

**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

MOTION RECORD

(Motion returnable November 16, 2017)

October 24, 2017

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TAB A

**ONTARIO
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NOTICE OF MOTION

The Applicants will make a Motion to a Judge presiding over the Commercial List on Wednesday, November 16, 2016 at 10:00 a.m., or as soon after that time as the Motion can be heard at the court house, 330 University Avenue, 7th Floor, Toronto, Ontario, M5G 1R7.

PROPOSED METHOD OF HEARING: The Motion is to be heard orally.

THE MOTION IS FOR

- (a) An Order director the Manager (as defined below) to distribute an aggregate of \$3,088,900.00 to the Applicants, on the following basis:
 - (i) \$909,400.00 from Tisdale Mews Inc. ("**Tisdale**")

- (ii) \$992,100.00 from Twin Dragons Corporation (“**Twin Dragons**”);
 - (iii) \$728,100.00 from Royal Gate Holdings Ltd. (“**Royal Gate**”);
 - (iv) \$330,100.00 from Royal Agincourt Corp. (“**Royal Agincourt**”); and
 - (v) \$129,200.00 from Lesliebrook Holdings Ltd. (“**Lesliebrook**” and collectively, the “**Distribution Companies**”).
- (b) The costs of this Motion; and,
 - (c) Such further and other relief as to this Honourable Court may seem just.

THE GROUNDS FOR THE MOTION ARE

- (a) Schonfeld Inc. has been appointed as manager (the “**Manager**”) of (i) certain companies listed in Schedule “B” to the Order of Justice Newbould dated November 5, 2013 (the “**Schedule “B” Companies**”), together with the real estate properties owned by the Companies (the “**Schedule “B” Properties**”), as amended by Order of Justice Newbould dated January 16, 2014, and (ii) the properties listed at Schedule “C” to the Order of Justice Brown dated August 12, 2014 (the “**Schedule “C” Properties**”, together with the Schedule “B” Properties, the “**Properties**”);
- (b) The Distribution Companies are Schedule B Companies;
- (c) The Applicants are investors in the Distribution Companies;

Twin Dragons

- (d) The Applicants agree with the quantum of distributions proposed by the Manager in respect of Tisdale, Royal Gate, Royal Agincourt and Lesliebrook, on the basis set out in the Manager's Notice of Motion dated October 2, 2017 and the Fiftieth Report of the Manager dated October 2, 2017 ("**50th Report**");
- (e) The Applicants do not agree with the Manager's proposal that 25% of the amount available for distribution from Twin Dragons ("**Twin Dragons Holdback**") be held pending determination of any entitlements on the part of Gideon and Irene Levytam, Ange Boudle, Teresa and Joe Memme and Duncan Coopland (collectively the "**Third Party Investors**");
- (f) Ms. Boudle has previously informed the Manager by e-mail that she has been repaid in respect of her deposit into the Twin Dragon's bank account. This is consistent with certain findings in the 50th Report;
- (g) The Levytams have resolved any claims they have by Agreement with the Applicants;
- (h) The remaining Third Party Investors at issue are the Memmes and Mr. Coopland;
- (i) As noted by the Manager in the 50th Report, because the Waltons' co-mingling and diversion of funds was so pervasive, it is difficult to make definitive determinations with respect to equity contributions. The records available support distributing the Twin Dragons Holdback to the Applicants. Completing distributions is an important step towards fulfilling the Manager's mandate;

- (j) Section 13 of the Agreement between Dr. Bernstein Diet Clinics Ltd. and the Waltons dated September 24, 2010 (“**Twin Dragons Agreement**”) provided that no shares could be issued to third parties other than the Waltons and Bernstein. Twin Dragons was also a signatory to the Twin Dragons Agreement;
- (k) The deposits into the Twin Dragon’s bank account by the Memmes and Mr. Coopland were made subsequent to the Twin Dragons Agreement, and therefore at such time Twin Dragons could not characterize the amounts received as equity contributions;
- (l) According to the 50th Report, the funds deposited by the Third Party Investors into the Twin Dragons’ bank account were promptly transferred out of that account, generally on the same day;
- (m) The closing date for the Twin Dragons property acquisition was October 18, 2010. Based on 50th Report, none of the funds of the Third Party Investors were available in the Twin Dragon’s bank account to finance the property closing. The Applicants therefore funded the property acquisition entirely;
- (n) The Memmes swore affidavits on June 20, 2014, in connection with a motion of the Respondents returnable July 16, 2014, wherein they swore they were shareholders of Academy Lands Ltd., and lenders to The Rose and Thistle Group Ltd., but did not mention any interest in Twin Dragons or the Distribution Companies;
- (o) Mr. Coopland also swore an affidavit on June 20, 2014, in connection with the same motion of the Respondents, wherein he swore he was a shareholder of Front

Church Properties Limited and Cecil Lighthouse Ltd., but did not mention any interest in Twin Dragons or the Distribution Companies;

- (p) As at the date hereof, neither the Memmes nor Mr. Coopland have initiated a step in these proceedings to assert an interest in Twin Dragons;

Tisdale Mews

- (q) The Applicants agree with the quantum of distributions proposed by the Manager in respect of Tisdale. The Applicant's entitlement to 50% of this amount is not simply as a judgment creditor ("**Tisdale Equity Amount**");
- (r) As set out in the Fortieth Report of the Manager dated March 2, 2016 and the reasons to the Order of Justice Brown dated August 12, 2014 ("**August 12 Reasons**"), the Waltons diverted funds invested by the Applicants in Tisdale for various purposes, including renovations to the Waltons' residence at 44 Park Lane Circle;
- (s) Ms. Walton's explanation was that she was entitled to treat funds advanced by the Applicants for Tisdale as a return of equity to her. Justice Brown rejected that argument in his August 12 Reasons;
- (t) Justice Brown found that the entitlement to shares would be on the basis of each dollar of equity invested. Justice Brown also noted that he rejected Ms. Walton's "earned equity" arguments in respect of Tisdale, at footnote 41 of his August 12 Reasons;

- (u) In any event, the Applicants submit that there can be no interpretation of the August 12 Reasons which would entitle the Waltons to 50% of the shares in Tisdale:
 - (i) If the increase in value between when the Waltons purchased 78 Tisdale and when the Applicants invested in Tisdale is accepted as an equity contribution, the Waltons have returned that equity contribution to themselves in breach of their commitments, and the monies withdrawn are in excess of and reduce to zero any potential equity contributions by them;
or
 - (ii) If the increase in value in Tisdale is not accepted as an equity contribution, the Waltons equally hold no shares in Tisdale;
- (v) In either case the result must be that the Applicants are the sole equityholders in Tisdale and are entitled to the Tisdale Equity Amount on that basis;

Recorded Contributions

- (w) The Applicants agree that for the reasons set out in the 50th Report, and in light of the \$66 million in damages awarded to the Applicants, a detailed tracing analysis of the Recorded Contributions (as defined therein) is not warranted;
- (x) The Applicants accept that, with the exception of Tisdale Equity Amount, the Recorded Contributions should be distributed to the Applicants on the basis of a partial payment in respect of the Waltons' debts to the Applicants as judgment creditors;

- (y) Rules 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*; and
- (z) Such further and other grounds as the lawyers may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the Motion:

- (a) The Pleadings exchanged in this proceeding;
- (b) The Affidavit of Lester Wong sworn October 20, 2017;
- (c) The Fiftieth Report of the Manager dated October 2, 2017;
- (d) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

October 24, 2017

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Lawyers for the Manager

DBDC SPADINA LTD. et al.
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-and- NORMA WALTON et al.
Respondents

Court File No. CV13-10280-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
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PROCEEDING COMMENCED AT TORONTO

NOTICE OF MOTION

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Lawyers for the Applicants

TAB B

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BY THE RESULT

AFFIDAVIT OF LESTER TONG

I, Lester Tong, of the City of Toronto, in the Province of Ontario, MAKE OATH AND
SAY:

1. I am a legal assistant with the law firm of Lenczner Slaght Royce Smith Griffin LLP ("Lenczner Slaght"), and, as such, have knowledge of the matters contained in this affidavit.
2. I am advised by Christopher Yung, an associate at Lenczner Slaght, and do verily believe that Schonfeld Inc., in its capacity as Manager of Tisdale Mews Inc. ("Tisdale"), Twin Dragons Corporation ("Twin Dragons"), Royal Gate Holdings Ltd. ("Royal Gate"), Royal Agincourt Corp. ("Royal Agincourt"), Lesliebrook Holdings Ltd. ("Lesliebrook" and collectively, the "Distribution Companies"), is proposing a distribution of certain funds of the Distribution Companies.

3. I attach hereto excerpts relating to the Distribution Companies from:

- (a) The Fourth Supplemental Report to the Twenty-Second Report of the Manager dated January 27, 2015 (without Exhibits), as Exhibit “1”;
- (b) The Fortieth Report of the Manager dated March 2, 2016 (without Exhibits), as Exhibit “2”;
- (c) The Fifth Report of the Inspector, Schonfeld Inc., dated July 1, 2014 (with Exhibits B-J), as Exhibit “3”;
- (d) The Third Interim Report of the Inspector, Schonfeld Inc., dated January 15, 2014 (with Exhibits C and D), as Exhibit “4”;
- (e) The Second Supplemental Report to the Twenty-Second Report of the Manager, Schonfeld Inc., dated November 5, 2013 (without Exhibits), as Exhibit “5”; and
- (f) The Affidavit of James Reitan, sworn October 1, 2013 (without Exhibits), as Exhibit “6”.

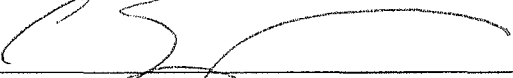
4. I also attach the Affidavits of Gideon and Irene Levvytam, Maria Teresa and Joseph Memme, Triane Boudle, Ange Boudle and Duncan Coopland (collectively the “Walton Shareholders”) as Exhibits “7”, “8”, “9”, “10”, “11” and “12” hereto (the “Walton Shareholder Affidavits”).

5. I am advised by Christopher Yung and do verily believe that within the Walton Shareholder Affidavits, none of the Walton Shareholders claimed to be a shareholder of any of the Distribution Companies.

6. I am further advised by Christopher Yung and do verily believe that as at the date hereof none of the Walton Shareholders have initiated any proceeding claiming any shareholder interest in respect of the Distribution Companies.

7. I make this affidavit for no improper purpose.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario on October
20, 2016



Commissioner for Taking Affidavits
(or as may be)



LESTER TONG

DBDC SPADINA LTD. et al.
Applicants

-and- NORMA WALTON et al.
Respondents

Court File No. CV13-10280-00CL

**ONTARIO
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PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT OF LESTER TONG

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TAB 1

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**FOURTH SUPPLEMENTAL REPORT TO THE TWENTY-SECOND REPORT OF THE
MANAGER, SCHONFELD INC.**

A. Introduction

1. This is the Fourth Supplemental Report to the 22nd Report of Schonfeld Inc. ("Schonfeld") 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 properties owned by the Companies (the "Properties")² and as manager/receiver of the Properties listed at Schedule "C" to the Order of Justice Brown dated August 12, 2014.

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

² The Manager was discharged from certain responsibilities with respect to certain of the Properties pursuant to an Order dated April 1, 2014.

B. Purpose of this Report

2. The purpose of this Supplementary Report is to provide facts relevant to Norma Walton's motion for \$200,000 to fund litigation and living expenses.

3. The Manager takes no position with respect to whether Ms. Walton's motion should be granted or whether she is entitled to funding. However, Ms. Walton has suggested that this funding be paid from the proceeds of the sale of various Schedule "B" Properties in which the Waltons claim to have equity. For the reasons described below, the Manager does not believe that it is appropriate for Schedule "B" sale proceeds to be used for Ms. Walton's living or litigation expenses.

C. Terms of reference

4. 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.

5. Capitalized terms not otherwise defined have the meaning ascribed to them in the Manager's 22nd Report.

D. Tracing completed to date with respect to the Interim Distribution Properties

6. As noted in the 22nd Report, the August 12 Order required that the Waltons' shareholdings be recalculated in accordance with the Agreements, that the Waltons were only entitled to the shares that they had paid for and that the balance of the Waltons' shares were to be cancelled. The Manager's analysis of the Waltons' contribution to the Interim Distribution Companies is set out in the Second Supplemental Report to Manager's the 22nd Report.

7. As is noted in its 22nd Report and the Second Supplementary Report thereto, the Manager sought authority to make an interim distribution from certain Companies (the "Interim Distribution Companies"). In support of this motion, and in order to determine the Applicants'

and Respondents' shareholdings in accordance with the August 12 Order, the Manager has conducted an analysis of how each of the Interim Distribution Companies was funded.

8. The Manager's analysis showed that most of the funds contributed to the Interim Distribution Companies were paid by the Applicants either directly (in the form of an equity contribution to the relevant Interim Distribution Company) or indirectly (in the form of an equity contribution or mortgage advance to another Schedule "B" Company that was diverted by the Waltons to the relevant Interim Distribution Company). Thus, the Manager's analysis can be divided into two stages:

- (a) the Manager began its assessment of contributions from the Applicants' and Respondents recorded in the books and records of the Interim Distribution Companies. All of the Waltons' purported contributions were made in the form of expenses paid from the Rose & Thistle's bank account (the "**Rose & Thistle Account**"). For the purposes of its initial analysis, the Manager counted any payment to or on behalf of an Interim Distribution Company from the Rose & Thistle Account as a "**Recorded Contribution**" unless the funds used to make the payment were provided directly by the Applicants.³ Equity Contributions by the Applicants are referred to below as "**Direct DBDC Contributions**".
- (b) The Manager subsequently analyzed the source of the Recorded Contributions. In all but one case, the Manager concluded that it was likely that the Recorded Contributions were funded, in whole or in part, by funds diverted from the Applicants. Funds contributed by the Applicants to one Company and diverted for use in one of the Interim Distribution Companies are referred to below as "**Indirect DBDC Contributions.**"

9. Based on the guidance received from the Court at the attendance on January 6, 2015, the Manager has compiled a further chart, which is below, that shows both Direct DBDC Contributions, Indirect DBDC Contributions and Recorded Contributions where the source cannot be identified based on the work completed to date.

³ In some cases, the Applicants' equity contributions were paid to the Rose & Thistle Account because the relevant company did not yet have a bank account.

Company	Direct DBDC Contributions	Indirect DBDC Contributions	Other Recorded Contributions ⁴	Total DBDC Percentage of contributions
Hidden Gem Development Inc.	\$1,166,150	\$77,600	\$0	100%
Lesliebrook Holdings Ltd.	\$1,212,828.00	\$25,100.00	\$0	100%
Liberty Village Properties Ltd.	\$1,980,059.00	\$0	\$50,100.00	97.5%
Royal Agincourt Corp.	\$2,334,208.00	\$454,500.00	\$0	100%
Royal Gate Holdings Ltd.	\$4,962,957.00	\$120,100.00	\$0	100%
Tisdale Mews Inc. ⁵	\$1,480,000.00	\$0	\$0	100%
Skyway Holdings Ltd.	\$752,650.00	\$90,090 ⁶	\$10,010	99%

10. The Manager notes that the accuracy with which a specific dollar contributed by Bernstein can be matched to a specific use depends primarily on the opening balance and the level of activity in the Rose & Thistle Account when the funds were transferred. When funds

⁴ The Manager did not trace the source of de minimus contributions in the amount of \$100 made by Respondents in and around October 2013.

⁵ The Respondents have taken the position that they are entitled to 50% of the equity in Tisdale Mews Inc. notwithstanding the imbalance in financial contributions because the Applicants invested in the company after the Respondents had owned it for several years and the Applicants' investment was based on a higher property value than was originally paid by the Respondents. This is a legal dispute between the Applicants and the Respondents that will ultimately be resolved by the Court. The figure in the chart above is based entirely on financial contributions and does not account for the increased value alleged by the Respondents.

⁶ When the Recorded Contributions from Skyway were made, the Rose & Thistle Account received funds from both Schedule "B" and Schedule "C" companies. The Recorded Contribution has been allocated based on the fact that 90% of the funds were received from Schedule "B" Companies.

contributed to a Company were transferred into the Rose & Thistle Account, funds were also transferred into and/or out of the Rose & Thistle Account by or to other Companies or Walton Companies. In such cases, it is possible to trace funds out of the Rose & Thistle Account into accounts held by the Schedule B Companies or the Schedule C Companies but it is not possible to match exactly the funds transferred out of the Rose & Thistle Account to the funds transferred as the funds have been comingled in the Rose & Thistle Account. In considering whether a particular Recorded Contribution is an Indirect DBDC Contribution, the Manager has assessed whether, based on its analysis it is more likely than not that the funds used to make a Recorded Contribution originated with the Applicants. This is the same basis on which the Inspector traced the funds

11. The Manager also notes that the Recorded Contributions that cannot be traced to the Applicants based on the work done to date were not necessarily made using the Waltons' own funds. Since funds provided by Bernstein, as well as funds provided by other investors and revenues from the various Schedule B Companies and Schedule C Companies, to fund the Schedule B Companies were constantly circulating through the Rose & Thistle Account, accounts relating to the Schedule C Companies and the Waltons' accounts, it is not possible to say for certain that any of the Recorded Contributions were made using the Waltons' own funds.

12. In order to determine with certainty how each of the Recorded Contributions were funded, the Manager would need to complete significant further tracing work. In the Manager's view, the cost of a complete tracing exercise would be disproportionate in light of the relatively limited funds available for distribution.

13. In light of the foregoing, the Manager does not agree with Ms. Walton's assertion that she is entitled to an equity distribution from the Interim Distribution Companies and that this distribution ought to be made available to fund her litigation and living expenses.

TAB 2

Court File No.: CV-13-10280-00CL

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FORTIETH REPORT OF THE MANAGER, SCHONFELD INC.
(Applications returnable March 15, 2016)

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34. Other aspects of Mr. Bucci's evidence (whether it is tendered to explain the Respondents' use of funds or as a preview of oral evidence Mr. Bucci might give at a trial) is also problematic. Mr. Bucci deposes that Rose & Thistle provided personnel to work on the Schedule "B" Properties resulting in costs of approximately \$20,389,179. Mr. Bucci claims that this figure is based on "time sheets and vendor invoices and the expenses incurred to the specific property whenever these expenses were incurred in Rose and Thistle for intercompany billing at a later date within the fiscal year they pertained." Mr. Bucci does not append the time sheets and vendor invoices, nor does he explain what has happened to them or why they have not been provided in response to the Inspector's requests dating back to October 2013.

35. The source of Mr. Bucci's information is also unclear. However, as described in the Second Interim Report of the Inspector, Mr. Bucci previously advised that he did not even have access to construction files:

On October 30, 2013, Mr. Schonfeld e-mailed Mr. Bucci to request access to the construction budgets in an "as is" condition. Mr. Bucci advised that he did not have access to construction files but had passed the request on to Ms. Liu. [Emphasis added]

36. In summary, Mr. Bucci's evidence relating to the deposits and construction costs does not add in any meaningful way to an understanding of what happened to funds invested by Bernstein or provide any reason to believe that providing Mr. Bucci with an opportunity to give *vica voce* evidence would do so.

c. 78 Tisdale and 875 Queen

37. Another example of the Waltons' attempt to use the proposed "trial of an issue" to re-litigate matters that have already been determined relates to funds taken from the Schedule "B"

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Companies that own 78 Tisdale Avenue (the “**Tisdale Property**”) and 875 Queen (the “**Queen Property**”). Unlike most of the Schedule “B” Properties, the Tisdale Property and the Queen Property were purchased by the Waltons without Bernstein. Bernstein invested in these properties later and the funds that he invested were diverted by the Waltons for various purposes, including the purchase of their home at 44 Park Lane Circle. The Waltons subsequently issued invoices purporting to show that management and construction services were provided in exchange for these amounts. In these proceedings, Ms. Walton asserted that she was entitled to treat the funds invested by Bernstein as a return of equity built up in these properties before Bernstein invested.

38. The transfers relating to the Tisdale Property and the Queen Property were the subject of considerable evidence and argument at the July 2014 Hearing before Justice Brown. Having considered that evidence, Justice Brown concluded with respect to the Tisdale Property that:

[207] Further...the Waltons did not inform Dr. Bernstein that they intended to treat some of his equity injection as a return of capital to them. By failing to so inform Dr. Bernstein, at a time when they represented to Dr. Bernstein that no capital would be withdrawn until the substantial completion of the project, the Waltons deceived and defrauded Dr. Bernstein.

