PRINCE EDWARD ISLAND LEGISLATIVE ASSEMBLY

Speaker: Hon. Kathleen M. Casey

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Standing Committee on
Fisheries, Intergovernmental Affairs and Transportation

DATE OF HEARING: 29 NOVEMBER 2007

MEETING STATUS: PUBLIC

LOCATION: POPE ROOM, COLES BUILDING, CHARLOTTETOWN

SUBJECT: MOTION #6 - REVIEW OF POLAR FOODS

COMMITTEE:
Bush Dumville, MLA West Royalty-Springvale (Chair)
Jim Bagnall, MLA Montague-Kilmuir
Michael Currie, MLA Georgetown-St. Peters
Charles McGeoghegan, MLA Belfast-Murray River
Robert Mitchell, MLA Charlottetown-Sherwood
Pat Murphy, MLA Alberton-Roseville
Wes Sheridan, Provincial Treasurer
Janice Sherry, MLA Summerside-Wilmot, replaces Alan McIsaac, MLA Vernon River-Stratford
Buck Watts, MLA Tracadie-Hillsborough Park

COMMITTEE MEMBER ABSENT:
Alan McIsaac, MLA Vernon River-Stratford

GUESTS:
Colin Younker, Auditor General, and Jane MacAdam (Auditor General's Office)

STAFF:
Marian Johnston, Clerk Assistant and Clerk of Committees
Ryan Conway, Research Officer

Edited by Hansard

The Committee met at 2:00 p.m.

Chair (Dumville): I'll call this meeting to order.

I'd like to welcome everybody here, members of the committee, all the recording people, and the clerk from the Legislature, as well as our special guest here today, the Auditor General. It's always a pleasure to see you. Also welcome the media and anybody in the gallery, and hope you enjoy the proceedings today.

The first order of business, we've been tasked by the Legislature of a motion, and I'll just read the last two paragraphs of Motion No. 6:

THEREFORE BE IT RESOLVED that the Legislative Assembly instruct the Standing Committee on Fisheries, Intergovernmental Affairs and Transportation to conduct a thorough review of the collapse of Polar Foods, with a mandate to call witnesses;

THEREFORE BE IT FURTHER RESOLVED that the Standing Committee on Fisheries, Intergovernmental Affairs and Transportation be authorized to meet after the prorogation of the 1st Session of the 63rd General Assembly and report back to the Legislative Assembly before the close of the Spring Session of 2008.

As Chairman, I have taken the liberty of asking the clerk to prepare some briefing books. Members of the committee, some are more up to date with the file than others. Others have not seen the file. So the intent is to, at the first meeting or two, to brief the committee as best we can so we can bring everybody up to speed. I'll just wait until some of your briefing books get around there. There will possibly be a second installment at the next meeting.

I guess I would like to ask the committee for the adoption of the agenda for today's meeting.

Mr. Murphy: So moved.

Chair: Everybody in agreement? Carried.

Just to form a little structure, I've kind of broken this down into four phases. Committee briefings for the month of December.

Possibly phase 2, we will conduct community public briefings. The clerk will issue out an ad in the paper requesting for people that wish to give signed submissions, or wish to appear before the committee, and the committee will have some input into how we should draft the letter. We'll determine where the interest is for those meetings and we will go where that is.

After that, after we have brought a number of people before us that wish to appear, phase 3, we will go into committee testimony. We'll give anybody, whether it's in the private sector or government officials, an opportunity to speak with the committee.

The fourth phase, as a committee we will try to analyse the information and prepare recommendations or a report for the betterment of government policy as we go forward.

I also asked for agreement on notices of motions so that everyone has a chance to prepare properly for each meeting. This means that a motion is introduced in writing at one meeting and is taken up at a committee to debate at the next meeting. It just gives everybody a fair chance of getting their thoughts together, and no surprises. So everybody knows what's coming.

We have received some correspondence already. We have a letter from Don Johnston. I think Don's probably in the gallery here today. It will be circulated to the committee after the meeting. We do not have enough copies at the present time. But I just want to recognize that we are receiving submissions.

I would like to introduce the Auditor General at this time, Colin Younker, at the far end of the table here. I know, Colin, you've appeared before many committee meetings and briefings and you're old hat at this. I thank you for being here today. As I say, a lot of us here are getting their material for the first time. I would ask you to take that into account when you're going through some of this stuff so they can stay up to speed. If you could be available for a few questions from the committee after this session, should there be any, I would greatly appreciate it. I also thank you for being willing to appear with us next week, December 6th, after our committee has reviewed their documents and they get a little up to speed. They may have some questions that they may wish to ask you, but that will probably be determined by the committee at the end of this meeting if we will require you on December 6th, or at a later day.

Having said all that, is there any member about the table that wishes to make a comment before I turn the floor over to the Auditor General?

The Chair recognizes Jim Bagnall.

Mr. Bagnall: Thank you.

Mr. Chair, I know this is our first meeting and we're getting started. It seems to me that our agenda has already been mapped out. In the past, and under the structure of the committees, it's been the committee that decides what is going to be done, who is going to be brought in, who is going to meet with the committee, and follows it through.

I mean, are you running this like a dictator? I mean, we've come in here today and you've already told us what we're going to do, how we're going to do it. What's the committee here for? I mean, the committee and the structure of the committee -

Chair: Well -

Mr. Bagnall: - I've got the floor now - is to deal with these issues. To me, you have gone over and above as chair by dictating what's going to happen in this committee.

Now the committee may 100% agree with what we're going to do, but already you have put this out and said that you're going to do this. Now, for me, committee meetings, we come in and you discuss, you have the motion in front of you and say: How is the committee going to deal with this issue? The committee hasn't had any input. You've decided what we're going to do and how we're going to do it.

Chair: Mr. Bagnall, it's right in here. The Chairman has the authority to consult with the clerk and to prepare a certain amount of structure for the efficient operation of the committee, and that's all I did.

On a previous committee which you and I were on, you were the one that brought it up, that the first thing that we have to deal with was the motion that came from the legislative committee. So I'm just following the same criteria that you said on the last committee.

Mr. Bagnall: Yeah, but I also asked the committee how we were going to deal with this and we discussed how we were going to deal with it. We weren't told how we were going to deal with it. To my mind is, if you want to run a committee and have members here to take part and be honest and fair of what's going to take place, you come to the committee and you set down the structure how we're going to do this. Not have the structure given to us and shoved down our throat.

Chair: Mr. Bagnall, this is just a briefing committee. This is a briefing committee to put the materials before this committee, to put it before these gentlemen here that have never seen this binder before, and to have the Auditor General just bring them up to speed. This is just an information committee. This is not a decision time.

