April 12, 2018
Vancouver, BC

(PROCEEDINGS COMMENCED AT 9:00 A.M.)

ALBERT HOUSEGO, duly sworn.

EXAMINATION BY MR. VAN ZANDVOORT:

1 Q Good morning, sir. Can you state your name for the record, please. Full name.
A Albert Allan Housego.
2 Q Do you still reside at 2405 Pheasant Ridge Drive in Armstrong, British Columbia?
A I do.
3 Q Is that a house?
A Yeah.
4 Q You own it?
A Yes.
5 Q Okay. Solely own it or with someone else?
A With my wife.
6 Q Your wife's name?
A Deborah Anne Housego.
7 Q What do you currently do for your source of income?
A I work for a family office in Vancouver called Medici Family Office.
8 Q Sorry, could you spell that?
A M-e-d-i-c-i. No. Yeah. M-e-d-i-c-i.

9 Q Sorry, that's Medici Family Office?
A Yes.
10 Q And what is that?
A It's a family office.
11 Q What business is it?
A It's financial planning.
12 Q Where is the office located?
A It's downtown in the Empire Building.
13 Q And address?
A Suite 1000, 355 Burrard Street.
14 Q And what do you at Medici?
A I'm the senior VP of private wealth.
15 Q I appreciate that's your title but what do you do?
A It's just starting. It's just a start-up. So I'm just -- I'm looking at clients' allocations and financial plan and family services -- family office services. I look at other portfolio managers' performance.
16 Q Do you invest people's money?
A No.
17 Q Do you solely provide advice concerning what investments they should make?
A No.
18 Q So why would a client come see you at Medici? Give me an example.

A Relationship.

19 Q What do you mean?

A Existing relationship with a client. Try to help them where they should put their money, like with who. Who can invest it for them. A good portfolio manager. In equities or bonds.

20 Q And so are these all new clients or are these clients that you had while you were affiliated with Crystal Wealth?

A There's only one that's a preexisting relationship.

21 Q Who is that?

A Jerry Out and Suzanne Out.

22 Q Is there anyone who was with Crystal Wealth either there as a representative of Crystal Wealth or a company with whom any of the Crystal Wealth funds did business or made investments affiliated with Medici in any way?

A Sorry, can you say that again.

23 Q Is anyone from Crystal Wealth aside from yourself involved with Medici?

A No.

24 Q What about anyone who did business dealings with Crystal Wealth or the Crystal Wealth funds?

A Yes.

25 Q And who?
A Alberto Storelli.
26 Q And what's Alberto Storelli's involvement with Medici?
A He's looking at coming on board and working with the family office as well. I don't know if he's actually -- I don't think he's actually there yet. He's thinking about it. So yeah, I guess he's not really involved yet.
27 Q Anybody else?
A No.
28 Q No one involved through companies with whom the funds made investments or?
A No.
29 Q And are you an owner of Medici?
A No.
30 Q Just an employee?
A Yes.
31 Q Do you take a salary or commission --
A Consulting fee.
32 Q Okay. And what's -- how much do you make annually?
A 24,000 a year.
33 Q When did you start with Medici?
A November of 2016 -- '17, sorry.

34 Q And from the time of the receiver's appointment until November 2017 or until now, have you had any other source of income aside from Medici?
A My operating company, S&P Financial Services Inc.
35 Q When you said your operating company, what does S&P do?
A It was -- it owned all the clients.
36 Q The clients whom you invested into the Crystal Wealth funds?
A Yeah.
37 Q And what income did you receive from -- do you still continue to receive an income from S&P Financial Services?
A No.
38 Q When did that cease?
A I think I took one -- January.
39 Q Of 2018?
A Yes, I believe.
40 Q And where did the income come from for that payment?
A It was from working capital.
41 Q How much was that payment?
A It was 5,000.
42 Q And from the receiver's appointment until now have you received any other payments from S&P Financial

Services?
A Yeah.
43 Q How many and how much?
A I have 7,500 a month from I guess March, April, May, June, July, August, September and -- I think we stopped in October. So for eight months.
44 Q And so was that the working capital from which those payments was generated, was that held -- where is that money held, because all of the clients who are investing in Crystal Wealth funds obviously you wouldn't have control over those funds. So just help me understand. Where is the 7,500 a month derived from?
A Well, it was just money, retained earnings.
45 Q Is S&P Financial Services still representing clients? Are you still using it?
A No. It is still operating, but there's not much to represent.
46 Q And where does S&P Financial Services hold its bank accounts?
A CIBC.
47 Q Which branch?
A Armstrong.
48 Q Do you know the account number?
A No, I do not.

MR. VAN ZANDVOORT: Can you undertake to provide it to me.
THE WITNESS: Yes.
REQUEST 1: Provide the CIBC account number for S&P Financial Services
MR. CRABTREE: And I'll take this request.
MR. VAN ZANDVOORT: And, counsel, I'm going to ask for a series of undertakings during the examination. Could it be understood that they will all be answered within two weeks of today?
MR. CRABTREE: I guess one, in BC we do requests. We don't undertake to do that. And two, I'll have to wait to see all the requests obviously before we can commit to a timeline. But we'll do it as quickly as we can and if we can do it within the two weeks we will. Bank account information, obviously that would be easy to get.
MR. VAN ZANDVOORT: I understand that's your position. Just so you know, when I'm making these requests as we go today I'm asking for them to be -- for you to undertake to provide me with the information or documentation within two weeks. I'm not going to say it every time, but just so we're clear for the record.
49 Q And aside from the account at CIBC in Armstrong, does S&P Financial Services have any other

accounts at any other institutions?

A No.

50 Q What type of accounts at the CIBC?

A Corporate account. Chequing.

51 Q Sorry, which branch did you say?

A Armstrong.

52 Q Is that the only branch in all of Armstrong?

A Yes.

53 Q And do you maintain through S&P managed accounts for any clients at institutions other than what was done through Crystal Wealth?

A No.

54 Q And what about your personal bank accounts, where do you maintain those?

A Royal Bank.

55 Q At what branch?

A Village Green Mall, Vernon, BC.

56 Q Anywhere else?

A No.

57 Q And aside from your personal accounts and the accounts of S&P Financial, do you use any other banking accounts either in your name or in someone else's name or another entity's name to which you would transfer money?

A The Enlightened Group of Funds Inc.

58 Q Okay. What's that entity?
A It's a -- it's a corporation that was used to buy my -- out my partner's shares when he retired.
59 Q And where is the Enlightened Group of Funds Inc.'s bank accounts?
A CIBC.
60 Q In Armstrong?
A Correct.
61 Q Anywhere else?
A No.
62 Q And who was your partner with?
A Gary Froats.
63 Q Can you spell the last name?
A F-r-o-a-t-s.
64 Q And he was your partner in what, S&P?
A Yes.
65 Q So you're the 100 percent owner of S&P?
A No. My wife owns 25 percent of S&P. I own 25 percent of S&P, and the Enlightened Group of Funds owns 50 percent. And I own 100 percent of the Enlightened Group of Funds Inc.
66 Q And Enlightened continues to maintain the bank account at CIBC?
A Yeah.
67 Q And what type of balance would be in that account?

A I don't know. About 5,000 or less. Around there.
68 Q What about your personal bank accounts?
A There's a couple hundred dollars in my account.
69 Q Okay. And S&P's bank account?
A I think it's about 22,000. Roughly. It could be slightly more.
70 Q Okay. And aside from Enlightened Group, is there any other entities or people that you transfer money to over the last three years?
A I can't remember.
71 Q Okay.
A It's possible. Personally or corporately?
72 Q In either capacity.
A I can't think anything on top of my head.
73 Q Where is your wife's bank accounts?
A Royal Bank.
74 Q Also at the Village Green Mall?
A Yes.
75 Q Anywhere else?
A Yes, I believe she has an account at VantageOne Credit Union.
76 Q Where is that?
A Armstrong branch.
MR. VAN ZANDVOORT: I would like an undertaking, counsel, for monthly detailed account statement for each of

Mr. Housego's personal accounts, the corporate accounts of S&P Financial, corporate accounts of Enlightened Group of Funds Inc., as well as Mr. Housego's wife's accounts since January of 2014 till present.

REQUEST 2: Provide monthly detailed account statements for each of Mr. Housego's personal accounts, the corporate accounts of S&P Financial, corporate accounts of Enlightened Group of Funds Inc., as well as Mr. Housego's wife's accounts since January of 2014 till present

MR. CRABTREE: Okay. Got your request.
MR. VAN ZANDVOORT:
77 Q Does Medici have any other employees currently?
A Yes, Kent -- I can't remember his last name at this point. Kent. And the CEO of the company is Enzo Calamo.
78 Q Can you spell that for the reporter, please.
A C-a-l-a-m-o.
MR. VAN ZANDVOORT: And can you undertake just to provide us with Kent's last name.
THE WITNESS: Yeah. I can -- I can look it up if you want.
MR. CRABTREE: That's okay. We'll just send it to him.

REQUEST 3: Provide Kent's last name

MR. VAN ZANDVOORT:

79 Q Does Medici have a website?

A I believe it's Harris.

80 Q Okay. Does Medici have a website?

A I believe so.

81 Q Do you know what it is?

A No, I don't.

82 Q Is that your business card?

A Yes.

83 Q Can I have a copy of it?

A Do I have to give it to him? Sure.

84 Q Thank you.

A The website is probably on the back.

85 Q Yeah. I think it says www.mediciprivatewealth.com.

And so Kent Harris. The CEO is Enzo Calamo. Anyone else?

A Not that I know of.

86 Q How did you get involved with Medici?

A I had met Enzo Calamo a year and a half ago in Atlanta. We talked. He was interested in my portfolio manager expertise. And when this happened with Crystal Wealth in receivership, I talked to him and he wanted me to come aboard and help him.

87 Q And you said you met him in Atlanta. What were

you doing in Atlanta?
A I was looking at real estate.
88 Q For what purpose?
A Investments.
89 Q For whose investments?
A Crystal Wealth Funds. The hedge fund. Or the factoring fund. Well, mostly the hedge fund.
90 Q And so how did you come across Enzo?
A He was interested in the real estate as well from the investment standpoint.
91 Q But did somebody introduce you to him?
A He was just along. It was Alberto Storelli who knew him. He invited him down to Atlanta to look at the real estate.
92 Q Does Enzo have any involvement in the entities which form what the receivers refer to as the US Real Estate LP, an investment made by the factoring and hedge funds?
A I don't believe so.
93 Q And when you were Atlanta did you also visit any of the properties while you were down there in which the US real estate LPs invested?
A Yes.
94 Q Wynhollow and the Parke at Covington?
A Yes, I believe so.

95 Q Do you know how Storelli knew Enzo?
A I believe his dad had worked for him.
96 Q Enzo's dad had worked for Alberto?
A No, Alberto's dad had worked for Enzo.
97 Q So is Enzo American then? He's from the States?
A No.
98 Q He's Canadian?
A He's Canadian.
99 Q He just happened to be down there as well?
A He came down to look at the real estate.
100 Q With you?
A No, we met him there. I was in Chicago prior to looking at property in Chicago, the Chicago 1 property and the Chicago 2 property.
101 Q The Chicago 2 property, sorry, what is the address on the Chicago 2 property?
A I don't know.

MR. VAN ZANDVOORT: Can you undertake to give me that.

REQUEST 4: Provide the address for the Chicago 2 property

THE WITNESS: I don't think we invested in the Chicago 2 property, just the Chicago 1.

MR. VAN ZANDVOORT:
102 Q And how did you come to know Alberto Storelli?
A He was introduced to me by another person, George

Moen.

103 Q Can you spell that.

A M-o-e-n.

104 Q And when was that introduction made?

A I think it was around February of 2015, I believe.

105 Q And who is George Moen?

A He's a networker.

106 Q Did George Moen have any involvement in any of the investments made by the Crystal Wealth funds?

A No. He was a client.

107 Q An investor?

A Yeah.

108 Q So he introduces you to Alberto Storelli, and maybe since we're on the topic we can just talk about the US Real Estate LP and how you came to determine that it was a good investment for the factoring and hedge fund and how you understood the funds were going to be repaid and why it was a sound investment decision.

A Okay. Do you have a specific question or just --

109 Q Yeah. Explain to me how did it come about, the investment opportunity in the US Real Estate LP. You meet Storelli, then walk me through.

A So he had -- he had been doing it personally, these investments in real estate in the US. And he showed -- Wynhollow was the first one. So we looked at it.

110 Q So you would -- and be specific, please. You would fly down with Alberto?

A No, I did not fly down on this one before. They had a CBRE report, a CB Richard Ellis report. It's about 147-page report on the property. The existing rents -- so he had a plan to refurbish it. There was some down units that would be refurbished. The rents were under market.

So we did a projection on after -- post-refurbishment with the rise in the market rents, and the repayment would come from a refinancing. So the plan was to do -- once the rents are stabilized for 90 days, these type of investments, the multifamily rental complexes, qualify for FHA financing, federal home administration loans through Fannie Mae, Freddie Mac, stuff like that. Around 4, at the time it was even less because rates have gone up. It was about 3.85 I believe on a 30-year fixed rate mortgage, nonrecourse. So the fund would -- had -- would get a preferred rate of 12 percent on the equity position on top of getting the 40 percent equity. So on refinancing, the fund would get paid back 100 percent of the investment plus 12 percent accrued for the time and still retain a 40 percent equity position. And the properties cash flowed after -- based on a 90 percent occupancy refinanced with -- at 4 1/4, something like that. About 8 -- it was about an 8 cap after the fact.

So that looked very compelling to me and we executed on I think 7. And they all had slightly different dynamics; some better -- some better return, some worse return but ...

111 Q Did the funds ever invest in the Newton north Carolina property at 517 East J Street?

A Not that I can recall.

112 Q It was just Tupelo, Chicago 1, the Parke at Covington, Montebello and Wynhollow? And Kings Manor?

A That sounds correct.

113 Q Okay. And so the first of those investments was made in June 2016 with Wynhollow?

A Yes.

114 Q Okay.

A That sounds correct.

115 Q Okay, and you know, we're now sitting, of course, in April 2018 and obviously the plan has not come

to fruition. You maintain contact with Storelli, I imagine?
A Yeah.
116 Q Okay. And what updates do you have concerning the status of Wynhollow?
A Nothing formal, just on the phone. Because I'm not involved anymore obviously.
117 Q I understand. But I imagine you talk to him about it?
A Yeah, it sounds --
118 Q These properties?
A -- like it should be completed by -- talking to -- actually it's not Alberto, it was from Brian's Peoples, who is one of the minority owners of Medici capital, which is the funds -- their 40 percent ownership interest is in Medici. Or sorry, not Medici. DaVinci Capital. All Italian names.
119 Q Sorry. Brian Peoples is a minority owner of Medici?
A No.
120 Q DaVinci.
A DaVinci. Sorry. That was an error.
121 Q Sorry. Go ahead.
A And he said it looked like it would be -- it

should be done around August of this year. They had some issues with the foundations that they didn't know about and that they had to -- it extended the time frame for finishing.

122 Q What is Brian Peoples' telephone number?

A I don't know. We can get it, I guess.

MR. VAN ZANDVOORT: And whatever contact information you have for him.

REQUEST 5: Provide contact information for Brian Peoples

MR. VAN ZANDVOORT:

123 Q And what about Montebello in Birmingham, the two properties that are adjacent to one another?

A I never went to that one. But again we had similar reports. Existing occupancy, down units, market rents, expected rents after the refurbishment. Similar profile. I think it was slightly better, like nicer than Wynhollow.

124 Q And have you gotten updates from Brian or Alberto or anyone concerning the status of it?

A Yes. I just can't remember the specifics on that one. And I think it should be done sometime this year as well.

125 Q And who would have given you that update, Brian or Alberto?

A Brian.

126 Q And so why are you continuing to stay in touch with Brian?

A I'm interested.

127 Q Do you have any financial interest in these properties in the US Real Estate LP?

A None.

128 Q Do you have any other business dealings with Brian Peoples that are ongoing?

A No, I don't. But hopefully in the future potentially.

129 Q What about the Parke at Covington?

A Same, you know, same situation.

130 Q Have you visited that property before?

A What's the address on that one?

131 Q 3961 Covington Highway in Georgia.

A No.

132 Q Do you have any update from -- concerning the status of it?

A Not specifically, but it's lumped in with -- they figure they should all or mostly be done this year. That was my understanding.

133 Q What about for Chicago 1?

A It's delayed. It's one that they don't expect it to be done this year.

134 Q And again, is this coming from Alberto or Brian Peoples?
A I don't think Peoples is involved in that one. I think that is from Alberto.
135 Q And have you visited the Parke at Covington or Chicago 1?
A Chicago 1, yes.
136 Q What about the Tupelo property in Mississippi?
A Tupelo. No, I have not visited that.
137 Q Has there been any update concerning that property?
A Yes, so that one, the city of -- when they went for the zoning to work on the property, or maybe not zoning but that might not be the right word. But the permit to do the refurbishing, the City wouldn't do it because the City wanted to buy the property from them. So their negotiations too.
138 Q Who would be leading those negotiations on the US Real Estate LP side?
A Brian Peoples or Joe Harker, I believe.
MR. VAN ZANDVOORT: Can I get contact information and telephone number for Joe Harker as well.
THE WITNESS: Yeah.
REQUEST 6: Provide contact information and telephone number for Joe Harker

MR. VAN ZANDVOORT:

139 Q And what about the Kings Manor? Have you visited that property before?

A I don't believe so.

140 Q And do you have an update concerning the status of that property?

A No. Not that I recall.

141 Q So I just want to take a step back. So going back, so you meet Alberto Storelli in February of 2015. The investments in the seven properties we just talked about started in June 2016. So how did it -- how did the discussions evolve to the point where you made the decisions to invest on behalf of the factoring and hedge fund?

A I looked at the CBRE report and the projections. Talked to Alberto. Talked to Brian Peoples about it. Became comfortable with it. I mean, it looked very compelling, the numbers, the market. And the market's actually gone up even higher I think than expected.

We started talking with the lawyer, Sean O'Neill from Boughton Law, about the structure of the holding, because US real estate adds a layer of complexity in taxation. I talked to Clayton Smith about it about the structure and the fund's

involvement. He was on board with it. I think they went back and forth, Clayton and Sean O'Neill with regards to the legal set-up for tax. I mean, it's fairly complex. I believe the fund invests in -- the mutual fund trust, the hedge fund invests in a limited partnership in Canada.
142 Q The 107 Properties Limited?
A Correct, yeah.
143 Q M'mm-hmm.
A Down into the Nevada C corp. which is the daVinci Capital.
144 Q DaVinci Capital Property Inc.?
A Yes. Which holds a master limited partnership. And then each property is an LP itself that's held by the master limited partnership. That's how I understand it.
145 Q How did you understand payments were supposed to flow back to the benefit of the fund?
A It would flow up from the LPs to the C corp to the LP to the fund.
146 Q When was that going to commence?
A After refinancing.
147 Q And did any funds ever flow back for any of the seven properties in the US real estate?
A I believe so, because I think we got cashed out on

one or one or two of them, I believe.
148 Q Which ones?
A Campbellton. It was different though. It was an ownership one where they sold units. They didn't rent them. So it was a different animal. But we got taken out on that one.
149 Q When was that?
A Late 2016 or early 2017. Somewhere in there. I don't remember exactly. And I think it would have flowed up to the fund. I'm pretty sure it did.
150 Q Where was Campbellton?
A It was in Atlanta as well?
151 Q Do you remember the address?
A No, I do not.
MR. VAN ZANDVOORT: Can you get the address and let us know.
THE WITNESS: Probably, yeah.
REQUEST 7: **Provide the address for the Campbellton property in Atlanta**
MR. VAN ZANDVOORT:
152 Q And then what was the other one that you believe the funds received payment back on?
A I can't recall. There might not have been another one.
153 Q But as far as the outstanding ones, the seven we discussed, to your knowledge no funds were ever

paid back to the --

A Not yet.

154 Q And have you talked to Peoples, Harker or Storelli about whether it's their intention to repay the Enlightened hedge fund and factoring fund on these properties?

A Yeah.

155 Q Does it remain their intention, do you know?

A Yeah, absolutely.

156 Q Are -- is Storelli a wealthy individual?

A I don't believe so.

MR. VAN ZANDVOORT: I can't remember if I asked, but just last known contact information and telephone number for Alberto Storelli as well.

REQUEST 8: Provide contact information and telephone number for Alberto Storelli

MR. VAN ZANDVOORT:

157 Q Is Brian Peoples a wealthy individual?

A Define wealthy. I don't know.

158 Q You know, would -- to your mind would Storelli, Harker and Peoples have the means to take out the -- you know, I assume --

A Buy out.

159 Q -- Mr. Housego, you would want them to pay back the funds so some of the investors can get some of

their money back. To your mind do they have the means to take out the hedge and factoring fund if they want so they need not wait around?

A Not personally, no.

160 Q What about through their other business interests?

A Possibly.

161 Q And you will know this because your counsel would I assume have forwarded our emails, but at one point we had understood that there was an interest either through yourself or through perhaps Storelli, Peoples and Harker of making an offer to take out the fund's interest in the US Real Estate LP?

A Yes.

162 Q And that -- we have sent emails on that. We haven't received any substantive response. Can you elaborate on what that proposal is?

A They're looking into it.

163 Q So it's not your personal proposal, it's a proposal from the Storelli, Harker and Peoples?

A Yes.

164 Q Have you had any discussions with them about what that proposal would look like?

A Not specifics, no. Just I know that they are -- they're looking at putting together an investment or something to take it out. Or someone coming in as an investor to buy it out.

165 Q And Peoples and Harker are American? They live in the United States?

A Yeah.

166 Q So again going back, we were talking about how the structure was discussed, you would discuss it with Clayton. What was the extent of Clayton's involvement aside from those discussions with the US Real Estate LP?

A He would have looked at all of the documents and approved it. He was involved. I mean, we talked -- I remember talking to him about it, the details, the structure for the funds. Because owning real estate in the US, you have to file taxes down there. So it was structured in a way that you wouldn't have to file taxes in the US. There would be no double taxation. And very limited withholding taxes. I believe the Nevada C corp has about a 5 percent withholding tax on dividends. So they were just trying to make it as tax efficient as possible.

167 Q And Clayton said that there was an initial meeting with you and Storelli. Do you recall that meeting?

A Our very first meeting?

168 Q Yeah.

A Yeah. It was at the Cactus Club Coal Harbour.

169 Q Do you know when that was?

A February of 2015.

170 Q And at that point you're about 16 months or so before the first investment into Wynhollow, so at that point were you already discussing the structure?

A No, I don't know.

171 Q What credentials did Alberto Storelli and Brian Peoples and Joe Harker have that made you interested in investing in a cross-border investment of, you know, approximately $8 million US for the hedge and factoring funds?

A Alberto had been doing it personally with Joe Harker. I mean, finding these -- networking to find these types of people that could do it. So Joe Harker, that's his background, mortgages and property management as I know for I think a decade or more.

Joe Harker ran or was involved with the -- I can't remember the name of the fund, but it was a real estate investment trust out of New York. It was a billion dollar real estate investment trust.

