Court File No. CV-17-11779-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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B E T W E E N:

ONTARIO SECURITIES COMMISSION

Applicant

- and -

CRYSTAL WEALTH MANAGEMENT SYSTEM LIMITED, CLAYTON SMITH, CLJ EVEREST LTD., 1150752 ONTARIO LIMITED, CRYSTAL WEALTH MEDIA STRATEGY, CRYSTAL WEALTH MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED RESOURCE & PRECIOUS METALS FUND, CRYSTAL WEALTH MEDICAL STRATEGY, CRYSTAL WEALTH ENLIGHTENED FACTORING STRATEGY, ACM GROWTH FUND, ACM INCOME FUND, CRYSTAL WEALTH HIGH YIELD MORTGAGE STRATEGY, CRYSTAL ENLIGHTENED BULLION FUND, ABSOLUTE SUSTAINABLE DIVIDEND FUND, ABSOLUTE SUSTAINABLE PROPERTY FUND, CRYSTAL WEALTH ENLIGHTENED HEDGE FUND, CRYSTAL WEALTH INFRASTRUCTURE STRATEGY, CRYSTAL WEALTH CONSCIOUS CAPITAL STRATEGY, CRYSTAL WEALTH RETIREMENT ONE FUND and CHRYSALIS YOGA INC.

Respondents

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This is the Examination Pursuant to Court Order of JERRY FROESE, produced and examined on behalf of Frontline Factoring Inc. herein, taken at the offices of VICTORY VERBATIM REPORTING SERVICES INC., Suite 900, Ernst & Young Tower, 222 Bay Street, Toronto, Ontario, on the 18th day of April, 2018.

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APPEARANCES:

MARK van ZANDVOORT	-- for Grant Thorton Ltd.
DIANA SATURNO (Student-at-law)	
JASON DUTRIZAC	-- for Frontline Factoring Inc.

ALSO PRESENT:

Bruce Bando

INDEX OF PROCEEDINGS

-- upon convening at 9:00 a.m.
-- upon commencing at 9:09 a.m.

JERRY FROESE, sworn
EXAMINATION BY MR. van ZANDVOORT:
1. Q. Good morning. Can you state your full name for the record, please?
A. Jerry David Froese.
2. Q. Okay. And Mr. Froese, you were sworn in this morning?
A. Yes.
3. Q. And your date of birth?
A. November 22nd, 1975.
4. Q. Okay. And where do you reside?
A. In Lethbridge.
5. Q. Specifically, what is the address?
A. It is on an acreage.
6. Q. Sorry?
A. An acreage.
7. Q. Okay, does it have an address, a mailing address?
A. My...everything to my office, so I don't have a mailing address. It is...I will have to get you my address, because I don't actually know my physical address. U/T

8. MR. van ZANDVOORT: Okay. Counsel, during today's examination I am going to be asking for certain undertakings. So, it can be understood for the record, I would like them all answered within two weeks of today. Is that agreeable?

MR. DUTRIZAC: I will make best efforts to comply with undertakings within two weeks. And with respect to this particular undertaking, we will undertake to provide you with the municipal address. U/T

THE DEPONENT: Yes, I can get you the legal address, yes.

MR. DUTRIZAC: Of where you reside?

THE DEPONENT: Yes. It is...I can't remember exactly, whether it is northwest or whatever it is.

9. MR. van ZANDVOORT: Okay. And just as a reminder before we get into this, it is important that we don't talk over one another, so that the reporter can get everything on the record. Do you understand that?

THE DEPONENT: Yes.

BY MR. van ZANDVOORT:

10. Q. Okay, so just listen to my questions before you answer and then also make sure that you answer with words as opposed to headshakes and nods, because that doesn't make it on the record, okay?

A. Okay.

11. Q. Okay. Do you live on 442 Couleesprings Road South in Lethbridge?

A. No, I don't.

12. Q. Okay. Did you used to reside at that address?

A. Yes.

13. Q. Okay. And did you sell that property?

A. Yes.

14. Q. When?

A. A couple of years ago. I am not sure of the exact date.

15. Q. Do you currently own any real property?

A. We own...me and my wife own our place now.

16. Q. Any other real property?

A. No.

17. Q. And your wife's name is Stacy

Froese?

A. Yes.

18. Q. Okay. And she resides with you?

A. Yes.

19. Q. Does anybody else reside with you?

A. I have three kids.

20. Q. What do you do for a living?

A. I currently operate and own Frontline Factoring.

21. Q. And aside form Frontline Factoring, are you involved in any other businesses?

A. I have other companies, but they are not active businesses, per se.

22. Q. Okay. What companies?

A. I have an ownership in 1199575 Alberta Limited.

23. Q. And that is the entity that holds 400,000 class A shares of Zomongo TV Corp.?

A. No, it is not. That company is actually owned...I am not sure if the paperwork has been done. I will own that company. I don't think it has been done yet, but my wife owns...my wife and my brother own that company.

24. Q. Own what company?

A. 1267379 Alberta Limited.

25. Q. And what is your brother's name?
A. Murray.
26. Q. Murray?
A. Froese.
27. Q. And where does Murray reside?
A. Swift Current, Saskatchewan.
28. Q. And why is Murray and your wife the owner of that company that holds the 400,000 shares in Zomongo TV?
A. Years ago my brother was in a...well, we were involved in a business together and we just still have that company.
29. Q. Okay. And what business was that?
A. It was an oil field service company.
30. Q. What was it called?
A. 1267379 Alberta Limited.
31. Q. What was the business name?
A. I mean, we had an operating name.
32. Q. Yes.
A. It was Big Summit Services.
33. Q. Okay. And aside from the 400,000 shares as Zomongo.TV, does 126 operate or have any other assets?
A. There is no equity in there, no.
34. Q. But does it have other assets?

A. Yes. It does.
35. Q. What does it have?
A. I mean, it has...I mean, it has a loan to Frontline.
36. Q. For how much?
A. I could not tell you at this point in time.
37. Q. Is there documentation with respect to that loan?
A. Yes.
38. Q. Okay. Can you produce it?
A. Yes.
MR. DUTRIZAC: Yes. U/T
39. MR. van ZANDVOORT: Okay, thank you.

BY MR. van ZANDVOORT:
40. Q. What other assets does 126 Alberta have?
A. They own a couple of lots in Kansas that are worth about $1,000 each.
41. Q. And do you have the title documents associated with those properties?
A. Probably somewhere.
42. MR. van ZANDVOORT: Can you produce them, please?

MR. DUTRIZAC: Yes. U/T
43. MR. van ZANDVOORT: Thank you.

BY MR. van ZANDVOORT:
44. Q. Any other assets?
A. Not that I can think of at this point in time.
45. Q. Okay. Will you undertake to advise us if you discover that the company does have other assets?
A. Yes.
MR. DUTRIZAC: Yes. U/T
46. MR. van ZANDVOORT: Thank you.

BY MR. van ZANDVOORT:
47. Q. And were the lots acquired in Kansas at all...acquired in connection with investment structures that Crystal Wealth entities were involved in?
A. No, it was probably five years before Crystal Wealth even existed.
48. Q. And you mentioned that you also have a company, 119 Alberta. You are the sole shareholder of that company?
A. No, I am 50 percent.

49. Q. Who is the other 50 percent shareholder?

A. My wife, Stacy.

50. Q. Okay. And what is that? What is the business of that company?

A. It is just a holding company. The odd time we will run something, if I do, management fees or anything like that through there.

51. Q. Does it have any assets?

A. Yes, there is a little...there is a few assets in there. I mean, there is a couple of loans in there.

52. Q. From who?

A. They are just to clients that were not Factoring clients, or, like, just loans, like, to just regular people.

53. Q. Well, you said to clients. To whose clients?

A. To...well, they are just clients of that company.

54. Q. Okay. What type of...for what purpose?

A. Well, I mean, just for a loan. For, like, to give somebody a loan so they can...

55. Q. Were any of the borrowers who

received the loans associated at all, directly or indirectly, with investments made by Crystal Wealth Funds?

A. No.

56. Q. Do 126 Alberta or 119 Alberta...sorry, let me rephrase. Do either of those two companies maintain financial statements?

A. 119 and 126? Yes, they do.

57. MR. van ZANDVOORT: Okay, can you produce the financial statements for each of them, starting with the year 2014 to present?

MR. DUTRIZAC: Yes. U/T

58. MR. van ZANDVOORT: Okay.

BY MR. van ZANDVOORT:

59. Q. And aside from those two entities, and Frontline Factoring, are you involved in any other business ventures?

A. I have a...one more company that is...has a rental property, and that is it.

60. Q. Okay. And what company is that?

A. I just refer to it as 185. I don't actually know the actual full numbered company as well.

61. MR. van ZANDVOORT: Okay, you will undertake to let me know?
MR. DUTRIZAC: Yes. U/T
62. MR. van ZANDVOORT: Okay.

BY MR. van ZANDVOORT:
63. Q. And does it maintain financial statements?
A. No, it is just a new company. I don't think we have done any financial statements on that one yet.
64. Q. And you are the sole shareholder?
A. Myself and my wife.
65. Q. And "new". You mean it was incorporated this year?
A. No, it would have been incorporated long ago, but it would have been...I mean, we probably do have financials but they would be just no returns.
66. Q. Okay. Can you produce what you have?
A. Yes. U/T
67. Q. Okay. And where is the rental property?
A. It is in Lethbridge.

68. Q. Sorry, the municipal address?
A. I actually don't know that right now.
69. MR. van ZANDVOORT: Can you undertake to let me know the address?
MR. DUTRIZAC: Yes. U/T
70. MR. van ZANDVOORT: And provide the purchase and sale documentation associated with the property?
MR. DUTRIZAC: Yes. U/T
71. MR. van ZANDVOORT: Okay.

BY MR. van ZANDVOORT:
72. Q. And do you lease it to a tenant?
A. Yes.
73. Q. Okay. Is the tenant an individual associated directly or indirectly with Crystal Wealth Fund investments?
A. No.
74. Q. How much rental income is paid a month by the tenant?
A. There is $2,700 between two tenants. It is a legal suite.
75. Q. Okay. And aside from the companies we have just discussed, are you involved in any

other business ventures?

A. No active ones.

76. Q. Do you remain an advisor to Zomongo?

A. I believe I have not actually formally resigned, no.

77. Q. So when I asked if you were involved in business ventures, being an advisor to Zomongo, that...I am looking for that type of information. Because, are you a consultant for...do you work as a consultant for somebody, or are you an advisor for an entity? Anything else?

A. Well...

78. Q. Since, say the end of...since November, 2014?

A. Zomongo we would have done some advising for. Very little, though. I can't think of anything else.

79. Q. Since November, 2014, aside from Frontline and the business ventures we have discussed, did you have any other source of income?

A. None that I can think of.

80. MR. van ZANDVOORT: And would you produce copies of your personal tax returns commencing in the year 2014 until present?

MR. DUTRIZAC: What does that have to do

with the administration of the estate of Crystal Wealth?

81. MR. van ZANDVOORT: I can come back to the question. But to answer your question, it is just concerning the salary that Mr. Froese would have taken from Frontline, or any equity ownership, but I will get into those questions to further establish the foundation.

BY MR. van ZANDVOORT:

82. Q. What is your position at Frontline Factoring?

A. I am the president.

83. Q. And what ownership, if any, do you have in Frontline Factoring?

A. Fifty percent.

84. Q. And who owns the other 50 percent?

A. My wife.

85. Q. Does your wife provide any services to Frontline Factoring?

A. No direct services, no.

86. Q. Okay, what indirect services does she provide?

A. I mean, I talk to her about deals

and she gives her opinion. That is...

87. Q. And has that been the shareholding structure since the commencement of 2014, 50/50 you and your wife?

A. Yes.

88. Q. When was the company started?

A. October, 2012.

89. Q. Okay. And when Frontline Factoring started operations in 2012, what was its business?

A. It was factoring.

90. Q. Has the business model changed at all over the years?

A. No. I mean, it is still factoring. There is...we do some short-term bridge financing as well, but it is typically factoring.

91. Q. And aside from the Crystal Wealth Funds, has Frontline Factoring served as a factoring administrator on behalf of any other factoring company?

A. No.

92. Q. Or company? Only the Crystal...

A. Only Crystal...

93. Q. ...Wealth Funds?

A. ...Wealth, yes.

94. Q. And so when Frontline Factoring

began, and throughout its operations, it has operated as, as you said, as a factoring company as well. It purchases invoices at a discount and then collets the receivables?

A. Yes.

95. Q. And it collects the receivables from who, the merchants who the invoice is purchased from, or the debtors?

A. Both.

96. Q. And where did Frontline, when it started operations, obtain the working capital in order to be able to start its factoring business?

A. We did a raise through bond offering that was structured through Miller Thomson.

97. Q. And who was the lawyer at Miller Thomson?

A. Darren Smits.

98. Q. Do you know who the investors were in the bond?

A. The first ones or all along?

99. Q. Initially.

A. In the first one...yes. I mean, I know the first ones, yes.

100. Q. Yes, who are they?

MR. DUTRIZAC: Hold on. What is the

identity of the name of the people who are directly investing in Frontline Factoring have anything to do with the administration of the estate of Crystal Wealth?

101. MR. van ZANDVOORT: I am just trying to better understand Frontline's business, and how it ultimately dealt with its operations with Crystal Wealth, and was able to fund the purchase of its own factoring receivables, aside from the significance of the money it received from Crystal Wealth.

MR. DUTRIZAC: So, he has told you that he obtained his capital through a bond offering structured through Miller Thomson. The identities of the people who invested in Frontline Factoring are not relevant to this. /R

102. MR. van ZANDVOORT: Well, that is your view. If you are refusing it, you can refuse it. So, the same is going...so it is going to be a refusal as well, as to how the investors have changed over time?

MR. DUTRIZAC: Yes. /R

103. MR. van ZANDVOORT: Okay.

BY MR. van ZANDVOORT:

104. Q. And has Frontline Factoring always operated from the same premises, or has it changed over time?

A. In terms of...

105. Q. Does it have a physical office?

A. We started off operating out of my house.

106. Q. And at the time, what address?

A. 442 Couleesprings Road.

107. Q. Yes.

A. And we moved into an office.

108. Q. Located?

A. Located at 230-719 4th Avenue South, Lethbridge.

109. Q. Sorry, say that one more time?

A. Suite 230-719 4th Avenue South, Lethbridge.

110. Q. Okay. And when did you move into that office?

A. I believe it was 2015.

111. Q. Okay. Does Frontline Factoring own that property...

A. No.

112. Q. ...or is it a tenant?

A. It was a tenant.

113. Q. Is the owner of the property at all related to Frontline or...

A. No.

114. Q. ...arm's-length?

A. Arm's-length.

115. Q. And that is where your office remains?

A. Yes. Well...yes, it is. At the end of the month I will be vacating.

116. Q. Okay. And will you be vacating to another office?

A. Potentially. I am just going to be running out of my house for right now.

117. Q. Will you be preserving all of the records of Frontline Factoring?

A. Yes.

118. Q. At your house?

A. Yes.

119. Q. Will the records of Frontline Factoring be stored anywhere other than your house?

A. Potentially.

120. Q. And where would that be?

A. I don't know, but I might just find a place to store them.

121. Q. Okay. And to the extent that they are stored elsewhere other than your house, or going to be moved, or an intention to dispose of anyway which, of course, is not to occur, as counsel knows, you will undertake to advise us of the location?

MR. DUTRIZAC: Yes. U/T

122. MR. van ZANDVOORT: In advance?

MR. DUTRIZAC: Yes. U/T

BY MR. van ZANDVOORT:

123. Q. And why are you getting rid of the office?

A. With what is going on I don't feel comfortable re-signing another lease.

124. Q. And when you say "with what is going on", what do you mean?

A. With the...I mean, I no longer have...and, I mean, we are not managing any funds for Crystal Wealth at this point in time. It is just winding down, and our current client base doesn't support an office of that size.

125. Q. Aside from the revenues Frontline Factoring generated from Crystal, the Crystal Wealth Funds...

A. M'hmm.

126. Q. ...what revenues would Frontline Factoring have generated from its non-Crystal Wealth Fund clients in the years 2014 and 2015?
A. In terms of revenue-wise, or what...
127. Q. Yes.
A. I would have to find that information out. I have absolutely no idea at this point.
128. Q. Does Frontline Factoring Inc. have financial statements?
A. Yes.
129. MR. van ZANDVOORT: Okay, can Frontline Factoring produce its financial statements from the inception of the company in 2012 until present?
MR. DUTRIZAC: Yes. U/T
130. MR. van ZANDVOORT: And also the tax returns filed by Frontline Factoring Inc., from inception to present?
MR. DUTRIZAC: Yes. U/T
131. MR. van ZANDVOORT: Thank you.

BY MR. van ZANDVOORT:
132. Q. Does Frontline Factoring own real property anywhere?

A. No.

133. Q. It doesn't own any property in the United States?

A. No.

134. Q. On March 20th your counsel sent to the receiver in our office, as counsel to the receiver, three volumes...

A. M'hmm.

135. Q. ...of documents.

A. Yes.

136. Q. You are aware of that?

A. Yes.

137. Q. And I have copies here today. Did these volumes comprise all of the documentation that Frontline Factoring has in its possession concerning the merchants and debtors associated with Crystal Wealth?

A. No.

138. Q. Okay. You have...

A. Yes.

MR. DUTRIZAC: We discovered, just last night and this morning that there were several subfiles. We were working on Dropbox electronically, and there was several files that I missed, including

Zomongo and a couple of others. So, I still have to go through all those. I have to find them first on Dropbox, go through them. So, there will be a supplementary list of documents. U/T

139. MR. van ZANDVOORT: Okay.

MR. DUTRIZAC: That was inadvertence on our part.

140. MR. van ZANDVOORT: I am sure it was. Counsel, you understand that we, of course, are going to reserve our right to have to re-examine Mr. Froese on the additional productions?

MR. DUTRIZAC: For sure. And it looks like you have got a bundle of undertakings that you could potentially ask questions on as well, so yes, I understand that.

141. MR. van ZANDVOORT: When will those documents be sent over to our office?

MR. DUTRIZAC: I have to...I have a...I had a look at these, just the subfiles that I missed. I haven't had an opportunity to actually look at the quantity of documents. I will get back to you on when I will be able to get through that.

142. MR. van ZANDVOORT: Okay. We would like them within two weeks.
MR. DUTRIZAC: I appreciate that.
143. MR. van ZANDVOORT: Yes.

BY MR. van ZANDVOORT:
144. Q. And aside from the documentation your counsel has just mentioned, Mr. Froese, is there any other documentation in Frontline's possession concerning the factoring arrangements or arrangements with the debtors and merchants involved with the Crystal Wealth Funds?
A. As far as I know I have sent everything to them.
145. Q. Okay. Was there ever a lockbox account established, associated with the factoring arrangements of the Crystal Wealth Funds and Frontline Factoring?
A. No.
146. Q. Was the account always maintained by Frontline Factoring?
A. Well...
147. Q. Let me rephrase.
A. Yes.
148. Q. When Crystal Wealth would make an

investment into a factoring arrangement with a merchant, I understand the money would be transferred from Crystal Wealth to Frontline Factoring, and then Frontline Factoring would be responsible for deploying it to the merchant. Is that right?

A. Sometimes. Sometimes it went directly to the merchant, and sometimes it would come to Frontline Factoring.

149. Q. Okay. And so my...and when it came directly to Frontline Factoring what bank account was that?

A. TD Bank account.

150. Q. Specifically?

A. Specifically?

151. Q. Is that the one on Mayor Magrath?

A. Yes, it would be in Lethbridge, so I am not even sure which one it is, but probably Mayor Magrath, yes.

152. MR. van ZANDVOORT: Okay, can you undertake just to give me the particulars of the institution, branch, account number?

MR. DUTRIZAC: Yes. U/T

BY MR. van ZANDVOORT:

153. Q. Did Frontline Factoring have any other bank accounts that it used in the last four years?
A. We had a savings account, a U.S. account, and I believe that is it.
154. Q. Okay. With what institutions?
A. Same, with TD Canada Trust.
155. MR. van ZANDVOORT: Okay. And again, Counsel, particulars of those accounts?
MR. DUTRIZAC: Yes. U/T
156. MR. van ZANDVOORT: Okay. And would you provide us with monthly account statements for all of Frontline's bank accounts since the commencement of 2014?
MR. DUTRIZAC: As it relates to Frontline's business with Crystal Wealth, yes. U/T
157. MR. van ZANDVOORT: Yes.
MR. DUTRIZAC: If there is any other, I will have to look at it.
158. MR. van ZANDVOORT: Yes.
MR. DUTRIZAC: If there is any information that has nothing to do with the administration of Crystal Wealth, I would take the position it is not relevant.

159. MR. van ZANDVOORT: Okay, you can take that position. What we are specifically looking for, of course, is payments coming in from Crystal Wealth.
MR. DUTRIZAC: Yes.
160. MR. van ZANDVOORT: Payments going out to merchants or debtors, payments coming back from merchants or debtors or, of course, any payments coming in or going out to anybody associated directly or indirectly with any other merchants or debtors of Crystal Wealth entities.
MR. DUTRIZAC: That is fair. U/A
161. MR. van ZANDVOORT: Yes.

BY MR. van ZANDVOORT:
162. Q. What is your, I guess, your post-secondary education or qualifications?
A. I have a degree from the University of Saskatchewan, and it is a Bachelor of Science in Agricultural Economics.
163. Q. Any other post-secondary certifications?
A. Nothing major. I think I had a small business management certificate from...it is

for something...but it was just a small little course, but nothing.

164. Q. So how did you become involved in factoring?

A. I worked in...I mean, I worked in the banks for 11 years, and so I had an understanding of commercial and agriculture lending. And so I...when I quit there I kind of worked for a couple of other different companies. One of them was...I mean, I wasn't working for...I just had a contractor call a bunch of clients of an existing company. A person I knew, because they were doing a DIP financing, and so one...a person that I knew came to me and said, "Hey, do you know anybody who could find me money?" He is, like, "I have got $400,000 worth of receivables. I only need about 30 grand". I said, "Well, I mean, I have heard of factoring. I don't know a ton about it, but..." And he said, "Well, can you look into it for me?", and so I looked into it. He ended up applying to a...I can't...a company, and he came back with the term sheet. He wanted me to review it, so I reviewed it. He said at the end, he said, "Well, why don't you just do this for me?" And I said, "H'mm. That looks like something I would do", so we ended up doing that and that was kind of...and that was in 2011. And so after, you know, just using that client as kind of my trial for the next year, in 2012 I liked it and decided that I would want to do it as a...you know, as a business.

165. Q. So when you started the company did you start...I know your wife was a 50 percent shareholder, but did you start it with anybody else to help you build it up?

A. Yes. We...I mean, my...it was my brother had a little bit of money in there to...and then as it was growing I...I mean, I didn't have any...much money to start it off with, so I partnered up with another guy to have, kind of split, put the revenue off of it.

166. Q. Who was that?

A. It was Cory Hunt, was the guy's name.

167. Q. Okay. And the gentleman you were referring to earlier, who got you into factoring, who was that?

A. The one that came to me with the...that was Jason Johansen.

168. Q. The president of Advanced Metal?

A. Yes.

169. Q. One of the merchants of the Crystal Wealth Funds?

A. Yes.

170. Q. Okay, and that is why you said in some of the materials, it is your longest...

A. Yes.

171. Q. ...standing client?

A. Yes.

172. Q. And what was Cory Hunt's role with Frontline Factoring?

A. He had no role besides partnering up. We originally had talked about actually doing Frontline Factoring together, so I think when the documents were incorporated he might have been on there and...but before we got started we took him off, so we couldn't come to an agreement on terms on how the structure would work, so...

173. Q. So, has he remained involved with Frontline Factoring?

A. No.

174. Q. Okay. He has not. And so from the time it was commenced until present, I guess, who has worked or been employed, either as an employee or consultant, advisor for Frontline Factoring?

A. There...I mean, we had various

people. Steven Bandola.

175. Q. And when did Mr. Bandola work for the company?

A. He was there...he started working for the company in 2014, I guess it would be.

176. Q. Until?

A. Until 2017.

177. Q. I understand Mr. Bandola resigned at the time of the receiver's appointment in this proceeding. Is that right?

A. Yes. Well, no, not at the time of the appointment. He resigned six months earlier It was a six-month gradual phase-out.

178. Q. So, sorry, he was done in April, 2017?

A. He was officially done in April, '17, but he was only half time at that point. He was in the middle of starting another business, so he was...we had...because he was kind of my key guy. We had a workout plan for him...

179. Q. Yes.

A. ...for six months.

180. Q. Okay. And have you kept in touch with him?

A. A little bit, not a lot. He is...

181. Q. What is...so, is that the reason why he left, because he was starting a new business?
A. Yes. He is the owner of a new company now.
182. Q. What company?
A. It is a virtual reality company.
183. Q. Okay. Do you have contact information for Mr. Bandola?
A. I would have, yes.
184. Q. Personal address and telephone number?
A. I don't have his personal address, but I have his telephone number.
185. Q. Okay. Do you have addresses for the company, virtual?
A. No. I would have to find it.
186. Q. Okay, yes, whatever contact information you can provide, please provide for Mr. Bandola and his company?
A. Sure. U/T
MR. DUTRIZAC: Do you know the name of the company?
THE DEPONENT: He is actually not really involved with that company. It is VRKADE.

BY MR. van ZANDVOORT:

187. Q. I thought he left to start that company?

A. He did, but then he had another partner and that partner, I think, just bought him out.

188. Q. And what was his role at Frontline Factoring?

A. He was account manager, you know, IT, tech person.

189. Q. And his name is on a lot of the letters to Crystal Wealth, as you know...

A. Yes.

190. Q. ...so, I understand he was involved in the Crystal Wealth Fund arrangements. You were involved. Anybody else from Frontline Factoring involved in dealing with Crystal Wealth or any of the Crystal Wealth merchants and debtors?

A. Not with Crystal Wealth. I mean, there was...we had a couple other bookkeeping staff and stuff like that that may have had communication with Crystal Wealth, but there was no real, in terms of structuring and transaction-wise...a lot of the actual reporting and stuff like that was directly between Clayton and Steven, and what Clayton wanted.

191. Q. Who were the bookkeeping staff?
A. I had a guy, part-time, named Morley Dyck.
192. Q. Can you spell Dyck?
A. D-Y-C-K.
193. Q. Any relationship to Jonathan Dyck?
A. I don't believe so.
194. Q. You know who Jonathan Dyck is, though...
A. Yes.
195. Q. ...right?
A. Yes.
196. Q. Who is Jonathan Dyck?
A. He is the lawyer...he was the lawyer, I believe, for Crystal Wealth.
197. Q. Okay. And who else, other than Morley?
A. There was Samuel Kurtz.
198. Q. Okay.
A. And Simon...and some Finnish name I can't even...Johansen or something like that. I can't remember.
199. Q. And related to Jason Johansen?
A. No, not the same name. No.
200. Q. And did...was there anyone else who

would have potentially been involved in the Crystal Wealth arrangements through Frontline Factoring?
A. My current bookkeeper. I mean, she is, I think...I don't know if she has ever had any communication with Crystal Wealth, but Julia Van Vliet is her name.
201. Q. Anybody else?
A. Not that I can think of, no.
202. Q. And of the individuals you just mentioned, do they all still work at Frontline Factoring?
A. No, only Julia works at Frontline Factoring now.
203. Q. Okay. And why did the others leave?
A. Morley was a part-time...he also had his own time...bookkeeping business on the side. That was taking off more, so he ended up just doing that full-time.
Simon was a recent CPA graduate, or fairly recent, and he had an opportunity to work...he got a job offer from one of his mentors from college at a large dental company, so he...yes, so he went there.
And Sam Kurtz, he has just finished with me. I had a conversation with him saying that, you know...I mean, he understands what is going on. He

was concerned about the stability of the company, so I had a conversation with him and he ended up getting another job offer in the field that he has been taking courses in, which is computer science. And so he ended up getting a job in that industry.

204. Q. Okay. And so when was his last day at Frontline Factoring?

A. His last day was...

MR. DUTRIZAC: Last Friday.

205. MR. van ZANDVOORT: Last Friday.

BY MR. van ZANDVOORT:

206. Q. Currently are there any employees or consultants other than Ms. Van Vliet who work for Frontline Factoring?

A. No.

207. Q. Okay. Nobody else is on the payroll as an advisor, consultant?

A. No.

208. Q. So is it fair to say that Frontline's business dealings...Frontline's entire...its whole business was dependent on its revenue stream from the Crystal Wealth Funds?

A. No, not entirely, but the size and the scope of it was because of Crystal Wealth, yes.

209. Q. Currently how many other clients does Frontline Factoring have?

A. I don't know that exact number. We probably have a dozen clients at this point in time.

210. Q. Okay. Generating how much in revenues, approximately, on a yearly basis, for Frontline Factoring?

A. For Frontline Factoring? That is a really hard number to peg down right now because some of them are impaired right now. So...which would be...I mean, the main one would be Zomongo. That one hasn't...I mean, it isn't producing any revenue. But, I mean, right now...I would have to take an undertaking to see what we would have right now as ongoing.

211. MR. van ZANDVOORT: Okay, that is fine. You can undertake to let me know?

MR. DUTRIZAC: Yes. U/T

212. MR. van ZANDVOORT: And can you give me a list of the dozen or so clients that remain with Frontline Factoring?

MR. DUTRIZAC: Well...

213. MR. van ZANDVOORT: You mentioned one is Zomongo.

MR. DUTRIZAC: Yes.

214. MR. van ZANDVOORT: That is a Crystal Wealth merchant?
MR. DUTRIZAC: Yes. I will take that one under advisement as to whether or not we are prepared to disclose the identities of Frontline's clients that have nothing to do with Crystal Wealth. U/A
215. MR. van ZANDVOORT: Okay.

BY MR. van ZANDVOORT:
216. Q. And you mentioned...we went through the bookkeepers. Over the years has Frontline Factoring had any other consultants or employees?
A. We did have one guy on payroll, his name was Ryan Waechter.
217. Q. And when was he on payroll?
A. Probably somewhere in 2015 to maybe 2017.
218. Q. And was...when you say...was he an employee?
A. He was business development, is basically...
219. Q. So what was his job?
A. His job was to basically...I mean, provide us with...I mean, he was my original

connection to Al Housego.

220. Q. Okay.

A. So kind of just business development, and we put him on payroll as business development.

221. Q. How much did Frontline Factoring pay him?

A. I think it was, like, five grand a month-ish. I am not sure exactly, but somewhere around that range.

222. Q. And so help me understand. What did Mr. Waechter specifically do for Frontline Factoring, as far as bringing in...did he bring in business? Did he...

A. Yes. I mean, his job was to bring in business.

223. Q. Did he actually bring in any business?

A. I mean, the only connection he brought me was Al Housego. And, I mean, that was a pretty big connection, so we honoured that for him.

224. Q. Did he have a written consulting agreement, or something that set out the terms...

A. No.

225. Q. ...of his remuneration?

A. No.

226. Q. So I guess that brings me to my next question was how you were introduced to the Crystal Wealth Funds and opportunities...

A. Yes.

227. Q. ...so, can you just elaborate?

A. Yes. So, the original connection was...I mean, I'd go through Ryan Waechter and I think it was David Den Hollander as well. They...I was starting up in the factoring world, and they knew I was, you know, wanting to expand, and Ryan knew Al Housego, and I believe he was...I don't know how much about his actual connection was with Al Housego, but he was talking to David Den Hollander, and they figured that it would be a good networking to introduce the two of us together.

228. Q. Sorry, who was talking to David Den Hollander?

A. Ryan Waechter.

229. Q. And so who knew Al Housego, David or Ryan?

A. Ryan.

230. Q. And how did you know Ryan?

A. I knew him through a network marketing company that people were basically involved in, you know, back in, I think it was 2003-ish, somewhere around there. So I ended up going to a couple of meetings, and through that I met him.

231. Q. What were the network marketing company?

A. It was called Lyoness.

232. Q. Where were the meetings?

A. Oh, everywhere. There was meetings in Calgary, I think there was meetings in Lethbridge, there was meetings in Kelowna. They had them everywhere.

233. Q. Salmon Arm?

A. Probably.

234. Q. Are you still involved in Lyoness?

A. No.

235. Q. When did you cease your involvement with Lyoness?

A. I mean, I never really...I shouldn't say...I thought it might be a good opportunity in 2013, because I was just trying to get Frontline off the ground. So, I mean, I probably spent maybe six months, you know, trying to maybe see if I can get something to work there. And which meant...it was a loyalty card, so which meant that I was trying to get merchants in Lethbridge to carry the card.

236. Q. Was the focus of the meetings at Lyoness also kind of an opportunity for people to get together and discuss, you know, maybe ventures they were working on, or potential ability to raise money from investors, kind of a pooling of the minds, so to speak?

A. Not the meetings themselves. I use them as networking opportunities. That was actually one of the, kind of way I was working on networking with different people.

237. Q. Like, networking opportunities in the sense in which I just described?

A. Well, yes. I mean, for finding factoring clients, finding, you know, opportunities to grow.

238. Q. Through the Lyoness network marketing meetings who else did you meet associated with Crystal Wealth or the merchants and debtors involved?

A. Well...

239. Q. You mentioned Ryan Waechter and David...

A. Yes.

240. Q. ...Den Hollander were both part of

it.

A. Yes.

241. Q. Bob Maljaars was the first one that, I guess, introduced it to me.

A. And Bob Maljaars was dealing on behalf of the Dome Mountain factoring merchants, as well the 156 Alberta factoring merchants with Crystal Wealth, right?

A. Correct.

242. Q. Yes. So Bob first introduced you to Lyoness and when was that?

A. I am guessing it was 2012 or 2013.

243. Q. How do you know Bob?

A. I didn't really know him very well. I...I was just trying to think about this the other day, and I think the first time I met him I was involved in a company that I was working for as an employee. They went under, and there was...you know, people that lost money and I was trying to kind of fix their issues. He had heard about that from one of my...the friends that I knew. I think it was Cory Hunt, and I think he gave them my phone number. So, I went for coffee with him and he just encouraged me to, you know, kind of continue on, do the right thing. I mean, that was a...I mean, then at that point in time, we had no contact until he phoned me one day and said, "Hey, I got this, you know, business opportunity in Calgary. Do you want to drive with me to check it out?" And that was the Lyoness meeting.

So, typical, you know...I mean, I don't even think he was actually truly in the company at that point in time. I think he was, like, typical network marketing kind of style, right, where they invite you to meetings.

244. Q. So I thought originally you said 2003 you became involved in that company. Did I hear you wrong? Did you say 2013...you said 2003 I am pretty sure originally.