Mr. Bagnall: You already made comments in the press that we're going out from one end of the Island to the other, we're going to have committee meetings up west, we're going to have committee meetings down east. Has the committee decided that or have you decided that?

Chair: Listen, I would appreciate it if you become a member of this committee and join us and help us get to the bottom of this thing. So let's move on.

Mr. Bagnall: I'm just saying there's procedures in the way you handled it. I haven't criticized that we're going to be doing this. It's the practice of the way you're doing it, trying to drive it down our throat. It's like you were given the directions from the fifth floor to do this and you've gone ahead and done it. That's the part - I've got no problem in opening anything up on this. It's the way you're handling this.

Chair: Mr. Bagnall, we're moving on.

Mr. Bagnall: And even -

Chair: Mr. Bagnall, we're moving on. Mr. Bagnall, we're moving on.

Auditor General, are you prepared?

Colin Younker: I'm prepared, yes.

Chair: The floor is yours, sir.

Colin Younker: Mr. Chair, I'll just introduce my audit director with me, Jane MacAdam. She's here to assist me with any questions that we may have.

Chair: Welcome.

Colin Younker: I thought what I would do is just go over a briefing on the report that we did in 2004 and go over the recommendations that we had in that report, and then also go over the recommendations of the KPMG Report that was done in 2005.

Chair: Could you speak up just a little bit or maybe if you will pull your mike back a little bit so everybody can hear?

Colin Younker: Our work was initiated by an Order In Council on May 11, 2004, and that Order In Council requested us to undertake a review of the government's financial support to Polar, as well as steps taken by government throughout its relationship with the company, to protect the interests of taxpayers. So that was the Order In Council that initiated the work for our office.

The government supported Polar throughout its years of operation from 1998 to 2003, included loan guarantees by Treasury and the Business Development Corporation, which reached a high of 26 million in 2003, as well as a $7 million preferred share investment by BDI. So at the formation of Polar in March 1998 the government guaranteed a term loan of $7 million and there was an original investment of 7 million in preferred shares, for a total of 14 million. In July of 2003, the number reached 14 million working capital guarantee by BDI, a $12 million guarantee on a capital loan by Treasury, and the $7 million preferred share issued, which totaled $33 million. That was the range of government support throughout the operations of Polar.

The focus of our review. Our scope included a review of the due diligence carried out by Business Development Corporation;

monitoring of compliance with terms and conditions of the financing arrangements in place; appropriateness of the accounting treatment; agreement of sale of assets to Ocean Choice; estimated loss on the project; bank debt outstanding at the date of receivership; and specific auditing procedures on accounts receivable and inventory transactions between December 27, 2003, and the receivership date.

We considered a number of factors contributing to the high exposure on the Polar file: the original business plan in 1998 didn't address the overcapacity problem in the industry; a decision not to rationalize the number of plants which affected the value of the assets brought into the company; and the financial statements of the companies that were amalgamated into Polar Foods were not reviewed at that time.

On the structure of Polar, Polar was the result of the amalgamation of nine companies, and there were six voting shareholders at that time.

The opening balance sheet of June 8, 1998, of Polar consisted of cash, $7.10 million - the 7 million would be from the preferred share issue - capital assets of $25 million which were approved and rolled into the company based on appraisals, a negotiated $2 million value on the Souris plant, for a total of $27 million in capital assets. They were financed by a term loan at the Bank of Nova Scotia of $11 million. Equity Class A preferred shares was $7 million which was held by Business Development Incorporated; Class B preferred shares of $2 million held by the former owner of the Souris plant; and Class D and E shares were issued to the operations that rolled their assets into Polar Foods of $14 million; and then common shares of $10,000. That was the opening balance sheet of the company.

The company operated for nine months in 1998 and up until December 2003 and two months into 2004. The company lost money each year. In 1998, the nine months, they lost 2.3 million; in 1999 they lost 1.5; a small profit in the year 2000 of $199,000; in 2001 a loss of 3.8; 3.3 in 2002; and 7.4 in 2003, for a total loss of operations over the life of the corporation, about $18 million.

Our report contained 18 recommendations, and our report was included with our 2005 Annual Report. I think that's the copy that you have in front of you. We followed up on those recommendations as part of our 2006 report which we do for all our reports, and our update on previous recommendations. There were no further updates required for 2007.

Our first recommendation had to do with some of the background and just based on some of the discussion that we had with various people. It was: Government, in conjunction with industry representatives, should develop a long-term strategy for the lobster processing industry on PEI.

So that wasn't part of our mandate, to review the lobster industry itself, but some of these observations came forward during the course of our interviews. Some of the issues were over-capacity, the export of live lobsters, independent buyers, and sufficient Island workers for the plants.

Our second recommendation had to do with the formation of Polar. Where major investments are made by PEI Business Development Inc., the project evaluation should include an assessment of the risk of the project and an analysis of key financial records supporting the investment.

You can follow along on the recommendations in the report, I think, in front of you. I can reference the page for you as you go.

Clerk Assistant and Clerk of Committees: What page are you on, (Indistinct)? Two.

Colin Younker: So it'd be page 79, I think, on the bottom.

There were two recommendations again on the formation. The first one was: "Where major investments are made by PEI Business Development Inc., the project evaluation should include an assessment of the risk of the project and an analysis of key financial records supporting the investment."

So we looked at the assessment of the risk, what type of security you feel was required, and there wasn't a review of the financial statements and appraisal reports.

Our second recommendation on the formation: "When economic development proposals are presented to Treasury Board and Executive Council for approval, the information provided should be sufficient to provide an understanding of each aspect of the proposal."

A couple of points there. The appraisal of assets. The appraisal of assets was done at market value and use and this didn't reflect overcapacity of an industry. Government had asked the processors to identify how they could rationalize and consolidate operations.

There was a working capital roll-in in exchange for 2.6 million in cash and 5.6 million in shareholder loans which were paid out by December 31st, 2001. This was not included in submissions to Treasury Board or Executive Council. These assets were going to be rolled in and shareholders' loans in cash taken back and the loans were to be paid out. All the submissions called for just a capital assets rollover.

Our next recommendation, following along, would be on page 83. This section deals with the financial support to the corporation between 1998 and 2003. In this part of the report we were looking at the requirements in the various loan agreements and financial assistance agreements and see if they were met throughout the life of the loans.

