

**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 FOURTH REPORT OF THE
MANAGER, SCHONFELD INC.**

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I. Introduction

1. This is the Supplemental Report to the Fourth Report of Schonfeld Inc. (the “**Manager**”) dated March 24, 2014 (the “**Fourth Report**”) in its capacity as Manager of certain companies listed at Schedule “B” to the Order of Justice Newbould dated November 5, 2013 (the “**Companies**”)¹, together with the real estate properties owned by the Companies (the “**Properties**”).
2. Capitalized terms not otherwise defined below have the meanings ascribed to them in the Fourth Report.
3. The terms of reference set out in the Fourth Report apply to this Supplemental Report.

II. Purpose of this Report

4. The purpose of this Report is provide a recommendation with respect to the proceeds of the Transactions described in the Fourth Report (the “**Proceeds**”).

III. Mortgage review

5. The mortgages registered on title to the Downtown West Properties are described at paragraphs 9-11 of the Fourth Report. For ease of reference, these mortgages are referred to below as the “**Spadina Mortgage**”, the “**Jefferson Mortgage**” and the “**Atlantic Mortgage**”.
6. The Manager has requested payout statements from each of the mortgagees. Payout statements with respect to the Spadina Property, Jefferson Property and Atlantic Property are attached as Appendix 1, 2 and 3, respectively.

¹ Schedule “B” was amended by Order dated January 16, 2014.

7. For ease of reference, the relevant mortgages are summarized below:

Property	Mortgagee	Registered Amount	Amount set out on payout statement
241 Spadina Avenue, Toronto, Ontario	Computershare Trust Company of Canada	\$8,300,000.00	\$9,486,447.78 as at April 2, 2014
47 Jefferson Avenue, Toronto, Ontario	368230 Ontario Limited	\$2,000,000.00	\$2,053,180.59 as at April 2, 2014
32 Atlantic Avenue, Toronto, Ontario	TCE Beta Services Inc.	\$13,500,000.00	\$13,852,184.93 as at April 2, 2014

8. The Manager instructed its counsel, Goodmans LLP (“**Goodmans**”), to conduct a review of each of these mortgages. Goodmans has advised the Manager that the Mortgages are validly registered.

9. The Manager has also reviewed the amounts set out on the payout statements provided by each mortgagee. These fees include the following:

- (a) TCE Beta has claimed an interest pre-payment totalling \$290,703.08 with respect to the period from April 1, 2014 to August 28, 2014. The Atlantic Mortgage does not specify a pre-payment penalty but the relevant borrower does not have a right to pre-pay the Atlantic Mortgage prior to August 28, 2014. Accordingly, the Manager does not dispute the pre-paid interest claimed by TCE Beta;
- (b) TCE Beta has also claimed legal fees totalling \$97,967.34. In light of the quantum of fees claimed, the Manager asked counsel to TCE Beta to provide invoices substantiating the time spent.² The Manager has reviewed these invoices and does not dispute the legal fees claimed by TCE Beta;
- (c) ACM has claimed a yield maintenance fee of \$1,313,546.43 on the payout statement for the Spadina Mortgage. The Spadina Mortgage provides for

² Counsel to TCE Beta provided invoices on the basis that there was no waiver of solicitor-client and that they be kept confidential. The Manager agreed to these terms.

payment of a yield maintenance fee in the event of pre-payment and the Manager has satisfied itself that the claimed fee is properly calculated;³

- (d) ACM has also claimed payment of legal fees in the amount of \$53,001.93 on its payout statement. These fees include \$17,541.48 in connection with a joint motion brought by counsel to ACM on behalf of ACM and five other mortgagees. The Manager understands that each of these mortgagees has been invoiced \$2,923.58 by counsel to ACM.

ACM has requested that all of its legal fees (including the fees incurred on behalf of other mortgagees) be paid from the proceeds of the sale of the Spadina Property. The Manager had no involvement in the arrangements between the mortgagees and it is not clear that these amounts are recoverable under the terms of ACM's mortgage. However, the Manager does appreciate that the mortgagees' co-operation resulted in efficiencies that benefited all stakeholders. Accordingly, the Manager has agreed (subject to the approval of this Honourable Court) to pay the full amount of ACM's legal fees provided that the other mortgagees are ordered to pay the amount they owe in connection with the consolidated motion to the Manager within 14 days.

IV. Proposed Use of Proceeds

10. The Manager recommends that the proceeds of the Atlantic Sale and the Spadina Sale, respectively, net of closing costs, be used to satisfy amounts owed pursuant to the Atlantic Mortgage and Spadina Mortgage, respectively, and that any excess proceeds be held in trust by the Manager pending further Order of the Court after the Manager has conducted a claims process to identify unsecured creditors entitled to payment by each owner Company. For greater certainty, the Manager intends to conduct a separate claims process for each Company and proceeds from the sale of a Property will be used to pay debts owed by the owner of that Property.

³ CBRE assisted the Manager with the verification of the yield maintenance fee.

11. The Manager will seek approval of its fees and disbursements to date, and those of its counsel, at a motion returnable April 14, 2014 before Justice Newbould. The Manager may recommend that a portion of any approved fees that are unpaid as of April 14, 2014 be allocated to the Atlantic Property and Spadina Property and that some of the Proceeds be used to pay fees owed to the Manager and its counsel.

12. The Manager recommends that the proceeds of the Jefferson Sale be paid to the Bernstein Mortgagee in partial satisfaction of the amount outstanding pursuant to the Jefferson Mortgage. The proceeds of the Jefferson Sale will not be sufficient to pay all amounts due pursuant to the Jefferson Mortgage.

V. Conclusion and Recommendations

13. In light of the foregoing, the Manager respectfully recommends that the Approval and Vesting Order described at paragraph 2 of the Fourth Report provide for payment of the Proceeds in accordance with the recommendations described above.

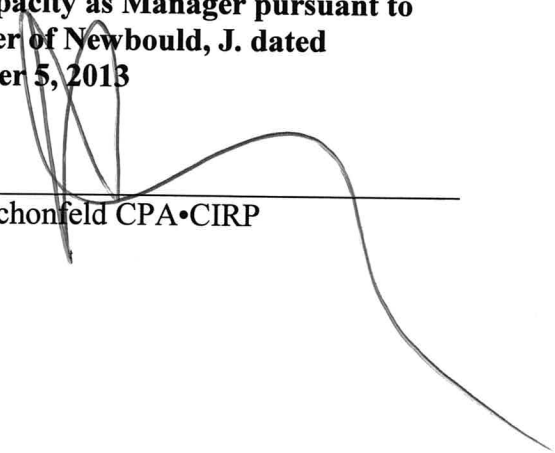
All of which is respectfully submitted this 31st day of March, 2014.

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.

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