He quit there -- I think he was there for ten years. He quit in June of 2015 and came on board to run these undertakings.
And Alberto Storelli, I think he had been in the -- financial advisor, life insurance agent for 20 years. He had written a couple of best selling books, Infinite Return Banking, Infinite Returns in Real Estate. So that's why.
172 Q And so as far as the ultimate structure was concerned, how much input did you have on that versus taking the lead of Storelli and his group?
A I just didn't -- my only -- my -- I don't know. I didn't want my clients to have to file taxes in the US. That was pretty much -- everything else was done with a legal team or Sean O'Neill and Clayton if he had questions about making sure that it was structured correctly regulatory-wise for the funds.
173 Q To your mind how did these investments in the US Real Estate LP fall within the investment objective and strategy of the factoring and hedge funds?
A Well, factoring fund only invested I believe in the -- they might have done one of the equity positions.

But there is another side to the investment. There's the financing of the refurbishment. So that was the -- it was a different. It was first position and it got an 18 percent annual return, 1.5 percent a month.

So because it's first position we have a mortgage backing it. I felt it was quite secure. And the income return was roughly the same as the other -- as the factoring-type contracts, the 1.5 percent per month. No market volatility, although the real estate obviously can fluctuate.

174 Q But the factoring fund did invest in units or shares of the US Real Estate LP. It wasn't all loans and financing. So I'm just trying to understand how that falls within the actual investment objective and strategy of the factoring fund.

A Yeah. I mean, the fund primarily invested factoring fund, but there were other allowed investments. So this was a relatively small allocation. I think it would have been 5 to 10 percent.

175 Q And in September of 2017 Storelli's counsel told us that the other owners of these US properties are interested in acquiring the fund's interest

either in cash or units of a different LP, which I guess intended to become listed on the TSX venture exchange by the end of June. Do you know anything about that?

A I believe that refers to Rothbury Capital.

176 Q What is the status of Rothbury Capital?

A I think it's in the process of going public.

177 Q And what is it?

A It's a real estate investment trust.

178 Q Who started that vehicle?

A I think Alberto Storelli.

179 Q With Peoples and Harker?

A They're involved, yeah.

180 Q Do you know if it's on track to become listed by the end of June?

A I do not.

181 Q So explain to me what your ongoing business dealings are with Peoples, Harker and Storelli then currently.

A I don't have any -- no business dealings with them.

182 Q So why is Storelli interested in coming to Medici?

A They've got an interesting vision of trying to help high net worth clients.

183 Q Medici does?

184 Q Who owns Medici?

A Yeah. The family office model I think is compelling.

184 Q Who owns Medici?

A Enzo Calamo.

185 Q 100 percent?

A No, I don't think so. I think Ken Harris owns some. That's all I know. Enzo would be the majority shareholder definitely.

MR. VAN ZANDVOORT: Can we go off for a sec.

(PROCEEDINGS RECESSED AT 9:51 A.M.)

(PROCEEDINGS RECONVENED AT 9:58 A.M.)

MR. VAN ZANDVOORT:

186 Q So I just want to clarify a couple points, Mr. Housego. When I asked you why you felt comfortable or when I asked you how the investment objective and strategy of the factoring fund fit the US Real Estate LP you said you felt comfortable because you were going to be in a first position. But you understand that the investment made by the factoring fund was only in an ownership interest in the LP and that it was not actually registered as an mortgagee itself; correct?

A Yeah, I guess so, yeah. But the LP would have first position on the properties, I believe.

187 Q Well, isn't it true that 107 actually lent money or purchased shares in daVinci and it would be daVinci that would be the registered entity? Would you agree?
A My understanding is we had first position. That's how I understood it.
188 Q Who gave you that understanding?
A Alberto Storelli.
189 Q When you said "we" you mean the 107 LP?
A Me, yeah. And Clayton Smith, I believe.
190 Q Did you see any documents that show the funds or your and Clayton's methods being a first secured creditor?
A I can't recall.
191 Q Who -- so you said a number of the projects are expected to be done this year in the US Real Estate LP. Who is financing the completion of those projects?
A I don't know.
MR. VAN ZANDVOORT: Can you find out from Alberto or Brian or Joe and let us know.
THE WITNESS: I can try.
REQUEST 9: Determine who is financing the completion of the projects in the US Real Estate LP that are expected to be completed in 2018

MR. VAN ZANDVOORT:
192 Q And what is the Lugen Family Office?
A That's another family office that Enzo is involved with.
193 Q Now, it has the exact same address as the Medici Family Office. What's the relationship between the two? They're both located at 355 --
MR. CRABTREE: Burrard.
MR. VAN ZANDVOORT: Yeah. Burrard Street, suite 1000?
THE WITNESS: Enzo is involved in both of them. Lugen is more for ultra high net worth individuals and singular projects, whereas the Medici is more a multifamily office for high net worth individuals, not ultra high net worth.
MR. VAN ZANDVOORT:
194 Q What is the difference between a high worth and an ultra high worth?
A Ultra high net worth are 100 million and above. It's different in the US and Canada, but yeah.
195 Q And high worth, million?
A Yeah. A million or more.
196 Q And what's your involvement with Lugen?
A None.
197 Q And Lugen have different employees than Medici?
A Yes, I believe so.

198 Q Who works for Lugen?
A Kent Harris does. Leslie Toth. I think he works for Medici as well, now that I think about it. He's out of Alberta. Calgary, I think.
199 Q Can you spell that.
A T-o-t-h.
200 Q Did Leslie Toth have anything to do with Crystal Wealth or the funds?
A No.
201 Q So we kind of dove straight into the US Real Estate LP but I want to take a step back.
What is your educational background or qualifications?
A I went to high school -- do you want that information?
202 Q Walk me through, sure. Other than high school. I mean post secondary and specifically qualifications as it concerns, you know, financial advice, financial planning.
A I started talking the securities -- the Canadian securities course in '97. I finished in '98. Got my level 1 life license level in '98 as well. Level 2 life license a couple years later. CFP, got my certified financial planner in 2002. Branch manager course. I became a branch manager

in '05 at Investment Planning Counsel. NFP licensed in '98 with TWC Corp. was the dealer.

Ended up at Investment Planning Counsel up to 2010. Moved to Crystal Wealth in 2010, January 2010. Started my CIM, my chartered investment manager. Did that. Worked under Clayton for four years as an analyst, I guess, to April -- well, spring of 2014.

Got my associate portfolio manager then in spring of 2014 until mid 2016, June, I think. Somewhere around there. And got the PM around there.

203 Q What's Asset Management Group? Asset Management Group, have you heard of that?

A Not that I remember.

204 Q Did you ever work with Scott Whale at a place called Asset Management Group?

A Scott Whale was -- he worked at Crystal Wealth. He was an owner at Crystal Wealth.

205 Q Did you ever work with Scott prior to Crystal Wealth in any capacity?

A No.

206 Q So you're not familiar with something called Asset Management Group, a promoter of mutual funds?

A No, not that I know. Not that I can remember.

207 Q And how were you introduced to Clayton Smith?
A Actually through Scott Whale. I met Scott Whale through an outside sales rep from MRS. I was looking for a solution, a way to manage clients' money better, more collectively. And he recommended Crystal Wealth. It was called Blueprint I think at the time.
And I talked to Scott. I called him and we talked, and he came out to Armstrong in maybe 2011. Then I talked to Clayton on the phone after that with Scott just about what they were doing, what I wanted. I didn't even know that there was such a thing as a PM probably then. And then he just discussed what the benefits of collectively managing clients' money discretionally.
So that was compelling and I liked the idea. And so we talked for years -- several years about what I would have to do, education I would have to get, how long it would take and so on, and in 2010 I pulled the trigger and left and went to Crystal Wealth.
208 Q So when we talked to Clayton, Clayton said he was introduced to you through Asset -- through Asset Management Group in 2009 and that Asset was promoting the original batch of Crystal Wealth

funds, and he thought that you were licensed with IPC Securities at that time and you were going to join either Asset or Crystal Wealth?
A Okay. I don't remember Asset Management.
209 Q But you joined Crystal Wealth in January 2010 you said?
A Yes.
210 Q So you would have met Clayton shortly before then?
A I had been talking to him for years. I think -- I never met him. I think I just talked to him on the phone for years. I think more like three years.
211 Q Did you ever work at Crystal Wealth in Ontario or always based out of BC?
A Always BC.
212 Q Okay. And what offices at BC?
A Number 3, 3370 Smith Drive, Armstrong, BC.
213 Q During what period of time?
A For Crystal Wealth that was -- that was S&P's office from -- I worked there from November 12th, 1998, until December 31st, 2018 -- 2017. Sorry.
214 Q So you no longer have that office?
A No.
215 Q Is that a leased space or it's space you owned?
A No, it was a leased space.

216 Q And aside from that office, while you were with Crystal Wealth any other offices or premises that you worked from?
A Yes. We had a second office in Salmon Arm.
217 Q What address?
A I can't recall.
MR. VAN ZANDVOORT: Can you undertake to provide it.
REQUEST 10: Provide the address for Crystal Wealth's Salmon Arm office
MR. VAN ZANDVOORT:
218 Q Thank you.
And do you still have that office?
A No.
219 Q And who worked out of these offices with you?
A Gary Froats, my partner. I had assistants over the years. I mean, do you want their names?
220 Q No, it's okay. Just most recently in 2017.
A My assistant in Armstrong -- yeah, we gave up the office in Salmon Arm a few years ago. I can't remember. We sold it, Gary and I did. My assistant for the last three years has been Kayla Yoshida. I had a life insurance agent Vivian Hicks. And I had a, like, an administrative helper, Jeff Normando.
221 Q So when you joined Crystal Wealth you said your

initial capacity was a few years as an analyst?
A Yeah.
222 Q So that would have been 2010 to approximately?
A Spring of 2014, yeah.
223 Q And what did -- what was your role I guess as analyst and with which funds?
A The precious metals fund, the personal equity fund, the income fund, and there was a growth fund too but that ...
224 Q The ACM growth fund?
A No, no. That's a different fund. I guess it was Enlightened income fund and the Enlightened -- the Crystal Enlightened income fund and the Crystal Enlightened growth fund. The precious metals fund came after that.
225 Q So to be clear just for the record, the resource and precious metals fund started in 2009?
A Okay. Yeah, it was a different fund.
226 Q Like a fund that collapsed?
A Yeah. Or the funds got dwindled down and the guy who was spearheading it changed course and it was just kind of left stagnant so I took it over. Or Clayton changed it to a precious metals fund and I became an analyst for it.
227 Q So what was your job? What did you do out of BC?

What was your role as an analyst?
A I would look at investment opportunities, gold stocks, recommend them to Clayton. He would review it and decide to say yay or nay.
228 Q Did he pay for your continued training to get your PM?
A No, I think I paid for it all. I think I did. My recollection is that I paid for all of my own education.
229 Q When is the last time you had any communications with Clayton Smith?
A Right after the receivership. I think we stopped communicating around sometime in April of 2017.
230 Q And you said before you joined Crystal Wealth you're at IPC Securities?
A No. Not securities. Investment Planning Counsel. MFDA.
231 Q Is there a difference -- is there an IPC Securities?
A Yes, there is.
232 Q Did you of work for IPC Securities?
A No.
233 Q Were they based out of the same office?
A Yeah.
234 Q And anyone from Crystal Wealth at IPC?

A Who were they?
235 Q Yeah.
A Jeff Mushaluk.
236 Q And did Jeff ever work out of any of your offices in BC?
A Yes.
237 Q Which one?
A The Salmon Arm one.
238 Q During what period of time?
A I think we hired him around the fall of 2008 until I can't remember. Probably -- I can't remember. 2010 or 2011. But I think he left and went on his own.
239 Q And how did Jeff end up joining Crystal Wealth?
A He just -- we talked and we were friends. We golfed together. He asked what I was doing. Model looked good. He Talked to Clayton. They discussed stuff for quite a while, maybe years, I don't even know, and then he decided to go.
240 Q Okay. And do you keep in touch with Jeff?
A Yeah.
241 Q Okay. And what is Jeff doing now?
A I think he's quit the industry and he's working at a golf course.
242 Q In what capacity?

A Groundskeeper.
243 Q Where?
A Talking Rock, I believe. Golf course.
244 Q Where is that located?
A I think it's -- I think it's Chase. I'm not 100 percent sure. It's around Chase, BC.
MR. VAN ZANDVOORT: Can we have. Last known contact information for Jeff Mushaluk.
REQUEST 11: Provide last known contact information for Jeff Mushaluk
MR. CRABTREE: I've got your request.
MR. VAN ZANDVOORT:
245 Q And how did Dale Wells come to join Crystal Wealth?
A He was there before -- or he was involved with them before I got there. I actually talked to him about Clayton before I joined just to get his take on things. And he was doing something with a fund, like requesting some type of structure from Clayton and Clayton did it for him. I think it got him under a whole bunch of trouble with the security commission and he was under investigation for years.
246 Q Dale was?
A I think so, yeah. I think it all got settled.

Then he moved to -- came over to Crystal Wealth, moved his practice over and book over. And he became a PM, did his own funds, and then left and did his own PM firm.

247 Q Do you keep in touch with Dale Wells?
A No. Well, I went and saw him after the receivership just maybe join him but --
248 Q Sorry, after the receivership what?
A After the -- I looked at joining him, like maybe joining him as well. But I didn't. I haven't talked to him for, I don't know, once in the last year maybe.
249 Q And when you say joining him, joining him where?
A At his -- at Wells Asset Management.
250 Q Where is that located?
A I think it's in Lloydminster, Saskatchewan. Or Alberta. I think he's on -- no, I don't know.
251 Q And my understanding was that Jeff Mushaluk was working for Dale Wells at Wells Asset Management?
A Yes, I think he still there not that you -- but he's not licensed so I don't know what capacity he's there in. I think he moved his -- as many clients as he could there for Dale to manage. So maybe he still is there as an analyst or something.

252 Q So why did you think that Jeff was a greenskeeper in Chase, BC?
A I think he's doing that too.
253 Q Where does Jeff live?
A I believe he lives in Salmon Arm. I think he does.
254 Q When is the last time you had communications with Jeff?
A He texted me this morning.
255 Q To say what?
A He bought my insurance -- or his sister bought my insurance book of business. So he had a question about -- an accounting question.
256 Q Who is his sister?
A Ashley Mushaluk.
257 Q So explain to me, so when you joined Crystal Wealth did you bring over a book of clients?
A Yes.
258 Q And where did you form that book? When you were with IPC?
A Yeah.
259 Q And how many clients roughly at that time?
A They were on-boarded over time, so a hundred.
260 Q And then who made the decisions as far as where they were to be invested once they were with

Crystal Wealth?

A Clayton Smith.

261 Q Up until what point?

A Until he became a PM.

262 Q And then at that point it was your decision as to where they were to be invested?

A Yeah.

263 Q And sorry, you became a PM when?

A I think around -- I think it was June of 2016.

264 Q 2016 or 2015?

A I think it was 2016.

265 Q So at what point in time when you were with Crystal Wealth did you start making decisions on behalf of certain funds? And when I say decisions I mean either investing investors' money into the funds or investment decisions of the funds?

A There was a protocol always with Clayton. He was involved always. So any recommendations I made he would make a decision on the client side and the investment side. I would make recommendations. He would review. Any of contracts he was involved in, the structure, everything. He had -- BLG were their lawyers. As I recall, they were involved in contracts in the structure and so on.

266 Q Well, so BLG was Crystal Wealth's lawyers. What

other lawyers did Crystal Wealth use?

A I can't remember. I know there was others, especially late leading up to the receivership there was another lawyer but I can't remember who it was.

267 Q Did you ever retain for any of the decisions you made on behalf of Crystal Wealth or the funds a lawyer to use to consult with respect to investments?

A No.

268 Q To review contracts, loan agreements?

A No, I delivered to Clayton Smith.

269 Q Would you contact Clayton to say, you know, which is a lawyer going to look at the stuff? When you're doing complex investment into the United States real estate LP was a lawyer consulted?

A I believe so, yeah.

270 Q Who was it?

A I don't recall. Clayton -- I can't remember. I think it was somebody at BLG. That's my recollection.

271 Q What about for any of the factoring investments, was a lawyer ever used?

A I believe that was BLG as well.

272 Q Who at BLG?

A They are out of Toronto. I don't remember.
273 Q Did you ever deal with them? Did you ever deal with BLG?
A No.
274 Q It was always Clayton?
A Yeah.
275 Q Was Miller Thomson ever used?
A That was -- possibly. From Clayton's side possibly. But I know that was Jerry Froese from Frontline's lawyer was from Miller Thomson.
276 Q Jonathan Dick from Miller Thomson, whose lawyer was that?
A I think that's Jerry Froese's lawyer. I'm not 100 percent sure but I think that's who he is.
277 Q It's fair to say you never dealt with any lawyers while you were at Crystal Wealth.
A The only lawyer I talked to was Sean O'Neil regarding the LP, the real estate assets in the US.
278 Q That was Storelli and his group's lawyer, not Crystal Wealth's?
A Correct, yeah.
279 Q How do you know Jerry Froese?
A He was introduced to me by David Denhollander
280 Q And how do you know David Denhollander?

281 Q Which client?
A He was introduced to me by a client.
281 Q Which client?
A Ryan Waechter.
282 Q Can you spell that.
A I believe it's W-a-e-c-h-t-e-r.
283 Q W-a-e-c-h-t-e-r?
A Yes.
284 Q When did you meet Mr. Denhollander?
A I think it was in the fall of 2014. I'm not 100 percent sure. Somewhere around there.
285 Q And why did your client Mr. Waechter introduce you to David Denhollander?
A Good question. Networking. Potential client.
286 Q What did you understand Mr. Denhollander, what he did?
A He was a businessman. He was in the property development. Networking. Multilevel marketing.
287 Q What kind of multilevel marketing?
A I think it was called Lioness.
288 Q L-i-o-n-e-s-s?
A Yeah, I think so.
289 Q That was his company?
A I think it's a Y. L-y-o-n-e-s-s.
290 Q That was Denhollander's company?
A No. He was just --

291 Q He was just a representative?
A Yeah.
292 Q Of Lyoness's network marketing program?
A Yes.
293 Q And what does Lyoness do?
A It's like a discount card, rewards. Discount rewards.
294 Q So you meet David Denhollander in 2014 and you obviously maintain -- you now have a relationship at some point he introduces you to Jerry Froese. So just tell me how the discussions evolved with Denhollander to the introduction to Jerry Froese.
A We were talking about investments about what I was doing. At Crystal Wealth.
295 Q Which was at the time?
A At that time I would have been an APM. So I was an analyst at the funds and what the funds did. He said just talk to Jerry. He was running a factoring company. And I just -- I'd never heard of factoring until then -- around then because Crystal Wealth had a medical receivables factoring fund.
So I just heard about them and started talking to Jerry. And we talked about what he was doing, what I was doing, what capacity we had as a

fund, fund company, and the potential returns, what they could look like.
296 Q And where was Jerry located?
A He was in Lethbridge, Alberta.
297 Q Okay. So how did the discussions evolve with Jerry to the point that you decided to retain his firm on behalf the factoring and hedge fund?
A I talked to Clayton about him. We talked on the phone -- he talked with Jerry about the structure, what it would look like, what the investments were, the security return history. His banking history. The fund. Sorry, his company, the Frontline Factoring company. I worked with Clayton and to develop it, develop the structure, contract, return, and eventually implemented it.
298 Q What did you understand frontline's business to be?
A Factoring.
299 Q So the -- no, I understand that. But did you -- your funds retained Frontline as an administrator; correct?
A Yes.
300 Q So did you understand that Frontline's business was factoring itself or just as an administrator for third party companies that factor?

A No, I think they were factoring, but for us they would do factoring and administration.

301 Q When you say factoring and administration what do you mean?

A Well, they would source factoring opportunities, do due diligence on them. Vet them. Do background checks. Security, they would register security. As well as administer the return of funds keeping in contact with the vendors monitoring and such.

302 Q So the receiver, you're probably familiar with it but if you want to look at it you can. It's appendix 14 to the receiver's second report. It's a factoring procurement and administration agreement entered into with Frontline Factoring. Do you recall -- I'm just asking if you recall, this was ultimately executed in November of 2014 to hire Frontline for this purpose?

A Yes.

303 Q Okay. And how was it supposed to work as far as -- how was Frontline supposed to get paid and how was the funds going to make money off of these factoring contracts?

A Yes, so when we were in negotiations for what the fund wanted and what they could do, we settled on a flat rate of 1.5 percent per month to the fund and Frontline would get whatever there was above that. So if they got 3 percent a month gross from the factoring contract they would get 1.5, we would get 1.5. If they got 5 they would get 3.5, we would get 1.5. It would depend on the specifics of the actual contract.

304 Q So explain to me, where is this 1.5 percent per month coming from? Let's just use the simple example. It's a fund -- Jerry comes to you and says here is $1,000 invoice for Crystal Wealth, you know, to factor.

A Yes.

305 Q What was to occur? How much money would be paid and where would the income for the 1.5 percent come from?

A I think it depends -- a lot of the contracts were different. So you would hold a reserve back on the amount of the invoice. So it could be a 20 percent holdback, it could be 50, could be even 60 percent back. The client would get -- the vendor would get --

306 Q The merchant?

A The merchant would get the non-held-back amount and be charged a fee for the time.

307 Q Okay. So the payback actually came from the amount of the holdback?
A Potentially.
308 Q So we're going to use this as an example. I'm going to show you one of the factoring agreements that was entered into. This was the one with 647 BC. Can you just show me in this contract -- sorry, bear with me a second -- where the form -- I'll put it in front of you. I'm putting schedule A in front of you. I'll come around.
So just looking at the breakdown of this, it's saying debtors and permitted limits. So it's saying GIC Capital Corp. limit 500,000, Dome Mountain limit $1 million Canadian, Biodiesel 350,000 Canadian. What are these limits? What is that telling me?
A That would be the limit of what could be factored in my understanding.
309 Q So an invoice from GIC Capital to 647 BC could only be up to the max of $500,000 in invoices that Crystal Wealth would factor; is that right?
A I believe so.
310 Q And then it says discount funding fee, 2 percent of value of receivable less the discount up to 30 days. What is that funding fee? What is that

2 percent?

A I believe that's the cost of the factoring fund, the finance -- I'm sorry, not the fund. The financing cost.

311 Q So sorry, I'm not following you. What is the -- so let's say an invoice is 500 grand.

A Yeah.

312 Q Or to keep it simple, 100 grand. 2 percent of the value of the receivable less the discount of 30 days, what is that telling you? What is that?

A They're charging 2 percent a month on the money.

313 Q Who is?

A Frontline Factoring.

314 Q And the discount rate of 20 percent?

A That's the holdback. So I think they're holding back a 20 percent reserve, so they will only go up to 80 percent of the value of that.

315 Q So Crystal Wealth -- let's say the invoice was 100,000, Crystal Wealth would transfer 100 grand to Frontline Factoring, and Frontline would hold back 20 percent and the other 80 would be disbursed to 647 BC?

A That's not how I understand it. We would only -- the fund would only forward 80,000.