Our first recommendation was: "Specific reporting requirements included in financial assistance agreements should be enforced." That recommendation followed the preferred share investment of 7 million had a requirement that Polar meet specific payroll targets for the period 1999, 2001, 2003 and 2005. BDI was to obtain gross payroll information defined as the amount reported to Revenue Canada less the amount of any extraordinary bonuses and compensation to shareholders or their families, which was to be accompanied by an audit opinion. Apparently, the information received was not audited and did not indicate if amounts were deducted as required. So the requirements in the agreement were not met.

An Hon. Member: They were not.

Colin Younker: Not with that regard, no.

Our next recommendation is that BDI "should provide payroll information on Polar Foods to allow an audit to be conducted on payroll as required in the preferred share agreement." We had attempted to calculate the payroll based on the agreement. We didn't have all the information. We did it for a couple of years, and that's on the top of page 83, and we did not have a complete access to payroll records. Some of the records that were provided to us by the Receiver had information deleted so we were unable to complete that portion, part of the work, which was a limitation in the scope of our audit at the time.

Our next -

Mr. Sheridan: Is that on all years or just on the final year?

Colin Younker: That was on - the

requirements for the reporting was 1999, 2001, 2003, 2005. There was targets under the preferred share agreement to meet.

Our next recommendation is on page 84. The first one there is: “Each loan guarantee should be documented with a letter of offer provided to the client setting out the terms and conditions of the guarantee and establishing the client’s acceptance.” In the 1999 loan guarantee of 3.5 million, there was no letter of offer sent out. We felt there should be a letter of offer sent out on the loan guarantee.

The next recommendation: “When Executive Council requests Treasury Board to review financial assistance prior to renewal, it should be submitted as required.” The recommendation resulted from - there was a $3.5 million guarantee which expired in February 2000, and it was renewed each year until December 2001, without Treasury Board approval. The initial approval that Executive Council had given for that guarantee stated that any renewal was subject to Treasury Board approval.

The next recommendation is on page 89. “PEI Business Development Inc. should ensure that requirements and conditions of financial assistance are complied with.” There was a margin reporting requirement in the agreement of December 2001 for that guarantee. It was not met until June 2003. The April 2002 guarantee required no further payment of directors’ fees after October 2002. Directors’ fees were paid after that date. There was a required subrogation of present and future amounts owing to shareholders. Documentation signed referred only to present amounts, and in addition, only 65.5% of the shareholders signed the agreement. But their shareholders’ agreement required that 67% of shareholders sign any agreement that allowed for the subrogation of shares.

Mr. McGeoghegan: What is that, subrogation?

Colin Younker: The subrogation of shares is when you sign your shares as part of the security.

Mr. McGeoghegan: Right.

Colin Younker: And they asked for that as part of security for the December 2001 guarantee. There was only 65.5% of the shareholders were willing to sign a subrogation.

Mr. McGeoghegan: So there was no loan guarantee with it?

Colin Younker: So it wasn’t guaranteed by that. The loan guarantee was given, but the security that BDI asked for wasn’t given back, which was the subrogation of the shareholders of the shares. Sixty-five point five per cent of the shareholders said that they would agreed with it and signed it, but their own shareholders’ agreement, the company itself, the Polar shareholders’ agreement, required that 67% of the shareholders sign any subrogation agreement before it become effective. So basically, the agreement wasn’t effective.

Mr. Sheridan: Was government given a copy of that shareholders’ agreement?

Colin Younker: As far as I know the government had a copy of it, Wes, yes.

Mr. Sheridan: Do we have a copy of it? Were you ever shown it?

Colin Younker: Yes, we have a copy.

The next recommendation would be on page 91 and deals with the 2003 financial restructuring. “Where PEI Business Development Inc. approval is required before a client enters into an agreement with a third party, BDI should ensure the terms of the agreement are in the best interests of their client before providing such approval."

At this point in February 2003 Polar entered into an exclusive, inclusive marketing agreement with a multinational company, and at that time the multinational company lent to the shareholders $2.9 million to buy out three of the existing shareholders of Polar. It was an unusual agreement for a company like Polar that had a recognized sales force and established markets, and there were some concerns that had been raised by legal counsel relating to remedies in the agreement for Polar and then of default for breach by the agent.

The next one is on 93, page 93. Again, it's a recommendation that BDI "should ensure that the terms and conditions of financial assistance are complied with." There's a number of conditions set on the working capital loan guarantee in July of 2003. There's to be a formal 30-day or a six-month plan developed. It wasn't developed. The hypothecation agreements obtained were old ones from 2002. Directors' fees continued to be paid, and there was some verbal approval given for acquisition of capital assets where written approval was required. Over the period of operations of Polar, there was approximately 3 million in capital assets supplied out of working capital.

The next area of recommendations involved the board of Business Development Inc. It's under the authorization of government support and the recommendations are on page 95 of the report.

The first recommendation is: "The Board of Directors of BDI should meet on a regular basis." The second recommendation was: "Requests for substantial financial support through PEI Business Development Inc. should be approved by the Board of Directors with a recommendation to Treasury Board and Executive Council where appropriate."

In 2002 the board was inactive. At the 2004 February board meeting discussion, there was discussion on Polar, but no decisions or motions by the board. So what we're looking at there is the Business Development. It's a Crown corporation. It's set up to have some autonomies, some distance from government, but also with that then is the board should be active and responsible and be reporting back to government on decisions made, and processing the information back up through government.

The next area on recommendations - sorry, this is still under that same topic of authorization of government support. "Government should consider establishing Regulations to the PEI Business Development Inc. Act which require Lieutenant Governor in Council approval for financial assistance over an established maximum."

When the money was authorized for Polar, there were three Orders In Council and there were three Decisions In Council were issued. BDI could issue a (Indistinct) - financing through BDI could be done through a Decision In Council. Any financing through Treasury Board had to be done by an Order In Council. Decision In Council is not public. An Order In Council is public. The *Lending Agency Act* requires the Lending Agency to have an Order In Council for loans exceeding 2.5 million. So we're recommending that a similar type of regulation should be put into the *Business Development Corporation Act*, just as a safeguard, and again, a reporting process back on money lent. Those regulations now have been established where any loans over $1 million should be reported to Treasury Board and any loans over 2.5 million are to have an Order In Council.

The next recommendations are in the area of the purchase of Polar Foods debt. The first recommendation: "Where transactions are large in magnitude and not in the normal course of operations for government, they should be authorized in advance by Executive Council." Those are on page 100 of your report. The second is: "The requirements of the Financial Administration Act should be followed."

We made these recommendations - this was the process at the time when the government bought out the Polar Food debt. The way the transaction went was the government bought out the bank. The bank held the security. They were going to call the loan. There's a 10-day period after the call of the loan. During that time government came forward and bought out the debt of the bank which was - they paid 49.5 million for the debt, which I think was around 51.3 million at the time, and they also bought out the mortgage on the Souris plant of 2 million.

