

ECONOMIC DEVELOPMENT COMMITTEE
10:00 o'clock, Thursday, April 11, 1974.

CHAIRMAN: Mr. Harry Shafransky.

MR. CHAIRMAN: Do we have a quorum? We are here this morning to proceed with the Communities Economic Development Fund, and Mr. Green do you have any particular. . .

MR. GREEN: Mr. Chairman, at the last meeting Mr. Parasiuk was in the process of being asked a question, since then in the House there was a letter produced by Mr. Kregeris and Mr. Spivak made certain additional remarks relative to questions that he wanted answered and Mr. Parasiuk is prepared to deal with those remarks which is what I undertook would be done; so if Mr. Parasiuk could proceed with dealing with the questions that have been raised.

MR. CHAIRMAN: Fine. Mr. Parasiuk. Mr. Spivak.

MR. SPIVAK: Just on a point of possibly privilege or point of order - point of order - or just really a point of privilege because of the remarks that Mr. Green has made. I believe that Mr. Kregeris' letter which was sent to him was first introduced in the House by Mr. Green himself.

MR. GREEN: That's correct. Yes, that's correct.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Chairman, I'd like to make two statements. One, a general one regarding J.M.K. and R & M which gives our statement about allegations regarding management's abnormal disbursement of funds and vote buying; and also then I'd like to answer a question that was raised by Mr. Spivak on the March 26th meeting of this committee regarding the Manfred Keil memo and the report. I'd like to deal with these two and then I'd like to table other material and we could proceed from there. So I'd like to ask Mr. Musgrove now to table the statements that I would like to make, but I would like to read them into the committee's hearing.

Over the past month many questions and allegations have been raised in the House and the press regarding the operations of the Communities Economic Development Fund. In trying to deal with the questions and allegations I can only deal with those raised in the House because the transcripts contain a verbatim report of what was asked and/or alleged. I will not deal with statements made to the press or reported by the press or media.

First, let me state that the Fund has provided its understanding and knowledge of events despite claims to the contrary, and I believe you do have transcripts of the hearings of this Standing Committee on March 26th, and in that you can note that the Fund gave its account at all times, beginning with a summary of our involvements from November, 1971 to date with the J.M.K. and R & M accounts. This is within the transcript and I think if you look through it you will find the points where Mr. Jones in dealing with this said, the Fund's understanding or the Fund's knowledge of events is such. Also since three individuals were named in affidavits tabled in the House as having done or said certain things, it was considered appropriate that their version should be added. Furthermore, because of time constraints, we could only deal with Mr. Allison's affidavits at the last hearing. We have assumed that since this Standing Committee was in the process of reviewing the CEDF fund and more than one meeting might be involved, opportunities would be available for questions to be dealt with. Given the many questions in the lengthy speeches, we, in responding, require time to give you answers.

Since the March 26th meeting of this Committee new questions have been raised and other documents have been tabled in the House. These we will try to deal with. However, before proceeding I would like to remind the members that R & M Construction Ltd. is an on-going account. The past and present discussions have made it difficult for the Company to pursue its task of collecting receivables and paying payables. Therefore, while I will answer questions, bear in mind that there may be some specifics that I may not deal with because of action being undertaken to correct the imbalance of the current position of the company or to develop new work possibilities. These questions, I think, would be irrelevant to the charges that are being raised.

Before dealing with the specific points raised in letters tabled, speeches and documents tabled, I would like to deal with general accusations.

The first concerns management. Questions about the quality of management have been raised in connection with the J.M.K. and R & M accounts. Now as outlined by the General Manager at the last Standing Committee the position of J.M.K. Construction was very serious

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prior to it approaching the Fund. This company had financial difficulties at that time. We are a lender of last resort. While this difficulty could be attributed partly to difficulties experienced in obtaining disbursements of the Industrial Development Bank commitment, the position was not helped by the inheritance of previous recourse by the principal to suppliers credit and even finance company credit which was undertaken before even the Industrial Development Bank financing was arranged. This is recorded in the principal's own history of the company beginning with the contract arranged with Falconbridge in April 1971. At that time, he invested \$17,500 in the company by personal borrowing, as well as an unsatisfactory arrangement with the Bank of Montreal in Thompson. Progress payments under this contract were delayed and materials purchased through Northwest Lumber and Beaver Lumber on supplier's credit caused an accumulation of payables.

(b) As outlined at the last meeting, the Fund became involved in May 1972 and its program was intended to take care of overdue payables as well as refinance I.D.B. and I.A.C. Again, it should be stated that recognizing the good intentions of the principal, the fact remained that doubts were obviously expressed as to the management competence, but in terms of the Fund's objectives, development of such entrepreneurial competence was felt to be possible with the working capital being provided by the Fund's loan.

Now, without going into the same details which are available in the transcripts of the last meeting, the J.M.K. position deteriorated considerably between May and October, 1972 when trade payables had increased to the precarious level of \$55,000.

(c) Having assessed the situation again very carefully, the Fund's Board authorized a loan to R & M Construction Ltd., a new entity, but this time the Commitment Letter included more stringent conditions so that the Fund would have the right to exercise the controls considered necessary to guide management correctly, especially with regard to the company making commitments with regard to new projects which might require large scale further financing; and making arrangements for supplier's credit. During operation of the J.M.K. account, countersignature by the Fund was not a requirement, but in the normal course of events an Officer was assigned to its administration and at that time the Officer concerned was Mr. Gordon Trithart.

In the case of R & M, the Fund tried to exercise its responsibility, not only to the applicant, but also in terms of its obligation to manage effectively the use of public funds. I am tabling, and it's attached here, a copy of the Letter of Offer addressed to the company in November 1972 and accepted by the principals. The acceptance of this Letter of Offer indicates not only the intent of the Fund in building in safeguards in the normal fashion, but also illustrates not an imposition, but the acceptance by the applicant of the Board's decision which was based upon prior experience with the applicant through J.M.K. Construction. At the meeting of the Board of Directors of R & M Construction which was held on February 15, 1973, it was recommended that management assistance be sought and Mr. Allison was hired, initially through the Fund but with Mr. Kregeris approving. It was hoped that this would enable Mr. Kregeris to function on production and Mr. Allison on management, but it did not work out.

Finally, the Fund tried to assist the firm in other matters. This entailed a great deal of staff time; advice and suggestions made on the basis of reasoned discussions, and while the involvement of the Fund's Development Officer was close, neither he, and certainly not the Directors, could be involved in the day-to-day operations in an on-going manner in a way that the person or persons on the spot, in the company premise could. This is illustrated firmly in Mr. Haig's letter to the Fund in which he stated that the Board of Directors appointed by the Fund ostensibly for the purposes of assisting and guiding Mr. Kregeris appears to have contributed little or nothing to the day-to-day management of the company.

The controls over commitments however worked to a degree this is with regard for future work commitments that might entail further Fund financing. However the projects that the company undertook within these constraints did not produce sufficient aggregate revenue to pay off debt and rectify the working capital position to take on further work. This was not a new experience for the company. Therefore, the conclusion at that time was that the management of the firm was not successful. We were part of that management and, thus, the Fund accepts part of the responsibility for the lack of success of this firm. When we realized that our assistance, either direct or indirect, was not achieving its objective of

(MR. PARASIUK cont'd)

helping to turn the company around, we took steps to ameliorate the problem: the removal of Mr. Trithart from the account, removal of Mr. Allison; the Board's composition changed to include the General Manager of the Fund; reports commissioned from Industry and Commerce and Dunwoody and Company.

When further difficulties regarding payment of new receivables - this is from a period of about - oh, May to July that we made these changes - when further difficulties regarding payment of new receivables arose in September-October 1973, the Fund refused to provide further financing to rectify the position. This led to a Board Meeting of R & M Construction on November 2, 1973 at which it was decided to suspend operations for the winter months and concentrate on collecting receivables and paying payables. Thus, the company's position today is a static but precarious one, pending as yet, partially fulfilled efforts to collect receivables and pay payables, so that cash on hand can be determined for use either to pay off debts or to be used as working capital for other projects.

Second, allegation regarding abnormal disbursement of CEDF Funds to R & M Construction Ltd, and specifically the charge is that funds were available to R & M only just prior to and during the election. This charge is false. Funds were disbursed to the company on the following dates: November 2, 1972 - \$15,000; January 23 -- (Interjection)-- Yes.

MR. SPIVAK: I gather what Mr. Parasiuk said initially was that he was dealing with statements that were made in the House and he is not dealing with statements that were made outside of the House; in effect you're dealing also with statements made in the affidavits as well. Is that right? -- (Interjection) -- And the affidavits in the letter. Because it becomes important, because you're dealing not just with statements in the House, you're dealing with the statements contained both in the letter of Mr. Kregeris and also the affidavits.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: I don't think that is -- you know it's not a point of argument. Both those things are part of the record of the House because the affidavit was tabled in the House and the letter was read in the House.

MR. CHAIRMAN: Mr. Parasiuk, proceed.

MR. PARASIUK: January 23, 1973 - \$10,000; February 23, 1973 - \$15,000; this total, \$40,000 loan proceeds.

June 4, 1973 - \$10,000; August 3, 1973 - \$15,000; August 15, 1973 - \$7,000; this took up the \$32,000 Bank guarantees.

The program outlined in the Letter of Offer which we are tabling illustrates the sources and uses of funds. The acquisition of fixed assets from J.M.K. was arranged on the basis that the company would pay to J.M.K., over seven years, \$608 per month. This would be an amortization of \$38,000 at 9%. The Fund's loan proceeds were disbursed by means of cheques payable to the company and credited to the company's account in the Royal Bank of Canada, and at all times they were intended to be used for inventory and bridge financing "in relation to firm orders for supplies." The bank ledger which we are tabling and we will be tabling this and other material confirms this flow of funds.

Accounts were paid according to judgments as to which creditors should be paid off. Not all were as the company was in a very tight position.

The third charge relates to vote buying and the charges that the company was an instrument of vote buying. To our knowledge, this is false; the company supplied materials to purchasers on the basis of purchase orders. Virtually all these accounts have been paid with the exception already noted in the material presented to the last Standing Committee.

Two Directors of R & M Construction Ltd. were involved in purchases of material from the company on behalf of federal and provincial government programs - not as Fund's Directors or R & M Directors. (I think you should note the other hats that these two men wear).

McIvor is the Mayor of Wabowden; he's on contract with Northern Affairs; he is acting as a liaison - it says "with", it should be "for" PEP; and as later information indicates, he was acting informally on behalf of the Manitoba Metis Federation to clear up an application under the Winter Warmth Program, which to our understanding that application had not been dealt with because the man was a Treaty Indian and his family was non-Treaty, but that's an understanding.

Other capacities of Ben Thompson: He was the Vice-President of the Manitoba Metis Federation for the Thompson region; he was an agent of the Federal Winter Warmth Program.

(MR. PARASIUK cont'd)

In sum, the company did not give away material, it sold material and the material is tabled for your information.

Now the second thing I'd like to deal with concerns Manfred Keil's report and memorandum. When this committee last dealt with the Communities Economic Development Fund Mr. Spivak asked me a question about a memo from Manfred Keil to Hugh Jones, dated March 23 and about a subsequent report on R & M Construction which is dated May 1973, and I think this question should be quoted again. "Mr. Spivak: "Well I wonder if Mr. Parasiuk can inform me" - that would be on the next document you received.

There was material tabled and I didn't go through the tabled material, I pass it on for your information.

MR. JONES: Mr. Chairman, there's a correction in the date that has to be made. . .

MR. PARASIUK: There is a typographical error, it should be May 23rd instead of March 23rd.

MR. CHAIRMAN: It's May 23rd, the correction should be noted. Carry on, Mr. Parasiuk.

MR. PARASIUK: "Well I wonder if Mr. Parasiuk can inform me and inform Mr. Jones whether he is aware of a memo sent to Mr. Jones on a confidential report on the Community of Wabowden, dated May 23, 1973, and without dealing with the memo, just to quote one sentence: "Specifically R & M Construction has incurred unnecessary financial losses due to incorrect information about government programs provided to the company by the mayor?" And referring to the mayor, he's referring to Don McIvor. "Now I'd like to know how the government dealt with this memo and this report undertaken by the person who was instructed by the government to examine the affairs of R & M Construction."