316 Q Okay.

A In my understanding.
317 Q Okay. And what is the additional daily rate .67 percent?
A I think that's per diem.
318 Q And the --
A It's a portion -- if it's only 18 days it would be 18 times .067 per day.
319 Q Who is responsible for paying the interest?
A The merchant.
320 Q And that's on the amount that is -- so the .67 percent is on the $80,000 dollars, the amount plus the discount given to the merchant?
A I believe so.
321 Q And who gets the 2 percent funding fee?
A Well, we would have gotten -- the fund would have gotten 1.5 and Frontline would have gotten the balance.
322 Q And sorry, again, where is that paid out of? Who pays that?
A When the -- when the contract is paid out the proceeds would come out of that.
323 Q So again using the example of $100,000 invoice, putting aside the issue of interest, if it had 20 percent discount rate, the fund advances 80 grand and the fund is to be paid back ideally

the full $100,000 of the invoice plus a 2 percent funding fee from the merchant?
A No. So, I mean, if the merchant -- so the person who does the work owes -- sorry, someone owes the people who did the work.
324 Q The debtor owes the merchant.
A Yes. So the merchant is expecting 100 percent.
325 Q Mm-hmm.
A So funding the receivable for 80 percent, when it gets paid out, when the merchant gets their money they would get it all. The debtor would owe the amount that they owe which is 100 percent. So if there's anything left over -- so the 80 becomes 90, there would be a $10,000 reserve. They would still get -- they would get 10,000 back.
326 Q Who would?
A But they would owe 10,000 less because of the fees -- no, sorry. That's not right.
There's only up to the 100,000 that's available. The fees would come out of the reserve, yes.
327 Q So you're saying if the fund factored the $100,000 invoice the fund would never get more than $100,000 back?
A Well, the fund would only -- well, we would get --

it would get paid back. If they owed more than the 100 yeah, we should get it.
328 Q From who?
A From the debtor.
329 Q From the debtor or the merchant?
A It would have to be the debtor, I think.
330 Q Even though the debtor is not a party to your factoring agreement?
A As I understand it.
331 Q So let's just use a real example. So GIC capital corp owes $100,000 invoice to 647 BC?
A Okay.
332 Q You factor it. You advance to 647 BC 80 percent of the 100 grand. Explain to me how does it work as far as the repayment goes? How does money flow?
A GIC would have to pay it back.
333 Q GIC knows they have to pay their $100,000 invoice?
A Yeah.
334 Q Who do they pay it to?
A I think Frontline.
335 Q Okay. So GIC would pay $100,000 to Frontline?
A Yeah. I believe that we had final security the way it was structured. I think Crystal Wealth, the funds, had final security on everything.

336 Q Well, what do you mean on everything?
A On all the factoring --
337 Q On the debtors or the merchants?
A On the debtors.
338 Q Okay. Well, just to be clear, Mr. Housego, the funds didn't have security on the debtors, they had security on the merchants. There's a big difference.
A Okay. I think you're right. Yeah.
339 Q So I'm just asking, quite simply said --
A Yes.
340 Q -- when you -- you decide -- you sign off as the PM of the factoring fund and say yeah, Jerry, we'll do this $100,000 invoice, I want to know what did you -- having made that decision with a 20 percent discount rate, what did you understand the fund would receive and how it would -- and how money would flow?
A All of this money back plus the 1.5 percent per month.
341 Q Who is going to be paying that 1.5 percent per month?
A The debtor. I mean, they got the money so they have to pay it back.
342 Q Well, the merchant get 80,000 --

A Yes.

343 Q The debtor has nothing do with your factoring arrangement.

A You're right.

344 Q The debtor owes $100,000 invoice.

A Yeah.

345 Q The debtor says I'm going to pay my $100,000 invoice, and if I pay it in 30 days, you know, it's based on my invoice with the merchant. So I am saying tell me the flow.

A It's --

346 Q You would advance 80 grand to buy the invoice?

A Yes.

347 Q Does the -- where does money flow and how did you understand the factoring fund would receive money?

A It would get paid back.

348 Q That's a very simplistic response. I appreciate you want to pay it back, but tell me the flow of funds. What did you understand, Mr. Housego? That's all I'm trying to ask. You buy an $80,000 from 647 BC owing by GIC Capital corp. How was money going to flow back to the fund and who is going to pay it?

A Is there a flowchart just so I can see?

349 Q I don't have a flowchart, no.

A I haven't done it for a year or more. I just --
350 Q Well, there's four parties involved?
A Yeah.
351 Q The fund, Frontline Factoring Inc., the merchant who sells you the invoice, and the debtor who owed the merchant for the invoice?
A Yeah.
352 Q On $100,000 invoice, if there's a 20 percent discount rate you said the fund would advance 80 grand?
A Yes.
353 Q I would want to know how you understood the fund makes money and how monies would be repaid and how would funds flow?
A Sorry, I'm just -- it would go to -- the money would go to the merchant. No, not the merchant. Yeah, the merchant would pay us back. They would have to. And we use their assets as security.
354 Q So would Crystal Wealth send the 80,000 to Frontline to pay to the merchant or would Crystal Wealth send it directly to the merchant?
A I believe it went to Frontline.
355 Q Okay. And --
A Yes.
356 Q Did Frontline or Crystal Wealth ever tell the

underlying debtors pay back us directly, we've factored this invoice, or not?

A I think it was done on an ad hoc basis. It depended on the deal. I know there was an agreement, but to me it seemed like each one was done on the specifics of the deal with the vendor. Or with the merchant, sorry. I think they were all different -- I don't know if you've seen that but yeah, it seems like they were different.

357 Q They're pretty much the exact same agreements with each and every merchant. They're not different. There's a couple of different financial terms in them but they're form agreements?

A Okay.

MR. VAN ZANDVOORT: Who prepared -- so we did just -- and counsel, we'll mark the factoring agreement with 647 BC as Exhibit 1.

EXHIBIT 1: Factoring agreement with 647 BC

MR. VAN ZANDVOORT:

358 Q Who prepared this standard form agreement at Exhibit 1?

A I think Jerry Froese.

359 Q So Jerry Froese prepared Crystal Wealth's factoring funds contract with 647 BC?

A No, no, no, it would have been between Jerry and

Clayton Smith. So yeah, this was done through probably BLG at the time and Clayton Smith. But they would have negotiated it, Clayton and Jerry.
360 Q Who found the merchants?
A Jerry Froese.
361 Q Did you know personally any of the merchants or their representatives?
A On a business relationship, yeah. Some of them.
362 Q But before any deals were done with merchants did you know those merchants' representatives in any way, whether personally or through any prior business dealings?
A Before joining or getting -- before getting Frontline involved?
363 Q No, I'm just saying before you signed a contract on behalf of the factoring fund with a merchant like 647 BC that we just looked at, did you ever know any of the merchants' representatives from prior business dealings or in your personal capacity in some way?
A Some of them, yes.
364 Q Who?
A Dave Denhollander.
365 Q Okay. And he's from 647 BC, the contract we just looked at?

A Yeah.
366 Q And who else?
A I had met Robert Maljaars.
367 Q Okay. And how did you meet Robert Maljaars?
A Through a networking meeting.
368 Q What networking meeting?
A Just -- through David Denhollander.
369 Q Was it through Lyoness or a different network marketing meeting?
A It could have been Lyoness. I can't remember.
370 Q And, sorry, and who is Robert Maljaars with?
A The other numbered company, 1 --
371 Q 156 Alberta?
A I believe so, yeah.
372 Q Anyone else? From the merchants or debtors who you knew prior to doing factoring-type contracts or financings with them?
A Not that I can recall.
373 Q Okay. And so you said Jerry would find the merchants whom the factoring or hedge fund would buy invoices from for the factoring contracts. What was the -- what was the process as to how Jerry would present those to you and what type of due diligence would have been provided as a matter of routine?

A Yeah, he would have found them, done some due diligence on them, property checks, history, credit check, Dun & Bradstreet's --
374 Q Done what?
A Dun & Bradstreet credit check. Then he would we would talk about it. Review it. He would send me the documents. I would look them over. I would talk to Clayton. Send them to Clayton, and Clayton would review and decide to execute.
375 Q So when you said he would send you the contract, so he would send you the contract like we looked at at Exhibit 1? He would prepare the contract between the Crystal Wealth fund and the merchant and say here you go, Al, I think this is a great opportunity for the fund?
A Yeah.
376 Q Here is the due diligence materials?
A Yes.
377 Q And aside from Jerry Froese, what other representatives of Frontline Factoring did Crystal Wealth deal with?
A I think we only dealt with one that I can remember. I think Steve. Was it Steve or Stephen.
378 Q Bandola?

A Yes.

379 Q And is he still with Frontline Factoring?

A I don't believe so.

380 Q Do you know where he is currently or what he does?

A No, I do not.

381 Q Do you know when he left Frontline Factoring?

A I think it was around the receivership time or just after. Just after.

382 Q Is there any coincidence to that timing?

A I think it's coincidental actually. I don't think it was related to my knowledge. I think he got another job and just ...

383 Q Did you deal with Samuel Katz at Frontline Factoring?

A Possibly. I don't recall specifics. Might have been a couple of emails or documents needed or something.

384 Q What is Gavin Mines?

A Gavin Mines is a potential mining operation.

385 Q Can you be more specific?

A It's a gold property.

386 Q Where?

A In northern BC.

387 Q What city?

A I think it's in the Smithers area.

388 Q Have you ever been there?
A No.
389 Q And it's called Gavin Mines?
A Yes, I believe so.
390 Q And what type of mine is it?
A It's not an operating mine at this time. It's a potential gold mine.
391 Q Now, my understanding was that there was no mine called Gavin mines. Do I have that incorrect?
A I don't know.
392 Q So you're saying -- okay. And what's the relationship between Gavin Mines and Dome Mountain mine?
A Dome Mountain was trying to buy out Gavin Mines.
393 Q So Dome Mountain was trying to buy Gavin Mines which is not operating but is it is potential gold mine?
A Yes.
394 Q And who is Dome Mountain trying to buy Gavin Mines from?
A The Tattersalls and the -- and an investor group of 1,000-plus investors, I believe.
395 Q So do you know where Dome Mountain is located?
A The offices of it?
396 Q No, the mine. Do you know what Dome Mountain mine

is?
A It's ownership of Gavin. That's what I understand.
397 Q Have you ever communicated with Lloyd Tattersall?
A No, I have not.
398 Q And Andy Clark?
A No.
399 Q Do you know who Andy Clark is?
A I do, yeah.
400 Q Who is he?
A He's a businessman.
401 Q Can you be more specific?
A I think he owned a stake in Gavin. Or owns a stake in Gavin.
402 Q Just going back to the way you characterize things, I think you're incorrect that -- is it possible that what you're referring to as the Gavin Mine is the Dome Mountain mine?
A Yes, yeah, I think so, saying it that way.
403 Q And that what Dome Mountain was looking to do was actually buy shares of Gavin Mines, the company in which Mr. Tattersall and Mr. Clark were significant investors?
A I see. Okay.
404 Q So explain to me, we know that there's a

significant sum of money, over $12.5 million owing from Dome Mountain Resources of Canada Inc. to the Crystal Wealth funds. Explain to me -- I just want to hear it from you -- exactly how that opportunity arose with Dome Mountain as a merchant and what the factoring arrangement was.

A Okay. Dave Denhollander pitched the Dome Mountain deal to myself. I can't remember the date, but 20 -- the fall of 2015 or late summer of 2015, I think.

I think he had talked to Jerry Froese about it before trying to put something together, a structure. I don't think it worked, so he talked to me about it. There was 14-101 historical mine information. It had been mined over the years. The results, a geology report that I recall.

So the numbers looked good from a grade perspective. They wanted or a group wanted to get the money to buy it -- to buy shares in Gavin to do a drill-out program and move the project along.

I didn't have enough money or the funds that I was analyst for didn't have enough money so I brought in another analyst, Jeff Mushaluk. He was involved. We talked to him. Looked at the numbers. Committed to looking at it to see if we could do it. Talked to Clayton Smith about the structure. He got involved talking to Jerry administering. I remember reading in a report -- you're saying it's a loan facility, but, you know, it was structured as a factoring contract.

405 Q It was papered as factoring contract?

A It was done as --

406 Q But in reality you can say -- you know what a factoring arrangement is. The Dome Mountain financing was not a factoring arrangement.

A Well, Clayton -- we can't give loans so it has to be structured as a factoring contract for us to do it.

407 Q Well, it's papered as one. So you manufacture an invoice for 80 million bucks and you factor a portion of it on the books, but it wasn't a true invoice for a payable owing by MGE Corporation; correct?

A As far as I know that's -- it was done correctly to make it work.

408 Q It was papered to give it the appearance of a factoring arrangement to comply with the factoring funds strategy, even though in reality it was not a factoring arrangement. It's bridge financing. It says it all over the paper; right?

A As far as I know it was done as a factoring contract. That's --
409 Q Mr. Housego, you're the lead portfolio strategist of the fund?
A Yes.
410 Q Tell me how the Dome Mountain financing was a factoring arrangement?
A It was done as a receivable to MGE. I mean, that's -- I mean, I deferred to Clayton Smith. He was involved in the structure. Otherwise we wouldn't have done it.
411 Q We hear a lot about people deferring to other people but the reality is 12.5 million went out the door and I want to know how that was a factoring arrangement and not bridge financing.
A Because that's how it was structured.
412 Q Papered?
A It was a factoring contract. I mean, that's what it was.
413 Q And what were you factoring?
A The sale of the work to be -- to do -- to buy out the Gavin Mine. The Dome Mountain. Gavin Mine shares.
414 Q Sorry, you signed a factoring contract in November 2015 with Dome Mountain. As a result of that

contract over $12.5 million went to Dome Mountain?
A Yes.
415 Q What were you -- and it was based on an invoice from MGE Corporation for 80 million bucks. What was the invoice to MGE for 80 million bucks for? What did Dome Mountain do?
A The value of the shares of the property. The shares, I guess.
416 Q So MGE was going to buy the shares? Or it was just going to finance Dome's acquisition of them? Because that's what you said to me earlier.
A Yeah.
417 Q Mr. Housego?
A I'm just trying to think of -- my understanding was that it would be the value of -- the value of the shares. The 80 million was the value of the shares.
418 Q Now, appendix 19 on the second report there was a November 4th -- or sorry, November 7th, 2015, mandate letter and term sheet?
A M'mm-hmm.
419 Q Does that mandate letter and term sheet not deal with MGE's agreement to finance the acquisition by Dome Mountain of the Gavin Mine shares?
MR. CRABTREE: Are you asking him to confirm what the letter

says?

MR. VAN ZANDVOORT: I'm not asking for any sort of legal interpretation of that document, other than Mr. Housego was the lead portfolio strategist that signed off on the 12.5 million going out.

MR. CRABTREE: What are you asking on this --

MR. VAN ZANDVOORT: I'm saying.

420 Q Is this not the transaction that MGE and Dome Mountain were doing?

A I believe so, yeah.

421 Q Is it not funding for the acquisition -- financing Dome Mountain's acquisition of the Gavin Mine shares?

A I believe so. Yes.

422 Q And on the first page it talks about who is going to be the bridge funder, bridge financier. Do you see that?

A I do, yeah.

423 Q Is that not Crystal Wealth fund? Is that not why the $12.5 million went out the door a few days later? And that was going to get repaid when MGE ultimately financed the $80 million acquisition?

MR. CRABTREE: Sorry, are you saying OEHL? Is what you are referring to when you say Crystal?

MR. VAN ZANDVOORT: No. OEHL, as Mr. Housego knows, is MGE

Corporation.

THE WITNESS: So what's the question?

MR. VAN ZANDVOORT:

424 Q The bridge funder contemplated in this document, that was you, that was Crystal Wealth. That was what the $12.5 million was for, to do certain drilling pending the completion of this financing, and then you would be repaid with interest out of the financing proceeds. Isn't that what this setup actually was? That's what the structure of this transaction was?

A I believe that's how we would have gotten paid, yeah.

425 Q Do you know what the Taz mine is?

A Not that I recall.

426 Q Do you know what the Big Onion mine is?

A I have heard of it.

427 Q What is it?

A I think it's another Tattersall holding.

428 Q And you said originally you were approached by David Denhollander with respect to the Dome Mountain financing?

A Yes.

429 Q And you said he had a group. Who was in that group?

A Darcy Paul.
430 Q Okay.
A And Robert Maljaars.
431 Q You said that was late 2015 but I think it was actually late 2014. Is that possible?
A Yes, it's possible.
432 Q Okay. And you gave me very broad strokes which we got to break down on as to how this financing ultimately ended up happening at the end of November 2015. So Denhollander approaches you and what does he tell you? How does he start discussing the Dome Mountain financing?
A I can't recall. We just started talking about it.
433 Q What did he say it was? I want to understand what you thought you were doing in investing into the fund.
A A gold reserve -- a gold property that would be become a mine that had a value of 80 million that they could take over or buy.
434 Q Okay. And when you said "they" are you referring to Dome Mountain Resources of Canada?
A Yes.
435 Q But that's Darcy Paul's company; correct?
A Yes.
436 Q So what was David Denhollander's interest in this?

A I think he was just consulting for them.
437 Q What about Bob Maljaars?
A I would say the same.
438 Q Both consulting for Dome Mountain Resources?
A Yes. I believe so.
439 Q Now, in November 28th, 2014, you sign off on the 647 BC factoring agreement that we looked at at Exhibit 1. And a number of invoices, including ones that remain outstanding, were from 647 BC, David Denhollander's company, to Dome Mountain, and they all just simply say project management. And they're in excess over time of a million dollars, as you know.
A Yes.
440 Q What project management was 647 BC providing to Dome Mountain?
A As I recall, it was for moving the project forward.
441 Q Moving what project forward?
A The Dome Mountain Gavin acquisition.
442 Q Okay. But surely, I mean, the invoices -- let's take a look here.
You can see at paragraph 110 of the receiver's second report there is $1.4 million that the Crystal Wealth funds advanced to Dan

Denhollander's company 647 BC and there's $2.1 million that Crystal Wealth advanced to 156 Alberta, which is Bob Maljaars company, you said. And they all are for invoices that are for project management or "consulting." And that's, as you can appreciate, a significant sum of money. It's, you know, north of 3.5 million bucks.

So when you were doing your due diligence and deciding we'll make $3.5 million of payments to David Denhollander's company and Bob Maljaars' company for these services, I mean, their invoices are one line. What backup materials did you have to understand that these were valuable services and were going to be repaid?

A Jerry Froese would do the due diligence on it. We had security --

443 Q But security over nothing is nothing. You understood that; right?

A We got his personal property.

444 Q No.

A No? Not on that one. Sorry, GSAs.

445 Q Yeah, but again GSA over nothing is -- how do you know what is there?

A Well --

446 Q What assets did 647 BC and 156 Alberta have as

merchants that gave any meaning to any security
the funds would have obtained?
A I can't recall at this time.
447 Q Like, we've spoken to each of these individuals,
Mr. Housego.
A Yeah.
448 Q Would you agree with me that those were just
holding companies? They didn't actually have any
assets over which there was meaningful security.
Is that not possible?
A I can't recall.
449 Q Okay. What type of -- you know, so Crystal Wealth
agreed to shell out over $3.5 million to Bob
Maljaars and David Denhollander's companies for
project management and consulting?
A Yeah.
450 Q Do you have any details as to what that -- what
value or what they're actually doing for Dome
Mountain that gave you confidence that the amounts
would be collected?
A My recollection is that it was to forward the
progress of the Dome deal, and on that financing
we would repay back everything.
451 Q So when MGE came through with the 80 million, all
o-f the 156 Alberta, Dome Mountain and 647 BC

merchant debtor-related invoices would be wiped clean and repaid with interest. That's what you understood?

A Yes, correct.

452 Q So did you -- so in other words, you agreed to advance $3.5 million on invoices which had no value whatsoever until some future event occurred which was a future funding by MGE? That's what happened? And if it's not, tell me how it's not.

A Yeah, I would have to look at the documents.

453 Q Take your time. Take a look.

A I remember talking to Jerry about it and his recommendation, yes, I -- I -- at this point in time, I mean, I deferred to Clayton as well because I was not the PM. So he would have been involved at this level to review and to sign off on. I don't think I signed off on these, to my knowledge. It would have been Clayton Smith.

454 Q Well, you signed the factoring contracts, and according to everyone we have spoken with you were the only person on behalf of funds who was the front man in dealing with these merchants. So I think you're wrong, sir. I think you signed off on every one of these.

A I might have signed off and sent it to head office

for approval.
MR. CRABTREE: Look at the dates though.
THE WITNESS: Yeah.
MR. VAN ZANDVOORT: I told you --
THE WITNESS: I can't -- I wasn't a PM at the time. Clayton would have had authority only to do that.
MR. VAN ZANDVOORT:
455 Q But you were making --
A Recommendations.
456 Q And Clayton -- was there ever an instance that you could think of where Clayton did not accept your recommendation on an investment for the factoring or hedge fund or bullion fund or resource fund?
A Yeah, I think we had differences on things. Absolutely.
457 Q Okay. So on the 647 BC, 156 Alberta and Dome Mountain merchant-related financings, what discussions did you have with Clayton to get signoff on them?
A I would have forwarded him Jerry's -- anything that Jerry would have sent me. We would talked about it. I can't remember the specifics of three years ago but, you know, we would have talked about it, he would have looked at it, and decided whether to approve it or not.

458 Q And was your understanding that the invoices from 156 Alberta and 647 BC to Dome were just arbitrary sums based on a fee that those entities were going to be paid upon the financing coming through from MGE?
A Sorry. Can you resay that again.
459 Q So the 647 BC and 156 Alberta invoices for project management and consulting?
A Yes.
460 Q Was your understanding that the amounts of those invoices that Crystal Wealth factored, over 3.5 million you advanced to them, was simply an advance on the fee they were supposed to be paid out of the ultimate financing?
A I don't think so.
461 Q Did you ever see one document or one piece of information that suggested that those invoices were particular services and not just based on a fee that was to ultimately be obtained from Dome Mountain by those two companies?
A Not that I can recall.
462 Q M'mm-hmm. Who is Jordan McBean?
A I think he was a financier. He was a financier like a Steven Miller, I believe.
463 Q Okay. And where is Jordan McBean based out of?

Does he have a company?
A I think he's out of Alberta. Out of Calgary, I believe.
464 Q Have you ever met him?
A I've met him once.
465 Q When did you meet him?
A I think it was the spring of 2015.
466 Q Do you know why you met him?
A It was a meeting about -- I can't remember what it was about actually. But looking at opportunity, I mean, other opportunities, I think.
467 Q Okay. Did it have anything to do with Dome Mountain?
A Not that I recall.
468 Q Do you know who else would have been at that meeting, if anyone?
A I can't remember who they were. A couple of brokers from Alberta.
469 Q Do you remember who?
A I cannot remember, sorry.
470 Q Brokers, what kind of brokers?
A I think they were stockbrokers. There is a real estate guy. I think Dave Denhollander was there as well.
471 Q Sorry, Dave Denhollander and who else?