A. Sorry, I meant 2013, sorry, not 2003.

245. Q. Okay. So at that time when you go to the Calgary meeting had you met David Den Hollander yet?

A. He was at that meeting.

246. Q. Okay. But had...did you already know him before that meeting?

A. I did, yes.

247. Q. Okay. And you already knew Ryan Waechter, as you said?

A. No, I met him later. It was actually through David I think that I met Ryan, because I didn't know Ryan directly.

248. Q. So you knew David Den Hollander first, then Bob Maljaars, then Ryan Waechter?

A. Yes.

249. Q. And how did you meet David Den Hollander?

A. I was an employee of a company...

250. Q. The same company that went under...

A. Yes.

251. Q. ...and the same company that lost a lot of money?

A. Yes. And as they were kind of struggling, the CEO of the company hired David Den Hollander on contract to come and see if he could cut costs and clean up the mess.

252. Q. What was the company you worked for called?

A. I was told Duratech Group.

253. Q. Okay, can you spell that?

A. D-U-R-A-T-E-C-H, I believe.

254. Q. Okay. And what was the business of that company?

A. It was building...originally when I

got it involved they had two divisions, one as just a regular home builder, and the other one was building modular RTM, ready-to-move homes.

255. Q. Sorry, are those, like, mobile homes?

A. A ready-to-move home is a full house that is actually...it is a little different than a mobile. A mobile is built on, like, a steel frame or whatever and this is more like a true house, like, that can be moved, and it is like a regular house.

256. Q. Okay. And so that company, you were employed in what capacity?

A. I was employed as vice-president of finance.

257. Q. And where were the...I guess where is Duratech Group? Where did it operate from?

A. Lethbridge.

258. Q. And where was its properties located?

A. They had a shop in Lethbridge, and they had a shop in Cardston, Alberta.

259. Q. Okay. And so the company was going down. Did it...what ultimately happened?

A. They ended up going...well, a

division of it went into receivership, which was Duratech Structures.

260. Q. Was it wound down?

A. Yes.

261. Q. And what was David Den Hollanders' expertise to be brought in to try and salvage it?

A. At that time I had no idea.

262. Q. Okay. Now?

A. Now, I mean...he had been involved in numerous business ventures in the past, and I believe that he had...I am not sure what kind of connection he had with the CEO, but he believed that that he could come in there and kind of turn things around.

263. Q. Is it a fair assessment Mr. Den Hollander, to say he has no particular expertise in that industry, just as he doesn't have any particular expertise in the mining industry, but his skill really comes from his ability to raise money from investors?

A. I don't know about how much he raises money from investors. I do know, I would say he has got a very persuasive personality, and if he believes in something strongly people tend to follow him.

264. Q. Yes. But the purpose to bring him in is not to resurrect the company's operations. It is to find sources of funding to...

A. No, that was not his role at all.

265. Q. Okay.

A. In fact, he came in and shut down the Cardston operation. He fired, like, a bunch of employees. He was the most hated person there. Although, I respected that because I wanted to do that myself, I just didn't have the capacity to do it.

266. Q. Okay, so you go to the 2013 Calgary meeting.

A. Yes.

267. Q. David Den Hollander is there, Ryan Waechter is there, Bob Maljaars is there. Is anybody else there who is associated with Crystal Wealth Funds or merchants or debtors?

A. Just to correct it, I don't think Ryan Waechter was actually at that meeting.

268. Q. Okay.

A. But I don't believe there was anybody else there that was associated with Crystal Wealth.

269. Q. Okay, and from that point how do you

then get introduced to Crystal Wealth?

A. I had a conversation, I remember at a Humpty's Restaurant with...because I drove up with Bob Maljaars...

270. Q. To the Calgary meeting?

A. To the Calgary meeting. After the meeting there was a few people that went for a coffee. David was one of them. And normal conversation, they asked, you know, "What do you do for a living?" I said, "I am trying to start this factoring company", and they said, I mean, you know, "Hey, this is a really cool industry", you know. So they were...I mean, at that point in time I was looking to...they were...I was looking for additional business, so, I said, "If you know anybody or clients, or...you can refer them to me". So, I said, "Or raising any additional funds and clients, so I mean, if you can do that, I mean, I am open for business", right?

271. Q. Okay. And who was at that coffee meeting?

A. All I can remember was David Den Hollander and Bob Maljaars. I remember there was somebody else there, I just don't remember who it was.

272. Q. Okay. But you said it was Ryan who introduced you to Al Housego?

A. Yes. At that point in time we hadn't been introduced to Crystal Wealth at all.

273. Q. Okay.

A. So, David somehow was connected with Ryan Waechter in the lower mainland there, that area. And Ryan Waechter I believe is from somewhere in that Salmon Arm area. I am not sure exactly where. And so he...I believe he was, you know, chatting with Ryan about Frontline Factoring, and Ryan said, "Well, you know, I know this guy Al. We should connect Jerry with him and see if that is a good source, so they can work together".

274. Q. Okay. And how did Ryan go about connecting you with Al at that stage?

A. It was...I mean, first I was introduced to Ryan, and then Ryan...and then it, from there...I don't remember the exact details, but I was...I think...I believe I had a phone conversation with Al Housego, or maybe a couple. A couple of phone conversations in terms of, you know, is this something they were...they were definitely wanting. He somewhat understood factoring, because I believe Crystal Wealth had another factoring fund.

Loved the model, and was very, very interested in kind of working together.
275. Q. And when would that discussion have taken place with Al Housego?
A. It would have been probably the beginning of 2014. Beginning to middle, maybe, somewhere in that range.
276. Q. And when did you start paying Ryan Waechter?
A. It wouldn't have been until 2015, I think.
277. Q. Until the first money started flowing in from Crystal Wealth?
A. Yes. Yes.
278. Q. And when were you first introduced to Clayton Smith?
A. I was introduced by Al Housego to Clayton Smith, and...
279. Q. In person or over the phone?
A. Over the phone, but then he actually came to my personal residence to visit...check me out, I guess.
280. Q. Was Al there as well?
A. No, he was not.
281. Q. And when did Clayton come to your

personal residence?

A. That would have been 2014 at some point. It was warm, because he had his RV with him.

282. Q. He drove out?

A. He drove his RV out to BC and on the way back to Ontario dropped in, in Lethbridge.

283. Q. Okay, so just walk me through the discussions, as detailed as you can, with Al Housego initially.

A. The initial discussions were based around, "Hey, I have a bond offering".

284. Q. Who did?

A. Frontline Factoring. And, you know, "Is this something that Crystal Wealth would be able to, or want to purchase bonds in Frontline Factoring?" They basically said, "No, we can't. We can't probably do that, or wouldn't want to do that, but we are still interested in factoring".

So then there was just a bunch of discussions back and forth about how, you know, "Could this work, could this not?" And, you know, "Maybe we can try it out and see how it goes". And, yes, it was just kind of...I mean, lots of discussion back and forth in terms of you know, what kind of structure I would want, what kind of structure they would want. There is lots...and what kind of fees, who would take what, who...stuff like that was kind of discussed at that point in time. Just regular contract kind of stuff.

285. Q. When you presented the bond offering to them, did you have paperwork to present to them, to walk them through what that would look like?

A. I don't believe I ever sent it to them, because I think right off the bat, after explaining to them, I don't believe that they could...wanted to participate in it.

286. Q. Yes.

A. They didn't want to be with somebody else. I don't think so.

287. Q. And did...from that point forward did Frontline Factoring ever find somebody to enter into that bond offering, or when did it become unnecessary?

A. No, we were still going kind of both ways to begin with, so yes, we definitely, after that point in time, continued to raise money through bonds to kind of grow the business. I mean, I wasn't...I don't think anybody was expecting Crystal Wealth to grow as fast as it did.

288. Q. Crystal Wealth?

A. Yes.

289. Q. Sorry, I am not following your point there.

A. Sorry.

290. Q. When you say, "I don't think anybody expected Crystal Wealth to grow as fast as it did", what does that have to with Frontline's bond offerings?

A. Well, I...I mean, basically I was continuing to operate Frontline Factoring, and continuing to grow that at the same time. I wasn't stopping, thinking that Crystal Wealth would take off. I was continuing to run Frontline Factoring like I normally would.

291. MR. van ZANDVOORT: Okay. And the refusal is maintained still, Counsel, for the identities of those investors?

MR. DUTRIZAC: Yes.

BY MR. van ZANDVOORT:

292. Q. And is it true, or at least my understanding...is it true that Crystal Wealth didn't give the bond offering because they were concerned it didn't get the structure of those funds and it had to, therefore...you know, the investment

really had to go through the factoring arrangements with Frontline?

A. Probably. I don't know their internal discussions on what did and didn't fit.

293. Q. In that sense, you know, Frontline received a very significant injection of revenue from the Crystal Wealth bonds, but instead of doing it through a bond offering you did it through fees, through factoring arrangements?

A. Yes, it was a different way of structuring it, yes.

294. Q. And we are about to get into a little bit more of the actual factoring arrangements that started in late 2014 with the Crystal Wealth Funds. And before we do I just want to close the loop on some of the discussions with Mr. Den Hollander and Mr. Maljaars.

How did you come to know...you said David Den Hollander was the first of those individuals you met. How did you know Mr. Den Hollander?

A. Well, I met him through Duratech when he came to consult, or contract or, I am not even sure what the exact deal was there.

295. Q. And that was in, forgive me, what year?

A. I would be somewhat guessing, but I am guessing it was 2009 or 2010, somewhere in there. No, it wouldn't have been 2009. 2010, 2011. Sorry, I will back that up. It could have been 2009, 2010 because I am trying to think of when my kids were born. That is what I am referencing.

296. Q. And did you and Mr. Den Hollander ever have business dealings separate and apart from Duratech, and before you dealt with him as part of 647 BC with the Crystal Wealth Funds?

A. Before we...the only thing we had both invested into...I mean, into a company that ended up being...it was a water technology that we both lost money in.

297. Q. What was the company called?

A. It was called Nature Zone.

298. Q. Environmental Solutions Inc?

A. Yes.

299. Q. Okay, and sorry, how were you both involved in that company?

A. It was a...Duratech actually was...when they went under, owned that business, and it was something that I was trying to resurrect to...to try and recoup and make sure that the investors from Duratech didn't lose any money. And so I asked him to come help, and then he enlisted a guy by the name of Andy Clark to just kind of take it over. And then we both didn't have anything to do with it after that. On paper I still did, but it wasn't...

300. Q. Okay, and Andy Clark is one of the investors in Gavin Mines?

A. Yes.

301. Q. And we are going to get to this, but Andy Clark is also the purported shareholder who was prepared to take a significant haircut...

A. Yes. So I have heard.

302. Q. ...on the Gavin Mines deal?

A. Yes, so I heard. I never had any conversations with him.

303. Q. When? As you know, I am referring to when MGE...

A. Yes.

304. Q. ...reduced the...

A. The amount...

305. Q. ...financing...

A. Yes.

306. Q. ...around November, 2016?

A. Yes.

307. Q. Okay. Were you or Mr. Den Hollander

invested directly or indirectly through companies in Duratech?

A. I was in...definitely I was invested, yes.

308. Q. How so?

A. I...at that point in time...two things. One, I invested in their company as a loan, and I also, when the company was having troubles I paid for people's salaries for a while, and then...and then...to kind of keep it operating.

309. Q. So, as an employee you paid for people's salaries?

A. I know, that wasn't the smartest thing, but yes, I did.

310. Q. Who owned...who were the majority shareholders of Duratech?

A. Peter Van Hierden.

311. Q. Okay.

A. And I did have...I think...oh, I don't remember exactly, but I think it might have been options or a convertible debenture or something like that. I don't remember exactly what it was but...

312. Q. Okay. So, how much did you have invested or loaned to Duratech?

A. I think it was...I think I ended up losing somewhere around the neighbourhood between $250,000 and $300,000.
313. Q. And what percent shareholder did that make you?
A. I don't think I had...I don't even know if I had any shares. I think I had options.
314. Q. And when Duratech went down did you lose that investment?
A. Yes.
315. Q. Okay. And what was Mr. Den Hollander's investment in Duratech?
A. I don't know. I don't know if he actually invested in Duratech.
316. Q. Did your numbered companies invest in Duratech or Nature Zone?
A. I think...yes, I think they did. But I am to 100...I think so.
317. Q. Okay. And did Mr. Den Hollander invest in Nature Zone?
A. Yes.
318. Q. Okay.
A. Yes. He did.
319. Q. Do you have any documentation concerning the breakdown of those investments?

A. No.

320. Q. What is the current status of Nature Zone?

A. It is insolvent.

321. Q. It is not operating?

A. No, it is not operating.

322. Q. And how did Mr. Den Hollander know Mr. Clark?

A. I have no idea.

323. Q. What dealings have you had personally with Mr. Clark?

A. Very limited.

324. Q. You were a board member of Nature Zone? What was your position?

A. I am trying to remember. I don't actually remember what my actual position was.

325. Q. What was Mr. Den Hollander's position?

A. I believe he was president for a little bit, until Andy Clark took it over.

326. Q. And what was the...what did Nature Zone do? What was its business?

A. They had an ozone water treatment technology.

327. MR. van ZANDVOORT: At tab 128 of

your...we will call them your productions, Frontline's productions, and we will mark it as Exhibit 1. Do you have your own set there, Counsel?

MR. DUTRIZAC: Yes. Which volume are you in?

328. MR. van ZANDVOORT: We are in volume 2.

MR. DUTRIZAC: I don't have a 128. My copy is different than yours.

329. MR. van ZANDVOORT: Well, 128 in the index says, "letter of disclosure re David Den Hollander, undated". And then at tab 128 of the production you sent to me it has the letter of disclosure re David Den Hollander.

MR. DUTRIZAC: The next page or something?

330. MR. van ZANDVOORT: There is...I think you are looking at tab 28.

MR. DUTRIZAC: 128.

THE DEPONENT: Oh.

MR. DUTRIZAC: This is 128.

THE DEPONENT: Well, tab 128, it says right there.

MR. DUTRIZAC: Yes. We don't have a

copy of that 128. This is my copy, I don't have that.

331. MR. van ZANDVOORT: All right. Well, you can look at my copy.

MR. DUTRIZAC: I should have it. I don't.

--- EXHIBIT NO. 1: Volume 2, tab 128, productions of Jerry Froese, undated letter of disclosure re David Den Hollander

BY MR. van ZANDVOORT:

332. Q. You will see I just sidebarred a portion of this document. Is this a document you prepared?

A. No.

333. Q. Who prepared it?

A. This would have been prepared by David Den Hollander.

334. Q. Okay. And in the portion I sidebarred Mr. Den Hollander indicates that he was scheduled for an interview with the Alberta Securities Commission to provide any knowledge and information into an investigation into a company he was associated with four years ago. What did that

concern, what company?

A. That would have been Nature Zone.

335. Q. Can you hand me that back? And so what...so when did this document...

A. Sorry, wait a second. Four years ago from...what date was that?

336. Q. Well, it is undated.

A. So that may...

337. Q. If we presume that...

A. I would assume that it was that, but I better not say that for sure, because if it was four years ago...

338. Q. Well, let me help you with the timeline.

A. Yes.

339. Q. The factoring agreement signed with 647 BC and the Crystal Wealth Funds was dated November, 2014.

A. Okay.

340. Q. I assume you have produced this document because it formed part of your due diligence package...

A. Right.

341. Q. ...on 647 BC, which Mr. David Den Hollander is the sole principal of.

A. Yes.

342. Q. So, that is 2014. And you said you were involved in Nature Zone in approximately 2010 to 2011?

A. Yes.

343. Q. So that would be...does that help you ascertain the...

A. Yes. I would assume that that would be...sorry...

344. Q. Sorry, you have just got to let me finish. Does that help you remember when the Securities Commission investigation into Nature Zone would have been?

A. Yes, that would make sense that that would be based on Nature Zone, based on those timelines.

345. Q. Okay. And what was the nature of the Securities Commission investigation into Nature Zone?

A. There was two parts. I believe they...I mean, there was some investors that were in that company that worked for the company. One of them, I think, went to the Securities Commission, but what he was really trying to do is he believed that the person that was the inventor of the technology had committed fraud, and he was the engineer. And so that was investigated and he was actually charged but never prosecuted.

346. Q. And who was that individual?

A. Alan Kirby.

347. Q. And did you have any involvement in the Securities Commission investigation into Nature Zone?

A. I was...yes, I was questioned as well, and also interviewed by the Economics Crime Division.

348. Q. Were you ever charged?

A. No. In fact, they actually gave me victim services to...if I had any emotional distress because of it.

349. Q. Understood. Do you know if Mr. Den Hollander was sanctioned at all as part of that investigation?

A. I don't believe there was anything from him.

350. Q. Okay. Do you know where Mr. Bob Maljaars currently resides?

A. In...just outside of Lethbridge.

351. Q. Do you have an address for him?

A. I do not, no.

352. Q. Do you have a telephone number for him?
A. Yes.
353. Q. Would you provide it to us?
A. I can, yes. U/T
354. Q. Thank you. And what about Mr. David Den Hollander. Do you know where he currently resides?
A. Just Tappen, BC.
355. Q. At the same address that we see on some of the mortgage documents we will get to?
A. Yes.
356. Q. Okay. And are you aware of any other property Mr. David Den Hollander owns?
A. He...it is my understanding he had a...well, he had a land development through a company, which is 647. Last I heard I believe that is all sold out. I don't believe there is anything left there. I am not aware...I know that he owned a property in Chile, but last I heard he gave it back to the vendor.
357. Q. Why did he give it back to the vendor?
A. I believe...well, my understanding is it was on an Agreement for Sale, and he couldn't

afford the payments anymore.

358. Q. Any other property that he owns?

A. Not that I am aware of.

359. Q. Is the property, the land development, is that Recline Ridge?

A. Yes.

360. Q. And what ownership does his company, 647, have in Recline Ridge?

MR. DUTRIZAC: If you know.

THE DEPONENT: Yes, I...

361. MR. van ZANDVOORT: I assume he knows. He did the due diligence on the company for Crystal Wealth.

THE DEPONENT: I mean, I would have to double-check. I believe it was a third is what he owned, but I...I could be wrong on that.

362. MR. van ZANDVOORT: Okay.

BY MR. van ZANDVOORT:

363. Q. And when was the interest sold?

A. I actually don't know.

364. Q. Approximately?

A. I don't know. I just found out recently that it was sold, so...I believe the partner that he had bought him out, I think, but I am not 100 percent sure.

365. Q. Who was his partner?

A. I don't know.

366. Q. Did you have any direct or indirect investment in the Recline Ridge Estates?

A. No.

367. Q. Do you...aside from the address for Mr. Bob Maljaars you are going to give me, do you know of any other property he owns?

MR. DUTRIZAC: Hold on, hold on. He doesn't know where Bob lives. He lives in Lethbridge. He doesn't have his address. He undertook to provide his telephone number, which he has.

368. MR. van ZANDVOORT: As part of the security package for the Crystal Wealth financing of Dome Mountain, did you not secure personal guarantee from Bob Maljaars?

THE DEPONENT: Yes.

369. MR. van ZANDVOORT: Okay. So, I am going to ask my question again, Counsel.

BY MR. van ZANDVOORT:

370. Q. What do you know about what property or assets Mr. Bob Maljaars has?
A. I don't know of any property that he owns?
371. Q. And nothing else for David Den Hollander, aside from what you have told me?
A. Yes.
372. Q. Were you an investor in the Chile property?
A. No, I was not.
373. Q. Have you ever had any investments, other than what we have already discussed today, directly or indirectly with Bob Maljaars or David Den Hollander?
A. The...I am just trying to think. I think I lent Bob money for a car once.
374. Q. How much money?
A. I think the...I think it was five grand. I can't think of anything right now that I have invested in with him.
375. MR. van ZANDVOORT: Okay. And you will undertake to let me know if there were any other investments?
THE DEPONENT: Yes.
MR. DUTRIZAC: Yes. U/T

BY MR. van ZANDVOORT:
376. Q. And apologies if I asked this, but just to confirm. Through Lyoness did you meet anyone else who was directly or indirectly involved with the Crystal Wealth Funds, or the entities in which they made investments?
A. The only person I met through there would be Chuck Pinnell, but he is not associated with the funds that we have.
377. Q. Which funds is he associated with?
A. I just read it through the documents. I don't...I think there is some gold something, or something that he is associated with.
378. Q. So you have the initial...just turn into the...when the factoring arrangement started. You had the discussions with Al Housego. Clayton came to your house in 2014 with the RV. What is discussed with Clayton about how the business model would work? Proposed arrangements?
A. I mean, it...I don't remember the specific details, it was just we had a lot of conversations around, you know, what potentially they would be looking for in returns and, you know, discussions about, you know, how...you know, kind of how it would work, what we would do, what services

that we would perform, and so it was just kind of a...trying to see if we could make something work that would be suitable for both parties.

379. Q. Yes. So, let's peel that back a bit. How was it going to work? How was the arrangements between Frontline Factoring, Crystal Wealth, the funds, going to work...

A. Yes.

380. Q. ...as you discussed it?

A. Yes, I mean, we started off trying to build a contract, and...

381. Q. At your house?

A. No, it would have been...

382. Q. After that?

A. ...after that, I believe.

383. Q. So let's stay with, you know, what you are talking about...

A. Yes.

384. Q. ...about what the relationship would look like at your house.

A. I mean, the relationship...well, what we talked about was, you know, how would funds work if...would money be managed by Frontline directly? Would you know, Crystal Wealth manage it? You know, would I be administrating, like, as a contract for them and do the documentation. They...we talked about, you know, me being fully in control of the funds and being able to advance funds on their behalf, having a bank account that I would be a signing officer of.

385. Q. On behalf of...
A. Yes.

386. Q. ...like, a Crystal Wealth bank account?
A. Yes.

387. Q. Okay.
A. And those are the original discussions, and that was the direction that we were planning to go originally, is basically there would be a pool of funds that Frontline would be able to manage on behalf of the fund.

388. Q. So of the fact that meeting with Clayton...
A. Yes.

389. Q. ...that was all discussed? And how was it going to work as far as what was Crystal Wealth going to pay out, and how was Frontline going to get paid?
A. Yes. It started off, you know, "Why don't we do a 50/50 arrangement?"

390. Q. What do you mean by that?
A. So, the interest component...well, the discount fees and the interest would be split 50/50 between Frontline and Crystal Wealth.
391. Q. So, I just want to...because I want to make sure this is accurately set out.
A. M'hmm.
392. Q. When you say "the discount fees and interest would be split 50/50 by Frontline and Crystal Wealth", what is the discount fees, and what are the interest?
A. Yes. So, the first...for the first 30 days of...typically 30 days depending on the term, but I think they were all 30 days, we would charge a fee, which would be deducted from the amount advanced to the merchant.
393. Q. And is that the discount fee?
A. Yes.
394. Q. So, let's use just a hypothetical example. So, let's say the merchant has $1,000 invoice...
A. Yes.
395. Q. ...it is looking to factor. So, using that example, walk me through how it would work.

A. Sure. So, the merchant has a $1,000 invoice. We would fund them...the merchant, the gross amount would be 80 percent, so it would be $800. We would discount the amount given to the merchant by three or five percent, or whatever the discount rate was, and so...and that discount...

396. Q. So the five percent, that would come off the 80?

A. Yes. It was five percent of the 80, not the 100.

397. Q. Okay.

A. And...

398. Q. Sorry, continue.

A. And then after the 30 days, then there would be another interest rate accruing, and that would also be...the original conversation would be we would split the interest on it.

399. Q. Okay, so fees one is $1,000 merchant invoice...

A. M'hmm.

400. Q. ...there is a 20 percent deduction...

A. Yes. A reserve, yes.

401. Q. A 20 percent reserve, so that takes it down to $800 that the merchant would actually

receive?

A. Yes.

402. Q. But the merchant wouldn't get the $800, you would take an additional five percent off that, being the discount fee?

A. Correct.

403. Q. Such that the merchant would only receive $760?

A. Correct. If your math is correct.

404. Q. Okay. And it would...and Crystal Wealth, would the fund transfer to Frontline the full $1,000 and then Frontline advance 760 to the merchant and hold back the 240 as the discount fee in reserve?

A. So the original conversations were that they would advance 760 directly to the client, the merchant, and then they would advance Frontline half of that discount amount.

405. Q. When you say half of the discount amount, do you mean half of the 240?

A. Yes.

406. Q. The reserve plus the five percent discount?

A. Yes. Of the five percent discount, yes.

407. Q. And would that then be...and I appreciate this is the original discussions...
A. Yes.
408. Q. ...that half of the 240, that was Frontline's money as a fee or...
A. Yes.
409. Q. And then I want to come back to the initial discussions, but how did it ultimately work, using the same numbers and scenario?
A. Yes. So, Clayton was looking at that. Al came back and said, "I don't want to do that. I would rather have just a flat fee for Crystal Wealth".
And so then we started changing those discussions to Crystal Wealth just wanted basically an 18 percent or one-and-a-half percent fee of the discount.
410. Q. Eighteen percent per annum?
A. Per annum.
411. Q. Or one-and-a-half on...
A. Yes.
412. Q. Sorry, you said, "of the discount".
A. Yes.
413. Q. So, using the same numbers, the discount being $240 of the $1,000 invoice?

A. So, yes, Crystal Wealth would have received 1.5 percent of the, yes, $800.

414. Q. Sorry, of the amount actually advanced?

A. So...well, let me just get my calculator out so that we are talking the same numbers.

415. Q. That is fine.

A. Okay, so $800 times .015. Yes, so...did I do that right? 800 times .015 would be...sorry, your $200, that is not discount. So, the total discount...so, of the $1,000, one-and-a-half percent is $12. The total discount on...if it was five percent the total fees would have been $40.

So, of that model, Crystal Wealth would have kept back the $12 and given Frontline the $28. That reserve was never advanced.

416. Q. So $1,000 invoice.

A. Yes.

417. Q. The merchant gets $760.

A. Yes.

418. Q. Frontline gets $28, Crystal Wealth gets $12 as an upfront fee, and the remaining $200 is held by Frontline as their reserve?

A. Held by Crystal Wealth as a reserve.

419. Q. Okay. So Frontline never held the reserve amount?

A. No. Now, just to rephrase that, we never intentionally held the reserve amount. If there was an accounting error or something like that, there may have been a time or two that something may have happened, but not as a practice.

420. Q. Okay. So, when we initially talked about it, it sounded more favourable for Crystal Wealth in that the reserve was 20 percent and then off the net amount after the reserve an additional five percent would be the discount fee and it would be split 50/50. But if I understood what you just told me, the five percent discount fee was now split such that Crystal Wealth actually got only one-and-a-half percent of whatever the discount fee was, whether it was five percent, ten percent...

A. Yes.

421. Q. ...Crystal Wealth only got one-and-a-half percent, and Frontline got anything above and beyond that?

A. Correct.

422. Q. And some of the deals were two percent, so Frontline would get only half a percent. And some of them were five percent and we would get

more.

423. Q. Okay. And so that is just an upfront fee that Frontline was paid immediately, correct?

A. Correct.

424. Q. Okay. And how else was Frontline paid out of the factoring arrangements with...in addition to the upfront fee we know that Frontline also took payments received back from merchants or debtors. So, how was that addressed?

A. Yes. So, once the 30 days had passed it would start to accrue additional interest, which would...I mean, be owed by the merchant or taken out of the reserve of the...that 20 percent. So, for example, if it took another...if it took 60 days to pay, Crystal Wealth would make another $12 based on the same math of the five percent, and Frontline would make another $28.

425. Q. Sorry...

A. Let's say $1,000 gets paid back.

426. Q. Okay.

A. And so first the merchant would pay back the $800, then they would pay back another $40, is that the math, of interest. So, the merchant...so, there would be 840, so that would be

$160 would go back to the merchant, and the $40 would be split between Crystal Wealth and Frontline.

427. Q. And what if it is not paid back in 30 days? What if it takes nine months to pay back?

A. Well, that was the problem we ran into, is those were issues we hadn't anticipated, so how do we...so, those were ongoing discussions later on how to...how do we record those payments? So, there was partial payments, there was payments from merchants. So, I mean, we had lots of discussions, and it kind of amended based on, kind of Clayton discussions in terms of how we can do it. But do we pay the interest first? You know, do we pay...there was discussions based on if a...what we were asking for from the client was, "Okay, if these receivables haven't paid you still have to keep the interest current. Or provide us with, you know, additional receivables to replace those ones, or get funding and pay those other ones out".

So we were...and trying to figure out what is the best way to record those payments. So, that was a discussion between Clayton, Steven, myself, in terms of how to...how do we record those building with some sort of Excel program, as to reflect that and be able to report it properly to Crystal Wealth.

428. Q. How did you not anticipate that certain invoices might not get repaid in 30 days?
A. Well, we knew that some...we anticipated some would be six months right from the start, so we communicated that to...I mean, Al Housego specifically, you know, right from day one. Just because we had a term of 30 days that was more the initial fee versus the ongoing interest afterward.
It was never necessarily anticipated that they would be paid in exactly 30 days.
429. Q. And aside from Crystal Wealth's one-and-a-half percent...
A. Yes.
430. Q. ...of whatever the discount period interest was that was paid back, Crystal Wealth didn't get anything out of these arrangements, correct?
A. Nothing besides that, no.
431. Q. So, I think we can all agree, Frontline got paid significant amounts more than the Crystal Wealth Funds did on these factoring arrangements with Crystal Wealth?
A. On certain ones they definitely did, yes.

432. Q. On which ones did Frontline not get paid more?
A. The numbered companies, Dome Mountain. The rates would have been in Crystal Wealth's favour, which is actually a higher majority of the volume amount.
433. Q. So on the Bob Maljaars, David Den Hollander, Dome...
A. Yes.
434. Q. ...Mountain arrangements?
A. Yes. And those...
435. Q. 647 BC and 156 Alberta?
A. Yes.
436. Q. Now, you have sworn an affidavit in December. You know what the receiver's position, that the factoring agreement you ultimately signed provides that the funds were to be paid back before Frontline, and as you have just explained that is not how it operated.
So, what is the full extent of your allegations that you were entitled to take these fees when the agreements...section 4.6 of the factoring...or administration agreement says the opposite?
A. Well, I mean, first off, we would

have...I mean, I would have never agreed to that. And when we were managing it the way we were managing it, if we were...we had originally had discussions about managing funds directly out of their bank account, which would have been a completely different scenario. Expenses...like, it would have been paid out of their account. Everything would have been paid for registering security, stuff like that.

We very quickly...there is...there is...I mean, in terms of the revenues that Frontline made, we had to pay...we have brokers that were referring us deals. We paid broker fees on these deals. In certain instances there was extra mortgages registered where we were paying those holders of those mortgages too. So, those were coming...some of them were coming straight out of Frontline. So, it wasn't like we were keeping all those funds, we were also administrating that as well.

437. Q. But there was no paperwork, so let's use an example. David Den Hollander, and we will get to this...

A. M'hmm.

438. Q. ...gives a mortgage...

A. Yes.

439. Q. ...to secure the indebtedness owing to Zomongo.
A. Yes.
440. Q. So now we know David is involved in 647 BC, a merchant, Dome Mountain...
A. Yes.
441. Q. ...and Zomongo. He gets paid a monthly fee for giving security in favour of Zomongo. So you are saying you paid him the monthly fee for giving that mortgage?
A. Correct.
442. Q. Out of the money you got from Crystal Wealth?
A. On that particular one, Zomongo paid those fees.
443. Q. So, Zomongo paid...
A. They paid Frontline, who then paid...
444. Q. Yes, but Zomongo paid Frontline using the money it received from Crystal Wealth?
A. Well...
445. Q. It was all contemporaneous?
A. I can't confirm that.
446. Q. Okay. Would that not be your belief, based on the timing of it?

A. I am not sure what you are inferring there, but, I mean, we were asking for payments based on those from the company, so...

447. Q. But the bottom line, whatever expenses Frontline was incurring there was nothing aside from the factoring procurement administration agreement that said, you know...that set out the arrangement with Crystal Wealth as to who was responsible for those costs?

A. No, we never, like...sorry, can you repeat that question?

448. Q. Yes. So you said that despite the agreement you signed with Crystal Wealth...

A. M'hmm.

449. Q. ...you ultimately ended up getting paid first, because, you know, that was fair because you had a lot of expenses to incur. Is that not essentially what you said?

A. Yes. We were never operating underneath that operating agreement. That factoring agreement that we had signed had anticipated that we would be eventually operating, you know, almost like an amount of money that we could advance on behalf of Crystal Wealth. We were halfway through this contract and Clayton said, "Hey, I want to go ahead with this. If we do all the paperwork and have all the control and do everything with our input, we can just...we can do it without a contract because we control it".

450. Q. Okay. But ultimately you signed the procurement administration agreement at appendix 14 to the receiver's second report? It is dated...

A. I signed that, but there was no schedule A attached.

451. Q. I understand your evidence on that point. And this was signed, you said, months after it was dated because Clayton needed it for audit purposes?

A. Yes. And I...I believe so, yes. I think for the accountant for bookkeeping purposes. I am not sure.

452. MR. van ZANDVOORT: So we will mark the factoring and procurement administration agreement as Exhibit 2, from appendix 14 of the receiver's second report.

--- EXHIBIT NO. 2: Factoring Procurement and Agreement Report, from Appendix 14 of the Receiver's second report

BY MR. van ZANDVOORT:

453. Q. Did repayments on factored receivables from Crystal Wealth Funds ever come from the debtors or always from the merchants?

A. They would come both ways.

454. Q. Okay. Which debtors made repayments to Frontline?

A. I would have to look into that to see which ones.

455. Q. And was it normally the debtors who would repay, or was it usually the merchants?

A. In the ones that are remaining a lot of times it was the merchant, but there was times I got wires and I wasn't even 100 percent sure where they come from, because it would deter our account.

456. Q. And I haven't seen in any of your productions notification letters sent out to debtors saying, you know, "These invoices have been factored. You know, remit payment to Frontline Factoring Inc., on behalf of Crystal Wealth. My understanding is no notices to that effect, or otherwise, were sent to debtors, were they?

A. Yes, there were some. There are...a lot of them were. I mean, they should have all been sent, whether or not...either we had verbal communication with the debtors, or formal notices were sent.

457. Q. Okay. So, how was it going to work? Let's say the invoice was $1,000 and in two months time the debtor wires you $1,000.

A. Yes.

458. Q. But now it's late and it has interest, who do you go to to recover the interest?

A. We would go to the merchant.

459. MR. van ZANDVOORT: Do you have the receiver's second report there, Counsel?

MR. DUTRIZAC: No.

460. MR. van ZANDVOORT: Okay. All right. That might be a good time to take a five-minute break.

MR. DUTRIZAC: Sure.

--- upon recessing at 10:48 a.m.

--- A BRIEF RECESS

--- upon resuming at 10:58 a.m.

JERRY FROESE, resumed

CONTINUED EXAMINATION BY MR. van ZANDVOORT:

461. Q. So, Mr. Froese, just going back to the example we used before the break, you said if

within the first 30 days the merchant paid back $1,000...

A. M'hmm.

462. Q. ...the 40 would be split with Crystal Wealth getting $12 and Frontline $48...

A. $28.

463. Q. ...$28, excuse me. And then 200 would go back to the merchant?

A. Correct.

464. Q. Why would the merchant just not pay back 800 then, if they were going to get $200 back?

A. If the receivable paid us, that is the way we would do it. If the merchant paid us back we...I mean, we would just apply the exact amount to the amounts owing.

