

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
(Commercial List)

B E T W E E N:

DBDC SPADINA LTD.,  
and THOSE CORPORATIONS LISTED ON SCHEDULE "A" HERETO

Applicants

- and -

NORMA WALTON, RONAULD WALTON, THE ROSE & THISTLE GROUP  
LTD. and EGLINTON CASTLE INC.

Respondents

- and -

THOSE CORPORATIONS LISTED IN SCHEDULE "B" HERETO, TO BE  
BOUND BY THE RESULT

**SUPPLEMENTAL REPORT TO THE FIFTEENTH REPORT OF THE MANAGER,  
SCHONFELD INC.**

## **I. Introduction**

1. This is the Supplemental Report to the Fifteenth Report of Schonfeld Inc. (the “**Manager**”) in its capacity as Manager of certain companies listed at Schedule “B” to the Order of Justice Newbould dated November 5, 2013 (the “**Companies**”),<sup>1</sup> together with the real estate properties owned by the Companies (the “**Properties**”).

### **A. Purpose of this Report**

2. On August 20, 2014, Justice Newbould granted an approval and vesting order in respect of the sale transaction (the “**Cityview Transaction**”) contemplated by the Agreement of Purchase and Sale accepted on May 29, 2014, as amended by an agreement dated June 13, 2014, revived and amended by an agreement dated June 23, 2014 and further revived and amended by an agreement dated as of July 14, 2014 (collectively, the “**Cityview Agreement**”) between Cyclone Creative Inc. (“**Cyclone**”) and Cityview Industrial Ltd. in respect of the property known municipally as 1 City View Drive in Toronto, Ontario (the “**Cityview Property**”). The Cityview Agreement is attached as Cityview Confidential Appendix “A” to the Fifteenth Report of the Manager (the “Fifteenth Report”),

3. The Manager has brought a motion for an Order amending the Order of Justice Newbould dated August 20, 2014 as follows:

- (a) substituting 1646973 Ontario Inc. and 2430181 Ontario Inc. (collectively, the “New Purchaser”) for Cyclone Creative Inc. (the “Original Purchaser”); and
- (b) removing the reference to an option to purchase granted to Laser Heating & Air Conditioning Inc. (“Laser”).

4. The August 20 Order is attached as Appendix “1”. A blackline between the August 20 Order and the Order sought by the Manager is attached as Appendix “2”.

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<sup>1</sup> Schedule “B” was amended by Order dated January 16, 2014.

5. This Report provides a summary of events that have occurred since the August 20 Order was granted and a recommendation that this Honourable Court grant the relief described in the Manager's Notice of Motion.

**B. Terms of reference**

6. Based on its review and interaction with the parties to date, nothing has come to the Manager's attention that would cause it to question the reasonableness of the information presented herein. However, the Manager has not audited, or otherwise attempted to independently verify, the accuracy or completeness of any financial information of the Companies. The Manager therefore expresses no opinion or other form of assurance in respect of any of the Companies' financial information that may be in this Report.

**II. The August 20 Order**

7. The Manager brought a motion returnable August 20, 2014 for an Approval and Vesting Order in respect of the Transaction. Laser, which had registered a lien in the amount of \$153,691 against the Cityview Property, opposed the Transaction on the basis that the sale price obtained by the Manager was not sufficient.

8. Justice Newbould granted the Approval and Vesting Order but granted Laser an option to purchase the Cityview Property for the same price as the Original Purchaser. Justice Newbould's endorsement (the "August 20 Endorsement"), together with an unofficial transcription thereof, is attached at Appendix "3".

9. The August 20 Endorsement provided that, in order to exercise its option, Laser was required to:

- (a) advise the Manager by August 25, 2014 of its intention to purchase the Cityview Property; and
- (b) provide the Manager with written evidence that it had obtained firm financing for the entire purchase price of the Cityview Property.

10. By letter dated August 25, 2014 and attached as Appendix "4", Laser advised the Manager that it intended to purchase the Cityview Property.

11. Bob Lorion, the principle of Laser, attended at the Manager's office the afternoon of August 25, 2014 and presented a "Financing Commitment" purportedly provided by "Bruno Bortolus, in trust for a company to be incorporated and without any personal liability." In the Manager's view, the Financing Commitment is not evidence of firm financing for at least two reasons. Firstly, the Financing Commitment purports to be provided in trust for a company to be incorporated. No extant person or company has any enforceable obligation to provide financing. Secondly, there is no evidence that either Mr. Bortolus or the company that he plans to incorporate have the means to finance the contemplated transaction. In addition, Mr. Lorion did not provide any deposit to demonstrate good faith and an intention to close.