During that period there was some discussion at Executive Council, at the February 24th meeting. However, there are no documented submissions or decisions during that 10-day period. On February 27, 2004, the security held by the bank was assigned to the province. That's after they paid them the 49.5. Treasury Board authorized this on March 3, 2004, and Executive Council authorized it on March 9, 2004. So we made our recommendations in that the approval should have been made before the amount was spent.

The payment to the bank was also made under Section 28 of the Financial Admin Act, Administration Act where we thought it should have been made under Section 37. Section 28 allows the treasurer to make a loan or an advance, but it really wasn't a loan or an advance. It was a purchase of the assets by paying out the bank security.

Our next recommendation is on page 102. This has to do with the payment of the dividends on the Class F preferred shares of Polar. "Where BDI's consent is required for clients to make capital transactions, management of BDI should have assurance that legislative requirements are being complied with."

This had to do with BDI's approval of the issuance of Class F preferred shares. There was a - swapping shares from Class (Indistinct) -

Ms. MacAdam: Class B.

Colin Younker: Class B preferred shares of Polar were converted to Class F preferred shares which allowed a dividend to be paid on the shares. BDI approved the issuance of these new shares which resulted in the dividends being paid. (Indistinct) a legal opinion that because the dividends were paid, it could impair the capital of the company, which contravenes the *Company Act*.

Mr. McGeoghegan: So are you talking about the province paying out the bank before it actually went - that's what you're talking about here, right? Like, if it would have went bankrupt and they just let it go, it would have had to go to a registrar hearing which all that information would have come out at that time, right? But if the province took it over beforehand, none of that stuff is let out.

Colin Younker: There's two - there was a couple of reasons why it was done that way.

In your paragraph 7.117, one of the options available to the government at this time after the bank called the loans was to allow the bank to proceed with a court appointed receiver. Another option was to buy out the bank debt and assume the security position of the bank, and then the government appoint the receiver.

The decision was made to buy out the bank debt and the reasons given to us at that time: "Under a court appointed receiver, government would be required to pay out both guarantees which were estimated at that time at $26 million. Although purchasing the bank debt meant an initial payout of $51.5, and therefore increased the risk, after the estimated liquidation proceeds the net projected loss was less than $26 million."

At the time when the bank called the loans, there was $26 million in guarantees outstanding. There was the 12 million guarantee on the capital loan and there was a $14 million on the working capital loan which was issued in July of 2003, for the total of 26. So the guarantee that the province had, I think, was an up-front guarantee, they had to pay it. Once it's called, the government would have had to pay the guarantee before the assets were liquidated. So by taking over the assets, then they would have the option of appointing a receiver and liquidating the assets through the receiver themselves.

The other consideration at the time was: "Under a court appointed receiver, government would not have input into the timing of the liquidation of the assets and given the time frame it would be unlikely that the plants would open for the 2004 processing year."

Mr. McGeoghegan: So they paid out the government guarantee plus the other debt?

Colin Younker: They paid out 49.5 which was the debt at the bank at that time, but then they got the assets back to liquidate. Those assets would include the plants and the inventory and accounts receivable.

Mr. McGeoghegan: How much of that did they get back?

Colin Younker: When you work back through the loss, and it's about the same now, and I think it's on page - when you take out the preferred share investment, the loss is around 24 million, which is the amount that's gone through the public accounts of the province. It's still around that amount based on the latest receiver's report that we have, which is March 2006. A net loss after the sale, about 24 million.

Mr. McGeoghegan: So the government was guaranteeing the whole thing, not just the money that they lent themselves.

Colin Younker: No, they weren't guaranteeing the difference between the 26 million. They were just guaranteeing up to 26 million. The idea was to be able to time the liquidation of the assets when they wanted to do it, when the government wanted to do it, so that the plants could open for 2004. The idea was to sell the assets so the plants could open in 2004, and to try to minimize the loss below the 26 million.

Mr. McGeoghegan: So is that - you were talking about transfers, the shares being transferred from B shares to F shares or something like that?

Colin Younker: Yes, that was back, and had to do with the plant in Souris. When the plant in Souris was transferred into Polar back in 1998, it was transferred in the value of $2 million in exchange for $2 million of Class B preferred shares. The dividend feature on the Class B preferred shares was any dividend reduced the value of the shares. The shares became due in January 2002 and at that time they couldn't be paid out. They were to be paid out in 2002.

Mr. McGeoghegan: They were supposed to be, originally?

Colin Younker: Yes, Polar was supposed to redeem them. So they didn't have the funds to redeem them, so at that time they were converted to Class B preferred shares. Sorry, Class F preferred shares, which had a dividend feature.

Mr. McGeoghegan: Which had a - I'm sorry?

Colin Younker: A dividend feature.

Mr. McGeoghegan: A dividend, okay.

Mr. Mitchell: So that percentage would have been in the report?

Colin Younker: I don't think I have the percentage.

Ms. MacAdam: (Indistinct).

Colin Younker: Yeah, there's 6% cumulative. That's on page 112.

On page 114 of your report it summarizes how the loss has been recorded in the public accounts of the province. It shows the total loss of 30.979. Preferred Share investment write down was done in 1999, 700,000; 2.8 in 2000; and 3.5 in 2002 under the preferred share program. There were some miscellaneous grants of 309,000 provided to the company over the years, and then there was an allowance for the term loan guarantee recorded in the 2003 financial statements. Then the estimated loss on receivership in 2003 and 2004, 17.6 million, for the total of 30.979.

In the last receiver report we have, the number is still pretty close to that range and most of the items that the receiver was looking after are cleared. They still have some cash and there's still some payables left and a few small receivables, as of March 2006, which was the last receiver's report that we've seen.

Our next recommendation had to do with the Polar Food operations. We recommended that: "A forensic audit should be conducted on the operations of Polar Foods International Inc. for the period commencing at the signing of the marketing agreement to February 27, 2004."

We had done some work comparing the shortfall of the operating line of support from inventory and accounts receivable of December 27th, 2003 and February 27th, 2004, and that shortage had increased I think around $3 million, and that's just the margin that the bank has on their operating line, the security that they have.

As of our report date, a variance in inventory and adjustments to standard costs were not fully explained, and the accounts receivable balances in Polar records was higher than the accounts receivable balance in the receiver's estimated security position. Then we wanted them to look at the marketing arrangement as a business versus a financing arrangement. The marketing agreement was signed as part of a deal on the purchase of the shares by three shareholders of the shares of two shareholders for 2.9 million. So we recommended that, and that has been conducted by KPMG in Halifax. It was done in 2005.