465. Q. So if the debtor repaid you $1,000 then you would transfer the merchant 200 back...

A. Yes.

466. Q. ...but if the merchant paid you directly...

A. Yes.

467. Q. ...they would just send you $800?

A. Correct.

468. Q. The amount they were...or would they send you...yes, the $800...

A. The 800.

469. Q. ...being the 760 they original received plus the fee?

A. Correct.

470. Q. So in that scenario, on a $1,000 investment by Crystal Wealth, Crystal Wealth, if all goes well, would receive a return of about two percent, approximately?

A. Yes.

471. Q. Okay.

A. Yes. Sounds good, yes.

472. Q. And then as far as the invoices are concerned...

A. Just, can I...

473. Q. ...walk...yes, sure.

A. And that would be on the gross amount of the invoice, which it was always calculated on the net amount, which was the $800, so calculations were done on the $800.

474. Q. Okay. The actual amount the merchant...

A. Yes.

475. Q. ...received from Crystal Wealth?

A. Yes. Well, less the...so, it was the amount that was not actually received by the merchant, but the gross amount less the...the discount was taken off, the merchant got that amount. The amount was calculated on the $800 even though the merchant only received 760.

476. Q. Understood. And how did it work? Did the merchant...so, the merchant issues an invoice to the debtors.

A. Yes.

477. Q. And then you find out about these merchants. They show you their invoices and you pitch them to Crystal Wealth?

A. Yes.

478. Q. Okay.

A. Now, in...and that was a typical arrangement. There was also...like, the Dome Mountain was, I mean, them basically bringing the deal to me more so than me bringing it to them.

479. Q. Yes. They needed a source of funding and you had that through Crystal Wealth?

A. Yes. And then...I mean, the original...I mean, that, say, referrals basically came from Al Housego, because I didn't originally present that to Crystal Wealth. They went direct to Crystal Wealth and then...

480. Q. Well, to be clear...

A. Yes.

481. Q. ...that deal, as you say, originated with Bob Maljaars and David Den Hollander and guys you knew from...

A. Yes.

482. Q. ...2013.

A. Yes, they were definitely from my network of sources, yes.

483. Q. Yes, for sure.

A. Yes.

484. Q. And that wasn't a factoring arrangement, that was bridge financing, is what Crystal Wealth provided to Dome?

A. Well, I mean...

485. Q. We are going to get into the documents...

A. Yes. We can get into it. I mean, I don't...I mean, the definition of it was agreed by Clayton that it was a factoring arrangement, so...

486. Q. I understand what people, what label people wanted to put on it. But, Mr. Froese, you were there, you were the point man. You understand that Crystal Wealth provided that 12-and-a-half million dollars in 2015...

A. Correct.

487. Q. ...as bridge financing until it could get paid by back by MGE. That was the plan?
A. Well...
488. Q. Once MGE's...
A. Yes.
489. Q. ...financing came through?
A. I am not going to...I am...I am not going to agree to the structure of it exactly, but, I mean, the perception...I mean, that is basically what happened was they provided the 12 million until they could get paid back, yes.
490. Q. Okay. So, I just put in front of you tab 44 from the receiver's second report. And this is an example of the Frontline breakdown reporting that would be given to Crystal Wealth?
A. Okay.
491. Q. Well, it is your document, sir. I am asking you.
A. This one right here you are talking about?
492. Q. Yes.
A. Is that the one? Okay. Yes, that was something that was developed between Steven and Clayton, and how Clayton wanted to report it.
493. Q. Okay. And was this provided, this

level of reporting provided on a weekly basis to Crystal Wealth?

A. Yes.

494. Q. Okay. So, I just want to go through to make sure I understand the document. So, on page 1 we have at the top, "Crystal Wealth Enlightened Factoring Strategy, CWEFS".

A. M'hmm.

495. Q. And then below it, "CWEHF", which I assume applies to the hedge fund?

A. Yes.

496. Q. Okay. So, "principal outstanding", what does that represent?

A. It would be the principal amount of the invoices that are still left outstanding, and that the interest being calculated based on that number.

497. Q. Okay, so I want to be very clear about this. The $22,875,728.58 principal outstanding...

A. M'hmm.

498. Q. ...for the factoring fund. What does that number represent?

A. That number would represent the...I mean, it represents the amount of the invoices that is being...the interest is being calculated on.

499. Q. Okay. That is not clear to me. Is it the total amount of the invoices plus accrued interest? Is it the amount that Crystal Wealth paid out for those factoring contracts? What is it?

A. Just to be, I mean, clear, the amount...the total outstanding column would be the ones which would be reported to the clients. That is what they owe. And...

500. Q. When you say "the clients", who are you referring...who are you reporting to?

A. The merchants.

501. Q. Not...you wouldn't report to the debtors, just to the merchants?

A. Correct.

502. Q. Okay. And the amount that would be owing to Crystal Wealth would be that principal portion, plus any interest that would be accrued on as well to them.

503. Q. Okay. So forgive me if it is just me. But principal outstanding, the number I said, the 22,800,000 and change. What is that number? Is it...what is it? Is it the amount Crystal Wealth paid out?

A. Well, I mean, it is...yes, it would

be the amount that Crystal Wealth paid out for those invoices. Obviously there would be discounts, some of it...a little bit of the discount was paid out to us and the rest would have been paid out to the merchant. And a little bit would have been to themselves as well.

504. Q. So the principal outstanding, you are saying, is the total amount...so, let's go back to the $1,000 invoice example.

A. Yes.

505. Q. Let's say you only have one invoice that they factored and it was $1,000.

A. Yes.

506. Q. Would the principal outstanding there reflect $1,000?

A. No, it would reflect the $800.

507. Q. Okay. So the principal outstanding...

A. Yes.

508. Q. ...is the amount paid out by Crystal Wealth, except...less...which doesn't include the reserve.

A. Correct.

509. Q. Because the reserve always stayed with Crystal Wealth?

A. Correct.
510. Q. And none of the reserve was ever given to Frontline?
A. Correct.
511. Q. And when it says "CW outstanding", what does that number represent?
A. That would...I believe that is the interest that has accrued to this point in time on those outstanding invoices that has accrued.
512. Q. So the principal outstanding, that is all outstanding?
A. After the 30 day, yes.
513. Q. So going back to the principal outstanding amount, that is how much is still outstanding?
A. Correct.
514. Q. And owed to Crystal Wealth?
A. Correct.
515. Q. And included within that you say would be whatever Frontline's fee entitlement is?
A. Included in the 31 would be included in the Frontline portion of it. So, we would have a large interest component there as well, that we have not been...that we were not paid.
516. Q. Because you are entitled to your fee

plus a percentage of the...all interest...
A. Yes.
517. Q. ...above 1.5 percent?
A. Correct.
518. Q. So again, going back to the principal outstanding. That is all amounts owing to Crystal Wealth by the merchants or debtors for funds advanced by Crystal Wealth, and when it is paid back is that...the entirety of that amount going to Crystal Wealth, or is a portion going to Frontline?
A. No, that all goes to Crystal Wealth.
519. Q. All the principal outstanding goes to Crystal Wealth?
A. Yes.
520. Q. And then of the CW outstanding...
A. All of that goes to Crystal Wealth.
521. Q. All of that goes to Crystal Wealth?
A. Correct.
522. Q. And what is the CW outstanding comprised of?
A. Interest accrued. So, anything past 30 days that is accrued.
523. Q. As well as their portion of the discount fee?
A. Their...

524. Q. Being their 1.5 percent of the $40?

A. Yes. There was a change, and I would have to look exactly. I know Clayton was getting very frustrated with keeping portions of it, and not keeping portions so he kept changing how we...how the money flowed. But there might be a little bit of a discount amount in there.

525. Q. And then the total outstanding?

A. The total outstanding would be the amount reported to the merchants that...so, the merchants are required to pay 31.7 million, and of that the 22 million and the four million would go to Crystal Wealth.

526. MR. van ZANDVOORT: And before I forget, we will mark tab 44...or, I think we have already...appendix 44 to the second report will be Exhibit 3.

--- EXHIBIT NO. 3: Appendix 44 of receiver's second report

BY MR. van ZANDVOORT:

527. Q. So, we go down below, just on page 1 of Appendix 44, and we see the factoring strategy, "General Summary", right?

A. Yes.

528. Q. So, let's use an example. Dome Mountain, CW daily interest.

A. Yes.

529. Q. $6,534.65.

A. Clayton wanted to have a daily interest, so he is reporting to, I think their mutual fund, whatever it was. So, we were asked to put in there a number, it is like a per diem date in there, that the amount that is accrued, and they wanted us change that on a weekly basis so that he could record that in his fund. I don't know if it was recorded or just for internal management purposes.

530. Q. So explain to me, how is the $6,534.65 daily interest per diem calculated? What is that calculated off of?

A. It should be calculated based on the principal outstanding times Crystal Wealth's percentage of the interest of one-and-a-half percent per month, or there might have been a different arrangement on them if they didn't want to make one-and-a-half percent, then it would be calculated based on that number.

531. Q. Okay. So, maybe we can do this by

putting...and would this be set out in Dome Mountain's factoring agreement with Crystal Wealth?

A. The split wouldn't be...they would never have known the split between what Dome Mountain, what Frontline would make and what Crystal Wealth...

532. Q. No, but they would know what their per diem was...

A. Yes.

533. Q. ...because their interest rates...so, let's...I am going to put together two documents in front of you. The November 4th, 2015 factoring agreement with Dome Mountain, and the November 4th, 2016...

A. Yes.

534. Q. ...factoring agreement with Dome Mountain.

A. Yes.

535. MR. van ZANDVOORT: And we will mark those as Exhibits 4 and 5 respectively.

--- EXHIBIT NO. 4: Dome Mountain factoring agreement dated November 4, 2015

--- EXHIBIT NO. 5: Dome Mountain factoring agreement dated November 4, 2016

BY MR. van ZANDVOORT:
536. Q. So I will put both in front you, sir.
A. Yes.
537. Q. If you can just show me how that per diem would have been calculated, and for the record you are looking at Exhibit 4, the 2015 Dome Mountain factoring agreement schedule A.
A. So in this particular one it was the exception to the rule, and this...so this amount was done at...
538. Q. Sorry, for the...
A. Yes.
539. Q. We have got to be clear for the record, sir.
A. Sorry.
540. Q. You have circled "Funding fee 16.25 percent".
A. This reporting document on here...
541. Q. At appendix 44.
A. Okay. Was specifically requested by Clayton to reflect...we had a completely different arrangement when they restructured the Dome Mountain

deal, and he wanted the daily amount to be included. He did not want to include the full discount on day one, because it was a year contract. So, Clayton asked us to break down the amount that...the discount amount that, first of all, was getting into a monthly...

542. Q. So is the funding fee, as referred to in schedule A of the Dome 2015 factoring agreement, is the "funding fee", the same as the reserve amount?

A. The funding fee would have been the...

543. Q. Okay.

A. ...I believe the funding fee would have been the...it would be like the discount rate. A typical discount rate. So, in this scenario...

544. Q. Crystal Wealth would get 1.5 percent of 16.25 percent, and Frontline would get the remainder?

A. No, this was...this deal was calculated differently. I would have to look at the exact details on this one, because it was...they wanted the full discount to be charged right away, so it was just a flat fee no matter when they paid, whether it was three months or a year. So, they...that was negotiated between Dome Mountain and Clayton directly, and so they came out with a flat fee, which was the amount of the fee for the entire year, and then Clayton wanted to have that broken down by month, is my understanding, for the report.

545. Q. Okay, that didn't make any sense to me. Did you even look at these details when these agreements were signed? Weren't you the author? Didn't you prepare these agreements?

A. We prepared them. We were advised how to prepare them.

546. Q. By?

A. By Clayton.

547. Q. Or Al?

A. This one would have been Clayton.

548. Q. So again, I am not...so, what we know, and trust me when I tell you this number. We know that just over 12-and-a-half million dollars was advanced by the Crystal Wealth Funds...

A. Yes.

549. Q. ...to Dome Mountain through Frontline in November, 2015 to December, 2016.

A. Okay.

550. Q. Do you recall that?

A. Yes. Some of them went direct to

Dome Mountain, not all of them went directly to Frontline.

551. Q. Okay. We will talk about that. So, what is the 16.25 percent funding fee in the 2015 factoring agreement? What is it? What does it mean? Help me understand it.

A. I don't exactly remember the exact details on it, but I believe it was just the amount that would be discounted from the total amount of the invoice. I am going to have to get back to you, because I don't remember the exact percentages on this one. It was broken down so that they wanted...they were going to make almost all the fees on it, and Frontline would just get a really small fixed amount. And the rest of the amount...this funding fee would represent Crystal Wealth's income on this for the entire duration of this contract.

552. Q. So Crystal Wealth is going to get paid 16.25 percent of whatever, on top of whatever it advanced to Dome Mountain?

A. Yes. It was...the formula doesn't quite work that way because in factoring it is the opposite. You take the invoice and then do the calculations from there. But effectively it would work like that.

553. Q. Just, you are the administrator, right?

A. Yes.

554. Q. Crystal Wealth it Funds 12-and-a-half bucks in November and December of 2015.

A. Yes.

555. Q. You are the administrator. You recommend this deal to them, and you recommend it because you say, "you guys are going to make 'X'". I want to know what 'X' is.

A. I had nothing to do with the restructuring of this deal. This...

556. Q. Well, right now we are not talking about the restructuring. We are looking at the November, 2015 factoring agreement.

A. Oh, sorry, this is the '15 one?

557. Q. Yes.

A. Sorry, I was thinking it was the '16 one. I apologize for that. It...

558. Q. It has got a funding fee of 16.25 percent, and it has a forward percentage of 15 percent, which it says is the percent to be advanced less the funding fee.

A. So, 15 percent of the...and we can work this through, of the $80,000,000 original invoice, would have been the amount that would be advanced less the 16.25 percent funding fee.

559. Q. Okay. So, because the invoice to MGE was $80,000,000 that was supposed to be the MGE financing, right?

A. That was the Dome Mountain...

560. Q. Like, Dome Mountain was trying to get $80,000,000 of financing from MGE.

A. They were...yes.

561. Q. It wasn't an...

A. Yes.

562. Q. ...an invoice for services, it was an invoice based on anticipated financing from MGE?

A. Correct.

563. Q. Okay. So you are saying that the forward percentage of 15 percent means that Crystal Wealth would forward 15 percent of that $80,000,000 invoice, which is $12,000,000, which is the maximum of the debtor's permitted limits in schedule A of Exhibit 4.

A. Okay.

564. Q. Is that how that works?

A. That makes sense, yes.

565. Q. Okay. And then what is the...where does the funding fee come in?

A. So the funding...so my understanding is that the funding fee would have been taken off of that amount, which would be 1.98 million dollars of fees.

566. Q. So for the record, just so it is clear, when you say the funding fee would be taken off the amount, you are saying off of the $12,000,000 would come 16.25 percent, which is $1,980,000?

A. I believe so, yes.

567. Q. So that, and our earlier example, is the $40?

A. Yes.

568. Q. Okay. So the funding fee is another word for the discount fee?

A. Yes.

569. Q. Okay, and of that 1.98 million, Crystal Wealth would get 1.5 percent of that 16.25 percent and Frontline would get the remainder?

A. No. It was done...this one was done on an annual basis.

570. Q. So...

A. So, it would have been...I mean, I think Frontline received...I would have to find out exactly, but it was, I mean, a fraction of this.

571. Q. Okay. But where can I look to see where Frontline's entitlement is derived for this?

A. It was negotiated on each individual deal.

572. Q. So a non-range is normal.

A. Yes. I mean, yes.

573. Q. And then in November, 2016, Exhibit 5, when the deal was restructured with Dome, now we see in schedule A the permit limit goes up to just over 12-and-a-half million, which is the actual amount that Crystal Wealth had funded in November and...or, close to the actual amount funded by Crystal Wealth in November and December, 2015, but now we see the funding fee has dropped to zero percent. Why is that?

A. Because he...this is what...I remember he changed it to a flat daily rate right from the start. And that was one of the reasons why I thought he maybe wanted to structure it as a straight loan, because he wanted it just structured as a straight, "Here is the amount and here is the interest going forward". So, it is a daily rate is how he wanted to calculate it at a .05 percent per day.

574. Q. And going back to appendix 44, are

you saying that the CW daily interest is .05 percent of what amount?

A. I mean, the .05 percent, there would have been a small amount that would have been Frontline's, and the rest of it would have been...would be calculating the daily interest amount.

575. Q. Okay, I want to go back to where we were on appendix 44, Exhibit 3, being your weekly report. So, we just talked about how the CW daily interest was calculated under Dome Mountain for the general summary for the factoring fund. CW revenue to date, what is...in the next column, $4,237,418.54.

A. Yes.

576. Q. What does that number represent?

A. The 4,237,000 would represent the amount of accrued interest up to the date of this report.

577. Q. Okay. And that is not money actually paid back to Crystal Wealth, it is just accrued interest owing to Crystal Wealth?

A. Correct.

578. Q. Okay. And then Frontline revenue to date, it says $78,024.80. What does that represent?

A. That would represent the total amount of money that Frontline has either been paid or to be paid on that total amount. So, of the 12,000,000 we made 78,000. Some of which is accruing.

579. Q. Okay. And was Frontline paid any of that amount?

A. I think we were paid, I think 40-some thousand, if my memory serves me right.

580. Q. Okay, and when were you paid 40-some thousand?

A. It was...I mean, right at the time...it should have been right at the time of the restructuring.

581. Q. In 2016?

A. In...

582. Q. November, 2016?

A. It should be somewhere around there, yes.

583. Q. Okay. So Frontline got paid, but you would agree Crystal Wealth didn't get paid back anything?

A. They...well, I mean, they would have recorded it in their income, but they never...

584. Q. No money flowed back, right?

A. No money flowed back.

585. Q. To Crystal Wealth?

A. At this point, no.

586. Q. I want to be clear for the record. No money on the Dome Mountain financing has flowed back to Crystal Wealth for fees, repayment of principal interest or otherwise, correct?

A. Correct.

587. Q. Okay. So why would Frontline have gotten to be paid when Crystal Wealth didn't? Why would they get to get 40-something thousand dollars?

A. Because they asked us to compile all the information and redo the documents, and, you know, report...

588. Q. So bottom line, this was just verbal authorization? You know, "Guys, we want 40 paid now". "Sure".

A. Well...

589. Q. It is not based on...

A. Yes. And, in fact, I actually had...I actually didn't realize Clayton wanted to actually pay us upfront. I didn't necessarily want that in his books to have to deal with it, the amount. I had offered because of the restructuring to actually...you know, he didn't have to pay it right away. But he hated having any amounts accruing on his books to anybody else.

590. Q. And you have continued to send the receiver updated weekly reports at our request during the administration, and who has been updating these reports that you have been sending? You?

A. My staff.

591. Q. But I am asking specifically.

A. No, I have no idea how this report is actually compiled in terms of the actual break...it is an Excel formula thing that the guys developed and...

592. Q. So I am asking who specifically is involved in...who has been involved in updating this document?

A. Samuel Kurtz was the one that was involved with updating it, and before that it was Steven Bandola.

593. Q. Okay. And who is going to continue to update it, anybody?

A. I mean...

594. Q. It is just you left?

A. It is just me and the bookkeeper left.

595. Q. And you don't know how to...

A. The bookkeeper...

596. Q. ...deal with the Crystal Wealth stuff, right?

A. The bookkeeper knows how to generate the report. We both do not have the ability to change any formulas or anything like that.

597. Q. So just going back to the...now we get to the principal outstanding, just under Dome Mountain, back on appendix 44, page 1. It says $12,793,174.87.

A. M'hmm.

598. Q. What number does that represent?

A. That would represent the dollar amount that was being...that the interest amount was being calculated on.

599. Q. So that is...

A. It should have been the original, kind of, gross advanced amount.

600. Q. All right. Let me ask that again. The $12,793,174.87, what is that number? Is that the money actually paid out by Crystal Wealth to Dome?

A. Yes. It should have been the money paid out to Dome and our fees. That principal amount may not be...it may have included the interest component from the previous year that got added in to the next amount.

601. Q. Okay, but earlier you told me when we looked at the first section above that the principal outstanding amount just referred to the amount actually advanced by Crystal Wealth.

A. So my...

602. Q. Not including fees.

A. Yes. My understanding of that would be that the interest that went from the first year, even though it wasn't physically advanced, it was advanced on our paperwork so that it is now being charged interest on that.

603. Q. Okay. I thought you said that was included in the CW outstanding column.

A. I probably did say that. I neglected to remember that this specific deal was rolled over with the interest, so I may have stated incorrectly there.

604. Q. And then in the next column we have "CW interest outstanding". So, help me understand. So, that is interest apart from interest that is included in the principal outstanding?

A. Yes, that is on top of the interest...the principal outstanding, yes.

605. Q. Based on the per diem you have included.

A. It should be, yes.

606. Q. So when we go to the bottom of this chart and we see Frontline revenue to date, $6,014,710.84.

A. Yes.

607. Q. How much of that six million has Frontline been paid to date?

A. I have no...I do not know at this point in time. I would have to look into it, but it would be...definitely under half of that.

608. Q. More or less than two-and-a-half million dollars?

A. I don't know. I...

609. Q. Come on, Jerry.

A. I don't even want to speculate.

610. Q. Come on, Jerry. More or less than two million bucks?

A. It might be around two million bucks, I don't know.

611. MR. van ZANDVOORT: Okay. Counsel, I want a full accounting of every payment that Frontline Factoring Inc. has received, or Mr. Froese's company has received, as a

result of its dealing with Crystal Wealth and merchants and debtors associated with Crystal Wealth, whether for fees, interest, principal or otherwise, since the inception of the dealings with the Crystal Wealth Funds.

MR. DUTRIZAC: Okay, you have that undertaking. U/T

612. MR. van ZANDVOORT: And...

MR. DUTRIZAC: Just so we are clear, a full accounting of every transaction...

613. MR. van ZANDVOORT: Every payment received by Frontline Factoring for fees, interest, expenses or otherwise, any monies that is received, associated with the factoring arrangements with Crystal Wealth, including for past factoring arrangements which are not recorded as being outstanding, and all source documentation. Bank records supporting those payments.

BY MR. van ZANDVOORT:

614. Q. So, we know that is just what you have received, Mr. Froese, on the merchants which are reported as being outstanding...

A. M'hmm.

615. Q. ...but you have had past dealings with Crystal Wealth and factoring arrangements, where Frontline has been paid as well, correct?

A. Correct.

616. Q. And approximately how much has Frontline been paid through those past arrangements not reflected in this summary?

A. I can take an undertaking to find that out. U/T

617. MR. van ZANDVOORT: Thank you, I will take that, and the same undertaking with backup source documents supporting it. Do I have that, Counsel?

MR. DUTRIZAC: Yes. U/T

BY MR. van ZANDVOORT:

618. Q. But approximately, Mr. Froese?

A. I am not even going to answer that, because I don't know.

619. Q. You wouldn't know if it was more or less than a million dollars?

A. No, because I am not sure which ones are outstanding and which ones aren't.

620. Q. So the fees you were paid, that

always came out of a combination of money from the Crystal Wealth Funds at the outset of funding a new invoice, as well as through repayments which you would retain as repayments were being made by merchants and debtors?

A. Correct.

621. Q. And staying on page one of appendix 44, being Exhibit 3, you said Dome Mountain was a bit different.

A. Yes.

622. Q. The other merchants reflected on this page, were they all...how are the columns different for those merchants as compared with what we just went through with Dome Mountain?

A. The only different...the one difference would be Restoration Energy, where we actually stopped accruing interest on that one.

623. Q. Why?

A. We had issues with the receivables, and the owner of the company had requested that we do a convertible debenture so that they could get some grant money. And so we went to Crystal Wealth and submitted the proposal, and also a restructuring of the security, the land security that we had.

624. Q. I was just...we are going to get

into Restoration.

A. Yes.

625. Q. I am specifically asking from a technical perspective, the manner in which,, if the columns from the other merchants represented on page 1 somehow differed as to what they reflected than what we walked through with Dome.

A. The only one that is substantially different is Dome, and...

626. Q. I don't think we are on the same page here. You said Dome was different, I understand...

A. Yes.

627. Q. ...in the sense of there wasn't going to be an upfront fee after it was restructured. There was going to be a daily interest rate.

A. Right.

628. Q. But the actual way that appendix 44, page 1 is structured, the columns, whether it is for Dome or Advanced Metal or Zomongo, those columns all represent the same information as it concerns to the respective merchant, correct?

A. Correct. Yes.

629. Q. Okay.

A. Yes.

630. Q. And so if we look at page 8 of appendix 44, the weekly report, for Dome Mountain, you have daily interest $6,534.65 which is the same amount we looked at at page 1.

A. Yes.

631. Q. But then you have CW fees upfront. What does that represent?

A. That represented...that was their portion of the same as the discount fee or the funding fee.

632. Q. Okay, but you said no amounts were paid to Crystal Wealth?

A. I said they weren't paid, but they were held back, so the principal was always calculated on a higher amount.

633. Q. Okay. So you say 196 was held back?

A. It would appear so, yes.

634. Q. Okay. And the revenue to the 4,237,418, again, what did you say that number was?

A. Sorry?

635. Q. CW revenue to date.

A. So that would be the...it would have been the upfront fees and the interest accrued, and that they would have...

636. Q. Okay. But then you have paid to CW 1.8 million dollars approximately, but I...again, I thought...

A. Yes.

637. Q. ...nothing was repaid to Crystal Wealth?

A. I will have to have an undertaking to actually go through these numbers and find out exactly. These numbers were directly communicated to our staff and how to report it to them. So he may have had something different that I was not aware of on this one.

638. Q. So your evidence is that Crystal Wealth would tell you what numbers just to insert into this report?

A. If they didn't like what we did they would come back and say, "No, it has to look like this". Yes.

639. Q. Okay. Why...what was the point of having you as an administrator if they were just telling you what to put in these summaries?

A. Because they are their contracts. We were just doing whatever they said.

640. Q. So just in addition to the undertaking, Counsel, I asked for earlier on the

accounting, I would like an accounting of all payments sent back to Crystal Wealth by Frontline, the merchants or the debtors and the source documentation, bank records supporting those payments back, so that we can attempt to reconcile it. But to be clear, the accounting should explain and reflect the numbers set out in the weekly summaries?

A. Yes, there should be no...the numbers should all add up.

641. Q. That is what I am asking for...

A. Yes.

642. Q. ...but I want to see that.

A. Yes, that is fair. U/T

643. Q. So, we see, again, just staying on page 8 of appendix 44 under Dome Mountain, "paid to Frontline $34,296.65".

A. Okay.

644. Q. Earlier you told me of the $78,000 in Frontline revenue, you thought maybe it was around $40,000 you were paid. Was it actually the $34,296 that we are looking at here?

A. I would have to verify that. It may be the...this might include all of Dome Mountain's from the first time as well, but I will have to verify that. I don't recollect exact numbers. U/T

645. Q. Okay, and why were you no longer getting...Frontline getting no interest accruing? Was that just the oral deal you had on this one?

A. Yes.

646. Q. That you were just going to get the 78,000 and that is it?

A. Yes. Whatever the amount was, we were just going to ...I mean, it was just a flat fee because it was...they were restructuring and we just were providing the documentation and doing that up for them.

647. Q. Okay.

A. Following up when they asked us to.

648. Q. And then below we see on November 11th, 2016, "Amount collected $239,767.66". Again, reflected on page 8 of appendix 44 of the second report.

A. Okay.

649. Q. What is that number?

A. I don't remember an actual payment being made, but it...that is a weird number. I don't...I will have to look into that. U/T

650. Q. Okay. Please do and let us know as part of the accounting undertaking. What was the

first factoring arrangement you introduced to Crystal Wealth once you started doing business with Crystal Wealth?

A. I believe the first one was Zomongo.

651. Q. Okay, and when was that?

A. That would have been end of 2014.

652. Q. Okay. And was it always you who...and when I say "you" I mean Frontline, who found the merchants to propose to Crystal Wealth, or did somebody assist with that?

A. We had...I mean, we had brokers that would refer deals to us.

653. Q. Who were the brokers? You said...

A. Yes.

654. Q. ...you had to pay...

A. Yes.

655. Q. ...fees to brokers.

A. Yes, Jeff Wilkie and one of his companies was paid for Zomongo referral.

656. Q. Okay, so Jeff Wilkie?

A. Yes.

657. Q. Who is his company?

A. I don't remember exactly. It is P-something Z. I don't know exactly what his company name was.

658. Q. So he referred Zomongo to you?
A. Yes.
659. Q. Was Zomongo...or, was Jeff Wilkie part of Lyoness?
A. Not that I am aware of, no.
660. Q. Okay, and what fee did Frontline pay Wilkie to find the Zomongo work?
A. It ended up changing. The original intent was to give him 10 percent of the gross revenue of the factoring agreement. I think we ended up paying...
661. Q. Sorry, gross revenue being Frontline's portion of it?
A. No, both, both. Crystal Wealth's and Frontline's portion. And then we ended up...I mean it was, I mean, in the neighbourhood of...I mean, it ended up being we ended just giving him, I think, $3,000 a month for a long time.
662. Q. Well, during what period?
A. Well, from close to the start of the agreement to...I think we stopped paying him in November of 2017.
663. Q. So Frontline always paid him?
A. Yes.
664. Q. Okay. And how do you know Jeff

Wilkie?

A. I don't know him very well. He is...

665. Q. But who introduced you to him?

A. It was a contact from Bob Maljaars.

666. Q. Okay. And how did Jeff Wilkie know Zomongo?

A. I don't know.

667. Q. You never asked him before you recommended that merchant to Crystal Wealth?

A. He may have told me. I don't recollect what it was, though.

668. Q. What due diligence did you do on them?

A. On Zomongo?

669. Q. Yes.

A. Which we will provide you a whole reporting of that, that was missed on the stuff given to you. U/T

670. Q. What other involvement did Wilkie have in these factoring arrangements with Crystal Wealth?

A. He was...he originally had, I think, introduced Bob Maljaars and David Den Hollander to a guy named Jordan McBean, who some of the original factoring arrangements with those numbered companies...

671. Q. You mean the 647 BC...

A. Yes.

672. Q. ...and 156 Alberta merchants?

A. Yes. They were connected to his dealings at some level, or his recommendations.

673. Q. What other involvement did Wilkie have with the factoring arrangements?

A. None.

674. Q. Doesn't he own GIC Capital Corp., which is one of the debtors of 156 Alberta?

A. Yes. That is what I was saying with Jordan McBean. He was part of those invoices.

675. Q. So Wilkie refers the Zomongo merchant, one of the seven. He is also involved with 647 BC and 156 Alberta, two other merchants, so that is three of the seven.

A. Yes.

676. Q. He is also the principal and owner of GIC Capital, which is a debtor of one of the merchants?

A. Yes. And one of the things I would always do is every merchant I had I would give them my pitch to say, "Hey, if you know anybody, you know, we will pay you a referral fee". So they all got, you know, excited when I would talk to them about potentially referring deals to us.

677. Q. And was the referral fee always the same?

A. No, I mean...no, it wasn't always the same, but...

678. Q. What was the business of GIC Capital, Wilkie's company?

A. I don't remember off the top of my head.

679. Q. What did 156 Alberta do for GIC Capital that led you to recommend factoring those invoices to Crystal Wealth?

A. There was a...and I don't remember what the actual deal was, I would have to look up the specific one. There was a bunch of things that they did. But Jordan McBean I introduced...or, I didn't introduce, I think, but I met...Al Housego was introduced to Jordan McBean to kind of...in terms of due diligence I wanted him to kind of meet the guy, do everything. Jordan McBean was...had signed deals with these companies, GIC, and a few other companies, and they had set up hedge funds to fund them. But there was a bunch of work that was being done pre-deal, and I believe that there was contracting work done...I don't remember the specifics of what it was done for Jeff Wilkie's company, and that is what it was invoiced for. And the repayment was verified and...with...I mean, with...we knew that there was a funding source that would get back to GIC, which was going to pay Crystal Wealth back for those invoices. So we did...I mean, I went to Calgary and met with Jordan McBean to make sure the funding source was real. No, it ended up, it didn't...I don't think those ones actually did come through, but those invoices did get...he did get paid off.

680. Q. So I ask just what 156 Alberta did for GIC Capital Corp.?

A. Can I take a look at the invoice and see if it will trigger my memory?

681. Q. The GIC Capital Corp. is one that you have reflected on the books as having been repaid.

A. Okay. So, I...

682. Q. How was it repaid it...so, I think what I understood from everything you just said was you recommended that Crystal Wealth fund some 156 Alberta invoices to GIC Capital Corp., because

regardless what kind of whatever services 156 provided GIC was going to get a source of funding through a man named Jordan McBean who ran hedge funds that was going to pay back Crystal Wealth for those invoices?

A. Correct.

683. Q. Okay.

A. I mean, it would have come through GIC...

684. Q. Right.

A. ...if it...

685. Q. So when that didn't...you said it didn't happen.

A. I believe that...I don't know for sure on that, but I believe it didn't happen, but I know the invoices are paid off now.

686. MR. van ZANDVOORT: Okay. And that will form part of the accounting that I have requested, Counsel, of course, about repayment for all factoring arrangements.

MR. DUTRIZAC: Yes.

687. MR. van ZANDVOORT: And where the payments came from.

BY MR. van ZANDVOORT:

688. Q. So I want to just go back to McBean. So, you said Jeff Wilkie, who you met through Bob Maljaars of 156 Alberta, introduced Mr. Maljaars and David Den Hollander to this Jordan McBean. And who is Jordan McBean?

A. Jordan McBean represented himself as an ex-RCMP officer who used to, you know, when the Queen came to town he was kind of the escort that would do security on stuff like that. He had gone into the investment world, brought...I mean, I remember him meeting the guy that he brought in from, I think it was Nesbitt Burns, to kind of run that operation.

689. Q. Who was that?

A. I didn't remember...I don't recall the name.

690. Q. Okay. Can you find it?

A. I can try and find it. U/T

691. Q. If you have it.

A. Yes. I mean, it was literally a two-minute introduction and then he had to go somewhere but...

692. Q. Anyway, continue.

A. So, and Jordan McBean, I mean, had indicated that he ran a successful foreign exchange trading business, had a bunch of money in that, and was dealing with middle eastern money and representatives that he had met when he was in the RCMP world, that had large amounts of money that they wanted him to manage, and he was looking for good quality deals to structure within that, I guess, portfolio.

693. Q. Is it fair to say that of the seven outstanding factoring arrangement, 156 Alberta, 647 BC, Dome Mountain, that the whole intention was Crystal Wealth advances money. Somebody like a McBean or an MGE would hopefully raise money to provide financing to take out Crystal Wealth?

