

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.**

Contents

I.	Introduction.....	1
A.	Purpose of this Report.....	1
B.	Terms of reference	1
C.	Proposed Distribution to Creditors	1
D.	Proposed conversion of Richmond Row shareholder debt to equity	2
E.	Proposed Interim Equity Distribution.....	3
F.	Hidden Gem Development Inc. (“Hidden Gem”).....	5
G.	Lesliebrook Holdings Ltd. (“Lesliebrook”).....	7
H.	Liberty Village Properties Ltd. (“Liberty Village”)	8
I.	Royal Agincourt Corporation (“RAC”)	9
a.	September 9, 2011 Deposit	9
b.	October 12, 2011 Deposit	10
c.	November 9, 2011 Deposit	11
J.	Royal Gate Holdings Ltd. (“Royal Gate”).....	11
K.	Tisdale Mews Inc. (“Tisdale”).....	13
L.	Skyway Holdings Ltd (“Skyway”)	14
M.	Richmond Row Holdings Ltd. (“Richmond Row”).....	15
II.	Final Equity Distribution from Donalda Developments Ltd. (“Donalda”).....	16
III.	Conclusions and Recommendations	17

I. Introduction

1. This is the Second Supplemental Report to the 22nd Report of Schonfeld Inc. (the “**Manager**”) in its capacity as Manager of certain companies listed at Schedule “B” to the Order of Justice Newbould dated November 5, 2013 (the “**Companies**”)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.

A. Purpose of this Report

2. The purpose of this Supplemental Report is to provide further information relevant to the Manager’s motion as described in the 22nd Report.

B. Terms of reference

3. 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.

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

C. Proposed Distribution to Creditors

5. In the 22nd Report, the Manager recommended distributions to creditors having approved claims against certain Companies. The Manager has completed two further claims processes and is now in a position to recommend a further distribution to creditors having approved claims against Skyway Holdings Ltd. (“**Skyway**”) and Richmond Row Holdings Ltd. (“**Richmond**

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.

Row”). The approved claims in respect of Skyway and Richmond Row are listed in Appendix A.

6. The Manager is holding sufficient proceeds in trust to pay all of Skyway’s creditors in full. Payment to creditors of Richmond Row is complicated by the fact that Richmond Row’s books and records show an outstanding shareholder loan from the Applicants (collectively, **“Bernstein”**). Pursuant to the Claims Procedure Order, Bernstein’s claims are outside the scope of the Manager’s claims process. However, if Bernstein’s shareholder loan to Richmond Row is entitled to rank *pari passu* with the other creditors of Richmond Row then each creditor will not recover the full value of its approved claim. As discussed below, the Manager recommends that this issue be addressed by converting Bernstein’s shareholder loan into shares of Richmond Row.

D. Proposed conversion of Richmond Row shareholder debt to equity

7. As noted above, the agreement between Bernstein and the Respondents (collectively, the **“Waltons”**) in respect of Richmond Row provided that Bernstein and the Waltons would provide funding in the form of shareholder loans. Bernstein advanced a total of \$3,849,900 to Richmond Row in accordance with this agreement. The Manager has accepted a further \$143,111.27 worth of claims from other creditors.

8. Bernstein has asked that their shareholder loan to Richmond Row be converted into equity. For the reasons described below, the Manager is of the view that Bernstein’s request will benefit all stakeholders and should be granted.

9. The Manager’s primary reason for supporting the debt to equity conversion proposed by Bernstein’s request is that it will permit the payment in full of all of the claims that have been proven in respect of Richmond Row. If all other creditors are paid in full and the balance of the sale proceeds are paid as an equity distribution then Bernstein’s recovery will be decreased but, if shares in Richmond Row are re-distributed in accordance with Bernstein’s and the Waltons’ financial contributions in accordance with the August 12 Order then Bernstein may be able to use the tax losses suffered by Richmond Row to offset other income.³ Thus, both Bernstein and

³ The Manager has not investigated how such losses will be treated by the CRA, but Bernstein is of the view that the proposed conversion will have beneficial tax consequences.

other creditors will benefit from the proposed conversion. The Manager is not aware of any stakeholder that will be adversely affected by that conversion.

E. Proposed Interim Equity Distribution

10. As noted in the 22nd Report, and further described in the Supplemental Report, the Manager has recommended a distribution from seven Schedule “B” Companies (the “**Interim Distribution Companies**”). Each of these Companies owned a Property that was sold for an amount that was greater than the amount found to be owed to mortgagee(s), secured creditors and unsecured creditors. Accordingly, the Manager has recommended an interim equity distribution to the shareholders of each of the Interim Distribution Companies.

11. Each of the Companies is governed by an agreement (each, an “**Agreement**”) between Bernstein and the Waltons. 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 to 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 below.

12. The Manager began its assessment of the Waltons’ contributions by reviewing the books and records of the Interim Distribution Companies to identify either expenses borne on behalf of, or equity contributions to, the Interim Distribution Companies by the Waltons or Rose & Thistle Group Ltd. (“**Rose & Thistle**”). Most or all of the Waltons’ 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, which is summarized in the chart below, 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 Bernstein. In other words, if Rose & Thistle paid a deposit for a Property, the deposit was treated as a Recorded Contribution unless Bernstein provided the funds for that deposit directly to Rose & Thistle. In addition, the Recorded Contributions are net of shareholder distributions. These distributions were accounted for as “return of capital” and the Manager has, for the purpose of its analysis, assumed that each dollar “returned” to a shareholder reduced the number of shares owned by the shareholder by \$1.

Company	DBDC Contribution	DBDC Percent	Recorded Contribution⁴	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.

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.

16. The tracing analysis described below also must be understood in the context of the findings of Justice Brown in his August 12 Reasons at paragraph 39 as follows:

- (a) The Waltons directed the transfer of \$23.6 million (net) from the Schedule "B" Company Accounts to a bank account belonging to Rose & Thistle during the period from October 2010 to October 2013;
- (b) During the same period, the Waltons directed transfers of \$25.4 million (net) from the Rose & Thistle Account to companies that they owned without Bernstein– the Schedule "C" Companies; and,
- (c) In almost all cases, some or all of the amounts advanced to the Schedule "B" Companies by Bernstein were transferred almost immediately to the Rose & Thistle Account.

17. Since funds provided by Bernstein 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.

F. Hidden Gem Development Inc. ("Hidden Gem")

Company	DBDC Contribution	DBDC Percent	Recorded Contribution	Walton Percentage
Hidden Gem Development Inc.	1,166,150.00	93.8%	77,600.00	6.2%

18. The Recorded Contributions of \$77,600 to Hidden Gem are comprised of certain deposits paid from the Rose & Thistle Account in respect of the Property owned by Hidden Gem (\$200,000), less the funds provided by Bernstein to Rose & Thistle to fund these deposits (\$122,500).

19. According to the Agreement dated January 11, 2012 between Bernstein and the Waltons, the Waltons and Bernstein had each provided \$122,500 (total \$245,000) to cover due diligence costs and deposits associated with the purchase of the Hidden Gem Property. This is not consistent with Hidden Gem's books and records, which shows only \$200,000 worth of deposits.

20. Moreover, as described below, some or all of the Recorded Contributions appear to have been funded by equity contributions by Bernstein to Hidden Gem and other Companies which were transferred to Rose & Thistle and then used to fund the deposits described above.

21. On December 29, 2011, a cheque in the amount of \$50,000 was issued from the Rose & Thistle Account to Metropolitan Commercial Realty. The opening balance in the Rose & Thistle Account on December 29, 2011 was \$44,229. An amount of \$187,500 was deposited to the account from the following:

368230 Ontario Limited equity advance for Ascalon Lands Ltd. ("Ascalon")	\$65,000	
368230 Ontario Limited equity advance for Hidden Gem	122,500	(1/2 of \$245,000)
	<u>\$187,500</u>	

22. Therefore, the \$50,000 cheque to Metropolitan Commercial Realty was partially or completely funded by equity funds advanced by Bernstein for Ascalon and Hidden Gem.

23. On January 31, 2012, a cheque in the amount of \$150,000 was issued from the account of Hidden Gem payable to Metropolitan Commercial Realty. The cheque was funded by a transfer into the Hidden Gem account on January 30, 2012 in the amount of \$150,000 from the Rose & Thistle Account.

24. The opening balance in the Rose & Thistle Account on January 30, 2012 was \$5,613. A transfer in the amount of \$285,100 was deposited from Ascalon, which was sourced from an equity advance from Bernstein to Ascalon on January 25, 2012. Therefore, the \$150,000 cheque to Metropolitan Commercial Realty was funded by equity funds advanced by Bernstein to Ascalon which were transferred to Rose & Thistle.

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.

H. Liberty Village Properties Ltd. ("Liberty Village")

Company	DBDC Contribution	DBDC Percent	Recorded Contribution	Walton Percentage
Liberty Village Properties Ltd.	1,980,059.00	97.5%	50,100.00	2.5%

29. According to the agreement between Bernstein and the Waltons dated August 19, 2011 with respect to Liberty Village Properties Ltd. (the "**Agreement**"), the Waltons provided the original deposit and Bernstein reimbursed the Waltons such that each party had provided 1/2 of the \$300,000 deposit to purchase the property which amount was to form part of the equity contribution. According to the Statement of Adjustments with respect to the purchase of this Property, attached as Appendix C, Liberty Village only paid deposits totalling \$200,000. In other words, the Agreement overstated the deposits paid by Walton by \$100,000.

30. Liberty Village's books and records shows Recorded Contributions totalling \$50,000. These contributions represent the Waltons' share of a deposit cheque written from the Rose & Thistle Account dated December 24, 2010.

31. A cheque was issued from Rose & Thistle dated December 24, 2010 in the amount of \$100,000 payable to Borden Ladner Gervais for deposit on the Liberty Village property. The opening balance in the Rose & Thistle Account on December 24, 2010 was \$66,017.35. The following transfers of funds into the account occurred:

From N. Walton	\$44,500
From Front Church	11,200
From Urban Amish	5,200

32. Thus, the Recorded Contribution of \$50,000 appears to be funded by Schedule "C" Companies and from Norma Walton's personal account. However, as noted above, given the consistent pattern of net transfers from the Schedule "B" Companies to the Schedule "C" Companies, it is not possible to determine the ultimate source of these funds.

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
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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
	<hr/>
	\$1,315,700
	<hr/>

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>

Schedule C

Handy Home	8,750
MTCC	1,950
Urban Amish	5,300
Cecil Lighthouse	1,200
Total	<u>17,200</u>

57. Therefore, the \$50,000 cheque from Rose & Thistle to Avison Young was mainly funded by transfers into the account from Schedule B Companies. The Manager has not identified any further contributions from the Waltons in respect of Skyway.