A McBean and a couple of brokers and a real estate.
472 Q But nobody else involved with the Dome Mountain --
A Not that I can recall, no. It's possible, but I don't believe so.
473 Q Was Jeff Wilkie there?
A Yes, I believe so. That name rings a bell.
474 Q Do you know who Jeff Wilkie is?
A I had his business card. I just can't remember off the top of my head.
475 Q Have you ever done any business dealings with Jeff Wilkie?
A Not that I recall.
476 Q Directly or indirectly through any fund investments with Crystal Wealth?
A I can't remember.
477 Q Now, at Exhibit 1 we went through I tried to get you to explain how funds flowed when you would enter into a factoring arrangement, and one of the debtors in Exhibit 1 list was GIC Capital Corp., and my understanding is Jeff Wilkie is the sole face of GIC Capital Corp?
A Yeah.
478 Q So you don't remember that the --
A I do.
479 Q You factored invoices through 647 through Jeff

Wilkie's company?
A Yes.
480 Q Does that ring a bell now?
A Yes, it does.
481 Q So now you're at a meeting with Jeff Wilkie and Dave Denhollander. So what -- the key rep of a debtor and the key rep of the merchant who invoices that debtor, you and Jordan McBean, who I understand is like Steven Miller, in the business of raising money?
A Yeah.
482 Q And it has nothing to do with Dome Mountain, you said?
A I can't remember what the meeting was about.
483 Q Now, was Bob Maljaars at that meeting?
A Yeah, he would have been there too.
484 Q Okay. And was Darcy Paul there? President of Dome Mountain?
A Not to my recollection, no.
485 Q Okay. So Bob Maljaars told us that the meeting was with you, Darcy Paul, Jordan McBean and Jeff Wilkie.
A Okay.
486 Q And it was to give you comfort in the fact that McBean could raise the money to finance Dome's

acquisition on the Gavin Mine shares, and the reason why they wanted you to be convinced was so all of those invoices at paragraph 110 of the report we just looked at could be factored which Crystal Wealth because you would be comfortable that McBean would raise the money and that you get paid back for the funds, because you would be shelling out quite a bit of money when there was no ability or means to pay it back. Does that ring a bell?
A   A little bit.
487   Q   Was that what the meeting was about? McBean was going to tell you how he was going to raise, as I understand it at least, four different funds to finance the Dome Mountain acquisition of the remaining Gavin Mines shares?
A   Honestly, I don't know why, but I cannot remember much about that meeting.
488   Q   But would you agree with me that after that meeting, that's when the Crystal Wealth funds started factoring 647 and 156 invoices?
A   Yeah, it must be.
MR. VAN ZANDVOORT: The 647 factoring agreement was the end of November 2014 and the 156 Alberta factoring agreement was January 8th, 2015? I can show you

that year if you want to take a look. We'll mark it Exhibit 2.

EXHIBIT 2: 156 Alberta factoring agreement

THE WITNESS: Okay.

MR. VAN ZANDVOORT:

489 Q So that's January 2015. If you go back to paragraph 110 of the second report you can see the timing of the invoices that you start factoring from Crystal Wealth?

A Okay.

490 Q So is that how it happened? You had the meeting, McBean gave you confidence that he was going to raise the money to give for Dome Mountain or finance Dome Mountain. You say okay, I'm fine to start factoring the 647 and 156 invoices because when the financing comes through they will all get repaid?

A It's possible, yeah. Honestly I can't remember but it sounds --

491 Q Do you remember what McBean gave you to give you the confidence to proceed with the factoring arrangements with 647 and 156 Alberta?

A I cannot.

492 Q Did he give anything to give you the confidence or was it all verbal?

A Actually I cannot remember. It must have been verbal.

493 Q What did 647 and 156 Alberta do with the more than 3.5 million bucks as you can see in paragraph 110 that Crystal Wealth funds gave to those companies? Do you know what that money was used for by those entities?

A I do not.

(PROCEEDINGS RECESSED AT 11:22 A.M.)

(PROCEEDINGS RECONVENED AT 11:37 A.M.)

MR. VAN ZANDVOORT:

494 Q So on the 156 Alberta, 647 BC invoices to Dome, or to any debtor for that matter, did Frontline ever provide Crystal Wealth with due diligence materials?

A I believe they would have sent something.

495 Q Do you know?

A No, I do not know.

496 Q Okay. Again before the break we talked about how it appeared you had the McBean meeting, then had the confidence to factor advances to Bob Maljaars and David Denhollander's company based upon what was ultimately going to be financed by McBean's funds and later MGE. So I wouldn't imagine there would be any due diligence materials because there

was no actual consulting tangible services that -- or project management services for which those invoices were made?

A I would have to check.

497 Q Where would you check?

A Emails, if there's any email of due diligence stuff.

498 Q Okay. But you can't --

A Maybe already done that.

499 Q You can't recall?

A I can't recall.

500 Q Because we certainly haven't found any.

A Okay.

501 Q And you can't recall anything?

A Not off the top of my head, no.

502 Q And so at appendix 32 to the second report there are copies of the -- what invoices remain outstanding according to the books and records of Crystal Wealth from 647 BC and 156 Alberta. You can take a flip through. Do you recall receiving those invoices? At any time?

A I don't remember specifically, no. But --

503 Q But what would the process be? Jerry comes to you with an opportunity. At what point does he provide -- does Jerry provide you with the

invoices?
A Yes.
504 Q Okay. So you would have received those?
A Yes, I would have.
505 Q Okay.
A And I would have forwarded them to head office.
506 Q Yeah.
A And Clayton would have made -- come back with any questions if there were any and then decide to fund or not to fund.
507 Q And who makes those invoices at appendix 32? Those are the 647 BC and 156 Alberta outstanding invoices.
A Would have been the company. The company.
508 Q When is the last time you had any communication with Jerry Froese?
A A week ago.
509 Q What was that concerning?
A We were just talking about what was coming up. The receivership.
510 Q Can you be more specific?
A Just how things were going. Hardships that we were going through personally.
511 Q Like, so did he reach out to you or you reached out to him?

A We've talked once in a while over the last six months.
512 Q Do you talk weekly?
A No, I would say monthly, every month to see how things are going. How he's doing.
513 Q And what hardship is Mr. Froese going through?
A Just everything that has happened with Crystal Wealth and ...
514 Q What hardship is he going through?
A Financial.
515 Q Sorry. And why is he having financial difficulties? I'm sorry, I'm not seeing the connection between Mr. Froese's and Frontline's financial hardships and Crystal Wealth's.
A No, I mean, this is more just a cordial call about how things are going.
516 Q I know. You said it was about both of your hardships. So just tell me, like, what is his hardships? What hardships has he got?
A Well, his wife had to go back to work, get a full-time job. Stuff like that.
517 Q Because -- okay. And where is -- what is her name?
A I don't know.
518 Q You don't know Jerry Froese's wife's name?

A No, I don't recall.
519 Q Have you ever had dinner with her?
A I don't believe so, no.
520 Q So have you guys ever taken trips together?
A No.
521 Q And so why did she have to go back and get a full-time job?
A I guess for -- to make money.
522 Q I know, but what happened to Mr. Froese that all of a sudden his lifestyle required her to go back to work?
A I don't know.
523 Q I want to -- after an advance is made on a factoring arrangement by the Crystal Wealth funds, what type of ongoing reporting did Frontline Factoring provide, if any?
A Weekly. Weekly reports on all outstanding factoring contracts.
524 Q And who would those be sent to?
A They would be emailed to myself, Clayton. Maybe some others. I can't recall.
525 Q Okay. And I just want to show you, so appendix 44, and I'm going to come around to look at this on your side of the table if that is okay. Appendix 44 to the second report is the

November 17th, 2017, Frontline Factoring weekly summary?
A Okay.
526 Q Is this the weekly -- the format of the weekly reporting that you received?
A It looks to be, yeah.
527 Q So I just want to get your help in helping me understand the format of this document. So just using 156 Alberta as an example, the CW daily interest says 4 12 02. What does that represent?
A How much Crystal Wealth is accruing for interest.
528 Q Like, on what -- on a daily basis, monthly basis?
A It says daily.
529 Q Oh Daily. Okay. And on what amount is that? If it's accruing on -- what amount?
A I would say it's on the principal outstanding.
530 Q Do you know that or are you guessing?
A I'm assuming it's daily on the outstanding principal.
531 Q Okay. So just looking alongside this with Exhibit 2, which is the 156 Alberta factoring agreement, when it says CW revenue to date $446,762.80, again looking at appendix 44, what does that amount represent?
A That should be the amount -- the total amount

that's been earned to date.
532 Q Sorry, earned on what?
A On the factoring contract.
533 Q On the contract or on specific invoices?
A I would say on the total of the invoices. So all invoices, yeah.
534 Q You're saying that's the total amount that Crystal Wealth is being repaid on invoices factored from 156 Alberta?
A No, that's the revenue that's been earned on all the outstanding invoices.
535 Q When you say revenue what are you talking about?
A Well, the fees. The 1.5 percent per month. That to me should be the amount that's -- you have earned.
536 Q And that was actually paid to Crystal Wealth?
A No, it's accrued until payout.
537 Q So CW revenue to date is not actually money received from Crystal Wealth, it's just the daily interest accrued?
A I believe so.
538 Q And who is ultimately going to pay out -- you know, in some cases that would be more than 50 percent of the outstanding invoices. Who is going to pay out half a million dollars in accrued

interest? Who is supposed to do that?

A I would think it was the company 1566496 Alberta Ltd.

539 Q And the Frontline FL revenue to date, what does that represent?

A That's their portion of their earnings and fees.

540 Q But again they haven't received that money?

A I believe that's correct.

541 Q That's so -- and then it says principal outstanding 824,000?

A Yes.

542 Q So is your evidence that 156 Alberta is responsible for paying the principal outstanding of the 824,000 plus the Frontline revenue of 149,000 plus the CW revenue of 446,000, so approximately $1.5 million?

A Well, unless they paid something, because it looks like here there's interest outstanding. So revenue to date is higher than this number, so they have paid some of the invoices.

543 Q So that's my question for you. That's not what you said. You said CW revenue to date was accruing daily interest. But there's a separate column, as you've rightly pointed out, called CW interest outstanding. So CW revenue to date, what

is that money?
A That's the total amount they have earned.
544 Q That who has?
A Crystal Wealth.
545 Q Did Crystal Wealth get $446,762.80 back?
A No, it would have been maybe partially, but because there's -- I would say they would have gotten paid the difference from this line and this line. So they must have gotten paid about 297,000 roughly.
546 Q So why the difference between the CW revenue line and the CW interest?
A This is outstanding that's owed and this is the total that's been earned over the whole time of the contracts. And if some contracts have been paid out we would have gotten paid the interest portion or fee portion of the contract.
547 Q Okay. But we know that 156 Alberta never repaid any monies to Crystal Wealth except for out of Crystal Wealth's own money when it advanced money to Dome; isn't that right?
A Well, if they paid back a factoring contract we would gotten paid.
548 Q 156 Alberta never repaid Crystal Wealth except for some of the 12.5 million advanced to Dome Mountain

was then used to repay Crystal Wealth for 156 Alberta's factoring contracts; isn't that right? And if you don't know just say you don't know.
A I don't know. Sorry.
549 Q Okay. And I just want to stay in appendix 44 for a moment. And at page 12 of the weekly summary it says "156 Alberta." Do you see that?
A Yes, yeah, I see it.
550 Q And it says -- it references three payment dates totalling $289,828.13. You see that?
A Yes.
551 Q Those are the -- and you're saying that money came back to Crystal Wealth? And again if you don't --
A No, I don't know.
552 Q I'm just asking you to help me read this weekly report so I --
A If it says it was paid it should have been paid back to Crystal Wealth, yes.
553 Q Okay. And the FL fees up front, what does that mean?
A Sometimes -- or when they -- when Frontline was setting up documents or the contracts they would incur fees for -- on things that they did, so they would have an up front portion of recuperating those fees as I understand it.

554 Q And so in other words, looking at this, let's say Crystal Wealth factored a $100,000 invoice. The FL fees up front means of that amount Frontline got $9,744 out the gate?
A Yes.
555 Q In addition to the amounts that Frontline would be entitled to as the FL revenue?
A Yes.
556 Q So is that why Jerry Froese's wife had to get a job because you stopped doing these deals where Frontline would get paid significant funds up front?
A It's possible. I don't know.
557 Q And then there's also a column CW revenue and it says $56,658.05. And what does that number represent?
A The fees earned by Crystal Wealth on the outstanding factoring contracts, as I understand it.
558 Q And again where is the -- but is that money actually received or just accrued?
A It's accrued.
559 Q Okay.
A As I believe.
560 Q So why are there three payments adding up to

$289,828 but the total paid to Crystal Wealth is only $56,658?
A Because there is still outstanding principal owed.
561 Q That wasn't my question. My question is this weekly spreadsheet reflects that Frontline in administering the 156 Alberta factoring arrangement has collected $289,828, yet only $56,658 was paid to Crystal Wealth. Where did the other $240,000 go?
A It must have been -- I don't know. It must have been held back by Jerry would be my -- I shouldn't guess. I don't know.
562 Q But look, you're the lead portfolio strategist for these funds at the time of these payments. You're getting weekly reports that says hi Crystal Wealth, it's Frontline. We've collected $290,000 on the 156 Alberta arrangement. We've only given you 56,000. Do you not say where is the other 240,000?
A I can't recall at the time.
563 Q Explain it to me now. That's absurd. Where does the other $240,000 go?
A I do not know.
564 Q Because Jerry and you guys used the money for something else?

A Not that I know.
565 Q Do you have any other investments with Jerry Froese?
A No, I do not.
566 Q Do you or any company with which you have a direct or indirect interest have any investments with Jerry or his companies in which he has a direct or indirect interest?
A No, I do not.
567 Q Do you see something very concerning about what that summary reflects?
A No, I think Clayton Smith would have been involved on the breakdown of payment, and if there was a portion of the interest owed back to Frontline it would have been part of that.
568 Q Frontline collected 289,000. 240,000 is unaccounted for and only 56,000 was paid to Crystal Wealth. And you don't know as the lead portfolio strategist what happened to the other $240,000?
A Clayton would have to have been involved. I wasn't involved at that high level of collection and stuff. It was all head office.
569 Q When Crystal Wealth factored, and I hesitate to use the word factor because most of these

factoring arrangements aren't factoring arrangements, but when Crystal Wealth advanced monies to merchants purportedly on account of factoring contracts, money would go from Crystal Wealth to Frontline and then would Frontline deploy that money to the merchant or did Frontline control how the merchant spent the money?
A No, it would go to the merchant.
570 Q Okay. So Jerry Froese and Frontline did not control the actual use of the funds?
A Not to my knowledge.
571 Q Okay. I want to go back to the McBean meeting in early -- late 2014, early 2015. We talked about that before the break. You started factoring the numbered companies' invoices thereafter. What happened to the McBean financing? Why did that never ultimately occur?
A I can't recall. I think there were issues and he was replaced by Steven Miller.
572 Q So you had started advancing, as we know, over $3.5 million to David Denhollander and Bob Maljaars' companies in reliance on the financing to come through from McBean. Were you not extremely agitated, angry, pissed off when you found out it wasn't going to happen and why didn't

you shut down all of the Dome Mountain arrangements at that time?

A Because they had a replacement.

573 Q Which was Steve Miller?

A As I understand it.

574 Q So explain to me Steve Miller from MGE Corporation.

A From MGE, explain him?

575 Q No, explain -- you're saying Steve Miller from MGE Corporation?

A Correct.

576 Q Who comes to you to tell you we've got Steve now. I know McBean messed up but here is Steve Miller?

A I believe that was -- I think it was Bob Maljaars.

577 Q And so what did Bob tell you about McBean?

A He was financier from -- he be involved.

578 Q Sorry, not McBean. Steve Miller?

A Steve Miller. Yeah. His company MGE could facilitate it and it was a better situation than the McBean. He had a good track record involved in many of these types of situations. And yeah, that's all I can remember.

579 Q I understood the McBean financing would be four mutuals which are from the Bahamas that was going to raise $150 million that was going to be

financed to Dome Mountain; is that right?
A I don't recall that number.
580 Q Do you recall any number?
A The only number I remember is the 80 million valuation.
581 Q From MGE?
A Yeah.
582 Q Do you remember anything about where McBean was going to get the money from or how much it was? How much the financing was that Dome was going to receive?
A No, I do not recall.
583 Q Did McBean get paid any sort of fee?
A Not that I know of.
584 Q I understand that McBean received a -- received a fee part, of which was paid by Crystal Wealth funds on the factoring arrangements with 647 BC and 156 Alberta. Does that ring a bell?
A No, it does not.
585 Q Was there ever a settlement entered into of any kind with McBean where he was supposed to pay money back?
A I don't recall any.
586 Q Let's go back to Miller. What did Bob Maljaars give you to satisfy you that the MGE financing was

going to come through leading up to November 2015 when you made the decision to advance more than $12.5 million to Dome from the factoring in Crystal Wealth funds?
A There would -- there was a -- on MGE specifically or on the --
587 Q Everything. I want to know to the extent of your knowledge what gave you the confidence to go through with the bridge financing?
A There -- I think there was a quite a few documents that we have.
588 Q So there's been a lot of documents referenced in this proceeding. The November 2015 mandate letter and term sheet between MGE and Dome which we looked at earlier at appendix 19. Then there would be appendix 18 in the second report, an $80 million invoice from Dome Mountain to MGE.
A Okay.
589 Q Which Crystal Wealth used to paper its file in advancing the money. Do you remember that?
A Yeah.
590 Q What else did you receive though to make the decision to finance the money in November and December 2015?
A We had, I mean, pretty -- discussions with him. I

mean, Clayton Smith got involved again. The bonds, the surety bond was a big part of it.

591 Q Talk to me about what is that?

A Surety bond is a guarantee that our funds would be paid back.

592 Q Being the 12 million and change to Dome Mountain?

A Yes.

593 Q And that's the insurance cover note at appendix 20 of the second report?

A Yeah, I believe so.

594 Q Who is responsible for paying the $600,000 insurance premium?

A It was inside the deal so it would have been --

595 Q It was going to be paid through the monies advanced by Crystal Wealth to Dome Mountain?

A Dome Mountain, I believe, yeah.

596 Q At that time before the MGE proposed financing was Dome Mountain Resources a shareholder in Gavin Mines or was it going to have to buy all 100 percent of the shares?

A I can't recall if it was before -- it had shares or not before.

597 Q Was there --

A They might have. I don't know.

598 Q Did you ever know?

A Not to my knowledge, no.
599 Q And so the sole due diligence materials you would have received with respect to 156 Alberta, 647 BC, or Dome Mountain arrangements would have all come from Jerry Froese, no one else?
A No, I think David Denhollander sent some stuff as well. Historical background on the site. I think that's -- I think there was some other historical information on it.
600 Q But anything of particular note that led you to enter into these arrangements to advance the money to these three companies, Dome, 156 Alberta and 647 BC?
A No, other than verbal contact with Steven Miller.
601 Q Did you ever see a copy of a share purchase agreement pursuant to which Dome was to buy the Gavin Mine shares?
A I can't recall specifically. If was part of the package I would have seen it.
602 Q The package from Jerry Froese?
A Yeah.
603 Q And if it wasn't, you wouldn't have seen it?
A I would have not have seen it, no.
604 Q Do you know if one even existed?
A I can't remember anything.

605 Q To your knowledge did Dome Mountain or 156 Alberta or 647 BC have any assets?
A They have I think it was 14 point something percent of the Gavin Mine shares. That was my understanding.
606 Q So you just told me a moment ago that you weren't sure if they were a shareholder?
A Well, that's what -- I remember that number. That was around 14 percent of Gavin.
607 Q Who owned 14 percent?
A Dome Mountain.
608 Q So you were mistaken earlier when you said you weren't sure if Dome had any shareholdings in Gavin?
A I don't know if they owned it before or after the financing. I believe that the financing was to structure that.
609 Q And aside from the 14 percent, are you aware of any other assets or income owned or generated by 647 BC, 156 Alberta or Dome Mountain?
A Not to my recollection, no.
610 Q As it concerned the arrangements with flow-through companies, who were you predominantly dealing with, out of Jerry, Bob, Darcy, Paul, David Denhollander?

A I would say to start with it was David Denhollander on the pitch of the deal. After that it was Jerry Froese.
611 Q Did that change over time?
A No.
612 Q How much money did Jerry Froese and Frontline make off of Crystal Wealth's advance to Dome Mountain?
A I don't recall.
613 Q I'm just looking for an approximate figure. I'm not holding you to it.
A I don't know. If I knew I would tell you.
614 Q And so we know -- we are going through the documents. There was the mandate letter and term sheet at appendix 19, the invoice to MGE of 80 million at appendix 18. The performance surety or bond at appendix 20. After that was all signed, Crystal Wealth then advances the $12.5 million to Dome; right? Or to Frontline I guess to be advanced to Dome; correct?
A Yes. I agree. I think so.
615 Q How is that $12.5 million deployed?
A Deployed?
616 Q How is it used by Dome?
A I think there was a breakdown of the drill program, the share purchase, and one other thing.

I just can't remember what it was.
617 Q And who -- was any reporting being done to Crystal Wealth by Jerry Froese as to what the money was being used for, how the drilling program was progressing?
A Jerry, I don't think Jerry did the updates. I think it was David Denhollander who updated me on the drill program.
618 Q And how did it go?
A Not what was expected under -- didn't -- they didn't drill out enough reserves to justify the value.
619 Q Was a valuation ever done of the mine?
A Not to my knowledge.
620 Q Okay. Did you get an accounting of how the $12.5 million was used?
A No, I don't believe so.
621 Q Was an N43-101 report ever generated?
A I believe so.
622 Q Who generated that report?
A I don't remember. I don't recall who it was.
623 Q Was it Rough Stock Mining Services?
A It would be. I don't remember. I would have to look and --
624 Q Was a final report ever prepared?

A I don't recall.
625 Q What did you understand the performance bond to be guaranteeing and how it would work?
A The value of what we put forth.
626 Q So if you weren't paid back the 12.5 million in a year's time you could call up the insurance company and they would pay it out?
A That's what I believed, yes.
627 Q And again any lawyers involved in this transaction or structure?
A I think -- I think Clayton had BLG look at it.
628 Q Do you know?
A I can't say with certainty.
629 Q Appendix 38 of the second report the receiver included a number of invoice summaries that were addressed from Frontline Factoring. There is one March 9th, 2016, it says "re Crystal Wealth invoice summary for Dome Mountain." Do you see it here?
A Yes.
630 Q Would those type of summaries be provided to you from Jerry Froese?
A Yes.
631 Q Okay.
A And I would forward them on. Or he might have

CC'd me in on it.
632 Q And it says in this document this deal is being structured as a flat discount rate for 12 months versus a normal 30-day discount rate. Do you see that?
A Yes.
633 Q What does that mean?
A Well, normally we get a 1.5 per month for the length of the contract. On this one it was a flat rate for the term.
634 Q What was the flat rate?
A It was the same, 18 or -- I think it was slightly higher. 19.4 or something. It was slightly higher.
635 Q It says although the performance bond is 12 months it estimates to be funded by May 31st, 2016?
A It was expected to pay out sooner.
636 Q What was expected to pay out sooner, the MGE financing?
A Yes.
637 Q What involvement, if any, did you have with these weekly summaries?
A I would look at them and talk to Clayton Smith about them. If there was issues he would get involved. And if there was calculation issues

or -- like you said, on that one that was short or gap, like, I don't remember that one specifically, but if there were issues like that Clayton would get involved with Jerry and talk about who would get how much and so on.