A. Yes, that would be...that was kind of the backup plan for it, yes.

694. Q. Well, not the backup plan. That is exactly the plan.

A. Well, that was the plan, right.

695. Q. Yes.

A. Especially when you have an insurance policy that would back it, right?

696. Q. And was that kind of approach of really just Crystal Wealth not just factoring for services provided, but providing bridge financing? Was that also true with respect to any of the other

four merchants? Advanced Metal, Single Source, Zomongo and Restoration Energy?

A. No, I think those are the only ones that, I mean...our due diligence led us to, "Okay, how are we going to get funding to pay these invoices back?" That was, I think the numbered companies and Dome Mountain are the ones that were mostly had invoices like that. I mean, my...

697. Q. Well, they weren't...again, just to be clear, they weren't invoices, they were, "We are going to advance money, and the payback plan is only that it is coming from financing to be raised by others".

A. But it was not...it was for actual work done for those companies, but our source...we wanted to make sure that those companies had the ability to pay it back, so that is what led us to, "Oh, we got this Jordan McBean guy. He has got all these documents", and so which led me to believe that these guys were funded to the point where if Bob was doing work for them that he would get paid.

698. Q. Okay. So let's go back to how you met McBean. When do you first meet McBean to do your due diligence?

A. It would have been before funding

either 647 or 156.

699. Q. Okay. So 647's factoring agreement is November, 2014. 156 Alberta's is in February, 2015. Does that help you figure out when you would have met McBean?

A. Sorry, when was 647's did you say?

700. Q. November, 2014.

A. 2014. So it would have...I would believe that it would have been right at the...somewhere, December, November of 2014.

701. Q. Okay. So, who tells you to go meet with McBean?

A. I...through the conversations with Bob and David...I mean, somehow through our due diligence process we wanted to actually meet this person, and because we were new with dealing with Crystal Wealth, I wanted Al Housego to meet him as well. So we both went together to meet this guy.

702. Q. Okay. And at that time were you only investigating the proposed factoring of invoices from 156 Alberta and 647 BC to GIC Capital and...

A. Yes.

703. Q. ...and to Dome Mountain at that time as well?

A. I don't believe Dome Mountain was in the picture. I shouldn't say that. I think there was discussions of him funding Dome Mountain as well, so it would have been part of it as well, yes. That was the original avenue.

704. Q. Okay. So the first time you meet with McBean, is Al Housego at that meeting?

A. Yes.

705. Q. Okay. So at the meeting is you, Al Housego, Jordan McBean. Bob Maljaars?

A. I believe so, yes.

A. David Den Hollander?

A. I believe so, yes.

706. Q. Anybody else?

A. I vaguely remember Wilkie...Wilkie coming right at the end when we...whenever we were just kind of wrapping up, saying, "Hey, I just wanted to show up and say 'hi'".

707. Q. Was Waechter at the meeting?

A. No.

708. Q. So just you, Housego, Wilkie, Den Hollander, Maljaars and McBean?

A. Yes. And the...I think it was the Nesbitt Burns guy, he made a brief appearance there as well.

709. Q. So you have got three of the seven factoring merchants...was Darcy Paul there?

A. I don't believe so.

710. Q. Okay. At that point in time had you met Darcy Paul?

A. I am trying to remember, who is he? I don't remember him being there, but he might have come at some point. I would have known Darcy Paul, I wouldn't have known him well.

711. Q. Okay. So, walk me through what gets discussed at this meeting, what information is presented.

A. It was basically Jordan McBean, and they were meeting. Me and Al came in to sit down with them already, and it was, "Okay, like, well this is Crystal Wealth, this is Frontline, you know, we are wanting to do some due diligence on the McBean Group, just to kind of see, you know, what actually...you know, who they are, you know, what their plan was, what they were doing". And to just kind of validate that there was a source, because they didn't have any other major income coming through. For example, GIC Capital was not, you know, involved in active business, so we wanted to know why and how these things would get paid back.

712. Q. And were you also talking about the same thing for IC Commerce, which was a debtor?
A. Yes.
713. Q. And that was Darcy Paul's...
A. Yes.
714. Q. ...company?
A. Yes.
715. Q. He was the sole shareholder of Dome Mountain Resources...
A. Right.
716. Q. ...one of the merchants.
A. Yes.
717. Q. And Biodiesel was also one of the debtors...
A. Correct.
718. Q. ...right?
A. Yes.
719. Q. And that company is a Darcy Paul company as well?
A. I don't remember. Could be.
720. Q. Well, I am telling you that Biodiesel, one of the debtors, that was funded through Crystal Wealth...
A. Yes.
721. Q. ...was a Paul company as well as IC

Commerce.

A. Yes.

722. Q. So, I mean, Darcy Paul is Dome Mountain...

A. That makes sense.

723. Q. ...he is two of the debtors.

A. Yes.

724. Q. And so you were looking at, at that time, some significant arrangements to say Biodiesel, GIC Capital, IC Commerce. These are not operating entities. Bob Maljaars and David Den Hollander want to pass their companies...want to factor invoices to non-operating companies to get paid now by Crystal Wealth.

A. Yes.

725. Q. You have got to go to this meeting with Housego to say, "How sure a thing is this that when Crystal Wealth...

A. Yes.

726. Q. ...shells out millions and millions of dollars, that you guys are going to find financing from other investors to pay back Crystal Wealth?"

A. Yes, and that is why we brought...I mean, I brought Al Housego...

727. Q. Yes.
A. ...right into the mix to make sure...
728. Q. He was comfortable.
A. I mean, to me it...either way it was yes or no. It was fine.
729. Q. Well, sure, you had to pay a ton of dough on that. So, help me out. What is discussed at the meeting? What is presented? Walk me through what was presented by McBean, what documents were you given to give you those assurances, because we see, as set out in the second report, right after that meeting, paragraph 110 of that second report we see form November, 2014 to September, 2015, Crystal Wealth advances 1.5 million bucks to 647 BC, and they advance between February, 2015 and April, 2016, 2.1 million dollars to 156 Alberta, so...
A. Right.
730. Q. ...obviously everybody gets comfortable at the McBean meeting.
A. Yes.
731. Q. I mean, tell me how everybody gets comfortable.
A. Well, I mean, it...I mean it appeared that he was a very significant, you know,

player, and had represented himself, and was, you know, talking about the funds in our administration and his returns based on those arrangements. And, you know, he talked very confidently.

A guy from...actually probably one of the biggest things was a guy just left his really high paying job at Nesbitt Burns to...and had been there and was going to be his portfolio manager. So, I mean, it...I mean, at that point in time, you know, I think both me and myself...myself and Al, they convinced us that, you know, it was a legitimate company and if he didn't raise money he had other funds that would...you know, that he would, you know, advance to get as well. So...

732. Q. What...that is great. I am sure it was an impressive...

A. Yes.

733. Q. ...presentation, but I am asking for tangible...what tangible assurances were given to you to say, you know, "If Crystal Wealth does this, here is the guarantees that I got the funding. Crystal Wealth is going to get paid back, they are going to get their money"?

You know, I didn't hear anything from what you just said, Mr. Froese, as to why I would be assured to say a mutual fund advance, you know, four or five million bucks of investor money on that assurance. What did you know? What did he tell you about how the payback plan?

A. Well, he had a very specific plan to advance money to these companies. They were, at the time, he gave us dates of when they were going to happen, and, you know, how they were going to happen. I don't have a recollection, but I believe we had actual agreements supporting those as well.

734. Q. Where are they?

A. They should be in our...I may not have provided them because those invoices weren't outstanding on those ones, but...

735. Q. Well, because they were paid back using Crystal Wealth's money when they funded the 12-and-a-half million bucks to bill them and...

A. Yes. Yes, I made sure of that. That was my...

736. Q. Crystal Wealth used its own money to pay...

A. Yes.

737. Q. ...itself back?

A. Well, and that is what I was working for the whole time, was to get something that was once...

738. Q. To get some money back.

A. Well, to get them...to make sure that when these ones were looking like, "Okay, this is taking a lot longer than anticipated", when they went to me first I am, like, "Okay, that is a great option to try and get new funding, but I can't do that". They went to Al Housego. Al Housego said, "Yes, we can structure it as a factoring agreement". At that point in time it was an insurance policy that was added...

739. Q. You are getting ahead of yourself, Mr. Froese.

A. Yes.

740. Q. We are going to get to all of that. Don't worry. We are not going to...

A. There was a very specific reason why...

741. Q. Look, panic struck in, but we are going to get to why panic struck in, but we are still at the McBean meeting. You said some agreements giving you the comfort and assurances to start factoring the 156 and 647...

A. Yes.

742. Q. ...invoices were given. And I asked

you, "Where is the agreements?" You said they weren't provided because those invoices were paid back, and I said, "Yes, and they were paid back through the 12-and-a-half million dollars...

A. Yes.

743. Q. ...that Crystal Wealth advanced to Dome". I want to see the agreements, all of the agreements McBean gave you...

A. Okay.

744. Q. ...that provided the comfort to what the factoring arrangements of 156 Alberta and 647 BC to proceed.

A. Sure.

MR. DUTRIZAC: Yes. U/T

745. MR. van ZANDVOORT: I am going to get, obviously, all the accounting with respect to these repayments and payments that I have already asked for.

BY MR. van ZANDVOORT:

746. Q. But in tab 130 of your productions you have listed in the index "Commitment letter re the McBean Group Ltd., dated March 17th, 2015", but it has not been produced. It is missing from your productions.

MR. DUTRIZAC: Okay. It would have been sent to Crystal Wealth originally, but for some reason it is probably not in their paperwork.

BY MR. van ZANDVOORT:

747. Q. Okay. And what can you tell me sitting here today about what you remember the agreements were? What was the plan that McBean had and the assurances given?

A. His...he had advised us that he was doing a structure out of the Bahamas for tax purposes only. He was going to be a Canadian company, Canadian operating entity, but for tax purposes he was dealing with all kinds of, you know, really great tax people, so it was just tax purposes that he had funding and he had...he told us he had money, proof of funds. He never provided that. You know, mass amounts of money that were, you know, allocated to him. They decided to complete their set-up. He was continually flying down to the Bahamas for...and right before we met him, to structure his whole...he called it a hedge fund with many hedge funds underneath it.

And he had the...yes, he just basically

said that of the advances that were made, that the reason why he was doing it this way is that they wanted the entities that were providing him the funding, wanted to put 50 percent into his existing operating company through these hedge funds, and 50 percent would go to more of a hard asset project.

748. Q. Okay. You said an entity was created in Canada?

A. I don't know that an entity was exactly created. It was going to be operated out of Canada, is my understanding. I wouldn't...

749. Q. Do you know what entity that is? Was it ultimately created?

A. I don't...I don't know.

750. Q. You don't know.

A. Do you mean the entity with the hedge fund, or the...

751. Q. Yes, sure. I want the names of these various vehicles and entities that you just referred to.

A. I don't know of the entities that were created in the Bahamas.

752. Q. And those were mutual funds created, or hedge funds created?

A. Hedge funds, I believe they were.

753. Q. Do you know how many?
A. No.
754. Q. Was it four?
MR. DUTRIZAC: He just said he doesn't know.
THE DEPONENT: I don't know.
755. MR. van ZANDVOORT: Okay. I thought he would know, but all right, so...
THE DEPONENT: I think there was at least four. I think there was more as well, so...

BY MR. van ZANDVOORT:
756. Q. Do you know how much each one was supposed to raise?
A. I thought it was 100,000 but don't quote me on that.
757. Q. 100,000, or one hundred million?
A. Sorry, one hundred million, sorry, not one hundred grand.
758. Q. Okay. Give me whatever entity or fund names you can remember.
A. I don't remember any of the fund names.
759. Q. What about the entity names for the

Canadian...

A. McBean Group was the only entity that I...I mean, he had an online presence. He had a...I mean, it looked like a reporting mechanism for reporting his results to his investors, and he had kind of outlines, and he had a whole bunch of companies that he was associated, represented on there as well. I believe GIC Capital was on there, the different...all the different entities that were...he was going to have these hedge funds through.

So, I mean, it seemed sincere in a way. Like, he wasn't...I mean, like, it wasn't, like hidden, nothing there. It was very wide open. The website was...disclosed everything.

760. Q. Okay. But I am still struggling to see how you were assured to recommend that...

A. We had an agreement. We saw the agreements with...between McBean Group and these companies.

761. Q. Between GIC, IC Commerce?

A. Yes. I believe we have all of them, yes.

762. Q. Okay. Produce them all.

A. Okay. U/T

763. Q. And they had an agreement...they were going to be...wasn't McBean going to originally be the...finance Dome Mountain? Wasn't that discussed at that meeting?
A. Yes, it was. Yes.
764. Q. Yes. So before MGE was ever in the picture it was the McBean Group that was going to finance Dome as well?
A. Yes.
765. Q. So, essentially through the Dome Mountain financing by Crystal Wealth, the 156 Alberta and 647 financing by Crystal Wealth, all of that was going to be wiped clean by McBean's fund raises? That was the plan?
A. Yes, that was the plan.
766. Q. And in exchange for that plan McBean got paid a significant fee, right?
A. I don't know. I guess he was.
767. Q. You don't know that the money you paid to 156 Alberta and 647 BC from Crystal Wealth was used in part to pay McBean over $600,000 for...
A. I mean, there was structuring costs in setting up the organizations and stuff like that so, yes, that would make sense.
768. Q. Yes, and so Crystal Wealth...

A. Yes.
769. Q. ...funded that...
A. Yes.
770. Q. ...cost?
A. Yes.
771. Q. And so how much was the fee McBean received?
A. I don't know. I would have to find out. U/T
772. Q. All right. You can let me know. When did you find out that McBean wasn't going to come through and raise a dollar?
A. Long after everything...I mean, it would have been...I think...I would have to check the dates, but I mean, he kept giving up dates about his little issues and what was happening, and I would get them through, you know, Darcy, mostly.
773. Q. Darcy Paul of Dome Mountain?
A. Darcy Paul, yes. I would get updates because he had a pretty close connection with Jordan McBean, of, you know, timing of this and that and everything else. And he was supposed to, because the stuff wasn't going through, that he was just going to refund the money.
774. Q. Who was going to refund the money?

A. Well, whatever those fees were associated with, I believe...

775. Q. Who? What are you talking about?

A. McBean.

776. Q. Okay.

A. So, McBean, the fees we were talking about.

777. Q. Yes.

A. Which I don't know exactly to who and how much they were exactly, but I...part of when we were trying to, you know, figure out what was going on, they kept saying, "Yes, he is going to do it. He is going to do it", and it just wasn't happening. So, I am, like, well, "You better find another avenue to repay back these monies".

778. Q. Was any litigation initiated by anyone against McBean or his companies?

A. I believe there was.

779. Q. By who?

A. But not by the...by Darcy or anybody like that.

780. Q. By who?

A. I heard that other companies were going after him, because he never preformed.

781. Q. Defrauded other companies?

A. Potentially, yes. I would not...

MR. DUTRIZAC: Do you have any knowledge, direct knowledge of that?

THE DEPONENT: No, I don't.

BY MR. van ZANDVOORT:

782. Q. Did you ever recommend that Crystal Wealth sue McBean?

A. Well...

783. Q. Or his company?

A. I don't know how they would have any relation to McBean to be able to sue. That was just part of the process of trying to figure out if these companies were real.

784. Q. So, in your view and, again, you haven't been able to provide much particulars of what was told to you at the McBean meeting, but did he lie to you at that meeting? Why did the financing never come through?

A. I mean, looking back I would...I don't have proof of it, but I would guess that he was lying to us at that meeting. I believe that he represented that he had the money already. He was just waiting for the corporations to be properly set up for tax purposes, and all their audit and compliance was done, and that it was not any...so that he already had the money in place.

So, I do not know if that was the case or not, but I would venture to guess that he probably didn't.

785. Q. Okay. So at what point in time did you realize McBean was not going to raise the money so you had to start...the group was looking for somebody else to raise the money, which ultimately became MGE?

A. It...I would say that the group had been working on projects for years already, so they had...I think this was one of their avenues that they had...I mean, probably had connections with earlier already, the MGE, and so I don't know exactly how quickly, but I think that it was...I don't know, I couldn't even tell you. I don't know exactly when it was.

786. Q. Did you send reporting to Crystal Wealth concerning the non-performance of the 156 and 647 invoices, given the failure of this financing? Section 5.1 of your agreement with Crystal Wealth provides for reporting on non-performing factoring arrangements. Was that type of reporting ever provided by Frontline?

A. Well, because we weren't operating based on that agreement, we would provide...we wouldn't provide written reporting. We would provide, like...

787. Q. Informal?

A. ...informal, like, kind of wanting to know direction and how we should, you know, go forward on this.

788. Q. So why did you continue, just looking at paragraph 110 of the second report. You kept arranging for Crystal Wealth to factor 647 and 156 invoices to Dome Mountain from November, 2014 through to April, 2016, continuous through the period in which the source of funding you had learned was no longer going to be available for McBean.

A. Well, I didn't know the source of funding wouldn't be available right away, but they were also working on plan B, to see if they could get a faster route.

So, I mean, they were continually...I mean, the conversations...I mean, Al was directly in conversations with, I mean, David probably mostly, but Bob as well, in terms of, you know, what was happening, what was going on, why the time delay.

789. Q. You are the factoring administrator for the Crystal Wealth Funds who has been paid millions of dollars. You kept...and where is the letter that says, "Stop funding the 156, 647 invoices? We have no source of repayment. The invoices are to non-operating entities that have nothing. Stop paying out investor money to these companies". Why was that never sent out? Why did this...why was it permitted...the funding permitted to continue?

A. I mean, once...I mean, we believed that there was going to be a source of repayment. We believed that MGE was going to...

790. Q. Okay.

A. ...fund.

791. Q. So you were fine, you know, whereas originally you had the assurances from McBean, you had the agreements, you were good to proceed, but when that fell apart you said, "You know what? We haven't seen any agreements with MGE. We are hopeful that it will work. We will keep funding these invoices just on the hope that it will...you know, we will get a deal with them and that will work out".

A. It...I mean, the original commitment

by McBean was a commitment that took time as well, so it wasn't like we knew right away that it was...that it wasn't going to pay out.

792. Q. Well, you said you thought he lied because he told you...

A. Yes, but not until recently.

793. Q. Now.

A. Now I think he lied. Not at that time, I sure didn't. I thought he was telling me the truth.

794. Q. No, but that is my point. You had the assurance at that time that he already had the money. You knew the payer was there.

A. Yes.

795. Q. And then I said when that fell apart, why did Crystal Wealth continue to factor these invoices from 647 and 156 to Dome, without any sort of repayment plan in place?

A. Because there was a crossover that MGE was going to pay it, so I totally discounted McBean completely...

796. Q. For sure. But to...look, in April, May, August, September, October, 2015, invoices are continuing to be factored.

A. Yes.

797. Q. You know McBean is out of the picture at that point.

A. Not necessarily.

798. Q. So all of sudden...when did the discussions with MGE start?

A. I don't remember the exact timeline, it is too long ago, but, I mean...

799. Q. After you knew McBean was gone.

A. No, it would have been before. We still...the conversations were McBean has taken extra amounts of time. You know, until we actually paper a new transaction with MGE, we were still anticipating that Jordan McBean would come through.

800. Q. You would agree that the invoices continued to be factored, despite there being a high level of uncertainty, and without any guarantee that a financing source was going to be there?

A. I mean you can say that now, but at the time we didn't think that, we thought there was a source.

801. Q. Well, you thought you would be able to ultimately get a source, whether it was McBean or MGE?

A. We thought we had a source.

802. Q. Which was who?

A. Well, we thought the McBean Group was going to come...like, was going to come through.

803. Q. You were hopeful that they would?

A. Well, we had a contract saying that they would, so that was...we went based on that contract.

804. Q. It would be nice to have that contract today, Mr. Froese...

A. Yes.

805. Q. ...after months of asking for all of this stuff, but...so even with that contract you started looking at plan B with MGE?

A. I wouldn't say I did, but those guys did, yes.

806. Q. You are the administrator. You are working on collections and repayment.

A. Yes.

807. Q. Although to an extent it actually benefits Frontline if repayment is slow because you get more fees from it than if you do if they are paid in that 30 days, correct?

A. But I don't get paid. I mean, if it doesn't get paid back, right?

808. Q. No, but let's say an invoice is paid back in 30 days or it is paid back in a year.

A. Yes.

809. Q. Frontline makes more money if it is paid in a year?

A. Yes. And so does Crystal Wealth.

810. Q. Yes.

A. Yes.

811. Q. Although Frontline makes a lot more money than Crystal Wealth for the reasons we discussed, proportionately.

A. No. I don't...I mean...

812. Q. Crystal Wealth gets the 1.5 percent and Frontline gets everything we talked about.

A. Well, on Dome Mountain, which was $12,000,000, we got paid less than $100,000. How is that...

813. Q. You got paid 40, and Crystal Wealth got paid zero, which we talked about.

A. Well, they...but the actual agreement, if it would have gone through, they would have got paid...

814. Q. Sure.

A. ...most of the money, so I don't think that is fair.

815. Q. Okay. So walk me through November...through November, 2015. Who advances the

discussions with MGE and how does the MGE proposed financing come about?

A. The MGE...so when the...they were looking for alternative sources that would...you know, plan B, plan C, plan D, to get...I mean...

816. Q. Just to be clear, you are saying the word "they". You are saying Dome Mountain was...

A. Dome Mountain.

817. Q. ...looking for alternative sources of financing to raise money to buy the remaining shares of Gavin Mines?

A. Correct.

818. Q. Okay. And before we keep going, at what point...when the discussions with McBean started, what percentage of shares did Dome Mountain have in Gavin Mines, any?

A. Did Dome Mountain have, sorry?

819. Q. Yes.

A. When the...there was some shares. I am not sure how much there was. I would have to...

820. Q. Did you ever know?

A. I had the shares, yes, the certificates, which, I believe was provided.

821. Q. Okay. So, in your productions, and I have done the math so you can trust me on this,

for the record, but you have produced two share certificates from January 3rd, 2015. That is...those are the earliest ones.

A. Okay.

822. Q. They are 2,500 common shares each.

A. Right.

823. Q. That is at tabs 129 to 130 of your productions. Then you have an...towards the end of year, October 16th, 2015 you have another share certificate, tab 131 of your productions, for 56,875 common shares.

And then in November you have three share certificates. You got November 13th, 2015 for 50,000. That is at 142 of your productions. November 27th, 2015, 43,125 common shares at tab 143 of your productions.

November 27th, 2015 for 6,875 shares at 144 of your productions, and March 17th, 2016 for 12,500 shares.

A. Okay.

824. Q. Those are the share certificates you have produced copies of.

A. Yes. Okay.

825. Q. The earliest, January 3rd, 2015.

A. Yes.

826. Q. Do you know of the share certificates I have listed, what shareholdings... what percentage of shareholdings in Gavin Mines did those share certificates add up to?

A. At I believe at the time, my numbers are not...don't quote me on this exactly, but I thought it was somewhere between 13 and 16 percent of the mine.

827. Q. Okay, so before January 3rd, 2015, the first of the certificates, what was Dome Mountain's shareholdings in Gavin Mines?

A. Before what day, sorry?

828. Q. The first share certificate, January 3rd, 2015.

A. I don't believe they had any shares at that point in time.

829. Q. So my understanding from speaking...my understanding is that we go back to paragraph 110 of the receiver's second report. It reflects some of the 647 and 156 invoices to Dome Mountain from November, 2014 to April, 2016.

A. Yes.

830. Q. My understanding is those funds advanced by Crystal Wealth were used, in part, by the numbered companies to pay McBean, but also to

purchase the share certificates for Dome Mountain. Is that accurate?

A. Funds that were advanced by the numbered companies, you are saying?

831. Q. Well, funds advanced by Crystal Wealth...

A. Yes.

832. Q. ...to factor the invoices to Dome Mountain from the numbered companies were then used to purchase on behalf of Dome, shares in Gavin Mines.

A. That could be the case. I don't have...I don't...

833. Q. Do you not remember?

A. Well, when we factored deals it wasn't our job to find out where the money went to.

834. Q. Well, it was certainly your job to understand what the invoice from 156 to Dome was, i.e...

A. Yes.

835. Q. ...Dome was going to buy shares.

A. So we...no, that wasn't my role at all. Zero percent. My role was to find out if there was a source of repayment for that invoice. What they did with the money had nothing to do with my role.

836. Q. Okay. So let's get back to my question. Was the money from Crystal Wealth that was transferred to 156 Alberta and 647 BC used to fund the purchase of these share certificates?

A. I am just going to say I don't know at this point in time.

837. Q. Okay. Who has the original copies of the share certificates?

A. Darcy Paul, I believe.

838. Q. What did you know about Gavin Mines?

A. Well...

839. Q. Gavin Mines Inc., that is.

A. Gavin Mines Inc. My understanding of it was that David had been, somehow...

840. Q. David Den Hollander?

A. Den Hollander, had been linked to that mine forever. He thought it was worth billions of dollars and, you know, he had tried...I think he even...I don't know if it was him or somebody else that had...I think he had referred a water system for them or something like that, so he had a connection with the company. He loved mining, David Den Hollander, so he was...and he loved to talk about when, you know...the mining industry, right?

That seems to be his thing.

I didn't know specifics of Gavin Mines, besides there was a guy by the name of Lloyd Tattersall that was an older guy that was running the mine, and, you know, they were trying to take over that mine.

841. Q. Did you ever have any communications with Lloyd?

A. Never.

842. Q. Did you ever have any communications with any representative of Gavin Mines or Metal Mountain?

A. No.

843. Q. Who were the other shareholders in Gavin Mines?

A. I don't...sorry Andy Clark I know was a shareholder.

844. Q. And what percentage was he?

A. I don't know.

845. Q. Is he still a shareholder?

A. As far as I know.

846. Q. You don't know who the other shareholders were?

A. My understanding is that, like, there is 1,500 shareholders in that company, so I don't know who the other shareholders are. They may be through another company that owns a big chunk of it. I am not sure.

847. Q. And was the portion of the $12,507,676 that Crystal Wealth advanced to Dome Mountain as part of the November, 2015 financing, was that used to purchase the share certificates that I mentioned for November 13th, November 27th, November 27th and March 17th?

MR. DUTRIZAC: I think you have already asked. He doesn't know. He doesn't know.

BY MR. van ZANDVOORT:

848. Q. When the Crystal Wealth advanced the 12-and-a-half million dollars or so in November and December, 2015, explain to me how the funds were transferred.

A. Some of them were transferred to Frontline, and then we controlled, you know...made sure that those numbered companies were actually paid, because that was part of the agreement that I structured to make sure that this was...you know, we didn't want to leave them hanging.

And then there was money that was wired to the mine as well.

849. Q. What do you mean ensure that the numbered companies would be paid? The numbered companies owed Crystal Wealth money, not the other way around.

A. Yes, so the numbered companies owed Crystal Wealth monies, but Dome Mountain was the receivable...Dome Mountain was going to receive money. I wanted to make sure that that money didn't just get...like, go wherever. I wanted to make sure that it actually paid back those invoices to make sure that those numbered companies were going to get paid back.

850. Q. Okay. So what did the...so you are saying the numbered companies actually received some of the 12-and-a-half million dollars from the Dome Mountain financing?

A. Yes.

851. Q. How much?

A. I mean, millions.

852. Q. But Crystal Wealth had already advanced them over three-and-a-half million dollars, as we talked about.

A. Yes. Part of that 12 million went back to pay that three million back.

853. Q. But that was owing to Crystal

Wealth, not to the numbered companies.

A. So, no, it never went directly to the numbered companies. I made sure it didn't go back to the numbered companies. I paid it directly to Crystal Wealth.

854. Q. So Crystal Wealth transferred you the money and you transferred it back to them?

A. Yes.

855. Q. Okay. And that is going to be part of your accounting, right?

A. Yes.

856. Q. Okay. And you...you know, your counsel says you didn't know where the money went and you just told me you were responsible for wiring it to the mines, so I am going to ask you...and you know...and by the way, that is just entirely contradictory to what you told me earlier, which is it wasn't your responsibility to see what the merchants did with the money. Why are you wiring the money to the mine?

A. Because typically I have no interest in making sure that...I mean, if a client has a receivable, I mean, they have done the work. It is their money. I give it to them, they can, you know, go buy a yacht if they want. But in this case the receivables were related to Dome Mountain, so I mean, Dome Mountain owed the numbered companies money, and, you know, I advised Al and, I mean, we talked about it, that, I mean, there is no way that anybody should advance money without that being cleaned up.

So I had a discussion with Al to make sure that, you know, that we cleaned them up, and those companies agreed to it. They all agreed to it.

857. Q. Were you a signing authority to Dome Mountain's bank accounts?

A. Yes. I was.

858. Q. You were a signing officer on...or did you have signing authority on behalf of the numbered companies, 156 Alberta and 647 BC's bank accounts?

A. No.

859. Q. Any of the other merchants' bank accounts?

A. No.

860. Q. So, of the 12,507,000 and change advanced by Crystal Wealth for the Dome financing in November and December, 2015, how did you disburse those funds and in what quantities?

A. Yes, so what would happen is we

would...I would advance the money...the money would be advanced from Crystal Wealth to Frontline. I would transfer that money into Dome Mountain's account, and then subsequently transfer back whatever amount I was transferring to specific locations, so that there was a proper paper trail going in and out, and I said that I didn't want to do that without being able to do that transaction myself, so I asked them if they would allow me to be a signing authority to do that, so I could control it. Because if I put the money in their account and they didn't transfer it back, you know, that would...I mean, that wouldn't have been right.

861. Q. Okay. That doesn't answer my question at all.

A. Okay, so rephrase your question. I am not sure.

862. Q. How did you disburse the 12-and-a-half dollars from Dome's bank account? I want entities you disbursed it to, and I appreciate you won't know the exact amounts, probably...

A. Yes.

863. Q. ...so give me approximate amounts. I want to know where 12-and-a-half million dollars of Crystal Wealth's money went.

A. Yes.
864. Q. So tell me. Go.
A. We sent money to Crystal Wealth, back to Crystal Wealth...
865. Q. To repay...
A. ...to repay those...
866. Q. ...the 156 Alberta and 647 BC invoices, up to that time?
A. Correct.
867. Q. Okay. Okay, so that about three-and-a-half million dollars, four million bucks let's say.
A. Yes.
868. Q. We are dealing with 12-and-a-half, so where did you send the rest?
A. I think there was another four-and-a-half or so that was wired directly to the mine.
869. Q. When you say "directly to the mine", wired to who?
A. Wired to Gavin Mines.
870. Q. I thought you didn't have any dealings with Gavin Mines yourself?
A. They gave me the wire information, I wired it. I wasn't...I didn't deal...I didn't talk to Gavin Mines, I just sent the money on behalf of

Dome Mountain.

871. Q. Who gave you the wire instructions?

A. Most likely Darcy, but it could have been Bob. I am not even 100 percent sure.

872. Q. Okay. Do you have those wire instructions still?

A. I don't know. I can try and find them. U/T

873. Q. All right. Please provide them. So, how much of the remaining of the 12-and-a-half million after repayment of the invoices did you send to Gavin Mines?

A. I think I said it was around four-and-a-half million, roughly, that we wired directly to the mine.

874. Q. Okay, so that would take me to about nine million bucks.

A. Yes.

875. Q. What about the other three-and-a-half million? Where did it go?

A. We sent that back to Dome Mountain.

876. Q. But you were Dome Mountain.

A. Well, we...

877. Q. You were controlling the bank account.

A. I didn't get that much. I only got 10 million of it. The rest I wired directly to Dome Mountain's account.

878. Q. But you were in Dome Mountain's account controlling it.

A. Well, I didn't do that without knowing...I didn't go in there and manage their account for them.

879. Q. Yes, you did.

A. I...only on those transactions, specifically to those transactions, not...I mean, I wasn't looking to see what else...

880. Q. Why would they need you to go in to transfer four-and-a-half million dollars to Gavin Mines, four-and-a-half million dollars back to Crystal Wealth of its own money, and then just walk away? Why go to the trouble of making you a signing officer just to do that? That is...why wouldn't Dome Mountain be doing that itself? Like, what is...why? That makes no sense.

A. I requested it. I never...I mean, I wanted to make sure that these guys didn't walk away with 12 million dollars.

881. Q. And the merchant, Darcy Paul, Dome Mountain, quite happily said, "Yes, put the

factoring administrator as a signing authority on the bank account"?

A. Yes.

882. Q. Okay. Did you create the invoices from 156 Alberta and 647 BC and Dome Mountain?

A. Well...

883. Q. Can we be honest?

A. My staff did, yes.

884. Q. Yes, okay. You told me at the outset of this examination that the invoices would be sent to Frontline by the merchants. Why did you manufacture invoices from 156 Alberta, 647 BC and Dome Mountain?

A. To ensure that the...when a factoring company...that happens in factoring deals where the factoring company will actually end up invoicing on behalf of the client to make sure that it is issued, so that they are aware and they are able to put on there, like, "Pay back to the right fund".

885. Q. Why did you lie to me earlier then?

A. I am not sure where I lied to you.

886. Q. Yes, you told me that you didn't make the invoices, the merchants did.

A. If I did that, that was not

intentional. I didn't...I don't remember actually saying that, but...

887. Q. Where is Dome Mountain's bank account that you had control over?

A. TD Bank.

888. Q. And what was the reason money was transferred to Gavin Mines Inc. from the 12-and-a-half million?

A. It was a condition of their agreement with...that MGE and the insurance policy, that they...whatever they needed to do went straight there.

889. Q. That was only a condition having to do with doing drilling on the mine?

A. Yes, there was drilling that had to be, I think, completed.

890. Q. So by transferring the money to Gavin Mines, what safeguards were in place to ensure that Dome Mountain would get that drilling done to make sure the MGE financing came through?

A. That...I mean, I asked that question many times myself, and they were...they were convinced that the...and I am not a mining expert, but Al claimed to be a mining expert. And based on his...I mean, looking over the information and everything like that, I mean, he felt that it would be...there was definitely enough resource there, and that the insurance policy would pay out.

891. Q. Okay. I am going to help jog your memory. The 12-and-a-half million dollars that you were controlling on behalf of Dome from Crystal Wealth, did you also, as part of that, deploy $600,000 to pay the premium on the performance bond?

A. On the first one, yes.

892. Q. Yes, and why didn't MGE pay that themselves?

A. Because they probably didn't have the funding.

893. Q. Okay. So Crystal Wealth funded that as well?

A. It was...I will rephrase that. I don't know if I actually paid that or if I just saw that it was paid. I might have paid it. I don't remember exactly.

894. Q. And so we talked about the significant shares that were issued in November, 2015 that you produced, over 100,000 common shares...or, sorry, apologies. Over approximately 90,000 common shares in November, 2015, right at the time Crystal Wealth deploys the 12-and-a-half

million.

A. Yes.

895. Q. So of the money you transferred to Gavin Mines, was some of that used to buy shares, I assume?

A. I guess.

896. Q. Yes. Okay. Was there ever an allocation done as to what portion of the money you transferred to Gavin Mines was used for the shares versus the drilling program?