39. Justice Brown made a similar finding with respect to the Queen Property:

[145] Based upon Norma Walton’s June 21, 2014 evidence, I can only conclude that when Norma and Ron Walton signed the June 25, 2012 agreement with Dr. Bernstein for the 875/887 Queen Street East project, they fully intended to use the funds advanced by Dr. Bernstein to fund, in part, their own acquisition that day of their 44 Park Lane Circle personal residence. They did not disclose to Dr. Bernstein their intended use of his funds. To the contrary, in the agreement they signed with him on June 25, 2012, they led Dr. Bernstein to believe that the funds he advanced would be used solely for the project at 875/887 Queen Street East and that neither he nor his co-venturers, Norma and Ron Walton, would be able to withdraw their capital from that project until it had been sold. By signing the agreement with Dr. Bernstein on June 25, 2012, and then proceeding immediately

- 15 -

to appropriate the funds he advanced to their own use later that day to acquire their mansion at 44 Park Lane Circle, Norma and Ron Walton deceived Dr. Bernstein and unlawfully misappropriated Dr. Bernstein's funds to their own personal use. In short, the Waltons defrauded Dr. Bernstein.

40. In her February 12 Affidavit, Ms. Walton asserts that James Merryweather of the Manager instructed her with respect to how to account for the foregoing transactions. This is not correct. In its Third Interim Report, the Inspector reported that the Waltons had issued huge, unsubstantiated invoices purporting to show construction and management services performed by Rose & Thistle in respect of the Tisdale Property and the Queen Property. When these invoices were questioned, the Waltons advised that the invoices reflected the increase in value of the real estate between when they acquired the properties and when Dr. Bernstein invested in the Schedule "B" Companies that owned them. The Waltons then reversed the relevant invoices. The Waltons' external accountant advised them with respect to how these transactions should be recorded after the invoices were reversed, not Mr. Merryweather.

41. In any event, Ms. Walton's assertion does nothing to support her application. Justice Brown found that the Waltons defrauded Bernstein by taking funds that they were not entitled to take. How these transactions were recorded on the books and records of the relevant company years later is of secondary importance.

IV. Collateral Attack on the Manager's conduct

42. The Waltons have made various claims for relief against Dr. Bernstein and the Schedule "B" Companies. All of these claims are based on the assertion that these proceedings – and not the Waltons' conduct – are the cause of the losses suffered in respect of the Schedule "B" Companies and the Schedule "C" Properties. Their allegations are essentially summed up in paragraphs (ix) and (x) of the Waltons' Notice of Application:

TAB 3

Court File No.: CV -13-1 0280-00CL

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", TO BE
BOUND BY THE RESULT

FIFTH REPORT OF THE INSPECTOR, SCHONFELD INC.

- 5 -

13. Since the Companies did not retain the amounts that the Applicants invested, almost every Company required outside funding in order to complete the work shown on the relevant pro forma. These funds appear to have been drawn in some cases (including those illustrated in Appendix F to the Fourth Report) from new equity investments and mortgage advances by the Applicants. In other words, new advances to one Company appear to have been used to fund the existing obligations of other Companies or Walton Companies.

IV. Tracing Analysis

A. Concerns raised by the Respondents

14. At their request, the Inspector met on June 3, 2014 and June 10, 2014 with the forensic accounting firm retained by the Respondents, Froese Forensic Partners (“Froese”), to respond to concerns expressed by Froese with respect to the Inspector’s tracing analysis. Froese expressed two primary concerns:

- (a) that the tracing exercises illustrated at Appendix F to the Fourth Report (the “Tracing Charts”) were potentially misleading because some funds advanced to Rose & Thistle by the Companies were later returned by Rose & Thistle to the relevant Company;
- (b) that two amounts shown in two charts included Appendix F, namely Chart 1 (Twin Dragons) and Chart 3 (Bannockburn), showed the transfer of funds that may have been advanced by third parties and not by the Applicants.

15. The letter from Froese setting out these concerns is attached as Appendix “A”

16. The Inspector has carefully considered the concerns raised by Froese and conducted certain further analysis in response to these concerns, which are described below.

B. Specific Transactions Identified by Froese

a. Twin Dragons Corporation (“Twin Dragons”)

17. Regarding Twin Dragons, Chart 1 of Appendix F set out a tracing of the Applicants’ funds provided on October 18, 2010 for equity investment in Twin Dragons. As is set out below, the Inspector has determined that:

- 6 -

- (a) the Respondents solicited equity investments from third parties and recorded these investments as investments by the Waltons on the books and records of Twin Dragons;
- (b) the contract between the Applicants and the Respondents prohibits any third party investors in Twin Dragons and the Respondents assert that the third party investments were deposited into the Twin Dragons bank account in error. However, Twin Dragons' books and records are not consistent with this assertion;
- (c) A portion of the funds deposited by either the Applicants or these third party investors was subsequently used to fund the Waltons' share of the deposit on the Property at 18 Wynford Drive. This deposit payment was also treated as if it had been made by the Waltons on the relevant Company's records.

18. By way of background, in an agreement dated September 24, 2010 (the "Twin Dragons Agreement") and attached as Appendix "B", the Applicants and the Respondents agreed to each provide \$1,120,500 to the Company to purchase, renovate, lease and refinance the Property at 241 Spadina Avenue, Toronto, Ontario. The Twin Dragons Agreement stated that the Applicants and Respondents were to be the only owners of Twin Dragons.

19. The Twin Dragons Agreement stated the Respondents had contracted to purchase the Property with the purchase scheduled to close on October 14, 2010 and had already provided \$300,000 as a deposit towards the purchase. The Applicants were to provide \$1,120,500 on or before October 14, 2010 and the Respondents would provide a further \$820,500 in a timely manner as required. Each party was to provide 50% of whatever additional capital over and about the \$1,120,500 that was required to complete the project.

Appendix A to the Agreement states that the total capital required was as follows:

Total capital required	\$8,541,000
Mortgage (Applicants are the Mortgagee)	\$6,300,000
Bernstein	\$1,120,500
Waltons	\$1,120,500

20. Chart 1 of Appendix F indicates that, on October 18, 2010, Applicants' funds in the amount of \$1,120,500 were deposited to the bank accounts for Twin Dragons. The Inspector's review of the

- 7 -

accounting records of Twin Dragons related to these transactions indicates that the funds received from the Applicants (\$1,120,500) were deposited to a Twin Dragons bank account and recorded in the accounting records as the Applicants' common share equity.

21. The chart also notes that, between October 25, 2010 and October 29, 2010, \$251,350 was transferred from the bank accounts in the name of Twin Dragons to the Rose and Thistle bank account.

22. Froese provided the Inspector with an analysis of the funds entitled "Twin Dragons-Tracing of Dr. Bernstein's Equity Funds-October 18, 2010 Equity Deposit", which is attached as Appendix "C". The Froese analysis indicates that deposits were made between October 25 and October 29, 2010 to the Twin Dragons bank accounts sourced from Teresa and Joe Memme ("Memme") (\$100,000) and Duncan Coopland ("Coopland") (\$150,000) and referred to in the analysis as "share subscription".

23. According to Froese, Memme and Coopland were actually supposed to be investors in a Walton Company, not Twin Dragons. Immediately following the deposits from Memme and Coopland, transfers in the same amounts were made from the Twin Dragons bank account to the Rose & Thistle bank account.

24. The Inspector has reviewed the accounting and banking records of Twin Dragons for these transactions and agrees that some of the funds transferred to Rose & Thistle from the Twin Dragons bank accounts during the time period depicted on Chart 1 of Appendix F were provided by the other parties identified by Froese. However, the Inspector's review of the accounting for these transactions in the books and records of Twin Dragons and Rose & Thistle and the underlying documents indicates that the accounting treatment is not consistent with the explanation that the funds from these other parties were deposited in error in the Twin Dragon's bank account, as further described below.

25. On October 27, 2010, \$100,000 was deposited from Memme to a Twin Dragons bank account and the transaction was recorded as a credit to share subscription receivable, which is an account to record equity owing which has not yet been funded. Attached as Appendix "D" is a copy of the Memme cheque dated October 27, 2010 paid to the order of Twin Dragons Corporation. On October 29, 2010, \$150,000 was deposited from Coopland and the transaction was also recorded as a credit to share subscription receivable. Attached as Appendix "E" is a copy of the Coopland cheque dated October 26, 2010 paid to the order of Twin Dragons Corporation.

- 8 -

26. The Inspector noted that two other deposits from parties other than the Applicants or Respondents to a Twin Dragon bank account were made earlier, in September, 2010, as explained further herein. On September 1, 2010, \$50,000 was deposited to a Twin Dragons bank account. According to the Twin Dragon accounting records, this was recorded as a credit to the share subscriptions receivable account for an amount received from Gideon and Irene Levytam. Attached as Appendix "F" is a copy of the cheque dated September 1, 2010 from Gideon and Irene Levytam paid to the order of Twin Dragons Corporation. The cheque includes the notation "Irene & Gideon Levytam Investment in 241 Spadina". Immediately following the deposit of the Levytam cheque, the funds were transferred from the Twin Dragon's bank account to Norma Walton's personal account.

27. On September 30, 2010, \$50,945 was deposited to a Twin Dragons bank account. According to the Twin Dragon accounting records, \$50,000 was recorded as a credit to the share subscription receivable account for an amount received from Ange Boudle (the funds received were apparently in US\$, resulting in \$945 foreign exchange) for, according to the Twin Dragons accounting records, "investment in Twin Dragons". Attached as Appendix "G" are:

- (i) A cheque (in US\$) dated September 30, 2010 from Ange Boudle in the amount of \$10,000 paid to the order of Twin Dragons; and
- (ii) A cheque (in US\$) dated September 30, 2010 bearing the apparent signature of Ange Boudle in the amount of \$40,000 paid to the order of Twin Dragons.

28. The accounting records of Twin Dragons indicate that the equity to be paid by the Waltons (as per the Agreement described above), in the amount of \$1,120,500, was recorded as an amount owing from shareholders. The amount, however, was reduced to \$770,500 as the \$350,000 received from the four parties noted above was credited against the amounts owing from the Waltons. In particular:

- (a) Accounting entries dated December 31, 2010 reversed the \$350,000 recorded as credits to the share subscriptions receivable account with the description "to reclassify funds owed by Ron and Norma Walton" and credited the amount owing by the Waltons for their share of equity (\$1,120,500);
- (b) As a result, the amount showing on the books of Twin Dragons as owing from the Waltons related to their equity requirement is \$770,500 (\$1,120,500 minus \$350,000).

- 9 -

29. Regarding Twin Dragons (Chart 1 of Appendix F) the \$1,120,500 provided by the Applicants and deposited to the Twin Dragons bank account on October 18, 2010, most of the funds appear to have been used to close the acquisition of the property. However, an amount of \$150,000 from these funds was transferred from the Twin Dragons bank account to the Rose & Thistle bank account and was used to fund a cheque to Pointmark Real Estate in the amount of \$150,000. According to Froese, this cheque relates to a deposit on the Property at 18 Wynford, which is owned by Wynford Professional Centre Limited (one of the Companies). The Inspector agrees with this aspect of the Froese analysis.

30. The Froese analysis also documents a transfer, also in the amount of \$150,000, being transferred back from the Rose & Thistle bank account to the Twin Dragons bank account on October 29, 2010. The Froese analysis then shows these funds being used to fund a payment from the Twin Dragons bank account to Carcol, with the payment being recorded in the accounting records of Twin Dragons as "CIP"- construction in progress.

31. An Ontario Corporation Profile Report indicates that Carcol Ltd. ("Carcol") was incorporated on January 9, 2003 and shows the Directors as Carlos Carreiro and Norma Walton. In the Agreement between the Applicants and Respondents related to Twin Dragons, described above, Carlos Carreiro is described as a member of the management team of Rose & Thistle Group as Director of Construction and Maintenance.

32. The payment to Carcol on November 1, 2010 appears to be for an invoice rendered by Carcol dated November 1, 2010 in the amount of \$130,735.50 plus HST total \$147,731.12 for "work completed from October 11 to October 31, 2010". The Inspector notes that the closing date for the property acquisition was October 18, 2010. The Inspector notes that a total of eight invoices were received from and paid to Carcol over the period November, 2010 to June, 2011 totalling approximately \$1.9 million (including HST).

33. There is further reference to Mr. Boudle in the Twin Dragons accounting records. An accounting entry dated October 2, 2012 indicates a cheque was issued to Mr. Boudle in the amount of \$40,000 with the description "partial return of capital return-241 Spadina". An accounting entry dated February 1, 2013 indicates a cheque was issued to Mr. Boudle in the amount of \$35,000 with the

- 10 -

description "repayment of capital and pref share dividend". These entries would support that Mr. Boudle was, in fact, an investor in Twin Dragons.

34. Mr. Boudle has provided information to the Inspector that he was an investor in Twin Dragons in the amount of \$50,000 for preferred shares. He indicated that, rather than receiving monthly or quarterly payments related to this investment, he was told he would share in the "upside" of the building's subsequent value. He indicated that he did receive his original investment of \$50,000 back along with \$25,000 as a share in the upside of the building. (This would seem to correspond to the payments made to Mr. Boudle in October, 2012 and February, 2013 noted above.) Mr. Boudle's e-mail is attached as Appendix "H"

35. Mr. Boudle has also informed the Inspector that he was a preferred share investor in Lesliebrook, and made this investment in April 2012.

36. The Inspector has reviewed a letter from Jim Reitan to Norma Walton dated June 7, 2013 outlining a number of concerns Mr. Reitan had about the Applicants' investments. The letter is attached as Appendix "I". In the letter, Mr. Reitan discusses the \$350,000 received from the four parties discussed above (Levytam, Boudle, Memme and Coopland) and notes that "the equity applied to Walton was received from third parties after execution of the agreement" and also that, in the case of the Levytams, the cheque indicates the funds were for "investment in 241 Spadina". Mr. Reitan asserts that third party investments are a violation of the Agreement between the Applicants and the Respondents.

37. The Inspector has also reviewed a letter from Norma Walton to Jim Reitan dated June 13, 2013 responding to Mr. Reitan's June 7, 2013 letter. The letter is attached as Appendix "J". With regards to the issue of outside investors, she wrote:

"we do not have outside investors in the properties we jointly own with Dr. Bernstein. As Mario explained, before Dr. Bernstein became a 50% owner of Spadina and Highway 7, we had attracted investment from third parties. The moment he became an investor, we shifted all of those responsibilities over to the Rose & Thistle Group Ltd. and that is where they remain. We would not dilute ownership in a project with Dr. Bernstein."

- 11 -

38. The Inspector notes that Dr. Bernstein became an investor in Twin Dragons (the Spadina property) pursuant to an Agreement signed September 24, 2010, before the date of all but one of the advances described above.

39. In all, the documents reviewed and accounting treatment of the foregoing investments is not consistent with an erroneous investment in the wrong company as alleged by Ms. Walton.

b. Bannockburn Lands Inc. ("Bannockburn")

40. Froese also raised questions about Chart 3 of Appendix F, which relates to Bannockburn. The Inspector conducted a further review of the banking and the accounting records of Bannockburn and Rose & Thistle and the closing documents pertaining to the acquisition of the Bannockburn property and has concluded that the information depicted on Chart 3 of Appendix F is accurate, as explained below.

41. The Inspector has also noted that, in the case of the Bannockburn, Rose & Thistle transferred funds invested by the Applicants and not required to purchase the relevant property almost immediately to Rose & Thistle (before any invoices were issued to Bannockburn) and subsequently issued invoices in the exact amount of the transfers.

42. Chart 3 indicates that the Applicants made an equity investment in Bannockburn on December 17, 2010 in the amount of \$1,750,000. The Applicants' cheque was made payable to Walton Advocates and a net amount of \$628,630 was transferred to the Rose & Thistle bank account on the same day. The Chart also indicates that the funds transferred to Rose & Thistle were used, in part, to fund a payment from Rose & Thistle to 364808 Ontario Limited in the amount of \$484,349.

43. Froese questioned how the Inspector could be certain that the funds transferred to Rose & Thistle were the Applicants' funds. Froese indicated that their review had identified another mortgage as part of the Bannockburn transaction and suggested that the mortgage could have possibly been a source of funds for the transfer. However, this is not correct. As is set out below, the mortgage in question is a vendor take back mortgage and no funds were advanced.

44. By way of background, an agreement dated December 13, 2010 (the "Bannockburn Agreement"), attached as Appendix "K", indicated that the Applicants and the Respondents agreed to purchase 1185 Eglinton Avenue East, Toronto, Ontario (the "Bannockburn Property") on or about

AGREEMENT

Between:

Dr. Bernstein Diet Clinics Ltd.

"Bernstein"

- and -

Ron and Norma Walton

"Walton"

- and -

Twin Dragons Corporation

the "Company"

WHEREAS Bernstein and Walton intend to purchase 241 Spadina Avenue, Toronto, Ontario (the "Property") on or about October 14, 2010 and put ownership of the Property in the Company's name;

AND WHEREAS Bernstein and Walton, or whomever Bernstein and Walton may direct, will each hold 1,120,500 shares in the Company;

AND WHEREAS Bernstein and Walton will each provide the sum of \$1,120,500 to The Company for the purposes of purchasing, renovating, leasing and refinancing the Property (the "Project");

AND WHEREAS Walton will manage and supervise the Project and ensure it is completed according to the proposal attached as Exhibit "A" to this Agreement;

THEREFORE the parties agree as follows:

1. Walton has contracted to purchase the Property and the purchase is scheduled to close on October 14, 2010.
2. Walton has commenced pre-planning for the property renovations, to begin immediately after closing.
3. Walton intends to purchase, renovate, lease and refinance the Property between now and September 30, 2013 in accordance with Exhibit "A".

4. Bernstein wishes to own 50% of the shares in the Company in exchange for providing 50% of the equity required to complete the Project. The Company will issue sufficient shares such that Bernstein has 1,120,500 and Walton has 1,120,500 voting shares of the same class.
5. The ownership of the Company will be as follows:
 - a. 50% to Bernstein; and
 - b. 50% to Ron and Norma Walton as they may direct or alternatively to be held by a completely Walton-owned and controlled company.
6. Walton will be managing, supervising and completing the Project in accordance with the attached Exhibit "A".
7. Walton has already provided \$300,000 as a deposit to purchase the Property. Bernstein will provide to the Company the sum of \$1,120,500 on or before October 14, 2010. Walton will provide a further \$820,500 to the Company in a timely manner as required as the Project is completed.
8. Walton and Bernstein will each provide 50% of whatever additional capital over and above the \$1,120,500 each that is required to complete the Project, if any, in a timely manner.
9. In addition to managing, supervising and completing the Project, Walton will be responsible for renovation of the Property, hiring of all trades, payment of all trades, advertising for tenants, hiring designers and architects and engineers to complete the project, finance, bookkeeping, office administration, accounting, information technology provision, filing tax returns for the Company, and fulfilling all active roles required to complete the Project in accordance with Exhibit "A".
10. Bernstein will not be required to play an active role in completing the Project. Notwithstanding that, any decisions concerning refinancing or selling the Property will require his approval; any decisions requiring an increase in the total amount of equity required to complete the Project will require his approval; and any significant decisions that vary from the Project plan described in Exhibit "A" will require his approval.
11. Walton will provide to Bernstein the cost consultant's initial report analyzing the Project budget and timelines as soon as received by Walton but no later than October 10, 2010. Walton will subsequently provide a written report to Bernstein each month detailing the following:
 - a. the cost consultant's report for that month indicating progress to date and cost to complete with copies of invoices for work completed;
 - b. the bank statement for that month; and

- c. if the bank statement does not have a copy of cancelled cheques, then Walton will also provide a complete listing of all cheques written, including payees, dates and amounts.

At Bernstein's request, Walton will provide whatever other back-up information he requests.