Having had the opportunity to go through the files to determine dates of receipt, I can now deal with the question. The report was commissioned in April, 1973 at a CEDF Board Meeting in Wabowden. The letter to Mr. Jones was not a covering letter for the report, later in mid-June, the Fund received the report. Now the report itself is impressionistic; other documentation was required, specifically the financial report by Dunwoody and Company. The staff had to review the report in its entire context bearing in mind its lack of documentation and its apparent vested interest, and I table and it's attached to this document, both Mr. Keil's letter to Mr. Jones, and the last four pages of Mr. Kiel's report, and this is attached to the material you have, it's called Part III "A Specific Proposal" which detail a specific proposal for a "Development Economist", preferably attached to the Premier's office of the Planning and Priorities Committee of Cabinet Secretariat, but located in Wabowden, entailing expenditures of over \$25,000 per annum.

Furthermore, and I quote the last sentence of the report: "The writer of this report does not hesitate to state that he is fully prepared to negotiate taking on the job of development economist himself."

Now this consultant report as with other consultant reports had to be reviewed. There are too many examples of people accepting consultant reports without review to belabour this point. In terms of the memorandum addressed to the General Manager by Mr. Keil, certainly these comments were taken into consideration, but such expressions of opinion could hardly be correctly dealt with by the Fund's Board of Directors until the complete report was available and viewed in conjunction with the statement prepared by Dunwoody and Company. To recommend action on this company's affairs on the basis of such unsubstantiated expressions of opinion without full knowledge of the company's financial affairs would have hardly led to proper solutions. Both reports were circulated to the directors and the Keil report was discussed in the September and November board meeting.

In addition, discussions were held between Mr. Jones and Mr. Keil on this matter, and although Mr. Keil's memo was not brought to the board's attention other claims emanating from Mr. Kregeris in written form - other claims about inaccurate advice from Mr. McIvor were. But again these allegations about Mr. McIvor have to be put in context of motivation and circumstance. Now we, the board and staff, had to judge was McIvor malicious, deliberately deceitful, or was he inaccurate, misinformed, did he have false expectations of the federal special ARDA program, which incidentally many others, federally and provincially, and other groups, had about special ARDA at that time. The staff and myself judged the latter, and consequently attempts were made at the staff level, and in board meetings, to

(MR. PARASIUK cont'd)

improve the working knowledge of everyone concerned regarding other programs of federal or provincial nature.

Furthermore, the problems in remote, somewhat socially disorganized communities like Wabowden are not unusual. Experience in working knowledge of people in northern communities as well as communications and transportation improvements will decrease these problems; but what does one do while this experience is being gained locally? Proliferate the area with civil servants which adds horrendously to administrative costs and reinforces rather than reduces dependency relationships; and in this connection the committee should note that it's been estimated that the federal Department of Indian Affairs spends about 60 percent of its yearly budget on administrative expenses as opposed to 40 percent on direct expenditure: the treaty Indians consume. And mistakes at local and regional and central levels still occur in that system, but the dependency relationships between treaty Indians and the federal department has not declined.

To avoid the other extreme there must be controls and accountability for use of public funds, but in ways which decrease dependency relationships and don't penalize people for making honest mistakes. This is the approach we have followed in the fund using our judgement as circumstances warrant and with an eye on budgetary limitations. Sometimes our judgments are wrong but there are no hard and fast rules especially in conditions in the north. Staff can and do make mistakes, but again the Fund has to judge whether these were honest mistakes and then take remedial action. No, the Fund did not accept Mr. Keil's specific proposal; we could not afford this, nor could the government afford it. A development economist in every community is prohibitively expensive, nor would it necessarily reduce a dependency relationship or clear up confusion at the local level.

And I think I'd just like to read, just as a description of what this person might do - and it's on Page 22 and the material is attached to what I've presented to you. This is from Mr. Keil's report, and this is the bottom paragraph: "Clearly the person serving in this job would work in a role subordinate to the local political leaderships but would be given equal access to the highest executive levels in government presently being enjoyed by community leaders in Wabowden. He, the development economist, would represent a mixture between researcher, project co-ordinator, economic advisor, government contact man, lobbyist for the community, etc. In addition he could be an initiative development organizer, trouble shooter and communicator of sorts. In reality, however, this job title will take on meaning through the projects and the precedents set thereby. Since it is contradictory to state the terms of reference for his job in detail while one keeps insisting that he enter the community with unpreconceived ideas, it is essential that the development economist partially at least be left to his own devices and resourcefulness in achieving certain objectives."

That's an indication, and I don't think it's that unfair, of the functions that I think are required to be fulfilled in local communities and functions that are required to be fulfilled by the government as a whole. I don't think that one person can do all those things, or if he could it would be a very exceptional person. If you look at those functions you're going to have a number of misunderstandings on the parts of people within the community. He will be a trouble shooter communicator; how well does he communicate to all the people? Does he communicate to all the people? But these are problems that we have to face in northern communities and we play some of these roles, and we aren't always successful in playing those roles.

The fund did consider Mr. Keil's analysis; it did review the report. It considered this and other material, then it made a decision regarding R & M Construction and that was to reject - this is for the winter months - proposals for further financing until the cash position of the firm was straightened out and determined. I personally received the report from Mr. Keil without the memo to Mr. Jones on August 13, 1973, two days before I was appointed Chairman of the Communities Economic Development Fund; and the reason why there was some confusion at the last hearing was that there was a little hand written note from Mr. Keil and I wasn't sure of it and I had to say that I had to check through the records. I did not discuss its substance in any depth with Mr. Keil although I did review the report. Mr. Jones mentions comments made by Mr. Keil in his memo of - again I should be more - on May 23rd, but although discussing these comments I did not look at the memo until recently.

Now, I'd like to table other material - and Alex and Mike, could you distribute it? The material I'm now tabling consists of - it deals with point by point with the letter from Mr.

(MR. PARASIUK cont'd.)

Kregeris read into the House record, and statements and documents tabled at that time. In addition I'm tabling a letter I received from Mr. Kregeris last night; although it's dated April 9, 1974, but I only received it last night. The letter arose because in a discussion with Mr. Kregeris and Mr. Haig his lawyer, I pointed out that his prior letter to Mr. Green was based on knowledge of affidavits and press statements but wasn't based on the Fund's statements to the committee, and I told them that when I got a transcript of the March 26th hearing I would send it out to Mr. Kregeris and Mr. Haig. Mr. Kregeris says his letter, which is being tabled, is cursory as he hasn't had enough time to go over the transcript - and the transcript I only received it last Monday. His letter shows that his knowledge and understanding of events is different from ours, which is based on our knowledge and understanding of the events. We haven't really had time to go through Mr. Kregeris' letter in great depths, and I table it for your information. I have discussed with Mr. Kregeris that I would be talking to him further about this letter.

Now I've also tabled material dealing with the letter as it is read to the House and the statements that were made by Mr. Spivak in his speech in the House of March 29, 1974, at which point he tabled a number of documents. So, we can go through those point by point - they're broken up into points - with people asking questions on each one if they prefer, but that's for the committee to . . .

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, my recommendation at this point would be to deal with - if this would be agreeable - to deal with the statement that's been presented and both on the - so the general statement and on the Manfred Keil report, and possibly then deal with the details of the specifics afterwards. I think there are seven general observations that should be made in terms of an overview of this because of the position that we now find ourselves in. If that's agreeable I'd like to proceed by asking a few questions just generally on this.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, Mr. Chairman, just before we do that, there were numerous sort of allegations and comments made both - which I undertook that I would have committee give answers to. And we've tried to - what I asked the Fund to do was to try to isolate them and give an answer to them, and I think it would be - I ask the consideration of the committee - we are now going to get questions on material, part of which may be dealt with in the things that have already been dealt with and which I would like, not only would I like the committee to get the answers to them, but I would like to have the answers given because I have been - it's complained of in the House that we want answers, we want answers, we want answers, and even though I had undertaken on several occasions that the committee would be given, as well as we can, the answers to those questions that have been raised; and I believe that the answers should be given and then questions can relate to the entire positions that have been taken, because I don't think that we want to now embark on a new series of questions until we have at least had an opportunity of reviewing the answers that have been given to the questions that have been raised. I think that that procedure usually results in us having questions asked which deal with things which are attempted to be dealt with.

I would prefer that we give the Fund the opportunity of answering the allegations that have been made. The allegations have been made and there has been a scream for answers; now we would like to answer them. And I undertake that the committee will be - if these answers take too long, which, I'm sorry, I mean, the fact is that the allegations were contained in a three-hour speech in some respect. If the answers take long then I undertake - and I can say now that we'll call the committee again on Tuesday, which is the next open date for a committee meeting, when members will then go through this material and marshal questions on everything that has been asked. I don't want to deal with the new questions on everything that has been asked. I don't want to deal with the new questions before we've given answers to the old questions.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: One of the problems here is that the very statement that Mr. Parasiuk has given is a statement - it deals in two parts and in essence, in a summary way it answers not the specific questions, but it answers the general questions that have been asked. The difficulty now is that when we go into specifics and the time that we will take - there a couple of, you know, very general questions that I think must be put, and I would only hope - and

(MR. SPIVAK Cont'd) particularly as an example on Manfred Keil's report, I doubt if there's anything contained in this documentation that will in any way refer to Manfred Kiel's report. And there's some very simple questions that should be put now I would think to have it clarified, simply because I don't think the Fund wants to in any way mislead . . .

MR. CHAIRMAN: Mr. Spivak, what was the name you were referring to, and what kind of a report?

MR. SPIVAK: Mr. Keil's. There's two presentations here, Mr. Chairman. One is a general comment by the Fund; the other deals with the Manfred Keil report, and the answers to questions and explanations - oh well a further explanation of the answers given on the last occasion. I'm not trying in any way to hold this matter up, but I must tell you that in dealing with this now and trying to get an overview of this before we get into the specifics, you know, there are questions that just have to be asked. You know, it's up to the committee I guess to allow this, but surely in terms of the Manfred Keil report, if a question was permitted - and I gather it's not contained in the material at all here, not at all.

MR. PARASIUK: No, it's not.

MR. SPIVAK: The question I would have to put to you, Mr. Parasiuk, and would have to . . .

MR. TURNBULL: Mr. Chairman, on a point of order.

MR. CHAIRMAN: I believe Mr. Spivak is still speaking on a . . .

MR. TURNBULL: I was under the impression, Mr. Chairman, that he was about to . . .

MR. SPIVAK: Well, I think I would like to ask the question and then you can make a decision whether the matter should be discussed.

MR. TURNBULL: Well, Mr. Chairman, if I may . . .

MR. CHAIRMAN: Mr. Turnbull.

MR. TURNBULL: Mr. Chairman, as a Minister of the Crown it has - you know, I am crucially concerned about the allegations that have been made in long and lengthy speeches, and I would like the committee to be able to deal with the allegations in an ordered way. I would like the truth to come out; I'd like it to come out as rapidly as possible, and I think that the speed with which the truth will come out can best be brought about by an ordered consideration by the staff here of the allegations that have been made. Certainly we can get into what would soon degenerate into a quarrel, but I don't think that's what we're here for. I think we're here to get the truth. I would like the committee to be free to pursue the truth and in that pursuit it will come out, and certainly as far as I'm concerned, Mr. Chairman, I think we should proceed to the next pile of documents that the staff has brought here for our consideration, and when that's done, Mr. Spivak of course is free to ask all additional questions that he would like to ask.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, Mr. Chairman, I appreciate . . .

MR. SPIVAK: Mr. Chairman, I withdraw my request. I mean, there's no point; let the government present the case as they see it. The truth to Mr. Turnbull will come out whether we in this committee find it or not.

MR. CHAIRMAN: Mr. Parasiuk, proceed.

MR. PARASIUK: I'll be calling on Mr. Jones from time to time to deal with some of these specifics because they do deal with in day to day operations of the Fund. What we tried to do here, we tried to just break out the points. Now, you'll notice that some of them are a bit repetitive because they were repeated in the speech by Mr. Spivak, and too - it's a bit lengthy - but to give you the straight impression, what we've done is put quotes in here and provided answers rather than saying someone said so and such and such.