A. I believe...I mean, my understanding was it all went into shares, which then Gavin Mines actually was responsible for doing the drilling program.

897. Q. Okay. But Gavin Mines didn't have any agreement with MGE, this was just Dome?

A. Yes.

898. Q. So Dome just had to rely on the fact that Gavin Mines would undertake the drilling programs necessary to make MGE come through with the financing?

A. Sorry, rephrase that. I was just distracted.

899. Q. Yes. So there was no...so Dome had to somehow make sure that Gavin Mines used the money

to do drilling programs for Dome's contract with MGE, to make sure the conditions were fulfilled?

A. Yes, and I remember conversations that were had, and I have no idea if I would have that information, but I know that they had conversations with the actual geologist that was going to do the drilling, and that report. I remember, you know, they were already engaged. They had everything...I don't know how it was actually guaranteed that they would...that it would go to there, but I remember there being lots of discussions around that.

900. Q. Okay. And were agreements ever entered into that you are aware of between Dome Mountain and Gavin Mines?

A. Under what kind of agreements? Like, share purchase agreements, there would have been.

901. Q. Yes. That is what I am asking you. Were you aware of the agreements entered into, if any, between Dome Mountain and Gavin Mines, concerning the purchase of those shares?

A. I was aware that they were purchasing shares. I don't...I don't recall if I have ever actually seen them. I believe Al Housego saw them.

902. MR. van ZANDVOORT: So, I am going to just show you a news release from Metal Mountain Resources of Canada Inc. It is dated January 11th, 2016. We will mark it as Exhibit 6.

--- EXHIBIT NO. 6: News release from Metal Mountain Resources of Canada Inc., dated January 11, 2016

BY MR. van ZANDVOORT:

903. Q. It talks about:

"...Metal Mountain Resources of Canada Inc., Gavin Mines Inc., Grace Mining Inc., and two other shareholders of Gavin Mines Inc. have collectively renegotiated the January 29, 2015 agreement and various other agreements and amending agreements. Among the vendors and the purchaser, Dome Mountain Resources of Canada Inc. Regarding the purchases of GMI shares..."

And then it says:

"...The new agreement is dated November 27th, 2015. It is subject to positive results from an exploration drill program to be conducted by Gavin Mines in January and February of 2016..."

Did you ever see those agreements, the January 29, 2015 agreement and the other agreements, amending agreements, and the November 27th, 2015 agreement?

A. I don't recall seeing those agreements.

904. Q. And it says:

"...The agreement provides that Gavin Mines, on or before May 31st, 2016, have the amended permits in hand and sufficient mineral resources, confirmed by qualified person as defined by NI43101..."

A. M'hmm.

905. Q. Was that ever done?

A. Yes. I have the...I have...yes, the NI43101 was completed, yes.

906. Q. Okay. I haven't seen that produced in your materials.

A. Okay, I thought it was in there. Is it...okay, we can...

907. Q. If you can tell me where it is?

A. I don't remember seeing it in any of these documents, though, but I thought I had sent it off to you, but...

908. Q. You are looking at your lawyer.

A. Yes.

MR. DUTRIZAC: I haven't seen it. Sorry. We will produce it if we have it. U/T

THE DEPONENT: We will produce it, yes.

909. MR. van ZANDVOORT: And copies of any of the agreements referred to in the press release at Exhibit 6?

MR. DUTRIZAC: If he has them. U/T

THE DEPONENT: If I have them, yes.

MR. DUTRIZAC: Are you making that an exhibit?

910. MR. van ZANDVOORT: Yes.

THE DEPONENT: Is it okay if I use the washroom?

911. MR. van ZANDVOORT: Yes.

--- upon recessing at 12:47 p.m.

--- A LUNCHEON RECESS

--- upon resuming at 1:24 p.m.

JERRY FROESE, resumed

CONTINUED EXAMINATION BY MR. van ZANDVOORT:

912. Q. Just a couple of items of

clarification from our discussion before the break. The weekly summary we looked at at appendix 44.

A. Yes.

913. Q. You send those over as Excel spreadsheets, correct?

A. They are...yes, I believe they are Excel spreadsheets, yes.

914. Q. Yes. And when we click on the values in those Excel spreadsheets, there is not actually formulas that we would have expected to see that would have auto-generated...

A. Okay.

915. Q. ...you know, accruing interest and things like that.

A. Yes.

916. Q. And we are just wondering, why is it all done manually?

A. Steven Bandola had created an internal software for reporting specifically...well, not...like for these clients. And so he was pulling information from a different spreadsheet, and that is probably why there is no formulas attached to them. It was some sort of scripting program, I think he called it. I am not a tech analyst, but it...it was pulled from other sources, is exactly how Clayton wanted it.

917. Q. Okay. And can you give us a copy of the hard drive of that scripting software?

A. I have no idea how to do that.

918. Q. Well, do you still have the program? So, it is a program?

A. Yes. It is a program, but that...it wasn't specific to Crystal Wealth. Every client that we have is in there. It wasn't specific, and I would have no idea how to break that out, but I could probably find you the formulas and stuff like that of those sheets that just applied to these clients.

919. Q. Well, I guess my request for an undertaking would be can you not give us a copy of the software for the program on a USB drive or a hard drive, depending on the size of it, just so we can see how it worked, just for the Crystal Wealth clients?

A. Just for the Crystal Wealth clients, yes. U/T

920. Q. Yes. Okay, thank you.

A. I will rephrase that. If I am able to. If I can figure out how to actually generate that.

921. Q. Well, let us know, first and foremost, do you have it?

A. Yes. U/T

922. Q. And in the event that you can't figure it out...

A. Yes.

923. Q. ...you know, I...

A. Yes. I don't have any problem giving you the information, I have just got to figure out how it all works, if that clarifies things.

924. Q. In Exhibit 6 that we looked at before the break, the news release which talked about the agreement entered into, the new agreement entered into, dated November 27th, 2015 involving Dome Mountain's purchase of shares of Gavin Mines.

A. M'hmm.

925. Q. The news release says:

> "...Under the terms of the agreement, Dome Mountain must pay all vendors the applicable payments on or before June 30th..."

And the total minimum purchase payment to Metal Mountain Resources would be 44.7 million, and the maximum purchase payment would be 50,400,000. Do you know why there was a difference between the minimum and maximum purchase amounts for the shares?

A. No, I don't.

926. Q. At appendix 38 of the receiver's second report you did a March 29th, 2016 invoice summary with respect to Dome Mountain. My apologies, a March 9th, 2016 invoice summary re "Crystal Wealth Invoice Summary for Dome Mountain". And in this invoice summary Frontline says:

> "...Normally we would not recommend factoring in advance, prior to completion of all the requirements, although the funder, MGE Corporation, has secured a performance bond that guarantees $12,000,000 payment within 12 months of November 6th, 2015.
>
> Given the strength of the insurance company, we are strongly recommending factoring this deal. The total amount required is $10,050,000 and a guaranteed payback of $12,000,000 within 12 months..."

So, my question is, why was this invoice summary dated March 9th, 2016, which is after Crystal Wealth had advanced the 12-and-a-half million dollars to Dome Mountain?

A. If you actually read on top there, it says "previous summary", so that was recording a previous summary that we had given to them.

927. Q. Okay, understood. So, this summary would have been provided prior to the advancement of funds by Crystal Wealth?

A. Yes.

928. Q. In November, 2015?

A. Yes.

929. Q. Okay. And in the summary, again, it says:

"...Given the strength of the insurance company, we are strongly recommending factoring this deal. The total amount required is $10,050,000 and a guaranteed payback of $12,000,000 within 12 months..."

A. Yes.

930. Q. The guaranteed payback of 12,000,000 was that...was Frontline referring to the insurance policy or the certainty of the MGE financing?

A. The insurance policy.

931. Q. Okay. And what steps did Frontline take before it reported to Crystal Wealth concerning this guarantee, to ensure that, in fact, the $12,000,000 repayment was guaranteed?

A. I mean, we got the insurance policy, sent it to Crystal Wealth's compliance for them to do their due diligence on it. And because it is not something that...

932. Q. Well, you...to be clear, you do the due diligence, right?

A. Yes.

933. Q. Like, this is your recommended factoring arrangement. You say, "Normally we don't recommend it".

A. Well, no, not necessarily. We are contracting for them, so we would...they were the compliance department. We didn't...I mean, we took orders from them, so if they...I mean we sent it to them so that they could look through it because that is not...I mean, if I don't have an area of expertise I am not going to state that I know about it. So...and my lawyer would not give an opinion because it was based out of Canada. So, we sent it to them for their...

934. Q. So why did you tell Crystal Wealth before advancing 12-and-a-half dollars to Dome Mountain, that you recommended this and not the insurance payout that was guaranteed?

A. My understanding of the insurance

policy is that the insurance policy was...the guaranteed part of the insurance policy was 12,000,000, not the 80,000,000. The 12,000,000 was guaranteed from the insurance.

935. Q. And I am just asking you.

A. Yes.

936. Q. You told...you recommended the deal to Crystal Wealth.

A. Yes.

937. Q. You have told them you recommended it because the insurance was guaranteed to pay out 12,000,000.

A. Yes.

938. Q. What steps did you take in making that statement to ensure that the insurance policy would, with certainty, pay out in 12 months?

A. We...I mean, we got the policy, we did a little research on the insurance companies, that they were valid and, you know, as much...I mean, just online information that we could get. And, you know, verified where the payment was going and that it was legitimate, and then asked...I mean, because this was originally from...I mean, this was a structure that was done, you know, together with Crystal Wealth, you know, it wasn't just a...I mean, we took orders from them. We didn't...I mean, the due diligence that we did, we asked them if there was anything more that they want done. So if there was anything that they needed more, we would get it for them.

939. Q. I am just asking you to give me the full extent of what Frontline Factoring and your evidence is as to how you were able to guarantee in your statement to Crystal Wealth that the insurance would pay out.

A. My...I mean, my understanding of the insurance policy was that it was a guaranteed payout, and that is...and they did not choose to go that route at the end of the day.

940. Q. And the insurance policy you are referring to is the performance...the November, 2015 performance bond, at appendix 20 of the receiver's second report?

A. Yes.

941. Q. So just staying on the March 9, 2016 invoice summary, you said that the reporting we just read at appendix 38 to the second report was just repeating what was said back in November, before Crystal Wealth advanced the money, right?

A. Correct.

942. Q. Okay. So this March 9th, 2016 invoice summary, that just concerns this $837,500 to be wired to Dome Mountain?

A. That invoice summary would just refer to that, yes.

943. Q. Okay. So in March, 2016 an additional $837,500 was wired to Dome Mountain by Crystal Wealth?

A. Yes.

944. Q. Did that come through Frontline?

A. I don't...no, it wasn't.

945. Q. Okay. And which Crystal Wealth fund did it come from, do you know?

A. I don't know off the top of my head.

946. Q. Okay, and what...on behalf of Dome Mountain, did you go into the Dome Mountain bank account once that money was received and deploy it?

A. I don't believe so.

947. Q. Okay. Do you know what was done with that money?

A. Not off the top of my head, no.

948. Q. Okay. What changed between November, 2015 and March, 2016 that you recommended Crystal Wealth advance an additional 837,000 to Dome Mountain?

A. I don't have an exact recollection, but I guess...yes, I have a recollection of, you know, them having, you know, talked to Crystal Wealth about advancing additional money. And so we administrated that for them.

949. Q. So you don't know why, after the 12-and-a-half million, an additional 837,500 was transferred?

A. I don't know the exact details, but I...if I remember right there might have been another mine payment at that point in time.

950. Q. Well, just going back to the...when you say another mine payment, you mean a further purchase of shares...

A. Yes.

951. Q. ...because there was on March 17th, 2016, a purchase of 12,500 shares.

A. Yes. That would make sense.

952. Q. And that 837,000 was used solely to purchase 12,500 shares?

A. I don't know.

953. Q. Okay. And we looked at Exhibit 4 earlier, which was the 2015 Dome Mountain factoring agreement. And it said debtors and permit limits up to 12,000,000, but at that point you are up to about

13-and-a-half million in advances from Crystal Wealth to Dome Mountain, between November, 2015 and March, 2016. Why was it permitted to be more than the permitted limit in the factoring agreement?

A. I actually don't have an answer for that.

954. Q. Okay. And I started asking you before the lunch break to walk me through what happened to November, 2015 leading up to MGE, and then we kind of sidetracked and started talking about Gavin Mines, so I want to go back to the period of time...the McBean financing hasn't come through.

A. Yes.

955. Q. You are still hopeful it may come through but you started looking for plan B, which is MGE. You are confident one of the two will pan out. This is essentially the impression I got from your evidence. Is that fair?

A. Yes.

956. Q. Okay. So, walk me through how the discussions advanced with MGE leading up to November, 2015, and why it ends up being the bridge financing arrangement that it does.

A. Sorry, ask that question one more

time.

957. Q. Walk me through how the discussions advance with MGE leading up to November, 2015, when the paperwork is all signed in the term sheet between MGE and Dome, and...

A. Yes.

958. Q. ...the fact...you know, why it is papered as a factoring agreement first of all?

A. Yes. The...so, "they", meaning Bob, Darcy and...I mean, David as well, were actively looking for solutions. They asked me if there was a way that, you know, this...we could factor a contract with MGE. I originally said, "I mean, that is not something that, you know, I would normally, you know, send to Crystal Wealth". But at that point in time there wasn't an insurance contract either, so, I mean, to me it wasn't even a...I mean, it wasn't even a question until the insurance was in place.

959. Q. Although you were fine that, with McBean's financing?

A. Yes.

960. Q. It didn't...

A. Well, I learned from my mistakes, right, that you don't just trust a contract. I mean, we thought that he was, you know, solid enough that he would be able to pull through.

So, I didn't want to do the same thing over again. I thought that we would make sure that we were a little more careful on how we structured it.

And so I was...I mean, and that is the reason why, I mean, I tried to, you know...I didn't recommend it at first. They talked to Al Housego directly. A) I said, "I don't have a mining expertise. I have a general understanding of mines, and I43101s, but I don't have any includible valuations of mines, resource, anything like that".

And so they, because Al was the mining guy, went and talked directly to Al. My understanding is that he went through all the numbers of the mine, figured out it was, you know, a great mine, and, you know, upon talking with Clayton, they believed that the...because there was an insurance policy in place, it was a...you know, a guaranteed contract, therefore it was a completed contract, therefore they could issue...a receivable could be issued on the full amount.

961. Q. Okay, so who was involved...who put together the November, 2015 factoring agreement at Exhibit 4? Did you do that?

A. We did at the instruction of Crystal Wealth, yes.

962. Q. Okay. And whose instruction, Al's or Clayton's?

A. It would have been Al's.

963. Q. Yes. Is it fair to say that on the factoring contracts you predominantly dealt with Al as opposed to Clayton Smith?

A. On the contract stuff and the clients, yes. On the compliance side it was Clayton, and the reporting, and stuff like that.

964. Q. Okay. So Al set up the deals, Clayton told you how you should paper the details?

A. Yes. Al always said he had no say though, so it all had to really be approved by Clayton. So, that was my understanding is that he would talk to Clayton about the details before anything could go forward.

965. Q. So at appendix 19 of the receiver's second report there is the mandate letter and term sheet between MGE and Dome Mountain.

A. M'hmm.

MR. DUTRIZAC: Yes.

THE DEPONENT: Oh, yes, sorry.

BY MR. van ZANDVOORT:

966. Q. And were you given a copy of this at the time?

A. Yes. I was.

967. Q. Okay. And you provided that Crystal Wealth?

A. Yes.

968. Q. And the bridge loan facility, that was going to be the Crystal Wealth financing, right?

A. I believe their financing was going to come from MGE before the actual 80,000,000 came. He was going to provide a bridge financing in between, and then that money would have been paid back to Crystal Wealth, because he had other sources of funding, not just the bond offering, was my understanding of it.

969. Q. Okay, now, the mandate letter and term sheet talks about MGE financing an acquisition loan to Dome Mountain, right?

A. Right. So then Dome Mountain would have got a loan from MGE.

970. Q. So you are saying that MGE was also going to provide bridge funding in addition to the whatever they were funding?

A. They were going to provide bridge

financing until their 80,000,000 came through. And that is my recollection of it.

971. Q. So let's...so, when I read this mandate letter and term sheet I had read it to understand that MGE was going to provide the acquisition funding, and that MGE was going to assist in procuring a provision of bridge funding to finance drilling operations...

A. Right.

972. Q. ...of the target being Dome Mountain, owned by Gavin Mines.

A. Correct.

973. Q. And then what happened after this is Crystal Wealth advances the 12-and-a-half million, which is supposed to be for that drilling program, and everything as opposed to in a year's time, be paid back once MGE comes through with the acquisition financing, and therefore I had understood that the bridge funder was Crystal Wealth. Is that not the case?

A. No, there was actually supposed to be...he had other bridge financing lined up that was supposed to...that was my understanding is that I was told that, that he had other financing, and that it was going to be a potentially...I mean, a lot of this 12,000,000 could be potentially very short term.

974. Q. And who was the bridge funding supposed to come through?

A. I don't know, and I never asked for those details, because I was relying more on the insurance policy.

975. Q. Who told you...you said, "They told me that the bridge funding was coming through another company"?

A. It would have been either Darcy or Bob...

976. Q. Okay.

A. ...that...

977. Q. So in other words you understood that Crystal Wealth was providing bridge funding until the bridge funding would take it out, which would then be taken out by the acquisition loan?

A. Yes. I mean, the understanding would be that it would be the...I mean, the factoring would be paid out potentially by the bridge or the final amount.

978. Q. But the nature of the advance by Crystal Wealth was a bridge for that purpose, until it was paid out by the bridge.

A. I am not going to respond to that. /R
979. Q. Why not? You are here to give your evidence.
A. Because I...
980. Q. Why don't you just be truthful about the nature of the evidence?
A. Well, because I was told it wasn't a bridge loan. I was told...
981. Q. Yes, but you...
A. ...and I believed that it was a factoring agreement.
982. Q. You were getting paid millions of dollars, over a million dollars a year.
A. I didn't...how did I get paid millions of dollars on this deal? I got...
983. Q. I am not saying...don't be argumentative, Mr. Froese, please listen to me.
A. But that is a lie.
984. Q. You have already said you got paid, rough guess, over $2,000,000 during the, call it two-and-a-half years you did work for Crystal Wealth. I am simply asking you, in your assessment of recommending and being the administrator of these arrangements, the money advanced by Crystal Wealth for Dome Mountain was, in its nature, bridge

financing until financing came through to repay it. That is all I was asking you.

A. I will refrain from answering that question. /R

985. Q. Okay. I think you should answer. I am not sure why you wouldn't.

A. Well, I guess I am not quite understanding why it matters. I mean, we...my understanding was that we were restructuring, like, a factoring deal. Crystal Wealth compliance said it was okay to structure the factoring deal, so I am not sure why changing what it was called, am I going to implicate myself in something because of that? That is why I am not sure why...

986. Q. Are you afraid that you are going to implicate yourself in something?

MR. DUTRIZAC: Don't answer that. /R

BY MR. van ZANDVOORT:

987. Q. So the $36,000,000 invoice from Dome to MGE at tab...appendix 21 of the second report, I am looking at here. That was the invoice you created?

A. I believe so. Yes.

988. Q. Okay. So walk me through it. The

12-and-a-half million dollars goes out. It is used to repay the numbered companies' receivables. You are transferring on behalf of Dome as the operator of the Dome bank account, money to Gavin Mines. March rolls around, you tell Crystal Wealth, "Send us another 837,000. That goes to Gavin Mines, don't buy us more shares". What goes on with the drilling program? Who is monitoring the status of the drilling program?

A. We were getting updates, and Al was getting updates on the drilling program and when it was completed, so that was conversations between Dome Mountain and Al Housego, mostly.

989. Q. Yes. And as the administrator responsible for collections I would assume you would be on the forefront of, you know, making sure everything is happening with that drilling project imaginable, to ensure that MGE...it satisfied MGE's conditions under the term sheet and they come through with the financing. So, what are you doing to ensure that that joint project is going as planned?

A. I mean, it was mostly conversations to make sure that it was happening. They advised us which company was doing it.

990. Q. Who was it?
A. I don't recollect who it was.
991. Q. Who told you?
A. It would have been Dome Mountain would have been...there was a company engaged. I can find that information out because I have the report, so...
992. Q. Okay. Was it Rough Stock Mining Services?
A. It could be. I don't actually know.
993. Q. And so at paragraph 146(f) of your productions you produced a memo to Gavin Mines from Rough Stock Mining Services, it said:

"...Dome Mountain draft 2016 resource update..."

A. Okay.
994. Q. Was that the company?
A. I believe so. Now, I won't say 100 percent for sure, because sometimes the resource part is done by one and a feasibility study might be done by...an NI42 might be done by another company, but...
995. Q. This is the only document you have produced concerning drilling. I haven't seen any reports as you have just referenced, anything from

any other company. So, where is all the deliverables concerning the drilling progress?

A. I will undertake to find whatever I have on it. U/T

996. Q. Is there a reason why you didn't produce it along with these materials?

A. Well, I would have assumed that it all went in there, so...

MR. DUTRIZAC: I mean, so we are clear, your undertaking is to review your documents and provide any information you have with respect to the joint progress?

997. MR. van ZANDVOORT: Yes, the drilling progress, the drilling projects, which was a condition of the MGE financing as set out in the mandate letter and term sheet, from November, 2015, if they exist.

BY MR. van ZANDVOORT:

998. Q. Do you know what this memo from Rough Stock Mining even is?

A. This is, I don't understand these reports so I would...anything that I would have would have been sent to Al Housego to review.

999. Q. And I have never seen an NI43101

report. Does it even exist, do you know, for certain?

A. I can't say 100 percent for certain.

1000. Q. So help me out. What happens after March, 2016 that MGE...well, I guess, first of all, it was news to me when you said that there was supposed to be another bridge funder, aside from Crystal Wealth and MGE. So why did that bridge funding not come through?

A. Probably for the same reason that the other one didn't come through, is he...you know, he didn't...

1001. Q. Yes.

A. ...have the capacity to make it happen.

1002. Q. Is it possible, Mr. Froese, that you are mistaken, and that the bridge funder as we looked at the November, 2015 MGE mandate letter and term sheet was actually Crystal Wealth? That was the bridge funder procured that was to be repaid by the acquisition funding of the $80,000,000 that we know of?

A. I mean, all I can is what I was told and was referring to, and what they talked to me about, and...

1003. Q. Who is "they"?

A. Dome Mountain. And my conversations with them were that there was additional bridge financing that was coming.

1004. Q. To pay out Crystal Wealth even before MGE's financing on the $80,000,000...

A. Yes.

1005. Q. ...came through?

A. Yes.

1006. Q. But then why was Crystal Wealth's...why did they factor the $80,000,000 MGE financing as opposed to this other bridge financing?

A. Because timelines. They had struck a deal with Gavin Mines, and they didn't want to lose that deal. So they wanted to factor the entire contract with Crystal Wealth, and so they...that is why the timing of it.

1007. Q. That doesn't make any sense.

A. What part?

1008. Q. All of it. I am asking you, the factoring arrangement that you papered, was Crystal Wealth advancing a certain portion of money on the $80,000,000 of financing which was to come from MGE, correct?

A. Correct.

1009. Q. Okay. So MGE signs a mandate letter and term sheet for that $80,000,000 acquisition financing, correct?

A. Correct.

1010. Q. And MGE's mandate letter talks about:

"...Bridge funding which would be procured to do the drilling..."

Correct?

A. I believe so, yes.

1011. Q. Yes. And then Crystal Wealth, at that time, advances 12-and-a-half million...

A. Yes.

1012. Q. ...which, in part, is used, or supposed to be used by Gavin Mines who you transferred it to, for the drilling, correct?

A. Correct.

1013. Q. But you are saying somewhere in the midst of all that, other bridge funding was supposed to come then?

A. Yes. This was done long before Crystal Wealth, long before...well, Crystal Wealth wasn't in the picture, and when that was negotiated with them. Not necessarily when it was advanced.

1014. Q. This is dated...the mandate letter

and term sheet is dated November 7th...
A. Correct.
1015. Q. ...2015, between MGE and...
A. So...
1016. Q. ...it was between MGE and Dome Mountain. And Crystal Wealth's factoring agreement was dated three days prior, so it is right at the exact same time.
A. This was papered at the exact same time, but the negotiations were originally...when they were talking to MGE they told me that they were going to...
1017. Q. Who is "they"?
A. Dome Mountain.
1018. Q. Be specific.
A. Sorry, I apologize.
1019. Q. Who, Darcy Paul?
A. Darcy, Bob, I consider them kind of all part of the same group. Bob did most of the negotiations with the mine directly, so a lot of the mine directly so a lot of the information...
1020. Q. With Gavin Mines?
A. With Gavin Mines.
1021. Q. Because he knew Lloyd Tattersall?
A. Because he knew Lloyd Tattersall,

yes.

1022. Q. Okay.

A. And so when they talked to me about this Stephen Miller from MGE, they said that he was going to fund the mine. He was going to do a bridge funding first, and then he was going to fund the full $80,000,000 after drilling was also going to happen.

So that was taking more time than they had. The one year was coming up, and they went to Crystal Wealth to see if they could restructure a deal. It was negotiated that...sorry, this is...I am getting too confused here, so...

1023. Q. You are all over the place, Mr. Froese.

A. I am.

1024. Q. And you are not making any sense, quite frankly.

A. So the original deal...sorry, I am getting the two years mixed up in my brain.

1025. Q. Focus.

A. Yes.

1026. Q. Because this is very important. This is a lot...you recommended a lot of investor money get advanced. Let's get this straight.

A. Just let me get my thoughts straight here...

1027. Q. Please do.

A. ...just to make sure I am...so, when McBean, when they went to plan B, MGE was plan B.

1028. Q. Were you...yes...

A. MGE...so, I am just establishing the timelines and that. MGE was going to, irrespective of anything to do with Crystal Wealth, they were going to fund the mine in whole. The mine needed money, so MGE was going to advance $6,000,000 up front and then $80,000,000 shortly thereafter, whenever they could get the drilling done and get the financing completed. Once they went back to Gavin Mines...

1029. Q. Who is "they"?

A. Dome Mountain. Dome Mountain...

1030. Q. Who from Dome? Please be specific.

A. I don't know who. They...the negotiations were done with Gavin Mines. Gavin Mines came back and said that this...they were not going to wait forever on the sale agreement of the shares, and so they came back. They went to Al Housego...

1031. Q. Who is "they"?

A. Dome Mountain. Bob Maljaars, David Den Hollander talked to Al Housego about funding an $80,000,000...that contract, the $80,000,000 contract. And to buy time for MGE to both provide the bridge financing and pay out the whole contract.

1032. Q. Was there any paperwork associated with this bridge financing MGE was going to provide?

A. To me, the paperwork for that six million was irrelevant because we were going on the insurance policy, so I never followed up at all on that six million dollar...

1033. Q. So obviously the bridge funding doesn't come through from MGE, we know the acquisition funding doesn't come through in November, 2016. But what happened earlier? So, we saw your March invoice summary from 2016. You say that Crystal Wealth advanced another close to a million bucks. They do it to Dome and Dome buys more shares of Gavin Mines with it. What happens between March and November that the joint project doesn't go ahead as planned, or...you know, what happens when MGE doesn't come through with the financing?

A. Well, at that point in time, the...I mean, my understanding and my asking of the Crystal

Wealth was, "Is there any possible way this doesn't fund?" And their answer was, "We can't see any way that this won't fund".

So, I mean, I was taking instructions from them. I took their due diligence on it as being right.

1034. Q. But your sole job was the administrator of these factoring agreements. How are you taking...the people who hired you, the people who have paid you, as you have admitted, millions of dollars in a less than three-year period to be a factoring administrator, how are you the one taking due diligence from Crystal Wealth and listening to what they are telling you? How are you not out there on the front line getting these receivables paid? Or enforcing, or recommending lawsuits? Why were you just sitting back doing nothing?

A. I mean, first off, I mean, I was...I mean, operating under the contract that I am doing what they wanted. That, you know, if they want to change deals or make deals or do whatever, it was their call, not mine. It wasn't my money, it was their investors that were...you know, and their funds that were being administered. So, my...

1035. Q. But your job was to make recommendations and do due diligence, and do reporting on non-performing factoring arrangements.

A. If they asked me, yes.

1036. Q. Well, the contract...I have heard your evidence that the contract was not what governed the relationship, but the written contract I read certainly shows that those are the jobs that you were supposed to do, and not once did I see something in writing from you saying, you know, "Shut this down. This is a lost investment. It is money out of pocket. It is a bad investment. It is a poor investment". Why was there none of that in 2016?

A. Because I actually thought it was going to...the insurance would pay out. I thought there was no possible way it wouldn't.

1037. Q. Okay. So, why didn't MGE go through with the financing in November, 2016? It was supposed to pay out in November, 2016. Why did that not occur? Stephen Miller says, of MGE, "It is because Dome Mountain failed to provide acceptable valuations, which was a precondition to closing under the mandate letter". Is that true?

A. I don't believe that was true. I

believe that he changed his mind in terms of how much resource he needed, and his funders, he misrepresented his own funders, and that is why he couldn't get his funding done.

1038. Q. What do you mean he misrepresented his own funders?

A. Well, where he was getting his $80,000,000 from, he came back and said and "my funders will only fund up to..." Whatever, the 36,000,000 or whatever it was thereafter.

1039. Q. Would it be fair to say, though, you are not really...the preconditions under that mandate letter and term sheet to the MGE financing were all conditional upon certain drilling activities having taken place. I am understanding from your evidence today you wouldn't be able to say whether those conditions were met or not met. Is that fair?

A. Yes. That would be fair, yes.

1040. Q. So bottom line, Miller comes back rightly or wrongly, and says, "We are not funding. It is your fault, but in any event, I only have $36,000,000 I can raise to fund this deal"?

A. Correct. They didn't come to me, they went to Crystal Wealth directly.

1041. MR. van ZANDVOORT: Tabs 147 to 162 of your productions. What I would propose, Counsel, is just to bundle all of those e-mails together and mark them collectively as Exhibit 7.

MR. DUTRIZAC: Sure. Tabs 147 to...

1042. MR. van ZANDVOORT: Tab 162.

MR. DUTRIZAC: ...162.

--- EXHIBIT NO. 7: Tabs 147 to 162 of Jerry Froese's productions (e-mails)

BY MR. van ZANDVOORT:

1043. Q. Maybe take a moment, Mr. Froese, and just go through...they are generally brief e-mails, but there are various e-mails between yourself, Al Housego, Darcy Paul, David Den Hollander and Bob Canada, in September and October, 2016. You just smiled when I said Bob Canada. Is that Bob Maljaars?

A. It must be. I am guessing it is.

1044. Q. All right. He considers himself a patriot, I guess.

A. I guess.

1045. Q. Just take a moment, if you can, and read those e-mails and then I want to talk a little bit about the content in it, and specifically what you are discussing as to what looks like alternative avenues of raising financing to pay out the indebtedness to Crystal Wealth.

A. Sorry, how far do they go? How many...

1046. Q. Tab 147 to 162 is what we are going to be talking about.

A. Okay. 152 is not in here. Sorry...161...oh, it is right there.

1047. Q. Okay.

A. The only one that was missing was 152. Do you have that one?

1048. Q. Yes.

MR. DUTRIZAC: Do you have the 152 there?

THE DEPONENT: It is not in here.

1049. MR. van ZANDVOORT: Okay, well, you produced it to us...

MR. DUTRIZAC: You've got it.

1050. MR. van ZANDVOORT: We have got it.

THE DEPONENT: I don't know why it didn't print off.

BY MR. van ZANDVOORT:

1051. Q. So explain it to me...you have reviewed those e-mails. What was happening in the period of September to October of 2016, concerning the MGE financing and the status of it, that was supposed to take care of Crystal Wealth?

A. So during that period of time, they were...

1052. Q. You can't say "they". You have to be specific.

A. I am sorry, I apologize. I keep doing that. Dome Mountain had conversations...

1053. Q. And Dome Mountain, as we know, could be Bob Maljaars...

A. All right.

1054. Q. ...it could be David Den Hollander, it could be Darcy Paul. Be specific. I want to know who.

A. I will...okay, I will rephrase this. So, Stephen Miller was having a hard time getting his bonds, or whatever he was doing, completed, getting it competed. So he was sending updates to Darcy Paul, who was then talking directly with Al Housego on the updates and everything, so that they would know every step of the way that he is the...why the time delays were happening.

1055. Q. Okay. So, stop there. When you say he was having trouble on the bonds, so Miller had bonds that he was trying to raise the money for...through, to fund, to provide the $80,000,000 in acquisition financing?

A. Well, what he said was he already had the money, just he couldn't complete the structure that was required of him to pay...list it or whatever he was trying to do.

1056. Q. So the same story, that you told me that McBean told you, which was that he had the money but it was just completing the structure?

A. Yes.

1057. Q. So he didn't entirely learn a lesson from the deal.

A. Well, but we did have an insurance policy, was my understanding.

1058. Q. And so taking a step back...had any of the people affiliated with merchants, debtors, Crystal Wealth, Dome Mountain, numbered companies, did anybody have business dealings in the past with Stephen Miller on other projects?

A. I don't know.

1059. Q. MGE Corporation?

A. All I know is that Darcy knew Stephen Miller from years and years ago.

1060. Q. Sorry...so, there is talk in the e-mails about Stephen flying back to New York City, and the bank wants to purchase on US soil. That is in the e-mail at 147(f).

A. Yes.

1061. Q. What bank? What is he talking about there? He refers to a Nordic bank.

A. I kept asking for more details and they would never give me more details, and Al, I believe, asked for details as well. And so I wanted...and my thinking was that...I mean, there was no point in me being in the middle of...they can directly, because it is going to go to Al anyway. So, Darcy started communicating directly with Al on the updates.

1062. Q. Okay. And at 148 Darcy Paul sends an e-mail on September 1st. He says that:

"...Additional contracts had to be put in place today for exit buyers. Steve just signed off on them during this night. Good thing is that Morgan Stanley is officially the exit, they are buying on behalf of their in-house clients, a main concern..."

What is that concerning? What was the plan?

A. It was...I mean, I did not understand their process, and his updates were so vague that, I mean, they just frustrated me in terms of...I mean, what does that even mean? I didn't know. And I kept asking them, like, "Show me some details, show me contracts, show me something that shows that this is real". And they never...I mean, they kept saying, "As soon as we get it finalized we will give it to you". But they never...I mean, these are just words.

1063. Q. Yes, they are. And I haven't seen any written requests from you asking for any of that stuff, so was that all done orally?

A. Yes.

1064. Q. Okay. And then at tab 150 of your productions you talk about the meeting...Darcy Paul e-mails you and Al Housego saying:

> "...The meeting with the Japanese client went well. Attorneys are meeting Tuesday to finalize the contract. Closing date will be scheduled at Tuesday's meeting..."