12. Once the Project is substantially completed to the point that a refinancing can be arranged, Bernstein may in its sole discretion opt to be paid out his capital plus profits in exchange for surrender of his shares in the Company. If Bernstein so opts, Walton would retain the property. The value of the property will be determined by taking the net income for the Property once it is fully leased and applying a capitalization rate of 7.5% to that net income, resulting in an end value for the Property once completed. If the end value obtained based on that process results in a value that one of the parties believes is not reasonably indicative of the actual value, then the parties will discuss and attempt to agree upon a value for such purchase and sale and failing such agreement, submit to mediation as set out in the within agreement. In accordance with the provisions of the within paragraph, payment to Bernstein shall be made immediately upon the completion of the refinancing of the Project.
13. The Board of Directors of the Company will be composed of two directors, being Bernstein and Norma Walton. The only shares to be issued in the Company will be as set out above, and neither party may transfer his or her shares to another party without the consent of all the other parties, which consent may be unreasonably withheld. If Bernstein opts to be paid out of the Project and thus surrenders his share certificate, he will concurrently resign from the Board of Directors and Norma Walton and the Company will accept such resignation. At such time Bernstein shall be released of all obligations and liability related to the Company and the Project and the Property.
14. Walton will provide a statutory declaration confirming the current status of the Company and that it is free and clear of all liabilities and obligations whatsoever and shall provide an Indemnity relating thereto to Bernstein prior to October 15, 2010. The Company will only be used to purchase, renovate, lease and refinance 241 Spadina Avenue, Toronto, Ontario or such other matters solely relating to the Project and the Property.
15. If the parties disagree on how to manage, supervise and complete the Project in accordance with Exhibit "A" and cannot reach agreement amongst themselves, each of them undertakes to attend a minimum of four hours of mediation in pursuit of reaching an agreement. After mediation, if there are any remaining issues to be determined, those issues in dispute shall be determined by a single arbitrator in as cost-effective a manner as possible, with no right of appeal. All costs of such mediation and/or arbitration will be borne equally by Bernstein and Walton.

16. The above represents all deal terms between the parties.

Dated at Toronto, Ontario this 24th day of SEPTEMBER 2010



Dr. Bernstein Diet Clinics Ltd.
Per A.S.O.



Twin Dragons Corporation
Per A.S.O.



Ron Walton



Norma Walton

c

DBDC Spadina Ltd. et al and Norma and Ronald Walton et al.
 Privileged & Confidential
 Twin Dragons - Tracing of Dr. Bernstein's Equity Funds
 October 18, 2010 Equity Deposit

Date	Transaction	G/L Allocation	Twin Dragons				Rose and Thistle	
			Account 1103		Account 1100		IN	OUT
			IN	OUT	IN	OUT		
15/10/2010	Dr. Bernstein equity investment		1,120,500					
18/10/2010	Cheque to New World Insurance			12,042				
18/10/2010	Cheque to Maryhelen Tso in Trust			35,000				
18/10/2010	Cheque to Mega International Commercial Bank	Advance Deposit		266,024				
19/10/2010	Cheque to Walton Advocates	Organizational		133,600				
20/10/2010	Cheque to Walton Advocates	Organizational		16,956				
25/10/2010	Transfer: Twin Dragons to R&T			150,000			150,000	
25/10/2010	Cheque to Pointmark Real Estate	re: Wynford Prof						150,000
25/10/2010	Transfer: Twin Dragons to R&T			1,400			1,400	
25/10/2010	Transfer: R&T to Twin Dragons				50			50
27/10/2010	Share Subscription from Teresa and Joe Memme				100,000			
27/10/2010	Transfer: Twin Dragons to R&T					18,000	18,000	
28/10/2010	Transfer: Twin Dragons to R&T					82,000	82,000	
	Disbursement of funds not provided by Dr. Bernstein							100,000
29/10/2010	Share Subscription from Duncan Coopland				150,000			
29/10/2010	Transfer: Twin Dragons to R&T					150,000	150,000	
29/10/2010	Transfer: R&T to Twin Dragons		150,000					150,000
01/11/2010	Carcol	CIP		147,731				
Total			1,270,500	1,262,747	250,050	250,000	401,400	400,050

D

THE BACK OF THIS DOCUMENT CONTAINS A TD LOGO WATERMARK - DOCUMENT VOID IF MISSING

The Toronto-Dominion Bank 54635401

246 Marlee Avenue
Toronto, ON M6B 3H7

DATE 2010-10-27
YYYYMMDD

Transit-Serial No. 1592-54635401

Pay to the
Order of TWIN DRAGONS CORPORATION \$****100,000.00

TD
CANADA TRUST **100,000.00** Canadian Dollars

Authorized signature required for amounts over CAD \$5,000.00

Re The Toronto-Dominion Bank
Toronto, Ontario
Canada MSK 1A2

Authorized Officer [Signature] Number 53/39

Countersigned [Signature]

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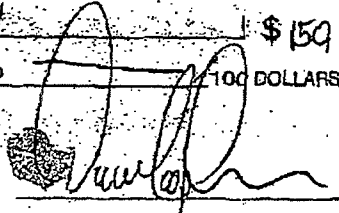
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MR DUNCAN F COOPLAND

DATE 20101026
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on back.



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5782 HWY. #7 AT GALSWORTHY DRIVE
MARKHAM, ONTARIO L3P 1A8

MEMO TWIN DRAGONS CORPORATION

⑆146⑆ ⑆19962⑆004⑆ 0625⑆3135492⑆



F



MR GIDEON LEVYTAM OR
MRS IRENE LEVYTAM
426 BIRCH ST
PO BOX 1171
NIAGARA ON THE LAKE, ON L0S 1A0

DATE

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076

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IRENE & GIDEON LEVYTAM

MEMO INVESTMENT IN 241 SPADINA



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PAYABLE IN U.S. DOLLARS THROUGH BANK OF MONTREAL, 430 PARK AVE., NEW YORK, NY

MR ANGE BOUDLE
2285 LAKESHORE BLVD W, APT. 1707
ETOBICOKE, ON
CANADA M8Y 2X8


DATE ^{1-251/258} Sept 30, 2010 043

PAY TO THE ORDER OF Twin Program \$ 10,000.00


ten thousand 00/100 DOLLARS

BMO  Bank of Montreal

KING & UNIVERSITY
200 KING ST. W. TEL: (416) 597-5268
TORONTO, ONT. M5H 3T4 24182-001

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Angie Boudle 


⑈043⑈ ⑆026002516⑆ 2418 4509⑈084⑈

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HOLIDAY, FL 34691-3502

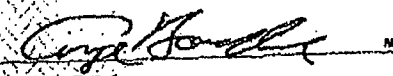
Date Sept 30, 2010 1514

Pay to the Order of Twin Program \$ 40,000.00

forty thousand 00/100 Dollars 

Bank of America 

ACH R/T ⑆63100277

For Angie Boudle 

⑆063100277⑆ 001511032691⑆ 1514

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H



From: ange [<mailto:angeboudle@gmail.com>]
Sent: March-21-14 4:10 PM
To: Harlan Schonfeld
Subject: Fwd: Ange Boudle investments with Rose and Thistle Group.

----- Forwarded message -----

From: ange <angeboudle@gmail.com>
Date: Fri, Mar 21, 2014 at 3:50 PM
Subject: Ange Boudle investments with Rose and Thistle Group.
To: harlan@schonfeld.com

Harlan: Thank you for returning my call this morning it was much appreciated:

This e-mail will hopefully give you background as to my and my parents involvement/investments with the Rose and Thistle Group(RTG). It would appear that we are caught in the " cross fire" of the unfolding legal battle with Dr. Bernstein and (RTG). This is causing me and my 88 year old mother (who has had a recent stroke and has lost my father who passed away 3 weeks ago) undue stress and the fear that we may be losing our life savings as per our investments in various (RTG) projects.

Background: I have known Ron and Norma Walton for over 15 years. They were initially my lawyers for a business that I ran and subsequently purchased my shares in this business (for which they have never fully paid). Norma, Ron and myself have been on somewhat friendly terms and I have been invited to their house for lunch, dinner, kids hockey practice etc, over the years.

I have had a string of investments that have all resulted in losses over the last couple of years and have lost most of my life savings. Norma and Ron were aware of these losses. They convinced me to invest in Rose and Thistle real estate projects as " sure fire" investments and that nothing could wrong and my remaining life savings would be safe. Since I knew them and trusted them as my friends and lawyers I invested with them (details to follow) . I also convinced my parents (as mentioned my dad passed away 3 weeks ago) to invest with them as well.

Investments: The Rose and Thistle Group has acquired approximately 28 properties on their own using their own money and investor money (individuals like me). They acquired approximately 31 other properties with DR. Bernstein as their partner (he provided equity and mortgage financing). In some of the properties acquired with Dr. Bernstein it would appear that they also used " investor money " in combination with their own (this I am just discovering)

Investment Structure: Investors like myself were encouraged to invest money in an incorporated company which in turn purchased and controlled a separate real estate entity i.e. a building. Each investor was offered Preferred shares in the controlling incorporated company to the tune of each share was worth one dollar. So for example a \$100,000.00 dollar investment would get you 100,000 preferred shares in the incorporated company owning a particular building. The buildings invested in were a combination of fully rented, rented with improvements to be made to the building to increase rents or old buildings to be upgraded to rent out. Each building was a separate legal entity with rents being used to pay expenses and investor interest payments per the amount of investment. At time to time with the increase in the value of the building investors were to receive a bonus based on the new value of the building in addition to monthly or quarterly interest payments on their initial investments. At no time during investment discussions was I aware of Dr. Bernstein's involvement with the Rose and Thistle Group. I only found out when I read a Toronto Star newspaper article detailing the lawsuit and unlawful actions by Norma Walton.

Ange Boudle Investments:

1) Leslie Brook Holdings Ltd. (newer office building on Leslie Street) over 90% rented when acquired.

\$150,000.00 April 12 2012 In exchange for my investment (I used my home line of credit to fund investment) I was given share certificate P-5 which entitled me to 150,000 preferred shares in Leslie Brook Holdings LTD. (I will give you a copy of this share certificate) I also was to receive monthly interest of \$1,262.50 on this investment (10.1 % annual return) and a bonus when the building had an increase in rents, which led to an increase in value. At refinancing (due to the increase in value) I was to receive my bonus. I have received an cashed monthly cheques of \$1,262.50 since May of 2012. In November of 2013 I received an e-mail (I need to find a copy) instructing me not to cash cheque # 145 dated November 15 2013 and cheque #146 dated December 15 2013. These cheques (which I did not cash and still have) and other monthly interest cheques which I did cash were from Lesliebrook Holdings Ltd, 30 Hazelton Ave, Toronto Ontario and were from Meridian Credit Union Limited Wellesley Branch 56 Wellesley Street Suite 103 Toronto, Ontario.

I was told by Norma Walton during a meeting with her (and maybe a subsequent e-mail from her that I will attempt to find) that the building on Leslie Street was "under attack" (her words) by Dr. Bernstein and that I would lose my \$150,000.00 investment.

2) Twin Dragons Ltd: (former dilapidated 4 story building on Spadina Ave. which was refurbished, fully rented I have been told so many lies as to the ongoing status of this building/ investment from day one in this building not sure where I stand.

\$50,000.00 US dollars September 22, 2010. In exchange for my investment I received share certificate P-2 from Twin Dragons Corporation entitling me to 50,000 preferred shares of this company which I was told bought and controlled the building on Spadina Ave. Instead of receiving monthly or quarterly interest payments on this investment I was told that on this investment investors would share in the "upside" of the buildings subsequent value when it was renovated, rented out, and then refinanced at a new value. Investors would share as per a set formula the increase in the value of the building from the initial purchase price to the new resale of refinanced value.

This one is a mess. I have never seen any proper accounting but this is what happened.

As this project was an ever moving target with supposed delays, rental agreements in place, the building supposedly conditionally sold, offer rescinded, refinanced promises of payback dates and then rescinded (every lie known to man) I requested my money back.

Over several payments (I will try to find exact cheques issued to me) I received my original \$50,000.00 in Canadian dollars \$25,000.00 as share in the upside of the building I am told I am owed another \$8,000.00 as part of upside payments and have been told I have been penalized \$9,000.00 of total upside payments because I requested my money back early? In my opinion I am owed \$17,000.00 I have e-mails acknowledging from Norma that I am owed money and will be paid. I am now assuming that given your firm is involved she is lying and does not have the authority to pay me any further funds as a return on my investment?

As I have now found out, after the fact, the above investments involve the ongoing legal issues with Dr. Bernstein and his lawsuit against Norma and Ron Walton.

The investments which I will highlight below as I now understand are also in jeopardy because Dr. Bernstein apparently had a mortgage on the property 65 Front Street East and is foreclosing on it. He has also apparently launched an all out attack on all the assets of Norma and Ron Walton.

You may not be able to help me with these investments but any ideas you may have to help me and my mother would be greatly appreciated.

3) Front Church Properties Limited (Historic fully rented building 65 Front Street east)

\$100,000.00	US August 27 2010	Share Certificate	P-46
65,000.00	US Sept. 22, 2010	" "	P-53
50,000.00	US Jan 12, 2011	" "	P57
Total \$215,000.00 US dollars			

Parents Investment

\$100,000.00	August 27, 2010	Share Certificate	P-62
25,000.00	April 1, 2011	" "	P-48

Total \$125,000.00

On these investments my parents were receiving monthly interest payments and I was receiving quarterly interest payments to the equivalent of 10.1% interest annually.

Problem: Since the lawsuit has started and legal remedies are in motion as I see it I and my mother are at risk of losing our life savings. Apparently the Waltons are being forced to sell the holdings they have with Dr. Bernstein and are apparently selling their own holdings as they may be at risk of further lawsuits by Dr. Bernstein. I am caught in the middle with investments in Dr. Bernstein buildings (Lesliebrook, Twin Dragons) and investment in non Dr. Bernstein jointly owned buildings (but he has the mortgage) ie. FrontChurch Properties Ltd.

As I have mentioned , my mother has had a stroke, has lost her husband is in constant pain due to back problems and now must worry about losing her life savings on which she must live on. I am at risk of losing my life savings and now have to look after my mother on a daily basis (have moved in with her) and have to share the grief of losing my father, having the shame of getting my parents into a bad investment and enduring unending stress due to my dealings with unethical individuals like Norma and Ron Walton.

Harlan: I AM APPEALING TO YOU SIR. ANYTHING YOU CAN DO TO HELP OR POINT ME IN THE RIGHT DIRECTION (can I put liens to protect my investments etc?) WOULD GREATLY BE APPRECIATED TO HELP WITH THE WELFARE OF MY DEAR MOTHER AND MYSELF.

I thank you in advance and am prepared to give you anymore information/documentation you need. You can call me at anytime

Ange Boudle 647-771-3710



1



Dr. BERNSTEIN

Diet & Health Clinics



June 7, 2013

Norma Walton
The Rose and Thistle Group LTD.
30 Hazelton Avenue
Toronto, ON
M5R 2E2

RE: Bernstein/Walton Projects

Norma:

Dr. Bernstein (Bernstein) requested I undertake a review of the activities of equity investments (the "Projects") that are owned jointly with Norman and Ron Walton ("Walton"). The Projects are owned and operated by numerous corporations that are each jointly owned by Bernstein and Walton. My review was limited to the Projects up to December 31, 2011, the latest date for which financial records for the Projects have been made available to me by Walton. This is a compilation of findings, conclusions, and recommendations resulting from that review.

Bernstein has relied on Walton's knowledge and representations of the Projects when considering investment terms. There is a general understanding that the Bernstein investments are secured by sound assets that will in time be sold at a profit. This review focused on the various agreements (the "Agreements") and historical information for 2011 financial statement purposes. There has been no attempt to confirm market values or anticipated revenues, nor did I undertake an audit of the Projects, both of which would have been outside the scope of my review. Nevertheless, I believe my review indicates significant cause for concern and action on Bernstein's part to protect his investments, which at the time of this letter, total approximately \$110 million on a cash basis.

Summary

The following is a summary of conclusions:

- 1) Walton is not making her own equity investments in the Projects in equal proportion to Bernstein despite an understanding that she was to do so.
- 2) Walton is taking on third party investors, which is expressly prohibited in the Agreements.
- 3) Walton has significant related party transactions with the Projects, the magnitude of which Bernstein had not been made aware of.
- 4) Project expenditures have not been presented for approval by Bernstein, as required in the Agreements.
- 5) Lack of reporting has limited the ability to assess historical information in an effort to improve our understanding of same and affect Project outcomes.
- 6) Project properties were sold without the required pay down of associated mortgages.

There is interrelated support for this in the following areas:

- 1) Equity
- 2) Mortgages
- 3) Fees
- 4) Business Plan
- 5) Reporting & Control

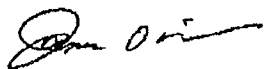
It is my recommendation that:

- 1) Walton responds to the satisfaction of Bernstein to concerns herein.
- 2) Equity and mortgage deficiencies are rectified.
- 3) Responsibility for Financial and Corporation Administration for the projects is moved to Bernstein.
- 4) Projects are jointly managed by Walton and Bernstein, with Bernstein approval required at any and all steps and for all expenditures.

The next several pages are GENERAL INDICATIONS, DETAILED FINDINGS, and CONCLUSIONS for each area. The last page herein contains detailed RECOMMENDATIONS.

Resolution of the issues and implementation of the recommendations is my highest priority. Please contact me immediately so that we can move forward in an expeditious manner.

Very truly,



James O. Reitan

Director of Accounting and Finance

1) Equity**a. General Indications:**

- i. At December 31, 2011, the equity investment split was 79% Bernstein and 21% Walton.

Equity	Company	Bernstein	Walton	Grand Total
1185 Eglinton	Bannockburn Lands Inc.	2,225,000	73,717	2,298,717
18 Wynford	Wynford Professional Centre Ltd.	1,034,830	0	1,034,830
241 Spadina	Twin Dragons Corporation	1,120,500	350,000	1,470,500
32 Atlantic	Liberty Village Lands Inc.	396,736	0	396,736
	Liberty Village Properties Ltd.	1,851,434	839,266	2,690,700
460 Pape	Riverdale Mansion Ltd.	470,473	250,021	720,494
5770/5780 Hwy 7 West	Royal AgIncourt Corp	2,257,500	987,800	3,245,300
Grand Total		9,368,473	2,500,803	11,869,276

- b. Detailed Findings – it should be noted that the findings are as based on the Projects' records. If deposit for purchase of property or equity contributions have in some way been made outside Project records, and is not reflected in the Project general ledger, it will not be taken into account in these comments. I am unaware of any such deposits or contributions.

- i. 18 Wynford; Wynford Professional Centre Ltd. ("Wynford")

- The agreement calls for equity contributions from the partners as follows:

7. Walton and Bernstein have each provided ½ of the \$450,000 deposit to purchase the Property.

8. The balance of equity in the amount of \$4,659,180 each will be paid as follows:

- a. Bernstein will provide to the Company the sum of \$1,700,000 on or before February 3, 2011;
 b. Walton will provide the sum of \$1,700,000 to the Company in a timely manner as required as the Project is completed; and
 c. Bernstein and Walton will provide the remaining sum of \$1,259,180 in a timely manner as required.

- Equity contributions to February 4, 2011 were as follows:

		Bernstein	Walton
Deposit	11/10/10	\$225,000	
Bernstein due 2/3/11; Walton due on a timely basis	02/03/11	1,700,000	
Remaining sum due from each partner at 50%	02/04/11	300,000	
Total Equity Investment		\$2,225,000	\$0

Walton has not made the equity contributions as required. Bernstein is into the third level of funding with no equity investment by Walton.

ii. 241 Spadina; Twin Dragons Corporation

- The agreement calls for equity contributions from the partners as follow:

7. Walton has already provided \$300,000 as a deposit to purchase the Property. Bernstein will provide to the Company the sum of \$1,120,500 on or before October 14, 2010. Walton will provide a further \$820,500 to the Company in a timely manner as required as the Project is completed.
8. Walton and Bernstein will each provide 50% of whatever additional capital over and above the \$1,120,500 each that is required to complete the Project, if any, in a timely manner.

- As of December 31, 2011, equity contributions are as follows:

		Bernstein	Walton
Gideon & Irene Levytam	09/01/10		50,000
Ange Boudle	09/30/10		50,000
Initial Deposit	10/15/10	1,120,500	
Teresa & Joe Memme	10/27/10		100,000
Duncan Coopland	10/29/10		150,000
		1,120,500	350,000

The equity applied to Walton was received from third parties after execution of the agreement. In one instance the memo on the cheque states:

IRENE & GIDEON LEVYTAM
MEMO INVESTMENT IN 241 SPADINA

iii. 1185 Eglinton; Bannockburn Lands, Inc./Skyline

- The agreement calls for equity contributions from the partners as follows:

9. Walton and Bernstein have each provided 1/2 of the \$300,000 deposit to purchase the Property.
10. The balance of equity in the amount of \$2,351,900 each will be paid as follows:
 - a. Bernstein will provide to the Company the sum of \$1,750,000 on or before December 17, 2010;
 - b. Walton will provide the sum of \$1,750,000 to the Company in a timely manner as required as the Project is completed;
 - c. If and when the vendor take back mortgage of \$340,000 is required to be paid back prior to the completion of the Project, both Bernstein and Walton will provide a further \$250,000 each as required to pay on the vendor take back mortgage;
 - d. If and when the land transfer tax is required to be paid, Bernstein and Walton will each contribute the sum of \$127,500 or whatever amount equals 50% of the total amount due; and
 - e. Bernstein and Walton will provide the remaining sum of \$224,400 in a timely manner as required.