638 Q At appendix 30 of the receiver's second report Jerry Froese sent the receiver an email and in it he advised, and I will show it to you. He says he received instructions from Al Housego regarding the wording of invoice summary and what needs to happen with internal structure.

So I'm struggling to understand why you would provide Frontline with instructions as to how to word their summaries as to Crystal Wealth?

A Yeah, I don't remember that so I don't even know what it's pertaining to. I wasn't involved in contract. I might have relayed something to Clayton, but honestly I don't remember that.

639 Q You recommended all the factoring funds, factoring deals to Clayton though?

A Absolutely, yeah. I had no authority to bind them so it had to come from head office.

640 Q You made the recommendations on the factoring contracts?

A Correct.

641 Q The US Real Estate LP?
A Yes.
642 Q The gold contracts?
A Yeah.
643 Q Yeah. Why did the MGE financing not close?
A Which one? The second one?
644 Q No, the first one. So November 2015 you sign the deal. Crystal Wealth provides the bridge financing that is supposed to get paid back. The financing they say -- Frontline says in the invoice summary should be done by May 2016. We know that doesn't happen. The one-year factoring agreement turns up, doesn't get paid out. Why didn't it close?
A So, I mean, I remember we look at options on what was happening with it, why it wasn't coming together. We talked about the insurance, Clayton Smith and Steven Miller. We discussed it.
Steven Miller told us that the insurance would not pay out because it -- the drilling didn't -- they didn't meet something that was required. So we were upset obviously.
When that was -- when that became part of, you know, the problem that it wasn't going to pay or we were worried it wasn't going to pay, I think

Bob Maljaars was renegotiating with the Tattersalls and the other investor group to -- as an assumption to lower the valuation so that the existing drill out results justified the valuation for the financing. And that was what happened.

We chose that. I mean, Clayton, I remember him saying -- or we talked about if we trigger the insurance and it doesn't pay out we would spend time, money, and not get paid out, which would be harmful to the unit holders obviously. So Steven Miller gave --

645 Q Well, how would you be in any different scenario than you ultimately -- by making a claim and it not being paid out, how are the unit holders of Crystal Wealth harmed any more than not making a claim and not getting paid out?

A Well, Steven Miller, he gave us pretty firm assurances that the new valuation would make it happen, the financing would happen, and it would get paid out. In the full amount.

646 Q What is the new valuation?

A 36 million, I believe.

647 Q 36 million. And the original valuation?

A 80 million.

648 Q My understanding was the 80 million, you were

going to have to use 12.5 of that to repay Crystal Wealth so that couldn't have been the valuation. Crystal Wealth advances Dome 12.5 million bucks, I'm using round numbers, in November 2015 for an $80 million that is supposed to happen.

A Yes.

649 Q You've told me throughout this exam that the 12.5 million plus interest fees, et cetera, was going to get repaid out of the 80 million?

A I agree, yeah.

650 Q Plus all of the 647 BC and 156 Alberta advances were going to get repaid to Crystal Wealth out of that 80 million because there no other source to repay it?

A I believe so, yeah.

651 Q So what was the original valuation?

A I only know the 80 million.

652 Q Well, but that wasn't the valuation. The valuation would be something less because a portion of that 80 million was to repay Crystal Wealth. Was it 60 million?

A I don't know of any other valuation.

653 Q Did you get a valuation report of any kind?

A Not that I know of.

654 Q And how did -- so when the -- I understand where

you're going with the valuation was reduced to 36 million, and we know in November 2016 a $36 million invoice to MGE. But again of that 36 million the call it close to 20 million would -- or approximately 20 million would need to be used to repay Crystal Wealth on the Dome Mountain, 156 Alberta and 647 BC advances; right?
A Okay.
655 Q Like, correct me if I'm wrong here.
A My understanding was that it was worth much more than 36 million, but they negotiated it down with the ownership group to 36 million.
656 Q But you understood of the 36 million, 20 mill or so of that was coming immediately back to Crystal Wealth?
A As long as we got paid I didn't care.
657 Q So did you see a valuation report for the new valuation that was accepted?
A On the 36 million?
658 Q Yeah.
A No, I just believed that was the number that was accepted or negotiated with the ownership group.
659 Q So why -- let's assume for a second that on the original 80 million financing 65 million was to buy the, call it, 86 percent of the remaining

shares of Gavin Mines?

A Okay.

660 Q And then on the revised financing all of a sudden 16 million would be sufficient to buy the 86 percent. Why would the Tattersall's ownership group or the remaining shareholders agree to drop the valuation by approximately 45, $50 million?

A I think the market had changed, the gold market. I mean, gold had dropped I think from the highs. And I think they were -- they are quite elderly. As I understood it they wanted a liquidity event and they negotiated it.

661 Q And so you must have been shocked when they said you won't believe it, Al, they're willing to reduce the price by 65 million bucks to sell us their remaining shares?

A I was surprised, yeah.

662 Q So what did you do to confirm that that was true, because that almost seems to good to be true to me?

A In the gold market, I mean, shares drop. They've dropped 90 percent from highs to low so it's not like it's out of the ordinary. It's still shocking, but I think gold had dropped, so that was my understanding that that was why. And they wanted a liquidity event.

663 Q Okay. So as 2015 progresses, and before everything was renewed in 2016 I understood that in September and October that there was a series of frantic discussions between you and Steven Miller and Darcy Paul of Dome Mountain and Bob Maljaars and perhaps David Denhollander, I would think, concerning what you guys were going to do. It's September 2016. You got two months before this thing turns up. Can you tell me what was discussed at that time.

A They were talking about drilling out more to prove it but not enough time. The restructure became the focal point of restructuring the deal down to the lower number to justify the drill -- the existing drill results to get the financing.

664 Q Okay.

A That's what I remember.

665 Q Now, I understand that in I think October of 2016 Darcy Paul told you that Steve Miller was going to be meeting with a Nordic bank. Do you recall that?

A I don't remember the specifics, no.

666 Q And he had talked to you about a Japanese buyer. Do you remember anything about that?

A I don't remember it being Japanese.
667 Q But it looked like there was discussions going on about an alternative way of -- it seemed like Steve just didn't come up with the money and that you guys were looking for a new way to raise money to essentially finance this or pay out Crystal Wealth. Is that fair to say?
A Yeah, I guess he was looking for different avenues for funding.
668 Q Do you remember anything about a bank wanting a convertible note to be raised to pay it out?
A I don't recall that.
669 Q So explain to me the process of the -- so how does a decision get made to -- did you get a legal opinion on whether or not to pay to make a claim on the insurance policy?
A No, I just remember talking to Clayton about it, and with a new deal structure coming in he got involved. Him and Steve Miller finalized. I wasn't involved in the final negotiations. It was Clayton and Steven Miller. I know Jerry -- that might have been later -- was talking a law firm. I think he talked to Miller Thomson, his lawyer at Miller Thomson as well.
670 Q About what?

A Just about the insurance policies in general. I think that was to do with the next insurance.
671 Q Now, Jerry said that you were the one who got -- sought out a legal opinion but you didn't want to pay the legal opinion because it was going to be too expensive as to whether or not the insurance company would pay out. Do you remember anything about that?
A Vaguely.
672 Q So, I mean, you had no problem paying out $20 million to 156 Alberta and 647 BC and Dome Mountain, but is it actually true that you didn't think it was worth the $15,000 to get a legal opinion on whether a insurance policy would pay out?
A It was my understanding that Jerry would pay it so I think that's -- it wasn't --
673 Q That Jerry would pay what?
A The legal opinion.
674 Q Why would Jerry pay for -- it's Crystal Wealth's investment. Why would Jerry pay for it?
A I can't recall.
675 Q Wouldn't Jerry be in a bit of conflict since he's making money off this investment? Why would Jerry be getting it. Isn't it your obligation to get

the opinion on behalf of the investors to for Crystal Wealth?
A Yeah. I just remember talking to Clayton and --
676 Q About what?
A He made the decision.
677 Q Clayton made the decision not to get the legal opinion? Okay, let's --
A I don't know if it was him or not.
678 Q So but bottom line, you make the decision we'll sign a whole set of new documents with MGE. We'll renew this thing for a year. Renew the performance bond as well?
A That was my understanding, yeah.
679 Q So why bother renewing if you didn't think it was going to pay out?
A For added security.
680 Q But you said you didn't make a claim on here because it wasn't going to pay out. So why renew it if it's not going to pay out?
A I didn't make the decision on that actually. Clayton Smith did.
681 Q Okay. And if you turn to appendix 23 of the second report. This is the 2016 performance bond; right?
A Yeah.

682 Q And the -- and it's increased to 18 million because Crystal Wealth advanced some additional monies; correct?
A Correct.
683 Q And so why -- and sorry, if you flip over, it's $630,000 for the premium?
A Yeah.
684 Q Whose responsibility was it to pay that?
A My understanding was it would be included in the deal again, like the original one.
685 Q So money Crystal Wealth would pay out and a portion of that would be used to pay the premium?
A That was my understanding.
686 Q But you understand that that did not ultimately happen?
A Correct.
687 Q And why did that not happen?
A I don't know. In the negotiations with -- between Clayton and Steve Miller it seems to have been missed. I didn't find out for probably, I don't know, I think about ten days after the fact, after the refinancing. And then we were trying to decide who is going to pay for it.
688 Q Okay.
A But I -- the fund didn't have the money. We had a

redemption, as I recall, and it couldn't fund it. Jerry didn't have it.
689 Q Well, again why would Jerry be paying?
A I know. No, I know. I mean --
690 Q The reality was you guys were all in it together. That's how you approached this whole thing. You, Jerry, Clayton, you were looking for a solution?
A Absolutely.
691 Q Yeah. So at appendix 30 to the second report Jerry Froese said that November 14th, 2016, you decide to not get the letter of confirmation concerning the validity of the insurance from the lawyer Channing Luken and Partners Limited as you did not want to pay $18,000 to get the opinion; is that correct?
A I recall that he was waiting for a legal opinion. I don't think we ever got it or didn't get in it time. There was a deadline -- a deadline to get the second one, the second insurance policy and the opinion. Because it was an English-based insurance company you needed an English lawyer and we never did get --
692 Q You never got the opinion?
A Never got it in time.
693 Q You never got it at all?

A Never got it, no.
694 Q Okay. And on November 14th, 2016, around the same time, Jerry sent Clayton an email saying "Do we leave Jeff's fund out of the new funding as Al has indicated he is paying out Jeff's position." What -- give me context to that statement.
A Well, the other analyst Jeff Mushaluk had put money in from -- or recommended one of his funds put money into help finance it.
695 Q But back in 2015?
A Yes.
696 Q And what was his fund?
A The ACM. Growth and income.
697 Q Okay.
A Funds.
698 Q Okay. And Jeff was probably furious, I would imagine, because this looked like a terrible investment and he wanted his clients out?
A He wanted -- yeah. A redemption back. So I committed to it or recommended that it be done, and it did.
699 Q So the -- his funds were invested into the factoring and hedge fund or?
A Yes.
700 Q He had individual investors investing units in the

factoring and hedge fund?
A No, I think it was his -- I believe it was his fund -- the funds, the ACM growth fund. Could have been an income fund as well.
701 Q Okay. And still at appendix 30 there's an email from Clayton to Jerry Froese, copying you, saying:
"Hi Jerry, it should definitely be structured as a factoring agreement re Dome Mountain, not a loan. And that I would think that the object being factored is the sale proceeds from MGE and as back-up, the insurance proceeds."
Did you ever respond to this or try and correct this email?
A What is the date on that?
702 Q November 15th, 2016. Did you not -- this is Clayton expressly telling Jerry structure it again as a factoring agreement. We know there was no sale proceeds despite what Clayton said. It was a financing. And as back-up insurance proceeds, but you all knew that the insurance wasn't valid, you said?
A We didn't know if it was valid.
703 Q Well --
A That was the uncertainty.

704 Q You had your eyes closed as to whether or not it was. You didn't get a legal opinion; is that fair to say?
A We did not get a legal opinion.
705 Q I want you to just take a look at an email. It's from Darcy Paul to David Denhollander, Bob Canada and Jerry Froese sent on October 14th, 2016. Which is my first question. Is Bob Canada to your knowledge Bob Maljaars as far as how his email comes up?
A I would assume so.
MR. VAN ZANDVOORT: So take a look at it. I apologize, it's on a laptop but I will put my laptop in front of you.
And, counsel, we can mark this Exhibit 3 and perhaps I can print a copy of that this here.
EXHIBIT 3: An email dated October 14, 2016
MR. VAN ZANDVOORT:
706 Q Let me know once you've read it.
A Okay.
707 Q See at the bottom where it says:
"Jordan's latest 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 Okay.

708 Q I asked you earlier if there was a settlement with Jordan, and does that statement -- do you know what is being referenced there? You just had a call with Darcy, you said, and now Darcy sends an email making this statement. What did that concern?
A I don't know. I don't know of Jordan's involvement.
709 Q Okay. And then Darcy also says in his email:

> "Just got off a call with Allen and Steve Miller. And he said a corporation was formed in the US to hold the shares of the mine, an Australian mine Steve would put up as security. The bank wants it to be a convertible note. Not a problem to do but it is time sensitive and it's being worked on over the weekend and should be done by Tuesday. That puts closing by Thursday/Friday and funds 5 million transferred the following week. Al is concerned and expressed it. Asked what happens if it doesn't."

What was going on at that time? What is Darcy talking about?
A It's Steve -- I believe it was Steve Miller's

financing for the project.
710 Q On the 80 or the 36 million?
A I think it's on the 36 million.
711 Q So now you're talking about whether or not he could raise it even at 36 million?
A Well, he gave us assurances that he would, that he could.
712 Q And I haven't seen any paperwork provided by Jerry Froese which provided any more assurances. I just see uncertainty. I see no claim made on the insurance policy in November 2016. I see repapering, a purported factoring arrangement which wasn't a factoring arrangement. Am I missing something here?
A I don't know. I wasn't emailed in on that so --
713 Q You just got off the phone, Darcy says in his email?
A No, I understand.
714 Q Where did the money come from to finance the redemptions to Jeff get out of the factoring and hedge fund?
A It was in the fund. It would have been a cash balance in the fund.
715 Q Did you have much dealings with Darcy Paul or was it more so --

A Very limited. I think the -- at the end of this and the -- the renegotiation was the first I really started talking to him.

716 Q There's a cancellation letter at appendix 25 of the second report dated November 28th, 2016, advising of the cancellation of the performance bond due to non-payment of the premium. Did you receive it at that time?

A I didn't -- don't recall getting it personally.

717 Q You just knew that the premium had never been paid so it had been cancelled?

A Yes.

718 Q And then why after November 2016 does the MGE financing on the new valuation not -- why was it not completed? You said it was based upon the work that had been done already so there were no conditions to be met for it to be completed. Why didn't it occur?

A Yeah, when we got to that point or before it Steve Miller said that he needed an additional amount, 500,000, to get the bond issued to float the bond, of which the fund didn't have or wouldn't -- this was something extra that came up.

719 Q So I'm not understanding. Why would Steven Miller say we need an additional half a million dollars

in order to be able to give Dome Mountain 36 million?

A That was my question.

720 Q It doesn't even seem -- how do you get that far into this thing and, like, these are the type of statements being put to you and there's no paper in Crystal Wealth's files explaining why this money ever should have been advanced by the factoring fund, or any other fund for that matter.

A Yeah, I was sick about it. He kept giving us assurances that it would get done except he needed half a million. That was the last bit. And then the receivership hit right around that time.

721 Q And I just -- just want to be perfectly clear, because we've gone through a lot and we've been through -- the receiver has worked day and night going through the entirety of Crystal Wealth's files. We've seen all the paper. Is it really as simple as Jerry Froese came to you and said advance 12.5 million in November 2015, there's going to be a huge financing, you're going to get big time interest, as you say, 19 percent or more, a year from now. It's insured. You trusted Jerry. You recommended it to Clayton and the paper got signed on it? Is that not really

how simple it actually was and unfortunately it just all blew up and didn't work out?
A No, I think there's more to it than that.
722 Q Can you tell me what more there is to it?
A Well, there was the 43-101 and other information. It wasn't just do it. We discussed it. Reviewed it. Clayton got involved and negotiated. Worked on the contracting. There were issues. We tried to work with them to --
723 Q You started advancing money on the McBean financing. That never happens. You happily shift gears to the MGE financing. That never happens. You advance more money in November 2016. It again never happens.
A I've been told they're working on a deal right now so ...
724 Q Who told you that?
A Jerry Froese.
725 Q What did Jerry say they were working on?
A The Tattersalls are working on a sale it sounds like.
726 Q To who?
A I don't know.
727 Q When did Jerry tell you that?
A Within the last month.

728 Q To who?
A To who what?
729 Q Who are they looking to sell their shares to?
A I don't know.
730 Q And at what point did you learn after November 2016 that the MGE financing was never coming through?
A Well, they were working on it right up till the end.
731 Q Who was working on it right up till the end? What's the end?
A Well, Steve and Paul. When the receivership hit.
732 Q And they just stopped?
A I wasn't involved anymore. I had no say. I couldn't do anything.
733 Q What were they working on? What progress did they see? To my mind, I see commercial lending arrangements every day.
A Yeah.
734 Q This was a lot of money got lent based on financing that was supposed to come through. It's not something that should be working on. It sounds like everything you're telling me is that funding was never in place from MGE, that MGE never had the cash to finance Dome Mountain. It

seemed like it was a never-ending battle for you guys to find who would say going to be the source of the 80 million or the 36 million or the 150 million back in the McBean days. Like, these numbers don't seem to be tied to anything, Mr. Housego. They just seem -- so what were you working on? What was happening?
A I wasn't working on it. I was told Steven Miller was working on to get the financing. Jerry was working with them or communicating with them on what was being done to get the financing in place.
735 Q So as of November 2016 your opinion was it wasn't Dome Mountain's fault that the financing didn't come through. At that point it was Miller's fault because MGE had agreed to a lower valuation, they just didn't have the money to fund it?
A I would say that yeah, he couldn't get the financing put together.
736 Q What do you know about MGE Corporation?
A Just what they forwarded us.
737 Q Where are they based out of?
A I think it's either Britain or Australia.
738 Q What about New York?
A Steven Miller is based out of Australia, I believe.

739 Q Does he have offices anywhere else that you know of?
A Yeah, I think New York.
740 Q Have you met him before?
A No, I have not.
741 Q When is the last time you talked to Steve Miller?
A I think it would have been just before the second refinancing. November or October of 20 --
742 Q When is the last time you had any communications with David Denhollander?
A I talked to him in January of this year, I think.
743 Q About what?
A When he was coming home.
744 Q From?
A Chile.
745 Q What was he doing in Chile?
A He's back now.
746 Q No, what was he doing in Chile?
A He was took his family down for an extended stay. Six months -- three months or four months, five months, something like that.
747 Q Does he own property in Chile?
A I believe so, yes. He might not anymore but ...
748 Q And what did you talk to him about in January?
A What's going on with the receivership, and he

asked how I was doing and how he was doing. Specifically though we talked about the farm.
749 Q What farm?
A There is a farm in a Chile that he was at and how he had lost it.
750 Q How he had lost the farm in Chile?
A I believe, yeah.
751 Q What farm? Is that where he was for six months, at a farm?
A Yeah.
752 Q And he said how he lost it?
A Yeah. He had lost the mortgage on it back to the original owner so he had lost the farm.
753 Q And he owned the farm or his family?
A I believe it was him.
754 Q Did you have any involvement with the farm?
A No, I did not.
755 Q So I'm going to show you -- I'll leave it in the binder. There is an email on April 20th, 2017, from David Denhollander to you, Jeff N, a Chuck, Bob Maljaars, Jerry Froese, Paul Dick, David Denhollander and Ryan Wachter, Laguna Torca update. And it's talking about a farm that you're each a 10 percent owner in Chile, so I assume that's the farm?

A That's the farm, yeah.
756 Q So you're welcome to see this email, but I'm going to ask you again. You said you had nothing do with it. Why did he send you an email on April 20th, 2017, advising you on the farm and your investment in it, and that your investment -- in terms of ownership of the farm he says this is how it looks like. He sets out everybody's interest. Yours is 10 percent.
MR. CRABTREE: I think in fairness he should see the email.
MR. VAN ZANDVOORT:
757 Q Take your time.
A I remember it. He offered me a chance to participate in it. And I wanted to, and I told him I would but I never actually did. He said he would hold the position open. So he included me as if I was an owner, but I had never -- I just didn't have the money. But I was very interested. I wanted to -- I wanted to be involved in it and I did want to buy it. And I told him that.
758 Q And Jerry Froese was -- he had an ownership stake?
A I believe so, yeah.
759 Q 10 percent?
A I guess so.
760 Q Did Jerry put his money in?

A I don't know.

761 Q Yeah. When -- explain to me how the investment opportunity came about for the Laguna Torca farm.

A I can't remember. We just -- he was interested in Chile. He went down there. He went looking for land. It was an operating olive farm. We all followed an internet -- I don't know, what is the word. Not an analyst, but an information guy named Simon Black, we all followed him. And he wrote something called sovereign man talking about having a plan B, a place outside of -- in case -- outside of your jurisdiction, your home jurisdiction in case of economic meltdown or nuclear war or something like that, so I was interested in it. So he went looking. He found it.

762 Q This is all in the midst of the disastrous investments associated with Dome Mountain and monies advanced to David Denhollander's company that you're making personal investment decisions with David and Jerry Froese and Bob Maljaars, amongst others?

MR. CRABTREE: Sorry, what's the question?

MR. VAN ZANDVOORT:

763 Q So in the midst of the failed Dome Mountain

financing, the funds are 12 and a half --

A It wasn't failed at that time.

764 Q But had the fund been repaid? This email is dated April 2017.

A Well, he bought it --

765 Q This is eight days --

A -- a year ago.

766 Q I understand. This email is eight days or, sorry, six days before the receiver get appointed.

A I didn't participate so I just read it and ...

767 Q And he says in his email we are still hoping to be able to honour the original deal but we have run into a number of delays which seem to be -- what was the original deal that he's referencing?

A I don't know what he's -- I don't know what he's referring to. Since I didn't participate I don't know what the original deal was.

768 Q And so he says your investments are now at a minimum secured by the equity in the property so --

A Maybe it was a return on investment or a return --

769 Q So when he -- he's saying your investments, the people addressed on this email including you, and you're saying that you didn't have any investment?

A I did not.

