COURT FILE NUMBER	1401-13650
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFFS	JOHN EDMUNDS, ^ and MERLYN STECIW as representative plaintiffs and THE INVESTMENT EXCHANGE MORTGAGE CORPORATION
DEFENDANT	ROYAL BANK OF CANADA
DOCUMENT	**AMENDED AMENDED STATEMENT OF CLAIM** **Brought under the *Class Proceedings Act***
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	**Code Hunter LLP** Barristers 850, 440 – 2 Avenue SW Calgary, AB T2P 5E9 Christian Popowich Telephone: 403.234.9800 Facsimile: 403.261.2054 File No: 11296.001

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on Jul 13, 2026
by order dated Jul 13, 2026

NOTICE TO DEFENDANT

You are being sued. You are a Defendant.

Go to the end of this document to see what you can do and when you must do it.

Statement of Facts:

Parties

1. The representative plaintiffs John Edmunds, ^ and Merlyn Steciw are individuals ordinarily resident in Alberta.

2. The class members are the investors in The Investment Exchange Mortgage Corporation ("TIEMC"), being all persons in Alberta, or elsewhere in Canada (including corporations, partnerships and trusts) who subscribed for shares in TIEMC between 2002 and 2012.

3. The plaintiff, ^ TIEMC, is an Alberta company ^ in whose name an account was held with the Royal Bank of Canada from April 2003 until December 2012.

4. The defendant Royal Bank of Canada ("RBC") is a Schedule I Chartered bank pursuant to the *Bank Act* that carries on business in Alberta and elsewhere including at a retail branch located at 4820 Northland Drive NW, Calgary.

The Investment Exchange Mortgage Corporation Fraud

5. ^ TIEMC ^ was incorporated by one Kenneth Charles Fowler. At all material times, Fowler was TIEMC's operating mind and sole registered director.

6. At all material times, TIEMC held a business bank account at the RBC Northlands branch, account # 1041862 ("TIEMC RBC Account"). Fowler was the sole or primary person authorized to access the TIEMC RBC Account.

7. Between about 2002 and 2010, Fowler, TIEMC and various employees, agents or affiliates of them, including one Douglas Wayne Schneider as the principal salesperson, solicited subscription investments in TIEMC. In meetings, written publications and other communications occurring during that time, TIEMC and said individuals made the following express representations, among others, to prospective subscription investors:

   a. TIEMC had the following "corporate mission":

      > To lend to entrepreneurs on a fully secured basis, short-term or interim financing to assist them in properly formulating a capital structure for their business.
      >
      > And to provide investors with an exceptional fully secured rate of return while qualifying as a Mortgage Investment Corporation under the Canadian Income Tax Act.

   b. TIEMC qualified as a mortgage investment corporation pursuant to the *Income Tax Act*.

   c. TIEMC offered for sale 12% cumulative, retractable, preferred shares, redeemable March 31st, 2014 each with a par or redemption value of $100.

   d. The minimum subscription was 1000 preferred shares or $100,000. A purchaser of preferred shares would become a "shareholder" of preferred shares issued by TIEMC.

e. TIEMC would use the investment proceeds to invest primarily in residential mortgages, and might also hold funds on deposit at a bank or credit union, acquire interests in real property, invest in other Mortgage Investment Companies or real estate investment trusts, invest in commercial real estate mortgages, or carry out other investment activities which were permitted by law.

f. Shares were RRSP-eligible and could be purchased as a current contribution to a self-directed RRSP, or purchased directly by an existing self-directed RRSP with available cash.

(The above are hereafter collectively referred to as the "Investment Representations".)

8. Between about 2002 and 2010, and in reliance on the truth of the Investment Representations, a total of approximately 200 investors purchased TIEMC preferred shares. The TIEMC investors included the representative plaintiffs as well as other individuals or entities from Alberta and elsewhere. Share purchases by TIEMC investors varied, but ranged from $100,000 (1,000 shares) to in excess of $1,000,000 (10,000 shares), and totaled an estimated $27,000,000 ("Investment Proceeds").

9. Share purchases were typically made:

a. by investors providing funds to Fowler or TIEMC, or

b. in the case of shares to be purchased as a current contribution to a self-directed RRSP, by an intermediary trust company transferring the funds on behalf of the investor to Fowler or TIEMC.

10. The Investment Proceeds were then deposited by Fowler directly into the TIEMC RBC Account ^ and then directed RBC to pay them over to a bank account controlled by Fowler in the name of Southwell Group Inc. (the SGI TD Account).

11. The TIEMC investment was an unlawful Ponzi-type scheme perpetrated by Fowler and others to defraud TIEMC and its investors ("TIEMC Fraud").