- As of December 31, 2011, equity contributions are as follows:

		Bernstein	Walton
Deposit	11/01/2010	\$150,000	
10.a installment	12/17/2010	1,750,000	
Deposit	12/31/2010		\$60,804
10.b installment	08/03/2011	325,000	
Deposit	12/31/2011		12,914
		\$2,225,000	\$73,718

Walton has not completed the equity deposit as required by the agreement. Bernstein is into the third level of funding with no equity investment by Walton.

IV. 32 Atlantic; Liberty Village Lands Inc & Liberty Village Properties Inc.

- The agreement calls for equity contributions from the partners as follows:

7. Walton originally provided the original deposit and Bernstein has reimbursed Walton such that each party has now provided ½ of the \$300,000 deposit to purchase the Property, which amount will form part of the equity contributions.

8. The balance of equity in the amount of \$4,196,340 will be paid as follows:

- Bernstein will provide to the Company the sum of \$2,098,170 on or before August 29, 2011; and
- Walton will provide the sum of \$2,098,170 to the Company in a timely manner as required as the Project is completed.

- As of December 31, 2011, equity contributions are as follows:

		Bernstein	Walton
Deposit	01/01/2010		\$100
Deposit	11/10/2010	150,000.00	
Due 8/29/11	08/22/2011	246,736.00	
Due 8/29/11	08/22/2011	1,851,434.00	
Deposit & due on timely basis	12/31/2011		839,165.69
		\$2,248,170	\$839,266

Walton has not completed the equity deposit as required by the agreement on a timely basis.

V. 450 Pape; Riverdale Mansion Ltd.

- The agreement calls for equity contributions from the partners as follows:

7. Walton has provided the \$75,000 deposit to purchase the Property, which amount will form part of Walton's equity contributions.

8. The balance of equity in the amount of \$865,946 will be paid as follows:

- Bernstein will provide to the Company the sum of \$470,473 on or before July 4, 2011; and
- Walton will provide the sum of \$395,473 to the Company in a timely manner as required as the Project is completed.

- As of December 31, 2011, equity contributions are as follows:

		Bernstein	Walton
Installment	06/27/2011	\$470,473	
Deposit/timely installment	12/31/2011		\$250,021

Walton has not completed the equity deposit as required by the agreement on a timely basis.

vi. 5770/5780 Hwy 7 West; Royal Agincourt Corp.

- The agreement calls for equity contributions from the partners as follows:

7. Walton and Bernstein each paid \$475,000 towards the deposit and due diligence items.
8. Walton and Bernstein have or will pay as follows:
 - a. Bernstein provided to the Company the sum of \$1,782,500 on December 15, 2011; and
 - b. Walton will provide the sum of \$1,782,500 in a timely manner as required as the Project is completed.
9. Walton and Bernstein will each provide 50% of whatever additional capital over and above the \$2,257,500 each that is required to complete the Project, if any, in a timely manner.

- Equity ownership is limited to Bernstein & Walton.

5. The ownership of the Company will be as follows:
 - a. 50% to Bernstein; and
 - b. 50% to Ron and Norma Walton as they may direct between each other or alternatively to be held by a completely Walton-owned and controlled company, provided that all covenants and agreements of Walton herein shall continue in full force and effect and such company executes an agreement to be bound by the provisions of the within Agreement.

- As of December 31, 2011, equity contributions are as follows:

		Bernstein	Walton
Deposit	11/25/11	\$475,000	
Funds due 12/15/11	12/05/11	1,782,500	
Preferred Shares?			
1607544 Ontario Inc. (Ansell)	12/31/11		100,000
1788371 Ontario Inc.	12/31/11		100,000
Barbara Nagle	12/31/11		100,000
Cary Silber	12/31/11		50,000
Grace and Ken Bugg	12/31/11		100,000
Joel & Renee Schachter	12/31/11		175,000
John Rocha and Michele Peng	12/31/11		62,800
Ormsby Investment Limited	12/31/11		100,000
Stockton & Bush P.M.I. Inc.	12/31/11		100,000
Vane Plesse	12/31/11		100,000
		<u>\$2,257,500</u>	<u>\$987,800</u>

Walton's equity appears to be funded by 3rd parties and appear to be made after Bernstein's deposit and 8.a. installment

c. Conclusions

- i. Walton has not made deposit equity contributions as required by the Agreements.
- ii. Walton has not made progress equity contributions as required by the Agreements to be made in a timely manner.
- iii. Walton appears to be funding equity requirements using third party investments directly into the projects in violation of the Agreements.
- iv. The lack of balance between shareholders of funds invested is significant and consistent throughout the group companies.

2) Mortgages

a. General Indications

- i. A sale occurred without mortgage pay off.

b. Detailed Findings

i. 18 Wynford; Wynford Professional Centre Ltd.

- The mortgage for this property was held by 368230 Ontario Ltd (a Bernstein controlled company).
 - A sale in the amount of \$3,100,000 for a number of suites was closed in 2011. The mortgage agreement for this property states the following:
SALE BY CHARGOR:
In the event of the Chargor(s) selling, conveying, transferring or entering into any agreement of sale or transfer of the title of the said lands, or if the Chargor is a corporation, the sale, transfer or assignment of any shares of the corporation, to any purchaser, grantee, transferee, or assignee, all monies hereby secured, together with all accrued interest and prepayment penalty set out above, shall forthwith become due and payable, at the option of the Chargee(s).
 - The mortgage became due and payable as a result of the sale.
- Equity was returned to Bernstein and credited against Walton's receivable rather than paid down against the mortgage. This is a violation of the mortgage terms.***

c. Conclusion

- i. Mortgage terms are not being followed.

3) Fees

a. General Indications

- i. Services for build out and management charges are provided by Walton. The build out charges are billed by type of expense with the exception of Wynford, which was a square foot charge for the project. Charges by company and type are as follows:

Row Labels	Bannockburn Lands	Liberty Village Properties	Riverdale Mansion	Twin Dragons Corporation	Wynford Professional Centre	Grand Total
Actual-Sq. Ft.						
Labour					3,550,000	3,550,000
Management Fees					355,000	355,000
Actual-Breakdown						
Labour		537,000	220,777	103,131		860,908
Doors					12,321	12,321
Painting					1,500	1,500
Demolition		350,000				350,000
Electrical		208,500				208,500
Elevator		102,500				102,500
Fire System		262,500				262,500
Flooring		77,500				77,500
Framing		310,000	125,390			435,390
HVAC		198,000				198,000
Plumbing		167,500				167,500
Roofing		97,500	38,500			136,000
Windows Installation		159,000				159,000
Advertising and Promotion			800			800
Brickwork			34,500			34,500
Management Fees	9,177	91,500	114,632	116,000		330,310
Landscaping			7,702			7,702
Materials			275,848			275,848
Professional Fees:Architectural			295,000			295,000
Professional Fees:Consulting Fees	90,300		71,000	2,500		163,800
Grand Total	99,477	2,561,500	1,184,147	220,631	3,918,821	7,984,576

b. Detailed Findings

i. 18 Wynford; Wynford Professional Centre Ltd.

- Fees charged by Walton to the partnership during the period were:

	<u>Cost of Sale-ON Lung</u>	<u>Capitalized</u>	<u>Total</u>	<u>Plan</u>
Build out	\$313,821	\$3,250,000	\$3,563,821	\$2,525,000
Management	30,000	325,000	355,000	252,500
	<u>\$343,821</u>	<u>\$3,575,000</u>	<u>\$3,918,821</u>	<u>\$2,777,500</u>

- Management fees are billed to the partnership at 10% of build out.

Although the build out fee is at \$50/sf appears reasonable, there are several issues here:

- *Was the arrangement of Walton providing these services approved by Bernstein as required by the Agreements?*
- *What exactly is the role of Walton's company in providing these services?*
- *Who is performing the work, Walton, or sub-contractors?*
- *Are there third party invoices supporting these charges?*
- *What is the method of invoicing, i.e.: cost plus, per sf based on market rates?*
- *Why did management charges increase automatically with the cost of build out?*

c. Conclusions

- i. Significant related party transactions are occurring without proper approval.

4) Business Plan**a. General Indications**

- i. Differences between the Business Plans as set forth in the Agreements and the actual results are not explained but they appear to indicate that the original budgets were inflated to maximize Bernstein's investment and eliminate a need for equal investments by Walton.

b. Detailed Findings**i. 18 Wynford; Wynford Professional Centre Ltd.**

- The Business Plan summarizes anticipated profits as follows:

Anticipated Profit	
Value of 18 Wynford:	\$ 19,084,370
Less Project Cost:	\$ 14,709,180
Projected Profit:	\$ 4,375,190

- The Business Plan details show the following capital requirements:

Purchase	\$9,045,000
Renovation net cost	-
Tenant improvements/inducements/allowances	2,777,500
Total capital required	\$11,822,500
Less: Projected operating income	(\$896,031)
Net capital	\$10,926,469

- The partner equity investment requirements appear to be based on:

Project Costs	\$14,709,180
Less: Existing mortgage	9,600,000
Partner Equity Investment Requirement Total	\$5,109,180
Partner Equity Investment Requirement Split	\$2,554,590

- *The Project costs (\$14,709,180) are significantly in excess of the Total Capital Required (\$11,822,500).*
- *Based on the method of shareholder accounting, the excessive Project cost projection in the plan (\$2,886,680) results in Share Subscription Receivable (unfunded equity investment) from Walton (\$2,554,590).*

ii. 241 Spadina; Twin Dragons Corporation

- The following are results through 12/31/11 compared to plan capital requirements:

	<u>Actual</u>	<u>Plan</u>
Purchase	\$4,722,128	\$4,791,000
Professional fees	inc.	160,000
Renovation costs	2,713,989	2,550,000
Carrying costs	-	1,040,000
Total capital required	\$7,436,117	\$8,541,000

- The partner equity investment requirements appear to be based on:

Project Costs	\$8,541,000
Less: Mortgage	6,300,000
Partner Equity Investment Requirement Total	\$2,241,000
Partner Equity Investment Requirement Split	\$1,120,500

The Total Capital Required (\$8,541,000) appears to be excessive in as much as Walton has contributed \$350,000 through the end of 2012.

iii. 1185 Eglinton; Bannockburn Lanks, Inc./Skyline

- The following are results through 12/31/11 compared to plan capital requirements:

	<u>Actual</u>	<u>Plan</u>
Purchase	\$11,833,355	\$8,949,000
Demolition	inc.	854,920
Development	inc.	1,760,000
Carrying costs	inc.	1,639,880
Total capital required	\$11,833,355	\$13,203,800

- The partner equity investment requirements appear to be based on:

Project Costs	\$13,203,800
Less: Mortgage	8,200,000
Partner Equity Investment Requirement Total	\$5,003,800
Partner Equity Investment Requirement Split	\$2,501,900

The Total Capital Required (\$13,203,800) appears to be exaggerated in as much as Walton has contributed \$73,717 through the end of 2012.

IV. 32 Atlantic; Liberty Village Lands Inc & Liberty Village Properties Inc.

- The Business Plan details show the following capital requirements:

	<u>Actual</u>	<u>Plan</u>
Purchase	\$12,350,596	\$9,038,500
Professional Fees	inc	515,000
Development	inc	4,500,000
Carrying costs	inc	1,742,840
Total capital required	\$12,350,596	\$15,796,340

- The partner equity investment requirements appear to be based on:

Project Costs	\$15,796,340
Less: Mortgage	11,300,000
Partner Equity Investment Requirement Total	\$4,496,340
Partner Equity Investment Requirement Split	\$2,248,170

The Total Capital Required (\$15,796,340) appears to be exaggerated in as much as Walton has contributed \$839,266 through the end of 2012.

V. 5770/5780 Hwy 7 West; Royal Agincourt Corp.

- The Business Plan details show the following capital requirements:

	<u>Actual</u>	<u>Plan</u>
Purchase	\$14,983,000	\$14,974,500
Professional fees	Inc.	575,202
Tenant fixtures	Inc.	440,000
Carrying costs 1/1/12 to 4/30/12		125,298
Total Capital Required	\$14,983,000	\$16,115,000

- The partner equity investment requirements appear to be based on:

Project Costs	\$16,115,000
Less: Existing mortgage	11,600,000
Partner Equity Investment Requirement Total	\$4,515,000
Partner Equity Investment Requirement Split	\$2,257,500

The Total Capital Required (\$16,115,000) appears to be exaggerated in as much as Walton has contributed \$1,127,800 through the end of 2012 (assuming you accept "Preferred Share" contributions to be Walton's.

C. **Conclusions**

- There is an appearance of effort to manipulate the equity requirements and business plan representations in the agreements such that Walton capital requirements are minimized. This may be a reason the difference between the business plans and the actual results have not been explained.

5) Reporting & Control

a. General Indications

- i. Reporting is not being performed on a timely basis.
- ii. Bank reconciliations are not being performed on a timely basis.
- iii. Approvals are not being performed.

b. Detailed Findings

- i. The following clause is generally stated in each company's agreement.

13. Walton will provide a written report to Bernstein each month detailing the following:

- a. copies of invoices for work completed;
- b. the bank statement for that month; and
- c. if the bank statement does not have a copy of cancelled cheques, then Walton will also provide a complete listing of all cheques written, including payees, dates and amounts.

At Bernstein's request, Walton will provide whatever other back-up information he requests. Any cheque or transfer over \$50,000 will require Bernstein's signature or written approval before being processed.

There has been no reporting or approvals as required by this clause.

- ii. 241 Spadina; Twin Dragons Corporation.

v. Legal and Accounting Support

- Drafting and filing legal documents
- Litigation
- The conversion of commercial rental units to commercial and/or residential condominium properties and the implementation of condominium sales programs
- Zoning, by-law and legislative compliance
- Severance and variance applications
- Representation at municipal zoning, fire, building and by-law hearings
- Insurance management and advice on appropriate coverage
- Centralized accounting and finance functions, including financial statements and audit, accounts receivable, accounts payable, payroll, cash and tax management
- Weekly, monthly or quarterly occupancy and collection reporting
- Weekly, monthly or quarterly financial report
- Annual budget preparation
- Unit turnover costs
- Capital expenditures
- Operating and labour costs
- Revenue
- Partnership distributions as directed

. With the exception of late, notice to reader Balance Sheets and Statement of Operations, there has been no reporting of the above after what were initially requests, which progressed to demands for same.

c. Conclusions

- i. Lack of reporting and control has resulted in unauthorized payments and no ability to assess historical information in an effort to improve our understanding of and have effect on Project outcomes.

Recommendations

The following recommendations should be put into effect immediately.

- 1) Walton must provide response through clarification and if appropriate, actions to these concerns:
 - a. Clarification of the status of these outside investors.
 - b. Correction of mortgages.
 - c. Rectification of equity in the projects to reflect actual equity invested.
 - d. All related party transactions are documented and approved in advance.
- 2) Leverage the strengths of investors by dividing responsibilities.
 - a. Walton retain responsibility for:
 - i. Business development
 - ii. Project administration
 - iii. Property administration
 - b. Bernstein takes control of:
 - i. Corporate Books
 - ii. Accounting
 - iii. Finance administration
 1. Cheques signed by Dr Bernstein or Warren Bernstein
 - iv. Legal affairs
- 3) Walton makes recommendations, Bernstein retains authority to act.
- 4) Reporting requirements previously imposed on Walton will be imposed on both Walton and Bernstein.
- 5) The terms of agreements should be modified to reflect the above.



J





THE ROSE and THISTLE
GROUP LTD
LAND and INVESTMENTS

June 13, 2013

Mr. Jim Reitan
Director of Accounting and Finance
Dr. Bernstein Diet and Health Clinics
21 Kern Road
Toronto, ON M3B 1S9

Dear Jim,

Re: Joint Bernstein-Walton Portfolio

In reviewing your 13 page litany of complaints provided to us on Friday, June 7, it struck me that you do not appreciate the role we play in this partnership. Your comment that Dr. Bernstein has cause for concern and action on his part to protect his investment is wholly offensive. We own 57 properties in Toronto, of which 32 are jointly owned with Dr. Bernstein. We have approximately 50 full-time staff and another 25 to 40 subcontractors and trades on regular pay to complete the joint project mandates for these projects. We spend every hour of every weekday of every week of every month of every year ensuring that the portfolio is performing at or above pro forma. We challenge you to point to any investment or business in Toronto or Canada or the world for that matter that has returned the 30% plus ROE that this portfolio has thus far returned with its completed projects. Furthermore, those returns are accelerating as evidenced by how our 1 Royal Gate project is tracking. That investment by Dr. Bernstein of \$5 million is tracking to be worth double that inside of twelve months from date of investment. How can you beat that, and how can you complain about our performance given those realities?

The joint portfolio is worth in excess of \$330 million and a number of projects are poised to cash out with stellar returns above the 30% threshold in the next twelve months. Within that context, I would suggest that the issues you raise, even if they were accurate which they largely are not, are minor in nature. Dr. Bernstein has been well served to date by this partnership as have we. We have done an outstanding job of performing our role within this partnership, with the only area where improvement is needed being the area of financial reporting. For you to focus solely on that area without any acknowledgement or appreciation of how phenomenally well we have managed the joint portfolio is blinkered in the extreme.

We are known in the city of Toronto as proven money makers in real estate. The Rose and Thistle Group have a reputation for delivering the best returns in the business over the past three years. We are the envy of the real estate street and as a result we have a queue of investors looking to partner with us to make them money in real estate like we have with Dr. Bernstein. We have declined to engage them because we understand and appreciate Dr. Bernstein's role within our partnership and are loyal to him as a result. We expect the same from him, otherwise this partnership is not going to thrive going forward. We have performed exceptionally well and it would be a tragedy if the tenor and tone taken in your correspondence ruins what should continue to provide outsized returns going forward, particularly given how well it has done to date and the momentum it currently enjoys.

Within the partnership we provide the following services:

1. We find the properties;
2. We negotiate the agreements of purchase and sale;
3. We arrange financing;
4. We personally guarantee financing as required and protect Dr. Bernstein from exposure in this regard;
5. We prepare the project plan;
6. We deal with lawyers to close the purchase;
7. We implement the project plan, which may include:
 - a. Engaging architects, engineers, interior designers, surveyors, cost consultants, planners, and various other consultants;
 - b. Obtaining rezoning, severance, condominium registration, and building permits as required;
 - c. Performing ourselves or supervising construction and renovation of the properties in question;
 - d. Negotiating prices and contracts with and paying all employees and trades engaged in fulfilling the project plan;
 - e. Engaging the city of Toronto for all municipal approvals required, including attending numerous meetings with the city politicians and staff to ensure our project plans are approved;
 - f. Creating marketing material and sales material to attract tenants and purchasers to our projects;
 - g. Meeting with real estate brokers to negotiate deals with prospective tenants and purchasers;
 - h. Fulfilling all conditions to close those deals;
 - i. Arranging refinancing of the properties once the project plan is implemented;
 - j. Repaying debt and equity upon project completion;
8. Managing and maintaining the property going forward;
9. Performing all administration, financial and accounting services required by the joint portfolio;
10. Reporting to Dr. Bernstein on a daily, weekly and monthly basis as to the status of all investments; and
11. Any and everything else required to ensure the portfolio thrives.

We are not prepared to change the contract terms to cede control of accounting and finance as you have suggested. We are prepared, as we've already indicated, to provide you and Anjela and anyone else you wish unfettered access to the accounting records and books related to our joint portfolio as they are updated and checked for accuracy so you can report to Dr. Bernstein as frequently as desired how the portfolio is doing. In that vein, we are looking to change the corporate structure of the joint portfolio to make this task easier and also purchase software to make reporting on a current basis easier.

