12 A Yes, that's what it says.  
13 Q Okay. And if the hearing officer can please go to  
14 page 5. And maybe I didn't clarify this with you,  
15 I just wanted to get the time, the year this was  
16 occurring. All of those, you'll see all the  
17 events, the FIC special foreclosure events down the  
18 left-hand side, these are the same dates and cities  
19 that we looked at earlier?  
20 A Yes.  
21 Q So this is June 2008?  
22 A Yes.  
23 Q Okay. And again, this is relating to these  
24 foreclosed homes sold directly to investors from  
25 the stage?

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1 A That would appear to be the case, yes.  
2 Q If the hearing officer can go to page 11, please.  
3 And again, this is some more repetition, perhaps  
4 from Mr. Lathigee, but I'm looking at the column on  
5 the left, and the fourth paragraph down, I'm going  
6 to struggle to read this from here, but bear with  
7 me. "To own an individual home for pennies on the  
8 dollar will cost you less than \$20,000. We have  
9 only 100 homes reserved for each city we are  
10 visiting. After these 100 homes are sold in each  
11 city you will be placed on a waiting-list. We do  
12 not take credit cards. You can purchase a home  
13 only by writing a cheque."  
14 A I say that yes.  
15 Q Again, we are talking about the same investment and  
16 the commissions that you're talking about?  
17 A Yes.  
18 Q Okay. If we can go to the third paragraph down,  
19 and this is just three paragraphs above  
20 Mr. Lathigee's name and title, he says "Don't miss  
21 the upcoming club meetings in your town. I don't  
22 sell through agents and I don't charge commissions.  
23 I'm selling these houses straight from the stage.  
24 Me to you, without a bunch of hype. This is deal  
25 making in its purest form and it works." Do you

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1 see that there?  
2 A I'm sorry, which paragraph was that you were  
3 reading.  
4 Q Certainly. I will read that one again actually.  
5 A Where is it located on the page?  
6 Q Sorry, it's the right-hand column, and it's the  
7 third paragraph done from the top.  
8 A Yes, I see it.  
9 Q It starts "Don't miss".  
10 A I do see that now, yes.  
11 Q Do you want me to read that to you again, that  
12 paragraph?  
13 A No, no. I see it now.  
14 Q So based on the documents that we've just gone  
15 through, according to FIC's materials, they sold  
16 500 homes at InvestFest that summer. Do you recall  
17 that was the first e-mail we looked at?

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

18 A Yes.  
19 Q And then they're selling 700 homes in this road  
20 trip in June of 2008?  
21 A Yes.  
22 Q So 1,200 homes. When you took over as CFO and  
23 discussed the company and its various investments  
24 with Mr. Pasquill and Mr. Lathigee, did you ever  
25 discuss why they never bought any of these 1,200

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1 homes for sale for the benefit of the investors in  
2 FIC Foreclosure Fund?  
3 A No.  
4 Q Were the commissions on these sales paid to  
5 Mr. Lathigee through FIC Management to hide the  
6 fact that he was getting those commissions?  
7 A I have no knowledge of whether there was an attempt  
8 to hide them. It was, was put into the records of  
9 the company, so I would have not thought that there  
10 was an attempt to hide them.  
11 Q The Exhibit 497, the general ledger, the document  
12 that you just prepared, that was never available  
13 publically to FIC members?  
14 A No. The bank account details were not available to  
15 members.  
16 Q Okay. So I'm just trying to understand why were  
17 his commissions then not paid out from the proceeds  
18 of these various sales?  
19 A I am not aware of whether Mr. Lathigee received his  
20 proceeds from FIC Management or from Mohawk.  
21 Q Well, we've gone through 3 items in your general  
22 ledger that shows these commissions going to  
23 Mr. Lathigee's company from FIC Management. So my  
24 question is if these are commissions on sales, why  
25 didn't Mr. Lathigee just get the commissions paid