Then our last recommendation, 18, which is the treatment of the write off and cancellation of debts, preferred shares under the same section of the act, just wanted it to be consistent.

So those were the 18 recommendations that we had on the Polar Report. We followed up on those recommendations in our 2006 report to the Legislature. We were satisfied that the responses we received were that they'd concurred with our recommendations and followed up on them. So that was the last time that we followed up on those recommendations.

The next area, then, would be the recommendations in the KPMG report, the forensic auditors. I'm not sure - are they in your - there, Marian?

Clerk Assistant and Clerk of Committees: Pardon me?

Colin Younker: They're in your -

Clerk Assistant and Clerk of Committees: Yes, both the executive summary and the full report are in your binders.

Colin Younker: Okay. I think there's a section in the report on recommendations and that would probably be the easiest place to follow along.

Clerk Assistant and Clerk of Committees: Tab 7. Do you have a page reference?

Colin Younker: Page 4.

Mr. Bagnall: Where are we going to (Indistinct)?

Clerk Assistant and Clerk of Committees: Tab 7, page 4.

Colin Younker: So these are the recommendations that KPMG made after they did their work for us.

The first recommendation was: "Given the status of BDI as a government organization providing financial assistance on behalf of the province," KPMG recommended "that it carry out its responsibility to monitor and enforce the various terms and conditions of the agreements governing preferred share investments, loans guarantees and other assistance provided."

They did quite a bit of work on the margin calculations that were done for Polar. The margin calculations, they're the calculations to determine if the assets of the security, which in most cases is the accounts receivable inventory, are a high enough value to support the operating line of credit. So there's a calculation that the bank requires you to do. You use a percentage of your accounts receivable and a percentage of your inventory and less any secured, other secured or prior creditors, and then your operating line is supposed to work within that guideline. That changes month to month and there are reporting requirements for Polar with the bank and BDI on those.

So there were some unexplained discrepancies between the books and records of Polar and the figures reported in the margin calculations. The ones that went to BDI were not consistent with the borrowing base established by the bank. In their banking agreement the bank would have a format it would follow to calculate your margin, where you stood on your margin.

The margin calculations were further impacted by changes to the inventory costing methodology and timing differences in establishing accounts receivable from the agent. So there were some time differences when Polar was booking their sales and when the agent was recognizing the sales.

The second recommendation, KPMG recommended "the Province direct BDI to request the Receiver to provide the 2004 income tax returns and provide BDI with an analysis of the loss utilization planning considerations in order to ascertain if value from the accumulated losses in the subsidiary corporations could have been realized for the benefit of the Province."

At the time they did the work, the 2004 corporation returns weren't available and they were wondering if the accumulated unutilized losses were analyzed and could be of use as far as the subsidiary companies went. In the followup to the recommendations, the Receiver examined the tax losses and said that the losses were not recoverable. This was in 2007.

KPMG recommended "the Province seek legal advice in order to determine if remedies exist for recovery due to the contravention of the Companies Act of PEI." This has to do with the payment of the dividends again. There was a legal letter stating the dividends contravened the

Companies Act. BDI consented to the payment of the dividends on the Class F preferred shares in the terms and conditions supporting the $14 million working capital guarantee in the summer of 2003.

They also noted an irregularity in the reporting of the gross margin to BDI that couldn't substantiate a 9.96 margin number which was for the first six months of June 2003, which was supplied to BDI as part of the information for the July 2003 loan guarantee.

Subsequent to that, when we were following up on the recommendations of KPMG, BDI did receive a legal opinion stating that any litigation would be lengthy, contentious and expensive, and the outcome uncertain on this matter. So at that time government determined not to pursue the matter.

Mr. McGeoghegan: So the dividends to government were (Indistinct) to the shareholders, right?

Colin Younker: Yes, the shareholder of the Class F preferred shares.

Mr. McGeoghegan: Okay, so the six shareholders that owned the original shares in the company.

Colin Younker: There was just one shareholder had shares in the Class F shares. There was just one shareholder.

Mr. McGeoghegan: There was?

Colin Younker: Yes.

Mr. McGeoghegan: So what about the other five? Or were they just all formed under one shareholder?

Colin Younker: No, they each would have held parts of the $14 million in share capital that the company had issued, which was the Class D shares of the company. The company had Class A, Class B and Class D preferred. Class A was the Business Development Corporation investment of $7 million. The Class B was the $2 million in preferred shares on the transfer of the Souris plant, the one in the Souris Seafood Park, into Polar at that time for $2 million. Then there was $14 million issued to all the shareholders on the transfer of their assets into the company back in 1998. The assets were transferred in for 25 million and the shareholders received 11 million in cash and 14 million in preferred shares at that time.

Mr. McGeoghegan: Okay.

Mr. Mitchell: So only one shareholder received dividends at the end of it?

Colin Younker: There was no dividends on the 14, just -

Chair: And that was for the plant.

Mr. Mitchell: The 2 million.

Colin Younker: That was for the Souris plant.

Mr. M. Currie: If I may, it was transferred to Polar and then Polar was to retain those shares, and in lieu of that, they didn't retain them, they paid a dividend. Right?

Colin Younker: Yeah, they were to be redeemed in 2002.

Mr. M. Currie: Yes. So in lieu of that, he had the option to sell to somebody else, and that's what started probably part of it.

Chair: So the money wasn't there in 2002, was it?

Mr. M. Currie: Not to that extent. I guess, when you have losses, you'd have to go back and borrow, but instead of paying them out, they decided to pay him a dividend of equal amounts he could get for his money in the bank, I guess. That's where it was and that was the only dividend paid.

Colin Younker: So he was due the $2 million in 2002 which was on the original Class B. So when they couldn't pay them with $2 million they issued the Class F, and that was really - the dividends on that were to compensate him for lost interest.

Mr. McGeoghegan: So they got paid $11 million up front when they formed the company.

Colin Younker: Yes.

Mr. McGeoghegan: Of cash, 11 million. Then the rest of it went into shares.

Colin Younker: Shares.

Mr. McGeoghegan: Which they didn't get those shares back at the end or they did get some?

Colin Younker: Well, there were some changes in the shareholdings during the life of Polar. There was one shareholder bought out, I think, in 2002, so he would have sold his shares at that time. Then the $2.9 million transaction in 2003 bought out three of the shareholders. So the original six, and there were three left. There was one new shareholder in 1998 when they bought the Arisaig plant. It was bought under the same type of structure: cash and shares. So there became seven shareholders when the Arisaig plant was purchased.

