

DISTRICT OF ALBERTA
DIVISION: 02 – Calgary
ESTATE: 25-1535453

**In the Matter of the Bankruptcy of
Sellars Financial Inc. (“the Company”)**

HUDSON & COMPANY INSOLVENCY TRUSTEES INC.
Trustee

Minutes of the first meeting of creditors held at the Danish Canadian Club, 727-11 Avenue SW,
Calgary, Alberta at 10:00 a.m.

Chairman: Mr. Rob Gordon, representative of the Office of the Superintendent in Bankruptcy
Trustee: Hudson & Company Insolvency Trustees Inc., - represented by Mr. Bruce
Hudson
Debtor: Sellars Financial Inc., represented by Robert J. Sellars and Jeff Thom of Miller
Thomson, legal counsel
Present: Per attached list

ATTENDANCE:

The chairman informed all persons present that a creditor would not be entitled to vote unless he had lodged with the Trustee a proof of claim prior to the time specified for the meeting and proceeded to record the attendance of those creditors present or represented.

QUORUM:

The chairman reviewed the proofs of claim and proxies filed with the Trustee and determined that a quorum was present or represented at the meeting.

CALL TO ORDER:

The chairman called the meeting to order, proceeded with the necessary introductions and informed the meeting of the chairman's authority and the right of appeal provided by Section 105. (1) of the Bankruptcy & Insolvency Act.

PURPOSE OF THE MEETING:

The chairman informed the creditors that the purpose of the meeting was to consider the affairs of the bankrupt, to affirm the appointment of the Trustee or substitute another in place thereof, to appoint inspectors and to give such directions to the Trustee as the creditors see fit with reference to the administration of the estate.

DOCUMENTS TABLED:

The following documents were tabled:

- X Assignment in Bankruptcy filed on September 1, 2011.
- X Statement of Affairs filed on September 1, 2011
- X Notice of the meeting sent to creditors on September 2, 2011.
- X Proof of publication of notice of bankruptcy printed in the Calgary Herald on September 8, 2011
- X Trustee's Preliminary Report

TRUSTEE'S REPORT TO CREDITORS:

The Trustee presented his report to the meeting.

QUESTION PERIOD:

The Chairman stated that there would be a question period and opened the floor to questions.

A summary of the questions and responses follows:

- a. Can the Trustee provide more information on the judgments that are currently against Robert J. Sellars?
 - Trustee – Prior to the Company being assigned into bankruptcy, legal proceedings had been commenced against Mr. Robert J. Sellars. An Order of Restitution was granted to several creditors against Mr. Sellars in his personal capacity. The Order of Restitution against Mr. Sellars in his personal capacity will remain in force notwithstanding the bankruptcy of Sellars Financial Inc.

- b. Is the Trustee aware of investigations that had been conducted by creditors or public investigators into the affairs of the company and Mr. Robert Sellars.?
- Trustee – The Royal Canadian Mounted Police, (hereinafter referred to as the “RCMP”) advised the Trustee that they are conducting an investigation into the affairs of Sellars Financial and of Mr. Robert Sellars, and once that investigation is concluded, it will be up to the Crown Prosecutor to determine if charges will be laid against Mr. Sellars or any other individual.
- c. Can the Trustee pursue the assets in the United States, such as any funds generated by the goldmine in Montana, USA?
- Trustee –The Trustee can apply to have the Canadian bankruptcy proceedings in Canada recognized in the US, if necessary.
- d. Is it possible for the Trustee to give an opinion as to the value of the shares of Teras Resources Inc.?
- Trustee –Teras Resources Inc. (hereinafter referred to as “Teras”) is currently not operating/producing any product, but is conducting drilling to determine the amount of gold at a location in Nevada or California. The value of the Teras shares will depend upon the market value of the shares at the time the Trustee is able to realize on those shares. The Trustee anticipates that it will be a challenge to maximize on the realization of Teras’ shares, due to the large number of shares held by Sellars Financial Inc. and the low trading volumes. The shares are currently trading in the 50 to 60 cent range.
- e. Can the Trustee advise as how a creditor can prove to Canada Revenue Agency that it suffered a loss with regard to his/her investment in Sellars Financial Inc.?
- Trustee – The Trustee cannot provide an opinion on the deductibility for tax purposes of the losses in Sellars Financial. The Trustee suggested that investors speak to their tax accountant about their particular situation.
- f. When does the time limit of 2 years commence within which a creditor has to pursue action against a debtor in terms of the *Limitations Act*, as Robert Sellars was in verbal contact with investors and had sent several letters to investors during the past 2 years advising them that they may soon expect a pay out of funds.
- Trustee – The Term Notes that the Trustee is aware of and the subsequent renewals of those Notes were to be repaid to the investors by December 31, 2008. The Trustee also understands that Sellars Financial Inc. ceased paying investors about that time. The Trustee is unsure if claims of investors who did not sue the Company within 2 years of December 31, 2008 will be statute-barred, but has raised this issue in its Preliminary Report, as this issue had been raised by legal counsel for a group of