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1 out from the proceeds of the sales?  
2 A I don't know. The proceeds went into an escrow  
3 account and I don't know what -- I wasn't there, so  
4 I can't comment.  
5 Q Okay. We'll move on. If the hearing officer can  
6 go to Exhibit 253, please. There's an e-mail in  
7 the -- that take us most of this page, July 20th,  
8 2009, from Graham Woods to Earle Pasquill, the  
9 subject is FIC CAN promissory note; do you see  
10 this?  
11 A I see this, yes.  
12 Q Have you reviewed this e-mail recently?  
13 A No.  
14 Q Can you please just review this e-mail, just read  
15 the e-mails to yourself and I'll have some  
16 questions for you once you're done reading it.  
17 A Okay, I've read that first page.  
18 Q Okay. So just going to the first -- the second  
19 paragraph in the e-mail from Mr. Woods that starts  
20 in April and July of 2008. So Mr. Woods is  
21 e-mailing Mr. Pasquill, and he says "In April and  
22 July 2008 you borrowed via a promissory note  
23 \$74,420 to purchase 70,668 class C shares of FIC  
24 CAN. This was at a time when the FIC Can class C  
25 shares were worth in excess of \$1.50 per share. As

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2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

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1 you are aware, through December 31, 2008 this was  
 2 changed dramatically and the NAV per share is now  
 3 just under 21 cents per share. Once we know what  
 4 the NAV per share is at June 30, 2009, we can  
 5 settle the promissory note. If you recall, the  
 6 note must be settled within one year and one week  
 7 of the promissory note contract date." I will just  
 8 stop there. You are -- you will recall that Mr.  
 9 Pasquill purchased two shares in FIC Investment in  
 10 April and July of 2008?

11 A I was aware that he had purchased shares, yes.  
 12 Q And he purchased them using a promissory note?  
 13 A Yes.  
 14 Q And Mr. Woods says, if you recall, the note, this  
 15 is the promissory note, must be settled within one  
 16 year and one week of the promissory note contract  
 17 date. Was that your understanding as well?  
 18 A I can't specifically recall what the terms of that  
 19 promissory note were, no.  
 20 Q Okay.  
 21 A I'd have to review the note, but.  
 22 Q Well, just, I will just -- I'm going to take to you  
 23 something else right now. So I just want you to  
 24 have a look again at the first line of that e-mail.  
 25 The promissory note, \$74,420 to purchase 70,668

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1 class C shares of FIC Canada; so do you see that  
 2 line there?  
 3 A I do see that yes.  
 4 Q And if the hearing officer can please go to Exhibit  
 5 438. If you can perhaps just rotate the image.  
 6 Mr. Pasquill gave some evidence about this. You  
 7 recognize this share certificate, the first, its in  
 8 the top left-hand corner, 33,150 shares, class C  
 9 common shares, April 18, 2008?  
 10 A Yes, I see that.  
 11 Q And that was in FIC Investment Ltd.?  
 12 A Yes.  
 13 Q And if the hearing officer can please go to page 2.  
 14 This one is for 37,518 shares class C common voting  
 15 July 18, 2008, in FIC Investment Ltd.?  
 16 A Yes.  
 17 Q So you will agree, and you will trust my math if  
 18 you add up those two share certificates you get the  
 19 70,668 shares, and this is the -- these are the  
 20 shares that Mr. Pasquill bought using this  
 21 promissory note?  
 22 A Yes.  
 23 Q And these are the ones that had to be settled  
 24 within one year and one week, according to  
 25 Mr. Woods, of the promissory note date?

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1 A That would be, appear to be the case yes.  
 2 Q So within one year and one week of April 18 and one  
 3 year and one week of July 18, 2008?  
 4 A Yes.  
 5 Q If we can go back to Exhibit 253. And I'm just  
 6 going to -- you will see there's sort of, going  
 7 back to Mr. Woods' e-mail, he is outlining two  
 8 options for Mr. Pasquill at that point about what

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

9 to do with this promissory note, and you'll see the  
10 first, number one, settle the entire promissory  
11 note for \$74,420?  
12 A Yes, I see that paragraph.  
13 Q And he says further down the line "At present in  
14 FIC Management you were owed just over \$90,000.  
15 The \$74,420 can be netted with this amount,  
16 bringing the total balance due to you to just over  
17 \$15,000." That was one option?  
18 A Yes.  
19 Q The second option was "Cash out the net cash amount  
20 owing to you for the class C shares as at December  
21 31, 2008. This would be cash required from you of  
22 \$59,653 because the NAV per share is at just under  
23 21 cents while your strike price was \$1 to \$1.10,"  
24 and then he goes through the math of all of this.  
25 The downside, he says, is that you would no longer

