

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF VICEROY HOMES LTD. ("VHL")**

Minutes of the Reconvened First Meeting of Creditors

Estate Name: Viceroy Homes Ltd.

Estate No.: 11-2004159

Date: January 19, 2016

Time: 10:00 a.m.

Location: 550 Burrard St, Vancouver, BC V6C 0A3

Official Receiver: Zaeed Buksh

Trustee: Craig Munro – FTI Consulting

Trustee's Solicitor: Vicki Tickle

Debtor Representative: Robert Hammell (By phone)

Debtor Representative & Solicitor: Katie Mak

Chairperson:

Zaeed Buksh, Official Receiver, Office of the Superintendent of Bankruptcy

Call To Order:

The meeting was brought to order by Zaeed Buksh, Chairperson, at 10:00 am.

The Chairperson advised that there was a quorum of creditors in attendance, and therefore the meeting was properly called and duly constituted.

The Chairperson introduced himself, Zaeed Buksh.

The Chairperson stated that the authority to chair a meeting called pursuant to Section 51 (1) is given in Section 51(3) of the Bankruptcy and Insolvency Act.

The Chairperson explained the agenda of the meeting:

- Question Period;
- Creditors' rights to adjourn for further investigation and examination; and
- Voting on proposal.

Question Period:

The Chairperson opened the floor to the Creditors for questions.

The following is a summary of the questions asked during the question period and the responses given:

- Creditor question: Why were some of the questions asked at the first meeting not included in the minutes, i.e. the question regarding the ownership of Canada Wood Frame Solutions? Why were some of the questions and responses from the first creditors meeting paraphrased in the meeting minutes?
 - To Trustee: The meeting minutes are not meant to be a transcript of exactly what was said at the meeting. We made an effort to capture the majority of the questions as we assumed these would be of interest to creditors. Generally the question section in the meeting minutes is more general and only states that questions were asked and responses were given.

- Creditor question: Do the questions asked on page 13 of the Fifth Report of the Proposal Trustee, dated November 17, 2015, as filed in the Supreme Court of British Columbia, constitute an Examination under the Bankruptcy and Insolvency Act? These questions were made by counsel for the Proposal Trustee to legal counsel for both Besco and Mr. Kwok. If not, why not?
 - To Vicki Tickle: This does not constitute an examination under the BIA. The purpose of the trustee's report is to inform. The purpose of the section you are referring to in the fifth report was to inform that the questions were asked and what responses were provided. Funding was not provided to complete an examination.

- Creditor question: Is FTI aware of an earlier offer of \$15 million for the purchase of Viceroy Homes which was made by former CEO, Doug Auer, to Joseph Kwok? We understand this offer was made sometime after Mr. Kwok fired Mr. Auer on June 12, 2014?
 - To Trustee: No, were not aware of this offer.

- Creditor question: Who were the four directors of Viceroy prior to Bob Hammell being made sole director?
 - To Trustee: I am not aware but I can look into this for you.

- Creditor question: When was Bob Hammell made the Chairman of Viceroy, and when was he appointed as a Director of Viceroy?
 - To Bob Hammell: I am not sure of the specific dates but I believe I was appointed as a director in February 2015.

- Creditor question: In fiscal year ending December 31, 2012 according to Viceroy Homes audited consolidated financial statements, the current ratio was 0.5544. This means that the company had not enough current assets to cover their current liabilities. A healthy company would have a ratio of 2:1 or better. In the Notes to the Financial Statements in particular, Note 1, there is a reference to a concern about the going concern of the company. Any reasonable, prudent person knows that the company is heading towards bankruptcy. This means that the Vice President of Finance or CFO at the time, William Simpson, should have taken protective measures with VBS customer accounts. This

means that all stage payments and deposits from customers should have been placed in trust accounts. Why then did Viceroy not use trust accounts?

Furthermore, after reviewing Viceroy's unaudited financial statements, I have found that in 2013 the current ratio had decreased to 0.4219 and in 2014 it decreased further to 0.3209. The fact that the current ratio had decreased so significantly proves that the company was insolvent and that the warning in the 2012 audited financial statements was correct. Why then was our initial deposit on July 4, 2013 and all further stage payments not placed in a trust account? The company knew at the end of 2012 that they were in financial difficulty. This question is applicable to all customers deposits they made to VHL or VBS.

- To Vicki Tickle: In Canada there are no provisions imposing liability on Directors and Officers for trading while insolvent. There are remedies available for a breach of duty by directors. Any action taken against the directors would have to be undertaken and funded by the creditors.
- To Trustee: You are correct all signs would have shown the company was insolvent and it's up to the directors to manage the affairs of the company. The role of the trustee is not to go out of their way to uncover fraud.
- Creditor question: Why does Viceroy Homes still have an active web site?
 - To Trustee: Viceroy Homes Ltd. is still an operating company under the NOI process.
- Creditor question: It's my understanding that Joseph Kwok is suing Doug Auer. What happens to the proceeds if he wins?
 - To Vicki Tickle: It would depend on whether Joseph is suing Doug on behalf of Viceroy or in his personal capacity.
- Creditor question: Who is asking for the adjournment?
 - To Trustee: A group of employee creditors from Ontario.
- Creditor Question: If the response to the Trustee's questions in the fifth report regarding Andrew Sun's involvement in the company were proven to be wrong is this of concern to the Official Receiver?
 - To Vicki Tickle: The Trustee's report provides information on what was asked and what we were told. It is not an endorsement of the accuracy of those responses. The Trustee and its counsel are in the process of reviewing further information regarding the claim that Andrew Sun was involved in the operations of VHL and VBS. The Trustee will likely be filing a further report to the court on this matter.

No further questions were asked

Voting:

The Chairperson explained that a group of creditors, through their legal counsel, had requested an adjournment to enable a further appraisal and investigation of the affairs and property of the debtor to be made in accordance with BIA Section 52.

The Chairperson noted that per BIA Section 52 – where the creditors by ordinary resolution at the meeting at which a proposal is being considered so require, the meeting shall be adjourned to such time and place as may be fixed by the chairperson.

The Chairperson called a vote on the general resolution to adjourn the meeting to March 9, 2016 at 10:00 a.m. to be held at the office of Fasken Martineau Dumoulin LLP, 2900-550 Burrard St, Vancouver, BC V6C 0A3.

The motion was moved by Joan Wallwork, proxy for Christopher Tunney, and seconded by Anders Thorsen, proxy for Canwell. The vote in favour was unanimous.

Meeting was adjourned approximately at 10:40 a.m.



Zaeed Buksh

Official Receiver