58. On January 11, 2013, an amount of \$100,000 from Bernstein was deposited to Skyway and used to fund a cheque in the amount of \$50,000 payable to Avison Young for deposit on Skyway.

M. Richmond Row

59. According to the Agreement between Bernstein and the Waltons dated June 27, 2013, Bernstein had provided \$650,000 to cover deposit costs, mortgage fees and due diligence expenses to purchase the property as a shareholder loan. Bernstein was to provide on June 27, 2013 a further shareholder loan of \$3,200,000 and a remaining shareholder loan of \$1,970,388 once a commercial tenant has been secured or building renovations begin. Walton was to provide the sum of \$5,820,388 in shareholders loans thereafter as the project required.

60. According to the Statement of Adjustments, there was a first deposit made in the amount of \$100,000. On April 15, 2013 a cheque in the amount of \$100,000 from Rose & Thistle paid to Morcap Corporation Brokerage cleared the Rose & Thistle Account. The opening balance in the Rose & Thistle Account on April 15, 2013 was \$2,437. The account was funded by the following transfers:

Schedule B Companies

Dewhurst (from Bernstein equity investment)	\$641,500
Eddystone (from Bernstein equity investment)	866,700
Wynford	2,950
Donalda	<u>8,400</u>

Total	<u>1,519,500</u>
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Schedule C Companies

Cedar Street	2,100
Handy Home	<u>8,300</u>
Total	<u>10,400</u>

61. Therefore, the \$100,000 payment to Morcap was mainly funded by transfers from Schedule B companies, the largest amounts being from Bernstein equity investments in Dewhurst and Eddystone.

62. There were no further Recorded Contributions from the Waltons in respect of Richmond Row.

II. Final Equity Distribution from Donalda Developments Ltd. ("Donalda")

Company	DBDC Contribution	DBDC Percent	Recorded Contribution	Walton Percentage
Donalda Developments Ltd.	13,308,000.00	100.0%	100.00	0.0%

63. Pursuant to the Order of Justice Newbould dated December 17, 2014, the Manager made an interim equity distribution of \$1,850,000 to Bernstein from Dupont.

64. The Manager retained funds totalling \$1.235 million from Donalda to satisfy Donalda's potential future obligations, including its potential corporate tax obligations. Bernstein is now the sole shareholders of Donalda and the Manager has been discharged from any responsibilities in respect of Donalda. Accordingly, Bernstein will assume responsibility for the preparation and filing of Donalda's corporate tax returns.

65. In light of the foregoing, the Manager recommends that the balance of the funds held by the Manager be distributed to Bernstein.

III. Conclusions and Recommendations

66. For the reasons set out in this Report, the Manager respectfully recommends granting the relief sought in its Notice of Motion.

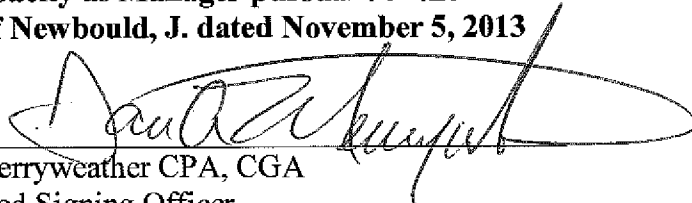
All of which is respectfully submitted this 7th day of January, 2015.

SCHONFELD INC.

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

Per:

James Merryweather CPA, CGA
Authorized Signing Officer

A handwritten signature in dark ink, appearing to read 'James Merryweather', is written over a horizontal line. The signature is stylized with a large, sweeping loop at the end.

SCHEDULE "A" COMPANIES

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

SCHEDULE "B" COMPANIES

1. Twin Dragons Corporation
2. Bannockburn Lands Inc. / Skyline – 1185 Eglinton Avenue Inc.
3. Wynford Professional Centre Ltd.
4. Liberty Village Properties Inc.
5. Liberty Village Lands Inc.
6. Riverdale Mansion Ltd.
7. Royal Agincourt Corp.
8. Hidden Gem Development Inc.
9. Ascalon Lands Ltd.
10. Tisdale Mews Inc.
11. Lesliebrook Holdings Ltd.
12. Lesliebrook Lands Ltd.
13. Fraser Properties Corp.
14. Fraser Lands Ltd.
15. Queen's Corner Corp.
16. Northern Dancer Lands Ltd.
17. Dupont Developments Ltd.
18. Red Door Developments Inc. and Red Door Lands Ltd.
19. Global Mills Inc.
20. Donalda Developments Ltd.
21. Salmon River Properties Ltd.
22. Cityview Industrial Ltd.
23. Weston Lands Ltd.
24. Double Rose Developments Ltd.
25. Skyway Holdings Ltd.
26. West Mall Holdings Ltd.
27. Royal Gate Holdings Ltd.
28. Dewhurst Development Ltd.
29. Eddystone Place Inc.
30. Richmond Row Holdings Ltd.
31. El-Ad Limited
32. 165 Bathurst Inc.

SCHEDULE "C" PROPERTIES

1. 3270 American Drive, Mississauga, Ontario
2. 0 Luttrell Ave., Toronto, Ontario
3. 2 Kelvin Avenue, Toronto, Ontario
4. 346 Jarvis Street, Suites A, B, C, E and F, Toronto, Ontario
5. 1 William Morgan Drive, Toronto, Ontario
6. 324 Prince Edward Drive, Toronto, Ontario
7. 24 Cecil Street, Toronto, Ontario
8. 30 and 30A Hazelton Avenue, Toronto, Ontario
9. 777 St. Clarens Avenue, Toronto, Ontario
10. 252 Carlton Street and 478 Parliament Street, Toronto, Ontario
11. 66 Gerrard Street East, Toronto, Ontario
12. 2454 Bayview Avenue, Toronto, Ontario
13. 319-321 Carlaw, Toronto, Ontario
14. 260 Emerson Ave., Toronto, Ontario
15. 44 Park Lane Circle, Toronto, Ontario
16. 19 Tennis Crescent, Toronto, Ontario
17. 646 Broadview, Toronto, Ontario

A

Schedule B Companies
Claims Process Detail by Company

Company	Creditor	Filed by Creditor				Manager Assessment					
		Deemed Trust	Secured	Unsecured		Accepted			Disallowed		
						Deemed Trust	Secured	Unsecured	Deemed Trust	Secured	Unsecured
Richmond Row Holdings	Canada Revenue Agency	13,563.27		539.97		13,563.27		539.97			
	Colliers International			81,925.00				81,925.00			
	David Colman			565.00				565.00			
	Gluck Partnership Architects Inc.			1,318.03				1,318.03			
	Metropolitan Commercial Realty			45,200.00				45,200.00			
TOTAL		13,563.27	0.00	129,548.00		13,563.27	0.00	129,548.00	0.00	0.00	0.00
Skyway Holdings Ltd.	Canada Revenue Agency	19,354.65		770.51		19,354.65		770.51			
	Cole Engineering Group Ltd.			3,243.11				3,243.11			
	Laser Heating & A/C Inc.		1,413.62						1,413.62		
	MHBC Planning		10,173.54	6,106.15					2,034.71		3,596.82
TOTAL		19,354.65	11,587.16	10,119.77		19,354.65	8,138.83	6,522.95	0.00	3,448.33	3,596.82

B

Certificate No. P-9
For 100,000 Shares
Issued to
1607544 Ontario Inc.
Dated June 15, 2012
(year)

**PREFERENCE
SHARE
CERTIFICATE**

From whom transferred

Received Certificate No. _____
for _____ Shares

this _____ day of _____
(year)

Dated _____
No. Original Certificate _____
(year)

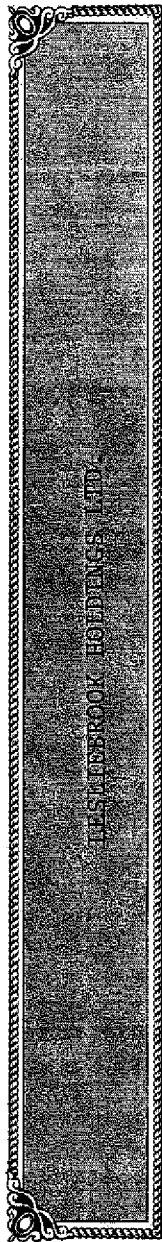
No. Original Shares _____

No. of Shares Transferred _____

No. P-9

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares



This is to Certify that 1607544 Ontario Inc. is the registered holder of one hundred thousand (100,000) Preference Shares of
LESLIEBROOK HOLDINGS 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.

ON THE 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 June 2012
(year)

Norma Walton

NO PAR VALUE

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

Please cancel all of them effective April 15, 2012 and re-issue out of Rose and Thistle, thanks

From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

From: Mario Bucci
Sent: Thursday, May 30, 2013 12:26 PM
To: Tom Trklja
Cc: Norma Walton
Subject: Lesliebrook Holdings Ltd.
Importance: High

Hi Tom,

Please cancel all preference shares in Lesliebrook Holdings Ltd. and re-issue in The Rose And Thistle Group Ltd. or as otherwise directed by Norma.

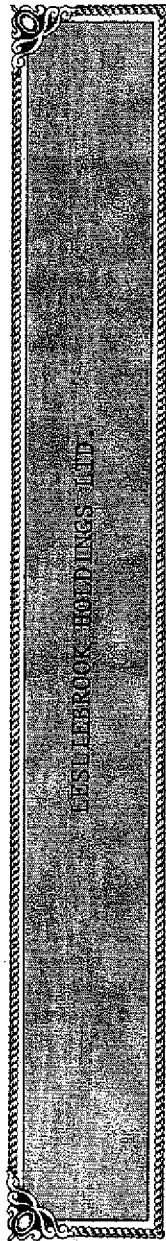
Best regards,

Mario

No. P-2

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares



This is to Certify that 1607544 Ontario Inc.

is the registered holder of one hundred thousand (100,000) Preference Shares of
LESLIEBROOK HOLDINGS 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

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

Please cancel all of them effective April 15, 2012 and re-issue out of Rose and Thistle, thanks

From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

From: Mario Bucci
Sent: Thursday, May 30, 2013 12:26 PM
To: Tom Trklja
Cc: Norma Walton
Subject: Lesliebrook Holdings Ltd.
Importance: High

Hi Tom,

Please cancel all preference shares in Lesliebrook Holdings Ltd. and re-issue in The Rose And Thistle Group Ltd. or as otherwise directed by Norma.