And to deal with Point 1, Mr. Kregeris' letter states, "The reason that I am uncertain about some matters is that during the period in question, effective control of my company was taken over by Messrs. Thompson, McIvor and Trithart and I was deliberately excluded from the business of the company."

Now this is an all-embracing statement by Mr. Kregeris. Mr. Kregeris was and still is the major shareholder of R & M Construction. He was and still is President of R & M Construction. The control over the company's commitments were placed in the hands of the board of R & M and indirectly in the hands of the Fund as the company's sole financier, and this was agreed to and we've got a letter of offer which is very detailed and goes through everything.

(MR. PARASIUK Cont'd) And I don't know if you want to go through it all but maybe Mr. Jones if you want to take them through some of this you know the conditions of the loan were very stringent and we as a Fund would in fact make very stringent conditions. Now Mr. Kregeris had the opportunity to refuse the loan and refuse the conditions, and it is difficult now, you know, if someone comes along and says well I did not - I was excluded or authority was imposed upon me. The conditions are all spelled out here. Do you want to go through the . . .

MR. CHAIRMAN: Yes, you can. Mr. Spivak.

MR. SPIVAK: As a matter of fact, Mr. Chairman, if you're going to go through it I think it would be interesting if Mr. Jones has made a comparison between the offer made on November 6, 1972 and the offer made to J.M.K. of May 8th, 1972, to just compare in contrast and see the variation and the difference. If you have that and can point out the basic position of where it's different then I think that would be fine. If you can do that.

One other question just on this, because I intend to question whether you go through it or not, Mr. Parasiuk and your solicitors here. Is this the standard loan application that the Fund uses?

MR. PARASIUK: You know there is the standard loan offer but there are also other conditions built in.

MR. SPIVAK: But would these . . . contain the standard clauses of a standard offer?

MR. PARASIUK: Yes there are standard clauses in there as well as other conditions.

MR. SPIVAK: Well then I think the interesting thing would be to point out what clause in here is not standard.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, on Page 2 of the letter of offer to R & M, Page 2 clause 13 is certainly not contained in the J.M.K. letter of offer and is not a standard clause which we insert in our commitment letters. That is an option of the Fund.

MR. SPIVAK: But it was excluded. But it was excluded. It was excluded at the bottom of the offer.

MR. JONES: No, I don't think it was excluded, Mr. Spivak, it was amended.

MR. CHAIRMAN: It's in this . . .

MR. SPIVAK: Yes but amended for all intents and purposes eliminated.

MR. CHAIRMAN: Mr. Spivak, if you would look on this large document.

MR. SPIVAK: No, I think Mr. Jones will . . .

MR. PARASIUK: The option to expire will, - shall expire upon repayment in full by the company of the loan.

MR. SPIVAK: I'm sorry. No that's right.

MR. CHAIRMAN: Mr. Jones proceed.

MR. JONES: That's one major difference in our standard document. On Page 3 towards the bottom of the page we say, "The commitment of the Fund is also subject to the following terms and conditions. And (a) The Fund shall appoint and have a majority of Directors in the Company." That is not standard practice. "(c) Within limits to be defined by the Fund, the Fund shall participate in control of the company's operations." That is different from the commitment to J.M.K.

On Page 4 the first clause, clause (e). You are to pay \$5,000 annually for management services being provided by the Fund. Such payment to commence in January at the rate of \$417.00 a month. And the directors reasoning in asking the staff to include this clause was that the degree of assistance and time spent by the staff concerned was such that some reimbursement was considered necessary. If I may say at this juncture that subsequently that was dispensed with. That's the import of that clause.

Towards the bottom of Page 4 of R & M's letter: Without prior consent of the Fund the . . . every clause there is part of the standard commitment letter and certainly all Page 5 and Page 6.

Mr. Chairman, coming to the original letter to J.M.K. Construction on May 8th, 1972

. . .

MR. SPIVAK: Well as a matter of fact I don't think that's necessary. You've pointed out the standard differences and I think that that's all -- or the differences in the standard offer . . .

MR. JONES: Mr. Chairman, I just want to point out there was one departure from the standard format even in that letter. On Page 4, "The company shall arrange for maintenance

(MR. JONES Cont'd) of close control in recording of all contracts being undertaken." That is not the standard format.

MR. CHAIRMAN: It should be noted that what Mr. Jones is reading is the letter from Mr. Jones to Mr. and Mrs. Kregeris. Right?

MR. JONES: Correct.

MR. PARASIUK: You see the signatures there.

MR. JONES: Mr. Chairman, if I may just add to the comment there. The acknowledgement and approval is signed by both Mr. and Mrs. Kregeris witnessed by Mr. Goddard, the company's legal counsel.

MR. CHAIRMAN: Mr. McBryde.

MR. MCBRYDE: I wonder, Mr. Chairman, if someone from the staff would outline on that letter those specific points that relate to Mr. Kregeris' comments. Which things in here point out specifically the nature of the control to be exercised by the Fund and by the Board of Directors.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Now if I might I think -- this is one of the difficulties with dealing with specifics that they're inclined to . . .

MR. GREEN: If it's Mr. Parasiuk's note that's coming up later, why doesn't he . . .

MR. PARASIUK: I'm quite certain that it is -- that it has come up later and . . .

MR. CHAIRMAN: I would suggest rather than be jumping all over let's proceed. It will be more expeditious to proceed in the order that's being presented. Mr. Axworthy.

MR. AXWORTHY: Mr. Chairman, I would like to direct a question on the principle. Were these clauses included in this letter designed to be protective clauses dealing with the financial disbursements of the company but still maintaining the operation of control of Mr. Kregeris in his own hands? As I read them they are simply sort of protective clauses and at what point would they be activated so that the board itself or the Fund itself would actually take over operation or control?

MR. PARASIUK: Well they would be activated in monitoring the account and looking at it and we would then -- you know, in the course of events, we can't project what might take place in the future so we give ourselves that ability to come in and say no with respect to certain things which we felt would entail further financing by the Fund.

MR. AXWORTHY: By the nature of this letter though he said that effective control of the company was taken over by the board. Now normally boards do not exercise an operational control of a company. They may set policy guidelines and may provide certain restraints or certain direction. Now the import of this letter is that in fact operational control, meaning day by day decisions . . . Is that the import of your conditions in the letter?

MR. PARASIUK: What is implied in that note is that effective control of my company was taken over by Messrs. Thompson . . . As if somehow this was not a right or was not foreseen that this might take place or that people might be involved in the management. That was always a possibility.

MR. AXWORTHY: Well okay. That's the point I want to come to. At what stage was it decided that the Board and the Fund through the Board would begin to exercise that control? Was there a sequence of events or happenings . . .

MR. PARASIUK: Well it was exercised fairly -- Well we had certain events that took place.

MR. AXWORTHY: Could you describe this?

MR. PARASIUK: Well one related to the bookkeeping and the fact that the estimates were low, that the bookkeeping wasn't that good, that the purchasing of materials wasn't that good, a whole set of factors. And that led to the board meeting which was held in February, whereby it was stated that the company should hire a bookkeeper, should hire someone to deal with these particular problems. That was passed at a board meeting of R & M Construction. The Fund then undertook to find someone. We did find someone; we took that person to Mr. Kregeris. We said this is a bookkeeper in keeping with the recommendation of R & M Construction, and the board, we think you should hire him. He was hired. So we were involved in that sense.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Well this relates to what Mr. Jones said before when he went through the differences between this offer and a normal offer and there was a bit of confusion on my

(MR. SPIVAK Cont'd) part. The clause that he referred to which was the first one was, and this was in the offer originally, an option to the Fund to purchase 51 percent of the company shares for a total cost of \$1.00 with the principals, John and Martha Kregeris, being given first refusal should these shares be sold by the Fund and any financial gain therefrom to be dispersed to the pleasure of the Fund. This was an offer for the Fund to own 51 percent of the company that had all these other clauses. The fact is that that was altered at the end as a result of obviously some discussion that took place between yourself and the solicitor or with Mr. Kregeris. Could you now confirm that it was the Fund's original intention to have an option of 51 percent on the company, notwithstanding all the other clauses, the original intention, and it was in Mr. Trithart's submission to the board which I have in front of me which basically says that the reason for taking option equity rather than actually taking shares at this time is to insure that the Fund only participates in the benefit and not in the liabilities beyond this request for financial assistance. Was it not the original intention of the Fund to in fact own and control 51 percent, at its option, if it was successful?

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: No, the intent of the Fund was that if in fact in the future we would have to consider further financing and because of the impossibility of contracts within the area we wanted to be able to exercise the option if we were going to put further financing in.

MR. SPIVAK: How do you reconcile that with Mr. Trithart's application signed by him to the Fund on behalf of the new company in which he says, the reason for taking option equity . . .

MR. PARASIUK: That's Mr. Trithart's presentation to the board. The board makes other decisions. The board does not always follow staff advice. The board has to make its own judgments.

MR. SPIVAK: So you're saying that the board rejected Mr. Trithart's application on behalf of the company?

MR. PARASIUK: No we took into consideration the 51 percent. We in discussing it -- this is the board, this is the board of directors of the Communities Economic Development Fund.

MR. CHAIRMAN: And what position, Mr. Parasiuk . . .

MR. PARASIUK: Mr. Trithart is not a board member. Mr. Trithart is a staff person.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, on a point of order. I have sort of stayed out of debating what is a good thing to do and what is not a good thing to do because I don't think that that is the time for it. I think that once all of the positions are put, the allegations are dealt with, Mr. Spivak may have one opinion as to what should or should not have been done and I will have another and I'm sure that there will be a lengthy debate on it. But I believe that we should deal with the allegations and conclude them.

MR. CHAIRMAN: Fine. I believe that that would be the best way to proceed because I'm having a difficult time to try to follow. The questions are being asked from anywhere within this report. If Mr. Parasiuk would proceed with the presentation then we can get to some final conclusions. Mr. Parasiuk.

MR. PARASIUK: Point 2. "Before commenting on the affidavits I want to point out that I did not hire Mr. Allison, I never interviewed him. He was placed there by the Fund and I agreed so he was paid for by R & M. He was really responsible to the Communities Economic Development Fund and its directors.

Now this is our response: "Mr. Allison accompanied Gordon Trithart to Wabowden on February 21st, 1973, to meet Mr. Kregeris. The formal letter hiring Allison was mailed on March 2nd, 1973, and the reasons and conditions were outlined to Kregeris and accepted by him. Allison was responsible to and paid by R & M. It was assumed that Mr. Allison would have his sphere of activity and that he would be responsible to Kregeris, that they would both cooperate with each other, and conflicts, because there had been some experience of conflicts before with staff, would be raised with the development officer or R & M's board."

Well this was the Fund's concept of the assistance being provided. It has since been realized that it did not work out in practice. We assumed the relationship was understood but as other statements from other people indicate it was not. It was not until Allison had been with the company for two months was the Fund's attention -- this is the Communities Economic Development Fund -- attention at the staff level drawn to any type of conflict between

(MR. PARASIUK Cont'd) Kregeris and Allison. These at first appeared to be the result of frustration and anxiety on the principal's part but the position deteriorated considerably during Mr. Kregeris' stay in Winnipeg. Both Mr. and Mrs. Kregeris began to object more strongly about Allison's actions in the business until it became clear that his services would have to be dispensed with.

A letter from Mr. Jones to Mr. Kregeris, the job description for Mr. Allison.

Do you want to go to Point 3? Okay, sure, okay. "On Mr. McIvor's affidavits I would make these comments. Regarding Paragraph 3 there were a few actual board meetings but on several occasions the directors met without me present. For example, prior to March 2nd, 1973, McIvor, Trithart, Thompson and Allison met in the company office in Wabowden. I was present in the building but excluded from the meeting. After the meeting Mr. Thompson said to Mr. Trithart in my presence, that quantitative stock must be ordered, and we must get things moving again. Trithart and Allison were there on February 21st and 22nd. Thompson denies being there at the same time as Allison. McIvor had informal meetings at R & M Construction premises." He had been there you know because he lives in Wabowden. He would drop in. Now the thing is on conflicts of opinion what we are trying to do is indicate that there are conflicts of opinion. We're not trying to say that one is correct or the other. We're not in any position to really fully determine that. What we are trying to provide is what the Fund, what the Fund knows and what the Fund as a Fund understands. That's why, you know, I tabled the letter from Mr. Kregeris for example to myself, or to Mr. Jones.