Mr. McGeoghegan: Then the new one would have been FPI, right?

Colin Younker: No, FPI was just involved in the marketing agreement.

Mr. McGeoghegan: That was it?

Colin Younker: Yes. So when they, so there were some shares - at the end of Polar there was four shareholders left. Three shareholders left at that time.

Mr. McGeoghegan: So FPI didn't hold any shares in that company at all.

Colin Younker: No, FPI had loaned the money to the shareholders to buy the shares from three shareholders.

Chair: Two point nine?

Colin Younker: Two point nine million.

Mr. M. Currie: If I may, Colin, they did have something on the preferred shares.

Colin Younker: They had security on them.

Mr. M. Currie: Security

Colin Younker: They had security.

Mr. M. Currie: But the preferred shares were gone then anyway.

Colin Younker: They had security, yeah. If the 2.9 wasn't paid back they had security, a security of three million of the government preferred shares.

Mr. Mitchell: So that meant they were out their money.

Colin Younker: I have no idea if the 2.9 was ever paid back. I am not aware if it was paid back.

Chair: Who was the first shareholder to approach government to put this deal together?

Colin Younker: I think there were six to eight people approached them at that time originally.

Chair: Like, who would be the one that - who created the idea? Who was the first one? The report basically list six people that were main principals.

Colin Younker: There were six original shareholders. Then there was a couple of other people that were involved initially but didn't become shareholders. There was a study done back in 1997, and I think Garth Jenkins was the contact on it at that time, which was the original study on the formation of this type of amalgamation.

Chair: Okay. Now, the valuation of the assets that the six individuals or whatever were throwing into the company, used equipment is usually not worth very much money. How do we establish the price for the assets that these individuals were putting into the company?

Colin Younker: The price was established based on an appraisal done by an appraiser, and it was appraised at what's called market value in use. We question whether that was the proper appraisal method based on the capacity issues in the industry.

Chair: They were just 22% at the time, were they?

Colin Younker: Yes, there were different reports on the overcapacity in the industry. One study did quote the 22% number.

Chair: When these individuals approached government they said they were in economic difficulty. Like, if you're in economic difficulty, it's not a good bargaining position to be in with the government or approaching anybody looking for money. Was there an assessment done of what these individuals owed at that time?

Colin Younker: No, their financial statements weren't reviewed, weren't provided at the time.

Chair: But a lender, like, most lenders ask you for personal as well as business, all financial information that they can get on you to determine the risk. They were coming to the lending institution, so the lending institution had the right to set the parameters of how they would continue the discussions on the loan?

Colin Younker: That's one comment made in our report, that they didn't receive the financial statements of the company. We felt that they should, as an investor.

Chair: So would it be fair for me to say that possibly the best dollar that they could hope to get would be what they owed on their businesses for their assets if it's in financial difficulty and there's no other buyer?

Colin Younker: It's hard to say. You wouldn't really know or you don't have a negotiating position until you actually see those financial statements.

Chair: So it would be prudent for a lender to demand those: You want our money, we want your statements.

Colin Younker: Yes, in normal course you'd provide that information if you're borrowing money.

Mr. McGeoghegan: And that wasn't done.

Colin Younker: It wasn't done in this case, no.

Mr. McGeoghegan: What about personal loan guarantees?

Colin Younker: There's no personal guarantees throughout the operation of Polar.

Mr. McGeoghegan: There wasn't at all.

Colin Younker: No.

Chair: So BDI asked for them, whether there was 4.5 put in or 7 million put in or 14 million put in, BDI at every opportunity, continued to ask these people to put in personal guarantees. Is that correct?

Colin Younker: I think they were asked at a couple of points. I think one of the first times was in 2002 when they were looking at converting the loans over to the Lending Agency, who require personal guarantees in most cases.

Chair: Why would that fall through the cracks? Why would they ask for them and not ensure they had them, BDI?

Colin Younker: We just know they didn't have them. I can't answer that question.

Mr. McGeoghegan: Is it normal for BDI to do that in other circumstances, to give out loans with no personal loan guarantees?

Colin Younker: I don't have the answer to that, Charlie. I don't know the full portfolio.

Mr. McGeoghegan: But PEI Lending definitely does.

Colin Younker: PEI Lending has a policy of personal guarantees, yes.

Mr. McGeoghegan: But you don't know if BDI does or not.

Colin Younker: No. They would in some cases (Indistinct).

Mr. Watts: When the assessment was done on the value of the (Indistinct) of the plants and their equipment, who did that assessment?

Colin Younker: It was a company called Hardy Appraisals.

Mr. Watts: Where are they? Is that a PEI company?

Colin Younker: I'm not sure. Maybe a Moncton company. I'm not sure.

(Indistinct).

Mr. Murphy: We know there was overcapacity in the industry. Does that make the equipment and that less valuable?

Colin Younker: Well, if you have overcapacity, it would mean that you don't need as many plants to process the fish.

Mr. Murphy: So the plant wouldn't be worth as much.

Colin Younker: So if you were a seller in that market, the theory would be that your assets would be worth less.

Mr. McGeoghegan: What was the assessed value, do you know, for all the equipment?

Colin Younker: The plants and equipment, the combined assessed value is $25 million.

Mr. McGeoghegan: Twenty-five, at that time, back in 1998.

Colin Younker: At that time.

Mr. Mitchell: Out of any debt that they were carrying when the whole thing took place, were there any lenders that didn't receive their money at that time from the original sale? Was there any mechanic lien on anything, at any time, over the course of the whole thing for monies owed prior to the sale?

Colin Younker: Not that I'm aware of.

Chair: There was also a requirement of BDI that the principals not take any shareholders' advances, and they continued to do so.

Colin Younker: On the preferred shareholders agreement, the original one, on the $7 million, it called for no shareholder advances or interest to be paid on shareholders' loans. No repayment of shareholder's advances. When they rolled the inventory and accounts receivable in initially, on the initial transaction, about 8.2 million, those shareholder's loans were paid out by December 1st, 2001, over a two and half-year period, and there was also interest paid on those. So that contravened the agreement.

Mr. McGeoghegan: So the full 8.2 million was paid out?

Colin Younker: It was paid out, yes.

Mr. McGeoghegan: It was?

Colin Younker: Yes.

Mr. McGeoghegan: And that was in contravention of the agreement.

Colin Younker: Yes.

Chair: So they continued to profit while the business was (Indistinct)?

Colin Younker: In exchange for the 8.2, the company received accounts receivable in inventory. But again, I guess our point was that that could have been part of the negotiations on the initial deal of how much money and what portion should be cash, what portion should be shareholder's loans or preferred shares.