Who is that supposed Japanese buyer?

A. He wouldn't tell me.

1065. Q. Who wouldn't tell you?

A. Darcy Paul.
1066. Q. So he...Darcy Paul gave you control of the Dome Mountain bank account but he wouldn't tell you who the Japanese buyer was that was going to come through the financing?
A. He may not have even known, because it...Stephen might not have told him.
1067. Q. And at tab 151 you sent Darcy an e-mail at the receiver's request probably to check in to get an update for us. And you indicate:
"...Anything new from MGE, Steve? The receiver, is looking for an update Monday morning. I am in Italy right now..."
A. Yes.
1068. Q. And then he responds:
"...Stephen is en route to South Korea today to meet with the buyers..."
Who were the buyers?
A. They would never tell us.
1069. Q. And this is...
A. And that is when I started getting...
1070. Q. This is after the receiver's appointment, though, now, September, 2017...
A. Okay, which one was that one again?

Sorry.

1071. Q. We were just there, 151.

A. 151. Where is that one?

1072. Q. This is just a few months ago.

A. Yes. Yes.

1073. Q. This one...I mean, at this point in time it was...I mean, yes. So, I mean, we were trying to get...I mean, I was trying to get updates from them, anything I could. "Is this still happening? Is there anything that can happen?" And, I mean, their assurance were that, you know, "We think we have a solution every time", right, and they always, "Oh, we just need one more step. We just need one more step. We are right there".

1074. Q. Did you follow up with Darcy Paul in response to this e-mail?

A. Yes.

1075. Q. Why didn't you produce that?

A. Because it was verbal.

1076. Q. Okay, and what did he tell you?

A. I mean, basically no information, just basically that, you know, "As soon as I hear from Stephen I will let you know. I don't have any more details". And he kept saying, "Stephen is..." I mean, he is not..."he wants to get this finished

before he provides any concrete evidence of
anything".
1077. Q. So why...and we keep flipping through tabs 147 to 162 of your productions. Why are they giving you updates concerning the buyers and the proposed contracts with the banks, but then you say, "But they wouldn't give me any details". That doesn't make sense to me. They are giving you updates...
A. Yes.
1078. Q. ...but they wouldn't give you any details?
A. Sorry, giving who updates? I mean, why am I...
1079. Q. Yes, you are getting updates about these proposed arrangements...
A. Yes.
1080. Q. ...with the Japanese buyer and the Nordic bank, and...but then when I ask you for particulars of it, you say, "They wouldn't share that with me".
A. Yes.
1081. Q. That just doesn't make any sense to me. They are updating you. Why wouldn't they fully update you?

MR. DUTRIZAC: You would have to ask them that.
THE DEPONENT: You would have to ask them. Exactly.

BY MR. van ZANDVOORT:
1082. Q. Okay, and at tab 157 of your productions contained in Exhibit 7, Darcy e-mails you on October 12th, 2016 saying:
"...The instrument got listed today and Stephen is meeting with the purchasing bank tomorrow afternoon..."
Do you know what that instrument is?
A. My understanding is that was some sort of bond that he had created, and I never saw any evidence that actually happened.
1083. Q. Do you know who the purchasing bank was?
A. No.
1084. Q. Okay. And at tab 158 of your productions at Exhibit 7, Mr. Paul e-mails you, Bob Maljaars and David Den Hollander saying he just got off the phone with Al and Stephen. He recaps it. Recaps the call. He says, "The bank has requested additional security to back the note". What is the

note?

A. My understanding of that, that it was the same thing as the instrument, that it was the actual...I mean, whether it was one process or another, that they were trying to raise the money or get the funding, so...

1085. Q. So you don't know the exact structure, whether it was a fund or whether it was issuing bonds or what it was doing...

A. Originally it was going to be issuing bonds. I think he was trying different avenues to try and, you know...I don't know if he was borrowing money or doing it a different way.

1086. Q. Stephen Miller?

A. Stephen Miller, yes.

1087. Q. So do you know where this mine is referred to at tab 158 in Australia?

A. I have no idea, but they told me that he owns a mine in Australia that he was going to put up a security, that was...and I don't actually know if he even owns it. I don't know.

1088. Q. At the bottom of this e-mail at tab 158, it says, "Jordan."

A. Yes.

1089. Q. Why...you know, you can't put words in Darcy Paul's mouth, but it seems a little out of context to the rest of this updated e-mail, does it not?

A. It does.

1090. Q. Can you add context to it?

A. The only context I have on that one is that they were still pursuing Jordan to get funds back from Jordan. And that they...at certain times he says, "I have the money, it just can't be released from the bank". I mean, probably not true, but he was probably relaying a message to...well, to Bob and David specifically, that...what Jordan is communicating to them. But I can't.

1091. Q. The e-mail says:

"...Jordan's latest is that he is still waiting for the release that was supposedly signed and submitted last Thursday, and as soon as he has it, he can release the money..."

A. Yes.

1092. Q. When I read the word "release", it sounds like there is some sort of settlement where once he gets a signed release he can release money. Is that what this concerned?

A. I have no idea.

1093. Q. You have no context whatsoever to that statement?

A. The only thing that they told me was that...

1094. Q. Who told you?

A. It would have been Darcy Paul. The only thing Darcy ever told me is that he had money in a bank account that...

1095. Q. Who did?

A. Jordan McBean.

1096. Q. Had money...

A. Had money in a bank account that he couldn't actually release until he got something signed. Tat is the only context that I have that he was unable, based on his structure, to release money.

1097. Q. What value did you add to the Crystal Wealth Funds? What value did you or Frontline Factoring actually provide to the Crystal Wealth Funds? What good did you do?

A. I mean, we tried to put together deals that would fit their mandate and portfolio, that they were trying to do, and so we were...the intent was to have a working agreement that we would make, it would be a win/win agreement.

1098. Q. I want to just make sure I get a couple of points straight. You didn't have a written agreement, according to you, that structured what you were supposed to do for Crystal Wealth, correct?

A. Correct.

1099. Q. You got paid millions of dollars for your services to Crystal Wealth but there is not really a set avenue through which you got paid it. A lot of it was based on verbal agreement, correct?

A. Yes, I was an ad hoc. Every deal was separate.

1100. Q. Ad hoc, yes. You didn't feel you had any responsibility to police what the merchants did once they received the money, correct?

A. Correct.

1101. Q. Except for Dome Mountain, you felt so strongly about it that you became a signing officer of their bank account?

A. Correct.

1102. Q. But you had otherwise no involvement with that company?

A. Correct.

1103. Q. Okay. And when it came to do due diligence on these deals that you just said you tried to put together to fit the mandate of Crystal Wealth you generally just let Crystal Wealth do their own due diligence, because it was their decisions at the end of the day?

A. I was told that I could not make any decisions, end of story, and that everything had to go through Clayton, and he was the COO, and it was his final say on everything.

1104. Q. I understand. You said, though, you tried to put together deals that fit the mandate. Did you ever read the offering memorandum of the Crystal Wealth Funds?

A. No, I didn't.

1105. Q. Okay. Do you know what MarketAxess is? It is referred to at tab 158. It says:

"...Registration with the MarketAxess..."

A. No, I don't.

1106. Q. Okay. So even though you don't know anything about the e-mails, the content of the e-mails between 147 and 162 of your productions, what we do know is Miller didn't find the...none of those discussions of how that financing was going to raised panned out. It didn't happen, right?

A. Right.

1107. Q. Okay. So at that point I must

imagine you had the guarantee a year ago, you knew the $12,000,000 insurance policy was going to save the day. What did you do to make sure that $12,000,000 insurance policy got paid out? You guaranteed a year ago. You didn't normally recommend financing arrangements like this, but...

A. Yes.

1108. Q. ...you wrote to Crystal Wealth, you said, "I don't normally recommend this, but we got a guaranteed payback, 12 months, $12,000,000, so I want to hear Jerry Froese's...what you did to step up to get the payout when all of this fell through in November of 2016".

A. I had conversations with...I mean, Al specifically, a lot of conversations, and my recommendation was that we call in the insurance. I started to not trust that Stephen Miller would perform.

1109. Q. Understandably so.

A. And so my recommendation was that I...well, that we pull the pin. I told Darcy Paul that that was going to be my recommendation, and I told Bob Maljaars, I told David Den Hollander that I think that the pin should be pulled, be done.

1110. Q. That is good.

A. Get the $12,000,000 back.

1111. Q. You told the debtors and merchants who you first of all gave the money to that that was your recommendation, but where is you recommendation of Crystal Wealth, who you were working for, to say, "No funding is here. There is no sign of any funding coming down the horizon. We have an opportunity here to get $12,000,000 from the insurance. You have to go ahead and do this. This was Frontline Factoring as your administrator's strong recommendation". Where did you say that?

A. I mean, verbally I said that on...but, I mean, I had no say and the fund can do...I mean, I was administrating what they wanted me to administrate. And I suggested that we call in the insurance. Clayton did not think that was a good idea.

1112. Q. Okay. Did you ever put your recommendation to Crystal Wealth in writing, that the insurance be called on?

A. I can't find anything in writing, no.

1113. Q. So what happens? Walk me through the discussions as to who was involved with the decision not to call in the insurance policy, and why?

A. There was...I mean, the...Clayton was the ultimate decision-maker on that. Clayton was...had conversations with...and at that point in time I said, "I know my...if it was up to me, just call in the insurance". Clayton started having conversations, I believe Al Housego, I am not sure if he was involved in every call, with Steve from MGE and Darcy from Dome Mountain. And the structure was changed by Clayton. The conversation, kind of the last hour, was made with...that there was an actual insurance policy that could be renewed for a year which, under the new guidelines and the new dollar amount, would easily qualify underneath the insurance, and there would be no drilling or anything like that that would even have to happen.

1114. Q. Leading up to November, 2016, did you have telephone conversations with Stephen Miller?

A. Very few.

1115. Q. What did you discuss with Stephen Miller?

A. There was a couple of times when I discussed, you know, whether or not he was going to come through or not, and, you know, timelines.

1116. Q. You didn't ask for any details concerning all of the arrangements which were happening at the time, as shown in Exhibit 7, the e-mails at Exhibit 7?

A. Yes, I asked him about it, and every time I asked for as much detail as he could provide. I asked him for any contract information, any evidence, anything that he could possibly provide me that would actually show that this was going to happen, or it was for real.

1117. Q. And he gave you nothing?

A. He gave me nothing. He always said he would.

1118. Q. Yes.

A. But he never did.

1119. Q. So you get to this, he gives you nothing.

A. Yes.

1120. Q. Then November rolls around. How...and there was no e-mails from you, no letters that said to Crystal Wealth, Al Housego, Clayton Smith, "Miller has given me absolutely nothing concerning how he is going to pay this. We have to go the insurance policy route".

A. Well, they were talking to Stephen

directly, so...

1121. Q. That wasn't my question.

A. Yes.

1122. Q. So my question is did you ever report to Crystal Wealth that, "Look, this guy is giving me zilch"?

MR. DUTRIZAC: Hold on. He says he has verbally, and he has told you already...you have asked this a few times, and he has told you already that he doesn't believe he had anything in writing making that recommendation.

1123. MR. van ZANDVOORT: Okay.

BY MR. van ZANDVOORT:

1124. Q. And so how does the decision get made not to call on the insurance policy, because I didn't understand your evidence a moment ago about the restructuring.

A. Clayton made a decision to renew it for a year.

1125. Q. Renew what for a year?

A. The insurance policy.

1126. Q. Renew the insurance policy and restructure...

A. Yes.
1127. Q. ...the Dome Mountain indebtedness?
A. The...so, the...Stephen Miller had indicated that he can get this funded really, really quickly if the purchase price reduces down to $36,000,000 or...and underneath those terms and conditions they wanted to re...excuse me, extend the whole Dome Mountain factoring for another full year.
1128. Q. Okay. And how is the share price reduced to accommodate that arrangement with Gavin Mines?
A. It...mostly, I believe, through Andy Clark's shares.
1129. Q. Okay.
A. I believe he was going through a divorce and was ready to liquidate everything.
1130. Q. So Andy Clark was prepared to reduce the price of his shares by $44,000,000 to accommodate this?
A. I don't know what his share value was.
1131. Q. Well, let's talk. $80,000,000 was the acquisition financing MGE was going to provide in November, 2015...
A. Yes.

1132. Q. ...correct?
A. Correct.
1133. Q. Okay. And then it is restructured at $36,000,000, which you said...
A. Right.
1134. Q. ...was going to fit the renegotiation of the Gavin Mines share price, correct?
A. Correct.
1135. Q. So a $44,000,000 reduction in the acquisition financing.
A. Yes. And what I...I mean, the reason why I said I don't know...I don't know if 100 percent of that was his or if Gavin Mines was taking a reduction as well.
1136. Q. Okay. And remind me, Andy Clark, you said at the beginning of today's examination, what else was he associated with?
A. He was part of that Nature Zone...
1137. Q. Oh, that is right.
A. ...company.
1138. Q. With you and David Den Hollander?
A. Yes, he took it over.
1139. Q. Yes, okay. And again, this reduction of share...the share price is probably all

reflected in the agreements from Exhibit 6 and the news release that you are going to look for?

A. I believe so, but yes, we will look for that. U/T

1140. Q. You sent an e-mail to the receiver on November 21st, 2017, it is at appendix 30 of the receiver's second report, setting out your account as to why the guarantee...the insurance contract wasn't called on in November of 2016, and why the MGE financing or Dome Mountain financing, rather, was restructured. You said Al Housego was very reluctant to put any more resources into Dome Mountain without a legal opinion that the insurance would pay out.

A. Yes.

1141. Q. Now, you had already given Crystal Wealth a guarantee a year before that it would pay out, correct?

A. We believed that it would pay out...

1142. Q. Well, no, just..."yes, we did".

A. And the wording was, I mean, a guaranteed payout, yes.

1143. Q. Yes.

A. Yes.

1144. Q. So was Crystal Wealth not

frustrated, upset, angry, that it was even in question?

A. I mean, yes. I mean, of course they were concerned about it. And...but, I mean, the wording of the guarantee was their wording, and that is why we presented it as a guarantee structure back to them, because that was their assessment of it originally. And so we...yes, they were definitely concerned about it. They were...I mean, there was lots of negotiations going on about, you know, what to...you know, what to do and what...and how to do it. Do we collect on the insurance policy or not?

1145. Q. And so you say you got a quote from Channing Lucan & Partners Limited for $18,000.

A. Yes.

1146. Q. That is a law firm?

A. That was a law firm, I believe, yes, that was going to a quote or...yes...

1147. Q. A legal opinion.

A. ...a legal opinion on the insurance.

1148. Q. And were you the one who contacted them?

A. No, it was Darcy Paul.

1149. Q. Who was the lawyer?

A. Who was the lawyer? Sorry?

1150. Q. From Channing Lucan & Partners.
A. I don't recollect that.
1151. Q. Okay. But you never obtained a legal opinion in November, 2015, concerning the...whether the insurance policy would pay out?
A. No, we never did.
1152. Q. And so ultimately I understand the legal opinion, you said, was never obtained because Al didn't want to spend the $18,000 to get it?
A. Yes. He was very leery about just throwing any money away.
1153. Q. Even though...
A. His comments...
1154. Q. Do you see the irony in that?
A. I mean, yes, I do. The comment was made that...Al told me, he says, "I actually think this is sufficient because, you know, they already kind of gave it. We just have to pay 18 for it and all they are going to do is sign it".
And at that point in time he actually was very confident that Stephen had, you know, put it together. But we were still going to...the plan was to pay for the insurance policy.
1155. Q. So who prepares the...okay. When you said it was already prepared and they were just

going to sign it, what was already prepared that the lawyer was just going to sign?

A. There was a letter that stated...you know, a one-liner or whatever that said, you know, providing the opinion on the insurance policy.

1156. Q. Who prepared that one-line letter?

A. It...

1157. Q. I see it is a draft letter...

A. I mean, I can't say who prepared it because it came from Darcy Paul.

1158. Q. Yes. So you said in your...going back to appendix 30, that you had a phone conversation on November 7, 2016, with Al Housego talking about:

"...Insurance policy needs to be paid out from a new invoice and need to see if we can get a legal opinion..."

He said:

"...Not sure of date. Miller Thomson, Frontline lawyer indicated that they would not be able to give a legal opinion due to the jurisdiction..."

And who specifically from Miller Thomson?

A. Darren Smits.

1159. Q. Yes. Is he still Frontline's

lawyer?

A. Yes.

1160. Q. Okay. Is he holding any money in Miller Thomson's trust funds for Frontline Factoring?

A. No.

1161. Q. Does Miller Thomson hold any money for Frontline Factoring currently, or you or any of your companies?

A. No.

1162. Q. Does any other law firm?

A. No.

1163. Q. You say in your appendix 30 e-mail to the receiver on the second report that:

"...On November 14th you received instructions from Al Housego regarding wording of invoice summary and what needs to happen with internal structure..."

A. Yes.

1164. Q. And you know you are smiling for, I think the same reason I am, which is why would Crystal Wealth, who hires you to be the administrator to write these reports, simply put in them what you are told by Al Housego?

A. Because I didn't structure the deal,

and I needed to understand what they were doing. So, I had to get instructions from them how it was being structured.

1165. Q. Okay. When did you learn that the...who was going to pay the $630,000 insurance premium, the one-year extension of the performance guarantee?

A. There was only one place it could have come from, which was Crystal Wealth.

1166. Q. Okay. Why do you say that? It was MGE's policy, they obtained it.

A. They made it very, very clear that they could not afford to pay it, and the only that this could be renewed is if we could get the funding for it, and that was part of the whole negotiations that Stephen and Darcy had with Clayton. They told me that it was very, very clear in their conversations that they actually didn't have any extra funds right at that point in time to pay for the insurance.

1167. Q. Okay, and when did you learn that the premium hadn't been paid?

A. I always knew it hadn't been paid because I knew that we had to do an invoice summary to get it. I was waiting for them to tell me when they could. Is it all right if I can a break quickly?

1168. MR. van ZANDVOORT: Sure, let's take a break.

--- upon recessing at 2:41 p.m.
--- A BRIEF RECESS
--- upon resuming at 2:54 p.m.

JERRY FROESE, resumed
CONTINUED EXAMINATION BY MR. van ZANDVOORT:

1169. Q. I want to clarify a couple of things with the Dome Mountain financing, but just before we go on, aside from the factoring arrangements we have been discussing, did yourself of Frontline Factoring have any other involvement with any other investments or business dealings with the Crystal Wealth Funds?

A. Myself personally, I invested with Al Housego.

1170. Q. Okay. How much?

A. Thirty-some thousand, I think it was.

1171. Q. Into what fund?

A. It was at his discretion. I think

he ended up putting it in a hedge fund.

1172. Q. Through?

A. Through a registered account.

1173. Q. Okay. Did you have any other involvement, directly or indirectly, with any of the Crystal Wealth fund investments, aside from the factoring contracts?

A. No.

1174. Q. Okay. So you weren't involved in the gold contracts?

A. No, not at all.

1175. Q. No, or media loans?

A. No.

1176. Q. Medical factoring contracts in the States?

A. No.

1177. Q. Solely the factoring contracts we have been talking about today?

A. Correct. Yes.

1178. Q. And previous ones that were faded out, that you are going to give me an accounting of?

A. Yes.

1179. Q. Okay. And at tab 165 of your productions there is a letter from Frontline Factoring to Dome Mountain re factoring proposal, but it says "cannot locate". How did you know you had that document but were missing it?

MR. DUTRIZAC: We may have it somewhere.

1180. MR. van ZANDVOORT: Okay, well if you can find it and produce it?

THE DEPONENT: Sorry, what was the document called?

1181. MR. van ZANDVOORT: It is 165 of your productions, a letter from Frontline Factoring to Dome Mountain re factoring proposal dated November 4th, 2016.

MR. DUTRIZAC: Okay. Counsel, I can advise that if it is listed in the list of documents... U/T

1182. MR. van ZANDVOORT: Yes.

MR. DUTRIZAC: ...we have it. It may have just been a matter of technology because it was all electronic.

THE DEPONENT: Yes.

MR. DUTRIZAC: So it just may be a matter of finding it.

BY MR. van ZANDVOORT:

1183. Q. At appendix 24 to the second report, was Frontline's November 22nd, 2016 invoice summary to Crystal Wealth. And it says "total gross forwarded, $13,808,835.23". And that was the total amount, as we went through earlier, that Crystal Wealth had forwarded to Dome Mountain up to that date?

A. Can I just see that for a second there? And I am guessing that this amount would have been including the accrued interest from the...and the discount fees from the previous...this is 2016, so the previous year of...the interest would be in there. It wouldn't be the exact amount advanced in real dollars.

1184. Q. Okay. But no new money was forwarded?

A. No new money, absolutely not.

1185. Q. So the last time money was forwarded to Dome by Crystal Wealth was March, 2016, which we looked at earlier from the hedge fund?

A. I believe that was the last one, yes.

1186. Q. And so at the bottom of appendix 25 it says:

"...Frontline 30-day rate, $47,199.76 has been wired..."

That was the fee you already received, right?

A. I believe so, yes.

1187. Q. But then it also says:

"...Frontline fees due from last invoice, $45,731.35 has been wired..."

A. Yes. So the previous year they paid me 45, this year was 47. So those two amounts were just shown on there as...

1188. Q. Okay. So you actually, for the Dome financing, got over $90,000?

A. Yes, that is correct.

1189. Q. But going to back to appendix 44, the second report, your weekly reports say "Dome Mountain", looking at page 1:

"...Frontline revenue total is $78,024.80..."

So, please reconcile that for me.

A. I would have to look into the details of why those numbers are different, whether or not one of them came out there or not I would have to double-check those. U/T

1190. Q. Please do that. I am sure it will be...

MR. DUTRIZAC: Reconciled appendix 25 and 44?

1191. MR. van ZANDVOORT: Well, it will be part of your accounting as to all the payments you received on Dome...

MR. DUTRIZAC: Yes.

1192. MR. van ZANDVOORT: ...but with a separate, specific explanation as to why your appendix 44 revenue amounts and fees received do not match what is set out in the November 22nd, 2016 summary.

BY MR. van ZANDVOORT:

1193. Q. In the November 22nd summary at appendix 24 you say:

"...As the deal has been restructured at a lower price, MGE will now be able to fund the share purchase and the insurance company is willing to reissue a new policy at an increased amount to cover the added factoring fees..."

But at that time, Mr. Froese, you already knew that the insurance wasn't going to be in place because Crystal Wealth wasn't going to pay the premium and nobody else was, correct?

A. I didn't know that, no. I assumed that that was going to be paid at that point in time. I even got an extension from the insurance company to buy Crystal Wealth more time.

1194. Q. But before the break we went over the fact that you didn't get the opinion. You got the extension. I said, "Who is going to pay the $630,000 premium?"

A. Yes.

1195. Q. You said, "Crystal Wealth, MGE was clear it wouldn't".

A. Yes.

1196. Q. But you said you knew it had never been paid.

A. Yes. I knew it hadn't been paid, and, sorry, what are you referring to there that I am missing?

1197. Q. Well, you said the insurance company is willing to reissue a new policy at an increased amount to cover the added factoring fees.

A. Correct. Which would have...

1198. Q. But at that point you knew that the premium had not been paid for that renewal of the insurance policy, and it would not be paid, right?

A. I knew that it hadn't been paid. I did not know that it would not be paid. And my assumption at that point in time was that Crystal Wealth was still going to pay that.

1199. Q. And why did you say that the new policy would be issued at an increased amount to:

"...cover the added factoring fees..."

A. So, it would...so, the $12,000,000 would increase to make sure that all the accrued interest from the two years would be included in the insurance premium, so that would make sure that there was enough to cover everything.

1200. Q. Okay. And so that is why the sum insured was increased from 12,000,000 to 18,000,000?

A. Yes.

1201. Q. At the November, 2016 bond at appendix 23 of the second report?

A. Correct.

1202. Q. Was the goal and hope that a year from that time you would just call on the policy and get paid out $18,000,000 then as opposed to $12,000,000 now? Is that really the thinking in the group?

A. No, the actual thinking was that the...that...I mean, the commitment by MGE was to have it done, I think, by March of that year, even though the insurance was structured for a year. They were...everybody at that point in time was still anticipating that MGE would actually come through. That was everybody's anticipation. I didn't give an opinion on that.

1203. MR. van ZANDVOORT: At tab 123 of your productions, and we will make this Exhibit 8. You enclosed a reporting e-mail from BLG law firm to Eagle Peak Resources Inc., Metal Mountain Resources Inc., Gavin Mines Inc. and Rich Rock Resources Inc.

--- EXHIBIT NO. 8: Tab 123 of Jerry Froese productions, reporting letter from BLG law firm

BY MR. van ZANDVOORT:

1204. Q. How did you obtain this reporting letter? Sorry, we will make this Exhibit 8.

A. I don't actually recall.

1205. Q. And it talks about two court actions commenced in Alberta and BC by Minex-Minerals Ltd. against these entities, and also against Kim Walker David Den Hollander, Andy Clark and GCS Mines Inc. What were the...sorry, let me continue. And it specifically dealt with a claim that Minex had to a 35 percent ownership interest in Gavin Mines Inc., as I understand it, for a net reinvestment of $12,000,000. Are you familiar with these lawsuits and allegations?

A. Not very. The only understanding I have of a lawsuit, it was a frivolous lawsuit where they were trying to...I don't even understand what they were trying to do, but he was trying to just make a bunch of claims up that he was entitled to these shares for reason. But my understanding is even if he did, I mean, the share purchase wouldn't...I mean, even if he got those shares, I mean, he would be bought out with this purchase agreement, you know.

1206. Q. Are these lawsuits ongoing?

A. I actually don't know.

1207. Q. Do you know how the representative of Minex is?

A. No, I don't.

1208. Q. Okay. Do you know who Kim Walker is?

A. I have heard that...yes. I don't know him. I remember him at one point in time, meeting him, but I don't even remember where.

1209. Q. Through David Den Hollander?

A. Probably.

1210. Q. Do you know whose company Rich Rock Resources is?

A. No, I don't know.

1211. Q. GCS Mines Inc.?

A. No, I don't know.

1212. Q. Eagle Peak Resources Inc.?

A. I don't know.

1213. Q. You said you created all of the 164 and 156 and Dome Mountain invoices that were factored to Crystal Wealth?

A. I don't know if we created all of them, but we did create invoices, yes.

1214. Q. Okay. And did you do that, or who specifically was in charge of manufacturing merchant invoices for Frontline?

A. It would have been most likely Steven Bandola.

1215. Q. Did Bandola have a relationship, previous relationship with David Den Hollander, and did David recommend that you take on Steven Bandola to work for Frontline?

MR. DUTRIZAC: Two questions.

1216. MR. van ZANDVOORT: Okay.

THE DEPONENT: No and no. Steven Bandola is my brother's wife's child.

BY MR. van ZANDVOORT:

1217. Q. He is your nephew?
A. He is my nephew, but he was, like, 17 or whatever when my brother and her got married, so that was the connection. He is not my blood nephew.
1218. Q. How much was Steven Bandola paid by Frontline Factoring?
A. He was paid in two different ways. He was paid a contract fee to develop all the IT and software components, and...
1219. Q. How much was that?
A. 60,000 a year.
1220. Q. Okay.
A. And then he was paid a smaller salary.
1221. Q. Which was?
A. I don't remember off the top of my head.
1222. Q. He didn't have any written employment agreement, though? Consulting agreement?
A. We...I don't know if we have anything in writing or not.
1223. Q. So, some of the older 647 invoices that were ultimately repaid using that Crystal Wealth/Dome Mountain money...

A. M'hmm.

1224. Q. ...were listed, as I said, in paragraph 110 of the second report. And you provided us...we asked for copies of the invoices when the receiver was appointed. And you gave us invoices 257, 261, 264, 302 and 304. That is listed in the chart at paragraph 110 of the second report.

A. Okay.

1225. Q. And those are the ones you said were repaid with the Crystal Wealth financing to Dome Mountain in November, 2015. So, I am going to show you a copy of those invoices. And would that have been you or Steven Bandola who prepared these?

A. Most likely it would have been Steven Bandola.

1226. Q. Okay. But it would have been Frontline who prepared it?

A. Yes. It looks like they are all the same, so it likely would have been Frontline.

1227. Q. Did you prepare those only in response to the receiver's request that you provide those to us, because we did look at some of the metadata, and it did suggest that you created them shortly before turning them over to us.

A. These?

1228. Q. Yes.

A. These would have been sent to Crystal Wealth at time of funding.

1229. Q. Okay. I didn't know.

A. Yes.

1230. Q. Sometimes if somebody clicks on something, it shows it as...

A. Yes.

1231. Q. ...being created versus...

A. Okay.

1232. Q. ...and I want to just know...

A. Yes. No, we didn't...

1233. Q. ...did you...

A. ...we had to send the invoice to Crystal Wealth before we could actually get funding from them, so there had to be, like, an account on an invoice for us.

1234. Q. Okay. But you would have created these ones?

A. Correct.

1235. Q. Okay. So is it just you guys...did you guys just make an error on this when you wrote the wrong company name? You didn't put 647 BC Limited.

A. No.

1236. Q. You wrote 647 Alberta Limited?

A. Likely a typo.

1237. Q. Okay. And the GST number, whose GST number is that?

A. It should be 647 BC Limited.

1238. Q. Okay. We have checked and it doesn't align to...647 Alberta doesn't exist, and it doesn't match a registration number to 647 BC. So, who would have...

A. We would have gotten that...I mean, directly from David Den Hollander. There is no other way we could have got it.

1239. MR. van ZANDVOORT: Okay. We will call this batch of invoices Exhibit 9.

--- EXHIBIT NO. 9: Invoices for 647497 Alberta Ltd., (BC Ltd.) numbers 257, 261, 264, 302 and 304

BY MR. van ZANDVOORT:

1240. Q. Do you proofread your nephew's preparation of the merchants invoices, or does he just send them off to Crystal Wealth?

A. He was, a lot of times, sending them...I am trying to remember if he sent them directly there. Probably some of both.

1241. Q. Okay.

A. Like, some of them I would have sent them through and some he would have sent directly.

1242. Q. And we can go through them all, but the 647 invoices all say project management. That is all it says.

A. Yes.

1243. Q. And for hundreds of thousands of dollars each. The 156 Alberta invoices all say consulting, that is all they say...

A. Yes.

1244. Q. ...hundreds of thousands of dollars each. Bottom line, as I understand it, Den Hollander and Maljaars both thought they were going to be entitled to a fee from the ultimate financing, whether it came from Jordan or whether it came from MGE, and so these invoices you factored were simply an advance on what fee they were supposed to get when the financing came through?

A. Yes.

1245. Q. Okay. So is that why you just plugged in project management, just to...

A. Yes, and I talked to Al about it, right? I mean, he was the one...I mean, they have done this work and this work and this work and, you know, what do we call it, right? I mean, just call it project management. And so those were the...and so...I mean, the validation for the time spent working on these deals.

1246. Q. And really...

A. They were also paying fees for, and I think you even referenced it, that they likely paid actually money for shares in Dome Mountain, so there was actual physical costs that were associated with them.

1247. Q. Yes. Okay, and then just looking at your invoice summary. This is probably your first one, it is as appendix 38 of the receiver's second report. It is dated December 22nd, 2014. It concerns 647 BC, and it says:

"...Merchant does project management for large projects and has been a client of Frontline Factoring Inc. in the past..."

A. Yes.

1248. Q. So, before Crystal Wealth you factored invoices from 647 BC?

A. We did, yes.

1249. Q. Okay. And...

A. And yes, so we also did...I mean,

yes, there were other things that were associated with...

1250. Q. Well, Den Hollander's mom invested n Frontline Factoring, right?

A. Not directly in Frontline Factoring, no.

1251. Q. How did she invest in Frontline Factoring indirectly?

A. She didn't invest in Frontline Factoring. She invested in the numbered company that I have, that...

1252. Q. Which one?

A. 1267379, my wife and brother's company.

1253. Q. Why would she invest in that company? It doesn't do anything.

A. That company borrowed money to (sic) Frontline as well, and...

1254. Q. It borrowed money from Frontline.

A. Well, but I mean, I did not have any...I didn't...I mean, that actual amount was not specific. It was not hers. No documentation that she invested any money in there.

1255. Q. I am sure there is not.

A. I mean, he said later that that is

his mom's money. I thought it was his money.

1256. Q. Okay. How much money was it?

A. I think it was a hundred grand. I am not sure.

1257. Q. Okay. So when you factored for 647 BC in the past, before Crystal Wealth, what projects did you factor?

A. We factored a couple...just some mining...like, almost like forward contracts that we did with them, and some...I can't...

1258. Q. Where did you get the money to factor for them?

A. It would have been through Frontline's bond offering.

1259. Q. Can you give me any paperwork you have to support that you factored invoices previously for 647 BC? Any records that you have?

A. It was...yes, I can.

MR. DUTRIZAC: Yes. U/T

BY MR. van ZANDVOORT:

1260. Q. Can you remember the names of any of the debtors of the other non-Crystal Wealth factoring arrangements you did with 647 BC?

A. The debtors of that one? It was a

Ralph something or other there. I don't remember even what the guy's name was. Nothing to do with anything related.

1261. Q. And in your invoice summary at appendix 38, what other large projects are you referring to that 647 BC did project management for at the time?

A. He...I mean, the...I am trying to think of what...my mind is going blank on that one. I will have to get back to you on that. U/T

1262. Q. You said through other companies the debtors own and the debtors would be Biodiesel, GIC, so Wilkie and Paul companies, right? You said you factored over $10,000,000 in receivables over the course of the past 18 months. That is a significant sum. How did you fund factoring over $10,000,000 in receivables?

A. Well, it was a monthly turnaround, so, I mean, it was just the same money turning over every three months, on that.

1263. Q. Sorry, what do you mean?

A. Well, when you...I mean, turning $10,000,000, it is not like we had $10,000,000. I mean, you could have a million dollars and do the same million dollars over ten times and you have

$10,000,000.

1264. Q. So you factored a million dollar invoice, let's say, and just didn't get repaid 10 times, and you are saying that is factoring over $10,000,000 in receivables?

A. No.

1265. Q. Okay. Because I am not following you.

A. I mean, the...

1266. Q. Why don't you just...do you have support, bank records, agreements to support that you factored over $10,000,000 in receivables over the course of 18 months, as you say in the December 22nd, 2014 report?

A. Sure, I will get that. U/T

1267. Q. All right. Provide those details. Did Frontline register a general security agreement against 647 BC?

A. In Frontline's name...

1268. Q. Yes.

A. ...or...I...

1269. Q. You say in the summary:

"...Frontline Factoring Inc. has registered general security agreement on 647 BC of the merchant, and has confirmed equity and land developments. See attachments..."

A. Yes. So we would have had...I believe that would have been...we would have registered Crystal Wealth as the...on the GSA.