Point 4. Mr. Kregeris states: "The last official meeting of the Board of Directors, prior to November 1973, apparently took place in February of 1973 at the Sheraton-Carlton Hotel in Winnipeg. Besides myself those present were, Messrs. McIvor, Thompson and Trithart and Mr. Musgrove from the Communities Economic Development Fund. I do not know whether minutes were kept but certainly I never received any."

Now the meeting referred to took place in the Charterhouse Hotel on February 15/73; minutes were kept and signed by Mrs. Kregeris. Now the minutes book is kept at all times with the company's lawyers, and it's available to the principal at all times.

Point 5. Mr. Kregeris states: "Regarding paragraph 4 following the Wabowden meeting in late February, 'Mr. Trithart told me privately that I better not make trouble with Ron Allison or you'll be in trouble with me' (meaning Trithart). Mr. Trithart told me that Mr. Allison would answer directly to Mr. Trithart and that Mr. Allison would also report to him on my activities. If anyone caused any trouble Mr. Trithart said he was going to 'pull the plug on the whole thing.' This is similar to Mr. Allison's affidavit where he said that during the course of the meeting Trithart told Allison in McIvor's and Thompson's presence that Allison was responsible to Trithart and to no one else."

Now Mr. Trithart may have said something to this effect, placing emphasis on working with Mr. Allison and on having both do their respective jobs without fighting or quarrelling with one another. Allison was not, from the Fund's point of view, responsible to Trithart; he was responsible daily to Kregeris with conflicts to be raised with the Development Officer. We assumed that both knew their respective functions and they would proceed with them, or to the Board of R & M, but referring again to a previous point. This relationship did not work out.

Point 6. "In paragraph 5 McIvor says, 'I did not, nor did any person in my presence ever advise Mr. Allison that R & M Construction had a signed contract with B.F. Klassen as alleged or at all.' Kregeris states: "This is not true. I received a signed letter from B.F. Klassen dated February 19, 1973, agreeing to purchase materials. I told Mr. McIvor of this almost immediately, and on two subsequent occasions in early March showed the letter to Mr. McIvor. On one of those occasions Mr. Allison was present."

The letter that's referred to was not a contract, it's a letter of offer from B.F. Klassen. The latter company was advised - and we stated the reasons at our March 26th meeting - that there was no signed contract. After the Fund wrote to B.F. Klassen, there was no more correspondence or communication regarding what was alleged by some people to be a contract.

Point 7. Kregeris states: "Regarding paragraph 6, McIvor and other directors led Mr. Allison and me to believe that we would be awarded the pumphouse contract, and on the basis of that information Mr. Allison ordered 1,100 bags of cement from Inland Cement and visited Dominion Lumber to get their prices on the materials we would need. An order was placed and the shipment was made. Mr. Trithart himself paid \$40.00 out of his own pocket to

(MR. PARASIUK Cont'd) acquire the plans for the pumphouse. I was also informed by Mr. McIvor that the contract would be closed and we made one trip to Winnipeg in which we discussed it. I believe that Mr. McIvor led the other directors to believe that we had been awarded the contract. The Fund in the final analysis, because of lack of monies, cancelled the contract though I was never informed officially of this fact."

"Regarding paragraph 7, both Mr. Allison and I were told to get ready for the pumphouse contract. It was for that reason that Mr. Allison ordered the cement already referred to. Inland Cement should have a letter from Mr. Trithart or some other officer or director of the Communities Economic Development Fund, confirming the order placed by Mr. Allison for the contract."

There was discussion about the possibility of R & M being awarded the pumphouse contract or components of it. What wasn't anticipated was that the company required bonding and this was impossible to get at that time because a large construction company in Winnipeg had experienced financial difficulties and this made the bonding companies decline bonding R & M. In addition, the magnitude of working capital required for this major project prohibited the company from proceeding. But as far as the Fund was concerned we were under no impression that the pumphouse contract was within the hands of R & M, but discussions about it did take place.

Point 10. Mr. Kregeris states: "Regarding paragraph 10, prior to April, 1973, Mr. McIvor instructed me to order additional materials to cover the MMF program. I was given a specific order, along with the names of persons to whom materials would go, and I passed these on to Mr. Allison who ordered the balance of the materials necessary to cover the programs."

So before I go into this I would like to say that 8 and 9 - we separated these points - we are still waiting to receive. When these points - we are still waiting to receive. When these shipping orders were tabled, we asked for shipping orders to be sent down from places like Cross Lake, Wabowden, Thompson, and we intend to table them and deal with them; we have not received them yet though, so there are some gaps in our numbering here because since we didn't have the documentation that we thought we would have, we decided that rather than make comments without substantiation, if we felt we could get the substantiation, we didn't. Now this was, you know, in the process of trying to compile this over the last few days, we've been doing some of the typing and waiting for some of the materials which we were told would be arriving by mail and didn't arrive.

Now with regard to this particular point, this relates to the Pensioner's Home Repair Program, the documents, which I think were tabled in the House by Mr. Spivak, and McIvor was acting as the informal agent for the program, on authorization by the PEP Program administrators and you have them there and there are lists of materials signed for by McIvor, I think on this one, I think McIvor was correct when he was talking about PEP. There is another instance though where he was incorrect - that's in relation to Garricks. --(Interjection)-- To Garrick, I think, Garrick from Wabowden, and we are waiting to get as many of the purchase orders . . .

MR. SPIVAK: You are prepared to admit that he was incorrect on one statement.

MR. PARASIUK: We are prepared, yes, on that particular one. I think Mr. McIvor himself said that to us when we raised it with him once. This was just recently when we asked him if we could get hold of the materials, the invoices and everything that he had, because some of these people although they might have signed invoices they sometimes have copies, their files are not all kept in nice regular form and we're trying to get whatever documentation we can.

MR. SPIVAK: Would you admit that he made a mistake or was wrong in his affidavit when he said he did not act on behalf of the Metis Federation and had no authority to deal with any of their matters.

MR. PARASIUK: Yes, I would say that, and I would say that other affidavits are wrong as well in places. And I am not trying to say anything about what McIvor would say, or what Trithart would say, or what Thompson would say, or what Allison would say, or with Kregeris. I'm not trying to sort of imply a motivation . . .

MR. CHAIRMAN: Order please, let's proceed.

MR. SPIVAK: Mr. Chairman, Mr. Parasiuk has offered an answer to a question and I think that at this point, and I accept the way in which he's presented it. With respect to Mr.

(MR. SPIVAK Cont'd) Thompson's affidavit and Mr. McIvor's affidavit, are you prepared to acknowledge that there are certain things that are incorrect?

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I think that it's been indicated that Mr. Parasiuk says that there are incorrect statements made in various affidavits.

MR. SPIVAK: No, but he was talking specifically of Mr. McIvor's affidavit.

MR. GREEN: Yes, and he also indicated that -- yes. You know it is possible for an incorrect statement to be made in an affidavit, and he is indicating that in this case there was a mistake made.

MR. CHAIRMAN: Mr. Parasiuk, proceed.

MR. PARASIUK: Point 13. "Regarding paragraph 17, Mr. McIvor's statement is untrue. I have signed letters from the Wabowden Community Council awarding to J.M.K. the contracts to build two homes, one for 14,000, the other for 15,000."

What we have there, and we've tabled the letter, there is a contract for the Community Hall from the Wabowden Council because it had authority to do so. Now in that letter are also two approvals but the other approvals presumably, although they're written there, consist of advice that the houses could be built within the community of Wabowden through the Off-Reserve Housing Program or other programs. House No. 1 was paid for by the Department of Indian Affairs and Northern Development, and house No. 2 by Peter Braun, an individual. We are obtaining confirmation material for house No. 1 sale proceeds with the assistance of Mr. Kregeris. He said he would know. These are under lock and key in Wabowden and he says he would provide this type of confirmation.

. continued next page

(MR. PARASIUK cont'd)

Point 14. "Regarding paragraph 18, Mr. McIvor's denial that the Communities Economic Development Fund instructed R & M to sell the two houses is untrue. That we were so instructed is confirmed in Mr. Trithart's second statement in paragraph 3 where he says house No. 1 and house No. 2 were sold on the instructions of the Fund. With respect to one house purchased by Mr. Peter Braun, 1,000 was paid to R & M Construction and 14,000 was paid to the Communities Economic Development Fund." And the cheques were tabled in the House.

Now Mr. Trithart's statement also adds that these sales were by agreement with the company. Now this was done because of the very tight working capital of the company.

And the sale of the Braun House for \$15,000 was settled by two cheques, as stated, but the cheque for \$14,000 erroneously made payable to CEDF, was endorsed by the Fund and credited to R & M's account on the days of its receipt by the Fund. And I think if you look at the attachments as it's taken by the banks, it says R & M Construction on it, so it was not entered into the Fund's account, it was put immediately - and sometimes these errors of communication do take place - it was put immediately into R & M's account.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: You are suggesting the written R & M on top of that was put by the bank?

MR. PARASIUK: I think it was put by the bank. I'd have to check with Mr. . . .

MR. JONES: Mr. Chairman, it was put by the bank and if I could draw Mr. Spivak's attention to a copy of the bank's statement for the period ended June 29, 1973, there is an entry on the 19th of June for \$14,000, which was the deposit for the cheque in question. --(Interjection)-- The Royal Bank of Canada stamp on the back of the cheque is dated June 18, 1973.

MR. PARASIUK: After consultation with the company's legal counsel, this was credited to R & M's account pending clarification, for prorating purposes, of the amounts owing to J. M. K. On collection of receivables for R & M, the established indebtedness to any creditor of J. M. K. for materials used in completing House No. 2 will be paid in fulfillment of the trust obligation.

Point 15. "Regarding paragraph 19, I should explain at the end of April 1973, I was instructed by Mr. Trithart, and this was confirmed by Mr. Jones, to stay away from my business in Wabowden. I was told that Mr. Allison would operate the business under instructions from directors. I was banished until early June. During that time, Mr. Manfred Keil spent a lot of time with me in Winnipeg discussing the affairs of the company and its prospects. During this time the company was completely out of my control; I was instructed not even to telephone Wabowden. I returned to Wabowden in June to meet the representatives of Dunwoody, Saul and Smith, who was to examine the books of R & M. Mr. Allison then informed me that in my absence all these actions were confirmed and approved by Messrs. McIvor, Trithart and Jones."

Now, Mr. Jones, perhaps you could deal with this particular answer because it relates specifically to your experiences.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Mr. Chairman, reference is made in the material tabled to the effect that Mr. Kregeris was forced to leave Wabowden. The Fund's understanding, my understanding is this, that at the time in question, Mr. Kregeris had visited Winnipeg where, incidentally Mrs. Kregeris teaches school, and the culmination of unsuccessful attempts to obtain reasonable contract work and the extreme pressure upon the company by its accumulated payables had the obvious effect upon the principal's clarity of approach to his problems. It was originally a suggestion on the part of Mr. Trithart that a couple of weeks rest - this was the original suggestion, or at least relief from the extreme pressure upon him at Wabowden would alleviate the personal tension of the general manager. I discussed this with Mr. Kregeris and Mr. Trithart in the Fund's offices, and agreed this might be a reasonable temporary solution. Again, the intention was that at that time enough reasonable confidence was placed in Mr. Allison's capabilities to allow Mr. Kregeris some reasonable time away from his business. The fund realizes now that this did not work out but during this period of absence as far as the Fund is concerned and to the Fund's knowledge, contact was certainly maintained with Mr. Kregeris in Winnipeg until it became quite clear that serious doubts on his part, and on the Fund's part also, resulted in the mutual agreement that he should return to the company's premises, which he did.

MR. CHAIRMAN: Mr. Parasiuk, proceed.