You have raised a number of allegations, some of which are accurate and some of which are not. Let me address those:

1. We share funds across the joint portfolio to smooth out cash flow. That is in keeping with the joint objective of creating one financial vehicle, whether a private REIT or some other entity, to permit the most efficient tax planning to occur and to simplify and streamline our portfolio's operations to everyone's benefit. In that vein, we are focused on completing our 2012 financial statements and then meeting with your accountant and ours along with legal tax experts to ensure this structure functions effectively. Despite the sharing of funds, we account for each property separately so property performance can be assessed accurately for each joint investment;
2. Dr. Bernstein is contractually obligated to provide his cash first, with our cash to be provided as the project requires. Hence your comment that as of December 31, 2011 we have not put in as much cash as Dr. Bernstein is accurate. That is in keeping with the arrangement we've negotiated. Undoubtedly those numbers will become closer to even in 2012 and beyond because we began to invest together in 2010 and most of our projects have 30 to 36 month timelines. Eglinton is a good example of this. We invest \$150,000 per month to carry Eglinton pending our successfully completing rezoning and sale of that property. Dr. Bernstein has no further obligation to invest in Eglinton so his equity will not increase, whereas ours increases every month;
3. Your comment that we inflate our project pro formas to extract maximum money from Dr. Bernstein up front and thus reduce our financial obligation is both offensive and completely uninformed. You have neither the real estate expertise nor property experience that we have. You have no basis for your views other than your comment that we have beat our pro formas in some of our projects. First of all, all of those projects are not yet completed and secondly, if that is the case, that event should be celebrated, not criticized. We prepare project pro formas at the time we negotiate to purchase the properties. We use our vast real estate expertise to as accurately as possible prepare the pro forma. We never want to have to come back to Dr. Bernstein to increase his equity beyond what we initially forecast, and we take that responsibility very seriously. The fact that unlike most pro formas, we have been able to better some of ours in reality is a fabulous track record and shows our ability to outperform our own expectations. Please don't criticize us in areas where we have far more experience than you and you are merely postulating a premise that is wholly inaccurate and frankly quite offensive;

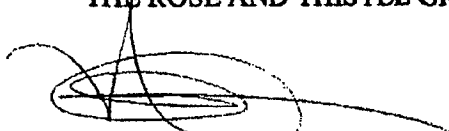
4. We do not have outside investors in the properties we jointly own with Dr. Bernstein. As Mario explained, before Dr. Bernstein became a 50% owner of Spadina and Highway 7, we had attracted investment from third parties. The moment he became an investor, we shifted all of those responsibilities over to The Rose and Thistle Group Ltd. and that is where they currently remain. We would not dilute ownership in a project with Dr. Bernstein.
5. Your comment about Wynford's mortgage not being properly discharged in the OLA transaction has been explained to you. I don't know if Dr. Bernstein ever signed the Acknowledgements to Discharge, but I am certain that we advised him of our intention to discharge his mortgages and divide the \$3.1 million as equity reimbursement instead of mortgage pay-down and he agreed. We have subsequently refinanced that property and fully paid out Dr. Bernstein for this loan, so I am not sure why you continue to harp on this issue. Further, we now run all such transactions through Devry Smith so that they can fully protect Dr. Bernstein's interests and fully report to him on those transactions, so if this ever was an issue, it has been resolved going forward;
6. Your comment about us using The Rose and Thistle Group Ltd. to provide services to our joint portfolio is 100% accurate and fully disclosed and expected. We are able to perform construction and renovation at wholesale prices. Even after we add a project management fee, we are far under market for these services, to the significant benefit of the joint properties and the pro formas. Further, we always pay to Dr. Bernstein at least fair market value for his mortgage services, being 8% interest on first mortgages with a 2% fee, and 1% on second mortgage with a 2% fee. Hence both The Rose and Thistle Group Ltd. and 3658230 Ontario Limited benefit from the joint portfolio, which is as it should be.
7. We are fully on board with providing Anjela access to the full joint portfolio as evidenced by our actions to date, and in fact we have her doing a lot more than just reviewing. In fact, she is now booking purchases, reconciling property tax, and obtaining access to more and more of the joint portfolio as the books and records are updated.

The only area where we have not been able to comply with our contractual obligations to Dr. Bernstein relates to the provision of accounting records on a monthly basis and the expense approvals set out in the earlier agreements. We are working to rectify this by providing the access he desires and by amending the terms of the agreements to reflect the current reality given the size and scope of our joint portfolio. That is why we changed the wording of that clause in the Dewhurst and Eddystone agreements to better reflect the financial reporting access and expense oversight that was in reality occurring. We are open to your comments on our proposed changes to those clauses, but the original clauses in the agreements are not feasible now given the size of the portfolio.

We thoroughly enjoy being in business with Dr. Bernstein. Together we have had very good fortune in business thus far, and the momentum appears to be only accelerating. We have appreciated your involvement with our business thus far and look forward to together making our financial reporting systems better going forward. We are happy to respond to your queries and questions on an ongoing basis so you and Dr. Bernstein has an accurate an understanding as possible about our joint portfolio. We keep Dr. Bernstein apprised of all goings on with the portfolio on a daily, weekly and monthly basis and we are confident with your and Anjela's involvement, his understanding will only improve and become more fulsome as he layers in detailed financial knowledge of what is happening on the ground.

We would like to hit \$1 billion in joint properties together over the next five years. If that is to occur, each of us needs to respect and appreciate what the other brings to the partnership. We are hopeful that is Dr. Bernstein's desire as well, and if so look forward to many more years of successful partnership and collaboration to mutual benefit.

Yours truly,
THE ROSE AND THISTLE GROUP

A handwritten signature in black ink, appearing to be 'Norma Walton', with a large, loopy flourish extending to the right.

Norma Walton

TAB 4

Court File No.: CV -13-1 0280-00CL

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, TO BE BOUND
BY THE RESULT

THIRD INTERIM REPORT OF THE INSPECTOR, SCHONFELD INC.

fee of 4% is a reasonable amount and is consistent with rates charged in the marketplace for similar services. Further, the Inspector worked with Rose & Thistle to reconcile the management fees charged on revenue producing properties. These fees amount to approximately \$1 million in the aggregate.

Maintenance fees

10. Rose & Thistle charged maintenance fees to the Schedule B companies based upon a fixed monthly amount per property. This fee is purportedly charged to reimburse Rose & Thistle for the cost of providing maintenance employees to certain of the Properties. The Inspector has no comment on the legal issue of whether Rose & Thistle is entitled to levy these charges under the terms of the various agreements as they may be duly interpreted. The Inspector is of the view that it can be appropriate for a real estate management service provider to seek reimbursement for costs that are not covered under its management fees when utilizing outside property management. However, the Inspector has not been able to verify or reconcile records of the fees charged to costs actually incurred by Rose & Thistle or for any set mark-up on such costs. These fees amount to approximately \$2 million in the aggregate.

Contributed Equity

11. As mentioned above, Rose & Thistle invoiced approximately \$6.6 million to two Schedule B projects, namely, approximately \$4.4 million to DBDC Investments Tisdale Ltd. ("Tisdale") and \$2.2 million to DBDC Red Door Developments Inc. and DBDC Red Door Lands Inc. (collectively "Red Door"). These amounts do not represent development or construction performed by Rose & Thistle during the period of time that the respective properties were jointly owned. These amounts were explained by Ms Walton as representing the distribution of a portion of her equity in the companies as explained below.

12. A copy of the agreement between the parties dealing with Red Door dated June 25, 2012 is attached as Appendix "A". The schedule to this agreement specifically delineates that the property cost \$6.6 million initially and that its value had increased by \$2.2 to \$8.8 million by the time of Dr. Bernstein's investment. The schedule then sets out that the total expected outlay, including commissions, carrying and development costs for this project was estimated to be \$11.6 million. Of that amount, \$7 million would be financed by a mortgage, leaving a net

funding requirement of \$4.6 million. The agreement therefore required that Dr. Bernstein pay one-half of this amount, approximately \$2.3 million, for his 50% interest in this company which represents his share of anticipated future development costs.

13. From June 15 to 25, 2012, Rose & Thistle transferred the \$2.3 million paid by Dr. Bernstein to itself and established an inter-company receivable due from Rose & Thistle to Red Door in that amount. Ms Walton subsequently delivered an invoice dated June 30, 2012, a copy of which is attached as Appendix "B", that purported to charge fees to Red Door in the amount of approximately \$2.1 million effectively offsetting the inter-company debt. Ms Walton subsequently advised the Inspector that the purpose of the transaction was to adjust her equity to draw out the agreed upon increase in value between the time she purchased the company and Dr. Bernstein's buy-in. An adjustment to Ms Walton's equity account on the books of the company has been recommended by the company's external accountant. The Inspector questioned the propriety of Rose & Thistle delivering an invoice purportedly charging fees as a mechanism to reflect a distribution of equity to a shareholder. Upon being challenged by the Inspector, Ms Walton reversed the invoice and reinstated the receivable due from Rose & Thistle. In addition, an increase was recorded to Ms. Walton's equity on the balance sheet adding approximately \$2.2 million as a fair market value adjustment. The Inspector notes that paragraph 13 of the agreement between the parties provides that equity is to be distributed to the shareholders only after the property is developed and sold. The receivable due from Rose & Thistle remains outstanding and Ms Walton has yet to explain the basis upon which Rose & Thistle removed cash from this company to create the receivable in the first place.

14. In the case of Tisdale, Ms Walton purchased the Property for approximately \$1.4 million. Rose & Thistle performed development work on the Property before Dr. Bernstein invested in it. In the relevant agreement between the parties dated January 11, 2012, a copy of which is attached as Appendix "C", Dr. Bernstein bought 50% of the shares of Tisdale based on an agreed upon value of approximately \$6.7 million. Ms Walton therefore had one-half of that amount, approximately \$3.35 million in equity in Tisdale immediately after Dr. Bernstein's investment. Rose & Thistle delivered an invoice to Tisdale dated January 1, 2012, a copy of which is attached as Appendix "D", that purported to charge fees to Tisdale in the amount of approximately \$4.4 million. Ms Walton subsequently advised the Inspector that the purpose of

the transaction was to effectively adjust her equity to draw out the increase in value between the time she purchased the company and Dr. Bernstein's buy-in. An adjustment to Ms Walton's equity account on the books of the company has been recommended by the company's external accountant. The Inspector questioned the propriety of Rose & Thistle delivering an invoice purportedly charging fees as a mechanism to reflect a distribution of equity to a shareholder. Upon being challenged by the Inspector, Ms Walton reversed the invoice and an increase was recorded to Ms. Walton's equity on the balance sheet adding approximately \$4.4 million as a fair market value adjustment. The Inspector understands that Ms Walton relies upon this increase in her equity account as a basis to explain several expenses that she caused Tisdale to pay. The Inspector notes that paragraph 13 of the agreement between the parties provides that equity is to be distributed to the shareholders only after the property is developed and sold.

15. The Inspector provides this information as factual background and expresses no view on the legal analysis of the propriety of Ms Walton's conduct at this time.

III. INTER-COMPANY REVIEW

16. The Inspector previously reported on the levels of investment by the Applicant and Respondent in the Schedule B companies. Included in this analysis were amounts that were recorded in the inter-company accounts between Rose & Thistle and the Schedule B companies. The inter-company accounts are largely comprised of cash transfers between the companies as noted in our previous reports.

17. The Inspector conducted further analysis of the inter-company accounts and determined that certain transactions should be reclassified as debt or equity investments by the Respondents. For example, the Inspector determined that while deposits paid by the Applicant were recorded as debt or equity, deposits paid by the Respondents were recorded in the inter-company accounts. The inconsistent recording of these amounts gives an imbalanced perspective on the levels of investment made by the Applicant and Respondents. The overall effect of the proper classification of these amounts is nil, as it increases the debt or equity investment and decreases the amounts due to Rose & Thistle inter-company account. However the classification as debt or equity may affect priorities if cash becomes available for distribution. The Inspector has to date identified approximately \$1million of improperly recorded transactions to date over six companies.

c

AGREEMENT

Between:

DBDC Investments Tisdale Ltd.

"Bernstein"

- and -

Ron and Norma Walton

"Walton"

- and -

Tisdale Mews Inc.

the "Company"

WHEREAS Walton purchased 78 Tisdale Avenue, Toronto, Ontario (the "Property") and put ownership of the Property in the Company's name;

AND WHEREAS Bernstein and Walton, or whomever Bernstein and Walton may direct in accordance with the provisions of paragraph 5 herein, will each hold 1,671,000 shares in the Company;

AND WHEREAS Bernstein and Walton will each provide the sum of \$1,671,000 to the Company for the purposes of purchasing and redeveloping the property to build 38 townhouses (the "Project");

AND WHEREAS Walton will manage and supervise the Project and ensure it is completed according to the excel spreadsheet attached as Exhibit "A" to this Agreement;

THEREFORE the parties agree as follows:

1. The Property has been purchased.
2. Walton has applied for and been granted provisional approval to build 38 townhouses; has commenced discussions with architects and engineers and reviewed drawings; and met with realtors and other consultants as required to complete the Project.
3. Walton intends to build 38 townhouses and redevelop the Property between now and June 30, 2014 in accordance with Exhibit "A".

4. Bernstein wishes to own 50% of the shares in the Company in exchange for providing 50% of the equity required to complete the Project. The Company will issue sufficient shares such that Bernstein has 1,671,000 and Walton has 1,671,000 voting shares of the same class.
5. The ownership of the Company will be as follows:
 - a. 50% to Bernstein; and
 - b. 50% to Ron and Norma Walton as they may direct between each other or alternatively to be held by a completely Walton-owned and controlled company, provided that all covenants and agreements of Walton herein shall continue in full force and effect and such company executes an agreement to be bound by the provisions of the within Agreement.
6. Walton will be managing, supervising and completing the Project in accordance with the attached Exhibit "A".
7. The equity in the amount of \$3,342,000 will be paid as follows:
 - a. Bernstein has provided to the Company the sum of \$1,480,000 upon signing of this agreement and will provide the final \$191,000 on September 1, 2012 once the site is ready to construct; and
 - b. Walton has already provided the bulk of their equity and they will provide another \$191,000 in a timely manner as required as the Project is completed.
8. Walton and Bernstein will each provide 50% of whatever additional capital over and above the \$1,671,000 each that is required to complete the Project, if any, in a timely manner.
9. In addition to managing, supervising and completing the Project, Walton will be responsible for supervising the construction of townhouses on the Property, hiring of all consultants, designers, architects and engineers to complete the Project, finance, bookkeeping, office administration, accounting, information technology provision, filing tax returns for the Company, and fulfilling all active roles required to complete the Project in accordance with Exhibit "A".
10. Bernstein will not be required to play an active role in completing the Project. Notwithstanding that, any decisions concerning the selling or the refinancing of the Property will require his approval; any decisions requiring an increase in the total amount of equity required to complete the Project will require his approval; and any significant decisions that vary from the Project plan described in Exhibit "A" will require his approval.
11. Walton will provide to Bernstein ongoing reports at minimum monthly detailing all items related to the Property including the progress in moving the plan forward.

12. Walton will provide a written report to Bernstein each month detailing the following:
 - a. copies of invoices for work completed;
 - b. the bank statement for that month; and
 - c. if the bank statement does not have a copy of cancelled cheques, then Walton will also provide a complete listing of all cheques written, including payees, dates and amounts.At Bernstein's request, Walton will provide whatever other back-up information he requests. Any cheque or transfer over \$50,000 will require Bernstein's signature or written approval before being processed.
13. Once the Project is substantially completed to the point that all of the Property has been sold, both parties will be paid out their capital plus profits and Walton will retain the Company for potential future use.
14. The Board of Directors of the Company will be composed of two directors, being Bernstein and Norma Walton. The only shares to be issued in the Company will be as set out above, and neither party may transfer his or her shares to another party without the consent of all the other parties, which consent may be unreasonably withheld. Bernstein shall have the option of being paid out his share of capital and profits from the Project and once he has been paid out in full, he will surrender his share certificate, he will concurrently resign from the Board of Directors and Norma Walton and the Company will accept such resignation. At such time Bernstein shall be released of all obligations and liability related to the Company and shall be indemnified by Walton with respect to all liabilities, claims and obligations whatsoever of the Company up to the date at which Bernstein has been paid out his capital and profits from the Project.
15. The Company will only be used to purchase, renovate and refinance the property at 78 Tisdale Avenue, Toronto, Ontario or such other matters solely relating to the Project and the Property.
16. If the parties disagree on how to manage, supervise and complete the Project in accordance with Exhibit "A" and cannot reach agreement amongst themselves, each of them undertakes to attend a minimum of four hours of mediation in pursuit of reaching an agreement. After mediation, if there are any remaining issues to be determined, those issues in dispute shall be determined by a single arbitrator in as cost-effective a manner as possible, with no right of appeal. All costs of such mediation and/or arbitration will be borne equally by Bernstein and Walton.

17. The above represents all deal terms between the parties.

Dated at Toronto, Ontario this 17th day of JANUARY 2012



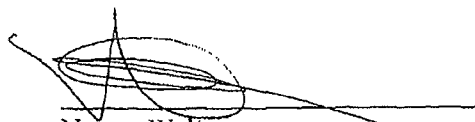
DBDC Investments Tisdale Ltd.
Per A.S.O.



Tisdale Mews Inc.
Per A.S.O.



Ron Walton



Norma Walton

Projected Investor Return	
Equity shareholders	
D. Bernstein capital investment	\$ 6,400.00
Ron and Norma Walton capital investment	\$ 6,400.00
Cash on hand	
Projected profits	\$2,522,850.00
Profit - D. Bernstein	\$ 261,425
Profit - Ron and Norma Walton	\$ 261,425
Straight line return	5.49%
Compounded annual return	25.25%
Total investment period	30 months

78 Tisdale Road CAPITAL REQUIRED			
Property Value			
Average of the two offers	6,460,000		
Mortgage placement fee	243,000		
Total Property Value			\$ 6,703,000
Construction of 38 townhouses:			
Site servicing work	\$ 950,000		
1,500 square feet each @ \$90 PSF	\$ 5,130,000		
Construction Management Fee:	\$ 608,000		
		\$ 6,688,000	
Soft Construction Costs:			
City Development Charges and Fees	\$ 570,000		
Consultant's fees	\$ 380,000		
Project Management Fee:	\$ 95,000		
		\$ 1,045,000	
Total Demolition and Development Charges:			\$ 7,733,000
Carrying Costs			
Property tax, insurance, maintenance, etc.	\$ 84,000		
Interest on mortgage	\$ 972,000		
Total Carrying Costs:			\$ 1,056,000
Total Capital Required			\$ 15,492,000
Mortgage:	78.43%	8.00%	\$ 12,150,000
Dr. Bernstein equity:	10.79%		\$ 1,671,000
Ron and Norma Walton equity:	10.79%		\$ 1,671,000

Revenues and Projected Profits				
		Per unit:	Per square foot:	Total:
Townhouse revenues:	\$	490,000	\$ 327	\$ 18,620,000
Total Revenues:				\$ 18,620,000
Less realty commission (3.25%):				\$ (605,150)
Net Revenues:				\$ 18,014,850
Less Project Cost:				\$ 15,492,000
Projected Profit:				\$ 2,522,850



D





THE ROSE and THISTLE
GROUP LTD

LAND and INVESTMENTS

January 1, 2012

To: Tisdale Mews Ltd.

Re: Property development services
78 Tisdale Avenue, Toronto, Ontario

Fee: For services provided from March 26, 2010 to January 1, 2012
Development services to create 35 to 40 townhouse
community project
(see pro forma - part of purchase price)

\$4,375,000.00

\$4,375,000.00

HST:

\$568,750.00

TOTAL:

\$4,943,750.00

TAB 5

Court File No.: CV-13-1 0280-00CL

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

**SECOND SUPPLEMENTAL REPORT TO THE TWENTY-SECOND REPORT OF THE
MANAGER, SCHONFELD INC.**

Company	DBDC Contribution	DBDC Percent	Recorded Contribution ⁴	Walton Percentage
Donalda Developments Ltd.	13,308,000.00	100.0%	100.00	0.0%
Hidden Gem Development Inc.	1,166,150.00	93.8%	77,600.00	6.2%
Lesliebrook Holdings Ltd.	1,212,828.00	98.0%	25,100.00	2.0%
Liberty Village Properties Ltd.	1,980,059.00	97.5%	50,100.00	2.5%
Royal Agincourt Corp.	2,334,208.00	73.2%	454,500.00	26.8%
Royal Gate Holdings Ltd.	4,962,957.00	97.6%	120,100.00	2.4%
Tisdale Mews Inc.	1,480,000.00	100%	\$0	0%
Skyway Holdings Ltd.	752,650.00	88.3%	100,100.00	11.7%

13. Quantification of Bernstein's and the Waltons' investments in the Schedule "B" Companies is complicated by the fact that, as is discussed at length in Justice Brown's Reasons For Decision dated August 12, 2014 (the "**August 12 Reasons**"), equity invested by Bernstein in the Schedule "B" Companies was routinely diverted by the Waltons to other Schedule "B" Companies, Schedule "C" Companies and themselves. As a result, payments recorded on the books and records of the Schedule "B" Companies as equity investments made by the Waltons may have been funded by equity investments made by Bernstein in another Schedule "B" Company or other sources. In such cases, funds were transferred to the Rose & Thistle Account and then either transferred to the relevant Company or used to fund expenses directly.