12. The Investment Representations were fraudulent, in that:

a. they were intended to, and did, induce subscription investment in TIEMC; and

b. they were knowingly false or were made without a *bona fide* intent to act in accordance with them.

13. Fowler did not operate TIEMC as a mortgage investment company, or as any legitimate or lawful business at all.

14. The Investment Proceeds were not used by Fowler ^ to invest the TIEMC investment funds in residential mortgages, or any secure investment.

15. Fowler ^ and others instead misappropriated, converted or otherwise unlawfully disposed of the Investment Proceeds.

a. Fowler used the Investment Proceeds for his own personal gain and to finance an opulent lifestyle for himself, his family and others, including the purchase of ^ luxury homes, automobiles and clothing, international travel and trips aboard private aircraft. Fowler also used the Investment Proceeds to day-trade stocks, and lost an estimated $4.68 million doing so.

b. Substantially all of the Investment Proceeds were transferred from the TIEMC RBC Account to a TD Waterhouse trading account controlled by Fowler, Fowler's personal bank accounts, or those belonging to corporate entities owned or controlled by Fowler, or others including Schneider.

c. Fowler used a portion of the Investment Proceeds to pay ostensible, but false, share dividends to TIEMC investors in an effort to perpetrate and conceal the TIEMC Fraud.

16. Fowler primarily used the TIEMC RBC Account between about 200^3 and 2012 to process the monetary transactions comprising the TIEMC Fraud.

17. Fowler admitted to having forged or falsified and distributed TIEMC financial statements and other communications in an effort to perpetuate and conceal the TIEMC Fraud.

18. The Alberta Securities Commission ("ASC") issued a cease trade order in respect of TIEMC, and charged Fowler and Schneider with offences under the *Securities Act*.

19. As of the date of filing of the within Amended Amended Statement of Claim,

a. Fowler ^ plead guilty in respect of his role in the TIEMC Fraud and was convicted by the Provincial Court of Alberta on 26 May 2017 of criminal charges, including perpetrating a fraud, and

b. Schneider ^ plead guilty in respect of his role in the TIEMC Fraud and was convicted by the Provincial Court of Alberta on 20 July 2015.

20. All or substantially all of the Investment Proceeds have been spent, transferred, or otherwise disposed of by Fowler and others, such that the funds are unavailable to satisfy any claim to them by TIEMC investors. As a result, many TIEMC investors have lost their life savings or suffered catastrophic economic and other loss.

RBC Liability

21. At the material times RBC (notably, management and staff at the RBC Northland branch in Calgary) knew, or should have known, or was reckless or wilfully blind to the following:

a. Fowler was the sole registered director and operating mind of TIEMC and in that capacity he owed fiduciary, common law, or other legal or equitable duties to TIEMC and TIEMC investors;

b. Fowler held out TIEMC as a mortgage investment company, but TIEMC could not and did not qualify as a mortgage investment company at the time the TIEMC RBC Account was opened or anytime thereafter;

c. the pattern, frequency, number, or types of transactions reasonably expected to be processed through an account held by a mortgage investment company;

d. Fowler was the sole person, or primary person, responsible for and authorized to access the TIEMC RBC Account;

e. on a daily, monthly or other periodic basis, the balance of the TIEMC RBC Account, and the particulars of every monetary transaction made using the TIEMC RBC Account;

f. the monies deposited into TIEMC's RBC Account between 2003 and 2012 were trust funds or were impressed with a resulting or constructive trust;

g. funds passing through the TIEMC RBC Account were Investment Proceeds from TIEMC investors, and were either fraudulently obtained or being transferred in furtherance of a fraud; and

h. Fowler was and would be using the TIEMC RBC Account to perpetrate or facilitate a fraud upon TIEMC investors.

22. In the foregoing circumstances, RBC owed duties to TIEMC and TIEMC investors, including a common law duty in tort and a fiduciary duty and a contractual duty, and said duties required RBC, among other things, to:

a. act as a reasonable banker and to exercise care, diligence and skill in ^ determining whether to open the TIEMC RBC Account, providing banking services and maintaining the TIEMC RBC Account so as to avoid causing or contributing to harm to TIEMC or TIEMC investors;

b. implement and adhere to internal policies or protocols to detect and prevent its accounts being utilized in furtherance of fraud;

c. comply with applicable law respecting the detection and reporting of fraud, particularly the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;

d. monitor the TIEMC RBC Account and make all necessary and reasonable inquiries regarding any suspicious, irregular or unlawful activities in order to, *inter alia*, prevent or minimize the likelihood that the TIEMC RBC Account could be used for fraudulent or unlawful purposes;

e. if it was known or reasonably suspected that the TIEMC RBC Account was being used in furtherance of fraud or other unlawful acts, to immediately “freeze” or suspend all activity in the TIEMC RBC Account;

f. act honestly and diligently, in good faith and in the best interest of TIEMC and TIEMC investors; and

g. to take such further and other steps in furtherance of its duties, as may be proven at the trial of this action.