Best regards,

Mario

No. P-4

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares



This is to Certify that 1788371 Ontario, Inc.

is the registered holder of one hundred thousand (100,000) Preference Shares of
LESLIEBROOK HOLDINGS 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

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

Please cancel all of them effective April 15, 2012 and re-issue out of Rose and Thistle, thanks

From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

From: Mario Bucci
Sent: Thursday, May 30, 2013 12:26 PM
To: Tom Trklja
Cc: Norma Walton
Subject: Lesliebrook Holdings Ltd.
Importance: High

Hi Tom,

Please cancel all preference shares in Lesliebrook Holdings Ltd. and re-issue in The Rose And Thistle Group Ltd. or as otherwise directed by Norma.

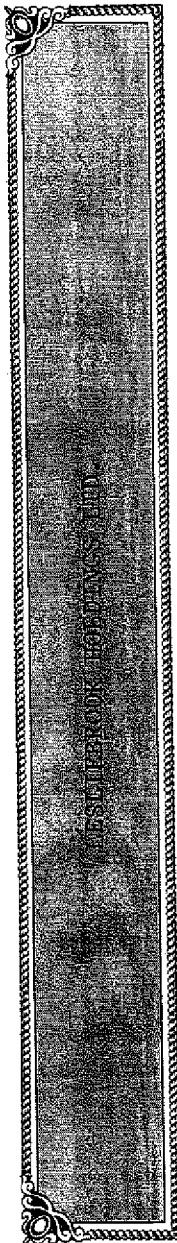
Best regards,

Mario

No. P-5

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

150,000 Shares



This is to Certify that Ange Boudle

is the registered holder of one hundred and fifty thousand (150,000) Preference Shares of
LESLIEBROOK HOLDINGS 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

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

Please cancel all of them effective April 15, 2012 and re-issue out of Rose and Thistle, thanks

From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

From: Mario Bucci
Sent: Thursday, May 30, 2013 12:26 PM
To: Tom Trklja
Cc: Norma Walton
Subject: Lesliebrook Holdings Ltd.
Importance: High

Hi Tom,

Please cancel all preference shares in Lesliebrook Holdings Ltd. and re-issue in The Rose And Thistle Group Ltd. or as otherwise directed by Norma.

Best regards,

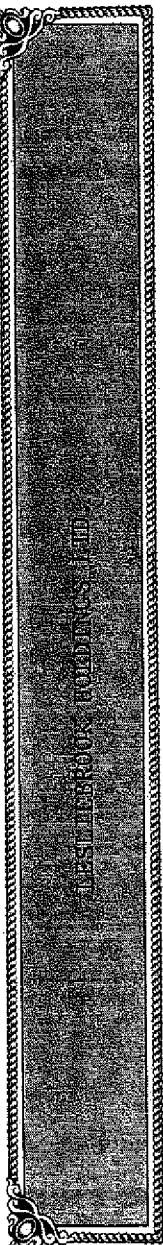
Mario

Certificate No. P-10 Issued to Christine De Jong Medicine
For 500,000 Shares
Received Certificate No. _____
for _____ Shares
this _____ day of _____
(year) _____

From whom transferred _____
Dated _____ (year) _____
No. Original Certificate _____
No. Original Shares _____
No. of Shares Transferred _____

**PREFERENCE
SHARE
CERTIFICATE**

No. P-10 INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO 500,000 Shares



This is to Certify that Christine De Jong Medicine Professional Corporation is the registered holder of five hundred thousand (500,000) Preference Shares of LESLIEBROOK HOLDINGS 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 30th day of June 2012 (year)

Norma Walton

NO PAR VALUE

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

Please cancel all of them effective April 15, 2012 and re-issue out of Rose and Thistle, thanks

From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

From: Mario Bucci
Sent: Thursday, May 30, 2013 12:26 PM
To: Tom Trklja
Cc: Norma Walton
Subject: Lesliebrook Holdings Ltd.
Importance: High

Hi Tom,

Please cancel all preference shares in Lesliebrook Holdings Ltd. and re-issue in The Rose And Thistle Group Ltd. or as otherwise directed by Norma.

Best regards,

Mario

No. _____ P-6 _____

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares



This is to Certify that Dian Cohen is the registered holder of one hundred thousand (100,000) Preference Shares of LESLIEBROOK HOLDINGS 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 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 _____ 19th _____ day of _____ April _____ 2012 (year)

Norma Walton

NO PAR VALUE

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

Please cancel all of them effective April 15, 2012 and re-issue out of Rose and Thistle, thanks

From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

From: Mario Bucci
Sent: Thursday, May 30, 2013 12:26 PM
To: Tom Trklja
Cc: Norma Walton
Subject: Lesliebrook Holdings Ltd.
Importance: High

Hi Tom,

Please cancel all preference shares in Lesliebrook Holdings Ltd. and re-issue in The Rose And Thistle Group Ltd. or as otherwise directed by Norma.

Best regards,

Mario

Dagg, Linda

From: Dagg, Linda
Sent: Wednesday, January 07, 2015 3:39 PM
To: "Renewals (Wolff, Bregman & Goller)"; Rachel T, Ph.D. (r.teitelbaum@wbopat.co.il)
Cc: Clarizio, Dino
Subject: RE: Your Ref: 13-0117 - Our Ref: 169986 RT (134763) - Israeli Patent No. 169986 - "Adhesive Preparation Containing Fentanyl"

Dear Ms. Balack,

We confirm that payment of the third renewal of the above-noted patent is due before July 31, 2015.
Would you please advise of the cost of renewal, including your fee and the government fee.
We look forward to hearing from you.

Regards,

Linda Dagg

Linda Dagg
Law Clerk
Goodmans LLP

416.597-4248

ldagg@goodmans.ca

Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7
goodmans.ca

From: Renewals (Wolff, Bregman & Goller) [mailto:renewals@wbopat.co.il]
Sent: Thursday, December 19, 2013 4:02 AM

To: Dagg, Linda
Cc: Clarizio, Dino
Subject: RE: Your Ref: 13-0117 - Our Ref: 169986 RT (134763) - Israeli Patent No. 169986 - "Adhesive Preparation Containing Fentanyl"

Dear Ms. Dagg,

Thank you for your email below. In that regard, we confirm that the next event for this patent is for the payment of the third renewal (1st-14th annuities), which is due before **July 31, 2015**.

We will send you our usual renewal reminder three (3) months before the due date.

Thank you for your kind cooperation.

Kindest regards,
Linda Dagg

Renewals
WOLFF, BREGMAN & COLLIER
P.O. Box 1352 Jerusalem 91013, ISRAEL
Tel: +972-2-624-2255
Fax: +972-2-624-2266
E-mail: renewals@wbpat.co.il

From: Dag, Linda [<mailto:ldag@goodmans.ca>]
Sent: December 11, 2013 4:07 PM
To: Rachel T, Ph.D.; Wolff, Bregman & Collier
Cc: Clarizio, Dino
Subject: RE: Your Ref: 13-0117 - Our Ref: 169986 RT (134763) - Israeli Patent No. 169986 - "Adhesive Preparation Containing Fentanyl"

Dear Dr. Teitelbaum,

We acknowledge receipt of and thank you for your report. We are providing your invoice to our client for payment.

Would you please confirm that the next event with respect to this Patent is payment of the renewal fee with a due date of July 31, 2015.

Linda Dag

Linda Dag
Law Clerk
Goodmans LLP
416.597-4248
ldag@goodmans.ca

Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7
goodmans.ca

From: Rachel T, Ph.D. [<mailto:r.teitelbaum@wbpat.co.il>]
Sent: Wednesday, December 11, 2013 7:08 AM
To: Clarizio, Dino
Cc: Dag, Linda; Josephs, Angela
Subject: Your Ref: 13-0117 - Our Ref: 169986 RT (134763) - Israeli Patent No. 169986 - "Adhesive Preparation Containing Fentanyl"

Dear Dr. Clarizio,

Attached please find correspondence in connection with the above-referenced Patent and we apologize for the delay in sending this report.

Please confirm receipt of this communication.

*** On all correspondence with our firm by email, please use both the personal and main email addresses listed below. Please note that the former address wbpat@netvision.net.il is no longer operational and we ask that you update your records accordingly.

With best wishes and regards,

Michal Berger for
Rachel Teitelbaum, Ph.D.

Wolff, Bregman and Goller
Jerusalem Technology Park,
Building 98, Malcha, Jerusalem 96951
Phone: 972-2-624-2255
Mobile: 972-52-871-5250
Fax: 972-2-624-2266
E mail : r.feitelbaum@wbqpat.co.il
Main Email: mail@wbqpat.co.il

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***** Attention *****

This communication is intended solely for the named addressee(s) and may contain information that is privileged, confidential, protected or otherwise exempt from disclosure. No waiver of confidence, privilege, protection or otherwise is made. If you are not the intended recipient of this communication, please advise us immediately and delete this email without reading, copying or forwarding it to anyone.

Certificate No. P-8
For 200,000 Shares

Issued to

Gideon and Irene Levytam as joint
tenants with right of survivorship

Dated June 15, 2012
(year)

From whom transferred

Received Certificate No. _____
for _____ Shares

Dated _____

this _____ day of _____

No. Original Certificate _____ (year)

No. Original Shares _____

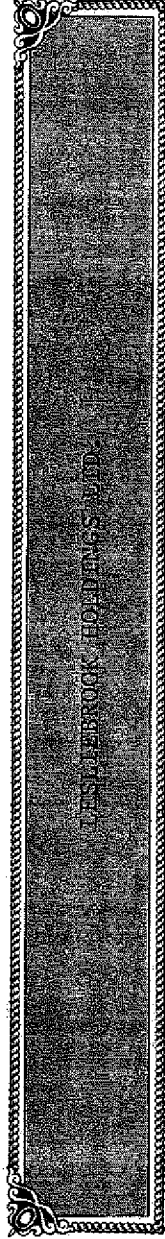
No. of Shares Transferred _____

**PREFERENCE
SHARE
CERTIFICATE**

No. P-8

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

200,000 Shares



This is to Certify that Gideon and Irene Levytam as joint tenants with right of survivorship
is the registered holder of two hundred thousand (200,000) Preference Shares of
LESLIEBROOK HOLDINGS 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. This 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 _____ June _____ 2012
(year)

Norma Walton

NO PAR VALUE

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

Please cancel all of them effective April 15, 2012 and re-issue out of Rose and Thistle, thanks

From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

From: Mario Bucci
Sent: Thursday, May 30, 2013 12:26 PM
To: Tom Trklja
Cc: Norma Walton
Subject: Lesliebrook Holdings Ltd.
Importance: High

Hi Tom,

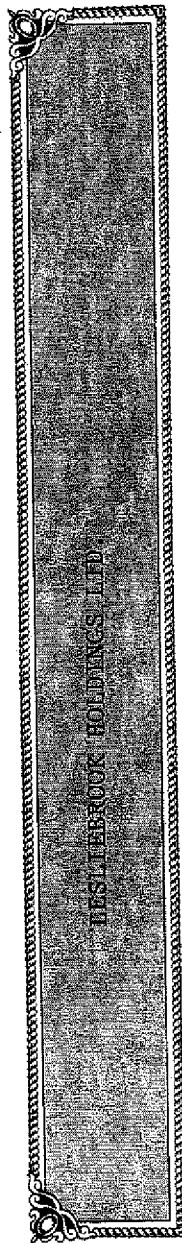
Please cancel all preference shares in Lesliebrook Holdings Ltd. and re-issue in The Rose And Thistle Group Ltd. or as otherwise directed by Norma.

