

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

**FIRST REPORT OF SCHONFELD INC. IN ITS CAPACITY AS INTERIM
RECEIVER OF THE PROPERTY OF RONAULD AND NORMA WALTON**

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I. Introduction

1. This is the First Report of Schonfeld Inc. (the “**Interim Receiver**”) in its capacity as interim receiver of all of the property of Norma and Ronauld Walton pursuant to the Reasons For Decision of Justice D.M. Brown dated August 12, 2014 (the “Reasons”).

A. Purpose of this Report

2. The Interim Receiver has brought a motion for certain relief including an Order:

- (a) approving the Interim Receiver’s activities since date of the Reasons; and
- (b) discharging the Interim Receiver.

B. Terms of reference

3. Based on its review and interaction with the parties to date, nothing has come to the Interim Receiver’s attention that would cause it to question the reasonableness of the information presented herein. However, to the extent that this Report contains any financial information, the Interim Receiver has not audited, or otherwise attempted to independently verify the accuracy or completeness of this financial information. Accordingly, the Interim Receiver expresses no opinion or other form of assurance in respect of the financial information.

II. The Interim Receiver’s Activities

4. Pursuant to paragraph 233 of the Reasons, the Interim Receiver was appointed receiver of all property of the Waltons, of whatever kind, as well as their books and records, on an interim basis. The Reasons provided that the Interim Receiver was to be replaced within 120 days but until then could exercise the full powers of a receiver.

5. As noted above, the Reasons were released on August 12, 2014. On that day, the Interim Receiver contacted Mrs. Walton to make arrangements to meet with her the next day. On August 13 and 14, 2014, representatives of the Interim Receiver met with Mrs. Walton to obtain information relevant to Schonfeld Inc.’s new mandates as Interim Receiver of the Waltons and Manager of the “Schedule “C” Properties” (as defined in the Reasons). The Interim Receiver also, among other things:

- (a) obtained a list of companies in which the Waltons had an ownership interest;
- (b) arranged to freeze all known bank accounts related to the Waltons; and
- (c) took possession of the Waltons' credit cards.

6. On or around August 15, 2014, the Interim Receiver was advised by the Applicants that Ira Smith Trustee & Receiver Inc. (the "**Proposed Receiver**") would replace the Interim Receiver as receiver of the Waltons when the Orders relating to the Reasons were settled.

7. On August 18, 2014, the Interim Receiver and the Proposed Receiver met with Mrs. Walton to discuss the appointment of the Proposed Receiver and other matters. The Proposed Receiver asked Mrs. Walton to fill out a questionnaire with respect to the Waltons' assets, which was subsequently provided to the Interim Receiver and is attached as Appendix 1.

8. The Interim Receiver requested a personal budget from the Waltons and understands that same has been received by the Proposed Receiver. Without the assistance of said budget, the Interim Receiver has approved and funded (on August 15 and August 22) two weekly requests from Mrs. Walton for \$500 payments to fund purchases of grocery and pharmacy items for the Waltons and their children but has not approved other funding requests by the Waltons. The Interim Receiver specifically declined requests for:

- (a) \$1,300 for hockey and trampoline camp for the Waltons' children; and
- (b) \$900 for a further personal allowance and school supplies for the Waltons' children.

9. Given the imminent appointment of the Proposed Receiver, the Interim Receiver has focused primarily on the preservation of the *status quo* until the Proposed Receiver can be appointed.

B. 44 Park Lane

10. The Waltons and their children reside at 44 Park Lane Circle in Toronto ("**44 Park Lane**") which is one of the Schedule C Properties. On August 22, 2014, Mrs. Walton advised the Interim Receiver that the Waltons intend to vacate 44 Park Lane in the near future. The Interim

Receiver, in its capacity as Manager of the Schedule C Properties, intends to take appropriate steps to obtain vacant possession of 44 Park Lane as soon as is reasonably possible.

C. Information relating to the Waltons' finances

11. By Order of Justice Newbould dated March 21, 2014, Schonfeld Inc. (in its capacity as Inspector pursuant to the Order of Justice Newbould dated October 4, 2014) was directed to examine the Respondents as a result of their non-payment of fees outstanding pursuant to the Order of Justice Newbould dated November 1, 2014.

12. As was reported in the Inspector's Fourth and Fifth Reports, the Inspector began its examination of Mrs. Walton on April 11, 2014 and adjourned the examination pending delivery by the Respondents of further documents. A transcript of Mrs. Walton's examination is attached as Appendix W to the Inspector's Fourth Report. A chart listing the undertakings given by Mrs. Walton is attached as Appendix M to the Fourth Report.

13. To date, Mrs. Walton has fulfilled or partially fulfilled 8 of the 39 undertakings given at her examination. Among other things, Mrs. Walton undertook to provide copies of bank statements relating to the Walton Companies but has not yet done so. Mrs. Walton advised that she would answer the balance of her undertakings once she filed her evidence for the July 16th and 17th hearings.

III. Conclusions and Recommendations

14. For the reasons set out in this Report, the Interim Receiver respectfully recommends granting the relief sought in its Notice of Motion.

All of which is respectfully submitted this 29th day of August, 2014.

SCHONFELD INC.

**In its capacity as Interim Receiver pursuant to the Reasons For Decision of Justice Brown
dated August 12, 2014**

Per: _____

Harlan Schonfeld CPA·CIRP

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