1270. Q. And the land development?

A. The land development was just supporting documentation.

1271. Q. For Recline Ridge? Was that development?

A. Recline Ridge.

1272. Q. Okay. And to the extent you have any documentation, I think I have already asked it, but produce it concerning what you gave to Crystal Wealth at that time to split the equity.

A. Yes. U/T

MR. DUTRIZAC: Was that not included already?

1273. MR. van ZANDVOORT: You gave drawings at tabs 9 and 11 of your production concerning it, but that is it. Okay.

BY MR. van ZANDVOORT:

1274. Q. And then your subsequent invoice summary to 647 BC, it is January 27, 2015. The debtors, again, are Biodiesel, which is Darcy Paul, Dome Mountains' company, GIC Capital Corp., which is Jeff Wilkie's company, and Dome Mountain, which is also Darcy Paul's company. You say in this one:

"...This project management for large projects..."

Sorry. You repeat what you said in the last one

A. Yes.

1275. Q. You say:

"...New funding, here are the new amounts..."

A. Yes.

1276. Q. So these are, again, just the post-McBean meetings where you are doing the kind of arbitrary amount invoices that are being factored as an advance on a fee, right?

A. Yes. I mean, we tried to figure out what they were for and why they were that amount, and then we would...

1277. Q. Do you know what Den Hollander's and Maljaars' reported fees were that they were supposed to get from the financing for 156 and 647?

A. I don't remember the exact amount. I mean, it was...I mean, kind of regular amounts, couple of percents or whatever it was. Two to four percent, something like that.

1278. Q. Is there a written agreement concerning what fee they were supposed to get, do you know?
A. I don't know. I can look for...to see if I have a written agreement, but I don't think I have one. U/T
1279. Q. Sure. Do you remember an agreement?
A. I don't remember an agreement, no.
1280. MR. van ZANDVOORT: And then for 647 in your productions we will mark appendix...sorry, tabs 33 and 34 of your production as Exhibit 9.

--- EXHIBIT NO. 10: Tabs 33, 34, and 35 of Jerry Froese productions

BY MR. van ZANDVOORT:
1281. Q. If you can turn to tab 33 of your productions? It is a June 25th, 2015 payment summary concerning 647 BC.
A. Sorry, what tab are you on?
1282. Q. Tab 33 of your productions.
A. That is not in here. Okay, so...
1283. Q. Is this document telling us that the payment amount of $400,000, is that a payback amount

received from 647 BC?
A. Yes.
1284. Q. Okay, now my understanding was 647 BC didn't make...pay back any of the pre-November, 2015 invoices until it did so using the Crystal Wealth financing to Dome?
A. No, there was payments made prior on invoices, before that. There was just a large chunk that was left owing that was left.
1285. Q. So where was 647 BC getting...you know, the whole point of why you were factoring 647...
A. Yes.
1286. Q. ...BC's invoices during that time, was to give them an advance on their fee.
A. Yes. So...
1287. Q. So why would they be cycling money back?
A. I mean, and my understanding is, I mean, he...this wasn't the only thing he was doing. He had land, he had all kinds of things that he did. We were factoring one portion of what he did. So whether or not he was, I mean, doing it from other projects or whatever the case was...
1288. Q. Was money which was advanced on the

156 invoices by Crystal Wealth used to pay back these invoices at that time?

A. I don't know that.

1289. Q. Okay. And at...and sorry, I meant to include in Exhibit 9 tab 35 as well of your productions, which is a November 10th, 2015 payment summary.

A. I am sorry, what tab was that?

1290. Q. Your tab 35.

A. Tab 35. Okay. What was the question? Sorry.

1291. Q. And so is this a breakdown of the 647 BC invoices that were going to be...that were repaid using Crystal Wealth's advance to Dome in November?

A. Yes. That is correct.

1292. Q. Okay. Do you have any specific knowledge of what expertise Bob Maljaars or Darcy Paul or David Den Hollander have in mining?

A. I don't have any specifics. I...I mean, all I know is what they...I mean, conversationally what they...I mean, they talk about it like they, you know, are students of the industry.

1293. Q. Okay. And your dealings with 156

Alberta, did you ever have any interactions or communications with Jeff Maljaars?
A. Very few.
1294. Q. Okay. When would you have communicated with Jeff Maljaars?
A. I mean, mostly when we first started out. The original company was owned by Jeff Maljaars.
1295. Q. Well, 156 Albert is still owned by...
A. It is still owned. It wasn't...the intent was originally that Bob had said, "Hey, I am buying my son out over time here, but I want to use this company"...
1296. Q. Yes.
A. ...and so I kind of feel bad for Jeff getting involved because, you know...
1297. Q. But he is just a kid.
A. Yes. Yes, and I mean, he was very willing to help his dad out, and, I mean, that is why I wanted...and Bob is on there as well.
1298. Q. So you got personal guarantees from Bob and Jeff?
A. Personal guarantees, yes.
1299. Q. But did you ever...aside from

getting Jeff to sign the paperwork did he have any involvement with any of these arrangements, transactions?

A. I would say no. No, it would have been...

1300. Q. Ever involved in meetings...

A. No.

1301. Q. ...telephone calls?

A. No.

1302. Q. And you said you never had access or control to the bank accounts of 156 Alberta or 647 BC?

A. No, I never did.

1303. Q. Do you know what the business of Biodiesel is?

A. They were, I believe, going to build a natural gas to diesel...a refinery, or whatever they call it.

1304. Q. It never happened, right?

A. No, it never happened.

1305. Q. Do you know the business of IC Commerce?

A. Yes, I mean...

1306. Q. Another Darcy Paul company?

A. Yes. Another Darcy Paul company,

yes.

1307. Q. Did you have concerns about the fact that you were recommending factoring arrangements with the same handful of people who were all the merchants and debtors involved?

A. At the time I didn't because we were networking and we...they were all very clear, distinct deals, and Al was very...we were very open and honest with, you know, "Okay, this one is going here, this is going here, this is what is happening". They were very connected, but, I mean, we were very, you know, transparent in that. There was no trying to hide anything. We wanted to make sure that it was, you know, that it was legitimate, right? That it wasn't, you know, some scheme.

1308. Q. Well, never...and I disagree. You think you were transparent in your invoice summaries concerning the relationships between the debtors and merchants involved?

A. Well...

1309. Q. You think a reader would read that and understand the personal connections between the debtors and merchants?

A. But the invoice summaries and payment summaries were meant for Crystal Wealth's bookkeeping purposes, and, I mean, we would give a little bit of a summary in there, but, I mean, most of the conversations and...were done, you know... with, you know, with Al Housego directly.

1310. Q. They pretty much spoon-fed you what to put in the summaries and you typed it up and away it went?

A. Who are you saying...who are you referring to?

1311. Q. Crystal Wealth

A. Yes and no. I mean, on some of them yes, some of them no.

1312. Q. All right. And one of your invoice summaries, which listed Dome as the sole debtor, you said:

"...The debtor is a project manager from a number of mines and has come to the Maljaars to source the right mining equipment for multiple projects. My understanding from Mr. Paul and Mr. Maljaars is Dome was not running any other mining projects, aside from looking to buy shares of Gavin Mines, they had no operations..."

A. Can you...sorry, can you read that

again?

1313. Q. Yes:

"...The debtor is a project manager, being Dome, from a number of mines, and has come to the Maljaars to source the right mining equipment for multiple projects..."

A. And that was...where do you find that? That was...

1314. Q. Your April 15, 2015 invoice summary at appendix 38 to the second report. It is concerning 156 Alberta. Here it is, if it would help you assist your recollection.

A. Yes, my...I guess the debtor in this case referred to the owner of the...not the Dome Mountain itself that was involved in the deal, but Darcy Paul and his acting on his...their...you know, they indicated that they were involved in numerous mine deals at the time.

1315. Q. But you didn't peel that back to actually see if that was true, did you?

A. No, I didn't.

1316. Q. Okay.

A. No.

1317. Q. Stephen Miller told the receiver that he was advised that Crystal Wealth did not pay the bond premium in November, 2016, as Bob Maljaars had secured a different financing option and did not want to proceed with the MGE financing. Is that true?

A. I have no idea where that...I saw that anywhere. I know nothing about that.

1318. Q. When is the last time you had any communications with Bob Maljaars?

A. I communicate with him as regular as I can. Typically I try and talk to him once every week, or every two weeks, to try and get, you know, "Hey, what are you doing? What are you working on?" I try to get...he is the one that is the most trying to create a plan and get it fixed.

1319. Q. So you are in touch with him by e-mail?

A. I am touch with him mostly by phone.

1320. MR. van ZANDVOORT: Okay, can you produce any e-mails that you have had with Bob Maljaars since the receiver's appointment?

MR. DUTRIZAC: I will take that under advisement. U/A

1321. MR. van ZANDVOORT: Why?

MR. DUTRIZAC: Well, what is the

relevancy of that?

1322. MR. van ZANDVOORT: Are you not in touch with him to see if he is going to be able to raise money to pay back Crystal Wealth? I thought that is what your client just said.

MR. DUTRIZAC: Well...

1323. MR. van ZANDVOORT: How is that not relevant?

MR. DUTRIZAC: My client, on more than one occasion, has gone on the record and said he is more than happy to help the receiver collect...

1324. MR. van ZANDVOORT: He just...

MR. DUTRIZAC: ...to which...to which he has got no response.

1325. MR. van ZANDVOORT: That is absolutely incorrect, Counsel. Stop putting incorrect statements...

MR. DUTRIZAC: No.

1326. MR. van ZANDVOORT: ...on the record.

MR. DUTRIZAC: No, that...

1327. MR. van ZANDVOORT: Answer the question, Counsel. Your client is communicating by e-mail with Bob Maljaars.

THE DEPONENT: I am not communicating by e-mail, I said by phone.

1328. MR. van ZANDVOORT: Mostly by phone, you said.

THE DEPONENT: Yes.

BY MR. van ZANDVOORT:

1329. Q. Okay, so now there is no e-mails?

A. I never said there was e-mails, did I? I don't know if there are any e-mails.

1330. Q. I want to be very clear, Counsel. We want every ounce of information out of your client about the efforts he has made, and continuing to make, to try and secure repayment of some of these failed investments. So, there should be no under advisements concerning any communications he has had with Bob Maljaars, David Den Hollander, Darcy Paul or any of the other merchants or debtors since the appointment of the receiver. Absolutely no reason to take that under advisement. And I want all of those written e-mails and productions if they exist.

A. I will, and I have wanted to, and I have not felt like I have known what to do in terms of moving forward. I would love to know to work out a plan in terms of how to...

1331. Q. Mr. Froese, we have been trying to get assist. It took four months just to get some of these records from you, and you didn't even produce them all today, so spare me the "you have been trying to give us a great deal of assistance", because it is just, respectfully, not true.

A. When I asked for...

1332. Q. I am not going to have a debate on the record. Let's continue.

A. I will formally disagree to that.

1333. Q. What has remained Ryan Waechter's involvement?

A. He doesn't have any involvement.

1334. Q. Okay. And have you ever made any investments with Ryan Waechter?

A. No.

1335. Q. David Den Hollander?

A. No.

1336. Q. Bob Maljaars?

A. No.

1337. Q. Al Housego?

A. No.

1338. MR. van ZANDVOORT: We can mark this as Exhibit 10, but it is an e-mail from David

Den Hollander to you, Al Housego, Chuck Pinnell, Ryan Waechter, amongst others, concerning an investment you all made in a Chilean property called The Laguna Torca Farm.

THE DEPONENT: Yes.

1339. MR. van ZANDVOORT: So do you want to correct your last statement that you haven't invested...

THE DEPONENT: I have never invested in this.

1340. MR. van ZANDVOORT: Okay. So, sorry, we will mark this as Exhibit 11.

--- EXHIBIT NO. 11: E-mail from David Hollander to Jerry Froese, et al, re Chilean Property

THE DEPONENT: Could I see that e-mail again, just for...

BY MR. van ZANDVOORT:

1341. Q. Yes, take your time.

A. Yes. I just want to check...

1342. Q. And just while you are reviewing that, just to correct on the record, Exhibit 10 was tabs 33 to 35 of Mr. Froese's productions, Exhibit 11 is the e-mail you are reading now from David Den Hollander.

A. Does it say anywhere here that I have invested money in this?

1343. Q. It does. Your e-mail is jerry@frontlinefactoring.com?

A. M'hmm.

1344. Q. You appear to be, as far as I can see, at least, the only person with the initials "JF" on this e-mail. Do you agree with that?

A. Yes.

1345. Q. Yes. In terms of ownership of those funds, this is how it looks; Mr. Den Hollander says on page 4:

"...J.F. 10 percent..."

A. Okay.

1346. Q. I can go through all the other initials there, but they seem to match everybody who is a recipient of this e-mail, right?

A. Yes.

1347. Q. He states that your investments are now at a minimum secured by the equity and the property on page 3?

A. Okay.

1348. Q. So explain to me how you are not invested into this.

A. I never put any money into that, and I was...they offered it to me, to put in, I think it was 80 grand, to have an ownership in that property, but I never actually followed through on it.

1349. Q. Who offered you?

A. David Den Hollander.

1350. Q. So why was Mr. Den Hollander saying you were a 10 percent owner?

A. I don't know. I think he was probably holding that position just in case I wanted to, at some point in time, participate in that.

1351. Q. Okay. Did he use money received from Crystal Wealth to purchase this farm?

A. I don't know that he did that. I have no...

1352. Q. Have you been down to the farm?

A. Yes. I was.

1353. Q. And when were you there?

A. I was there...it would have been...probably...I am not sure exactly the timelines. We went to Panama with my family to visit my sister-in-law on a...they are on a one-year...they were teaching at a mission school as a mission, and they, meaning David Den Hollander, was wanting me to do some due diligence on another mine that they were looking at for the future. So, while we were at Panama we went to Chile.

1354. Q. What kind of mine?

A. Copper, gold.

1355. Q. And was that a mine that was involved in the gold contracts of Crystal Wealth?

A. I don't believe so, no.

1356. Q. And who were the people involved in that mine?

A. I have no idea.

1357. Q. Didn't you go down to do the due diligence on it?

A. Yes. I mean, we went down there, but the...I don't know the owners of the existing mine.

1358. Q. So explain to me, where is the mine? What is it called?

A. It was something-minera-something, which is mining, or something like that.

1359. Q. Minera, M-I-N-E-R-A?

A. I will have to...I mean, I can...

1360. Q. What country is it in?

A. Chile.

1361. Q. Okay. And what did it mine?

A. I don't think it mined anything, I think it was just a property that was...you know, was a...has resource in the ground.

1362. Q. Okay, where in Chile is it located?

A. I don't know, I didn't actually end up going there. By the time that we...when I went down to the farm the trip got delayed, going out to the...they couldn't have anybody there to show around and I didn't want to stick around any longer.

1363. Q. Why?

A. Because I had my family with me.

1364. Q. Okay. So is it Minera Escondida?

A. I don't...actually, I don't recollect what the actual...actually, it might be something else.

1365. Q. Was it in North Chile or South Chile?

A. I think it was central.

1366. Q. Central Chile. And where was the farm, north or south of the mine?

A. It was south of Santiago, and I think the mine was north and east, I guess it would be.

1367. Q. Okay. So you ended up just going to the farm for how long?

A. It was, I think, four days.

1368. Q. With your family?

A. Yes.

1369. Q. And with Mr. David Den Hollander's family?

A. Yes. I think parts of his family were there, yes.

1370. Q. Who else was there? Anybody else?

A. Bob Maljaars was there.

1371. Q. Yes.

A. And nobody else.

1372. Q. Did you only go the one time?

A. M'hmm.

1373. Q. Okay. Why was Bob Maljaars there?

A. Because he was doing...like, they were trying to look at this mine as well.

1374. Q. They were looking at the mine as well. And so is it fair to say that you and David Den Hollander, Bob Maljaars, you are friends? You vacation together, have dinners with your families?

A. No, but, I mean, we became...I mean, I would say that we are work friends but not personal friends.

1375. Q. Okay. You never had dinner with Bob and his family in Alberta?

A. No, I don't think I have ever done that.

1376. Q. Or David Den Hollander?

A. No, I don't believe I have ever had...

1377. Q. Did you ever take any other trips with any other...

A. I shouldn't say. I mean, I think I stopped in twice at David Den Hollander's when...my dad lives in Abbotsford. So on the way, once, I went on the way I thought, "Well, I should go look at those lots that he has". So we stopped in to look at his lots. So, my...they were very hospitable to my family when we went there. And then another time we dropped in on the way back just to...more business trip, but me and my family was with me.

1378. Q. Have you ever taken any trips with Al Housego?

A. No.

1379. Q. Clayton Smith?

A. No.

1380. Q. And despite having read the e-mail it is still your evidence no interest in the Laguna

Torca mine?
A. No, I have no interest in it at all.
1381. Q. All right.
A. I am just curious what you put on there.
1382. Q. You didn't respond to that e-mail?
A. I don't believe so, no. He was always sending me brochures and stuff like that. I...
1383. Q. What kind of mine is Dome Mountain?
A. Gold.
1384. Q. Just gold?
A. I believe that there was some copper there as well, but I don't know the details of it.
1385. Q. Do you know the current status of Dome Mountain, the mine owned by Gavin Mines?
A. Only what they have, you know, have been telling me that they have been trying to get it actually into production and, you know, who Lloyd Tattersall is trying to do various things to increase the value of it.
1386. Q. Okay. And do you have any meaningful update concerning their efforts to take out the Crystal Wealth debt?
A. They won't give me any meaningful...

1387. Q. Okay.

A. I have asked.

1388. Q. How much money does Frontline Factoring have in its bank accounts, currently?

A. Maybe $5,000.

1389. Q. And what about your personal bank accounts?

A. Negative. I mean, I might have a few thousand dollars in there right now.

1390. Q. So...and we will find out the exact amounts when you get your tax returns and accounting...

A. Yes.

1391. Q. ...but you made, from November, 2014 to present, a minimum of two-and-a-half million dollars and it is probably, I would wager, much more than that, from Crystal Wealth and the fees. What happened to all that money?

A. A lot of it actually went back, and I had discussions with Al Housego that, you know, we were making revenue off of Zomongo, and we actually lent Zomongo back money because they were requiring additional funds.

So, a lot of that money went right back to Zomongo.

1392. Q. How much did you lend Zomongo?

A. I mean, it...the...I mean, it was likely at least a million bucks. We had kind of an agreement with Al Housego, and there is other clients as well, Single Source being one of them, that we also have money out to them. And kind of the agreement was that with Crystal Wealth they would buy those invoices back out from me when they had additional funding and better liquidity.

1393. Q. So when Crystal Wealth had a liquidity issue they felt comfortable enough to turn to you and say, "You are making enough money from us. We need you to pour some money into some of these merchants to get us some money back, and we will buy it back once we are in a better position"?

A. It was never to pay back to Crystal Wealth, it was always to...they had new invoices and they needed to grow, so that was...like, they never turned around and gave the money back to Crystal Wealth that I sent to them.

1394. Q. Okay, so...

A. Although at...there one was one point in time where they called me and asked me if I had any extra cash, because they...

1395. Q. Who called you?

A. Al Housego. And said, "We are in a desperate situation. We need...we are out of cash. Can you, you know, fund us some money?", basically. And so we ended up paying off a, or part of an invoice for them, so that they could have liquidity.

1396. Q. Would you be able to prepare me a chart that shows what money you, Frontline, deployed out to any merchants or debtors involved in the Crystal Wealth arrangements, as well as back to Crystal Wealth, and the type, whether it was a loan or investment?

A. Yes. U/T

1397. Q. And provide any underlying support and bank records and agreements with respect to those advances?

A. Sure. U/T

1398. Q. Okay, thank you.

MR. DUTRIZAC: Yes.

BY MR. van ZANDVOORT:

1399. Q. So, you lent a million bucks to Zomongo. How much did you lend to Crystal Wealth?

A. It was...I think it was 300,000.

1400. Q. And who would you have sent that to?

A. It would have been straight to their

regular account that we sent money to.

1401. Q. And how much did they inject into Single Source?

A. I don't know the exact number. I think it is a couple hundred thousand.

1402. Q. Again, going back to my first question, where...what you did with all the money Frontline was paid from Crystal Wealth, where else did it go?

A. Well...

1403. Q. Any properties, assets?

A. No, I mean, we...I mean, we have...I mean, we lent it out in different avenues inside of Frontline. Some good, some bad. And so we are...yes, we are...I mean, it just basically was...stayed in the company.

1404. Q. Was the company folding, was it going to go bankrupt?

A. I don't know.

1405. Q. When is the last time you talked to Al Housego?

A. I talked to him for a few minutes right after he got questioned.

1406. Q. And did he tell you about what he was asked about and what he said?

A. All he said was that they went basically line by line through the report and asked him questions about everything. That is all he said.
1407. Q. How often do you and Al still talk?
A. Very, very rare.
1408. Q. Okay. Al advises us that he had a conversation and you were stressed about the financial hardships you were suffering...
A. Yes.
1409. Q. ...and that Stacy, your wife, has had to get a job. Is that right?
A. That is true, yes.
1410. Q. Okay. Where is Stacy working?
A. My wife works at the Coaldale Hospital.
1411. Q. Nurse, administrator, doctor?
A. Combined lab and X-ray tech.
1412. Q. And so...but she hasn't been working up until this point?
A. She was working one day a week just to maintain her designations.
1413. Q. At the hospital?
A. At a clinic.
1414. Q. And is that because without the

income from Crystal Wealth you have no other source of income?

A. Well, I mean, everything that I...I mean, that I have, I put back into Frontline to continue operations at this point in time.

1415. Q. And, sorry, going back to, just on the point of Zomongo. How were you introduced to Zomongo, through Jeff Wilkie?

A. Yes. It was through Jeff Wilkie.

1416. Q. Okay. And so you said Zomongo was the first factoring merchant that you factored on behalf of Crystal Wealth?

A. Correct.

1417. Q. What was the difference between Zomongo TV, Zomongo Inc., and Zomongo Holdings?

A. I don't think a lot. I think he decided based on the instructions of his lawyer to have a...the original Zomongo Inc. he started operating with, the lawyer restructured it for him, that he had, and then they started running under a new operating name, with Zomongo Inc. and including the shares of that.

1418. Q. Okay.

A. And their plan was to go public, I think, and they were restructuring for that.

1419. Q. Okay, and when you say "he", you are talking about Jeremy Ostrowski?

A. Yes.

1420. Q. Have you met him?

A. Yes.

1421. Q. Yes. How many times?

A. In person, only a few times.

1422. Q. Okay, and why did you meet him?

A. Well, I mean, initially just meeting him and trying to figure out, you know, his business model and what he is doing, and, I mean, subsequently to that, to, you know, get a full...I mean, just normal kind of keep in touch with your client kind of stuff. And when I was in Calgary I met with him.

1423. MR. van ZANDVOORT: So at 233 of your productions, and we will mark this Exhibit 12, is the stock option agreement between you and Zomongo TV Corp...

THE DEPONENT: Yes.

1424. MR. van ZANDVOORT: ...dated November 18th, 2015. Exhibit 12, sorry.

--- EXHIBIT NO. 12: Stock option agreement between Zomongo TV Corp. and Jerry Froese, dated

November 18, 2015

BY MR. van ZANDVOORT:

1425. Q. And so how did the stock option agreement come about?

A. He originally was looking to get advisors on board, people that he considered have credibility and so he asked if, you know, "as the funder"...he thought it made sense that I would become an advisor to the corporation. In the initial conversations there was no talk about the stock option or anything like that. You know, I talked to Al Housego about it. Then they...all of a sudden there was going to be share warrants. I talked to Al Housego about it. I said, "You know, I am not never going to...you know, I mean, if you want these stock options, if you want me to sign them to you, whatever, it is not about, you know, trying to make money off it". It is trying to...I mean, if I am an advisor, in theory I should know more. I get to know more about the internal workings of the company. And he actually thought that was a great idea.

1426. Q. Okay. So you had 300,000 stock options, and then you also, through a numbered company, 1267379...

A. Yes.

1427. Q. ...Alberta held 400,000 shares of Zomongo TV?

A. Correct.

1428. Q. Okay. And then Jeff Wilkie was also a shareholder of Zomongo.TV?

A. I didn't know that until later.

1429. Q. When did you learn that Jeff Wilkie was a shareholder in Zomongo TV?

A. When I got these documents from...just probably...when would it have been? When they made that offer to do a debt repayment plan, and just subsequent...just a little bit before that I got the list of the shares that were outstanding.

1430. Q. So, Wilkie was a shareholder for Zomongo, and he was also a debtor of the 156 merchant, Bob Maljaars' company through GIC Capital. So, four of the seven debtors, putting aside Advanced Metal, Single Source and Restoration, are all fairly intertwined with one another. Is that fair to say?

A. I mean, yes, in a lot of ways. What percentage did he actually own?

1431. Q. Well, I am supposed to ask the questions.

A. Sorry.

1432. Q. You produced the document. It is tough to say. The document says 0.1 percent, and it also says 2.09 percent. And we will mark this...this is a securities issue, and it is a breakdown from Zomongo TV that you provided to us. Or, it may have been from Zomongo TV. Do you recall, did you create this document or did Zomongo?

A. No, Zomongo created that document.

1433. MR. van ZANDVOORT: Okay, and we will mark that Exhibit 13.

--- EXHIBIT NO. 13: Securities issue re breakdown from Zomongo TV

1434. MR. van ZANDVOORT: At 236 of your productions...I am going to mark this Exhibit 14...it is a December 8, 2017 letter from Frontline to Jeremy Ostrowski, so this is within the receiver's appointment, setting out between February, 2015 and July, 2017 various payments.

--- EXHIBIT NO. 14: Letter from Frontline to Jeremy Ostrowski dated December 8, 2017

BY MR. van ZANDVOORT:

1435. Q. Do you see that?

A. Yes.

1436. Q. Can you walk me through so I understand what these payments are and who issued them?

A. Okay.

1437. Q. Let's just start with one so I get a flavour, and then we will see if it is necessary to go through all of them.

A. Yes. So, we started...when we got a payment from Zomongo the first payment was directly made to Crystal Wealth. There was no...nothing came to Frontline directly, so this is just an accounting of where all the payments that came from Zomongo went to. So, we started off...and this is where Clayton started getting overwhelmed by documentation and then some stuff, so he didn't want...so, what happened was a payment would get sent directly to Crystal Wealth. A payment on the receivables. And there was a bunch of them.

We didn't know when they were exactly

coming, and Clayton was not...I mean, he was getting calls, and he didn't know what they were at the time, so he asked them to start coming to us, instead of directly to them.

So then we...you know, as time went on when it says that we sent...so then a payment got...a number, June 29th, and August 18th there was an amount of $229,164.40. That payment was made to Frontline but we sent the entire amount to Crystal Wealth.

1438. Q. Yes, so I understand.

A. Yes.

1439. Q. All of these payments Frontline received from Zomongo, you sent this to Jeremy because there was concerns regarding what money was owed by Zomongo Inc. versus Zomongo TV, right?

A. Yes. He was...and I started to not trust that he was going to actually...

1440. Q. Well, you are the administrator.

A. Yes.

1441. Q. You should be tracking those...

A. Well, I had them all tracked.

1442. Q. Yes.

A. But he was trying to say that Zomongo TV Corp. didn't owe the money, but it did, because he was getting confused between Zomongo Inc. and Zomongo TV. So I did a whole breakdown for him to sign and that he acknowledged every one of these payments and where they went.

1443. Q. Okay. So, I want...I am specifically concerned with...see the payments, the first one in October 8th, 2015?

A. Yes.

1444. Q. It says "to be applied to mortgage security holders".

A. Yes.

1445. Q. $87,719.22.

A. Yes.

1446. Q. Who are the mortgage security holders?

A. David Den Hollander.

1447. Q. Yes.

A. And my Paragon, the other registered mortgage.

1448. Q. Okay. Whose company is Paragon?

A. His name is Bert Van Hierden.

1449. Q. And so for pledging his...we talked about this earlier...for pledging, it says security for Crystal Wealth's...the indebtedness owing to Crystal Wealth by Zomongo, David got some portion of

this $87,000 payment on October 8th?
A. Correct.
1450. Q. Do you know what approximate amount David would have received?
A. It would have been...it looks like it is a few months worth of payments, so it would have been...I mean, he would have been...
1451. Q. Could he have gotten half of that is my question?
A. No, it wouldn't have been half, because this was a lower amount. It might have been, you know, 25 percent.
1452. Q. Okay. And then October 21st, 5,700 approximately through mortgage security holders. Again, do you know who this specifically goes to?
A. Not specifically on that one, no.
1453. Q. And then $42,954 December 23rd, 2015, for Frontline interest.
A. That would have likely been the interest component on the advances that we made through Frontline to them.
1454. Q. Well, you said you created this document.
A. Yes.
1455. Q. You had allocations to get them to

confirm. How did you know...

A. That...I...yes, that would have been towards the Frontline interest component.

1456. Q. No, I understand that is the amount you received. How did you know...how did you come to that calculation for that date when you were preparing this document?

A. How did I come to this?

1457. Q. Yes.

A. Well, these were amounts paid by Zomongo to Frontline, and they were...

1458. Q. You just know what you retained. You retained 42,954?

A. Yes. So, we retained, of that.

1459. Q. All right. So if you can, just provide me with a breakdown as to which amounts of the payments to mortgage security holders went to Den Hollander versus Paragon?

A. Sure. U/T

1460. Q. From tab 236. Now, you said Zomongo was the first factoring merchant that you dealt with for Crystal Wealth. Was that Zomongo Inc.?

A. Zomongo Inc., yes.

1461. Q. Okay. And that is why we haven't seen the documents that say Zomongo Inc. to the same extent, because you say all that indebtedness was repaid?

A. I did send it to my lawyer and that was one that got missed.

MR. DUTRIZAC: Yes, we have it.

1462. MR. van ZANDVOORT: It would have been helpful to have it today.

BY MR. van ZANDVOORT:

1463. Q. Do you have all the particulars of all the bank accounts for the merchants and debtors that you can provide us, that are in your possession?

A. The wire payment, like, where we wire money?

1464. Q. Institutions, account numbers, wire details.

A. We would likely have that, yes.

1465. Q. Okay. Please provide that for all of the merchants and debtors that you dealt with on behalf of Crystal Wealth.

A. We wouldn't have most of the debtors, but we would have the merchants.

1466. Q. No, I assumed so. Whatever is available, thank you.

MR. DUTRIZAC: Just to confirm, that is the particulars of the banking information of all merchants?

1467. MR. van ZANDVOORT: And debtors, to the extent available.

MR. DUTRIZAC: And debtors, to the extent... U/T

1468. MR. van ZANDVOORT: Involved with the Crystal Wealth factoring arrangements from Frontline from inception. Account numbers, institution locations, transit numbers, et cetera, wire details.

THE DEPONENT: Those would have likely been provided already on the invoice summaries.

1469. MR. van ZANDVOORT: I haven't seen them.

BY MR. van ZANDVOORT:

1470. Q. So the factoring fund advanced 6.2 million dollars to Zomongo TV. Did you have control over Zomongo TV's bank accounts like you did with Dome?

A. No.

1471. Q. Do you know how Zomongo TV deployed the 6.2 million dollars from the factoring fund?

A. No.
1472. Q. The hedge fund advanced 1.5 million dollars to Zomongo TV. Do you know how that was deployed?
A. No.
1473. Q. What purpose were those amounts deployed for?
A. They were invoices that were done for services rendered, and he was using...I mean, we didn't necessarily know everything, but he was using them to expand his business. He always had a plan of, "I am doing this, I am doing this, I am doing this, and we are expanding like crazy".
1474. Q. You are talking about Jeremy Ostrowski?
A. Yes.
1475. Q. Okay. But you weren't able to get repaid on those invoices to Axent Marketing, or Golden Shores, or Iconic, or Venice Consulting, or Mobility Media?
A. No. I mean, we did have a bunch of them paid off in the beginning stages, but the Zomongo Inc...
1476. Q. I am talking about the Zomongo TV debtors.

A. Zomongo TV? No, those ones are still left outstanding.

1477. Q. Do you know why they were never repaid?

A. No, but we got a signed...in the beginning of 2017, we had signed letters from all of those receivables saying that they were valid, and still payable.

1478. Q. Because you sent those out...

A. We sent them out.

1479. Q. ...at Crystal Wealth's request...

A. Yes.

1480. Q. ...in support of Crystal Wealth's audit?

A. Yes.

1481. Q. Because I haven't seen all the signed request forms. So, I would ask for an undertaking that they be produced, the signed acknowledgement forms.

A. The signed acknowledgement...

1482. Q. Yes.

A. ...those ones?

1483. Q. Yes.

A. For Zomongo?

1484. Q. For all of the debtors.

A. Okay. U/T

1485. MR. van ZANDVOORT: Wherever they were signed, whenever they were signed. On June 30th, 2017 you sent the receiver a client update. Can we mark this as Exhibit 15?

--- EXHIBIT NO. 15: Letter to receiver from Jerry Froese re client update, dated June 30th, 2017

BY MR. van ZANDVOORT:

1486. Q. And it said that 156 Alberta and 647 BC were both performing.

A. Well...

1487. Q. Based on what we talked about today, it seems like, as at June 30th, 2017, there is nothing performing about 647 BC and 156 Alberta.

A. What day was that on?

1488. Q. June 30th, 2017.

A. So my reason for putting that on there was the fact that Steve Miller was still adamant that he was going to pay out very shortly.

1489. Q. So based on Steve Miller's verbal assurances to you, you told the receiver that those were performing?

A. Yes. And I did have commitments from them at that point in time that they would actually make the payments from personal sources, so that was...

1490. Q. Like, they gave you their personal assurances that they would because...

A. Yes.

1491. Q. ...I haven't seen any documents.

A. No, just verbal.

1492. Q. And obviously that didn't happen?

A. Not yet.

1493. Q. December, 2016, Zomongo enters into a credit facility agreement with TCA for a $10,000,000 facility. We understand they got $5,000,000. Crystal Wealth had to subordinate their debt to TCA?

A. Yes.

1494. Q. What involvement did you have in those discussions?

A. I was involved in the original discussions with...so I had conversations with both Jeremy Ostrowski and Al Housego, and what he really needed was to do some sort of capital raise or something like that to get equity in his company or go public, like his original plan. He went out trying to find initial financing. His financing...he presented a plan to me where he was going to get, you know, I think $10,000,000 from TCA.

I wasn't sure how to exactly handle that, so I presented it...I mean, thinking that it was probably the right for the benefit of Crystal Wealth was to get as much of that money as we possibly could, to get a bunch of payments on that.

And so, yes, I was actively involved in the original discussions, and then it came straight to Jonathan Dyck, Clayton, Zomongo, Zomongo's lawyer...they took over the negotiations.