770 Q You write him back and say hey Dave, not sure why I'm included on this?
A Well, no, he was holding my position so I was going to -- or I planned to buy in once I had the money.
771 Q Okay.
A I was buying out -- I was paying out my partner.
772 Q Okay.
A From buying his portion of the S&P Financial.
773 Q And how much did you need to get your 10 percent?
A I believe it was 80,000 Canadian.
774 Q You were paid $713,785 by Crystal Wealth in the 12 months ending April 26th, 2017; right?
A I'm assuming so. I'm assuming that number is accurate.
775 Q What did you do with all that money?
A I ran my company. It went to S&P Financial. So we had overhead. We had staff. I think my monthly costs were about 38,000. And I was paying my partner to buy his portion out 16,000 a month.
776 Q And sorry, I know earlier I said I need the names of all the employees but I changed my mind. Who were all the employees in 2016, 2017?
A I gave them to you.
777 Q Okay. Of S&P?

A Yeah.

778 Q And despite having made close to a million bucks that year from Crystal Wealth you didn't have the 80 grand to put into Laguna?

A That was corporate. That was a corporate -- the corporation did. I had working capital of probably about 160 at the receivership date. I kept my office going for eight months after. So I let some staff go and then I finally let my last staff go.

779 Q And so these -- we talked at the beginning about how for -- you received about eight months of $7,500 payments. You said it was from working capital and retained earnings?

A Yeah.

780 Q Is that from out of the $740,000 you on obtained from Crystal Wealth?

A Yeah.

781 Q Did you have any other source of raising money for S&P at that time?

A Yeah, there was a life insurance chunk as well of income.

782 Q That your agent was generating?

A Yeah. I am life licensed as well.

783 Q You said David Denhollander lost the farm. Why

did David Denhollander lose the farm? In his email --
A I think it was from nonpayment. That's my understanding.
784 Q Who was the original owner?
A I can't remember his name.
785 Q When is the last time you talked to Jerry Froese about Laguna Tora?
A I can't recall. A year. Years.
786 Q And I asked you earlier on if you had any investments with Jerry Froese; you told me no. But we know about Laguna Torca. Did you have any other investments, and I don't care if it's you, your company, or with the individuals or their companies, direct or indirect, but with David Denhollander, Bob Maljaars, Darcy Paul, Jerry Froese?
A Not that I know of.
787 Q What about with Jordan McBean?
A No.
788 Q When is the last time you had any communications with Jordan McBean?
A I would say it was the meeting that we were at in Calgary. I don't think I've talked to him since.
789 Q What does Jordan McBean do for a living?

A I can't remember specifically.
MR. VAN ZANDVOORT: All right. That's a good time to break for lunch.
(PROCEEDINGS RECESSED AT 12:57 P.M.)
(PROCEEDINGS RECONVENED AT 1:47 P.M.)
MR. VAN ZANDVOORT:
790 Q So you said that your monies from Crystal Wealth, and we're talking specifically about the 740,000 that you received year end April 26th, 2017, that was paid to S&P Financial?
A Yeah.
791 Q Why was it paid to S&P Financial and not to you personally?
A That was the agreement we set up.
792 Q Your agreements -- your written agreements I thought were in your name personally, were they not?
A I can't remember.
793 Q Did you ever receive money personally from Crystal Wealth or any of the funds?
A No.
794 Q What about indirectly through third parties?
A No.
795 Q Did you ever receive any kind of indirect payments, kickbacks, fees from any companies

Crystal Wealth funds invested?
A No.
MR. VAN ZANDVOORT: I would like copies of Mr. Housego's tax returns for the last seven years, both personally and for S&P Financial and the Enlightened Funds Inc. company that you referenced.
REQUEST 12: Provide Mr. Housego's tax returns for the last seven years, both personally and for S&P Financial and the Enlightened Funds Inc. company
MR. CRABTREE: I have your request.
MR. VAN ZANDVOORT:
796 Q Does your wife work?
A Yeah.
797 Q Where does she work?
A She works at a company called Okanagan Aggregates.
798 Q What is that?
A It's a road paving company. And cement sales.
799 Q Any involvement with Single Source? Any business dealing between Okanagan Aggregates and Single Source Paving, one of the factoring merchants?
A No. Not that I know of.
800 Q You hesitated. But is there some connection there?
A Not that I know of. She just started there in June of last year.

801 Q Where did she work before that?
A That she worked for S&P Financial.
802 Q Doing what?
A Bookkeeper. Payroll. Tax stuff.
803 Q And how much -- what was her income from S&P on an annual basis?
A 60 to $70,000.
804 Q Did you ever have any dealings with Jeffrey Maljaars?
A I met him at -- I met him a few times.
805 Q Can you elaborate? When did you meet him?
A At some of the networks meetings -- networking meetings.
806 Q He would be there with his dad, Robert Maljaars?
A Well, not always, no.
807 Q Okay. So Jeff Maljaars is the sole director and officer of 156 Alberta?
A Yeah.
808 Q He signed the factoring agreement on behalf of 156 Alberta. You said though you were only dealing with Bob for 156 Alberta; is that correct?
A Mostly, yeah. Yes, I would say yes.
809 Q What is incorrect about it?
A No, that's accurate.
810 Q Okay. So did Jeff Mushaluk have any involvement

with the --

MR. CRABTREE: Mushaluk or Maljaars?

MR. VAN ZANDVOORT: Sorry. Maljaars.

811 Q Did Jeff Maljaars have any involvement in the factoring arrangements with 156 Alberta, or was it all through Bob?

A Well, it's his company so he was involved to that extent.

812 Q Tell me about the extent of his involvement as you're aware of it.

A Jerry would have looked at the invoice and sent us the documents and --

813 Q I'm not talking about just documents, I'm talking about what do you know about Jeff Maljaars being involved as opposed to just his father?

A It's his company so he would have been involved.

814 Q Did you have any discussions with Jeff Maljaars about the factoring arrangements that led Crystal Wealth to advance the money to 156 Alberta?

A Not that I can recall.

815 Q What does Jeff Maljaars do for a living?

A He's got a woodcutting machine for firewood.

816 Q Cuts firewood?

A Yeah.

817 Q Do you know where he lives?

A I believe it's Salmon Arm.
818 Q Salmon Arm?
A Yeah.
819 Q Do you have an address for him?
A I do not. I could check.
MR. VAN ZANDVOORT: Okay. Can you undertake to provide Jeff Maljaars address.
REQUEST 13: Provide contact information for Jeff Maljaars
MR. VAN ZANDVOORT:
820 Q Where does Bob Maljaars live?
A I think it's Calgary.
821 Q Do you have his address?
A I can try to find it.
MR. VAN ZANDVOORT: Okay. Last known address and contact info.
REQUEST 14: Provide contact information for Robert Maljaars
MR. VAN ZANDVOORT:
822 Q And David Denhollander.
A Sorry, I couldn't hear that.
823 Q David Denhollander, where does he live?
A Salmon Arm, I believe.
824 Q What about Darcy Paul?
A I think he's in Alberta as well.
825 Q When is the last time you talked to Darcy Paul?

Or had communication?
A Spring of last year.
826 Q Okay. What about Jeff Wilkie?
A I don't recall.
827 Q Do you know what province he lives in?
A No, I do not.
828 Q What -- when is the last time you had communications with Jeff Wilkie?
A Around that meeting in Alberta. That's the last time I recall.
829 Q Okay. And does Bob Maljaars, does he work for Frontline Factoring as well?
A Not that I know of.
830 Q Does he have an office at Frontline Factoring?
A Not that I know of.
831 Q Have you ever been to 156 Alberta's office? It's located at 220 4th Street South in Lethbridge, Alberta, unit 600?
A No.
832 Q Do you know what is located at that address?
A No, I do not.
833 Q Have you been to Frontline Factoring's office?
A No.
834 Q Do you know where Frontline's office is?
A Lethbridge.

835 Q Does it have offices anywhere else?
A Not that I know of.
836 Q What about property anywhere else?
A Not that I know of.
837 Q Where does Jerry Froese live?
A Lethbridge, I believe.
838 Q Do you have his address?
A His home address? I don't think so.
839 Q So two of the factoring merchants were Zomongo entities, Zomongo.TV Corp and Zomongo Inc.?
A Yes.
840 Q How did that opportunity present itself to you?
A From Jerry Froese.
841 Q And what did he say?
A They're a company that was expanding or trying to expand in the advertising kiosk area. They ran banner ads on TV screens basically. And they got -- they charged a fee per run. They were building out their network of, like, 7-11 or similar like that. And they needed capital or cash flow and it was a good receivable. They paid -- yeah, it was a good opportunity. It looked good.
842 Q So Zomongo.TV is indebted to the factoring hedge funds for about 8 million bucks in principal. You

know that?
A Yeah. I believe so.
843 Q What kind of due diligence materials again on Zomongo.TV, was that all provided to you by Jerry.
A Yes.
844 Q Or did you deal with Zomongo directly?
A All through Jerry.
845 Q Who did you deal with from Zomongo directly?
A Nobody.
846 Q Okay. Did you know that Jerry was an advisor with Zomongo?
A Yes.
847 Q When did you learn that?
A I can't recall the date. But it was after he started he became part of their advisory board. So was involved in all of their ongoing economics. I thought it was a good thing.
848 Q So you didn't see there being any conflict with Jerry having a financial stake in Zomongo as well as being the fund's factoring administrator?
A As I understood it, he got options for being part of the advisory board.
849 Q You didn't answer my question.
A I don't -- I didn't think it was a conflict, no.
850 Q Okay. And did you ever have any dealings or

communications with Jeremy Ostrowski or his wife Jocelyn Hughes Ostrowski?
A No.
851 Q Have you ever spoken with either of them?
A Not that I know of.
852 Q So the invoices that were factored from Zomongo.TV that are outstanding date between August 2015 and August the 2016. Do you know what happened as to why those weren't paid?
A Sorry, I'm just trying to remember the specifics if I can. I think he ran into some issues with the screens and technology. He had to get -- upgrade some coding or something to my recollection.
853 Q Okay. And why did Crystal Wealth ultimately execute its subordination agreement in favour of TCA, global credit master fund LP?
A My understanding is that they were trying to -- he needed more money to expand.
854 Q Who did?
A Zomongo. Zomongo needed more money in order to expand, and I couldn't facilitate that anymore or my fund couldn't, so he went to TCI to get more credit to build out, to grow and to go public. That's his -- that's what I was told was his end

game.

855 Q That's Jerry would tell you?

A Yeah.

856 Q Anybody else give you information on Zomongo?

A Not that I recall.

857 Q Were efforts made to go to Accent Marketing or Iconic, Banus Consulting or Mobility Media, all of whom were debt -- underlying debtors -- Golden Shores as well -- to collect on the invoices. Or was it always just sit back and wait to receive it from the merchants?

A Clayton Smith would have made the decision on that. That was a head office decision.

858 Q Did anybody ever call any of those debtors I just mentioned to try and collect directly on the factored invoices?

A Not that I know.

859 Q Why?

A I don't know.

860 Q Would Frontline give formal reporting when account -- merchant accounts were overdue or debtor accounts overdue? Was there non-performing reports of any kind? Anything of a formal nature?

A Not that I recall.

861 Q Okay. And what type of -- so Crystal Wealth

subordinated its position to TCA in late 2016. What type of due diligence or assurances were given to Crystal Wealth in order to subordinate its position?

A I was under the understanding that they -- once they got the facility they were going to pay us out within about six months.

862 Q Who gave you that understanding?

A Jerry.

863 Q Just verbal, I assume?

A Yeah.

864 Q And that didn't happen, of course?

A Well, they only got 5 million of the 10 million.

865 Q Zomongo did?

A Yeah. But --

866 Q You weren't paid out?

A No, we were not.

867 Q And who from Crystal Wealth dealt with TCA as part of the December 2016 subordination arrangements?

A It would have to have been Clayton Smith.

868 Q Did you ever deal with TCA?

A No.

869 Q Have you heard of Donna Silverman?

A Not that I recall.

870 Q Do you know who Tim Barnes is?

A No.

871 Q Have you ever dealt with BFF Ventures?

A I think that's Olonoski's company.

872 Q Sorry?

A I believe that his company, whatever his name is.

873 Q Ostrowski's?

A Ostrowski's company.

874 Q Oh he owns BFF ventures?

A Well, I shouldn't guess. I don't know.

875 Q Do you know what the current state of Zomongo.TV's business is?

A No.

876 Q Do you know what its current state of financing is with TCA?

A No.

877 Q Did TCA advance more than the $5 million? Have they increased it?

A Not to my knowledge. I only knew about the 5 million.

878 Q Why did the Denhollanders provide a mortgage to secure indebtedness owing by Zomongo to Crystal Wealth?

A From my knowledge it was to add extra security for us for the fund, but I heard -- well, I think he got an extra -- he got a payment from Jerry for that.

879 Q Do you understand that the payment actually came from Crystal Wealth? So you got security in the form of a mortgage from the Denhollanders, then you advance the money to Zomongo, but a portion of that money from that goes to Zomongo is used to pay David Denhollander tens of thousands of dollars. Do you understand that?

A No.

880 Q Okay.

A It would have been from Frontline. That's my understanding.

881 Q Why would Frontline pay?

A Sorry. I guess I should not assume anything.

882 Q Don't you find that strange? Crystal Wealth is getting security from somebody who is going to give a mortgage, and in exchange for giving a mortgage which you would never enforce, you would actually pay them, the mortgagor Crystal Wealth, money, tens of thousands a month. Does that not just sound like a way to get money to David Denhollander?

A To the fund it was added security.

883 Q How is that added security?

A Well, we've got his property as security.

884 Q You're paying him thousands of dollars. You've never gotten anything out of that property.

MR. CRABTREE: He's saying he didn't know that.

MR. VAN ZANDVOORT: I don't think that's what he saying.

885 Q Did that security ever turn into money for Crystal Wealth?

A Not as of yet.

886 Q But Crystal Wealth out-of-pocket expenses thousands of dollars because it paid David Denhollander to give that security?

A I don't know.

887 Q Whose idea was that to get David Denhollander to give a mortgage?

A I think it was Jerry's, as I recall. Jerry Froese.

888 Q So Denhollander, he's quite active in the two biggest merchants with Crystal Wealth, Zomongo and Dome Mountain, to the tune of close to 30 million. And he's involved in all sides of it and that wasn't concerning to you?

A No.

889 Q This all seemed like normal commercial dealing to you?

A It was part of networking, trying to find deal flow with these gentlemen.

890 Q It seemed like a very good deal for Mr. Denhollander, not so much for Crystal Wealth.
When is the last time you had any communications with Jeremy or Jocelyn Hughes Ostrowski?
A I don't recall ever having.
891 Q Have you ever heard of Recline Ridge Estates?
A Yes.
892 Q What's that?
A That was a development that David Denhollander was involved in.
893 Q When?
A Oh. In the past.
894 Q What does that have to do with Crystal Wealth and the funds?
A I don't think it has anything do with it.
895 Q Where is Recline Ridge Estates?
A Salmon Arm, British Columbia.
896 Q It's in Salmon Arm. And did anyone associated with Crystal Wealth or anyone that it business with, including Frontline, have an interest in Recline Ridge Estates?
A Not to my knowledge.
897 Q Does Denhollander or his company still own Recline Ridge Estates?

A I don't know. I did not know.
898 Q And it's a residential development?
A Yeah.
899 Q Has it -- has the development been sold?
A I don't know.
900 Q What's the difference between Zomongo Inc. and Zomongo.TV?
A I believe Zomongo Inc. was the parent that we started with, but they changed or they brought it to existence for other ventures. And --
901 Q Are you aware of any means or discussions that have been had concerning Zomongo's ability to repay the factoring and hemming funds?
A Yes, yeah, we talked about it. I talked about it with Jerry a few times.
902 Q When?
A Over the time frame. About them paying --
903 Q When most recently?
A Oh, before the receivership. Not after the receivership.
904 Q Is there any explanation whatsoever as to why no payment was ever forthcoming?
A As I understand it, it was the debt facility, the TCA facility that didn't -- they -- with not getting it they couldn't go forward to grow.

905 Q Did you ever get concerned? Would you say that your -- you made very poor investment decisions, would you not agree? Dome Mountain, Zomongo, were they not poor investment decisions?

A I don't believe so.

906 Q How?

A I think they -- I think they would have had a good chance of paying out.

907 Q How?

A I still think they may pay out.

908 Q How?

A Well, I don't know about Zomongo. I mean, they offered -- from my understanding is that from talking to Jerry is that they offered to pay back 100 percent of their owing over 12 months to me or to the receiver.

909 Q How do you -- Mr. Housego, we're talking between Dome Mountain, 156 Alberta, 647 BC and Zomongo you shelled out about $30 million. Everything I've heard from this examination today is it was all contingent upon other third parties raising money or financing to pay you back. How do you say that that was a sound investment decision?

A I believed it was.

910 Q Why?

A Based on the information we had at the time.
911 Q To finance people money on the hopes that they would get additional financing to pay you back?
A Well, I thought there was -- we thought there was financing coming.
912 Q What's the business of Restoration Energy?
A They had a technology in fuel cell development. Or have. Had.
913 Q And the factoring fund advanced call it 1.2 million and the hedge fund advanced half a million to Restoration Energy, none of which was paid back. Why not?
A The engineers ran into a problem with the technology and it didn't work as they had said it would.
914 Q And what kind of due diligence did you undertake before purchasing the invoices for the sales of this technology to make sure that these were quality receivables?
A Jerry would -- Froese would have done all the due diligence and forwarded it to us.
915 Q I understand that that's the general line, but we're telling you we've gone through everything, we're not seeing the tangible evidence that this actually ever occurred so I'm asking what did you

specifically receive?

A I don't -- I would have to look and see.

916 Q Okay. Do you have any -- did you maintain any records or have you given all your records back to the receiver?

A I've given all my records back to the receiver.

917 Q Okay. So maybe you can help me because we've taken a look. Is there something you could specifically remember that you would have received about the quality of those receivables?

A No, I mean, they were with the University of Calgary, I think, and Roman Catholic church. I mean, it looked good. And again Clayton Smith would have been involved for the approval, for part of the due diligence as well. Contracting. The contract itself.

918 Q And so as I'm understanding all this money that went out the door to these merchants and never came back, one consistent theme was on each of these payouts Frontline Factoring received a significant sum of the money; correct?

A Whatever their fee would have been, yeah.

919 Q Do you know what DDI Distribution Corp is?

A It was connected to Restoration Energy.

920 Q And Dionne Design Inc.?

A I think they were all connected.
921 Q What due diligence was done on those companies?
A Whatever Jerry provided.
922 Q Okay. And they signed corporate guarantees?
A Yes, they did, yeah.
923 Q Now, Dionne Design Inc. and DDI Distribution are both inactive struck in Alberta corporations. There doesn't appear to be any meaningful security from them for having provided corporate guarantees and we certainly haven't found anything in Crystal Wealth's files. So do you have anything that you could add?
A No, the first time I saw it is when I read it in here. But I remember --
924 Q In the receiver's report?
A Yeah. But I knew we had security as part of the factoring contract.
925 Q That was security over the portion of the Pine Lake lands?
A Yes, I believe so.
926 Q What are the Pine Lake lands?
A I believe they were owned by the lawyer who put this all together for Jerry Froese or was part of it.
927 Q Darren Smith?

A I believe so, yeah. And he put it up as security.
928 Q For Restoration Energy?
A I believe so, yeah.
929 Q Now, you understood that that was a collateral mortgage provided by 131 Alberta?
A I believe so, yeah.
930 Q And like Mr. Denhollander, the monies advanced from Crystal Wealth to Restoration Energy, 131 Alberta actually received monthly payments for having given that mortgage; correct?
A Yeah, I didn't know that at the time. I found out after the fact.
931 Q And again at that stage did you freak out and say here's another instance where the "security" the funds have received are actually meaningless mortgages which the only person benefitting is the mortgagor who is getting money from the fund?
A I looked at it as having security. Adding security for the fund.
932 Q Okay. Now, you would know if you looked at it that Crystal Wealth's mortgage was significantly subordinated to a number of senior finances. You understand that?
A Yes.
933 Q Okay. So how is that meaningful security?

A It's added security. I mean, it depends on the valuation. I know the valuation changed.

934 Q Well, we've looked at the valuation. The valuation does not even approach what would be necessary for Crystal Wealth to get a penny out of that collateral mortgage. So it's worthless. You didn't identify that at the time?

A No, I think the valuation was much higher.

935 Q It wasn't.

A It never was. Okay.

936 Q Okay.

A I was under the impression the land was going to be developed.

937 Q But you knew at the time you took it it wasn't. Again you were just going off of what people were telling you it would be worth one day, not what it was worth at the time you agreed to advance Restoration Energy money and 131 payments in order to provide a mortgage; fair?

A I believe there was a valuation on it.

938 Q Oh there was a valuation, but it wasn't a valuation which would result in any monies being paid to Crystal Wealth, given it was so subordinated.

A Okay.

939 Q Do you have any reason to disagree with what I just said? This is our information --
A Not to my knowledge.
940 Q Okay. And who thought it was a good idea to have Frontline's lawyer put up his property as security and to get paid a monthly fee as part of this factoring arrangement? Because that seems like a number of different conflicts.
A I think that came from Jerry as all, Jerry Froese as I -- that's all I know. I mean, I think it was part of the negotiations.
941 Q Okay.
A To get added security.
942 Q And did you have any involvement in a debt security exchange agreement?
A With?
943 Q Restoration Energy. Discussions with Restoration Energy and 131 Alberta about converting the debt owing to an equity position?
A I remember talking about it with Jerry. It was offered.
944 Q Is that something Jerry advanced or were you involved in that?
A No, it was from Jerry.
945 Q Have you ever visited the Pine Lake lands?

A No.

946 Q Do you know where they are?

A No, I do not. Well, in Alberta. I believe.

947 Q Have you had any dealings with the Yvonne Martin Morrison?

A Not to my knowledge.

948 Q Do you know who that is?

A It doesn't ring a bell.

949 Q Advanced Metals is another merchant that owes over $1 million to the factoring fund. Did you have any dealings or communications with representatives of Advanced Metal at any time?

A No.

950 Q What is the business of Advanced Metal?

A I believe they're a steel fab company.

951 Q And do you know anyone about the underlying debtors, Lotus Environmental, Profab Industrial, AIC International?

A Just companies they were doing work for as I know -- as I recall.

952 Q Okay. What level of due diligence was provided? So those are -- those entities. Along with Lotus Energy and Downtowns Transport, were the debtors whose invoices were factored through to the factoring fund. What type of due diligence did

Jerry give to you to sell you on this $1.2 million investment for the focussing fund?
A I can't recall, but whatever he provided we would have sent to Clayton Smith and discussed it.
953 Q Have you ever had any dealings with Jason Parks or Jason Johansen?
A Not to my knowledge.
954 Q Do you know who they are?
A No.
955 Q Do you know who Earl Williams is or Jeff Houghton?
A No.
956 Q Have you heard from Jerry or otherwise any efforts being made for Advanced Metal to repay the amounts owing?
A I'm sure we've talked about it but I can't recall specifics.
957 Q What can you tell me about the Single Source merchant?
A It was another factoring contract that Jerry put forward. I remember talking about it -- with him about CRA's -- that they had, I don't know, something the company owed it to -- something to CRA and Jerry called CRA to see if -- I guess they had money or -- in the account or in the company or something. And the CRA said they had no

interest and then they ended up coming back and taking it. This is after the fact obviously.