Best regards,

Mario

No. _____ P-1 _____ 200,000 Shares

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO



This is to Certify that Ormsby Investments Limited is the registered holder of two hundred thousand (200,000) Preference Shares of LESLIEBROOK HOLDINGS 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

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

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From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

From: Mario Bucci
Sent: Thursday, May 30, 2013 12:26 PM
To: Tom Trklja
Cc: Norma Walton
Subject: Lesliebrook Holdings Ltd.
Importance: High

Hi Tom,

Please cancel all preference shares in Lesliebrook Holdings Ltd. and re-issue in The Rose And Thistle Group Ltd. or as otherwise directed by Norma.

Best regards,

Mario

Certificate No. P-7

For 100,000 Shares

Issued to

Stockton & Bush Holdings Ltd.

PREFERENCE

SHARE

CERTIFICATE

Dated June 15, 2012

(year)

From whom transferred

Received Certificate No. _____

for _____ Shares

this _____ day of _____

(year)

Dated _____

(year)

No. Original Certificate _____

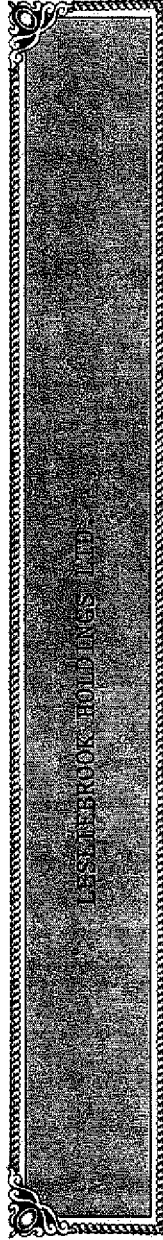
No. Original Shares _____

No. of Shares Transferred _____

No. P-7

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares



This is to Certify that Stockton & Bush Holdings Ltd.

is the registered holder of one hundred thousand (100,000)

LESLIEBROOK HOLDINGS LTD.

Preference Shares of

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 _____ day of _____

June 15th 2012

(year)

Norma Walton

NO PAR VALUE

Tom Trklja

From: Norma Walton
Sent: Wednesday, June 06, 2012 12:07 PM
To: Tom Trklja
Subject: Lesliebrook Holdings Ltd.

Dear Tom,

Happy Birthday again!

Could you please prepare the following share certificates:

1. To Stockton & Bush Holdings Ltd., the sum of 100,000 preferred shares as of June 15, 2012;
2. To Gideon and Irene Levytam, the sum of 200,000 preferred shares as of June 15, 2012;
3. To 1607544 Ontario Inc., the sum of 200,000 preferred shares as of June 15, 2012; and
4. To Christine De Jong Medicine Professional Corporation, the sum of 500,000 preferred shares as of June 30, 2012.

Bring to me to sign and distribute.

100,000
100,000 Already issued on June 15

Also please confirm we have already issued the following share certificates:

1. To Ormsby Investments Limited, 200,000;
2. To Ange Boudle, 150,000;
3. To 1788371 Ontario Inc., 100,000;
4. To Joseph and Teresa Memme, 100,000; and
5. To Dian Cohen, 100,000.

Thanks,
Norma

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

Please cancel all of them effective April 15, 2012 and re-issue out of Rose and Thistle, thanks

From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

From: Mario Bucci
Sent: Thursday, May 30, 2013 12:26 PM
To: Tom Trklja
Cc: Norma Walton
Subject: Lesliebrook Holdings Ltd.
Importance: High

Hi Tom,

Please cancel all preference shares in Lesliebrook Holdings Ltd. and re-issue in The Rose And Thistle Group Ltd. or as otherwise directed by Norma.

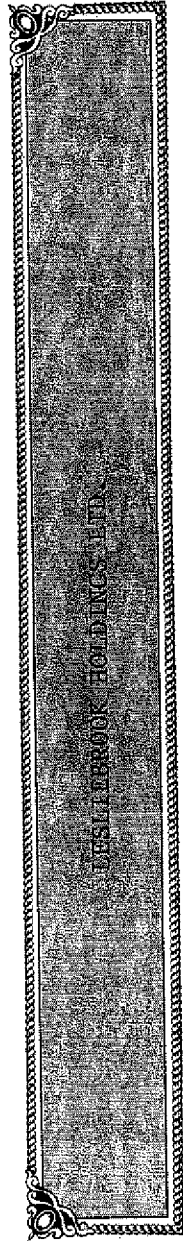
Best regards,

Mario

No. P-3

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares



This is to Certify that Teresa and Joseph Mamma as joint tenants with right of survivorship is the registered holder of one hundred thousand (100,000) Preference Shares of LESLIEBROOK HOLDINGS 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

Tom Trklja

From: Norma Walton
Sent: Friday, May 31, 2013 3:33 PM
To: Tom Trklja
Cc: Mario Bucci
Subject: RE: Lesliebrook Holdings Ltd.

Please cancel all of them effective April 15, 2012 and re-issue out of Rose and Thistle, thanks

From: Tom Trklja
Sent: Thursday, May 30, 2013 12:34 PM
To: Norma Walton
Cc: Mario Bucci
Subject: FW: Lesliebrook Holdings Ltd.
Importance: High

Hi Norma,

Please advise what do you want me to do.

The following are preferred shareholders of Lesliebrook Holdings Ltd. (1131A Leslie):

P-1	Ormsby Investments Limited	200,000 Preferred	April 15, 2012
P-2	1607544 Ontario Inc.	100,000 Preferred	April 15, 2012
P-3	Teresa and Joseph Memme*	100,000 Preferred	April 15, 2012
P-4	1788371 Ontario Inc.	100,000 Preferred	April 15, 2012
P-5	Ange Boudle	150,000 Preferred	April 15, 2012
P-6	Dian Cohen	100,000 Preferred	April 19, 2012
P-7	Stockton & Bush Holdings Ltd.	100,000 Preferred	June 15, 2012
P-8	Gideon and Irene Levytam*	200,000 Preferred	June 15, 2012
P-9	1607544 Ontario Inc.	100,000 Preferred	June 15, 2012
P-10	Christine De Jong Medicine Professional Corporation**	500,000 Preferred	June 30, 2012

* joint tenants with right of survivorship

** Rolled in from 1659126 Ontario Inc. (2 Park Lane)

THANKS!

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

C

READJUSTED
STATEMENT OF ADJUSTMENTS

Nelvana Limited
sale to
Liberty Village Properties Inc./Liberty Village Lands Inc.

30/32 Atlantic Avenue and 47 Jefferson Avenue, Toronto, Ontario

Adjusted as of August 29, 2011

Sale Price: \$8,500,000.00

Deposit: \$100,000.00

Further Deposit: \$100,000.00

Realty Taxes:

Assessment No. 19-04-041-140-00270

30 Atlantic Avenue

Final 2011 Taxes are \$59,933.62

Vendor's share 240 days

@ \$164.20 per day = \$39,408.00

Vendor paid \$27,659.76

Allow Purchaser: \$11,748.24

Assessment No. 19-04-041-140-00250

32 Atlantic Avenue

Final 2011 Taxes are \$68,571.39

Vendor's share 240 days

@ \$187.87 per day = \$45,088.80

Vendor paid \$30,887.76

Allow Purchaser: \$14,201.04

Assessment No. 19-04-041-140-00050

47 Jefferson Avenue

Final 2011 Taxes are \$32,404.73

Vendor's share 240 days

@ \$88.78 per day = \$21,307.20

Vendor paid \$16,336.71

Allow Purchaser: \$4,970.49

REVISED BALANCE DUE ON CLOSING \$8,269,080.23

\$8,500,000.00

\$8,500,000.00

Balance Due Paid August 29, 2011 \$8,271,113.03

Revised Balance Due on Closing \$8,269,080.23

Adjusted Amount owing to Purchaser \$ 2,032.47

E. & O.E.

TOR01: 4708287: v2

D

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 REPORT OF THE MANAGER, SCHONFELD INC.

Contents

I.	Introduction.....	3
A.	Purpose of this Report.....	3
B.	Terms of reference	4
II.	Marketing of the Properties	5
B.	Properties not previously marketed	5
b.	Request for proposals.....	5
c.	Initial Listing Properties	7
d.	Expressions of interest in a portfolio sale	8
e.	Other Properties not yet marketed for sale	9
f.	Unsolicited offers.....	9
C.	Properties subject to pre-existing Agreements of Purchase and Sale.....	9
D.	Properties subject to listing agreements.....	10
b.	875/887 Queen Street.....	10
c.	1 & 20 Royal Gate	12
d.	1185 Eglinton Ave E.....	12
III.	Other Activities.....	12
A.	Bank accounts and cash management.....	12
B.	Property management	13
C.	Construction and development	14
D.	Communication with third party mortgagees	15
E.	Funding	17
F.	Overdue payables.....	18
b.	18 Wynford Dr	18
G.	Construction Liens	20
H.	Distribution of materials	21
I.	Incorrectly named companies	21

- 2 -

J.	Communications with Ms Walton	22
K.	Fees	22
IV.	Conclusions and Recommendations	22

I. Introduction

1. This is the Second Report of Schonfeld Inc. (the "Manager") in its capacity as Manager pursuant to the Order of Justice Newbould dated November 5, 2013 (the "November 5 Order"), a copy of which is attached as Appendix 1.

2. The Manager was appointed Manager of certain companies listed at Schedule "B" to the November 5 Order (the "Companies"), together with the real estate properties owned by the Companies (the "Properties"). The circumstances giving rise to the appointment of the Manager are described in the Endorsement of Justice Newbould dated November 5, 2013 (the "November 5 Endorsement") a copy of which is attached as Appendix 2.