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hold any class C shares of FIC Canada. Do you see  
that there?  
A I do.  
Q So he's got these two options of what to do with  
these things. Now, at the top of the page, Mr.  
Pasquill forwards this e-mail to you, on July 20th,  
2009?  
A Yes.  
Q And he says "FYI, apparently Graham was not aware  
that the option shares were -- and he applied their  
costs against what was owed to me through journal  
entries." Did you know what Mr. Pasquill was  
talking about there when he said that to you?  
A I'm a little confused about what that means,  
because they're not option shares, they look like  
they were issued shares.  
Q Okay.  
A The ones that he showed me previously were issued  
shares. There may have been separate stock  
options.  
Q Well, we'll move to another e-mail, this might help  
refresh your memory about how this all got  
resolved. Exhibit 326, please, and at the top of  
the page, if the hearing officer can go to the very  
bottom of the page please. There's an e-mail from

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Mr. Pasquill of December 16, 2009, and if the  
hearing officer can please go to page 2. That's to  
yourself, do you see that there?  
A Yes.  
Q And the subject line is "My Money"?  
A Yes.  
Q And Mr. Pasquill says to you, "Here's what I  
suggest we do. Let's treat the payable to me as  
separate from the 2 loans receivable. For the  
first part, you pay me what is owed from management  
group which is about \$90,000, less approximately  
\$3,000 for past adjustments to NAV on a prior  
redemption. So, you pay me approximately \$87,000.  
we will consider the shares to have been redeemed  
at 23 cents per share on April 18, 2009, and July  
17, 2009. That leaves the two loans less the  
redemption proceeds. Loan 1, \$33,150 plus interest



2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt  
 18 to April 18, 2009 of \$1,574.62 equals \$34,697.62 at  
 19 April 18, less redemption proceeds of \$7,624.50  
 20 equals \$27,073.12 at April 18. Add interest to  
 21 December 18 equals \$29,238.97 as of now. Loan 2."  
 22 Maybe we can just spare the panel the anguish of  
 23 hearing me do this verbatim. The second one, he  
 24 refers to the \$41,269.80 plus interest to July 17,  
 25 2009, and he comes up with added interest, I will

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1 owe FIC \$36,130.12. So he's breaking up these 2  
 2 amounts. He says "of those I will pay off loan one  
 3 immediately and we will leave the other one  
 4 outstanding to be dealt with in the new year."

5 Beginning in January 2010, now if the hearing  
 6 officer can just go back to page 1, to the bottom,  
 7 please. Mr. Pasquill is sending you this e-mail in  
 8 December 16, 2009, and if the hearing officer can  
 9 just go to page 2. If we go back to Mr. Pasquill's  
 10 e-mail saying beginning in January 2009, I assume  
 11 he's probably meaning January of 2010, would that  
 12 be your understanding, just based on the timing?

13 A So you're asking me whether the dates might be

14 wrong? That seems reasonable, yes.

15 Q Okay. So beginning in January 2009, or likely  
 16 2010, "I will take a \$2,000 a month raise in salary  
 17 all of which will go towards paying off the other  
 18 loan with monthly payments, and if at some time we  
 19 have got past our cash crisis and we have turned  
 20 things around sufficiently to justify a bonus, that  
 21 would pay off any outstanding balance. Does this  
 22 work for you." And he says, "If so, you give me a  
 23 cheque for management group for roughly \$87,000 and  
 24 I give you a cheque payable to FIC Investments Ltd.  
 25 for \$29,238.97." So do you understand what he was

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1 proposing to do?

2 A Well, it was an interesting proposal. I sort of  
 3 understand it. I'd certainly have to study it  
 4 more, but yes.

5 Q As the CFO of the company, this is December of  
 6 2009, did saying that these shares were actually  
 7 redeemed back in April and in July of 2009 cause  
 8 you any concerns?