creditors. If this is a valid argument, it may result in many claims being disallowed in the bankruptcy. The Trustee can not give an opinion at this time if some of the claims of investors are statute-barred, and intends to seek legal advice on this matter, once funds have been realized to pay the costs of the Trustee and its legal counsel.

- g. What is the time line within which the Trustee anticipates to realize on the assets of the bankrupt estate and complete and finalize the administration of this estate?
- The Trustee can not advise the creditors at this time of the time that will be required to complete the administration of the bankruptcy estate. The Trustee has to conduct an orderly administration, which will take a significant amount of time. The Trustee anticipates that the time to conduct the administration of the bankruptcy estate will be measured in years rather than months.
- h. Can the Trustee comment on investments that were held in Trust by the debtor company and or Mr. Robert J. Sellars, to the benefit of specific investors?
- Trustee – Mr. Sellars was examined prior to the bankrupt company's assignment into bankruptcy on this matter, and indicated that the funds the Company received from investors were deposited into a trust account. The funds appear to be intermingled with the funds from other investors. Certain legal requirements have to be met to establish a valid trust. However, it has not been shown that the investments made by the Company were held in trust for a particular or any group of investors.
- i. How will the Trustee deal with the investment in Sellars Financial where the investor is now deceased?
- Trustee – In the same manner as if the investor was still alive.
- j. Will the Trustee allow the shares in Teras to increase in value before they are realized upon?
- Trustee – The Trustee will have to receive directions from the inspectors appointed in the estate.
- k. How will the Trustee communicate with so many creditors?
- The Trustee expects to post information regarding the bankruptcy on its website.
- l. Will the inspectors take directions from the creditors?

- Trustee – The inspectors are the representatives of the creditors and are obligated to act in the best interest of the creditors but do not take direct instruction from the creditors.
- m. How much investigation will the Trustee do?
- Trustee – Investigations are costly. The Trustee will have to determine whether it will be in to the general benefit of the creditors before the Trustee will engage in such an investigation. The Trustee will consider the estimated time and funds such an investigation will require, the probability and percentage of money that may be realized for the estate. The Inspectors have to approve such an investigation.
- n. Will the Trustee be in contact with the creditors who filed a proof of claim?
- Trustee – The Trustee will advise the creditors by mail if they have not properly completed the information on the Proof of Claim form.
- o. Does the Trustee have knowledge whether the shares of Teras given to Robert Sellars' daughter will be brought into the bankruptcy of Sellars Financial?
- Trustee – The Trustee has to look into this matter, but our initial review is that the shares of Teras will be an asset in the bankruptcy of Sellars Financial.
- p. What is the bankrupt company involvement with HMS?
- Trustee – The Trustee understands that the Company invested in HMS. One of the investors in HMS has launched a class-action lawsuit against a large number of defendants, which include the Company and Robert Sellars. The Trustee is unsure if the Company will be able to share in any of the proceeds of the class action, as it was an investor, but is also a defendant in the lawsuit.
- q. Can the Trustee explain the appointment of Inspectors in the bankrupt estate?
- Trustee – The inspectors provide direction to the Trustee in the administration of the bankruptcy estate, including giving directions to the Trustee on the realization of assets and approval of the final Statement of Receipts and Disbursements. Any person can be nominated by the meeting to be an inspector, and does not have to be a creditor.