A. Purpose of this Report

3. There are several motions returnable on Thursday January 16, 2014 in these proceedings (collectively, the "January 16 Motions"), including motions by certain mortgagees seeking to have the stay lifted and to be "carved out" from the November 5 Order, a motion by Ms Walton for permission to refinance certain properties not subject to the November 5 Order and a motion by the Manager for certain relief including:

- (a) approval of an arrangement negotiated between the Manager and the Applicants to provide funding for the Manager's fees and disbursements and the limited ongoing operation of the Companies generally comprised of mortgage, utilities and security costs and certain construction obligations;
- (b) an Order authorizing and directing the Manager to post pleadings, orders and other publicly filed information relating to this matter on its website;
- (c) an Order permitting persons claiming to be entitled to liens under the *Construction Lien Act*, R.S.O. 1990, c.C.30 to be exempted from the stay provisions of the November 5 Order solely to allow them to register claims for liens against the Properties and to issue and serve statements of claims to perfect and protect their alleged security interests;

- 4 -

- (d) an Order amending Schedule "B" to the November 5 Order to correct the names of certain Companies as they appear in Schedule "B";
- (e) an Order directing the Respondents to provide independent documentation confirming the balance of the Reserve Fund held by or on behalf of Metropolitan Toronto Condominium Corporation 1037 ("MTCC 1037") on or before January 20, 2014;
- (f) approval of the Manager's activities since its appointment as described below; and
- (g) approving the Manager's fees and those of its counsel, Goodmans LLP ("Goodmans").

4. The purpose of this Second Manager's Report is to provide information regarding these proceedings, report on the activities of the Manager and to provide certain recommendations relating to the January 16 Motions.

B. Terms of reference

5. 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, to the extent that this Report contains any financial information of Companies, the Manager has not audited, or otherwise attempted to independently verify the accuracy or completeness of this financial information. Accordingly, the Manager expresses no opinion or other form of assurance in respect of the financial information.

6. The Manager has not reviewed the validity of any claims asserted, or security registered, against the Companies. Nothing in this report constitutes recognition of the validity or priority of any such claim or registration. Similarly, the Manager has not assessed, and nothing in this report constitutes recognition of, any contractual obligation that is alleged to bind the Companies or the Properties.

II. Marketing of the Properties

7. The Companies own a diverse real estate portfolio comprised of industrial, residential and commercial revenue producing properties in various stages of planning, rezoning and development located throughout the GTA. These Properties fell into three very broad categories when the Manager was appointed:

- (a) twenty four (24) Properties had not been marketed for sale;
- (b) five Properties were the subject of existing Agreements of Purchase and Sale; and
- (c) three Properties were the subject of listing agreements with real estate brokers and in the process of being marketed for sale.

8. Since its appointment, the Manager has worked to secure and stabilize the Properties, evaluate the Properties, formulate a strategy for maximizing realization and implement that strategy. These efforts are described below.

A. Properties not previously marketed

9. The Properties that have not been exposed to the market include income-producing properties, partially tenanted properties and untenanted properties in the early stages of development.

a. Request for proposals

10. The Manager engaged N. Barry Lyons Consultants Limited ("NBLC"), a leading multi-disciplinary real estate consulting firm, to help assess the Properties, formulate a marketing strategy and assist with the assembly of due diligence materials. With the assistance of NBLC, the Manager decided to list the properties listed below (the "Initial Listing Properties"):

- (a) 241 Spadina Ave;
- (b) 18 Wynford Dr;
- (c) 32 Atlantic Ave;
- (d) 5770/5780 Highway #7 W;

- 6 -

- (e) 1131A Leslie St;
- (f) 1450 Don Mills Rd;
- (g) 1500 Don Mills Rd;
- (h) 295 The West Mall; and
- (i) 165 Bathurst St/620-624 Richmond St. W.

11. The Initial Listing Properties were selected because, in the Manager's judgment, they are in a state of development that will facilitate expeditious sales. Most due diligence materials are available and explicable and there are no significant impediments to sale for these properties. There were certain issues with other properties (including, for example, ongoing environmental remediation and ongoing municipal planning applications) that, in the Manager's judgment, required more time or consideration, relative to the Initial Listing Properties, before the commencement of active marketing could be properly undertaken.

12. The Manager prepared a Request for Proposals (the "RFP") dated December 5, 2013 to solicit listing proposals in respect of the Initial Listing Properties from the five largest brokerage firms in the GTA. The RFP, which is attached as Appendix 3, was sent to the following firms:

- (a) Avison Young;
- (b) Cushman & Wakefield;
- (c) Colliers;
- (d) DTZ Barnicke; and
- (e) CBRE Limited ("CBRE").

13. The Manager received responses to the RFP from each of these firms and scored each proposal based on team qualifications and experience, remuneration, marketing timeline and marketing approach.

14. CBRE achieved the highest score on the Manager's analysis. CBRE is a fortune 500 company and the world's largest commercial real estate services firm. The transaction team identified in CBRE's proposal has significant experience, including direct experience with two of the properties. Moreover, CBRE presented a well-thought out marketing plan that will, in the Manager's judgment, maximize realizations from the Initial Listing Properties.

15. The Manager provided its analysis, together with CBRE's response to the RFP, to the Applicants, Respondents and third party mortgagees with interests in the Initial Listing Properties and advised these parties of its intention to enter into a listing agreement with CBRE. Neither the Applicants nor the mortgagees objected to retaining CBRE.¹ The Manager is presently discussing the terms of a formal retainer with CBRE.

b. Initial Listing Properties

16. The Manager, in consultation with CBRE, has determined that, for marketing purposes, the Initial Listing Properties fall into three separate asset classes. Buyers will be encouraged to bid on individual assets or by class of assets, although in the latter case the offerer will be required to submit a property by property allocation of the offer price with its bid. The asset classes group together similar assets in order to facilitate a clear investment strategy for each asset class. The proposed asset classes are as follows:

- (a) **Downtown West Office:** this asset class is comprised of 32 Atlantic Avenue, 241 Spadina Avenue and 620-624 Richmond Street West. These are all brick and beam office assets located relatively close together west of downtown Toronto. Based on CBRE's advice, the Manager's judgment is that grouping these assets together for marketing purposes, while also encouraging individual bids, will maximize demand and realization;
- (b) **Suburban Office:** this asset class is comprised of 1450 Don Mills Rd, 1500 Don Mills Rd, 1131A Leslie St and 295 The West Mall. All of these properties except for 295 The West Mall (which is located in the Highway 427 Corridor) are located in the DVP South office node in Toronto. Since there are similar leasing

¹¹ Two mortgagees did raise concerns through counsel with respect to the sale process generally but did not object to the selection of CBRE. Ms Walton's motion for certain relief relating to the appointment of CBRE was denied.

- 8 -

and marketing dynamics and potential management synergies among these buildings, the Manager believes that grouping them together while also encouraging individual bids will maximize demand and realization. Although 18 Wynford Dr is in a similar location to some of the Companies' suburban office properties, the asset consists of certain units in a commercial condominium building which requires different considerations; and

- (c) **Industrial:** 5770-5780 Hwy 7 W is the only industrial asset among the Initial Listing Properties. The Manager, in consultation with CBRE, is of the view that sale of this asset will be maximized if it is principally marketed separately from the other Initial Listing Properties.

c. Expressions of interest in a portfolio sale

17. In her affidavit sworn January 5, 2014, Ms Walton expressed her belief that the value of the Properties would be maximized if they were sold together. For the reasons described above, CBRE has advised that taking the Initial Listing Properties to market in three separate offerings (and inviting bids on some or all of each asset class) will maximize demand. NBLC has also recommended against marketing the Properties as a single portfolio and certain mortgagees have specifically opposed a portfolio marketing campaign.

18. Based on the foregoing, the Manager has determined that it will not engage in an active marketing campaign or sales process designed to solicit *en bloc* offers.

19. The Manager does not, however, intend to foreclose the possibility of a portfolio sale. The purchasers that contacted Ms Walton are free to bid to purchase some or all of the Properties as part of any sale process.

20. The Manager notes that on January 6, 2014 counsel for one or more of the Respondents raised a concern that if the Manager retained CBRE as broker to sell the Initial Listed Properties, there would be a possibility of two commissions being payable – both to CBRE and to Colliers, the broker with whom Ms Walton had held discussions concerning a portfolio sale. Attached as Appendix 4 is a copy of an email from counsel to Colliers confirming to the Manager that Colliers views itself as acting for potential purchasers and, as such, is not looking to the Manager

- 9 -

for any commission and has dealt with its own clients on that basis. There is no impediment to Colliers' clients coming forward with a proposal to purchase any number of the Properties. To date, no such proposal has been received by the Manager.

21. Colliers' counsel also advised the Manager that Ms Walton had provided certain valuations prepared by Colliers' appraisers to the portfolio purchasers identified in her January 5, 2014 affidavit. Colliers' sales staff do not have access to these valuations and asked that the Manager grant permission for Colliers' valuation staff to share their work with its sales staff and clients. The Manager opposes such disclosure and is concerned that selective disclosure of potentially confidential information to some potential purchasers could have an adverse effect on the sales process.

d. Other Properties not yet marketed for sale

22. Apart from the Initial Listing Properties, 10 other Properties have not yet been formally exposed to the market. The Manager is presently discussing these Properties with the relevant stakeholders to determine when and how these Properties should be exposed to the market. The Manager expects these Properties to be listed as soon as possible.

e. Unsolicited offers

23. The Manager has received a number of unsolicited offers to purchase various Properties since its appointment. The Manager is of the view that, in order to fulfill its obligations, it is required to engage in an orderly marketing process where circumstances allow. The Manager has therefore advised most of the unsolicited offerors that the relevant Property will be brought to the market in the near future and that they will have an opportunity to resubmit their offers at that time. The Manager has, however, engaged in discussions with some unsolicited offerors after consulting with affected stakeholders in certain specific circumstances.

B. Properties subject to pre-existing Agreements of Purchase and Sale

24. When the Manager was appointed, five Companies had already entered into Agreements of Purchase and Sale (the "Existing APS"). The Applicants, Respondents and affected mortgagees have supported completion of the transactions contemplated by the Existing APS. Although none of these transactions are ready to close at this stage, the Manager hopes that one or more sales will be completed in the near future. The Manager will continue to keep all

affected stakeholders apprised of its progress in this regard and will provide a detailed report on each sale once it is ready to close.