9 A Repeat the question, please?

10 Q Sure. In this proposal that Mr. Pasquill is giving  
 11 to you, he is saying that the April shares are  
 12 being treated, I will just read the line, "We will  
 13 consider the shares to have been redeemed on April  
 14 19, 2009 and July 17, 2009." See that line there?  
 15 And, sorry, this is the third paragraph from the  
 16 top of the page.

17 A Yes, I see that.

18 Q As the CFO of the company, did that cause you any  
 19 concern, treating those shares as being redeemed  
 20 even though we're now in December of 2009, back to  
 21 those dates?

22 A It certainly would have caused some questions. In  
 23 December of 2009, most of my attention was on a  
 24 potential receivership in Genesis, so virtually 12  
 25 hours a day I was working on trying to forestall a

00042

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

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1 receivership.  
2 Q If the hearing officer can go to page 1, please.  
3 At the bottom of the page you reply to Mr. Pasquill  
4 on December 16, 2009, "Sounds like a good way to  
5 resolve this, Bill." To your knowledge, is that  
6 how ultimately Mr. Pasquill obtained those shares  
7 and paid thorough those shares?  
8 A I can't recall. What I do know is that he does  
9 still does have an outstanding loan payable on that  
10 -- on that.  
11 Q One last area. If the hearing officer can please  
12 go to Exhibit 28, and to the very bottom of the  
13 page, please. There's an e-mail from Harv Eker of  
14 September 8, 2009, to Mike Lathigee, and if the  
15 hearing officer can go to the top of the second  
16 page. Actually, perhaps just for the full context,  
17 if you can go to the bottom of that page 2, go to  
18 the bottom of that page. I will start with this.  
19 There's an e-mail from Harv Eker September 8, 2009,  
20 to Mike Lathigee, "Hi Mike. Glad you're doing well  
21 with the option auctions. Meanwhile on another  
22 note I am getting wind that your companies are  
23 being investigated again, this time virtually all  
24 of them. Can you tell me what's going on with  
25 this. Better than hearing it from the rumour mill.

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1 Be well, H." If the hearing officer can go a  
2 little bit up the page, it looks like Mr. Lathigee  
3 at 10:02 a.m. replies, "Sure. We sent out a full  
4 update to our shareholders. David Bains took  
5 passages from the update and published an article.  
6 The next week, as always happens after a Bains  
7 article, the BCSC sent us a request for  
8 information. We are in full communication with the  
9 BCSC and providing them with all information that  
10 they are requesting." And then at the very top of  
11 the page Mr. Eker says, "So is anything different  
12 about this investigation versus the past ones.  
13 Something has been said about taking people's money  
14 that they put into one fund and switching it into a  
15 different fund/investment. Is that accurate?  
16 Thanks for the understanding, H." If the hearing  
17 officer can go to the first page, it looks like, if  
18 I am reading this correctly, that Mr. Lathigee  
19 forwards this e-mail on September 8th at 11:04, and  
20 then up to the top of the page, Mr. Lathigee, I  
21 guess, ties you into this spring of e-mails on  
22 September 8, 2009, he e-mails this, sends this to  
23 Mr. Pasquill and to yourself on September 8, 2009,  
24 at 11:05 a.m. Do you see that?  
25 A Yes.

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1 Q It says "See below and send me a response. I know  
2 when funds were raised they were to go to  
3 foreclosure, but I know Graham put much into  
4 Alberta. Can I have a full update on what actually  
5 happened and that we are in compliance with the  
6 offering document." Now, I take it you were  
7 obviously aware that Foreclosure finally purchased  
8 100 foreclosed properties with the money that was



2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

9 raised --  
 10 A I believe they also purchased properties in Kansas  
 11 City that were purchased in a partnership called  
 12 Rogue Investments.  
 13 Q Did you provide Mr. Lathigee with a full update on  
 14 what actually happened, and that we are in  
 15 compliance with the offering document around that  
 16 time?  
 17 A I would have to check my files. I can't recall  
 18 specifically preparing a report.  
 19 MR. CHAPMAN: Thank you. I have no further questions.  
 20 THE CHAIR: Any redirect?  
 21 MR. AHMED: I wonder if we could take the morning break  
 22 now, so that we could have a few moments to decide  
 23 whether or not we have any redirect.  
 24 THE CHAIR: Okay, 11:35.  
 25 (PROCEEDINGS ADJOURNED AT 11:13 A.M.)