That wasn't part of the submissions. There were just submissions that they were only going to buy capital assets of $25 million. But the 8.2 was rolled in and then paid out, some cash up front and the balance of the cash by December 2001.

So there could have been negotiations where BDI could have made requirements that that maybe shouldn't have been paid out for three or four years or paid out over a longer period of time or be only paid as the accounts receivable were collected or as the inventory was sold. There could have been different conditions put on it if they had known that that transaction was going to occur.

Chair: There was two things affecting the industry. There was, what was it, the dollar, the Canadian dollar? There was one price, was it something like shelf price and a retail price? There was a difference.

Mr. McGeoghegan: Shore price.

Chair: Shore price, was it?

Colin Younker: Over the period of time the dollar would have fluctuated and a lot of their market was in the States, which could affect the price that they got for their product. I think later on in the operations of Polar the American dollar was weaker at that time.

Mr. McGeoghegan: Canadian dollar was weaker.

Colin Younker: Yes. American dollar, I think. There was a change there.

Mr. McGeoghegan: The difference between the two (Indistinct).

Colin Younker: Just moving on, then, back to the KPMG recommendations.

The fourth one was that KPMG recommended that the "matter be resolved by requiring BDI to request the Receiver's disclosure in a statement or reconciliation for accounts receivable and inventory which would include a resolution of the disputed amounts, including written explanations providing reasons for amounts not recovered."

As far as I'm aware, that report still hasn't been received from the Receiver, the final report. We followed up that recommendation for our 2008 report. That's the only recommendation that we're still following up on, is that final written report from the Receiver. Receiver has supplied quarterly reports or periodic reports to the government.

Mr. Mitchell: They supply that to BDI (Indistinct) supply it to you? (Indistinct).

Colin Younker: Yes. If we ask for it. It's not to come to us.

Mr. Mitchell: Okay.

Colin Younker: It's to be reported to BDI.

Mr. Mitchell: So BDI has not received that report.

Colin Younker: We're not aware they've received a final report from the Receiver.

Mr. McGeoghegan: When is it due?

Colin Younker: It should be due, I think, almost any time. It's pretty well wound up now.

The final recommendation. KPMG recommended "the Province conduct sufficient due diligence and require that contractual arrangements contain the rights and remedies and include legal documentation on all commitments in order to ensure that the Province's investments are protects through remedies or recovery from parties benefiting from the Province's guarantee."

This had to do with the marketing agreement, where the province is involved in that through providing a guarantee of three million preferred shares, as well as consenting to the agreement itself.

The Receiver felt there were some concerns with the marketing agreement between Polar and the agent and that it didn't contain rights and remedies for Polar. It didn't address Polar's understanding of a working capital arrangement that they thought they had with the agent. Those are the recommendations from the KPMG report.

Then in September 2005, I think, or August 2005, sometime in that period, we did receive a complaint about missing inventory and equipment at Polar from an individual. Treasury Board policy requires that we turn that over to the Attorney General's office, which we did do at that time, and the Attorney General's office turned it over to the RCMP. I think we just recently heard the results of that report, that there's no further finding.

Clerk Assistant and Clerk of Committees: It's also in your binder, tab 11, that report from the RCMP.

Chair: The marketing agreement. The inventory got kind of hung up. They held it off the market trying to drive the price up. When did the inventory go short? Was the product over in Nova Scotia or was the product here?

Colin Younker: The product was here, I think, and they were holding it off the market to the States, trying to get the price up. That resulted in the company, of course, building up their inventories they're producing and not having the accounts receivable or sales to pay down their working capital loan. So at that time, late in the spring-early summer of 2003, the company was facing a cash crisis. At that time the guarantee for $14 million was put in place for working capital to increase the working capital line, which reflected that problem of product not moving.

Chair: So that marketing agreement triggered the 2.9?

Colin Younker: No.

Chair: No?

Mr. M. Currie: The 14.

Chair: The what?

Mr. M. Currie: The 14.

Chair: The 14?

Mr. M. Currie: The 2.9 was money FPI loaned to the remaining shareholders to buy out the other three.

Chair: Okay.

Mr. M. Currie: They kept the product off the market, unbeknown to us, to try and entertain a more lucrative price for the product. By doing so they filled their freezers and drained the bank accounts. Then on whatever day it was, June 30th or July 3rd or 4th, there was no money left to pay fishermen or pay the plant employees. So what else was there to do? They held their guns. They just said: We're not putting any more money in the company.

They had an agreement to do the operating one, FPI, and we had to turn (Indistinct) at the time. We weren't prepared to see people not get paid nor fishermen not get paid. So that's when the $14 million was put in, at that time.

Mr. Mitchell: Where was the product at that time?

Mr. M. Currie: In the freezers.

Mr. Mitchell: How come that wasn't taken, the product, and moved?

Mr. M. Currie: As security?

Mr. Mitchell: Yes.

Mr. M. Currie: Or moved?

Mr. Mitchell: As security, I guess.

Mr. M. Currie: I think what the industry was experiencing was, you know, people were dumping stuff on the market and bastardizing the process, you know, of getting a decent margin to cover.

What FPI tried to do was they controlled the crab and shrimp, and they wanted to say: If you want to buy lobsters, then you buy this product from us also. So they wanted to, I guess, have a little more control on the market and they were prepared to wait, but they weren't prepared to put any more money into the company. They had gone for a period of time and nothing was moving and they said: Well, they'll sit. Of course, we were extremely disappointed that they didn't put the other $14 million in because that's what we perceived as their agreement. But anyway, that's what happened.

Colin Younker: Part of the marketing agreement - it was understood by Polar that there was a working capital arrangement, in the marketing agreement, that FPI would finance the working capital. They did for a while and they stopped, and there actually wasn't anything in the agreement which outlined how that working capital arrangement was supposed to work. So they stopped advancing money.

Mr. M. Currie: And they were made aware of it by us at the time that there was no minimum amount of purchases or anything, but they signed it. We did make them aware that that's there. Four months later it came out.

Mr. McGeoghegan: So where did all the product go?

Mr. M. Currie: The product eventually was sold, Charlie, but the operating line dried up. That's what happened.

Colin Younker: So just to summarize, Mr. Chair, we did our audit on the government involvement with Polar Foods, which was the first audit we discussed here earlier. We gave that to Executive-Council on January

11th, and then we met on several occasions with the Public Accounts Committee to present the report. We also provided written responses to 82 questions from the Public Accounts Committee. So the Public Accounts Committee archives has that information on those questions that we responded to. So there is some additional information there.

We met with the Public Accounts Committee on two occasions to go over the KPMG report and provided nine responses to questions on that report as well to the Public Accounts Committee.