C. Properties subject to listing agreements

25. When the Manager was appointed, three Companies had entered into listing agreements with real estate brokerage firms and the Properties owned by these Companies were in the process of being marketed. These properties are listed below:

- (a) 875/887 Queen Street;
- (b) 1 Royal Gate; and
- (c) 1185 Eglinton.

a. 875/887 Queen Street

26. The Property at 875 and 887 Queen Street (collectively the "Queen Street Property") is owned by Red Door Developments Inc. ("Red Door 1", which owns 875 Queen) and Red Door Lands Ltd. ("Red Door 2", which owns 887 Queen). Red Door 1 and Red Door 2 are referred to collectively as the Red Door Owners. The following encumbrances are registered on title to the Queen Street Property:

- (a) an option to purchase the retail portion of the Queen Street Property in favour of Trinity Urban Properties Inc. ("Trinity");
- (b) a \$7 million mortgage in favour of RioCan Mortgage Corp. ("RioCan") (first mortgage on 875 Queen Street, second mortgage on 887 Queen Street); and
- (c) A \$1.2 million mortgage in favour of Woodgreen Management Inc. (first mortgage on 887 Queen Street).

27. In addition, the Queen Street Property is presently leased to the Woodgreen Family Red Door Shelter ("Red Door Shelter"), a non-profit organization that provides shelter services for families. In June 2010, Red Door Shelter entered into an agreement with Ronauld and Norma Walton whereby the Waltons agreed to make a substantial donation to, and build Red Door Shelter a new facility for, Red Door Shelter. In her affidavit sworn October 31, 2013, Ms

- 11 -

Walton deposed that she had negotiated an agreement to build this new facility on another Property located at 450 Pape (the "Riverdale Property") owned by Riverdale Mansion Ltd. ("Riverdale Mansion"). It does not appear that any construction work has occurred at the Riverdale Property and Riverdale Mansion does not have sufficient funds to complete such construction. As a result, it is highly unlikely that Red Door Shelter will be able to move to the Riverdale Property when its current lease expires on June 30, 2014.

28. The Manager is sympathetic to Red Door Shelter's situation and, following discussions with counsel to Red Door Shelter, required prospective purchasers of the Queen Street Property to agree to extend Red Door Shelter's existing lease to March 31, 2015.

29. The Queen Street Property was subject to an exclusive listing agreement with Colliers when the Manager was appointed. At that time, significant efforts to market the Queen Street Property had already occurred. More specifically:

- (a) A marketing flyer inviting prospective purchasers to execute a Confidentiality Agreement and receive a Confidential Information Memorandum was widely circulated on October 17, 2013;
- (b) 39 proponents executed confidentiality agreements and were provided with a copy of a Confidential Information Memorandum and access to a data site with respect to the Queen Street Property;
- (c) Six bids and one verbal note of interest were received on November 21, 2013; and
- (d) the two top bidders from the first round were invited to submit further offers.

30. After consulting with Colliers, the Manager determined that one offer was preferable to the other offers and proceeded to negotiate and execute an Agreement of Purchase and Sale with that bidder (the "Queen Street APS"). The Queen Street APS is subject to a due diligence condition and a closing date of July 31, 2014.

31. The Queen Street APS requires that the buyer recognize the option registered on title by Trinity and the proceeds of the Queen Street APS would be sufficient to pay RioCan's mortgage in full. Counsel to Trinity and RioCan has been advised of the offer. The Manager is not

seeking approval of the sale at this time because the due diligence condition has yet to be waived.

b. 1 & 20 Royal Gate

32. The Property at 1 & 20 Royal Gate (the "Royal Gate Property") is owned by Royal Gate Nominee Inc. ("Royal Gate Inc."). Computershare Trust Company of Canada ("Computershare") has registered a mortgage on title to the Royal Gate Property in the amount of \$16.8 million. The Manager understands that Computershare registered this mortgage as nominee for Trez Capital Limited Partnership ("Trez Capital").

33. Royal Gate Inc. retained CBRE to market the Royal Gate Property for sale pursuant to a listing agreement dated November 1, 2013. CBRE conducted a formal marketing campaign beginning in October 2013. This campaign included e-mails to CBRE's private database, follow-up calls to potentially interested parties, listings on MLS, REALNET, Loopnet and Private Capital Investor Database. Four potential purchasers toured the Royal Gate Property and the Manager ultimately received two offers for the Property. The Manager is engaged in negotiations with an offeror but no Agreement of Purchase and Sale has been concluded.

c. 1185 Eglinton Ave E

34. The Property at 1185 Eglinton Ave E in Toronto was recently rezoned for a residential condominium. This Property has been listed for sale since October 2013 with Colliers and the Manager has engaged in discussions with potential purchaser groups through Colliers. To date, no Agreement of Purchase and Sale has been negotiated. The Manager, after consultation with the parties and notice to the relevant third party mortgagee, intends to proceed as recommended by Colliers.

III. Other Activities

A. Bank accounts and cash management

35. Immediately after its appointment, the Manager worked with Meridian Credit Union Limited, where the Companies' bank accounts are held, to transfer signing authority over these accounts to the Manager. The Manager has had control over the Companies' receipts and disbursements since on or around November 6, 2013.

- 13 -

36. The Manager stopped the co-mingling of funds that occurred prior to its appointment. The revenues (if any) generated by each Property are used to fund expenses relating to that Property and are held in a separate bank account in the name of the owner Company.

37. Prior to the appointment of the Manager, the Companies' books and records were kept using QuickBooks accounting software. QuickBooks is a basic accounting package that is primarily marketed to small businesses. The Companies did not have any:

- (a) comprehensive financial accounting and reporting system;
- (b) cash flow forecasting, budgeting or reporting systems; or,
- (c) systematic cash controls.

38. In addition, the accounting records for a number of Companies were significantly out of date.

39. The Manager manages the Companies' finances, projects receipts and disbursements for all Companies several weeks in advance and assesses the Companies' funding needs based on these projections. As discussed below, the Applicants agreed to provide the funding required by the Companies between the Manager's appointment and January 31, 2014.

40. A copy of the Manager's Receipts and Disbursements, divided by Company, is attached as Appendix 5.

B. Property management

41. The Manager entered into a Property Management Agreement dated November 15, 2013 (the "Property Management Agreement") with Briarlane Rental Property Management Inc. ("Briarlane"). The Property Management Agreement is attached as Appendix 6. Briarlane is now managing all of the Properties except for the Property at 620 Richmond Street West (the "Richmond Property").

42. Briarlane is responsible for, among other things, lease renewals and amendments, listing space for lease where no leasing agent has been retained, ordinary course repairs to the Properties and day-to-day interactions with tenants. In addition, since mid-December 2013,

- 14 -

Briarlane has been responsible for maintaining the Companies' books and records under the Manager's supervision. Briarlane is in the process of transitioning the Properties to more sophisticated industry-specific software from QuickBooks.

43. The Manager supervises Briarlane's activities and addresses any critical issues that arise with respect to the Properties. The Manager is also engaged with the Companies' trade creditors and suppliers to ensure that necessary goods and services continue to be provided to the Properties.

44. On December 16, 2013, 165 Bathurst Financial Inc. ("Financial") served a motion for, among other things, an Order enjoining the Manager from terminating the Property Management Agreement between 165 Bathurst Inc. (the owner of the Richmond Property) and Esbin Property Management Inc. ("Esbin") in respect of the Richmond Property. The Manager understands that Financial has registered a vendor take-back mortgage over the Richmond Property and that Esbin has significant experience managing the Richmond Property. Accordingly, the Manager, Financial and the parties agreed that Esbin would continue to manage the Richmond Property subject to the Manager's oversight and supervision. The Manager is responsible for maintaining Richmond Property's books and records.

C. Construction and development

45. Several Companies own Properties that are in various stages of construction and development. The Manager has instructed the contractors and consultants carrying out work on the Properties to stop work pending further instruction from the Manager. The two exceptions to this prohibition are the Property at 1485 Dupont Avenue (the "Dupont Property") and the Heward Property.

46. The first stage of a multi-stage environmental remediation of the Dupont Property was partially completed when the Manager was appointed. The Manager determined that it was in the interest of all stakeholders to complete the first stage of this remediation before halting construction. The Manager has also determined that certain ongoing environmental remediation efforts at the Heward Property should be continued.

- 15 -

47. Both of these remediation efforts have been funded by the Applicants and the Respondents.

48. In addition, certain Companies entered into leases that required the construction of new buildings or substantial modifications to existing buildings to suit a particular tenant. The most significant commitments are set out below:

- (a) Northern Dancer Lands Ltd. ("Northern Dancer") entered into a lease with a private school, MPS Etobicoke, which requires that Northern Dancer build a school to suit MPS Etobicoke in accordance with agreed-upon timelines. Northern Dancer is not able to fund this construction and MPS Etobicoke introduced the Manager to a potential purchaser that may be willing and able to build the required school. In the circumstances, and with the support of the parties, the Manager determined that it is appropriate to engage in discussions with this potential purchaser. However, these discussions have not yet resulted in an executed Agreement of Purchase and Sale.
- (b) By Commercial Lease dated August 23, 2013, Dupont Developments Ltd. ("Dupont Developments") agreed to lease a substantial portion of the Dupont Property to an animation school, Maxx the Mutt Animation Inc. (the "Maxx Lease"). Pursuant to the Maxx Lease, Dupont Developments agreed to, among other things, remediate certain environmental issues affecting the Dupont Property and substantially renovate the Dupont Property. The Manager determined that Dupont Developments cannot fund the necessary renovations and, accordingly, it has reprobated the Maxx Lease.

D. Communication with third party mortgagees

49. Once the November 5 Order was issued and entered, the Manager obtained contact information for third party mortgagees with interests registered against the Properties from the Respondents. The Manager wrote to these mortgagees on November 19, 2013. A copy of this form of letter is attached as Appendix 7. The Manager then conducted title searches against the Properties, identified any registered mortgagees that had not received notice of the November 5 Order on November 19, 2013 and wrote to these mortgagees on November 22, 2013. A copy of

- 16 -

this form of letter is attached as Appendix 8. A list of the mortgages and construction liens registered on title to the Properties is attached as Appendix 9.

50. The Manager has been contacted by a number of mortgagees, either directly or through counsel, and has spent substantial time seeking to facilitate a resolution between the mortgagees and the Applicants with respect to the terms of the November 5 Order. Although the concerns expressed by the mortgagees varied, many mortgagees objected to the priority of the Manager's Charge and the Manager's Borrowing Charge (as defined in the November 5 Order).