AFFIRMATION OF TRUSTEE'S APPOINTMENT :

On a motion properly made and seconded, the creditors unanimously affirmed the appointment of Hudson & Company Insolvency Trustees Inc. as Trustee in the bankruptcy estate of Sellars Financial Inc.

APPOINTMENT OF INSPECTORS:

The chairperson advised the creditors of the duties of an Inspector, the eligibility requirements as outlined in the *Bankruptcy & Insolvency Act* and called for the nomination of candidates.

Motions considered were disposed of with the following results:

On a duly proposed and seconded motion, the creditors, by resolution, resolved to appoint the following persons to the committee of Inspectors:

Allan Chambers, Paul Elliot, Paul Kazakoff and Myrna Boyd.

CREDITORS' INSTRUCTIONS:

The meeting gave no instructions or directions to the Trustee.

SECURITY:

The Official Receiver advised the meeting that the estate bond had been set at \$1 million, and the Trustee had lodged the bond with the Office of the Superintendent in Bankruptcy in that amount.

ADJOURNMENT

There being no further business, the meeting, with the consent of the creditors, was adjourned.



Rob Gordon, Chairman

Attachments:

Attendance list

District of Alberta
Division: 02 - Calgary
Estate: 25- 1535453

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TRUSTEE

CREDITORS PRESENT OR REPRESENTED AT FIRST MEETING OF CREDITORS ON 22 SEPTEMBER 2011

Name	Representing	Amount
1 Edmund Barton	Heid and Ross Barton	\$60,000.00
2 Donna Sotski	Self	unknown
3 Karen Fuiowes	Empire Life Insurance	contingent
4 Tim Ross, Brent Cooper	Dortothy Wedderburn	unknown
5 Brenda Reed	Self	\$630,000.00
6 Myrna Boyd	James Boyd Holdings	\$70,000.00
7 Patricia Billings	Self	\$20,000.00
8 Brian Quigley	Self	unknown
9 Darlene Edwards	Self	\$10,000.00
10 Rob Edwards	Self	\$25,000.00
11 Trish Higgins	Self	\$169,000.00
12 Don Titmus	Self	\$80,000.00
13 Jeanette Bosch	Self	\$175,000.00
14 Susan Lepard	Self	\$10,000.00
15 David Grier	Peter and Jean Pagnucco	\$639,070.00
16 Ivan Godin	Self	\$200,000.00
17 Wayne Wilderman	Self	\$300,000.00
18 Terry Wilderman	Self	\$200,000.00
19 Wayne Wilderman	Westxarm	\$100,000.00
20 Patricia Bakay	Self	\$10,000.00
21 R and B Trenchy	Brian Quigley	\$130,000.00
22 Shelley Hough	OSB	N/A
23 Louise Pausie	OSB	N/A
24 Tamare Ollenberg	Self	\$60,000.00
25 Jennifer Zuelke-Strain	Self	\$130,000.00
26 P.W. Schaap	Self	\$40,000.00
27 George Josephson	Self	\$30,000.00
28 Gordon Prusky	Self	\$26,000.00
27 Gordon Prusky	Judy Prusky	\$58,000.00
28 Doreen Tescher	Self	\$85,000.00
29 338334 Alberta Ltd.	Doreen Tischer	\$288,000.00
30 Lis Weis	Doreen Tischer	\$150,000.00
31 Deanna M. Des Raux	Self	\$10,000.00
32 Toby Roch	Self	\$20,000.00