14. In light of the foregoing, the Manager conducted an investigation of the source of the funds used to make the Recorded Contributions. That analysis is described below.

15. The Manager notes that the accuracy with which a specific dollar contributed by Bernstein can be matched to a specific use depends primarily on the opening balance and the level of activity in the Rose & Thistle Account when the funds were transferred. When funds contributed to a Company were transferred into the Rose & Thistle Account, funds were also transferred into and/or out of the Rose & Thistle Account by or to other Companies or Walton

⁴ The Recorded Contribution and Walton Percentage provided in this Chart is before adjustments required based on the Manager's tracing analysis.

G. Lesliebrook Holdings Ltd. ("Lesliebrook")

Company	DBDC Contribution	DBDC Percent	Recorded Contribution	Walton Percentage
Lesliebrook Holdings Ltd.	1,212,828.00	98.0%	25,100.00	2.0%

25. The Agreement relating to Lesliebrook indicated that Bernstein was to provide the \$200,000 deposit for the purchase of 1131A Leslie (the "**Lesliebrook Property**") and that the Waltons had paid for the due diligence costs including all pre-purchase reports, mortgage placement fees and lender's legal fees totalling \$100,000 prior to the date of the Agreement and would fund a further \$100,000 for a total of \$200,000 in Recorded Contributions.

26. On February 21, 2012, a cheque from 368230 Ontario Limited ("**368 Limited**", a company controlled by Bernstein) in the amount of \$200,000 was deposited to the Rose & Thistle Account. Prior to this deposit, the balance in the account was \$10,609. The balance in the account following this deposit was \$210,609. On March 1, 2012, a cheque to CBRE for the deposit in respect of Lesliebrook in the amount of \$200,000 cleared the Rose & Thistle Account.

27. The only due diligence cost shown on Lesliebrook's books and records is a \$25,000 mortgage fee paid to IMC LP by Rose & Thistle on April 5, 2012. Significant funds were transferred into the Rose & Thistle Account from both Schedule "B" Companies and Schedule "C" Companies on and immediately before April 5, 2012. The transfers from Schedule "B" Companies significantly exceed those from Schedule "C" Companies. Accordingly, it is likely that the \$25,000 payment was funded in whole or in part using funds invested by Bernstein in the Schedule "B" Companies.

28. The Manager notes that Lesliebrook's minute book, together with correspondence between Ms. Walton and her employees, indicates that there were 10 preferred shareholders in Lesliebrook but that the shares held by these shareholders were cancelled and replaced with shares in Rose & Thistle. The Manager has not been able to locate original share certificates or confirmation from the relevant shareholders that these shares were cancelled and replaced. The relevant share certificates and correspondence are attached as Appendix B.

33. Another cheque was issued from Rose & Thistle dated February 18, 2011 in the amount of \$100,000 payable to Borden Ladner Gervais. The opening balance in the Rose & Thistle Account on February 18, 2011 was \$20,447. On February 18, 2011, an amount \$1,200,000 was transferred from MTCC No 1037 to Rose & Thistle. MTCC No. 1037 is the condominium corporation incorporated to manage the property at 18 Wynford Drive. As described in the Manager's Second Report, which is attached as Appendix D, the Waltons' transferred the condominium corporation's reserve fund to Rose & Thistle in early 2011. It appears that these funds were used to pay the second deposit relating to Liberty Village.

I. Royal Agincourt Corporation ("RAC")

Company	DBDC Contribution	DBDC Percent	Recorded Contribution	Walton Percentage
Royal Agincourt Corp.	2,334,208.00	73.2%	454,500.00	26.8%

34. The Manager's preliminary analysis shows Recorded Contributions relating to RAC totalling \$454,500, which is comprised of transfers into RAC from Rose & Thistle totalling \$854,500 to fund deposits less \$400,000 paid by Bernstein to re-imburse Rose & Thistle for half of these deposits. As is described below, the deposits apparently funded by Rose & Thistle were in fact funded through the transfer of funds from other Schedule "B" Companies and (other investors)⁵, to a lesser extent, Schedule "C" Companies.

a. September 9, 2011 Deposit

35. On September 9, 2011, a cheque was issued by Rose & Thistle in the amount of \$200,000 to Bennett Jones in Trust.

36. This cheque (and several other cheques and transfers) was funded from transfers into the Rose & Thistle Account as follows:

From Twin Dragons	\$109,600
-------------------	-----------

⁵ These investors appear to have been preferred shareholders in RAC, each of whom subsequently exchanged their shares in RAC for shares in Rose & Thistle or in other companies controlled by the Waltons. Documents relating to the surrender of the shares are attached at Appendix E.

From Wynford	14,200
From Riverdale	313,900

37. On the same day, Bernstein (368230 Ontario Ltd.) had advanced mortgage funds as follows:

Riverdale	\$313,958
Twin Dragons	\$97,839

38. Therefore, mortgage funds provided by Bernstein to Riverdale and Twin Dragon were transferred to Rose & Thistle and used, in part, to fund the Rose & Thistle cheque to Bennett Jones in Trust.

b. October 12, 2011 Deposit

39. On October 12, 2011, a cheque was issued by Rose & Thistle in the amount of \$300,000 to Bennett Jones in Trust.

40. On October 11, 2011, the opening balance in the Rose & Thistle Account was \$75,155. The following transfers from both Schedule "B" and Schedule "C" Companies into the account occurred as follows:

From Schedule B Companies

Liberty Village	\$107,400
Bannockburn	27,200
Wynford	182,500
	<u>\$317,100</u>

From Schedule C Companies

Ye Old Telegram Bldg	\$77,900
Highland Creek	29,800
Plexor Plastics	550
	<u>\$108,250</u>

41. On October 6, 2011, \$890,194 was deposited in the account of Liberty Village Properties from a mortgage advance from 368 Limited. The transfer of \$107,400 from Liberty Village to Rose & Thistle was funded from the deposit of the mortgage funds.

42. On October 11, 2011, \$177,300 was deposited in the account of Wynford from a mortgage advance from 368 Limited.

43. Therefore, mortgage funds provided by Bernstein to Liberty Village and Wynford were transferred to Rose & Thistle and used to fund the cheque to Bennett Jones in Trust.

c. November 9, 2011 Deposit

44. On November 9, 2011, a cheque was issued from Rose & Thistle in the amount of \$300,000 to Bennett Jones in Trust.

45. On November 8, 2011, the opening balance in the Rose & Thistle Account was \$133,132. An amount of \$488,950 was deposited to the Rose & Thistle Account, which was a transfer from the Liberty Village Properties account. An amount of \$488,966 had been deposited to the Liberty Village Properties account from a mortgage advance from 368230 Ontario Limited.

46. Therefore, mortgage funds provided by Bernstein to Liberty Village were transferred to Rose & Thistle and used to fund the cheque to Bennett Jones in Trust.

J. Royal Gate Holdings Ltd. ("Royal Gate")

Company	DBDC Contribution	DBDC Percent	Recorded Contribution	Walton Percentage
Royal Gate Holdings Ltd.	4,962,957.00	97.6%	120,100.00	2.4%

47. According to the Agreement between Bernstein and the Waltons dated March 14, 2013, Walton had paid the deposits and due diligence and severance costs in the amount of \$1,322,500 and Bernstein had provided the sum of \$1,500,000, and these amounts were to form part of each of their equity contributions.

48. The Manager's initial analysis identified Recorded Contributions totalling \$120,100. These amounts are comprised of \$20,000 paid to Trez Capital on March 5, 2013 and \$100,000

paid to "Fasken Martineau DuMoulin LLP" ("**Fasken**") in Trust on March 11, 2013. The cheque to Trez Capital cleared the Rose & Thistle Account on March 11, 2013.

49. The day before the payment of \$100,000 to Fasken, Rose & Thistle received transfers from Schedule "B" Companies as follows:

West Mall	\$1,032,000
Liberty Village	27,050
Red Door	7,950
Fraser	7,550
Donalda	3,850
Double Rose	24,750
Red Door	12,900
Dupont	2,600
West Mall	197,050
	<u>\$1,315,700</u>

50. Also on March 10, 2011 (the day before the cheque to Fasken cleared the Rose & Thistle Account), Rose & Thistle received transfers totalling \$6,000 from Schedule C Companies. Therefore, both the cheque to Trez and the cheque to Fasken were funded by funds advanced by Bernstein to Schedule B Companies which were transferred to Rose & Thistle.

51. A payment of \$600,000 in respect of the Royal Gate Property was made by wire transfer from the Rose & Thistle Account on April 5, 2013. This amount was to be funded by a Bernstein equity contribution of \$1,500,000, which was paid into the Rose & Thistle Account on March 11, 2013. Accordingly, the \$600,000 payment was not treated as a Recorded Contribution.

52. Bernstein's equity contribution was not, in fact, used to fund the \$600,000 payment on April 5, 2013. Instead, Bernstein's contribution was diverted into West Mall Holdings Ltd., then to United Empire Lands (a Schedule "C" Company) and used to fund the purchase of a Property at 3270 American Drive. A Bernstein mortgage advance to another Schedule "B" Company, Cityview Industrial Ltd. ("**Cityview**"), was then used to fund the \$600,000 payment on April 5, 2013. Particulars of these transactions are as follows:

- (a) Prior to the deposit of Bernstein's \$1,500,000 equity contribution, the balance in the Rose & Thistle Account was \$28,488. Following the deposit, the balance in the account was \$1,528,488.
- (b) During the period March 11, 2013 to March 13, 2013 there were various transfers to and from Schedule "B" and Schedule "C" companies, including a transfer of \$1,100,000 to West Mall, following which the balance in the Rose & Thistle Account was \$134,179.
- (c) As described in the Fourth Report of the Inspector, on March 7, 2013, Bernstein paid \$1,649,063 as an equity investment in West Mall. These funds were deposited to the West Mall account. On March 7 and 8, 2013, \$1,649,050 was transferred to the Rose & Thistle Account, in individual transfer amounts of \$197,050, \$420,000 and \$1,032,000. On March 8, 2013, an amount of \$1,032,000 was transferred from Rose & Thistle to United Empire Lands. On March 11, 2013, 3270 American Drive was purchase by United Empire Lands.
-
- (d) It appears therefore that the funds provided by Bernstein for Royal Gate Holdings in the amount of \$1,500,000 were used to "repay" funds from his equity investment in West Mall which had been transferred to Rose & Thistle and used to fund the purchase of American Drive by United Empire Lands.
- (e) On April 5, 2013, \$636,400 was transferred to Rose & Thistle from Cityview. Rose & Thistle then transferred \$600,000 to the Royal Gate Account to fund a wire transfer to Fasken in Trust in the amount of \$600,000. The source of funds to Cityview was a mortgage advance of \$636,403 from 368230 Ontario Limited. This mortgage was granted for the specific purpose of funding construction costs relating to Cityview.

K. Tisdale Mews Inc. ("Tisdale")

Company	DBDC Contribution	DBDC Percent	Recorded Contribution	Walton Percentage
Tisdale Mews Inc.	1,480,000.00	100%	\$0	0%

53. The Manager did not identify any Recorded Contributions from Tisdale.

54. The Manager does note that the Agreement relating to Tisdale, which is attached as Appendix F, is different from the balance of the Agreements (apart from the Agreement relating to Red Door Developments Inc.) because Bernstein invested in the Company after the Waltons had owned it for a significant period of time. The Manager (in its capacity as Inspector) reported on the transaction relating to Tisdale in its Third Report, which is attached as Appendix G.

L. Skyway

Company	DBDC Contribution	DBDC Percent	Recorded Contribution	Walton Percentage
Skyway Holdings Ltd.	752,650.00	88.3%	100,100.00	11.7%

55. According to the Agreement between Bernstein and the Waltons dated February 14, 2013, each party had provided the sum of \$100,000 towards the deposits and due diligence expenses required, which amounts will form part of each of their equity contribution.

56. On November 28, 2012, a cheque in the amount of \$50,000 paid to Avison Young cleared the Rose & Thistle Account. The opening balance in the Rose & Thistle Account on November 28, 2012 was \$295.67. The account was funded on that date by the following transfers:

Schedule B

Wynford	\$2,600
Liberty Village	124,900
Riverdale	850
Fraser Properties	5,700
Double Rose	7,200
Fraser Lands	26,650
Total	<u>\$167,900</u>

TAB 6

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

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 ON SCHEDULE B HERETO, TO BE
BOUND BY THE RESULT

AFFIDAVIT OF JAMES REITAN

I, JAMES REITAN, in the City of Woodbridge, in the Province of Ontario,
MAKE OATH AND SWEAR:

~~1. I am the Director of Accounting and Finance at Dr. Bernstein Diet and Health Clinics.~~

Dr. Stanley Bernstein is the beneficial holder and directing mind of DBDC Spadina Ltd. and the corporations listed on Schedule A to the Notice of Application. As part of my duties at Dr. Bernstein Diet and Health Clinics, I am responsible for reviewing the financial affairs of those companies. As such, I have knowledge of the matters contained herein. Where matters are

Ms. Walton and Mr. Schonfeld, on which I was copied, where Ms. Walton is not prepared or is unable to provide the information requested at the date and time promised.

23. The information that has been provided to date is not entirely complete and raises the following additional concerns:

- (a) It appears that there has been extensive co-mingling of the Owner Company's funds with, and into the bank accounts of, Rose & Thistle;
- (b) Rose & Thistle has rendered significant invoices to the Owned Companies and received payment or characterized as intercompany amounts owing for services it has not performed:
 - (i) The Owner Company, Riverdale Mansion Ltd. ("Riverdale") purchased 450 Pape Avenue for \$1,700,000 plus fees;
 - (ii) Dr. Bernstein provided an equity investment of \$470k and a mortgage was placed on the Property in the amount of \$1,300,000, for a total of \$1,770,000;
 - (iii) Following the initial purchase, two funds transfers were made from ~~Riverdale to Rose & Thistle through the intercompany account in the~~ amounts of \$41,350 and \$6,050. These two transfers were in excess of the amounts in Riverdale cash account, following payment of third party fees, and brought the balance to a negative \$1,000;

- (iv) Construction funding advances were made on a mortgage held by 368230 Ontario Limited (a corporation owned beneficially by Dr. Bernstein). Upon each advance, a fund transfer was made to Rose & Thistle in an amount very close to the funding. Total construction funding was in the amount of \$1.64 million, bringing the total mortgage to \$3 million;
 - (v) The intercompany balance between Riverdale and Rose & Thistle increased through 2011 culminating in receipt of invoices for over \$1 million from Rose & Thistle on December 31, 2011, thereby reducing the intercompany balance to \$0. I have made inquiries of Ms. Walton since September 20, 2013 (on or around which time I discovered these transactions). She informed me that the invoices included charges for future services, for which permitting has not even been obtained. It is my understanding that these services, for which invoices were rendered two years ago, have yet to be performed. Dr. Bernstein was neither informed of nor approved the intercompany amounts or the invoices;
 - (vi) The Riverdale / Rose & Thistle intercompany has accumulated further since 2011 and currently stands at \$488,000 due to Rose & Thistle; and
-
- (vii) Attached as Exhibit "J" is an analysis I have prepared of these transactions;
- (c) The Waltons have reversed equity contributions made by them. The December 31, 2011 general ledger reflected equity contributions by the Waltons as follows:

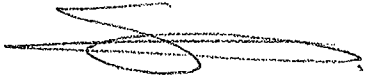
Bannockburn Lands Inc	\$ 73,717
Wynford Professional Centre Ltd	0
Twin Dragons Corporation	350,000
Liberty Village Lands Inc.	0
Liberty Village Properties Inc.	839,266
Riverdale Mansion Ltd.	250,021
Royal Agincourt Corp.	<u>987,800</u>
Total	\$2,500,803

The Waltons have reversed \$2,150,000 of these contributions. Attached as Exhibit "K" are copies of a sample of journal entries documenting the transfers.

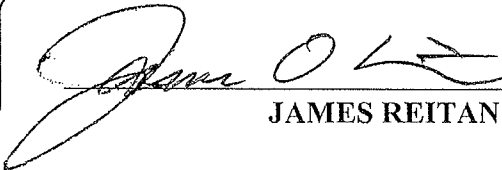
- (d) Rose & Thistle has regularly invoiced the Owner Companies for monthly management fees in excess of the number of months for which services have been provided (for example, invoicing for January – June as 7 months other than 6 months). Attached as Exhibit "L" are copies of invoices showing this over-billing;
- (e) Mortgage payments are being made to Rose & Thistle by the Owner Companies, rather than to the named mortgagee, with no confirmation of payment to the mortgagor by Rose & Thistle. Attached as Exhibit "M" is a copy of Global Mills Inc.'s bank statement, with my notations, showing the mortgage payment to a Rose & Thistle bank account; and
- (f) The Owned Properties have been charged significant interest and penalties in respect of late payment of amounts owing to, among others, City of Toronto, Toronto Hydro and Enbridge Inc., totalling \$308,400.

24. I swear this affidavit in support of an Application and Motion seeking to have Schonfeld Inc. appointed as inspector of the Projects and the records of Rose & Thistle dealing with the Properties, Projects and Owner Companies, among other relief.

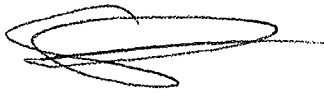
SWORN before me at the City of
Toronto, in the Province of Ontario,
this 1st day of October, 2013.