MR. PARASIUK: Point 17. "In paragraph 20, Mr. McIvor's statement is untrue. We have certain skilled and unskilled labour who were not working but Mr. McIvor told us to retain

(MR. PARASIUK cont'd) them because of the potential contracts available to the company. "

Now there are conflicting opinions here between McIvor and Mr. Kregeris. Now with regard to what Mr. Kregeris states this was not the Fund's intention, and I don't know if it took place or not but the Fund certainly gave no direction or authorization or anything of this sort regarding this type of employment.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, just on a point of order, I would like to indicate to the chairman that his reading of the material, although it's very clear to him, does not come out clear to perhaps somebody who is not following it as closely as he is. He starts off by saying, "In paragraph 20, Mr. McIvor's statement is untrue." And it sounds as if those words are coming from the chairman, that is an allegation made by Mr. Kregeris, and that has happened several times where you've read it, the allegations as being your words.

MR. PARASIUK: The first statements that I read are quotes.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: . . . and I appreciate what Mr. Green is saying and I think it's . . . For the records we should at least indicate that Mr. Parasiuk has said that some of the statements that Mr. McIvor has made are not true.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, you know there are statements that I make at some times that are incorrect; there are statements that Mr. Spivak makes sometimes that are incorrect; and it having been said that Mr. McIvor made an incorrect statement and appearing on the record, I don't know what the purpose is in trying to underline it to the point where it is made a cause celebre.

MR. SPIVAK: On a point of privilege, Mr. Chairman. I wonder if Mr. Green can indicate whether he has ever made a wrong statement under oath.

MR. GREEN: Well, Mr. Chairman, I've been in a courtroom on many occasions, Mr. Chairman, just so that this--where wrong statements are made under oath. Under cross examination the person says, that's correct, I did not recall it that way, and it is then changed. This is not an unusual--Mr. Allison made a statement that he was working for the . . .

MR. SPIVAK: I'm asking Mr. Green whether he's made any statement under oath that's been wrong.

MR. GREEN: Well, Mr. Chairman, I have been a witness - I have been a witness on several occasions, I've been a witness on several occasions, I cannot recall that I made a statement that had to be corrected, but if I did I would not be embarrassed by it.

MR. CHAIRMAN: I believe that we can proceed with this. We can have your private quarrels somewhere else. Let's proceed with the statement and the presentation by Mr. Parasiuk.

MR. PARASIUK: Point 18. Mr. Kregeris states: "Regarding Paragraph 21 I'd have to say that Mr. McIvor was as slow as a turtle and that all of the outstanding accounts in which Mr. McIvor was involved, most of them are still outstanding.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, just on the point. A big issue is being made of this. If the honourable member would have been Morris Neaman giving evidence, and seen all the statements that he had to correct which he made under oath, he would recognize that this is not an unusual activity and should not be pursued in the way in which he is pursuing it.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, on the point of privilege or order. I must indicate that Mr. McIvor and Mr. Trithart's statements were presented in response to allegations that were made concerning them, and concerning the Communities Economic Development Fund. They were presented as the basis of a case by the Fund in explanation of their position. And we now have an admission by the Chairman, which I think is important to note, in which is an indication that some of the statements sworn under oath by Mr. McIvor were not true.

MR. GREEN: And some of the statements sworn by Mr. Allison in making the case in the first place were not true.

MR. SPIVAK: Well, Mr. Chairman, the fact is that Mr. Allison's position was that of the person who made the allegations. The response of the government, the response of the government was through the sworn affidavits of two of its directors, and you've acknowledged

(MR. SPIVAK cont'd) that some of the statements of one of the directors was not true.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Speaker, I do not like the language that Mr. Spivak is using. The statements were incorrect. Being incorrect of course they are not accurate, but Mr. Spivak is implying that somebody deliberately made a false statement. I want to make the distinction here, and we can argue about it later, that there's quite a difference between making an incorrect statement and deliberately making a false statement.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, on the point of privilege. I think this interpretation --(Interjection)--No, on the point of privilege, Mr. Speaker.

MR. CHAIRMAN: On a point of privilege I don't see the particular - what the point of privilege is.

MR. SPIVAK: The privilege is related to an interpretation that Mr. Green has given, an interpretation that Mr. Green has given of my statement. And really, Mr. Chairman, when you come down to it, it really should be a judge who makes that determination.

MR. CHAIRMAN: Order please.

MR. GREEN: You've made lots of incorrect statements.

MR. SPIVAK: It should be a judge, not either myself or you.

MR. CHAIRMAN: Mr. Parasiuk would you please indicate quite clearly who makes the statement so there is no more argument as to who the statement is attributed to when you're giving your points here. Mr. Parasiuk proceed.

MR. PARASIUK: Mr. Chairman, on that point raised by Mr. Spivak, and I repeated it again this morning it seems to be, you know, just not - just not comprehended by Mr. Spivak. If you want to go through the transcripts go through them. We stated what the Fund's understanding was. We also provided - just as I provided Mr. Kregeris' - we also provided the statements made by Trithart, McIvor and Thompson, because they had been accused of doing certain things. And basically most of these related to discussions or events that would take place without our knowledge so we added their material. Now to say that that was the basis on which we provided our answers is, I think, very misleading to this particular committee.

MR. CHAIRMAN: Mr. Spivak on a point of order?

MR. SPIVAK: Mr. Chairman, that's argumentative. I accept what Mr. Parasiuk has said, but I believe that that's argumentative and we will get to that, and I think - let's go through this, then I'll discuss that with him.

MR. CHAIRMAN: Proceed Mr. Parasiuk.

MR. PARASIUK: Mr. Kregeris has stated that in accounts where Mr. McIvor was involved most of them are still outstanding. Now what we say, they're not so. The following accounts, and these are the accounts which we know of which are outstanding and they're being collected by the R & M solicitor, where Mr. McIvor would be directly related with; the ones that we know of are Wabowden Community Council and the Pensioners House Repair Program, where the community council in that instance is acting as the contractor and the person supplying to the community council would be R & M.

MR. SPIVAK: Are these R & M or J. M. K. accounts as well?

MR. PARASIUK: No, we are dealing here with R & M's.

MR. SPIVAK: There are no receivables of J. M. K. in here.

MR. PARASIUK: Not that we have listed here, no. --(Interjection)--Pardon?

MR. JONES: Mr. Chairman, if I may just elucidate on that.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: The list of receivables attached to Point 18 is the list prepared by Mr. Kregeris for R & M Construction.

MR. SPIVAK: But does it include money that was owing to J. M. K. ?

MR. CHAIRMAN: Mr. Spivak.

MR. JONES: We don't know.

MR. PARASIUK: Sorry. In this one we assumed that it would be R & M.

MR. CHAIRMAN: Gentlemen, if you would allow me to identify - it's going to be difficult. The meeting is being taped and the transcripts will be made, and for those people who are trying to take the transcript I believe it would be much better if you allow me to identify you before you answer. Proceed Mr. Parasiuk.

MR. PARASIUK: With regard to the receivables which are tabled which relate to R & M

(MR. PARASIUKE cont'd) Construction, we don't know which of the others Mr. McIvor was directly related with, and that's the others: Bayer down to Alex Jonasson. But in the ones that we know where Mr. McIvor was related there are two outstanding. There have been a great deal of others that have in fact been paid off.

Point 19. Mr. Kregeris states: "Regarding Paragraph 22, I was informed by Mr. Allison that a program employing native people was made available for the construction of a new dwelling under Manitoba Remote Housing. This was approved."

"Regarding Page 23, Mr. Allison informed me that a Mr. Needham from Northern Manpower and a Mr. Roger Stagg had discussions with the Wabowden Town Council about the home of Mr. Larry McIvor. Mr. Don McIvor confirmed with me that Messrs. Needham and Stagg had discussed Larry McIvor's home with him." End of quote. This is Point 19.

Now again we table this for your information. Mr. McIvor's affidavit confirms that Allison was introduced to representatives of the Department of Indian Affairs regarding the Larry McIvor home but no approved application was received from the Department. Work was undertaken before financing was confirmed and the agreement was completed by Allison. The Fund endeavoured to arrange such financing through the Canadian Imperial Bank of Commerce, Wabowden, for Larry McIvor but with no success. The final disposition was as confirmed to the Committee on March 26th. This was disposed to the Remote Housing Programme.

Point 20. Mr. Kregeris states: "On Ben Thompson's affidavit I make the following comments: In paragraph 5, Mr. Thompson says he never met Mr. Allison. That is a lie. I was with them both together on many occasions."

"Regarding paragraph 6 Mr. Thompson was himself present at the meeting from which I was excluded and to which I referred above."

"In paragraph 7, Mr. Thompson says that he was never at a meeting of the Board of Directors with Mr. Allison present. If this is true, it is only true on a technicality. On one or more occasion there was a meeting of the Directors, including Mr. Thompson, at which Mr. Allison was present. It may not have been a formal meeting but the business of the company was discussed."

Now there is a conflict of opinion here. Both myself and Mr. Jones have been in the same room at a social gathering with Mr. Thompson and Mr. Allison, along with about 20 other people, but neither of us know if they met. Mr. Thompson denies having met Mr. Allison. There is no formal record of Mr. Thompson and Mr. Allison being together, this is in minutes or anything like that.

Mr. Trithart has subsequently indicated that he does not precisely recall Thompson and Allison meeting although he thought that they might both have been in R & M's premises together on one occasion when Thompson called on his way to Cranberry Portage. Again you know we - in terms of the Fund's knowledge are trying to prevent . . .

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: . . . the Fund's knowledge but are you aware that Mrs. Pannebaker, who was the bookkeeper before for J. M. K. and then for R & M, has indicated to us that she was present when Mr. Allison and Mr. Thompson were together?--(Interjection)--Well that means that they met and that means Mr. Thompson knew him personally.

MR. MCBRYDE: You didn't say that.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I think that Mr. Spivak's interpretations are something that he will make and probably argue. I would like to indicate that it is a relatively - at least I do not catch the significance of the point. Mr. Thompson feels that he did not meet Mr. Allison, is it? And Mr. Allison feels that he did. And I submit that that has nothing to do with the charges that were made by the Leader of the Opposition, and that he will be able to argue this position as a result of what the Fund is now saying to him.

MR. SPIVAK: Yes but on the point of privilege. While it may not do anything particularly with the allegations that have been made it really goes to the credibility of anything that Mr. Thompson says.

MR. GREEN: I disagree, Mr. Chairman.

MR. SPIVAK: If Mr. Thompson swears that he did not know Mr. Allison personally, he did not know him personally, and in effect did not deal with him or know him, which is what he suggests.

MR. GREEN: He said he spoke to him on the phone.

MR. SPIVAK: He said he spoke to him on the phone. And there is evidence -- there is Mr. Kregeris' statement that they were together at meetings; there is Mrs. Pannabaker's statement that she saw them together in the offices of R & M Construction, then I would suggest to you, Mr. Chairman, if it does not mean that there's some question of credibility on the part of Mr. Thompson, then Mr. Green isn't a very good lawyer.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, I suggest that Mr. Spivak is a very bad lawyer. Now what difference does that make? The fact is that on the allegations that he brought into the House as to the government buying votes through this company in northern Manitoba the question as to whether Allison met Thompson or Thompson met Allison in dispute between the two parties is completely irrelevant.

MR. SPIVAK: Well why did Mr. Thompson say that he did not meet Mr. Allison?

MR. GREEN: I would assume because he obviously believes it. You can assume what you like.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: But you also said -- Mr. Green has also said to me that Alger Hiss did know Whittaker Chambers even though he said that he didn't.

MR. GREEN: Well but Mr. Hiss when he said that he didn't believe that he didn't, and that's the point that I have not been able to get . . .

MR. SPIVAK: Mr. Chairman, I . . .

MR. GREEN: . . . through to Mr. Spivak.

MR. SPIVAK: Mr. Green has indicated that he believes that he did know . . .

MR. GREEN: No. No.

MR. CHAIRMAN: Mr. McBryde on a point of order.

MR. GREEN: No. No. Mr. Chairman, well, Mr. Chairman . . .

MR. McBRYDE: Mr. Chairman, I think that this is, this discussion is - and I think that I have the floor at this point.

MR. CHAIRMAN: Yes.

MR. McBRYDE: You know I think the discussion is largely irrelevant except for the fact

A MEMBER: Disgusting.

MR. McBRYDE: . . . except for the fact that Mr. Spivak is making a certain interpretation of this.

MR. GREEN: That is right.