958 Q Did you ever have any dealings with any representatives of Single Source Communications, with any of them, or always through Jerry?

A Always through Jerry, yeah.

959 Q Did you receive any due diligence materials concerning the Single Source entities from anyone other than Jerry?

A Not to my knowledge.

960 Q Okay. Do you know who Devey German is?

A No.

961 Q Have you heard of Tanya Mccrary-Singh, M-c-c-r-a-r-y-S-i-n-g-h?

A Not that I can recall.

962 Q And at paragraph 187 of the receiver's second report the receiver set out that under the Frontline factoring and procurement administration agreement a number of due diligence was to be required and to be provided, and prior to its presentation to the factoring fund, Frontline was to evaluate each potential factoring arrangement in accordance the "due diligence guidelines." And shall include but will not be limited to a review the operations and creditworthiness of any

merchant, the debtors involved, the accounts receivable aging and any other applicable contract documents. And was that always done by Frontline? Because we know from today --
A I would expect them to.
963 Q But we know from today that what I just read to you wouldn't even make sense in the type of financing that the factoring and hedge funds were providing, which were not true factoring arrangements. There were no aged receivables on future financings from an MGE or a TCA. So that's not really what occurred; correct?
A In the instances that they were unique it wouldn't have, no.
964 Q And the fact that the Dome Mountain Zomongo balances owing combined for about 88 percent of the indebtedness owing to the factoring and hedge fund, did that not seem offside your offering memoranda?
A It was a large position, yes.
965 Q Okay.
A We talked -- I talked to Clayton Smith about it. But, I mean, I remember him -- well, he approved it. I worked for him and he was my boss.
966 Q On the Laguna Torca email I showed you earlier one

of the names is Chuck Pinnell. Do you know who Chuck Pinnell is?
A Yes, I do.
967 Q How do you know Chuck Pinnell?
A Through Lyoness. He was --
968 Q That Lyoness you said was the network marketing --
A Multilevel marketing discount.
969 Q Which in you and David Denhollander through and Jeff Maljaars?
A Yeah.
970 Q And Bob Maljaars?
A Yeah. Yeah.
971 Q Anybody else we've talked about who was involved in Lyoness?
A Not that I can remember.
972 Q Jerry Froese?
A Oh yeah. Yeah, I think he was too.
973 Q P-i-n-n-e-l-l; is that right, Al?
A I believe so.
974 Q So I want to understand there what Lyoness is. Where did you all meet?
A Hotel in Vernon. Best Western.
975 Q And how many in total --
A Sometimes.
976 Q -- would meet?

A It varied.
977 Q And so you said that David Denhollander introduced you to Jerry Froese?
A Yes.
978 Q And was that -- was Jerry already in Lyoness at that time?
A I believe so.
979 Q And explain to me how Lyoness operated. How does the structure of Lyoness operate?
A Oh gosh. You sign people up and get an override like any other multilevel marketing. You get a discount on your gas from Petro-Canada, other merchants. A small discount, 1, 2 percent. Maybe 3.
980 Q So Chuck Pinnell was part of that, you said?
A Yeah. He was like a trainer, telling about the model and how it worked and so on.
981 Q Higher up the pyramid?
A I think so, yeah.
982 Q Are you all still part of Lyoness?
A I don't believe so. I'm not. I don't know about the rest.
983 Q And so aside from Lyoness -- so you -- when would you have met Chuck Pinnell, I guess?
A I can't remember the specific date. It would have

been I think the summer of 2015, I think.
984 Q Okay. Aside from his involvement with Lyoness, what else was Chuck Pinnell involved with at that time?
A I believe he was still involved in gold buying and selling.
985 Q So talk to me --
A And other things. I don't know.
986 Q So talk to me about Chuck's involvement with gold buying and selling.
A He had a website. He bought and sold gold. Had been doing it for 20 years.
987 Q So he was like a dealer of some sort? He bought gold from whom?
A The public.
988 Q And sold it privately?
A Yeah, to whoever wants. Yeah, whoever contacted him.
989 Q Do he have a company he did this through?
A I believe so. I'm not sure.
990 Q And you ultimately paid Chuck north of a million dollars as part of gold dealings with this company?
A I did?
991 Q Yeah.

A Personally?

992 Q No, on behalf of Crystal Wealth?

A I think he got a commission for being involved, yes.

993 Q So explain to me what his involvement was.

A I liked the model that the mortgage fund, the factoring fund, the media fund, they had a third party provider. So I was trying to get Chuck to be our third party provider for the gold buying contracts, the gold contracts, to do due diligence monitoring networking for more contracts, more gold opportunities.

994 Q And was there an administration agreement entered into with Chuck or -- his company is 611 BC?

A Correct.

995 Q Was there an administration agreement?

A I can't recall.

996 Q When is the last time you had communications with Chuck Pinnell?

A A few weeks ago.

997 Q What was that concerning?

A He just got back from a trip. We talked about it.

998 Q Is he still in the gold business?

A I think he's trying, yeah.

999 Q Just trying to buy gold and sell it?

A I think just trying to get the contracts that he was involved in to fruition.
1000 Q Sorry, elaborate on that. What contracts?
A Any of the ones that we factored, that the people in his company that -- or the providers in his company that are trying to make good on what he did, what he invested in.
1001 Q So did his company actually have a gold mine? Or they were strictly in the business of buying gold and selling it?
A Buying and selling.
1002 Q So 611 or Chuck, they didn't have a mine?
A No. Not to my knowledge.
1003 Q Do you know what Blacksand Gold Inc. is?
A I believe it's a tailings facility up in northern BC.
1004 Q And what dealings did Chuck have with Blacksand?
A I believe he negotiated with them for gold delivery.
1005 Q Do you know if Blacksand or Place One Mines Inc. or New North Construction Limited, did any of them have mines of their own that they ever developed?
A I don't know if they're ever developed yet.
1006 Q So the four gold sale purchase -- sorry, I want to take a step back. So you said you got Chuck to be

your administrator?

A Our third party provider.

1007 Q Yeah, but there was no written agreement to that effect?

A Well, we did factoring contracts -- or no, sorry -- gold agreements with him specifically case by case.

1008 Q So you did gold sale purchase agreements with him?

A Yeah.

1009 Q I understand that.

A Yeah.

1010 Q But did you have an administrator agreement?

A Not that I know of.

1011 Q Did he get paid a fee or his company get paid a fee?

A From?

1012 Q From the funds for being the administrator?

A No, not that I know of.

1013 Q So explain to me how he was the administrator.

A Well, no, he would go out find gold, people that will sell gold at a discount. And we'll buy the contract from him and he goes out and gets them to fulfil their obligation.

1014 Q So the bullion fund, the hedge fund and the factoring fund each do a -- call it a settlement loan with 611 BC.?

A Okay.

1015 Q Is that correct?

A I believe so.

1016 Q Yeah. And then 1.2 million approximately was paid by those funds to 611 BC; correct?

A I believe so.

1017 Q And then what -- explain to me what was supposed to happen. How were the funds to get repaid?

A He negotiated with people who had other companies or people that had access to gold or would have access to gold from those funds that we forwarded to him.

1018 Q Okay.

A They would mine it and he would make a deal at a discount and we would -- and so would we. And he would deliver it in a cash settlement or in bullion.

1019 Q So what due diligence did you do on Blacksand Gold Inc. before advancing 611 the money from the bullion and hedge funds?

A I would have -- I talked to them. I talked to Chuck.

1020 Q Who from Blacksand?

A Is that -- Alan Braun, I believe.

1021 Q Okay. So Alan Braun was involved in Blacksand and Onstar?
A I believe so.
1022 Q Okay.
A Maybe -- sorry, no. I can't recall. It could be Stan Spletzer that was part of Blacksand. I think it was Alan Braun. I don't want to guess.
1023 Q Okay. And what did you understand about the mining operations which were going to -- I mean, you made the deal with 611. That was liable on the covenant. And 611 I assume has -- you took no security. If 611 left you holding the bag, which is what they did, you had zero recourse to collect from them; fair?
A Yeah.
1024 Q Okay.
A I think there was some security put up.
1025 Q No.
A By -- maybe not on that one but on a different one.
1026 Q No. On which one?
A I forget his name, but he put up his property. I believe Chuck Pinnell had security on that for the loan he made for -- or the purchase agreement he made with them.

1027 Q Sorry, that doesn't make any sense to me, what you just said. What security are you talking about?
A There with some security, some land. I can find out.
1028 Q And Chuck was the secured party, not you?
A Yes.
1029 Q And what's Place One Mines Inc.?
A It's another gold producer. I believe that's Stan Spletzer's one.
1030 Q And New North Construction Limited?
A I don't recall that.
1031 Q What about -- what's Patrick Capital Corporation?
A I can't remember off the top of my head.
1032 Q What -- I mean, the receiver has tried to get any backup to support a potential repayment on any of these mines. Nothing has come. You've spoken to Chuck a few weeks ago. I mean, the bullion hedge and factoring funds have been left with zero recourse to recover these monies unless Chuck comes up with it. Have you received any indication that money is going to be forthcoming?
A No.
1033 Q Is even -- are these opportunities all dead as far as you know?
A No, I think they still have some potential.

1034 Q Just based on what Chuck is telling you?
A Yes.
1035 Q Who did you know first, Chuck Pinnell or Alan Braun?
A Chuck Pinnell.
1036 Q Who did you know first, Alan Braun or Stan Spletzer?
A Alan Braun.
1037 Q And how did you meet Alan Braun?
A I met him in Vancouver at a meeting.
1038 Q Lyoness meeting?
A No, no, no. It was an introduction from Taz Farad.
1039 Q Who is that?
A Someone I met networking.
1040 Q At Lyoness?
A No.
1041 Q When you say at networking does that mean at an actual network marketing meeting?
A No, just networking, meeting people.
1042 Q Yeah. Okay. So you meet Taz Farad. When was that?
A Spring of 2016.
1043 Q And what does Taz Farad do?
A He's a realtor.

1044 Q In BC?
A Yeah.
1045 Q And so how does -- connect the dots for me. How does Taz Farad result in you meeting Alan Braun?
A We got talking about gold and he said I know a guy who is connected to gold. So we had a meeting with -- set up a meeting. I called him.
1046 Q Called Alan Braun?
A Alan Braun, yeah. Set up a meeting.
1047 Q And when was that meeting?
A I think it's in the report. Like August of 2016, I believe.
1048 Q Who is Jerry Braun?
A Son. Allen's son.
1049 Q And who is Rene Gladue?
A A business associate of Alan Braun.
1050 Q Who is Phil Nylander?
A I think he's their lawyer or -- I think he's a lawyer connected to Onstar or Jerry or Alan Braun somehow.
1051 Q And is Rene Gladue, does he work for Onstar or you said he's an associate of Alan Braun?
A He was part of the machinery to sluice the gold. He was part of the --
1052 Q For who?

A For Onstar, I believe.
1053 Q Who is Brent Johnson?
A He's the president of Mountainstar Resources.
1054 Q What's that?
A It's a gold company.
1055 Q What's the 20 mile gold project?
A I think it's another -- I believe that's another Alan Braun. Yeah, gold mining operation or potential mining operation.
1056 Q Where?
A Northern BC. Quesnel comes to mind. I think in that area.
1057 Q Could you spell that.
A Q-u-e-s-n-e-l.
1058 Q And who is Brian Walker?
A I can't recall exactly.
1059 Q Howard Lockhart?
A Don't know.
1060 Q So I'll go back to the August meeting. So you have -- you meet Taz Farad. You're all of a sudden becoming interested in gold?
A Yeah.
1061 Q Did you have any sort of background in dealing with gold or trading gold?
A I had set up the bullion fund and dealt with Inca

One Gold, setting contract with Clayton. I had a gold fund that I had been involved with for -- a few years.
1062 Q Which fund?
A Precious metals equity. Enlightened precious metals --
1063 Q A resource fund?
A Yeah.
1064 Q So in terms of the gold loans by the bullion, hedge fund and factoring fund, the first one was Inca?
A Yes.
1065 Q And that kind of got your appetite going and then you met -- you do the Inca loans in December 2015 and again December 2016. And then you meet Chuck Pinnell around what time, did you say?
A Summer of 2015.
1066 Q Before the Inca loans?
A I believe so.
1067 Q Yeah. And then the 611 -- sorry, just give me the order. The agreements with 611, Onstar and Solid, what order did you deal with those three entities?
A I think Solid was last. Onstar might have been second. And then the rest in between.
1068 Q Second-last for Onstar?

A I don't recall the order.
1069 Q So going back to the August 2016 meeting with Alan Braun, Taz Farad, what is discussed at the meeting? What is the purpose of the meeting?
A To go over the Juno tailings deposit. Jorge Lopehandia was there as well as a couple other gentlemen. I can't recall who they were. But they were talking about other things. Other investments --
1070 Q Rene was there you said?
A Yeah, Rene Gladue. They were talking about other stuff. Iron.
1071 Q Was Chuck there, Chuck Pinnell?
A No.
1072 Q Was Stan Spletzer there?
A No, I don't believe so.
1073 Q So at that time you hadn't done any investments with Onstar. Like, I want you to walk us through. What was discussed at the meeting, what led to you shortly thereafter entering into four gold contracts with Onstar for over 4 million bucks?
A Yeah, I had a 43-101, another independent geological geologist report, a document that gave Alan Braun authority to make the deal. There was -- it was -- the reason it was fast is because

it was time sensitive, we were told. I was told that there was a European group that was coming in to buy up all of the certs so I committed to four of them, I think.

1074 Q So you got four gold certificates. And so you quickly funded them after that -- within the next month $4 million out of the funds because you thought they would be quickly repaid not from Onstar but from this European financing that was going to come through?

A No, no. The funds were going to buy out the other certificates.

1075 Q Sorry, I'm not following that. What was the European company going to come in and do?

A Well, they were going to buy of the certs so there wouldn't be any available. That's what I was told.

1076 Q Oh, so you wanted to get ahead of that because it seemed like a good opportunity?

A Yes.

1077 Q And so what happened to the gold certificates?

A I can't remember exactly.

1078 Q And this was all supposed to come out the Juno Alaska mine?

A Correct.

1079 Q Who owned the Juno Alaska mine?
A I think Onstar had -- was involved, but I believe Mountainstar Resources had some ownership, and Jorge Lopehandia gave or sold his rights to Mountainstar.
1080 Q And as it stands today, was any gold ever mined in Juno, Alaska?
A Historically or --
1081 Q Well, since the arrangements in the summer of 2016?
A Stan Spletzer went up with his machine and did a test run.
1082 Q Okay. You're completely losing me. I'm just going to be perfectly honest. So every -- so the bullion factoring and hedge fund really do gold contracts with four different groups of people; Chuck Pinnell, Onstar/Solid holdings, both of whom seem to have an interest in Juno, Alaska, you are telling me?
A I believe so.
1083 Q But you don't seem to understand who actually has the ownership interest in that mine; is that fair?
A Not in front of me, no. Without looking at the documentation in front of me I don't -- I don't recall.

1084 Q Did you promise Alan Braun and Onstar that you would -- Crystal Wealth would actually provide $10 million in financing?
A I never -- I don't remember ever saying that.
1085 Q You're aware of that allegation through reading the receiver's materials?
A Yeah. If they had paid out or if and when they pay out -- if they would have paid out on the 4,000 ounces, I mean, we would have looked at other opportunities with Solid, Blacksand, whatever else.
1086 Q Do you know what Onstar did with the I'll call it $4 million from Crystal Wealth?
A I do not. I was under the impression that it would go towards machinery to develop or run the Juno tailing.
1087 Q What's the status of the Juno, Alaska, mine? Are there ongoing operations up there?
A Not to my knowledge.
1088 Q Do you know specifically where it is? Or can you undertake to provide us with the specific location?
MR. CRABTREE: Well, the town or the geographic --
MR. VAN ZANDVOORT: Yeah. Have you ever visited it?
THE WITNESS: No.

MR. VAN ZANDVOORT: Just whatever information you have.

REQUEST 15: Provide information on the Juno tailings facility in Juno, Alaska

MR. CRABTREE: If there's a convenient time.

MR. VAN ZANDVOORT: We can take a break right now.

(PROCEEDINGS RECESSED AT 2:52 P.M.)

(PROCEEDINGS RECONVENED AT 3:15 P.M.)

MR. VAN ZANDVOORT:

1089 Q So I want to try and organize your evidence from before the break a bit better so I understand it.
Putting Inca aside, there were three main entities that the bullion factoring and hedge fund dealt with for the gold loans; correct?
A Yes.
1090 Q There is Chuck Pinnell/611 BC?
A Yes.
1091 Q Stan Spletzer and Solid Holdings?
A Yes.
1092 Q Onstar and Alan Braun?
A Yes.
1093 Q Now, in the second report the receiver says Chuck Pinnell was copied and is involved in the correspondence between yourself and Alan Braun and Onstar; correct?
A Yes.

1094 Q And Stan Spletzer also had involvement with the Juno mines which was the mine Onstar was supposedly dealing with?

A Yes.

1095 Q So all three of those entities -- entity groups that you did the gold loans with were related in some way? They all had dealings with one another?

A Yes.

1096 Q So explain to me what Chuck Pinnell's role was as it concerned the Onstar gold loans.

A Well, I wanted to bring him on as the third party provider, like I mentioned before. So I introduced him to Alan Braun to start to network with him and get other opportunities.

1097 Q Okay. You had the meeting in August. Two days later the first advance to Onstar goes out the door; correct?

A I don't recall if it was two days.

1098 Q Approximately?

A It was four days, whatever.

1099 Q Okay. And you saw in the receiver's report that the receiver has found zero due diligence that you did on the Onstar gold loans?

A I have a 43-101 geologist -- another external geologist report.

1100 Q Do you still have copies of those?
A Actually I think those are on a stick so I could try to find it.
MR. VAN ZANDVOORT: If you have it provide it to us.
REQUEST 16: Provide copies of the 43-101 geologist report pertaining to the Onstar gold loans
MR. VAN ZANDVOORT:
1101 Q And so who was involved with Onstar?
A Alan Braun.
1102 Q And what was -- why did you do the 300,000 settlement loan with Stan Spletzer months later?
A He had another property that he was getting going developing.
1103 Q Where was that?
A Northern BC. I can't remember the exact location.
1104 Q Okay. And in November of 2017, so after the receiver's appointment, going back to Onstar, the receiver issued a default letter and Onstar advised that it would honour the subscription agreements and gold certificates and it was completing separate funding to do so. Do you have any knowledge of what that separate funding is?
A No, I do not know.
1105 Q When was the last time you had any communications

with Alan Braun?

A I can't recall. It would have been before the receivership.

1106 Q Okay. Did you ever receive any sort of materials or updates concerning what the money given to Onstar was used for?

A I don't believe so.

1107 Q When the receiver asked Solid Holdings for an update on the status of its operations it advised that their operations had been stalled because of wildfires. Have you had any recent communications in the last year with Stan Spletzer?

A I met him in late 2016 in Vancouver.

1108 Q For what purpose?

A To discuss the status and the Onstar, because he went up to Juno and did testing on it. And we discussed that, the grade, it was amazing. Higher than the 43-101. Jorge Lopehandia was there as well. So we discussed options or opportunities -- options on other opportunities potentially on a go-forward basis.

1109 Q Did a dispute ultimately arise between Stan Spletzer and Jorge on the one side and Alan Braun's camp on the other side?

A I believe so.

1110 Q What happened?
A As I understand it, Jorge thinks that Alan Braun defrauded us and didn't have the authority to sell those ounces.
1111 Q You're talking about the subscription agreements from Onstar and the gold certificates?
A The gold certificates, yeah.
1112 Q Why was Jorge of that view?
A Because he wasn't -- he didn't sign off on the certificates.
1113 Q Okay. Jorge said I own the Juno mine, therefore you didn't have the right to take the $4 million from the fund?
A Something like that.
1114 Q Do you know what entity actually owns the Juno mine?
A I've got -- in the -- I've got documentation on it.
1115 Q On the stick?
A I believe so.

MR. VAN ZANDVOORT: Okay. Can you produce it.

THE WITNESS: I can -- yeah.

REQUEST 17: Produce documentation regarding the Juno mine

MR. VAN ZANDVOORT:

1116 Q So why then in February -- so you meet with Stan Spletzer in 2016. Two months later you do the $300,000 agreement with Solid Holdings. Why the separate agreement with Stan at that time?
A It was different. It was specifically for another gold operation of his.
1117 Q It wasn't simply a loan to Stan?
A No.
1118 Q And sorry, the name of the mine in northern BC that Stan -- or Solid Holdings was with?
A I can't remember the name of it. I think it was a claim.
1119 Q A what?
A Like a claim, a land claim. A gold claim.
1120 Q Do you have last known contact information addresses and telephone numbers for Jorge?
A I have a phone number.
1121 Q Jorge Lopehandia. L-o-p-e-h-a-n-d-i-a.
And for Stan Spletzer?
A I believe I have a phone number.
1122 Q Phil Nylander?
A I don't believe so. N-y-l-a-n-d-e-r.
1123 Q Rene Gladue?
A I probably have a phone number. I can find.
1124 Q Thank you. Jerry Braun?

A Just an email. I got copied in on an email of his. Or he was copied on emails.

1125 Q Brent Johnson?

A I think the phone number and email.

MR. CRABTREE: Are these all requests?

MR. VAN ZANDVOORT: Yes.

REQUEST 18: Provide contact information for Jorge Lopehandia, Stan Spletzer, Philip Nylander, Rene Gladue, Jerry Braun, Brent Johnson, Alan Braun and Brian Walker

MR. VAN ZANDVOORT:

1126 Q And to the extent you have them for Alan Braun and Brian Walker.

A Okay.

1127 Q So from Onstar who were the main people you dealt with?

A Alan Braun. Yeah, Alan Braun.

1128 Q Did Chuck Pinnell receive any payment on the money paid to Onstar for helping to arrange that?

A I believe he did get a commission, yeah.

1129 Q Do you know what Pinnell's commission was?

A No, I don't know.

1130 Q Roughly?

A I think he got the Canadian conversion to US. I think it was sizeable.

1131 Q Like?
A A million. Roughly.
1132 Q Of the 4 million you had advanced Chuck got million?
A I believe so.
1133 Q And again there was no written agreement pursuant to which he got that fee, as I understand it?
A No, that was from Onstar.
1134 Q Well, Crystal Wealth advanced $4 million to Onstar and of that, one million went to Chuck Pinnell?
A Yes, I believe so.
1135 Q Did Chuck now actually know the Onstar guys before you did?
A No.
1136 Q So you meet Alan Braun for the first time in August 2016. Within a week you advance the initial of the 4 million and yet Chuck gets a million of that?
A Well, he went in and negotiated with them. The deal was the same for Crystal Wealth. We got the same amount of ounces for the same cost, and then he negotiated that.
1137 Q During that one-week period?
A Yeah.
1138 Q And was paid $1 million for it?

A Yeah, I didn't know how much it was at the time. I didn't find out until after.

1139 Q But now you know?

A Now I know, yeah. It's a significant amount.