A Commissioner for taking affidavits
Shara N. Roy


JAMES REITAN

This is Exhibit "K" referred to in the Affidavit of James Reitan
sworn before me this 1st day of October, 2013

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

A Commissioner for Taking Affidavits

2:16 PM
09/03/13

Riverdale Mansion Ltd
Transaction Journal
All Transactions

280

Trans #	Type	Entered/Last Modified	Last modified by	Date	Num	Name	Memo	Account	Class	Debit	Credit
602	General Journal	08/21/2013 16:01:35	Mario (Admin)	1/1/2012	J011...	Ron Walton Norma Walton Ron Walton	To partially reverse JE J12/11-13 To partially reverse JE J12/11-13 To partially reverse JE J12/11-13	Share Subscrip... Share Subscrip... 26200 - I/C Paya...		125,010.55 125,010.00 250,020.55	 250,020.55 250,020.55
TOTAL										250,020.55	250,020.55

281

2:16 PM
09/03/13

Riverdale Mansion Ltd
Transaction Journal
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
409	General Journal	12/31/2011	J12/11 - 13	The Rose and Thistle Group Ltd. The Rose and Thistle Group Ltd. Ron Walton Norma Walton	Reclass to accounts payable - The Rose And Thist... Reclass to accounts payable - The Rose And Thist... Reclass to accounts payable - The Rose And Thist... Reclass to accounts payable - The Rose And Thist...	20000 - Accounts ... I/C Rec. - Rose an... Share Subscription... Share Subscription...		1,291,025.00	1,041,004.45 125,010.55 125,010.00
								<u>1,291,025.00</u>	<u>1,291,025.00</u>
TOTAL								<u>1,291,025.00</u>	<u>1,291,025.00</u>

282

3:26 PM

#9/03/13

Liberty Village Properties Ltd

Transaction Journal

All Transactions

Trans #	Type	Entered/Last Modified	Last modified by	Date	Num	Name	Memo	Account	Debit	Credit
1517	General Journal	06/20/2013 10:40:37	Mario (Admin)	11/1/2012	J09/12 - 2R	The Rose and Thistle Group...	Reverse of GJE J09/12 - 29 -- To net against balance due on December 31, 2011 ...	20000 - Accounts P...	827,814.69	827,814.69
						The Rose and Thistle Group...	To net against balance due on December 31, 2011 invoice	Share Subscription ...	827,814.69	827,814.69
TOTAL									827,814.69	827,814.69

3:27 PM
09/03/13

Liberty Village Properties Ltd
Transaction Journal
All Transactions

283

Trans #	Type	Date	Num	Name	Memo	Account	Debit	Credit
775	General Journal	12/31/2011	J12/11 - 19	The Rose and Thistle ... The Rose and Thistle ...	To net against balance due on December 31, 2011 invoice To net against balance due on December 31, 2011 invoice	20000 - Accounts Pa... Share Subscription R...	827,814.69 827,814.69 827,814.69	 827,814.69 827,814.69
TOTAL								

1:16 PM

09/03/13

Royal Agincourt Corp
Transaction Journal

284

All Transactions

Trans #	Type	Entered/Last Modified	Last modified by	Date	Num	Name	Memo	Account	Class	Debit	Credit
1150	General Journal	08/23/2013 14:17:58	Marlo (Admin)	1/1/2012	JD1/12-57		To adjust common shares per new agreement To adjust common shares per new agreement	Share Subscription Re... 26200 - UC Payable - ...		987,700.00 987,700.00 987,700.00	807,700.00 987,700.00 987,700.00
TOTAL											

1:25 PM

09/03/13

Royal Agincourt Corp
Transaction Journal
All Transactions

Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
384	General Journal	12/31/2011	J12/11- 31		To record Pref share liability assumption by The Rose An...	1607544 Ontario Inc. (Ansari)		100,000.00	
					To record Pref share liability assumption by The Rose An...	1788371 Ontario Inc.		100,000.00	
					To record Pref share liability assumption by The Rose An...	Barbara Nagle		100,000.00	
					To record Pref share liability assumption by The Rose An...	Cary Silber		50,000.00	
					To record Pref share liability assumption by The Rose An...	Grace and Ken Bugg		100,000.00	
					To record Pref share liability assumption by The Rose An...	Joel & Renee Schachter		175,000.00	
					To record Pref share liability assumption by The Rose An...	John Rocha and Michele Peng		62,800.00	
					To record Pref share liability assumption by The Rose An...	Ormsby Investment Limited		100,000.00	
					To record Pref share liability assumption by The Rose An...	Stookton & Bush P.M.J. Inc		100,000.00	
					To record Pref share liability assumption by The Rose An...	Vane Plesse		100,000.00	
					To record Pref share liability assumption by The Rose An...	Share Subscription Receivable			987,800.00
								987,800.00	987,800.00
								987,800.00	987,800.00
TOTAL									

Royal Agincourt Corp
Transaction Journal
All Transactions

1:12 PM
09/03/2013

<u>Trans #</u>	<u>Type</u>	<u>Entered/Last Modified</u>	<u>Last modified by</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Account</u>	<u>Class</u>	<u>Debit</u>	<u>Credit</u>
1,150	General Journal	08/23/2013 14:17:58	Mario (Admin)	01/01/2012	J01/12-57		To adjust common shares per new agree Share Subscription Receivable			987,700.00	
							To adjust common shares per new agree 26200 - I/C Payable - Rose and Thistle				987,700.00
										<u>987,700.00</u>	<u>987,700.00</u>
TOTAL										<u>987,700.00</u>	<u>987,700.00</u>

TAB 7

Court File No. CV-13-10280-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]**

BETWEEN:

DBDC SPADINA LTD.
AND THOSE CORPORATIONS LISTED ON SCHEDULE A HERETO

Applicants

and

NORMA WALTON, RONAULD WALTON, and THE ROSE & THISTLE
GROUP LTD., AND THOSE CORPORATIONS LISTED ON SCHEDULE B
HERETO

Respondents

and

THOSE CORPORATIONS LISTED ON SCHEDULE C HERETO, TO BE
BOUND BY RESULT

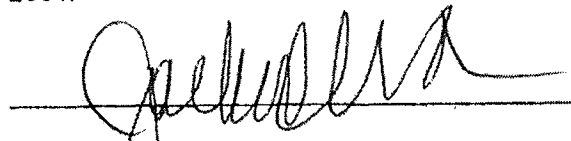
AFFIDAVIT OF SHAREHOLDER

We, Gideon and Irene Levytam, of the town of Niagara on the Lake, in the Province of
Ontario, MAKE OATH AND SAY:

- 1) We met Norma Walton and Ron Walton in or about 2002.
- 2) Over the course of the past 12 years we have been investors of theirs.
- 3) We currently own preferred Shares in Cecil Lighthouse Ltd., and Front Church Properties Limited.

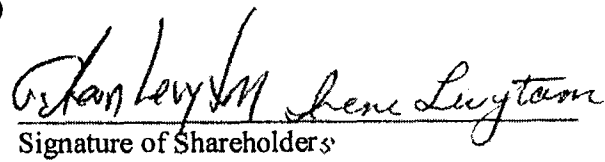
- 4) In the above companies we own 445,000 shares and 285,000 shares (including 15,000 shares held by our son Joab Levytan) respectively.
- 5) The value of our shares in the above companies is \$445,000 plus accrued distributions of \$22,472.50 and \$285,000 plus accrued distributions of \$14,392.56 to June 14, 2014.
- 6) We attach as Exhibit "A" copies of the share certificate related to those investments.
- 7) We are the legal and rightful owner of the above described shares and as such we confirm the information set out above is accurate.
- 8) We understand that our right to monies comes before the rights of the common shareholders in the Walton properties.
- 9) We understand that the Front Street property owned by Front Church Properties Limited has been sold and there are insufficient monies available to satisfy payments to preferred shareholders.
- 10) We have always been assured by the Waltons that they would personally honour any payments to us related to our investments. As such, we have agreed that the monies due to us from Front Church Properties Limited can be paid from the proceeds of sale from other Walton properties.
- 11) Our address is 426 Simcoe Street, Box 1411, Niagara-on-the-lake, ON L0S 1J0.
- 12) We make this affidavit in support of obtaining repayment of the monies set out above and for no improper purpose.
- 13) We strongly oppose a Receiver being appointed over any of the Walton properties. We want the Waltons to be able to sell their properties. Given their real estate expertise, we are confident they'll garner from the properties maximum value to increase the amount of money available to pay us back.

SWORN before me at the City of Toronto, in)
the Province of Ontario, this 2nd day of June,)
2014.)



A Commissioner for Taking Affidavits

Jacqueline Dawn McKinley, a Commissioner, etc.,
City of Toronto, for Walton Advocates,
Barristers and Solicitors.
Expires November 9, 2014.


Signature of Shareholders

No. P-44

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

15,000 Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that JOAB LEVYAM
is the registered holder of FIFTEEN THOUSAND (15,000) U.S. FUNDS Preference Shares of
FRONT CHURCH PROPERTIES LIMITED

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 2ND day of JULY 2010
(year)


NORMA WALTON

NO PAR VALUE

No. P-4

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

150,000 Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that Gideon Levytam and Irene Levytam as joint tenants
is the registered holder of one hundred and fifty thousand (150,000) Preference Shares of

FRONT CHURCH PROPERTIES LIMITED

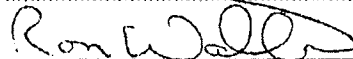
The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

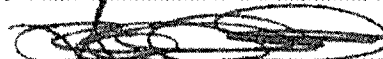
LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 1st day of March 2007
(year)



Ronald Walton, President



Norma Walton, Secretary

NO PAR VALUE

No. P-26

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

52,500 Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that Gideon and Irene Levytam as joint tenants with rights of survivorship
is the registered holder of fifty two thousand and five hundred (\$2,500) Preference Shares of
FRONT CHURCH PROPERTIES LIMITED

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 15th day of October, 2007
(year)

Ronald Walton
Ronald Walton, President

Norma Walton
Norma Walton, Secretary

NO PAR VALUE

No. P-36

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

47,500 Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that Gideon Levytam and Irene Levytam as joint tenants with right of survivorship is the registered holder of forty seven thousand and five hundred (47,500) Preference Shares of FRONT CHURCH PROPERTIES LIMITED

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers this 28th day of November 2008 (year)

Norma Walton

NO PAR VALUE

No. P-44

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

15,000 Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that JOAB LEVYTAM
is the registered holder of FIFTEEN THOUSAND (15,000) U.S. FUNDS Preference Shares of
FRONT CHURCH PROPERTIES LIMITED

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 2ND day of JULY 2010
(year)


NORMA WALTON

NO PAR VALUE

DBDC SPADINA LTD., *et al.* - and - NORMA WALTON, *et al.*

Court File No. CV-13-10280-00CL

**ONTARIO SUPERIOR
COURT OF JUSTICE**

[COMMERCIAL LIST]

Proceeding commenced at:

TORONTO

**AFFIDAVIT OF
SHAREHOLDER**

NORMA WALTON
30 Hazelton Avenue
Toronto, Ontario M5R 2E2

Tel: (416) 489-9790 x103
Fax: (416) 489-9973
nwalton@roseandthistle.ca

Respondent

TAB 8

Court File No. CV-13-10280-00CL

**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, and THE ROSE & THISTLE
GROUP LTD., AND THOSE CORPORATIONS LISTED ON SCHEDULE B
HERETO**

Respondents

and

**THOSE CORPORATIONS LISTED ON SCHEDULE C HERETO, TO BE
BOUND BY RESULT**

AFFIDAVIT

**We, Maria Teresa Memme and Joseph Memme, of the City of Toronto, in the Province of
Ontario, MAKE OATH AND SAY:**

- 1) We met Norma and Ron Walton in or about October 2008.**
- 2) Over the course of about four years we have been an investor of theirs.**



THE ROSE and THISTLE
GROUP LTD
LAND and INVESTMENTS

May 16, 2012

Ms. Rosina Memme
257 Hillmount Ave.
Toronto, Ontario
M6B 1Y2

Dear Rosina,

Re: Your loan to The Rose and Thistle Group Ltd.

We have enjoyed getting to know and working with your son and daughter-in-law over the past number of years. We are delighted to now have you involved with our company. You have loaned \$100,000 to The Rose and Thistle Group Ltd. in exchange for interest of 12% per year, payable monthly. That loan was made on April 9, 2012 hence I am enclosing cheques dated May 9th, 2012 to December 9th, 2012 to pay your interest monthly. You have my apologies for sending out your first interest cheque late.

When you need to cash in the loan, please provide us with 90 days written notice and we'll ensure The Rose and Thistle Group Ltd. pays you back within that 90 day period of time.

Thank you for your loan. We look forward to meeting you at some point in future.

Yours truly,

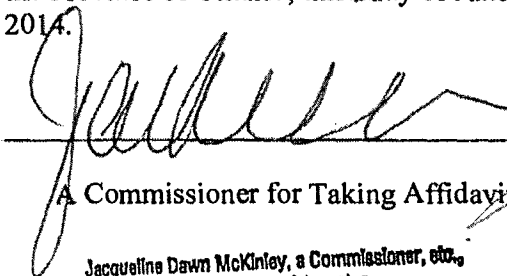
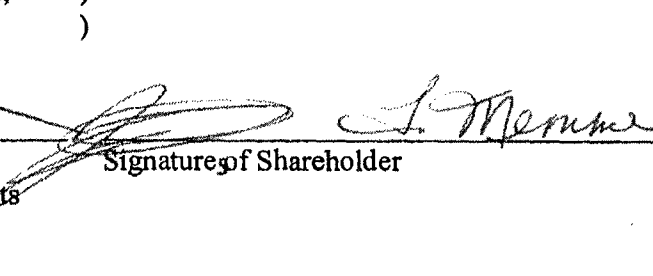
THE ROSE AND THISTLE GROUP LTD.

Norma Walton

Encl.

- 3) We have loaned The Rose and Thistle Group Ltd., \$100,000.
- 4) There is \$100,000 plus accrued interest of \$6,000 up to June 14, 2014 owing on the said debt.
- 5) We attach as Exhibit "A" a copy of the letter setting out the terms of the above loan.
- 6) We are the legal and rightful owners of the above described loan and as such we confirm the information set out above is accurate.
- 7) We understand that our right to monies as debtors comes before the rights of the common shareholders in the Walton properties.
- 8) We have always been assured by the Waltons that they would personally honour any payments to us related to our investments.
- 9) Our address is 257 Hillmount Avenue, Toronto, ON M6B 1Y2 and phone is 416-789-9443.
- 10) We make this affidavit in support of obtaining repayment of the monies set out above and for no improper purpose.
- 11) We strongly oppose a Receiver being appointed over any of the Walton properties. We want the Waltons to be able to sell their properties. Given their real estate expertise, we are confident they'll garner from the properties maximum value to increase the amount of money available to pay us back.

SWORN before me at the City of Toronto, in)
the Province of Ontario, this 20th day of June,)
2014.)

A Commissioner for Taking Affidavits Signature of Shareholder

Jacqueline Dawn McKinley, a Commissioner, etc.,
City of Toronto, for Walton Advocates,
Barristers and Solicitors.
Expires November 9, 2014.

DBDC SPADINA LTD., *et al.* - and - NORMA WALTON, *et al.*

Court File No. CV-13-10280-00CL

**ONTARIO SUPERIOR
COURT OF JUSTICE**

[COMMERCIAL LIST]

Proceeding commenced at:

TORONTO

AFFIDAVIT

NORMA WALTON
30 Hazelton Avenue
Toronto, Ontario M5R 2E2

Tel: (416) 489-9790 x103
Fax: (416) 489-9973
nwalton@roseandthistle.ca

Respondent

TAB 9

Court File No. CV-13-10280-00CL

**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, and THE ROSE & THISTLE
GROUP LTD., AND THOSE CORPORATIONS LISTED ON SCHEDULE B
HERETO**

Respondents

and

**THOSE CORPORATIONS LISTED ON SCHEDULE C HERETO, TO BE
BOUND BY RESULT**

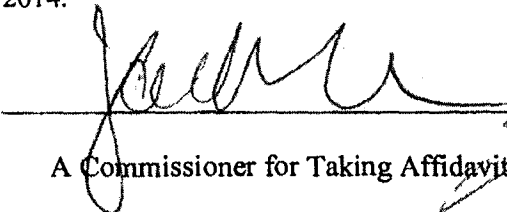
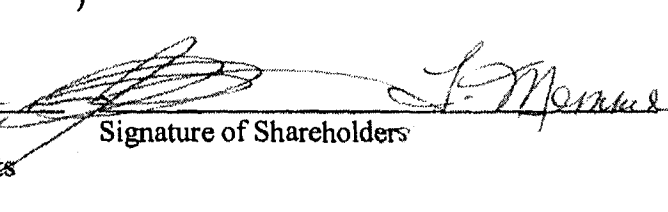
AFFIDAVIT OF SHAREHOLDER

**We, Maria Teresa Memme and Joseph Memme, of the City of Toronto, in the Province of
Ontario, MAKE OATH AND SAY:**

- 1) We met Norma and Ron Walton in or about October 2008.**
- 2) Over the course of the past four years we have been an investor of theirs.**
- 3) We currently own preferred Shares in Academy Lands Ltd.**
- 4) We own 221,500 shares in the above company.**
- 5) The value of our shares is \$281,000 plus accrued distributions of \$14,050 up to June 14,
2014.**

- 6) We attach as Exhibit "A" copies of the share certificates related to that investment.
- 7) We are the legal and rightful owners of the above described shares and as such we confirm the information set out above is accurate.
- 8) We understand that our right to monies comes before the rights of the common shareholders in the Walton properties.
- 9) We have always been assured by the Waltons that they would personally honour any payments to us related to our investments.
- 10) Our address is 257 Hillmount Avenue, Toronto, ON M6B 1Y2 and phone number 416-789-9443.
- 11) We make this affidavit in support of obtaining repayment of the monies set out above and for no improper purpose.
- 12) We strongly oppose a Receiver being appointed over any of the Walton properties. We want the Waltons to be able to sell their properties. Given their real estate expertise, we are confident they'll garner from the properties maximum value to increase the amount of money available to pay us back.

SWORN before me at the City of Toronto, in)
the Province of Ontario, this 20 day of June,)
2014.)

 
A Commissioner for Taking Affidavits Signature of Shareholders

Jacqueline Dawn McKinley, a Commissioner, etc.,
City of Toronto, for Walton Advocates,
Barristers and Solicitors.
Expires November 9, 2014.

No. P-2

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

121,500 Shares

ACADEMY LANDS LTD.

This is to Certify that Maria and Joseph Memme as joint tenants with right of survivorship
is the registered holder of one hundred and twenty one thousand five hundred (121,500) Preference Shares of
ACADEMY LANDS LTD.

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 7th day of October 2011
(year)


Norma Walton

NO PAR VALUE

No. P-1

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares

ACADEMY LANDS LTD.

This is to Certify that Maria and Joseph Mewme as joint tenants with right of survivorship
is the registered holder of one hundred thousand (100,000) Preference Shares of
ACADEMY LANDS LTD.

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 15th day of April, 2012 (year)


Norma Walton

NO PAR VALUE

DBDC SPADINA LTD., *et al.* - and - NORMA WALTON, *et al.*

Court File No. CV-13-10280-00CL

**ONTARIO SUPERIOR
COURT OF JUSTICE**

[COMMERCIAL LIST]

Proceeding commenced at:

TORONTO

**AFFIDAVIT OF
SHAREHOLDER**

NORMA WALTON
30 Hazelton Avenue
Toronto, Ontario M5R 2E2

Tel: (416) 489-9790 x103
Fax: (416) 489-9973
nwalton@roseandthistle.ca

Respondent

TAB 10

Court File No. CV-13-10280-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]**

BETWEEN:

DBDC SPADINA LTD.
AND THOSE CORPORATIONS LISTED ON SCHEDULE A HERETO

Applicants

and

NORMA WALTON, RONAULD WALTON, and THE ROSE & THISTLE
GROUP LTD., AND THOSE CORPORATIONS LISTED ON SCHEDULE B
HERETO

Respondents

and

THOSE CORPORATIONS LISTED ON SCHEDULE C HERETO, TO BE
BOUND BY RESULT

AFFIDAVIT OF SHAREHOLDER

I, Triane Boudle, of the City of Toronto, in the Province of Ontario, MAKE OATH AND
SAY:

- 1) I met Norma and Ron Walton in or about June, 1997.
- 2) Over the course of the past four years I have been an investor of theirs.
- 3) I currently own preferred Shares in Front Church Properties Limited.
- 4) I own 125,000 shares.

- 5) The value of my shares in Front Church Properties Limited is \$125,000 plus missed interest payments.
- 6) I attach as Exhibit "A" a copy of the share certificates related to that investment.
- 7) I am the legal and rightful owner of the above described shares and as such I confirm the information set out above is accurate.
- 8) I understand that my right to monies comes before the rights of the common shareholders in these properties.
- 9) I understand that the Front Street property owned by Front Church Properties Limited has been sold and there are insufficient monies available to satisfy payments to preferred shareholders.
- 10) I have always been assured by the Waltons that they would personally honour any payments to me related to my investments. As such, I have agreed that the monies due to me from Front Church Properties Limited can be paid from the proceeds of sale from other Walton properties.
- 11) My address is 26 Chrysler Crescent, Scarborough, ON M1R 2L8 and my phone number is 416-759-2053.
- 12) I make this affidavit in support of obtaining repayment of the monies set out above and for no improper purpose.
- 13) I strongly oppose a Receiver being appointed over any of the Walton properties. I want the Waltons to be able to sell their properties. Given their real estate expertise, I am confident they'll garner from the properties maximum value to increase the amount of money available to pay me back.

WITNESSED

SWORN before me at the City of Toronto, in)
the Province of Ontario, this 3rd day of June,)
2014.)



A Commissioner for Taking Affidavits



Signature of Shareholder

No. P-48

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

25,000 Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that Triane Boudles, Peter Boudles and Ange Boudle as joint tenants with right of survivorship
is the registered holder of twenty five thousand (25,000) Preference Shares of
FRONT CHURCH PROPERTIES LIMITED

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 27th day of August 2010
(year)

Norma Walton

NO PAR VALUE

1605

Handwritten notes on the left margin, including "The balance of" and "To be paid in cash".

NOTICE: THE BOARD OF DIRECTORS OF FRONT CHURCH PROPERTIES LIMITED, HAS RESOLVED THAT THE SHARE CAPITAL OF THE COMPANY BE INCREASED BY THE ISSUANCE OF NEW SHARES OF THE PAR VALUE OF \$1.00 EACH TO THE AMOUNT OF \$25,000.00.