MR. McBRYDE: An interpretation of these things I think is something that, you know, is not right before us right now. I mean I have met people travelling in northern Manitoba that if you said, have you met Mr. Somebody? I would say no, because I don't remember their name, or maybe I never met the name but they were in the same room as I was. And you mean to say that that, you know, makes the evidence or the presentation of someone incorrect, you know is just foolishness. I think we should proceed with the presentation before us and not on Alger Hiss or whoever we . . .

MR. SPIVAK: Well on a point of privilege.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: On a point of privilege. There was a calculated response on the part of Mr. Thompson and Mr. McIvor to certain allegations that were made by Mr. Allison, and I think that the question of credibility arises when a statement is made that he did not know the person who made the allegations personally, and when I believe that there is evidence that would indicate that he did.

MR. CHAIRMAN: Mr. Green on the same point of privilege?

MR. GREEN: Mr. Chairman, on the same point of privilege. The fact is that there is nothing which indicates that either of the parties is not telling what he believes to be the truth, and when Mr. Spivak says that I told him that I believed that Alger Hiss did know Whittaker Chambers, I made no such statement. I said that when Hiss said that he didn't know Whittaker Chambers he believed that he did not know Whittaker Chambers. Absolutely.

MR. CHAIRMAN: Let us proceed. Mr. Parasiuk proceed.

MR. PARASIUK: Point 21. Mr. Kregeris states: --(Interjection) -- 21 -- "Regarding paragraph 10, I was told by Mr. Ben Thompson to ignore the original orders for the Winter Warmth Program . . .

MR. McBRYDE: Mr. Chairman, I'm having trouble hearing the presentation.

MR. CHAIRMAN: Yes. Order please. Let's proceed. Mr. Parasiuk proceed.

MR. PARASIUK: . . "for the Winter Warmth Program and to deliver in accordance with a handwritten list which he gave me."

Our response: This coincides with Mr. Thompson's affidavit. We understand, and he was responsible as Vice-President of the Manitoba Metis Federation, he was responsible for its role in the Winter Warmth Program, a Federal Government program I would like to indicate.

MR. CHAIRMAN: Point 22.

MR. PARASIUK: Mr. Kregeris states: "In paragraph 15 Mr. Thompson says that he did not represent to Mr. Allison or to the company that he would be receiving contracts for local work in northern communities. This is untrue. He did represent to me that orders for materials would be placed with the company in addition to the Manitoba Metis Federation order." End of quotation.

There appears to be a conflict of opinion and we don't have any way of resolving that conflict of opinion apart from saying that there could be a difference between contracts for work and orders for materials.

Point 23. Mr. Kregeris states: "Regarding paragraph 5, Mr. Allison informed me that he called in Hawkins and Company because of the state of the opening balance sheets and the company records. I do not believe that he would have called them in and then dismissed them if he had believed himself capable of sorting them out." End of quotation.

What the Fund says is because of the tight financial position of R & M Construction Limited and the fact that Mr. Allison's job description, which he agreed to, required him to perform these bookkeeping functions, Hawkins and Company's services were terminated. And again we tabled the job description and the letter.

Point 24. Mr. Kregeris states: "Regarding paragraphs 8 to 12 I would make a general comment based on this statement and the other affidavits. I have to say that Mr. Trithart's statements about why we failed to get either the B. F. Klassen contract or the pumphouse contracts are not borne out by the facts of the situation nor by the documents that exist. The simple fact is that Mr. Trithart and his colleagues, who were on the Board and/or the Fund, were really in control of my company. Every decision, every direction was subject to their approval and control. There was no question about the degree of control it was simply a question of telling me what to do." End of quotation.

As we've said before control over the company's commitments were exercised by the Fund and for reasons already indicated, especially regarding further financing and the Fund would not provide additional financing for these large projects.

Point 25. Mr. Kregeris states: "Regarding paragraph 16, we see the kind of inconsistency that I had to put up with. Mr. Trithart says that he had essentially nothing to do with the company, yet he dealt with the order and prepared the invoices. I should add as well that I expressed concern to Mr. Trithart about the quality of some of the plywood we obtained from Dominion Lumber, but I don't know that anything was done about it." End of quotation.

The order referred to by Mr. Kregeris is apparently the major one from the Manitoba Metis Federation and, to assist the principal, in the latter's presence, the order and invoices were completed by Trithart. This was done because of the seeming inability of the principal to deal with a fairly complex order. Mr. Trithart was until May 22, 1973, the Development Officer monitoring the account of R & M Construction and he would have been dealing with Mr. Kregeris if difficulties arose on items like this.

We now go to Mr. Spivak's statements in his speech in the House of March 29, 1974, and we tried to be careful with our listings and quotations but on this one we aren't. This is point 28, and I think this is a correct quote of Mr. Spivak's: "Mr. Speaker, further on Mr. McIvor says, "There was no meeting of the Board of Directors of R & M Construction to which Mr. Allison was invited and in which Mr. John Kregeris, the principal shareholder and officer and director of R & M Construction, was excluded, and no one in my presence and no one to the best of my knowledge, information and belief has ever been advised or informed - has ever advised or informed Mr. John Kregeris that he was not to attend meetings of the Board of Directors of his company." End of quote. I'm quoting Mr. Spivak now. "I want to make this very simple statement. Formal meetings of the company with notice, minutes of the meeting - no. Meetings of the directors for all intents and purposes dealing with the day to day management - yes. Mr. Kregeris' statement was that he was excluded from those meetings and that

(MR. PARASIUK cont'd) is in direct contradiction to what Mr. McIvor said." This is the end of Mr. Spivak's statement.

Now our position, the Fund's position is that these are interpretative statements made by Mr. Spivak. The directors weren't in a position to manage from day to day. This was Mr. Kregeris' and Mr. Allison's function with monitoring by Mr. Gordon Trithart regarding counter-signing and control by the Board of R & M and the Communities Economic Development Fund regarding larger scale commitments by the company - the latter control was essential because of the stringent working capital position of the company.

Point 29. Now on some of these the statements that we took regarding Mr. Spivak's speech are quite long, sometimes there were interruptions, and we decided rather than have some doubt expressed as to how we interpreted these statements, we thought we would just list them and then respond. I know this is taking time. Would you want me to read through them then deal with them?

MR. CHAIRMAN: Proceed. Mr. Spivak.

MR. SPIVAK: Would it be possible, Mr. Chairman, for the members to read the statement very quickly and then be in a position then for Mr. Parasiuk to give his response, because I mean - I would think that that would save some time.

MR. PARASIUK: Could I now deal with what our comments on this statement . . .

MR. CHAIRMAN: Proceed, Mr. Parasiuk.

MR. PARASIUK: The Fund's statement is that this was an offer to R & M Construction - this is the letter from Klassen - that was not accepted by the Fund who would have been required to provide financing: (a) Aggregate supplies were not available at reasonable prices; (b) The company could not obtain a work site; (c) Inadequacy of working capital necessary. And again, we tabled the letter to Klassen dated April 9th - and Klassen, who had originally said something about breach of agreement, did not pursue the matter.

MR. CHAIRMAN: See, one of the problems that comes in, you're giving answers to statements and when it is transcribed it will not have any meaning; therefore I feel that in the best interest of all, that you proceed with the - as you've indicated the points, that you proceed on the same basis, even though it might take a little longer it'll be less confusing for all concerned. So on Point 29, Mr. Parasiuk, you went on to make the Communities Economic Development Fund's position, but it will not be meaningful unless you also indicate what that position is based on.

MR. PARASIUK: Okay, could I just deal with the last one, the last statement then on Point 29, that Mr. Spivak made, where he said . . .

MR. CHAIRMAN: I think you should start at the beginning of Point 29 and go through that, give the quotations, indicate who stated, so the people in Hansard will know . . .

MR. SPIVAK: Well, there's one other way of doing it, Mr. Chairman.

MR. CHAIRMAN: . . . what they're doing, because it could be very confusing to them.

MR. SPIVAK: Mr. Chairman, I have no objection if you decide - but there's another way of doing it and this is to simply hand the statements to the . . .

MR. CHAIRMAN: It is going to be much simpler, unless I indicate to state Point 29 to Hansard people that here is the page and that this is the one you should start with. I think it'll be simpler that if you proceed and go right through the point by point without having - without creating the problem that I know people working for Hansard will have.

MR. PARASIUK: Okay, I'll repeat Point 29 then.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Mr. Spivak states: "Paragraph 5 states, I did not nor did any person in my presence ever advise Mr. Allison that R & M Construction had a signed contract with B. F. Klassen as alleged." Mr. Spivak continuing: "Well, Mr. Speaker, the first document I want to talk about is the contract from B. F. Klassen and this had been in dispute, Mr. Speaker, and I want to refer to it - it's dated February 19, 1973, attention Mr. Kregeris, Thompson General Hospital: 'Dear Sir: This letter is to advise you that we will buy all our concrete for the Thompson General Hospital from your firm. We further confirm the prices quoted by yourself to our firm as follows - and Mr. Spivak is now speaking - "and the price list is included, I'm not going to read that off." "The above prices are to hold firm for all concrete deliveries to the above named project. Invoices will be paid within 45 days of receipt in our office. A holdback of five percent will apply to (a) invoices and the moneys thereby accrued will be forfeited and not payable to your firm if for any reason your firm does not supply all the

(MR. PARASIUK cont'd) concrete for the project named as ordered by our project superintendent. Trusting the above is in order, Yours truly, B. F. Klassen Construction Company Limited, C. Fast, Director of Operations."

Mr. Spivak now speaking. "No. 2, Mr. Speaker, I would like to file at this point a letter dated December 22nd, to Mrs. Pannebaker, who I believe was the bookkeeper on R & M Construction dealing with the question of stone that would be available for that contract because that comes out in dispute later on. 'R & M Construction, Wabowden. Dear Mrs. Pannebaker: Re our telephone conversation of December 20th, 1972. The quantities of three to four thousand tons of one and a half stone are available for sale. Our selling price for material plus loading is \$1.50 per ton plus five percent MRT is applicable. The delivery as discussed would be arranged by your firm. I am pleased to have been given the opportunity to quote on your requirements and we look to a confirmation of your order.'

Mr. Spivak continuing. "Another letter dated April 4th from B. F. Klassen to R & M Construction, with a copy to Mr. Jones, copy to the job site and a copy to Cliff Fast, Director of Operations of B. F. Klassen: 'Re Thompson General Hospital. This is to advise you that on or about the 18th of April of 1973 we will require approximately 100 cubic yards of 3,000 tons, three-quarter Portland concrete to be supplied as a continuous pour. Please advise this writer and the job superintendent regarding your intentions of supply immediately on receipt of this letter. If we do not have written communication by April 12, 1973, we will assume that you are aware that you and your financial backers are in breach of an agreement and we will be looking to you and the Communities Economic Development Fund for any costs over your quote covered by our letter of intent dated February 19, 1973. Yours truly, B. F. Klassen Construction Limited.'

Mr. Spivak continuing: "Mr. Speaker, in construction terms according to the practice of the trade, there was a contract with B. F. Klassen." And my response - and I'll read it again. There was an offer to R & M that was not accepted by the Fund who would have been required to provide financing: Aggregate supplies were not available at reasonable prices; the company could not obtain a work site; inadequacy of working capital necessary. And again, I tabled the letter back to Mr. Klassen . . . by these statements it was not a contract and it was not pursued by Klassen.

MR. CHAIRMAN: Mr. Parasiuk, did you deal with Point 27? There is some indication that you might have passed it by.

MR. PARASIUK: I'm sorry, my material I - I think I've missed out 27 and 28. In putting it together I guess, 50 or so copies, I think these two probably were missed out of my particular pile while I picked up.

MR. CHAIRMAN: Okay. Point 27.

MR. PARASIUK: Point 27. This is from the text of Mr. Spivak's speech where he's quoting from Mr. . . .

MR. CHAIRMAN: No, Point 27 - Mr. Kregeris.

MR. PARASIUK: Oh, I'm sorry. Oh, I'm sorry. No, I made a mistake on that one. This is from Mr. Kregeris' letter - right, because this was before Mr. Spivak's statements which I think start on 29. Mr. Kregeris states: "From what I have said, it should be clear that Messrs. McIvor, Thompson and Trithart assumed effective control of my company, I as president was completely frozen out, and Mr. Allison as manager was required to accept all instructions from them and to pay no attention to any instructions from me. The control of these men was far beyond anything that could be justified on the basis of the Communities Economic Development Fund loans. They were not watchdogs of the public investment in my company, they operated as if they owned my company."