12. As a result of the foregoing, the Manager determined that Laser had not met the condition precedent to the exercise of the option to purchase.

13. Correspondence from the Manager's counsel to counsel for Laser and Mr. Lorion setting out the foregoing is attached as Appendix "5". No response to this correspondence has been received and the Manager has not been contacted again by Laser or Mr. Lorion.

14. The Manager has been advised by its real estate counsel at Goodmans LLP that the reference to the option in favour of Laser in the August 20 Order may interfere with the closing of the Transaction.

#### **B. Substitution of purchaser**

15. The Manager has been advised that the Original Purchaser has assigned, or will assign, the Cityview Agreement to the New Purchaser, which are related companies. The Manager has been asked to amend the August 20 Order so that title can be transferred to the New Purchaser.

#### **C. Conclusion and Recommendations**

16. For the reasons set out in the above report, the Manager respectfully recommends that this Honourable Court grant the relief sought in the Manager's notice of motion.

All of which is respectfully submitted this 28<sup>th</sup> day of August, 2014.

**SCHONFELD INC.**

**In its capacity as Manager pursuant to the Order of Newbould, J. dated November 5, 2013**

**Per:** \_\_\_\_\_

Harlan Schonfeld CPA · CIRP

## **SCHEDULE “A” COMPANIES**

1. Dr. Bernstein Diet Clinics Ltd.
2. 2272551 Ontario Limited
3. DBDC Investments Atlantic Ltd.
4. DBDC Investments Pape Ltd.
5. DBDC Investments Highway 7 Ltd.
6. DBDC Investments Trent Ltd.
7. DBDC Investments St. Clair Ltd.
8. DBDC Investments Tisdale Ltd.
9. DBDC Investments Leslie Ltd.
10. DBDC Investments Lesliebrook Ltd.
11. DBDC Fraser Properties Ltd.
12. DBDC Fraser Lands Ltd.
13. DBDC Queen’s Corner Ltd.
14. DBDC Queen’s Plate Holdings Inc.
15. DBDC Dupont Developments Ltd.
16. DBDC Red Door Developments Inc.
17. DBDC Red Door Lands Inc.
18. DBDC Global Mills Ltd.
19. DBDC Donalda Developments Ltd.
20. DBDC Salmon River Properties Ltd.
21. DBDC Cityview Lands Ltd.
22. DBDC Weston Lands Ltd.
23. DBDC Double Rose Developments Ltd.
24. DBDC Skyway Holdings Ltd.
25. DBDC West Mall Holdings Ltd.
26. DBDC Royal Gate Holdings Ltd.
27. DBDC Dewhurst Developments Ltd.
28. DBDC Eddystone Place Ltd.
29. DBDC Richmond Row Holdings Ltd.

## **SCHEDULE “B” COMPANIES**

1. Twin Dragons Corporation
2. Bannockburn Lands Inc. / Skyline – 1185 Eglinton Avenue Inc.
3. Wynford Professional Centre Ltd.
4. Liberty Village Properties Ltd.
5. Liberty Village Lands Inc.
6. Riverdale Mansion Ltd.
7. Royal Agincourt Corp.
8. Hidden Gem Development Inc.
9. Ascalon Lands Ltd.
10. Tisdale Mews Inc.
11. Lesliebrook Holdings Ltd.
12. Lesliebrook Lands Ltd.
13. Fraser Properties Corp.
14. Fraser Lands Ltd.
15. Queen’s Corner Corp.
16. Northern Dancer Lands Ltd.
17. Dupont Developments Ltd.
18. Red Door Developments Inc. and Red Door Lands Ltd.
19. Global Mills Inc.
20. Donalda Developments Ltd.
21. Salmon River Properties Ltd.
22. Cityview Industrial Ltd.
23. Weston Lands Ltd.
24. Double Rose Developments Ltd.
25. Skyway Holdings Ltd.
26. West Mall Holdings Ltd.
27. Royal Gate Holdings Ltd.
28. Royal Gate Nominee Inc.
29. Royal Gate (Land) Nominee Inc.
30. Dewhurst Development Ltd.
31. Eddystone Place Inc.

- 32. Richmond Row Holdings Ltd.
- 33. El-Ad (1500 Don Mills) Limited
- 34. 165 Bathurst Inc.