51. To date, at least five mortgagees have served motions to either remove the Property against which they had registered an interest from, or substantially vary the terms of, the November 5 Order. A number of other mortgagees advised that they may seek similar relief if their concerns were not addressed. The Applicants, the Manager and three of the moving mortgagees have reached what is, in the Manager's view, a series of reasonable compromises. These compromises were reflected in the Consent Orders dated December 24, 2013 (the "December 24, Order") and January 6, 2014 (the "January 24 Order"). The December 24 Order and the January 6 Order include similar key terms. More specifically, the relevant parties agreed that:

- (a) the relevant mortgagees would withdraw their motions;
- (b) the Manager's Charge and Manager's Borrowing Charge would be subordinated to pre-existing security interests validly registered on title to each Property;
- (c) revenues derived from a Property would only be used to fund expenses relating to that Property and would not be co-mingled with revenues from other Properties; and
- (d) the relevant Properties would be sold according to pre-established timelines and the mortgagees would have defined rights to participate in, or consent to, the sale process.

52. In light of the funding arrangement described below, the Manager consented to the agreements reflected in the December 24 Order and the January 6 Order and is of the view that these agreements can and should serve as a framework for the other Properties.

E. Funding

53. The mortgagees' objections to the Manager's Charge and the Manager's Borrowing Charge posed a significant problem. Several Properties do not generate revenue or do not generate enough revenue to fund the obligations of the relevant owner Company. The Manager advised the parties early in these proceedings that it would not comingle funds between the various Companies and, accordingly, the Companies that did not generate revenue required an outside funding source.

54. Ms Walton advised the Manager that the Respondents were prepared to provide some of the funding required by the Companies. To date, the Respondents have provided total funding of approximately \$710,250, primarily to fund mortgage payments owed by Companies that do not generate revenue. In the Manager's view, it is not advisable to rely exclusively on funding from the Respondents.

55. In light of the foregoing, the Manager negotiated with the Applicants to borrow funds on the following basis:

- (a) the Applicants agreed to advance the aggregate amount of \$1,352,000 to the Manager in installments between December 20, 2013 and January 31, 2014;
- (b) amounts advanced by the Applicants will accrue interest at the rate of 15% per annum, calculated and compounded monthly not in advance;
- (c) amounts advanced by the Applicants will be subrogated to a proportionate share of the Manager's Charge and the Manager's Borrowing Charge. The priority of the Manager's Charge and the Manager's Borrowing Charge will be amended to rank behind pre-existing registered charges; and
- (d) the Applicants have no obligation to advance further amounts unless agreed to in writing or ordered by the Court but any further advances will be governed by the terms described above.

56. In the Manager's judgment, this borrowing represents the best available option for funding the continued limited operation of the Companies and the Manager's mandate pending

an orderly disposition of the Properties and strikes an appropriate balance between the various interests at play.

F. Overdue payables

57. The Manager has also assessed the Companies' accounts payable balances. Many of the Companies (including those that generate positive revenues) have significant overdue payables including amounts due to utility companies and tax authorities. The Manager has sought to pay down overdue payables to the extent permitted by cash flow.

b. 18 Wynford Dr

58. One of the Companies, Wynford Professional Centre Ltd. ("Wynford Professional") purchased the majority of the commercial condominium units in a condominium located at 18 Wynford Dr in Toronto ("18 Wynford") in early 2011. Since it owns the majority of the units at 18 Wynford, Wynford Professional exercises significant control over the condominium corporation that owns and operates the building, MTCC 1037. In or around February 2011, the condominium corporation retained The Rose & Thistle Group Ltd ("Rose & Thistle") as the property manager for 18 Wynford.

59. On or about December 17, 2013, the Manager was contacted by a representative of the Ontario Lung Association (the "OLA"), which also owns units at 18 Wynford. The OLA asked the Manager to confirm the status of MTCC 1037's property manager, the statutory reserve fund and its accounting records. Since the financial health of MTCC 1037 will likely be relevant to a purchaser of some or all of the units owned by Wynford Professional, the Manager has sought to confirm that the condominium corporation's financial records are up to date, that Wynford Professional has paid all outstanding condominium fees and that the condominium's reserve fund was being appropriately maintained, that the board of MTCC 1037 function and that it is current on all other statutory obligations. The results of these efforts are described below.

60. Between its appointment as property manager in 2011 and the appointment of the Manager in November 2013, Rose & Thistle, as property manager, collected common element and maintenance fees from the other unit owners at 18 Wynford but did not collect fees from Wynford Professional. By invoice dated December 29, 2012 (but presented to the Manager on or about January 6, 2014), a copy of which is attached as Appendix 10, Rose & Thistle purported

- 19 -

to invoice Wynford Professional for all common areas payments owing for 2012. No amounts have been billed or paid for 2011 or 2013.

61. When Wynford Professional purchased its units in early 2011, the reserve fund in the amount of approximately \$1.4 million was provided to Ms Walton or The Rose & Thistle Group Ltd. Work was subsequently performed by Rose & Thistle or its related companies to upgrade 18 Wynford's common elements, although the Manager has not been provided with any records showing what entity performed this work, how much it cost or how it was funded. Further it appears that no Annual General Meeting has been held since 2011, no financial statements have been prepared since 2010, and no board meeting has been convened since December 13, 2011

62. By e-mail dated December 31, 2013, Mr. Schonfeld asked Ms Walton to provide evidence of the balance in the reserve fund. In her response, Ms Walton did not address the request for evidence of the reserve fund's balance and location. Ms Walton did not respond to Mr. Schonfeld's second request for such evidence. These exchanges between Ms Walton and Mr. Schonfeld are attached as Appendix 11.

63. By email dated January 9, 2014, a copy of which is attached as Appendix 12, counsel for the Manager wrote to counsel for the Respondents demanding information concerning the status of the MTCC 1037 reserve fund and concluding as follows:

Stating clearly and simply, the Manger [sic] requires that Ms Walton and Rose & Thistle Group Ltd. Immediately advise it of the amount that either of them or any entity related to or controlled by either of them holds on deposit in the MTCC 1037 statutory reserve and that they provide evidence by way of a copy of the most current bank or credit union account statement or investment certificate evidencing the current MTCC 1037 reserve fund balance. In the Manager's view, any uncertainty regarding 18 Wynford's statutory reserve fund is a significant issue. Condominium unit owners are entitled to an accounting for their funds held in trust as required by the Condominium Act. Prospective purchasers are likely to inquire into the status of 18 Wynford's reserve fund as part of any due diligence process. Furthermore, if Wynford Professional has not paid its condominium fees issues of claims and priorities may be arise...

64. By email dated January 10, 2014, at 3:00 p.m. Mr. Schible responded for Ms Walton, stating that "I am advised that Ms. Walton and Mr. Schonfeld are actively addressing the matter of the reserve fund". Counsel or the Manager responded with an email at 3:13 p.m. as follow:

- 20 -

Your response that Mr. Schonfeld and Ms Walton are addressing the MTCC 1035 reserve fund issue is not acceptable. It has not been addressed to the Manger's satisfaction hence my email below. Where is the reserve fund and what is its current balance?

It exists or it is gone. If it exists, please produce a current bank statement or certificate. We have seen bank statements showing the deposit of the initial amount received in trust by your client and withdrawals of the full amount from that bank account. The funds are being held in trust somewhere else or they have been consumed. Which is it? This is a matter of importance in which clarity and forthrightness is required. We are all lawyers dealing with statutory trust funds that currently cannot be located. If you or your clients have them or know where they are, please advise and provide the evidence sought below. If the trust funds are gone, it is incumbent upon counsel to say so.

A copy of these emails is attached as Appendix 13

65. There has been no further response received from anyone on behalf of Ms Walton. To date, the status of MTCC 1037's reserve fund remains unclear. Accordingly, the Manager respectfully requests an Order directing the Respondents to provide evidence of the balance in the reserve fund no later than January 20, 2014 so that the Manager can assess the effect, if any, that this issue will have on efforts to sell units in 18 Wynford and to inform the other unit owners in the condo corp.

G. Construction Liens

66. The Manager has been contacted by several contractors that have registered, or intend to register, construction liens against one or more of the Properties. These contractors, together with the amount that they claim and the Property against which each lien is registered are listed at Appendix 14.

67. The November 5 Order permits the registration of construction liens but stays all proceedings against the Companies. The Manager understands that, in order to perfect and protect a lien once it is registered, the lien claimant must issue and serve a Statement of Claim seeking certain relief from the relevant Company. The Manager has agreed to lift the stay provided for in the Order to allow lien claimants to take the steps necessary to perfect their security. The Manager does not consent to any further steps being taken by the construction lien claimants other than the service of their Statement of Claim. Determination of the validity and priority of the liens claimed can be dealt with summarily in these proceedings as Properties are

- 21 -

sold and all encumbrances are reviewed. Accordingly, once the lien claimants have served their respective Statements of Claim, their lien actions should be stayed pending the outcome of these proceedings or further order of the Court.

H. Distribution of materials

68. The November 5 Order prohibits the Manager from posting information relating to this proceeding on its website. As a result, the Manager has received requests for copies of material filed to date from a large number of stakeholders. That material is voluminous, ever-increasing and inconvenient to transmit. The Manager is of the view that posting materials filed in these proceedings on its website will allow for a more efficient flow of information to interested parties, will avoid the need for duplicative distribution of materials and ensure that all stakeholders are able to stay informed as these proceedings move forward.

I. Incorrectly named companies

69. In addition, the Manager understands that the owners of certain Properties are not named or were mis-named in the November 5 Order. In particular:

- (a) Royal Gate Holdings Ltd. is listed in Schedule "B". This company does not hold title to any of the Properties. Title is held by Royal Gate Nominee Inc. (in respect of the Royal Gate Property and Royal Gate (Land) Nominee Inc. (in respect of the parking lot adjacent to the Royal Gate Property);
- (b) El-Ad Limited is listed in Schedule "B". The Manager understands that this entity is controlled by the former owners of 1500 Don Mills and that the current owner of that property is El-Ad (1500 Don Mills) Limited; and
- (c) Liberty Village Properties Inc. is named in Schedule "B". The Manager understands that the owner registered on title is Liberty Village Properties Ltd.

70. The Manager respectfully recommends that Schedule "B" be corrected to address these errors.

J. Communications with Ms Walton

71. On January 9, 2014, Ms Walton advised Mr. Schonfeld by email that she had been contacted by a realtor expressing interest in one of the Properties and that, in response, she had directed the realtor to the Manager and suggested a purchase price to the realtor. By letter dated January 9, 2014, counsel to the Manager re-iterated that Ms Walton is not entitled to do anything regarding prospecting purchasers other than direct them to the Manager. This letter is attached as Appendix 15. The response received from Ms Walton's counsel is attached as Appendix 16.

K. Fees

72. Attached hereto as Appendix 17 is the Affidavit of Mr. Schonfeld sworn January 14, 2014, attesting to the fees and disbursements of the Manager for the period from November 5, 2013 to December 31, 2013 in the amount of \$277,033.29 inclusive of HST.