1140 Q It's a good week work for Chuck.

And what did Chuck do with the money?

A I don't know. I think he invested it in other gold projects.

1141 Q And why did you think the investment into the gold loans was a good investment for Crystal Wealth investors? Did you really think that the minor discount rate that you received really warranted the investment?

A Yes, I did.

1142 Q And with the benefit of hindsight would you agree that they were all extremely poor investments, unsecured, often entered with parties who actually had zero assets to repay?

A No, I think the -- especially the Onstar ones, and I talked to Jorge Lopehandia, he said he would make good on those as well.

1143 Q But I thought Jorge was mad because he didn't receive the money from Crystal Wealth?

A He was.

1144 Q So why would he repay it?

A Because he felt that we didn't deserve to be defrauded, if Alan Braun defrauded us.
1145 Q Have you had any discussions since November 2017 with Stan Spletzer?
A I don't think so.
1146 Q He told the receiver he was trying -- he needed to obtain replacement financing given that Solid Holding's senior secured lender had recently called its loans in November 2017? Do you know anything about that?
A No, I can't recall. I don't recall that.
1147 Q Aside from the quote factoring arrangements, the gold contracts and the US Real Estate LP, were there other investments made by the Crystal Wealth funds in receivership that you were primarily involved with or responsible for?
A Can you be more specific.
1148 Q Yeah. What was the extent of your involvement with the media loans?
A I didn't have any.
1149 Q And what about the commercial loans with the Craig Clydesdale group of companies?
A Nothing.
1150 Q How do you know Marcel Rada?
A I don't.

1151 Q You don't know Marcel Rada?
A No, he was referred to me -- the opportunity was referred to me. So I talked to him and it was another networking situation.
1152 Q When you say another networking situation --
A Meeting people and trying to get into other -- other opportunities, other groups of people with other opportunities.
1153 Q So what was the opportunity with Marcel Rada and his company 1092545 BC Ltd.?
A It wasn't so much him, it was the people who referred him.
1154 Q Who referred him?
A I think it was -- it was -- someone from Vasney Capital, I believe.
1155 Q Can you spell that?
A V-a-s-n-e-y.
1156 Q Who from Vasney Capital?
A I would have to check.
MR. VAN ZANDVOORT: Can you check and let me know.
THE WITNESS: I can.

REQUEST 19: Determine who from Vasney Capital Mr. Housego spoke with

MR. VAN ZANDVOORT:
1157 Q And then you ultimately signed a promissory note

which Mr. Rada also signed for -- in the amount of $125,000? I'll just show it to you.
A Yeah.
1158 Q So explain to me how did the arrangement come up to loan Mr. Rada's company $125,000?
A We discussed it. Again Clayton would have been involved in the document. There was a trust account with Boughton Law, I believe.
1159 Q With? Sorry, with what firm?
A Boughton Law.
1160 Q Alberto Storelli's firm? Same law firm?
A Yeah. And I -- I know I read the report that said they never had a relationship with him or trust account, but I remember talking to someone, I can't remember who it was, but that the money was on account or being held.
1161 Q Does Marcel Rada have an interest in the US Real Estate LP?
A Not that I know of.
1162 Q Just a coincidence that his lawyers were also from Boughton Law?
A To the best of my knowledge.
1163 Q And what was the purpose of the loan to Marcel Rada?
A I can't recall.

1164 Q Just stepping back to the 611 gold contracts with Chuck Pinnell, a portion of his money Chuck said went out to Petra for a portion of Petra's revenue interest in certain oil wells located in Louisiana?

A Okay.

1165 Q What oil wells are those?

A A group of oil wells in Louisiana. I don't know specifically.

MR. VAN ZANDVOORT: Are you able to find out and let us know.

THE WITNESS: Sure.

REQUEST 20: Determine what oil wells in Louisiana Chuck Pinnell had an interest in

MR. VAN ZANDVOORT:

1166 Q What is your involvement with the medical fund investments?

A None. I -- I had some clients -- I invested some money, client money into it.

1167 Q M'mm-hmm.

A That's it.

1168 Q So we've talked about you found the factoring arrangements or recommended them. You recommended the gold loans. You recommended the US Real Estate LP. Those are three signature areas of monetary investments. Were there other areas

where it was you were making the recommendation as to the investment?
A Just the precious metals fund.
1169 Q What were the investments of the precious metal fund that you recommended?
A Mostly stocks.
1170 Q What's Clayton Smith doing now?
A I heard he was roofing last summer. I don't know what he's doing now.
1171 Q During the time you were at Crystal Wealth you learned under Clayton Smith?
A Yeah.
1172 Q How far -- as far as the investments made by Clayton, his investment decisions, what was your communication structure? Did you correspond by email? Was it weekly conference calls?
A Both.
1173 Q Did you have set weekly conference calls?
A Not until probably the last year. Mostly it was just email and phone conversations as needed.
1174 Q Okay. And Clayton indicated that around -- so that would have started around the 2014/2015 period when you became a portfolio manager?
A I became a PM in June of 2016.
1175 Q Sorry, when you became the lead portfolio

strategist for the factoring fund and hedge fund and bullion fund?

A Sure. Yeah.

1176 Q And Dale Wells, around the same time he started his own fund which is the retirement fund?

A Yeah.

1177 Q And then as I understand it, kind of that late 2014, early 2015 period you wanted your clients out of certain funds and into your Enlightened funds?

A Yeah.

1178 Q And Dale wanted his clients out of funds and into his retirement fund; right?

A Yes.

1179 Q And that led to certain liquidity issues within the funds, did it not?

A Yes.

1180 Q Can you just walk me through what happened?

A Well, as we moved people out of the media fund, let's say, the client -- or Clayton would make liquidity as available to the advisor who wanted it. If there wasn't any liquidity there would be no movement.

1181 Q So how did -- how were you able to -- we know the media fund wasn't generating in money, the film loans weren't performing. Where did the funding come from to get your clients out of the media fund and into your hedge factoring bullion funds?

A Other investments, other investors.

1182 Q Yeah. So through new investor money and interfund transfers?

A Yeah.

1183 Q Can you recall anyone within Crystal Wealth, yourself, any of the other advisors or referral agents, raising concerns about the NAV any of the funds?

A Not specifically. Not that I can recall.

1184 Q Who would be on the weekly calls that started around 2015?

A Dale Wells, myself, Jeff Mushaluk. Clayton. Jill. I think that's it.

1185 Q Would Scott be on them?

A Oh yeah, Scott. Yes.

1186 Q And I understand that in 2015 things started getting tense within Crystal Wealth because of the liquidity issues?

A Yes.

1187 Q What were the concerns being raised?

A Dale was upset because he wanted his money out. So he --

1188 Q His clients' money?
A Yeah.
1189 Q Of the media fund?
A I don't know if he made the decision at that point but I think he was already on his way out. So yeah, he wanted everything as liquid as possible and out of it. So he would swear and freak out on the calls. Him and Clayton did not get along at all.
1190 Q What about Jeff Mushaluk?
A I would say he was getting close to the same. Prepared to leave. We looked at going into business together and getting our own PM firm.
1191 Q Yourself and Jeff?
A Yeah.
1192 Q When was that?
A 20 -- around the end of 2015 into 2016. 2016.
1193 Q And why did you -- why did you start the hedge fund in February 2016?
A Just for opportunities.
1194 Q Okay.
A More expanded opportunities.
1195 Q And how did you go about raising investor -- were they new clients that invested in the hedge fund in 2016? Where did those investors come from?

A Yeah. A mix of new clients and existing clients on reallocation.
1196 Q Okay. And did you have any involvement or dealings with Media House Capital?
A I met Erin Gilbert a few times. He came up and did a movie night in Armstrong for clients. He would bring a movie and we would rent the local theatre, have a meet and greet.
1197 Q Did you understand that Clayton and his companies were receiving certain payments from Media House and its affiliates?
A No.
1198 Q When was the first time you learned about that?
A From the report.
1199 Q There was a meeting at the Edmonton airport in 2016. Do you remember that?
A I do, yeah.
1200 Q Who was there?
A I wasn't there. So I think it was Dale Wells, Jeff Mushaluk, Clayton Smith. Scott Whale might have been there. I -- I'm not sure. That's all I know.
1201 Q Oh. Clayton said you were there. You're saying you weren't there?
A I was not there.

1202 Q How much insight or knowledge did you have of the media fund loans that the media fund was buying? Or what their value was?
A I didn't know any. Anything other than what was reported. I had a general knowledge of the structure.
1203 Q M'mm-hmm. And on a yearly basis when it came to when BDO would do its audits of Crystal Wealth, I assume Clayton turned to you to provide back up for the areas in which you were the lead portfolio strategist, i.e., the factoring contracts, gold contracts, US Real Estate LP?
A Head office would have them all as far as I know.
1204 Q When you say head office you're talking about Clayton and Joanne Bentley?
A Yeah. Yeah. I mean, the protocol to do funding -- to fund any of the factoring or any of the agreements they would have to have executed documents.
1205 Q Well --
A I didn't have them.
1206 Q You would send the documents say I recommend this.
A Yeah.
1207 Q A piece of paper gets signed a minute later. Joanne Bentley clicks send on the money transfer

to wherever the money is going. That's how it worked; correct? More or less?

A I would have expected Clayton -- well, Clayton was involved. Like, in a contract, if it was all finalized it could be quick like that.

1208 Q Okay.

A Sometimes it took weeks to finalize a deal.

1209 Q So when BDO did its audit what was your involvement? Did you deal directly with BDO?

A No.

1210 Q Who did?

A Clayton.

1211 Q Only Clayton?

A As far as I know. It was a head office.

1212 Q Did you ever go to Jerry Froese and say we need to get the merchants to paper certain documents so we can give them to BDO?

A No, I don't believe so.

1213 Q Did that ever happen where audit season came around and you had to go to some of these parties and ask them for certain -- to create certain backup documents to provide to BDO?

A Not that I know of. I think Clayton needed some stuff -- or some papers some time. Well, I shouldn't speculate. No, not to my knowledge.

1214 Q What was Clayton's level of involvement on the gold loans?
A I ran the contracts through him.
1215 Q Like, let's use Onstar. You have the meeting in August. Within a week -- within a month at least $4 million is going to Onstar. Subscription agreements are signed with Alan Braun. What level of engagement did you have with Clayton or have to provide him?
A I talked to him about it. I sent him the documentation.
1216 Q What documentation?
A The subscription agreement. The -- I think we had a sample gold cert. We discussed it. I think that's it. Then he approved it.
1217 Q Would it be fair to say that for each of the gold loans it was a pretty quick discussion with Clayton as far as you sending him whatever minor documentation there was, whatever agreement was, and he just signed off on it?
A It was probably fairly quick turnaround.
1218 Q Do you know what Crystal Wealth Marketing Inc. is?
A No, I don't.
1219 Q Since the receiver's appointment have you had meetings with investors of the Crystal Wealth

funds?
A Yes.
1220 Q And where would those meetings take place?
A At my office.
1221 Q Which office?
A S&P Financial Services' office.
1222 Q And how would you -- were they meetings that you sent out to all of your investors to say I'm having a meeting to update you on the status of things?
A No. They were one on one.
1223 Q You reached out to your investors to schedule those meetings?
A Mostly driven by them.
1224 Q And what would you tell them at the meetings? Would you tell them that your investments and the factoring fund are strong investments and same thing with the hedge fund and bullion fund?
A I would tell them what my knowledge -- my knowledge of it was.
1225 Q Did you tell them what you've told me today about your views on the strength of the investments we've discussed? Or did you tell them that they were better investments?
A I still believed they are -- they had merit. We

still had security. You guys were going to do what you can to get them.

1226 Q Did you try to -- did you ever convey to investors that it was best if these funds were rolled over to another manager as opposed to staying with the receiver?

A I believe so. Yeah.

1227 Q Did you help draft communications that investors sent to the receiver?

A No, no. Not to my knowledge.

1228 Q Do you continue to have meetings with the investors of the Crystal Wealth funds?

A Rarely, but once in a while.

1229 Q Are you currently the subject of a securities commission investigation in British Columbia?

A Yes.

1230 Q Are you currently the subject of any sanctions from the BC Securities Commission?

A They have frozen my corporate accounts. That's all I know of.

1231 Q The S&P accounts and the Enlightened Income Fund account?

A The Enlightened Group of Funds Inc. accounts.

1232 Q Yes. And any restrictions on your status?

A I'm not licensed at the moment.

1233 Q When the receiver was appointed almost all of your emails from Crystal Wealth's server had been deleted? They weren't in existence. Did you delete those?
A No, I did not.
1234 Q Do you know who did?
A It's the first time I heard of it was in the report.
1235 Q Do you know who Craig Clydesdale is?
A I do. I know the name.
1236 Q Have you met him before?
A I did meet him once.
1237 Q Where?
A In Toronto.
1238 Q For what purpose?
A It was a wine PR night or client appreciation night or something from Crystal Wealth.
1239 Q Have you ever received any loans from Craig Clydesdale or any of his companies?
A No.
1240 Q Do you know if Clayton or any of his companies did?
A I don't know.
1241 Q Are you involved with Bill McKenzie at all?
A No.

1242 Q Do you know who he is?
A No, I don't.
1243 Q Did you know that Darcy Paul was the president of IC Commerce?
A No.
1244 Q Do you know what IC Commerce is?
A I don't recall it.
1245 Q Do you know who Jennifer Pento is?
A Yes. She worked for Crystal Wealth in some capacity. Or worked with someone else who was doing the branding of the new Crystal Wealth. I know her. I can't remember who she worked for. I thought it was either Crystal Wealth or the PR firm who helped us.
1246 Q Who is the PR firm?
A I can't remember his name, but they did -- like, they rebranded Crystal Wealth. They changed the logos and everything. And they hired someone. I just can't remember his name. And I think she worked for him.
1247 Q David Bodanis?
A No, no.
1248 Q Troy Claus?
A Troy.
1249 Q B-o-d-a-n-i-s. C-l-a-u-s.

A That's my recollection is she worked for him. For Troy.
1250 Q At Persistus? Is that the marketing firm?
A Sure. I don't remember the name.
1251 Q Okay. Do you know who David Bodanis is?
A I met him one as well.
1252 Q What was his involvement with Crystal Wealth?
A I don't know.
1253 Q Do you know if Jennifer Pento or Bodanis ever had worked for Media House Capital?
A No. I don't recall.
1254 Q And did Troy Claus also use to work with Jeff Reiner, who was one of the referral agents for Crystal Wealth?
A I can't remember. I met Jeff Reiner. He was coming on board as -- on his road to PM. I think that was the plan.
MR. VAN ZANDVOORT: All right. Let's take a five-minute break.
(PROCEEDINGS RECESSED AT 3:52 P.M.)
(PROCEEDINGS RECONVENED AT 4:14 P.M.)
MR. VAN ZANDVOORT:
1255 Q Do you keep in touch with Bob Maljaars?
A I haven't for months and months. I can't remember the last time I talked to him. I would say it was maybe late last year.

1256 Q Do you know if Bob Darcy and David Denhollander still -- I think you said they're still working on the Dome Mountain financing?
A I believe so. Yeah.
1257 Q Why did you call Bob Maljaars about -- or at least I understand that you called Bob Maljaars about a potential investment opportunity in Las Vegas real estate? What was that about? I understand that was also recently, like in the last several weeks.
A Yeah. Alberto Storelli had an opportunity in Vegas on a mall or a strip mall, so I was talking to Bob and I think I told him about it and he was, like, well, see if we can get involved.
1258 Q And I thought Bob -- so Bob wasn't just -- Bob wasn't a mining guy, he's just in the business of finding -- raising money; is that fair to say?
A I guess so.
1259 Q You would reach out to Bob, I would imagine, because Alberto would say do you know where we could get some investors, and Bob is the guy who finds investors. Is that the idea?
A Or financier. A financier.
1260 Q Yeah, okay. So even though he still hadn't been able to close the Dome Mountain financing of Gavin Mines, you thought I'll call Bob and see if he can

raise this money?
A They had shown -- yeah.
1261 Q And you did that on behalf of Medici. Was Medici going to have a role in that investment? Or why were you making that call?
A Just to see if I could help him get some financing.
1262 Q Help Alberto?
A Yeah.
1263 Q Did you have any financial interest? Are you getting paid as a consultant from Alberto?
A No.
1264 Q And so was Bob interested?
A Yeah.
1265 Q And so where is the discussion currently?
A That deal is dead. It never happened.
1266 Q And Alberto, was he looking at that opportunity on behalf of one of his companies or him personally?
A I think it was personal.
1267 Q What's your current email addresses?
A EnlightenedALH@Gmail.com.
1268 Q Yeah. Any others?
A Yeah, a Medici one.
1269 Q The one on the business card you gave me?
A Yeah.

MR. VAN ZANDVOORT: We should mark that, while I'm thinking about it, as Exhibit 4. I think we're up to -- Exhibit 4 was the David Denhollander April 20th email.

EXHIBIT 4: David Denhollander email dated April 20

MR. VAN ZANDVOORT: So I think we'll mark it as Exhibit 5.

EXHIBIT 5: The promissory note executed by Mr. Housego and Mr. Rada

MR. VAN ZANDVOORT: Okay.

1270 Q Okay. Other than that?

A That's all I'm using now.

1271 Q When did the BC security commission sanctions occur?

MR. CRABTREE: Do you mean the freeze order?

MR. VAN ZANDVOORT:

1272 Q Yeah, the freeze order. And is there any other orders?

A No. That's it. Couple months ago.

1273 Q Is that why you're -- you wound down S&P?

A S&P is still there but it's not doing anything. So -- and the banks -- and the accounts are frozen so it probably will get wound down.

MR. CRABTREE: January 19th.

MR. VAN ZANDVOORT: Sorry?

MR. CRABTREE: January 19th of this year.
MR. VAN ZANDVOORT: Can you provide me with a copy of that order, counsel?
MR. CRABTREE: Yes.
MR. VAN ZANDVOORT: Thank you.

REQUEST 21: Provide a copy of the January 19 freeze order

MR. VAN ZANDVOORT:
1274 Q And is the order against Mr. Housego in his personal capacity or against one of his companies?
A Personal.
1275 Q Have you been sued by anyone in connection with your involvement with Crystal Wealth?
A Yes.
1276 Q By who?
A Gary Froats and Joan Froats and Blane Froats and Katherine Froats and their corporations.
1277 Q And earlier in the examination you mentioned Gary Froats; correct?
A Yeah.
1278 Q And remind me, he was one of your investors or in what context have you mentioned him?
A He was my business partner for --
1279 Q In S&P?
A Yeah.

1280 Q He was receiving the $16,000 a month?
A Yeah.
1281 Q Why are you being sued by them?
A To get money back, I guess.
1282 Q Were they all investors?
A Yeah.
MR. VAN ZANDVOORT: And is that action commenced in British Columbia? Can I have a copy of the pleadings, counsel.
REQUEST 22: Provide a copy of the pleadings of the case by the Froatses against Mr. Housego
MR. VAN ZANDVOORT:
1283 Q Was anyone else other than yourself sued?
MR. CRABTREE: On that claim?
MR. VAN ZANDVOORT:
1284 Q Yeah.
A No.
1285 Q Are you aware of anyone else who is being sued from Crystal Wealth?
A Just BDO. Oh, no, Tim -- I think Tim is being sued as well, I heard.
1286 Q Have you maintained any communications with Tim Johnstone?
A No, not since a couple months after the receivership went into effect.

1287 Q And did the BCSC order arise from the Crystal Wealth matter or something unrelated?
MR. CRABTREE: The securities commission matter? It was Crystal Wealth.
MR. VAN ZANDVOORT:
1288 Q Did you ever receive any gold or precious metals from any of the entities or people that you conducted business with while you were with Crystal Wealth?
A Personally?
1289 Q Yeah?
A No.
1290 Q Do you have any -- so you don't have any in your house?
A I bought some over the years personally.
1291 Q How much?
A I don't know. Not much. Maybe five gold maple leafs and I think I've got 500 ounces of silver maple leafs.
1292 Q What approximately is the current market value of that?
A It's 8,000 on the gold and 11, 12,000 on the silver.
MR. VAN ZANDVOORT: Would you provide us with a sworn statutory declaration setting out your assets and your

liabilities.
MR. CRABTREE: We'll take that.
THE WITNESS: Sure.
MR. VAN ZANDVOORT: We can provide you with the form of statutory declaration, counsel.
MR. CRABTREE: Okay.
REQUEST 23: Provide a form of statutory declaration
MR. VAN ZANDVOORT: Thank you.
1293 Q You filed a proof of claim with the receiver in this proceeding for $171,721.05; is that right?
A I'm assuming so, yeah. It sounds right.
1294 Q And we've talked about the quality or lack thereof of investments upon which this claim is derived, and are you still going to proceed with that claim as part of this receivership or are you -- would you like to abandon it?
A No, I would like to keep it going.
1295 Q At paragraph 190 of the second report, just going back to Frontline's administration agreement for a second. The receiver states that it requested that Frontline provide a copy of the Exhibit A and Exhibit C referenced in the Frontline Factoring procurement administration agreement, and Frontline indicated that the Exhibit A and

Exhibit C were never executed. Do you know if that's true?
A No, I do not.
1296 Q Whose responsibility was it to have the FPAA executed by Frontline?
A Clayton.
1297 Q Even though you were the one who found Frontline?
A Yes.
1298 Q Now, we've spoken to Clayton and he says whatever you would recommend to him on the gold loans, factoring loans and US Real Estate LP, there was no discussion. You recommended it; he trusted you and the investment went through. You've kind of suggested at times today, Mr. Housego, that that's not the case, there's a bit more of a dialogue. Who is telling the truth, you or him?
A As far as I know we had dialogue.
1299 Q And for the factoring hedge fund, resource fund and bullion fund, what was your role in helping to prepare the offering memoranda?
A I would say almost nothing. It was all done at head office.
1300 Q Well, you're the lead portfolio strategist for those funds?
A Yeah.

1301 Q So did you not have input on what those OMs said the investment strategy and objective was?
A No, I did have a little bit, yeah, yeah.
1302 Q Who prepared the initial draft of those documents?
A Clayton Smith.
1303 Q And then he would provide them to you to review?
A Yeah.
MR. VAN ZANDVOORT: Subject to further questions that we may have at a later we may ask for further examination. You understand that?
THE WITNESS: Yeah.
MR. VAN ZANDVOORT: And of course the questions that may arise from the answers to undertakings. That concludes my examination for today. Thank you.
Sorry, just one clarification to the exhibits. Exhibit 5 is actually the promissory note executed by Mr. Housego and Mr. Rada and

Exhibit 6 is the business card Mr. Housego provided during today's examination. Thank you.

(PROCEEDINGS ADJOURNED AT 4:28 P.M.)

REPORTER CERTIFICATION

I, Spencer J. Charest, Official Reporter in the Province of British Columbia, Canada, BCSRA No. 491, do hereby certify:

That the proceedings were taken down by me in shorthand at the time and place herein set forth and thereafter transcribed, and the same is a true and correct and complete transcript of said proceedings to the best of my skill and ability.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 1st day of May, 2018.

____

Spencer J. Charest
Official Reporter