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 (PROCEEDINGS RECONVENED AT 11:35 A.M.)  
 1 THE CHAIR: Mr. Ahmed?  
 2 RE-EXAMINED IN CHIEF BY MR. AHMED:  
 3 Q Mr. Baker, do you have any personal knowledge of  
 4 how many if any foreclosures homes were sold  
 5 directly to members in 2008?  
 6 A I have seen a list. There were approximately a  
 7 thousand.  
 8 Q And if I can take you to Exhibit 497. This  
 9 spreadsheet, it has been pointed out, begins on May  
 10 31st, 2008?  
 11 A Yes.  
 12 Q What is the first entry there for May 31st, 2008?  
 13 A Is this some way to expand this document?  
 14 Q Could we zoom into the very top?  
 15 A Okay, thank you. The first entry is a balance, is  
 16 that the one you're referring to?  
 17 Q Well, sorry, the first, the entry after that one?  
 18 A Yes, I see that one. It is a transfer '08 May,  
 19 transfer in from foreclosure fund for 99,990.  
 20 Q And then there are three further transfers in from  
 21 foreclosure funds?  
 22 A That's correct.  
 23 Q Can you sell me if you decided to use May 31, 2008  
 24 as a starting date for this table?  
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 1 A That was the first seat of funds into this account  
 2 from foreclosure fund.  
 3 MR. AHMED: Okay. Okay, thank you, Mr. Baker.  
 4 THE CHAIR: The panel has no questions. Thank you,  
 5 Mr. Baker, you're excused.  
 6 (WITNESS EXCUSED)  
 7 MR. AHMED: That was our last witness, and that  
 8 concludes our case.  
 9 THE CHAIR: Thank you. Mr. Chapman, I think the ball is  
 10 in your court on a date for oral submissions, and  
 11 whether you can meet the suggestion that  
 12 Mr. Anderson put forth yesterday, around the end of  
 13 October.  
 14 MR. CHAPMAN: I understand the problems for my friends  
 15 that they have a trial that starts the last, the  
 16 week of October 21st, if that's -- is that correct?  
 17 MR. ANDERSON: Yes.

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

18 THE CHAIR: Because my proposal was going to be, we're  
19 on September 24th today, so if you were to go one,  
20 two weeks, two and a half weeks to October 11th,  
21 it's tight, but if I were to do it by October 11th,  
22 the Friday, my friends have indicated that that's  
23 not doable from their side of things because of  
24 their trial, I take it on the 21st. And so my  
25 friends, they obviously will speak to this and tell

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1 me if I'm wrong, but my proposal would be to have  
2 my submissions done around that time, if we were  
3 working towards oral submissions at the end of the  
4 month. My friends, as I think you have heard  
5 already, have suggested perhaps a December date,  
6 and if that's the case, if that's where we're going  
7 to actually have the submissions due, I don't want  
8 to be -- there's no need for me in my view to be  
9 under the gun like that if there's not going to be  
10 an actual response for four or five weeks and then  
11 we get submissions.

12 So my proposal will be to have my submissions  
13 done sometime around October 11th, or even the 15th  
14 if I wanted to ruin my Thanksgiving, which I don't  
15 really want to, so that's why I'm leaning towards  
16 the 11th. If it was done to save oral submissions  
17 either on Hallowe'en or November 1st, and then they  
18 would, you know, they reply, submissions would be  
19 done, working backwards, and then I would have a  
20 couple of days to do -- and then we would be there.  
21 But that's my proposal, but as I say, my friends  
22 have already indicated to me that that's not going  
23 to work, so perhaps I can turn it back to  
24 Mr. Anderson to explain in a bit more detail where  
25 they're at.