33 Vivian Hansen	proxy J. Rock	\$15,000.00
34 Ken Hagel	Self	\$50,000.00
35 Rod Dixon	Loir Schneider	\$200,000.00
36 Rebecca Andrei	OSB	N/A
37 Paul Elliot	Paul and Rosita Elliot	\$160,000.00
38 Rick Jack	Self	\$100,000.00
39 Rick Jack	RSS INC.	\$50,000.00
40 Pat Stalker and H. Fowell	Self	\$70,000.00
41 Pat Stalker	Robert Stalker	\$16,000.00
42 Pat Stalker	Randy Stalker	\$32,000.00
43 Doug Watson	Self	\$46,000.00
44 Andras Futaky	Self	\$75,000.00
45 Donald Chow	Self	\$90,000.00
46 Roy and Francisca Tarnasca	Self	\$550,000.00
47 Allen Case	Andrea Case	\$80,000.00
48 Allen Case	Susan Gould/Dahlinghouse	\$20,000.00
49 Sarah Huemmart	Self	\$45,000.00
50 Devill Ladell	Self	\$10,000.00
51 Dorothy Ladell	Self	\$250,000.00
52 Penny Spooner	Self	\$68,000.00
53 Arlein Irwin	Red Carpet Inn	\$76,241.00
54 Bonnie Baird	Self	\$88,000.00
56 Dennis Miller	Self	\$300.00
57 Margaret Hubarewich	Self	\$130,000.00
58 Dale Andrews	Self	\$100,000.00
59 Lou Turner	Self	\$150,000.00
60 Anita Weiss	Lilly Streibel	\$70,000.00
61 Anita Weiss	Doris Weiss	unknown
62 Elsie Weiss	Self	unknown
63 Joe Andreae	David and Loren Andreae	unknown
64 Geraldine Purcell	Self	\$400,000.00
65 Teresa Lindholm	Self and Barney Lindholm	\$350,000.00
66 Mary M. Smith	Self	\$126,000.00
67 Marilyn Ollenberg	Self	\$50,000.00
68 Les Ollenberg	Self	\$20,000.00
69 Joan Willoughby	Charles and Joan Willoughby	\$635,625.00
70 Joan Willoughby	Brian Willoughby	\$211,875.00
71 Joan Willoughby	Leeanne and Jason Willoughby	\$114,000.00
72 Karl Scholl	Self	\$50,000.00
73 J. Chambers	Self	\$100,000.00
74 Linda Sterge	494737 Alberta Ltd.	\$300,000.00
75 Ron Bosch	Self	\$30,000.00
76 Esther Fehrman	Self	\$60,000.00
77 Rose Yurasek	Self	\$200,000.00
78 Don and Selma Thurber	Muriel Thurber	\$50,000.00
79 Don and Selma Thurber	Estate of Sullen Izyk	\$160,000.00
80 Rhonda Woolverton	Self	\$293,000.00

81 Rhonda Woolverton	Rocky and Jean Woolverton	\$248,000.00
82 Rhonda Woolverton	C. Kirk and Mary Woolverton	\$70,000.00
83 Angela and Kirk Ollenberg	Angela Ollenberg	\$150,000.00
84 Herman Mahlberg	Self	\$39,000.00
85 Iloha Csak	Self	\$35,000.00
86 Jean Lauzon	Self	unknown
87 Rob Wedderburn	Self	\$200,000.00
88 Joyce Flemming	Self	\$150,000.00
89 Max Wiedemann	Self	\$110,000.00
90 Dennis Atkinson	Self	\$40,000.00
91 Sharon White	Self	\$50,000.00
92 Dianne Krauss	Self	\$100,000.00
93 Alice Smith	Self and Ron Smith	\$775,000.00
94 Lynda Niemans	Self	\$85,000.00
95 William Niemans	Self	\$500,000.00
96 Paul Kazakoff	Susan, George and Alvin Malus	\$1,450,000.00
97 Paul Kazakoff	Fred Burley and Burley Farms	\$1,081,000.00
98 Paul Kazakoff	Heather Wilderman	\$792,000.00
99 Paul Kazakoff	Walter Wildermann	\$700,000.00
100 Pat Stalker	Self	\$16,000.00