Mr. M. Currie: How many times, Colin, did you say you were before the board here?

Colin Younker: Seven on this one. Seven on our report and twice on the KPMG.

Mr. M. Currie: So that’s nine.

Colin Younker: Yeah.

That’s my summary, Mr. Chair. Marian, I can go over that list of questions to make sure you have all the responses. We can do that in the next couple of days.

Chair: I thank you very much for appearing and coming on such short notice. You’ve outlined a lot of information and when we get the reports of the proceedings here today, and we can kind of look it over a little bit more, I appreciate the fact that you’re willing to come back on such short notice if the committee decides they would be ready in time.

I don’t know if a week is enough time for them to digest their books here that our capable clerk has ensured them, tried to get them organized.

Before we dismiss the Auditor General, is there any committee member that would like to have a word, say a word to him, or ask him a question?

Mr. McGeoghegan: The product that you said was sold, do you know how much it was sold for and at what time it was sold?

Colin Younker: You mean the product, Charlie, and -

Mr. McGeoghegan: That was in the freezers, when they had the freezers full and they used up all their line of credit.

Colin Younker: Some would have been sold through the fall and some would have been sold after. Some was sold by the Receiver. I’m not sure when production would have stopped and the timing of that. But they would have been sold, some through the fall, and then the balance by the Receiver in the spring, most of it in the spring of 2004.

Mr. McGeoghegan: So was it looked at, how much was on hand and then how much was sold, to see if those numbers matched up?

Colin Younker: KPMG did a lot of work on the records of Polar during that period of time, from March 2003 till February 2004. They spent a lot of time going through that. Other than the margin reporting issues, they didn’t have any - there are some final items there on pricing and charges for storage and freight that still have to be resolved, and that would be part of the Receiver’s final report.

Mr. McGeoghegan: Okay, and we’re not sure on that yet.

Mr. Watts: The product that - the report that there was product that went missing, the final summation on that was that there was no product missing or that there was, or if so, what was the amount?

Colin Younker: I guess the RCMP, the complaint that we had, the report back from the RCMP is that there's nothing that they can pursue any further.

Mr. Mitchell: So the paperwork that they were using in their findings was - there had - a lot of discrepancies. That's the paperwork that they would have done the investigation on, the RCMP? Is that right?

Colin Younker: I'm not sure what the RCMP did. KPMG did from March until February 2004. They looked at all the -

Mr. Mitchell: They just said the investigation "included interviews of third party source, the Auditor General, Staff at BDI, and certain directors, shareholders, managers, financial officers and employees of Polar."

Colin Younker: That's KPMG, though. That's not the RCMP one.

Mr. Mitchell: No, that's the RCMP one.

Mr. McGeoghegan: Yes, it's RCMP.

Colin Younker: It's the RCMP one? Yeah, oh, we did meet with them to give them some background information.

Mr. Mitchell: If the information had discrepancies in it that you had already make mention to, and they were using that -

Colin Younker: I'm not sure how they used it, though.

Mr. Mitchell: Okay.

Mr. Murphy: But there was product missing?

Colin Younker: There was an allegation that there was product missing.

Mr. M. Currie: The market value and use, that would be an asset, and at the very start of the thing market value and use was with the license, right?

Colin Younker: There were six licenses at the time.

Mr. M. Currie: So it was rationalized.

Colin Younker: It still didn't take into account, I don't think, the overcapacity.

Chair: Any further questions of the Auditor General?

Thank you very much for appearing before us today. We greatly appreciate it. We'll have a little discussion around the table in regards to the committee members to see how long they want to absorb some of this stuff. We have more here for them and we want to get their opinion on when we could have you back. I know you're available on the 6th, but it may be short notice, but we'll let you know as soon as we can. Would that be all right with you?

Colin Younker: That's fine.

Chair: All right. Well, thank you very much for today.

We have tentatively booked out the 6th of December. There's an opening there at 2:00 p.m. if, as a committee, you feel that you're ready to meet on that date. How does everybody feel about being able to review the material? There's more from Marian here also. So I'm just open to trying to create a consensus here to see when you would like to meet again. Would the 6th be all right? Is the 6th okay with you, Jim, Mike?

Mr. M. Currie: It's okay with me, sure.

Chair: Pat?

Mr. McGeoghegan: What day is it on?

Chair: It's a week from today.

Mr. Bagnall: Would that be to bring the Auditor General back in after we've had a chance to review this, or do we need to bring him back in? I guess that would be question that we'd want to, as a committee, make a decision on.

Chair: He's available to come back on the 6th, and I guess what we're asking you is, would you have enough time to go through the material, create what you want to ask, to make his time worthwhile?

Mr. Bagnall: Okay. There's no problem. As you probably know, I sat on the Public Accounts that went through it. I have files of stuff that deep on the Polar file. I have been following it since (Indistinct)..

Chair: So what you're saying is I really should look at these guys that have got their binders for the first time today.

Mr. Bagnall: There's a lot of information to absorb there, I tell you, and how we're going to deal with it and move forward with it.

Chair: Janice, you're okay?

Mr. Mitchell: I'm fine.

Chair: You're fine. Buck?

An Hon. Member: At 2:00 p.m.?

Chair: Two o'clock. Is the time okay? Do you want to move it up half an hour or is the time fine? Charlie, you okay? Mike, you're okay. Jim?

Mr. Bagnall: Yep.

Chair: Time, 2:00 p.m., okay?

Mr. Bagnall: One o'clock would be better but if 2:00 is fine with the group, that's fine with us. I just find if you do it at 1:00, it's going to take the whole afternoon anyway. If we start a little earlier we may be able to finish off a little bit earlier.

Chair: We'll check with Marian and we'll get back to you on that. So if everybody can just kind of keep a heads up, whether it's 1:00 or 2:00. But we'll have to check with the committee.

Mr. Bagnall: No difference. Like I say, 1:00 would be a little - we're ruining the afternoon anyway. Why don't we come in a little earlier and get through her? From our schedules, I mean we've got to book out the whole - so we might be able to have some time later on in the afternoon to do other work. That's all.

Chair: Jim, I really don't want to tell you the truth. You're squeezing a hockey game.

Mr. Bagnall: What?

Chair: You're squeezing a hockey game.

Mr. Bagnall: What hockey game?

Chair: Well, the hockey game that some of us play on.

Mr. Bagnall: Oh. Oh, well.

Chair: No, I have no problem moving it. But anyway, we'll see.

All right. Do I have a motion for adjournment?

Mr. Bagnall: So moved.

Chair: Thank you.

The Committee adjourned