MR. CHAIRMAN: As if they owned.

MR. PARASIUK: "as if they owned my company."

Now, our statement on this is, if the principal was a participant in the Fund's mechanisms for control as outlined in the Letter of Offer. Apart from the period of absence spent in Winnipeg, as already stated, Mr. Kregeris was aware of actions taken; during his absence, Mr. Allison remained in close contact with the Fund and reported to the principal on his return to Wabowden upon these activities which took place in Wabowden during Kregeris' absence. Contact was maintained by Kregeris and the Fund at all times. The Fund was involved in the management. The company - and the reason being that the company was always involved in a very tight working capital position where there would be possible, and there were requests for

(MR. PARASIUK cont'd) further financing, and the Fund was very cautious about advancing further funds to this particular enterprise. That's why we were very closely involved.

MR. CHAIRMAN: Point 28. Did you deal with that?

A MEMBER: He's done that.

MR. CHAIRMAN: You dealt with Point 28. Okay. We'll go on to Point 30.

MR. PARASIUK: Well, rather than reading the whole thing, if I might . . .

MR. CHAIRMAN: Read the whole thing. It'll be less problems. Mr. Parasiuk.

MR. PARASIUK: Okay. Point 30. --(Interjection)--

MR. CHAIRMAN: It is not intended to take more time, Mr. Enns. We're proceeding -- (Interjection) -- Right. Mr. Parasiuk.

MR. PARASIUK: Mr. Spivak states: "Mr. Speaker, now let me deal with Paragraph 6. I informed Mr. Kregeris, the principal shareholder and the President and a Director of R & M that the Town of Wabowden was going to have a pumphouse built and the contract for the construction of the pumphouse would be put out for tenders. I passed this information on to Mr. Kregeris so that he and his company would be in a position to tender bids on the contract. The contract for the pumphouse was to be given by the Province of Manitoba Water Services Board and not by the Town of Wabowden. I did not at any time instruct Mr. Allison or R & M Construction that R & M Construction would receive the contract for the construction of the pumphouse or that the company should purchase any materials or supplies in connection with the alleged contract.

"Well, Mr. Speaker" - this is Mr. Spivak continuing - "Well, Mr. Speaker, you then have to examine what Mr. Kregeris said and to understand this statement in connection with that and find out who's telling the truth."

"Paragraph 7. At all meetings of the Board of Directors of R & M Construction at which I was in attendance, there was no discussion of the pumphouse contract."

Mr. Spivak continuing. "Now, Mr. Speaker, what are the meetings of the Board of Directors? Are they the official meetings of the Board of Directors, or are they a meeting at which all the Board of Directors are present at the site discussing the company's business and dealing with the company's matters? Mr. Kregeris says that the directors were present and there were discussions on the pumphouse contract. So, Mr. Speaker, with respect to the question of the technicality and with respect to the truth of the situation, with respect to the understanding fully of what really happened, who was in control, who was directing, what was really happening, the technicality is meaningless at this point because in effect what Mr. Kregeris is saying is that the directors of his company, who were present with him, dealt with the company matters and made the decision and they were aware of the information. And the allegation and suggestion of these affidavits is that they really did not know about it when they did.

"I did not instruct Mr. Allison or R & M that they would receive the contract or that the company should purchase any materials."

Mr. Spivak continuing. "Mr. Kregeris says that I did. Okay?"

"At all meetings of the Board of Directors at which I was in attendance, there was no discussion of the pumphouse contract." Mr. Spivak continuing. "There were discussions of the directors with Mr. Kregeris and Mr. Allison, so who's kidding who?"

The Fund statement. As already stated, discussions for the pursuit of the Wabowden contract, pumphouse contract were held but not at formal board meetings. There are differences of opinion between Mr. McIvor, Mr. Kregeris and Mr. Spivak about what constitutes a board meeting. From the Fund's point of view, lack of adequate capital and bonding prohibited increase into such proposed contracts.

MR. CHAIRMAN: Point 31 is not . . .

MR. PARASIUK: That's one that we don't have the material in for.

MR. CHAIRMAN: Fine, point 32.

MR. PARASIUK: Mr. Spivak speaking. "Now dealing with No. 14. 'The Department of Indian Affairs was prepared to authorize improvements to a building to be used . . . ' Sorry on this one I would request that we withdraw it and we will deal with it because I think we'll probably have to deal with it another time, and that we were awaiting documentation on this so I'd like to . . .

MR. CHAIRMAN: Point 32 will be dealt with at the next meeting. Point 33. There is indication at the bottom that they are waiting for documentation to this point.

MR. PARASIUK: We are waiting for the documentation from Indian Affairs as to their correspondence on this.

MR. CHAIRMAN: We will be dealing with Point 32 at the next meeting. Point 33. Mr. Parasiuk.

MR. PARASIUK: I've already dealt with Point 33 in respect to Mr. Kregeris' statement regarding orders from the Wabowden Community Council for a construction hall and for two houses. But to reiterate our position on this there is a contract for the community hall from Wabowden Community Council because it had authority to do so.

The other approvals presumably consist of advice that the houses could be built within the Community of Wabowden through the Off-Reserve Housing Program or other programs. These two houses were purchased by Indian Affairs in one instance and by an individual in another.

MR. CHAIRMAN: Point 34. Mr. Parasiuk.

MR. PARASIUK: Mr. Spivak: "Mr. Speaker, in paragraph 15 of Mr. McIvor's affidavit he said, 'Mr. Allison was not in attendance' -oh, I'm sorry, he said, 'There was no meeting of the officers and directors of R & M Construction Ltd. in May of 1973 in Thompson, Manitoba, as alleged, and Mr. Allison was not in attendance at any such meeting. As no meeting was held, the President of R & M Construction, John Kregeris, was not and could not have been excluded from same!"

Mr. Spivak continuing: "I've indicated, I think, what Mr. Allison and what Mr. Kregeris obviously understand by the meeting of directors, but this is referred to in Mr. Kregeris' statement as a meeting that took place, I believe, in April. My understanding of that meeting was that it was both a meeting of the Communities Economic Development Fund, followed by a meeting of R & M the next day, and that Mr. Trithart and Mr. Allison in fact were present at the social gathering following the official meeting of the Communities Economic Development Fund, where in fact the matters dealing with R & M Construction were in fact involved. And Mr. Kregeris in his statement has indicated that a meeting then was held in Wabowden." End of Mr. Spivak's statement.

Our statement: Mr. Spivak's understanding is incorrect. The Officers and Directors of the Communities Economic Development Fund met in Thompson on April 25, 1973, prior to the board meeting that took place the following day in Wabowden. There was a reception given to the directors on the evening of April 25th by the City of Thompson at which Mr. Allison appeared at approximately 11:30 p. m. No discussions took place that day or evening as to affairs of R & M but they did place at the Fund's board meeting held in Wabowden the next day. Mr. Allison was not available in Wabowden on April 26, 1973, nor was Mr. Trithart. R & M Construction was visited that day by some directors of the Fund but no formal discussions took place. The visit was purely one of orientation.

MR. CHAIRMAN: Point 35. Mr. Parasiuk.

MR. PARASIUK: I would like to just paraphrase this particular one, Mr. Chairman, in that this . . .

MR. CHAIRMAN: Paraphrasing creates problems. As long as you indicate the quotations made, by whom and to whom.

MR. PARASIUK: Well, I'll just summarize it. Mr. Spivak stated: "Mr. Speaker, the Wabowden Community Council ordered from J. M. K. Construction a community hall at a price of approximately \$20, 000, and did not order either from J. M. K. Construction or R & M Construction two houses as alleged or at all. Okay?" End of Mr. Spivak's statement there.

He then went on to produce the letter from the Wabowden Community Council and then he stated the following, Mr. Spivak speaking: "Well, Mr. Speaker, I'm going to table in the House a letter from Appleby and Chappell re R & M Construction and Peter Braun. Then I'm going to table a cheque made out, one to R & M Construction for a thousand dollars, and a \$14, 000 cheque made out to the Communities Economic Development Fund, not to R & M. And then, Mr. Speaker, in the course of my final presentation I am going to ask the Minister to explain why Mr. McIvor, who could not have had knowledge of these facts, was asked to swear a matter which was within the knowledge only, or could have been within the knowledge of the general manager" no - "could only have been within the knowledge of the general manager and the chairman, and what the legal implications may be with respect to this money - and I want to go through this again."

Mr. Spivak continuing: "The letter from Appleby and Chappell, from Mr. Chappell, 'Re R & M Construction and Peter Braun, Wabowden. Please be advised that the writer acts on behalf of Mr. Peter Braun of Wabowden, Manitoba. We understand from Mr. Braun that arrangements have been made between R & M Construction Ltd. and the Communities Economic

(MR. PARASIUK cont'd) Development Fund and Mr. Braun relating to the purchase of certain lands of Wabowden. Enclosed herewith are photostatic copies of the face and back of two cheques drawn by Mr. Braun."

Mr. Spivak continuing: "The first cheque was in favour of R & M Construction Ltd. in the amount of \$1,000, dated May 25, 1973 and the second was in the amount of \$14,000 drawn in favour of the Communities Economic Development Fund, dated June 15, 1973. Well the Minister says 'So'. The point is, so what? Why did Mr. McIvor have to swear this? Why did he have to say 'to the best of his knowledge'? Why was this put in at all? Well, Mr. Speaker"

MR. CHAIRMAN: Who made those interjections? The interjections were made by Mr. Green - no?

MR. GREEN: He's just read it. It's all Mr. Spivak talking.

MR. CHAIRMAN: Oh, I see. Proceed, Mr. Parasiuk.

MR. GREEN: He's quoting me, that's all.

MR. CHAIRMAN: Mr. Spivak was quoting Mr. Green at that particular point. Proceed, Mr. Parasiuk.

MR. PARASIUK: "Well, Mr. Speaker, the question is why, you know, why, whoever stage-managed this whole thing, why did they have Mr. McIvor swear to this, something that was within the knowledge of the Communities Economic Development Fund?"

Mr. Spivak continuing: "As of this date, Mr. Braun has not received any transfer documents. He has requested the writer to secure from R & M and Communities Economic Development Fund, the appropriate transfer of land immediately."

Mr. Spivak continuing: "And I'm now going to table a copy of R & M Construction Ltd., the cheque, and the ones from the Communities Economic Development Fund, and I want to now repeat what Mr. McIvor said in his affidavit, and I want you to question at this point, Mr. Speaker as I think the other members of the House should, the accuracy of what he is saying: 'To the best of my knowledge' - and I suggest he had no knowledge at all - 'the purchase price for both houses was paid directly to R & M Construction Ltd.' Now, Mr. Speaker, what's involved in here is the fact that substantial amount, if not all of this money, belonged to J. M. K. Construction, and what's involved in here is that a substantial part of this money should have gone to the creditors, or should go to the creditors of J. M. K. Construction."

Our statement, the Fund's statement on this: Dealing with the matter of sale of two houses constructed by R & M Construction Ltd., it has already been stated that house #1 was sold prior to Allison's hiring to the Department of Indian Affairs under its Off-Reserve Housing Program.

House #2 was sold, by agreement with the company, for \$15,000 and proceeds credited to R & M Construction's account with the Royal Bank of Canada, following discussions with R & M's legal counsel. It was agreed and understood that, in due course, when it could be clearly established what proportion of materials used on this house completion were owned by J. M. K., there would be an appropriate prorating between the two companies' accounts. This is in the process of being established so that if there are any money owing to material suppliers in connection with this house transaction, the trust element of moneys received can be dealt with appropriately.

The land transfer question is already being dealt with by the legal counsel.

Now with respect to the statements about stage-managing and requesting McIvor to say certain things, the Fund presented its knowledge - McIvor and Trithart gave their understanding - we didn't tell them what to comment on or not.

