



August 5, 2005

Plan Number: P085512  
CRA Number: 0573766

Mr. James T. Malange  
R.R. #2,  
8 – 39044 97<sup>TH</sup> Street  
Oliver, BC V0H 1T0

Dear Mr. Malange:

**Re: Information Request from Operating Engineers' Pension Plan**

Thank you for your letters of May 11, 2005 and July 27, 2005 addressed to the superintendent of pensions, in which you have expressed concerns regarding an apparent fraud within the above-noted pension plan (the "Plan"). Please excuse the delay in our response.

You contend that a fraud was committed with respect to a real estate holding on Bowen Island and Hawaii which cost the Plan between four and eight million dollars.

We conducted a thorough review of the particular investments. Our findings show that mortgages were issued in 1996 for property on Bowen Island and a small holding in Hawaii. A small number of lots were sold; however, the borrower defaulted on the loan in 1997 and the Plan foreclosed, taking full title to the remaining properties. Since that time, the sales process has continued and the last property was sold on July 15, 2005.

We have reviewed the pertinent financial information for the Plan and no apparent fraud has been committed. The holding has actually produced an excess of approximately four and on half million dollars, which equates to an annual return of 7.6%.

In 1997, the Pension Standards Branch together with the Office of the Superintendent of Financial Institutions ("OSFI") conducted an examination of the Plan and all records, including Plan investments. The examination revealed no areas of concern in respect of the properties in question.

Mr. James T. Malange  
August 5, 2005  
Page 2

We understand that the Administrator of the Plan has offered to let you view the financial statements and related documents of the Plan. We suggest that you avail yourself of this opportunity.

Please contact Sandra Jones at (604) 953 5382 if you have any concerns regarding this matter.

Yours truly,

A handwritten signature in black ink, appearing to read "L. Jay Mitchell". The signature is written in a cursive style with a large initial "L" and "M".

L. Jay Mitchell  
Acting Superintendent of Pensions

pc: Operating Engineers