1495. Q. Jonathan Dyck is Crystal Wealth's lawyers?

A. Yes, he was Miller Thomson's lawyer.

1496. Q. Okay. Well, he is a lawyer at Miller Thomson.

A. Yes.

1497. Q. Both Crystal Wealth and Frontline's lawyers were both Miller Thomson?

A. Yes.

1498. Q. But Jonathan is at the Toronto office, and Darren is at the...

A. Correct.

1499. Q. ...Calgary office.
A. Yes. I was dealing with Miller Thomson long before, and so were they dealing with Jonathan Dyck before we had a relationship, so...
1500. Q. Did you ever use Jonathan Dyck as a lawyer?
A. No.
1501. Q. Okay. So, was there zero prospect of Crystal Wealth being repaid unless it agreed to the subordination for TCA?
A. I, based on what had happened, I was starting to...I mean, his last...I mean, the payments were slowing down. He had, just...I mean, think changed his model halfway through and wasn't...I mean, it just wasn't performing like it was supposed to be performing. And so we had lots of discussions with this new funding, would actually allow him to get new contracts that he would take over, which would increase his cash flow. And the intent at that point in time was that Crystal Wealth would be actually paid out to nothing in the short future.
1502. Q. Did you ever deal with TCA directly?
A. No. Well, no, except for I had been on a couple of calls with them, and I think I was on

a call with maybe yourself, and TCA recently, or relatively recently. And I was not on anything before that.

1503. Q. Were you on e-mails about the TCA financing in December, 2016?

A. From TCA?

1504. Q. Yes.

A. I don't think I ever got anything directly from them.

1505. Q. What is Tim Barnes' role with Zomongo?

A. He was a broker for Zomongo. He kind of represented himself as, you know, a broker who was going to be involved in operations, and he was going to be that structuring guy to...he brought TCA to the table.

1506. Q. And just like Jeff Wilkie was your broker for Zomongo, and you paid Jeff Wilkie a fee. Tim Barnes was another broker for Zomongo?

A. Yes. He was a...yes.

1507. Q. And what is BFF Ventures?

A. I think that is his company name.

1508. Q. Tim's company?

A. Yes.

1509. Q. What has happened to Zomongo,

because as you are aware the receiver has tried to best get repayment proposals with Zomongo and TCA and yet nobody is responding. What is happening with Zomongo and TCA currently?

A. It is my understanding, and it is almost impossible now to get information.

1510. Q. Even though you are still an advisor?

A. I guess officially I am, but they are not talking to me as an advisor at this point in time...is that they tried to make a deal with the receiver, and they couldn't get anywhere in a timely manner, and they lost their TCA funding. And they are...

1511. Q. Who told you that? Because it is not true.

A. It is not?

1512. Q. Yes. Who told you that?

A. Jeremy Ostrowski.

1513. Q. When?

A. I mean, he told me that probably numerous times after that happened.

1514. Q. When is the last time you talked to him?

A. It has probably been three or four

weeks now. Maybe in a month.

1515. MR. van ZANDVOORT: Can I have last known contact information, telephone number for Jeremy Ostrowski?

MR. DUTRIZAC: Sure, yes. U/T

THE DEPONENT: And one more thing, he says he told me that he has been advised by his lawyers to ignore you guys at this point in time.

BY MR. van ZANDVOORT:

1516. Q. Is his lawyers Gowling?

A. I believe so, yes.

1517. Q. Okay. Do you know why his lawyers withdrew representation on behalf of Zomongo, after we tried to deal with Zomongo and Gowling?

A. I don't know, no.

1518. Q. Okay. Are you aware of any other prospects in which Zomongo is ever going to repay the Crystal Wealth Funds?

A. The only thing that he has told me in the past, and he won't tell me anything now, is that, you know, he plans to go public, and I have no other information on besides what he is...I mean, he answers my phone calls but I don't get anything.

1519. Q. In your invoice summaries where you say:

"...We continue to use land as security for these invoices..."

Specifically I am talking about your September 30th, 2015 invoice summary at appendix 38 to the second report, concerning Zomongo TV Corp. Is the land you are referring to the Paragon and the Den Hollander?

A. Yes. It would be mostly...most of it was the Paragon land. And there might have been...

1520. Q. Where is that land?

A. It is just outside of...it is in Lethbridge County.

1521. Q. Do you have a municipal address for it?

A. I can find it. U/T

1522. Q. Yes, please let us know. Do you know who the owner of it is?

A. Bert Van Hierden is the owner.

1523. Q. Okay. And does he have a relationship to anyone involved in Crystal Wealth, either the debtors or merchants?

A. Bob has rented from him before, that...

1524. Q. Bob Maljaars?
A. Bob Maljaars. And Peter Van Hierden, who I originally worked for, is his brother.
1525. Q. And which was at Duratech?
A. At Duratech, yes.
1526. Q. Okay. So, Bob Maljaars is also involved with Zomongo? He set up that referral for this land security?
A. Yes. He did.
1527. MR. van ZANDVOORT: Okay. Let's take a five-minute break.

--- upon recessing at 4:20 p.m.
--- A BRIEF RECESS
--- upon resuming at 4:28 p.m.

JERRY FROESE, resumed
CONTINUED EXAMINATION BY MR. van ZANDVOORT:
1528. Q. So you said you lent a million dollars, or invested a million dollars into Zomongo?
A. Correct.
1529. Q. Okay. Because the balance sheets that Zomongo provided us showed that only...that...
MR. DUTRIZAC: It looks like a

receivable.

BY MR. van ZANDVOORT:

1530. Q. Yes. It has the...it says "Loans payable Frontline in U.S. dollars, minute 385,000", and "Loans Payable Frontline minus 64,748.09", and then accrued interest for Frontline of $217,201.62.

A. Sorry, I am not sure what you are referring to there.

1531. Q. It is the Zomongo.tv.corp balance sheet as of August 31st, 2017.

A. They obviously don't have it right on there.

1532. Q. What should it reflect?

A. It should reflect a...well, so depending on how they did their accounting, I would have to look at that. I don't know if I have actually seen those numbers. I might have.

1533. Q. Yes, it was provided.

A. Was it provided? Okay. But, I mean, factoring is a lot of times not recorded as a loan on financial statements. It is recorded because it's actually...they are selling their receivables, they are selling an asset, so their actual receivable becomes Frontline Factoring, if...because they have gotten paid for part of it I now own that receivable. So, if they are doing it correctly then it would actually show on there as I owe them money for the reserves. But it should also reflect in their revenue that they received payment for those invoices.

1534. Q. Do you know what company CEIS is? It is reflected in Zomongo's balance sheets.

A. CEIS.

1535. Q. It has loans in excess of $6,000,000, accrued interest payable in excess of two-and-a-half million dollars.

A. Is there a separate loan in there for TCA? I wonder if it is the TCA Group?

1536. Q. Yes. There is a separate...

A. It is separate?

1537. Q. Just, so do you know what that CEIS is?

A. I don't know.

1538. Q. And then the Restoration merchant factoring agreements dated March, 2015, there is a security agreement for the same date and a year later for the hedge fund there is a factoring agreement of March, 2016. And at paragraph 65 of the second report it reflects that Crystal Wealth advanced...the factoring fund advanced 1.4 million approximately to Restoration Energy, and the hedge fund advanced $501,000.

A. Okay.

1539. Q. So just under two million dollars. What do you know about the debtors, C.PP.S. Mission Projects, University of Calgary TLP Outreach, and what was being factored there? What was the subject of those invoices?

A. Yes. They had invoices that they had created with...that were invoices for the deposits, that they...these entities they were...they wanted the units, so they...

1540. Q. Well, what was being sold? What was the subject of the invoices?

A. They were a solid oxide fuel cell, very high end technology.

1541. Q. Okay. Who introduced to you to Restoration Energy, to put forth this recommended factoring arrangement to Crystal Wealth?

A. Darren Smits.

1542. Q. Your lawyer, Frontline's lawyer?

A. Yes.

1543. Q. And why did Frontline's lawyer recommend this as an investment?

A. My first conversation with him was, "This is going to be a billion dollar company". He said, "I have been working with these people. They...you know, this is a fantastic company. They are, you know...would you like to do some factoring for them?"

1544. Q. Okay. And what was Darren Smits, Frontline's lawyer's involvement with Restoration Energy?

A. He was their lawyer.

1545. Q. He was Restoration Energy's lawyer as well?

A. I believe so. And he was...yes, he was...yes, I think he ended up saying that he couldn't act on their behalf, or parts of it, because, I mean, it is up to him to respond to conflict, internal stuff. But he saw the arrangements that we had made with the other mortgage and he was involved in a piece of property where he says he would love to, you know, get cash flow like that, and he thought that this was a good enough deal to back it with a mortgage security.

So, he, through a company that he was part of, put up land as security for these invoices, because they were invoices on deposits, and typically we don't necessarily do invoices on deposits, but because we kind of...I mean, we had a bit of a...you know, a niche where we thought we could, you know, provide additional security, and still generate, you know... with additional added security we would have...I mean, if something would happen through that line of security.

1546. Q. All right. Well, but that was a lot all at once, so let's break that down. So, Darren Smits had an interest in 1312163 Alberta Ltd.?

A. I believe that is the company name, yes.

1547. Q. Okay. And that is the company that provided a collateral mortgage and guarantee...

A. Correct.

1548. Q. ...to Crystal Wealth as security for the Restoration Energy debt?

A. Correct.

1549. Q. And pursuant to that guarantee, monthly payments had to be made to 131 Alberta?

A. Right.

1550. Q. And so Darren saw this as an opportunity, because his company, 131 Alberta, needed money, so he puts up a collateral mortgage and guarantee, but in exchange it is going to get

monthly payments?
A. Correct.
1551. Q. And how much did it get a month?
A. It would have been one percent of the amount outstanding per month.
1552. Q. And that was...and when you say the amount outstanding, the amount owing by Restoration to Crystal Wealth?
A. Yes.
1553. Q. So it was being paid from Crystal Wealth's reserve?
A. It was...the payments that Frontline...it was paid out of Frontline's portion of the payments. We took it out of our portion.
1554. Q. Why did Frontline pay it?
A. Because that was the deal I had with Crystal Wealth, that it would come out of...they would still get their one-and-a-half percent, and that whatever was left, that we would make those payments on behalf.
1555. Q. Because your proportional share was so much greater?
A. Yes. On that one it was higher than...
1556. Q. So again, this is just an oral

agreement, "We are getting paid so much as Frontline on this deal, we will fund the monthly payments to 131 Alberta"?

A. Yes. That was...

1557. Q. And you have seen the receiver's findings that the value of the property over which the collateral mortgage was taken, the collateral mortgage is just so subordinated that it is a meaningless piece of security. What due diligence did you do to suggest that that is not the case?

A. I added an appraisal that we provided at the time.

1558. Q. Well, let's be clear. That appraisal is the one that is referred to in the second report?

A. Yes.

1559. Q. The dated one from November, 2011?

A. Right.

1560. Q. But you obtained no up-to-date information concerning the value or status of the property, correct?

A. Not an updated, no.

1561. Q. Okay. And so ultimately when did you stop making payments to 131 Alberta?

A. When they stopped making payments.

1562. Q. When Restoration Energy stopped making payments?
A. Yes.
1563. Q. Did Restoration Energy make any payments to Frontline to repay the advances?
A. Yes.
1564. Q. Okay. And would that be part of the accounting, as with all the other merchants?
MR. DUTRIZAC: Yes.
THE DEPONENT: Yes.

BY MR. van ZANDVOORT:
1565. Q. And what percent shareholder is Darren Smits in 131 Alberta?
A. I don't know.
1566. Q. And Darren Smits, you said, remains your lawyer?
A. Yes. There is an updated appraisal that we just got on that.
1567. Q. When did you receive it?
A. Just a couple of days ago, so that will be provided. U/T
1568. Q. You will produce that? Thank you.
A. Yes.
1569. Q. And why are you...and that

information is still coming to you just in your role as Frontline, or do you have any other interest in your role?

A. No, in my role as Frontline, I...I mean, I have been trying to communicate with Darren Smits, on trying to get Crystal Wealth the best possible deal that they can there.

1570. Q. M'hmm.

A. And he has been trying to figure out a...you know, a way to move that whole project forward, and he looks like he is going to have a new, a restructure plan approved very, very shortly, which will actually, he believes, increase the value substantially.

1571. Q. Who else were you dealing with from the Pine Lake plans or 131 Alberta?

A. Only Darren Smits.

1572. Q. And we have spoken to Yvonne Martin-Morrison. Have you ever spoken to her?

A. She won't return my calls anymore.

1573. Q. You may be familiar, there was a proposed debt security and exchange agreement...

A. Yes.

1574. Q. ...which we put to her a number of questions concerning the fact that it was a hollow meeting, it was agreement asking for backup and support and updated information and nothing was coming. So...

A. Okay.

1575. Q. ...do you know the status of Restoration Energy currently?

A. I asked Darren Smits. He does no longer act for Yvonne. And let's back up. Yvonne was actually...before Darren Smits had put the land on, he actually introduced me to Yvonne and said, "If I am putting up this land as security I want somebody that I really trust in control of this company". And so she was brought in by Darren Smits to run the company.

1576. Q. Darren Smits brought Yvonne Martin-Morrison in to run Restoration Energy?

A. Yes.

1577. Q. And how did he know her?

A. I don't know how he knew her. He did say that he has lots of dealings with her husband.

1578. Q. Who is her husband?

A. I think his name is Scott Morrison.

1579. Q. Do you know what he does?

A. I don't know.

1580. Q. What involvement did he have with Restoration Energy?

A. Darren Smits or...

1581. Q. Darren Smits.

A. He...I mean, his...I mean, I think he was just trying to...I mean, I don't know if he was acting for them as a client or...I mean, he just...I mean...

1582. Q. Well, he brought in the president of a company you just said, Yvonne Martin-Morrison.

A. Yes. But he also put up the land as security, so he said, "If I am going to put up my land as security, you know..."

1583. Q. "I want to choose the president of the company"?

A. Yes. I mean...yes. Because, I mean, I think I told you before that...what did I tell you, or did I tell...I can't remember.

1584. Q. One of the lawyers in the room.

A. Yes. One of the lawyers. That I met Darren Smits, that Alan Kirby, who defrauded and made false representations of the company that I was involved with before, Darren Smits was also part of that.

1585. Q. Part of that company?

A. He was an investor in that company. He lost money as well.

1586. Q. In which company?

A. That was Nature Zone.

1587. Q. Nature Zone.

A. Yes.

1588. Q. The one you were VP finance, or whatever of, and Den Hollander went to the Securities Commission investigation over?

A. Well...

MR. DUTRIZAC: Sorry, no, that was Duratech.

THE DEPONENT: That was...I mean, both. VP finance I was for sure was at Duratech. I am not even sure what my exact title was at Nature Zone.

BY MR. van ZANDVOORT:

1589. Q. So, is it fair to say that the Restoration Energy opportunity really flowed out of your lawyer's need for some cash flow, and that is where the concept originated?

A. I would say no because that conversation didn't happen until quite a bit later. We had talked about multiple avenues and receivables and waiting for these receivables to mature, and working through, you know, some of the conversations, and structuring and due diligence with it. And when they got to the point where I said, you know, "Not without..." I was having a conversation with the Restoration Energy people, which would have been Yvonne. And...no, sorry, it wouldn't have been Yvonne, it would have been the inventor or something. I can't remember their names off the top of my head.

I said that, "I can't move forward with this on the current structure without some sort of hard security". And that is when Darren Smits suggested...I did not bring it up to him, that, "What if we use my land? Would you do the same thing, that you are paying..."

1590. Q. Well, it's a dream. A security that is never going to be called on and it is going to get you thousands of dollars of payments a month.

A. I mean it...

1591. Q. Is that not...

A. ...appeared to be a win/win as long as everything flowed perfectly, yes.

1592. Q. But the factoring agreement is dated March...or, sorry, the collateral mortgage and guarantee is dated March 20th, which is contemporaneous with the factoring agreement. So, March 18th.

So to my mind, and I am going to put it to you, Mr. Froese, that is not true. The only reason why the Restoration Energy opportunity began was because this collateral mortgage was going to be put into place that would get money flowing to 131 Alberta. Because it would make no sense...if Yvonne wasn't appointed until after the fact...

A. Yes.

1593. Q. ...the only thing that makes sense is that the original idea was, "We will do this arrangement to get the money out to 131 Alberta, and then we will put Restoration Energy in place as the merchant. We will appoint who we want over that company", and that is how it broke out. Is that not a more accurate chronology?

A. No, it wasn't.

1594. Q. And just turning to Advanced Metal. There is over 1.2 million dollars owing to the factoring fund, and about $250,000 owing to the hedge fund. What is the business of Advanced Metal? Does it have any assets?

A. They are metal fabricators.

1595. Q. Based from where?

A. They were based out of Lethbridge. They are now based out of Aldersyde, just out of Calgary.

1596. Q. What is the address?

A. I don't have the exact address of their location.

1597. Q. And you said they are the first ever factoring merchant. Your original relationship, you said, was with Jason Johansen?

A. Jason Johansen, yes.

1598. Q. Yes. And did you predominantly deal with Mr. Johansen or Mr. Parks as well?

A. Mr. Johansen.

1599. Q. Okay, now the factoring agreement wasn't until September, 2015, so it is one of the mid to later factoring merchants involved, right?

A. Right.

1600. Q. And how did that opportunity come about, and why did you recommend it?

A. They hadn't needed factoring for quite a while, because I had originally factored them. And so they came back to me and said, "Hey, we could use some factoring again". They produced a lot of materials and, with the Lacombe

Waste-to-energy, I think it was a project, that landfill was going to...they wanted a whole bunch of fabrication done. The project was very large and there was a lot of engineering that had been done. They were doing progress invoicing for their engineering, and so they basically factored those invoices, and the due diligence that I did on that is...my concern was that, you know, for some reason Lotus wouldn't follow through so we ended up getting personal guarantees from the shareholders of that company as well.

1601. Q. And you were pretty adamant that you didn't want Crystal Wealth to take enforcement steps on those personal guarantees, and what was the reason for your hesitation?

A. I was adamant about that?

1602. Q. Yes, you said you didn't...Advanced Metal didn't want any...

A. Oh, Advanced Metal didn't want it.

1603. Q. ...coming through you, and you never thought to take enforcement steps on the guarantees?

A. I thought we should have, yes.

1604. Q. Okay. And why did that not occur?

A. At...

1605. Q. Some of these invoices are

September, 2015...

A. Yes. At that point in time Advanced Metal was...had committed to making payments on...and giving us new invoices to cover that. And so we were working with them to kind of continually get additional invoices. It became harder and harder, and, you know, at the point of the receiver coming in...I mean, I would...I mean, I think we should go after them.

1606. Q. So what has changed between October 4th when you had advised the receiver that Advance Metal was prepared to pay its accounts and that the debtors and Lotus shareholders should not be pursued in now.

A. There...so, what date was that? Sorry.

1607. Q. October 4th, 2017.

A. I said the...so, they had provided contracts for, I believe it was Cielo and a couple of others that they had indicated that were...we would take large receivables on that. So, my thought process at that point in time was if we can get those, which they had committed to, we just couldn't verify the invoice that it was valid. That that was right around that period of time.

1608. Q. So did that Cielo project happen?
A. The Cielo project got...no, not in its original intent.
1609. Q. Okay. So...
A. Although we did announce a public announcement that they were...that they had hired Advanced Metal to do their metal fabricating. But they ended up changing their...instead of fabricating their own stuff they ended up buying used stuff.
1610. Q. And you said at one point they were looking to get a line of credit from Scotia to pay off the indebtedness of Crystal Wealth. Is that...any updates?
A. Well, they had told me that they had Dave Mullen from Lyncorp was now involved in their company, and they had...
1611. Q. Sorry, what else is David Mullen involved in?
A. He is part of the Mullen Trucking family.
1612. Q. Okay.
A. Well...I mean, very well known in the area as an incredibly wealthy person.
1613. Q. Yes.

A. Or at least his family assets are very, very wealthy. Whether or not he is personally, I don't have any knowledge of his personal net worth. They implied to me that he is rich, but...

1614. Q. So do you keep in touch with Johansen and Parks?

A. I try and call them to try and find out what is going on. Dave Mullen has basically taken over the company, and...

1615. Q. Well, is Parks and Johansen still involved in the company?

A. No. Purporting, like, just recently Parks was somewhat let go or...but he handed over his shares at the same time. And Parks, I believe, was involved, but Dave Mullen told me that he was getting all the shares transferred into his name.

1616. Q. And what about Johansen?

A. My understanding is that Jason Johansen had committed to walking away from the company, and letting Dave Mullen take over.

1617. Q. Do you know where Jason Johansen lives?

A. No, I don't.

1618. Q. Jason Parks?

A. I...I mean, we would have their current...

1619. Q. Is the address 6 Walden (phon.) Crescent, Southeast still in Calgary?

A. He may be. I don't know. He hasn't advised me that he has moved.

1620. Q. Well, when you took personal guarantees from people in connection with these factoring arrangements, what due diligence did you do to see what, if any, ability there was to recover from them?

A. Personal guarantee was more so to protect from fraudulent behaviour. It wasn't meant as an avenue to...as...it wasn't meant as an avenue to pursue as much as it was that they were going to...it would prevent people from doing fraud. I mean, if they were going to do fraud they...I mean, we had an avenue to make them pay for it.

1621. Q. Right. Do you have any knowledge of David Den Hollander's personal financial circumstances currently?

A. Not much besides...I mean, he is always pretending he is broke, no, so I...shouldn't say pretending...

1622. Q. Anyway, he somewhat boasted that he is judgment proof. Would that be your understanding?

A. Yes. I mean...

1623. Q. So during the administration of this receivership, certain payments on account of the Lotus indebtedness were repaid to Frontline. It was a point of contention that Frontline has withheld portions of those and not paid them over to the receiver?

A. Right.

1624. Q. And you have indicated that those payments were to continue to be made on account of the Lotus indebtedness but they stopped after the September payment. Why did they stop?

A. We pursued very hard to try and get payments from them. We were unable to. They were sending us, I mean, projects and updates and we were trying to get additional receivables assigned to us. We have been unable to either validate or any of the stuff that they have given us.

They have given us some equipment that they have, and they have...I pursued a lease agreement for them. I was trying to get, you know, some...which I had them verbally commit to me, that all proceeds would go to pay off Crystal Wealth.

They...I believe you have the asset list that they have in that appraisal. So that is what we were trying to get a lease.

1625. Q. Can you provide us with a copy of that?

A. Yes. U/T

1626. Q. Thank you.

A. Did I not put it in here?

1627. Q. When we spoke on October 3rd you indicated that an individual was interested in buying the Advanced Metal debt from the factoring fund in exchange for...in the hedge fund, in exchange for an assignment of the security. Who was that?

A. When was that, sorry?

1628. Q. When we spoke in early October.

A. In October. Sorry, and read that again?

1629. Q. You indicated an individual was interested in buying the Advanced Metal debt from the factoring and hedge fund...or, sorry, from the factoring fund, in exchange for an assignment of the security.

A. I had multiple conversations with different companies that indicated a...you know, an appetite to potentially take over clients. One of them I think called you guys, and you told them that there was nothing to buy. "There is nothing here".

1630. Q. What company was that?

A. I can find that out. I actually know their name. I have had no dealings with them since, so... U/T

1631. Q. And who told you that...sorry, I am not following you. Who said there was nothing to buy?

A. The person that I had talked to about potentially...they pursued me, and asked if there was...I mean, any way in the...

1632. Q. And you don't know this person's name?

A. I...no, I don't anymore, and that was a while ago already.

1633. Q. And you say you referred it to the receiver?

A. I had referred. He called without me knowing. And all that came back was that the receiver said there was nothing there.

1634. Q. All right. If you can find the name and contact information of whoever that was...

A. I am sure I can find it. U/T

1635. Q. ...and let us know. So, Single Source is the seventh merchant. It is a smaller amount owed.

A. Yes.

1636. Q. But you said you had investments in Single Source?

A. Well, we had bought receivables as well in Single Source, and...

1637. Q. Based on your oral agreement with Al Housego?

A. Yes.

1638. Q. That you would do that?

A. Yes, but I...what happened was the receivable didn't get paid back to us or Crystal Wealth, and so after that point in time they...I didn't really feel comfortable having Crystal Wealth purchase those back from me. So, I didn't think that was right, if there was issues with it, to have them purchase the receivables.

1639. Q. So by the receivables that were owing to you from Single Source?

A. Correct.

1640. Q. Well, why would that even be floated as a concept with...

A. Sorry, I am not following.

1641. Q. Why would Crystal Wealth buy an invoice already factored by Frontline?

A. Why would they?

1642. Q. Yes.

A. Because, I mean, that was the agreement that we...that, you know...that...I mean, there was the odd time where we would fund the invoice prior to Crystal Wealth funding us, based on the timing.

Crystal Wealth's timing was not conducive to a regular factoring agreement, and that is why a lot of these deals were longer term structured with other security, because they didn't have the ability to make daily payments. So what would happen is the odd time we would actually fund out of Frontline's account to a client, and then Crystal Wealth would just fund Frontline back for that...for the dollar amount that we actually had already advanced.

1643. Q. Who did you deal with from Single Source?

A. We dealt with Dewey and Tanya.

1644. Q. Dewey is Dewart German?

A. Yes.

1645. Q. Okay. And what is the difference between Single Source...there was two separate

Single Source entities, correct?

A. Yes. They were both operating out of the same location.

1646. Q. But was...

A. But they had different owners.

1647. Q. Okay. Who was the owner of Single Source Asphalt Paving and Concrete Construction Inc.?

A. I believe that was Dewey. I always get them confused by...

1648. Q. And who was the owner of the other one?

A. Tanya Macray-something.

1649. Q. Tanya McCrary-Singh?

A. Yes.

1650. Q. Did you deal with both Tanya and Dewey?

A. Yes.

1651. Q. Which of the two Single Source entities was the operating entity? The one that is currently indebted to Crystal Wealth or the one which your records reflect is no longer indebted, being the Asphalt Paving and Concrete Construction entity?

A. They both are operating entities.

They both had different purposes. One was a paving company and one was a landscaping, snow removal, but they operated with the same office staff and the same location.

1652. Q. Okay. And what location is that?

A. I would have to get that. It is in Edmonton. U/T

1653. Q. Okay, please provide it. And when we spoke in October you indicated that recovery was being sought and interest payments were being made with a larger payment in December, and nothing came.

A. Nothing came. I have been trying to follow up on it, and I haven't...they don't answer my phone calls anymore either.

1654. Q. In your August 19th, 2016 invoice summary concerning the First Capital Realty Inc. invoice that was factored, you said:

"...This invoice is undisputed and has been submitted to payables for payment in early September..."

A. Yes.

1655. Q. So what happened? Why did it never get paid?

A. Because it...is that paving or...I am getting the two mixed up.

1656. Q. I will put it before you. It is appendix 38 of the second report. Single Source Services, so the entity which your records reflect is still indebted to Crystal Wealth, and this is the invoice...

A. That is the invoice...

1657. Q. ...that is the subject invoice...

A. Yes.

1658. Q. You say it is a longstanding client of Single Source Services.

A. Well...

1659. Q. It has already been purchased by Frontline and the funds have been advanced to Single Source.

A. Yes.

1660. Q. So, and contrary to what you said earlier, this...this was...you were paid back from Crystal Wealth for this invoice?

A. Well...

1661. Q. You had already factored it?

A. Sorry?

1662. Q. You can look at it.

A. Yes, just so I just need to...yes.

1663. Q. Yes, so...

A. If it was paid to Frontline, we

would have factored it.

1664. Q. So if it was not done, you would be the one out of pocket today, not Crystal Wealth?

A. But I would have never done it without their commitment.

1665. Q. Without Crystal Wealth's commitment?

A. Yes.

1666. Q. So why even bother doing it in the first place?

A. Just because timing issues. Clients were looking for money quicker than Crystal Wealth could get it.

1667. Q. So you had their verbal commitment that they...

A. Yes.

1668. Q. ...would fund this?

A. Yes. Absolutely.

1669. Q. So why wasn't it repaid?

A. Well...

1670. Q. You said it was undisputed...

A. I believe this one here, they refused to pay it direct. And it got paid directly to the client. And Revenue Canada took their payment. Despite me talking to Revenue Canada directly and them saying that they wouldn't do that.

1671. Q. And why did Revenue Canada take it?
A. Because they were owed back taxes.
1672. Q. They garnished the accounts?
A. They...I believe so. They never gave me evidence of that.
1673. Q. So...
A. They...
1674. Q. So it was going to be repaid from Single Source and they just hadn't done it?
A. Correct.
1675. Q. And the security over Single Source was a number of pieces of equipment?
A. There was a GSA, but they had to provide us with a whole equipment listing. So, we went and registered a charge on every single piece of equipment...
1676. Q. Yes.
A. ...so that they couldn't...
1677. Q. And did you look into the fact that they actually didn't own any of that equipment? It was all leased.
A. At that point in time, if there was any equity, depending on the type of lease, we decided to just register it anyway. And if we had to release it at some point in time, I figured it

was better to be safe than sorry.

1678. Q. Does Frontline have an accountant?

A. Yes, we do.

1679. Q. Who is your accountant?

A. His name is Everett Duerksen.

1680. Q. Sorry, can you spell that?

A. I believe it is E-V-E-R-E-T-T and I was...Duerksen, I am actually not sure exactly.

1681. Q. Is he also your personal accountant and your accountant for the other numbered companies?

A. No, I...yes.

1682. Q. Okay, and where is his office?

A. It is in Coaldale. Coaldale, Alberta.

1683. Q. Municipal address?

A. I don't know a specific address.

1684. Q. And is there a name for the office? Does he work at a firm?

A. EJD, I think it is.

1685. Q. And how long has he been the company's accountant?

A. It has been a couple...a few years now. I think he has done two year-ends.

1686. Q. Okay. And who was the accountant before him?

A. I think we have had...I think the first one my bookkeeper might have just filed. And he might have done three, although I will check into that. I haven't had a separate accountant for that, so it has been him or my bookkeeper that have.

1687. Q. Okay. And he also did it for your other numbered companies?

A. Yes.

1688. MR. van ZANDVOORT: Okay. So just his address and contact information, e-mail address and phone number.

MR. DUTRIZAC: Sure. U/T

BY MR. van ZANDVOORT:

1689. Q. And whose accountant is Bob Young?

A. I don't know.

1690. Q. Okay. Have you ever heard of John van Dyke?

A. I have heard that name, but I don't know.

1691. Q. Do you have any involvement in the Froese Family Foundation?

A. No.

1692. Q. Froese Group Incorporated?

A. No.

1693. Q. J.C. Froese Foundation?

A. No.

1694. Q. Frontline Factoring Ltd.?

A. No. That is interesting.

1695. Q. Do you know what the Tas (phon.) and Big Onion Mines are?

A. I believe they are associated with Gavin Mines. I don't know exactly how, but I have heard them talk about it.

1696. Q. Does Frontline Factoring, at its current office, does it have desktop computers, laptop computers?

A. Yes, it does.

1697. MR. van ZANDVOORT: Okay. Would you undertake to provide us with copies of the hard drives on those computers?

MR. DUTRIZAC: I will take...

THE DEPONENT: Yes...

MR. DUTRIZAC: There is...I will take it under advisement. I am sure there is plenty of information on there that has noting to do with Crystal Wealth and the administration of the estate of Crystal Wealth. But to the extent that your hard

drives contain information with respect to
Crystal Wealth, I... U/A
THE DEPONENT: Yes, I don't have a
problem with the part that pertains...
MR. DUTRIZAC: Or...I will take it under
advisement because I am...I don't know
this, but I am sure there is information on
there that has nothing to do with your
investigation.
THE DEPONENT: Yes. I mean, I have
personal pictures and stuff on there that
are completely irrelevant.
MR. DUTRIZAC: So we will look into it
and I will advise you on it.
1698. MR. van ZANDVOORT: Sure. And I think
it goes without saying, but you, of course,
will preserve all computers, hard drives,
hardware of Frontline Factoring in your
personal computers.
THE DEPONENT: I will preserve them?
Sorry.
1699. MR. van ZANDVOORT: Yes, you won't
dispose of them?
MR. DUTRIZAC: Yes. U/T
THE DEPONENT: Right.

1700. MR. van ZANDVOORT: So let's take five minutes and we are just about wrapping up.

--- upon recessing at 5:08 p.m.
--- A BRIEF RECESS
--- upon resuming at 5:18 p.m.

JERRY FROESE, resumed
CONTINUED EXAMINATION BY MR. van ZANDVOORT:
1701. Q. Mr. Froese do you know...did you have any dealings with DDI Distribution Corp, or Dionne Designing?
A. That was the original company that Restoration Energy was...Darren was dealing with DDI, that was the original company that he was dealing with. So it was...there was a...it wasn't a clean company. There was nothing really in it. It wasn't clean, so...
1702. Q. What do you mean "clean"?
A. I mean I think there was...I mean, I don't know if there was legal issues, but amounts owing, disputes and so it was...and Darren Smits suggested that it...I mean, it would be done in a new company, not in DDI.
1703. Q. So in other words, Darren arranged

for DDI just to convey the invoices for the underlying technology of this new entity of Restoration Energy, which was a clean company?

A. Sorry, say that again?

1704. Q. So, was the idea that whatever amounts were owing to DDI for its invoices on this technology, or to Dionne Design Inc., was to convey to Restoration Energy as a new clean company?

A. I don't think there was any operations in DDI at that point in time, so the...you now, the units were going to be all done enough through Restoration Energy and not through DDI.

1705. Q. The manufacturing of the units?

A. Yes.

1706. Q. Okay. And so he appoints Yvonne Martin-Morrison, and did she have any background or experience?

A. She...

1707. Q. With units by nature? The technology?

A. No, her only background was financial, and he had respected her financial ability to be able to manage the company.

1708. Q. So who actually operated Restoration

to produce those units? Everett?
A. She oversaw the operations, but it was Marc...Mark Dionne was the engineer that was, you know, had the technology and the expertise.
1709. Q. And the reason whose invoices were...that were factored were not paid back is because the technology was defective...
A. Yes.
1710. Q. ...it didn't happen?
A. Yes. They...yes, it ended up being defective.
1711. Q. All right. Are you involved in Surveys Inc.?
A. I don't recognize that.
1712. Q. Surveys Inc.
A. What is that? I don't recognize...
1713. Q. I am just asking if you have any involvement with that company.
A. No, there's...no.
1714. Q. You are not the manager or CEO or anything?
A. No.
1715. MR. van ZANDVOORT: Okay. I have asked for a number of undertakings today. I have asked...there is the productions that were

not disclosed...

THE DEPONENT: M'hmm.

1716. MR. van ZANDVOORT: ...today, to us, so we reserve our right to continue examining you at a later date, once we have those. But otherwise that concludes my examination for today.

MR. DUTRIZAC: Thank you.

1717. MR. van ZANDVOORT: Thank you.

--- upon adjourning at 5:21 p.m.

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REPORTER'S NOTE:

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I hereby certify the foregoing to be a true and accurate transcription of the above-noted proceedings held before me on the 18th DAY OF APRIL, 2018, and taken to the best of my skill, ability and understanding.

) Certified Correct:

) ________________________

) Vanessa Perpetuo

) Verbatim Reporter