Now McIvor sits as a member of the board of directors of the Communities Economic Development Fund. Through the course of meetings this might have come to his attention, I am in no way trying to guess why he would say this or not. I did not ask the person to say anything, they can say it if they wanted to. I did not direct them, the Fund did not direct them, and there is that implication in those statements that I just wanted to clear up.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: May I ask Mr. Jones if he had a discussion with Mr. McIvor on this prior to his taking the affidavit? Did he have discussion with Mr. McIvor on this particular matter prior to Mr. McIvor making his affidavit?

MR. JONES: Mr. Chairman, no I did not, not on this particular matter.

MR. SPIVAK: So then basically, Mr. Jones is saying and Mr. Parasiuk is saying, Mr. McIvor had no discussion or no communication from them other than in some general way it may have come to his knowledge. Does Mr. McIvor know the manner and the financial way in which the office is run by the Manitoba Communities Economic Development Fund? Is that within his

(MR. SPIVAK cont'd) . . . purview? Does he look at the manner of deposits, the cheques, the way in which money comes in and goes out? Is that normally . . .

MR. PARASIUK: No, not normally, but a director can in fact at a board meeting ask the manager about any particular relating to any particular account in the north that we deal with.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Well, Mr. Chairman, I think that it should also be indicated so that there's no misunderstanding about it, that there are many affidavits which are sworn on the basis of information and belief, and when a person specifies that he is swearing to information and belief to the best of his knowledge, he usually is indicating that he has no direct knowledge of that but that he has this understanding and I think that that's all that's in the affidavit.

MR. SPIVAK: Fine, I accept that. But Mr. Parasiuk has said that he doesn't know how Mr. McIvor got that understanding, and I'm suggesting that under normal circumstances, normal practice as a director, and in normal involvement with the Fund, in his communication with Mr. Jones, there would be no way that he would know any of the details in relation to that cheque or how it was deposited or the fact that it had to be endorsed and then deposited over at R & M.

MR. GREEN: Well I think that it should be indicated that the solicitor indicated at the last meeting that he was the man who arranged for the taking of the affidavit, so that I'm not pushing this out as what occurred, but the fact that somebody has sworn what he believes to be his understanding is not an unusual thing to do in an affidavit as was indicated by Mr. Spivak in his speech.

MR. CHAIRMAN: Mr. Parasiuk, Would you proceed.

MR. GREEN: . . . out to be right.

MR. SPIVAK: Well can I ask something in connection with the deposit, the endorsement over and deposited to R & M, that was deposited here or was it deposited in Wabowden?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: No, it was deposited in the Royal Bank of Canada, Portage and Edmonton.

MR. SPIVAK: Yes, and it was deposited by either yourself or someone from your office. Is that right?

MR. JONES: Yes, someone from my office.

MR. SPIVAK: So normally Mr. McIvor would not even know that it had been deposited by you or someone from your office. I mean, he may . . . to the best of his knowledge he obtained information, but under normal circumstances he would never know anything about that.

MR. CHAIRMAN: Mr. Jones, do you have any . . .

MR. JONES: Well, no, on the particular mechanisms of when and where the cheque would be deposited, no, but in terms - perhaps I misunderstood Mr. Spivak's question originally - in terms of the statement regarding the sale, the proceeds of that house, he made a statement in front of the Fund's legal counsel to the best of his knowledge . . . the question of depositing the cheque in the bank - no, he had no communication with me.

MR. SPIVAK: Nor did he know the cheque was made out to the Communities Economic . . . Well nor that he knew that the cheque was made out to the Communities Economic Development Fund. Nor would he normally have known the correspondence that took place between yourselves and the lawyers in connection with this matter.

MR. JONES: He would have had some awareness of the correspondence which took place because this kind of thing would have been discussed at the Fund's board meeting.

MR. CHAIRMAN: Let's proceed. Mr. Parasiuk. Point 37.

MR. PARASIUK: Mr. Spivak: "In answer to paragraph 10, I did not instruct the government (either provincial or federal) or any other agency to pay the amount owing to R & M Construction very slowly, in part, or at all.' I want to file a letter from Mr. Jones to Mr. John Kregeris, dated July 30, and the significant thing is the last sentence - and we are now talking about Mr. McIvor who had nothing to do really with this business, who wasn't involved in the day to day management, who was really not in attendance at the board meetings, except in February and then a board meeting in November, because that's the only time they really had formal board meetings, so realistically he was away from the company, and Mr. Jones on July 30th to Mr. Kregeris says, ' In this connection Don McIvor dropped in to see me last week and promised he would do everything he could to make sure that the moneys owing to you by the Council and also by Larry McIvor will be cleared up as quickly as possible.' " End of Mr. Spivak's statement.

Our statement: Reference in this letter to Mr. McIvor's efforts to assist in clearing the

(MR. PARASIUK cont'd) accounts owing to the company illustrates the General Manager's attempt to assist the company in collecting its receivables, and the letter states that Mr. McIvor promised that he would do everything he could to make sure that the moneys owing by the Council and Larry McIvor be cleared up as quickly as possible. For obvious reasons, Mr. McIvor's presence in Wabowden and knowledge of programs pertaining to the community would make him a logical person to seek assistance from.

MR. CHAIRMAN: Point 38. Mr. McGill.

MR. MCGILL: Yes, Mr. Chairman, I'd like to ask Mr. Parasiuk, do the directors of the CEDF receive directors fees?

MR. PARASIUK: Yes, they do.

MR. MCGILL: Are they paid on a per meeting basis?

MR. PARASIUK: Yes, they are. No, sorry, they're paid on a quarterly basis. Could you give me the correct . . .

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Yes, Mr. Chairman, they're paid on a quarterly basis \$250.00 a quarter, in terms of reimbursement of expenses, they are done on a per meeting basis, but the fees of \$250.00 are paid each quarter.

MR. MCGILL: Do they get expenses to attend each meeting?

MR. JONES: Yes, they do.

MR. MCGILL: Then this would be detailed on the quarterly cheques to the directors, would it? The expenses for their travelling, and so forth, to each of the meetings?

MR. JONES: Mr. Chairman, no, not on the documentation for the quarterly cheques or on a separate set of documentation, substantiation for expense reimbursement.

MR. MCGILL: So each of the meetings then would be detailed that they attended and received expenses for.

MR. CHAIRMAN: Mr. Jones.

MR. JONES: Yes they would.

MR. MCGILL: And that information would be available to Committee?

MR. CHAIRMAN: Mr. Jones.

MR. JONES: I wonder if we could have that information.

MR. CHAIRMAN: Order please. Mr. Green.

MR. GREEN: Well, Mr. Chairman, I believe that that information is available. I don't know why the ordinary way of dealing with expenses I believe is through Order for Return, but I am not hung up on that, -- if it's available in one way or the other way, it will be made available.

MR. MCGILL: Well I think there's been some question about whether or not meetings did take place and I think this would be a useful bit of information to enable us to deal more accurately with that.

MR. CHAIRMAN: Mr. Green has indicated ways it can be done and that . . . Mr. Green.

MR. GREEN: Mr. McGill has said two things. He said meetings, for CEDF meetings, that's what they are given a fee for. With regard to meetings of the R & M Construction, I am not certain as to what the arrangement is, but I think it should be indicated that a director could be reimbursed for doing something in the course of his responsibility with the Fund although there is no actual board meeting. So I'm not again objecting to the release of the information but I don't want Mr. McGill to jump to the conclusion that payment received for expenses is necessarily associated with attendance at a board meeting. It may be associated with something else relating to activities for the Fund.

MR. PARASIUK: We could provide that information although I am concerned about one thing and because -- and I think I'd like to make this general statement now, and I gather it's getting close to 12:30. But the general statement is the following: that you know we have provided a tremendous amount of information because of the very serious allegations that were raised with respect to this particular account, and the allegations regarding vote buying. However I think that there are certain things, and we have never drawn any general limits on it because we've been dealing with the committee sort of on a point by point basis. We have said, you know, we have nothing to hide, we are providing material. At the same time just in terms of the future -- because I assume that in the future the Fund will be reporting to this committee -- there are certain things like this which I think are confidential to the operations of the Fund and

(MR. PARASIUK cont'd) I would hate to have sort of precedents established as to what types of information would in fact be tabled regarding . . .

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, may I ask Mr. Parasiuk, does he consider that directors' fees and expenses are confidential information?

MR. PARASIUK: No. No. I'm just saying that I had not really gone through to determine in my own mind, and I think that this is something maybe that the Fund will - the board of directors will have to look at - what constitutes material which is tabled and isn't tabled.

MR. CHAIRMAN: Mr. Spivak.

MR. SPIVAK: Mr. Chairman, just on the point of order because, well really because of what Mr. Parasiuk said. I think, you know, it has to be noted that to a large extent most of the documentation that has been introduced here is a recycling of information that was actually furnished in the House so that in effect as far as the new documentation that has come from the Fund let it not be suggested that there is really very much new that is being presented.

MR. CHAIRMAN: Mr. Green.

MR. SPIVAK: And that becomes important, Mr. Speaker, in understanding the documentation . . .

MR. CHAIRMAN: Order please.

MR. SPIVAK: It becomes important in understanding the documentation that's really available to us. And I think that that should be very clear.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: On the same point of order, Mr. Chairman. I don't wish to have a big long debate on it but I can never stop that. -- (Interjection) -- You know the meeting, I've undertaken before the Member for Lakeside arrived that we can meet again on Tuesday. You know somebody makes a three-hour speech we are entitled to try to respond to it. The point that Mr. Spivak makes relative to what is new and what isn't new, I think cannot, you know, can be clear in his mind in one way, can be clear in another person's mind in another way. I think that what we are trying to do is answer point by point specific things in reference to this particular company, because there was an allegation of vote buying, and the first time I heard it, Mr. Speaker, I got the impression that what was being done is that we were giving away materials to people in northern Manitoba. That's the way I heard it when it was presented. I don't think that perhaps that was actually said, but that's the way I heard it.

The material that the Fund is trying to present is material relative to those charges and there have been some new things presented, cancelled cheques, bank statements. -- (Interjection) -- Well I believe that the back of the cheques. --

MR. SPIVAK: Yes were presented before.

MR. PARASIUK: The comments about depositing to R & M was not made.

MR. GREEN: Well, Mr. Chairman, I'm still -- have the floor. If that was known before then I am really quite surprised because I would think that the person presenting it would have noted that it was deposited to R & M Construction not to CEDF when it was being suggested that the money was received by CEDF. But I wave that aside. What we are trying to do with the Communities Economic Development Fund is similar to what we are doing with MDF. We are trying to be as open as possible. . .

MR. CHAIRMAN: MDC

MR. GREEN: MDC. Thank you, Mr. Chairman. I am trying to be as open as possible but I have instructed the Chairman of MDC and the Chairman of Communities Economic Development Fund that they are not obliged to answer a question which they feel will affect the commercial operations of the existing loan account; that where it is a question of the commercial integrity of the company that they needn't answer, or at least they can ask the Committee for the right not to answer and the Committee then makes the decision.

MR. CHAIRMAN: Order please. Order please. It is now 12:30 and I just wanted to bring to the attention of the Committee that there was some question about the eligibility of Mr. Bell on Mr. McBryde being on the Committee. I did make the change on March 25th, it is recorded in Hansard. It was not reported in Votes and Proceedings. That correction will be made this afternoon. The Committee rise. Mr. Green.

MR. GREEN: Yes. The Leader of the Opposition says that we should not schedule the meeting right now, that if a meeting for Tuesday is to be scheduled I will try to co-operate. I want the point made of it that I'm prepared to schedule it on Tuesday but the Leader of the

(MR. GREEN cont'd) Opposition would prefer that we schedule it . . .

MR. SPIVAK: No, I would want . . .

MR. CHAIRMAN: Order please. Mr. Spivak.

MR. SPIVAK: Yes. I would want the opportunity to talk to Mr. Green privately if I could. I just want to note that I can see, and I may be wrong on this, about 14 new documents that have actually been filed here. That's all.

MR. GREEN: Fourteen ain't bad.

MR. SPIVAK: No 14 ain't bad.

MR. GREEN: It's better than two.

MR. SPIVAK: It may be better than two but the suggestion that in effect, you know, a great deal of confidential material - I don't think that most of this is not really within the Fund itself.

MR. CHAIRMAN: Order please. We can debate that at the next meeting. Let's proceed. Committee rise.