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1 MR. ANDERSON: Well, I'm happy to provide whatever  
2 detail I can. I have two commitments as matters  
3 now stand, in the week of the 15th of October, one  
4 of them here, on oral submissions, for a half day.  
5 But the following week we have a Supreme Court  
6 trial set, Mr. Ahmed and I, that at the moment  
7 looks like it's going to proceed, and so some of  
8 the week before we're going to need to get ready  
9 for that. I also, part of the -- in terms of just  
10 jamming it like that, you see, we effectively don't  
11 have the week of the 15th, I guess, available to  
12 work on it. We've got a trial the week of the  
13 21st, I have -- and then leading up to do the 31st,  
14 et cetera, I have two full day commitments at the  
15 beginning of that week, and so it's tight anyway.

16 But the only way that we could do it, I think,  
17 for that kind of a date would be to get  
18 Mr. Chapman's submission by the 7th, which would  
19 then give us the week of the 7th to work on it, and  
20 finish it for something like the 21st.  
21 Otherwise -- and I do want to say something more.  
22 I think, like, from a -- I know that my learned  
23 friend has said this to me, that you know, it's  
24 less work to do a response, and I don't agree with  
25 that, and I think in this case, because I've

00049

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

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 1 thought about it, in this case I don't think it's  
 2 quite going to be that way. I think it's going to  
 3 be more lengthy from our point of view to do a  
 4 response. So I'm reluctant to do it that tight.  
 5 My preference would be, and I know what you've  
 6 said, Mr. Aitken, so -- my preference is something  
 7 in early December would give Mr. Chapman a bit more  
 8 time, give us a bit more time. And I don't know  
 9 what your availability is, but mine is, mine is  
 10 good from the 4th of December onward. Now, I just  
 11 think that you'll get a better quality argument, to  
 12 be frank.  
 13 THE CHAIR: Okay. Do you have any objection to that  
 14 kind of a time frame?  
 15 MR. CHAPMAN: It's just not workable, from my point of  
 16 view. I mean, we're on the 24th --  
 17 THE CHAIR: If we decided to do it early December.  
 18 MR. CHAPMAN: Oh, sorry. No, I'm free then. I would  
 19 just ask, if that's the case, that I would just be  
 20 given somewhere around four weeks. I don't want to  
 21 have into November, just working backwards from a  
 22 November date. I need a -- just for my own  
 23 purposes, to make sure that I'm not working on this  
 24 in November. So if we were talking about a  
 25 December oral submission date, I would ask for four

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 1 weeks for my submissions, and then I will happily  
 2 consent to whatever deadlines my friends want to  
 3 reply. I understand that they have other -- this  
 4 isn't their only file.  
 5 MR. ANDERSON: I'm fine with that, and I think, I  
 6 already knew when we were talking into October that  
 7 it's just really tight time frames, given the time  
 8 of year, and the other commitments that are on the  
 9 go here and elsewhere.  
 10 THE CHAIR: Okay. Well, I was clever enough to come  
 11 into the hearing room without the calendar in my  
 12 hands, so what I will do is just pick a date in  
 13 that time frame for oral submissions, and then  
 14 maybe you guys can sort out among yourselves when  
 15 you want to exchange your submissions. It doesn't  
 16 sound like that will be contentious.  
 17 MR. ANDERSON: That works for me.  
 18 THE CHAIR: Just let the secretary for the submission  
 19 know what you decide, so we can know when to expect  
 20 them.  
 21 MR. CHAPMAN: Can I assume, Mr. Chair, from what you've  
 22 said earlier, that you would prefer that as  
 23 whenever my first -- when my submissions are first  
 24 due, and then my friends do their rely and I do my  
 25 reply to them, that those latter dates should be

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 1 closer to, or as reasonably close to the oral  
 2 submissions as practicable? Is that the  
 3 preference?  
 4 THE CHAIR: I think we're talking early, early December,  
 5 and not much is going to happen, from the sounds of  
 6 it, until the beginning of November. I think that  
 7 will just --  
 8 MR. CHAPMAN: I'm confident that we can work out --

2013-09-24 Lathigee Transcript of proceedings of September 24, 2013.txt

9 MR. ANDERSON: I am confident that we can work this out  
10 with Mr. Chapman.

11 THE CHAIR: Okay. Very well then, we're adjourned.

12 Thank you.

13 11:48 A.M.

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