CERTIFICATE
FOR

-25,000-

Preference
Shares of

FRONT CHURCH
PROPERTIES LIMITED

Triane Boudles, Peter
Boudles and Ange Boudle as joint tenants with right of survivorship

DATE
August 27, 2010

No. P-62

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that Triane Boudle, Peter Boudle and Ange Boudle as joint tenants with right of survivorship
is the registered holder of hundred thousand (100,000) Preference Shares of
FRONT CHURCH PROPERTIES LIMITED

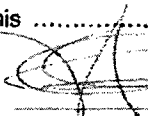
The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 1st day of April 2011...
(year)

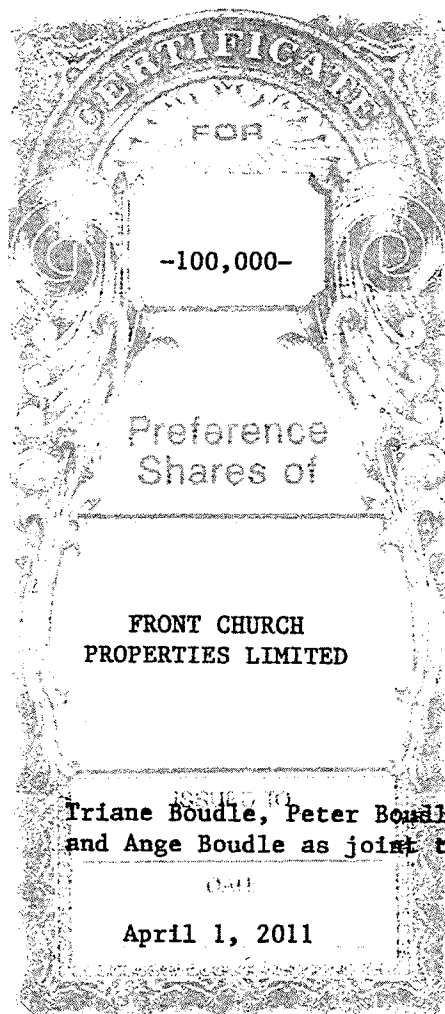

Norma Walton

NO PAR VALUE

1607

*Triane Boudle, Peter Boudle
and Ange Boudle as joint tenants with right of survivorship*

April 1, 2011



DBDC SPADINA LTD., *et al.* - and - NORMA WALTON, *et al.*

Court File No. CV-13-10280-00CL

**ONTARIO SUPERIOR
COURT OF JUSTICE**

[COMMERCIAL LIST]

Proceeding commenced at:

TORONTO

**AFFIDAVIT OF
SHAREHOLDER**

NORMA WALTON
30 Hazelton Avenue
Toronto, Ontario M5R 2E2

Tel: (416) 489-9790 x103
Fax: (416) 489-9973
nwalton@roseandthistle.ca

Respondent

TAB 11

Court File No. CV-13-10280-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]**

BETWEEN:

**DBDC SPADINA LTD.
AND THOSE CORPORATIONS LISTED ON SCHEDULE A HERETO**

Applicants

and

**NORMA WALTON, RONAULD WALTON, and THE ROSE & THISTLE
GROUP LTD., AND THOSE CORPORATIONS LISTED ON SCHEDULE B
HERETO**

Respondents

and

**THOSE CORPORATIONS LISTED ON SCHEDULE C HERETO, TO BE
BOUND BY RESULT**

AFFIDAVIT OF SHAREHOLDER


**I, Ange Boudle, of the City of Toronto, in the Province of Ontario, MAKE OATH AND
SAY:**

- 1) I met Norma and Ron Walton in or about June, 1997.**
- 2) Over the course of the past five years I have been an investor of theirs.**
- 3) I currently own preferred Shares in Front Church Properties Limited and Academy Lands
Ltd.**

- 4) I own 215,000 shares in Front Church Properties Ltd., and 150,000 shares in Academy Lands Ltd.
- 5) The value of my shares in Front Church Properties Limited is \$215,000 US (x 12% exchange) = \$240,800 plus \$12,160.40 in accrued distributions to June 14, 2014 and missed interest payments.
- 6) The value of my shares in Academy Lands Ltd., is \$160,000 plus \$8,080 in accrued distributions to June 14, 2014.
- 7) I attach as Exhibit "A" a copy of the share certificates related to that investment.
- 8) I am the legal and rightful owner of the above described shares and as such I confirm the information set out above is accurate.
- 9) I understand that my right to monies comes before the rights of the common shareholders in these properties.
- 10) I understand that the Front Street property owned by Front Church Properties Limited has been sold and there are insufficient monies available to satisfy payments to preferred shareholders.
- 11) I have always been assured by the Waltons that they would personally honour any payments to me related to my investments. As such, I have agreed that the monies due to me from Front Church Properties Limited can be paid from the proceeds of sale from other Walton properties.
- 12) My address is 26 Chrysler Crescent, Scarborough, ON M1R 2L8 and my phone number is 647-771-3710 and 727-687-9745.
- 13) I make this affidavit in support of obtaining repayment of the monies set out above and for no improper purpose.

14) I strongly oppose a Receiver being appointed over any of the Walton properties. I want the Waltons to be able to sell their properties. Given their real estate expertise, I am confident they'll garner from the properties maximum value to increase the amount of money available to pay me back.

SWORN before me at the City of Toronto, in)
the Province of Ontario, this 13 day of June,)
2014.)



A Commissioner for Taking Affidavits

Jacqueline Dawn McKinley, a Commissioner, etc.,
City of Toronto, for Walton Advocates,
Barristers and Solicitors.
Expires November 9, 2014.



Signature of Shareholder

No. P-46

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 US Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that Ange Roudle
is the registered holder of one hundred thousand (100,000) US Preference Shares of
FRONT CHURCH PROPERTIES LIMITED

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

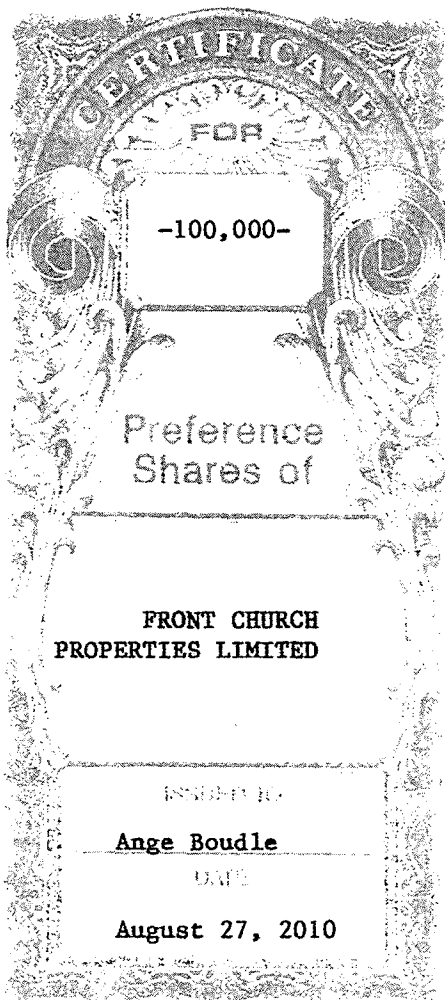
RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 27th day of August 2010
(year)

Norma Walton

NO PAR VALUE

1593



The above share is only valid if the company is not liquidated

Angie Boudle

represented by the other 100,000

Share

of the company

No. P-53

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

65,000 Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that Ange Boudle
is the registered holder of sixty five thousand (65,000) U.S. Preference Shares of
FRONT CHURCH PROPERTIES LIMITED

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

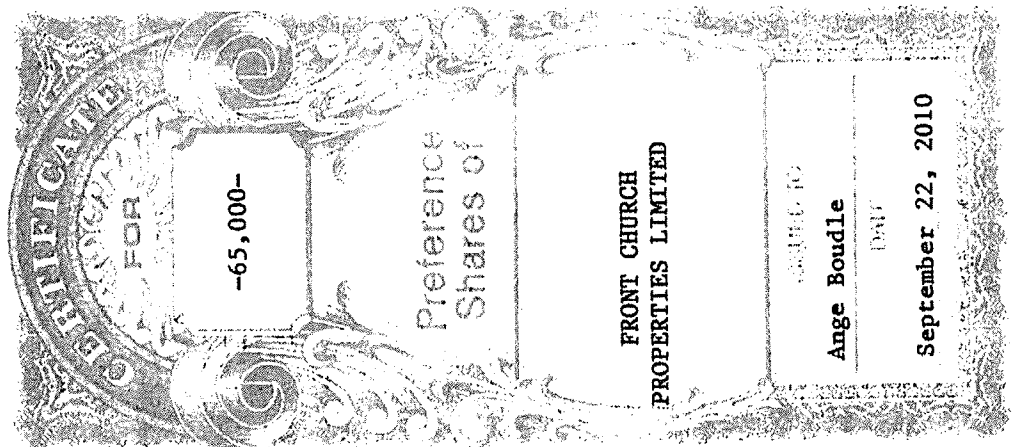
LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 22nd day of September 2010
(year)

Norma Walton

NO PAR VALUE



To Value Received, _____ hereby assign and transfer unto
_____ Preference Shares
represented by the within Certificate
Dated _____ 1910
In the presence of

WITNESSETH THE BOARD OF DIRECTORS OF THE COMPANY BY THE SIGNATURE OF _____ AND THE SEAL OF THE COMPANY IN WITNESS WHEREOF THESE CERTIFICATES HAVE BEEN SIGNED AND SEALED THIS _____ DAY OF _____ 1910.

No. P-57

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

50,000 Shares

FRONT CHURCH PROPERTIES LIMITED

This is to Certify that Triane Boudle, Peter Boudle and Ange Boudle as joint tenants with right of survivorship
is the registered holder of fifty thousand (50,000) US funds Preference Shares of

FRONT CHURCH PROPERTIES LIMITED

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 12th day of January 2011
(year)

Norma Walton

NO PAR VALUE

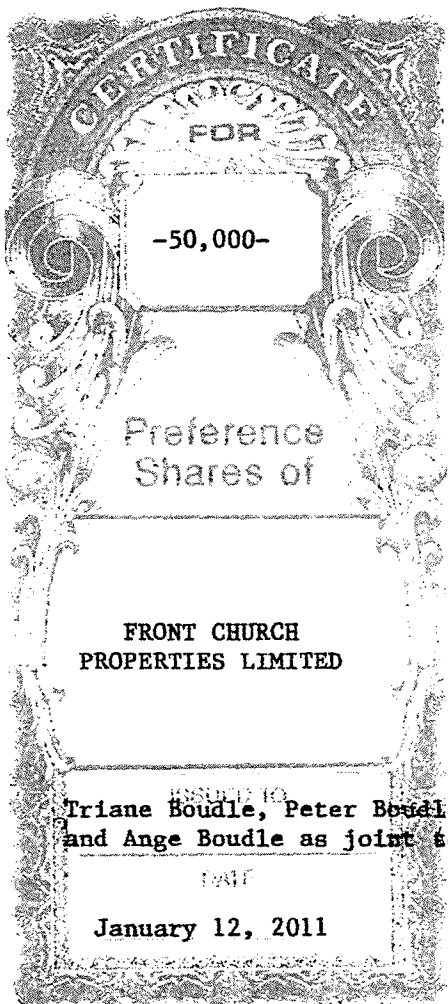
Der Herr Obersteuerrath Herr v. Wittenberg

1860

Not ready to sell

Mathematics 2022, 10, 1112; doi:10.3390/math10071112

2. *Hydrophilus* *Hydrophilus*



No. P-8

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

150,000 Shares

ACADEMY LANDS LTD.

This is to Certify that Ange Boudle
is the registered holder of one hundred and fifty thousand (150,000) Preference Shares of
ACADEMY LANDS LTD.

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

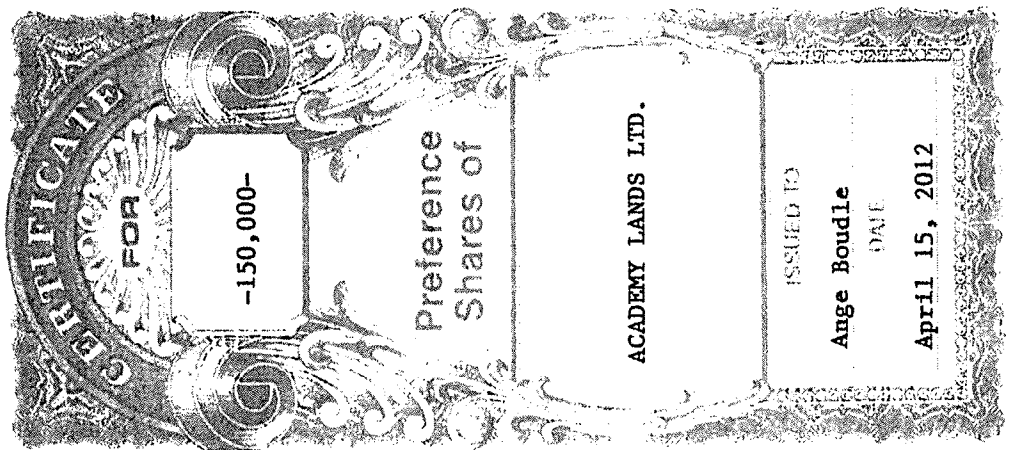
LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 15th day of April 2012
(year)


Norma Walton

NO PAR VALUE



For Value Received, _____ hereby assign and transfer unto

Preference Shares
represented by the within Certificate.

Dated _____

In the presence of _____

NOTICE: THE SIGNATURE OF THIS ASSIGNMENT MUST
CORRESPOND WITH THE NAME AS WRITTEN ON THE FACE
OF THE CERTIFICATE IN EVERY PARTICULAR. WITHOUT
ATTENTION OR ENLARGEMENT ON ANY CHANGE THEREIN

DBDC SPADINA LTD., *et al.* - and - NORMA WALTON, *et al.*

Court File No. CV-13-10280-00CL

**ONTARIO SUPERIOR
COURT OF JUSTICE**

[COMMERCIAL LIST]

Proceeding commenced at:

TORONTO

**AFFIDAVIT OF
SHAREHOLDER**

NORMA WALTON
30 Hazelton Avenue
Toronto, Ontario M5R 2E2

Tel: (416) 489-9790 x103
Fax: (416) 489-9973
nwalton@roseandthistle.ca

Respondent

1601

TAB 12

Court File No. CV-13-10280-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
[COMMERCIAL LIST]**

BETWEEN:

DBDC SPADINA LTD.
AND THOSE CORPORATIONS LISTED ON SCHEDULE A HERETO

Applicants

and

NORMA WALTON, RONAULD WALTON, and THE ROSE & THISTLE
GROUP LTD., AND THOSE CORPORATIONS LISTED ON SCHEDULE B
HERETO

Respondents

and

THOSE CORPORATIONS LISTED ON SCHEDULE C HERETO, TO BE
BOUND BY RESULT

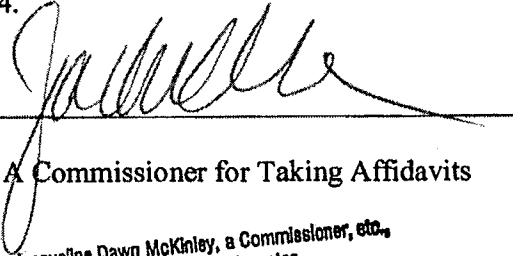
AFFIDAVIT OF SHAREHOLDER

I, Duncan Coopland, of the Town of Newmarket, in the Province of Ontario, MAKE
OATH AND SAY:

- 1) I met Norma and Ron Walton in or about 2002.
- 2) Over the course of the past twelve years I have been an investor of theirs.
- 3) I currently own preferred Shares in Front Church Properties Limited and Cecil Lighthouse Ltd.

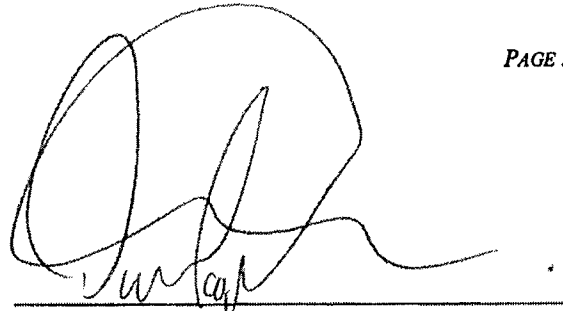
- 4) In the above companies I own 450, 000 shares and 271,500 shares respectively.
- 5) The value of my shares in the above companies are \$450,000 plus accrued distributions of \$22,725 and \$271,500 plus accrued distributions of \$13,710.75 respectively up to June 14, 2014.
- 6) I attach as Exhibit "A" copies of the share certificates related to those investments.
- 7) I am the legal and rightful owner of the above described shares and as such I confirm the information set out above is accurate.
- 8) I understand that my right to monies comes before the rights of the common shareholders in the Walton properties.
- 9) I understand that the Front Street property owned by Front Church Properties Limited has been sold and there are insufficient monies available to satisfy payments to preferred shareholders.
- 10) I have always been assured by the Waltons that they would personally honour any payments to me related to my investments. As such, I have agreed that the monies due to me from Front Church Properties Limited and Cecil Lighthouse Ltd., can be paid from the proceeds of sale from other Walton properties.
- 11) My address is 142 Victoria Street, Newmarket, ON L3Y 4C8.
- 12) I make this affidavit in support of obtaining repayment of the monies set out above and for no improper purpose.
- 13) I strongly oppose a Receiver being appointed over any of the Walton properties. I want the Waltons to be able to sell their properties. Given their real estate expertise, I am confident they'll garner from the properties maximum value to increase the amount of money available to pay me back.

SWORN before me at the City of Toronto, in)
the Province of Ontario, this ¹⁰ day of June,)
2014.)



A Commissioner for Taking Affidavits

Jacqueline Dawn McKinley, a Commissioner, etc.,
City of Toronto, for Walton Advocates,
Barristers and Solicitors.
Expires November 9, 2014.



Signature of Shareholder

No. P-3

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

121,500 Shares

CECIL LIGHTHOUSE LTD.

This is to Certify that Duncan Coopland
is the registered holder of one hundred and twenty one thousand five hundred (121,500) Preference Shares of
CECIL LIGHTHOUSE LTD.

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 7th day of October 2013
(year)

Norma Walton

NO PAR VALUE

1684

No. P-2

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

150,000 Shares

CECIL LIGHTHOUSE LTD.

This is to Certify that Duncan Cooiland
is the registered holder of one hundred and fifty thousand (150,000) Preference Shares of
CECIL LIGHTHOUSE LTD.

The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (i) the rights, privileges, restrictions and conditions attached to the said shares and to each class authorized to be issued and to each series insofar as the same have been fixed by the directors, and
- (ii) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series, if applicable.

LIEN ON SHARES. The Corporation has a lien on the shares represented by this Certificate for any debt of the shareholder to the Corporation.

RESTRICTIONS ON TRANSFER. There are restrictions on the right to transfer the shares represented by this Certificate.

IN WITNESS WHEREOF the Corporation has caused this Certificate to be signed by its duly authorized officers
this 15th day of April 2011
(year)

Norma Walton

NO PAR VALUE

DBDC SPADINA LTD., *et al.* - and - NORMA WALTON, *et al.*

Court File No. CV-13-10280-00CL

**ONTARIO SUPERIOR
COURT OF JUSTICE**

[COMMERCIAL LIST]

Proceeding commenced at:

TORONTO

**AFFIDAVIT OF
SHAREHOLDER**

NORMA WALTON
30 Hazelton Avenue
Toronto, Ontario M5R 2E2

Tel: (416) 489-9790 x103
Fax: (416) 489-9973
nwalton@roseandthistle.ca

Respondent

DBDC SPADINA LTD. et al.
Applicants

-and- NORMA WALTON et al.
Respondents

Court of Appeal File No. CV13-10280-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT TORONTO

MOTION RECORD
(Motion returnable November 16, 2017)

**LENCZNER SLAGHT ROYCE
SMITH GRIFFIN LLP**

Barristers
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130 Adelaide Street West
Toronto ON M5H 3P5

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Fax: (416) 865-3558

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Email: sroy@litigate.com

Christopher Yung (62082I)

Tel: (416) 865-2976

Fax: (416) 865-3730

Email: cyung@litigate.com

Lawyers for the Applicants