23. RBC breached its duties to TIEMC and TIEMC investors and caused or contributed to their loss, by permitting or aiding the TIEMC Fraud to be perpetrated by Fowler using the TIEMC RBC Account. In particular, RBC:

a. opened the TIEMC RBC Account without any or proper inquiry into its business or Fowler and despite its non-qualification as a mortgage investment company;

b. failed to implement or adhere to, or ignored, its own internal policies in respect of the detection and prevention of fraud, despite its having flagged TIEMC as a high-risk business at the inception of the TIEMC RBC Account which subjected it to enhanced due diligence and on-going monitoring which RBC did not do;

c. failed to treat funds deposited to the TIEMC RBC Account as trust funds;

d. contravened applicable law in respect of the detection and reporting of fraud, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*;

e. turned a blind eye to, failed to report or investigate, or permitted the movement of large sums of money from the TIEMC RBC Account into Fowler's personal accounts or the SGI TD Account or elsewhere, notwithstanding its knowledge as particularized ^ herein;

f. failed to make any or adequate inquiries concerning Fowler or TIEMC or the TIEMC RBC Account, and gave Fowler preferential treatment as an RBC customer that facilitated fraudulent use of the TIEMC RBC Account;

g. committed such further and other breaches of duty in particulars as may be proven at the trial of this action.

24. Had RBC met its duties to TIEMC and TIEMC investors, the TIEMC Fraud would have been detected and prevented altogether, or minimized or mitigated and the loss suffered by TIEMC investors would have been avoided accordingly.

25. RBC profited or benefitted from Fowler's use of the TIEMC RBC Account in the TIEMC Fraud, in the form of:

a. receiving account fees and other charges, in amounts known only to RBC; and

b. using the funds while on deposit.

26. In the premises, RBC is liable to TIEMC and TIEMC investors:

a. for judgment or damages, for the loss of the Investment Proceeds, approximately $27,000,000; or

b. a constructive trust in the amount of the lost Investment Proceeds, approximately $27,000,000; and

c. disgorgement or restitution of sums that RBC received as account fees and other benefits received from its use of the Investment Proceeds deposited in the TIEMC RBC Account, the particulars of which are known only to RBC.

Proceedings

27. Following the ASC's cease trade order, the Court appointed an Inspector over TIEMC, who issued its first report in May 2013, and a receiver, whose final report was filed in October 2013.

28. On 2 June 2014, TIEMC was struck from the corporate registry.

29. The representative plaintiffs filed their Claim 12 December 2014.

30. On 9 September 2015, TIEMC was revived by John Edmunds.

31. TIEMC was added to the action as a plaintiff 22 February 2016.

32. By Court Order 11 May 2016, John Edmunds was permitted to bring and control this action in the name of and on behalf of TIEMC for the benefit of TIEMC investors.

33. The representative plaintiffs prosecuted the action as a representative action until July 2022 when the defendant required a certification hearing prior to proceeding to trial.

Relief Sought

WHEREFORE THE PLAINTIFFS CLAIM OF RBC:

34. certification of the within action pursuant to the *Class Proceedings Act* and appointment of ^ class representatives;

35. trial of all class claims certified as common, and at the same time as the TIEMC claims;

36. judgment or damages in the estimated amount of $27,000,000 or such other amount proven at trial; or

37. a declaration that funds held by RBC in the estimated amount of $27,000,000 are impressed with a constructive trust in favour of TIEMC or TIEMC investors;

38. restitution of sums RBC received in respect of account fees and other charges, in amounts to be proven at trial; ^

39. interest pursuant to the *Judgment Interest Act*; and

40. costs of the action.

NOTICE TO THE DEFENDANT

You only have a short time to do something to defend yourself against this claim:

20 days if you are served in Alberta

1 month if you are served outside Alberta but in Canada

2 months if you are served outside Canada

You can respond by filing a statement of defence or a demand for notice in the office of the clerk of the court of King's Bench at Calgary, Alberta, AND serving your statement of defence or a demand for notice on the plaintiff's address for service.

WARNING

If you do not file and serve a statement of defence or a demand for notice within your time period, you risk losing the law suit automatically. If you do not file, or do not serve, or are late in doing either of these things, a court may give a judgment to the plaintiff against you.