73. Attached hereto as Appendix 18 is the Affidavit of Fred Myers sworn January 14, 2014, a partner of Goodmans, attesting to the fees and disbursements of Goodmans acting on behalf of the Manager, from November 5, 2013 to December 13, 2013 in the amount of \$172,469 inclusive of HST.²

74. The Manager has received and reviewed Goodmans' invoice. The Manager confirmed that the fees and disbursements set out in Goodmans' invoice relate to advice sought by the Manager and that, in the Manager's view, Goodmans' fees and disbursements are reasonable.

IV. Conclusions and Recommendations

75. For the reasons set out in this Report, the Manager respectfully recommends:

- (a) permitting the Manager to post information relating to this matter on its website;
- (b) permitting entities that register construction liens against the Properties to issue and serve statements of claims for the sole purpose of perfecting and protecting their alleged security interests;

² Goodmans' invoices relate to work performed on behalf of Schonfeld Inc. in its capacity as Manager and Inspector pursuant to the Order of Justice Newbould dated October 4, 2013. The amount of \$11,628.85 billed by Goodmans has been allocated to the Inspector mandate and will be dealt with separately.

- 23 -

- (b) permitting entities that register construction liens against the Properties to issue and serve statements of claims for the sole purpose of perfecting and protecting their alleged security interests;
- (c) amending Schedule "B" to the November 5 Order to include certain companies that appear to have been inadvertently omitted from the November 5 Order;
- (d) directing the Respondents to provide independent documentation confirming the balance of the Reserve Fund held by or on behalf of MTCC 1037 on or before January 20, 2014;
- (e) granting Orders consistent with the December 24 Order and the January 6 Order in respect of the remaining Properties;
- (f) approving the Manager's activities since its appointment as described above; and
- (g) approving the Managers fees and those of its counsel, Goodmans.

All of which is respectfully submitted this 14th day of January, 2014.

SCHONFELD INC.

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

Per: _____

S Harlan Schonfeld CPA, CIRP

SCHEDULE "A" COMPANIES

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

- 25 -

SCHEDULE "B" COMPANIES

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

- 26 -

32. 165 Bathurst Inc.

6269963.12

E

No. P-16

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

55,000 Shares



This is to Certify that Dennis Condos Preference Shares of
is the registered holder of fifty five thousand (55,000)
ROYAL AGINCOURT CORP.

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 30th day of November 2012
(year)


Norma Walton

NO PAR VALUE

No. P-4

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares



This is to Certify that Grace and Ken Bugg as joint tenants with right of survivorship..... Preference Shares of
is the registered holder of one hundred thousand (100,000)..... ROYAL AGINCOURT CORP.

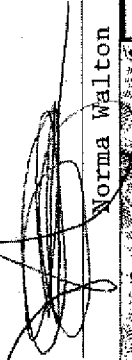
The class or series of shares represented by this certificate has rights, privileges, restrictions or conditions attached thereto and the Corporation will furnish to the holder, on demand and without charge, a full copy of the text of,

- (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 17th..... day of October..... 2011.....
(year)


Norma Walton

NO PAR VALUE

No. P-12

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

140,000 Shares



This is to Certify that Grace and Ken Bugg as joint tenants with right of survivorship is the registered holder of one hundred and forty thousand (140,000) Preference Shares of ROYAL AGINCOURT CORP.

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 October 2012 (year)


Norma Walton

NO PAR VALUE

SURRENDER OF SHARES

TO: ROYAL AGINCOURT CORP.
(the "Company")

AND TO: Its Board of Directors

FOR VALUE RECEIVED, WE, GRACE AND KEN BUGG AS JOINT TENANTS WITH RIGHT OF SURVIVORSHIP, surrender unto Treasury TWO HUNDRED AND FORTY THOUSAND (240,000) Preference Shares of the capital stock of the Company.

DATED this 1st day of October, 2013


Grace Bugg


Ken Bugg

No. P-14

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

110,000 Shares

ROYAL AGINCOURT CORP.

This is to Certify that Gideon and Irene Levytam as joint tenants with right of survivorship is the registered holder of one hundred and ten thousand (110,000) Preference Shares of

ROYAL AGINCOURT CORP.

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 30th day of November 2012 (year)

Norma Walton

NO PAR VALUE

Dear Gideon,

Again, you have my sincere sympathies on the passing of your mom.

Upon your return, I confirm we will proceed as follows with your investments:

1. You will roll your \$90,500 from Spadina into Richmond Street;
2. You will roll your Royal Agincourt funds of \$110,000; and
3. You will top that up with an additional \$35,000 US and \$9,500 Canadian, to be sent by cheque payable to Richmond East Properties Ltd.

That will bring your total investment in Richmond Street up to \$245,000.

Hence if you could have Irene arrange as follows:

1. Mail back your Spadina – Twin Dragons share certificate;
2. Mail back your Royal Agincourt share certificate;
3. Prepare a cheque for \$35,000 US payable to Richmond East Properties Ltd. and mail; and
4. Prepare a cheque for \$9,500 payable to Richmond East Properties Ltd. and mail.

That would be perfect. I will send an updated statement of investments to you to show the above once received.

Take care, and safe travels home.

Regards,
Norma

Norma Walton B.A., J.D., M.B.A.
THE ROSE AND THISTLE GROUP LTD.
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-9790 Ext. 103
Fax: (416) 489-9973

www.roseandthistlegroup.com<<http://www.roseandthistlegroup.com/>>

The Rose and Thistle Group Ltd. is a privately held asset management company that is the parent company of Rose and Thistle Properties, Rose and Thistle Construction, Rose and Thistle Homes, Rose and Thistle Media, Plexor Plastics Corp., Handy Home Products Inc., Palmer Productions Inc., Corporate Communications Interactive Inc., Urban Amish Interiors Inc., Loft Raum Inc. and is affiliated with the law firm of Walton Advocates.

No. P-9

INCORPORATED UNDER THE LAW OF THE PROVINCE OF ONTARIO

100,000 Shares



This is to Certify that Vane, Please

is the registered holder of one hundred thousand (100,000) Preference Shares of
ROYAL AGINCOURT CORP.

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 18th day of November 2011
(year)


Norma Walton

NO PAR VALUE

From

CV Please
1300 Islington Ave. CANADA POST C3 131011 22:42
Suite 2004S
Toronto, ON POSTES CANADA C3 3807 M4L 1A5
M9A 5C4



Norma Walters
Parrish & Solicitors
30 Hazelton Ave.
Toronto, On
M5R 2E2

Tom Trklja

From: Norma Walton
Sent: Monday, October 21, 2013 11:12 AM
To: Tom Trklja; Mario Bucci
Subject: RE: Royal Agincourt

Thanks, Tom, much appreciated

From: Tom Trklja
Sent: Monday, October 21, 2013 11:01 AM
To: Mario Bucci
Cc: Norma Walton
Subject: Royal Agincourt

Mario,

Vané Plesse returned her preference share certificate no P-9 for 100,000 shares in Royal Agincourt Corp. Norma instructed me to issue new 100,000 preference shares in Richmond East Properties Ltd., instead. I've updated our corporate list accordingly.

Norma,
I left the new share certificate in your office.

Tom Trklja
Law Clerk
WALTON ADVOCATES
Barristers & Solicitors
30 Hazelton Avenue
Toronto, Ontario, Canada M5R 2E2
Tel: (416) 489-3171 Ext. 106
Fax: (416) 489-9973
tom@waltonadvocates.com

F

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.

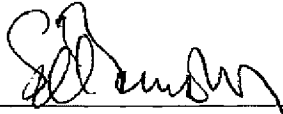
14. The Board of Directors of the Company will be composed of two directors, being Bernstein and Norma Walton. The only shares to be issued in the Company will be as set out above, and neither party may transfer his or her shares to another party without the consent of all the other parties, which consent 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	
Dr. Bernstein capital investment	\$1,671,000.00
Ron and Norma Walton capital investment	\$1,671,000.00
Cash on hand	
On or before June 30, 2014	
Projected profits	\$2,522,850.00
Profit - Dr. Bernstein	\$1,261,425
Profit - Ron and Norma Walton	\$1,261,425
Straight-line return	15.45%
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

G

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.

I. Introduction

1. This is the Third Interim Report (the "Third Report") of Schonfeld Inc. (the "Inspector") in its capacity as inspector pursuant to subsection 161(2) of the *Business Corporations Act (Ontario)* and the Order of Justice Newbould dated October 4, 2013 (the "Appointment Order"). The Inspector has previously filed its First Interim Report dated October 21, 2013 (the "First Report"), its Supplemental Report to the First Report dated October 24, 2013 (the "Supplemental Report") on October 24, 2013 and its Second Interim Report dated October 31, 2013.

A. Purpose of this Report

2. The purpose of this Second Report is to advise this Honourable Court of the status of the Inspector's investigation.

B. Terms of reference

3. In preparing this report, the Inspector has relied upon documents and information provided to it by the parties and has not verified the authenticity or accuracy of these documents. The Inspector has assumed that the documents provided to it (other than the parties' internal accounting records) are authentic and accurate. For example, the Inspector has assumed that documents purporting to be bank statements are true copies of statements provided by the relevant financial institution and that these statements accurately describe the transactions in the relevant account.

4. The Inspector has not performed an audit or other verification of the internal accounting documents provided to it by the parties. Some of the parties' internal accounting records have been reconciled with the documents referenced in paragraph 3 above (including bank statements and government registrations) but the internal records remain subject to further verification once sufficient information is provided.

C. Currency

5. All currency references are in Canadian dollars.

II. ROSE AND THISTLE BILLINGS

6. The Inspector previously reported that Rose & Thistle Group Ltd. (Rose & Thistle) transferred approximately \$24.2 million (net) from the Schedule B companies to itself between September 2010 and October 2013. In support of these transactions, Rose & Thistle provided the Inspector invoices totaling approximately \$30.6 million (plus HST) for management fees, maintenance fees and construction and project management. The Inspector's current analysis of these billings is outlined below.

Construction and Project Management Billings

7. Of the total \$30.6 million charged by Rose & Thistle, approximately \$27.6 million was purportedly charged for construction supervision, project management and other project costs. Included in this amount is \$6.6 million that is explained below in the "Contributed Equity" section, leaving support required for \$21 million. Despite the Inspector's requests, Rose & Thistle has still not provided evidence to support these billings. Therefore, the Inspector is still unable to comment on the validity of these billings at this time.

8. As Rose & Thistle has yet to provide evidence to substantiate more than \$20 million of billings for construction and project related costs, the Inspector is expanding its work to include an analysis of funds transferred from Rose & Thistle to other non-Schedule B companies where those funds appear to have initially originated from Schedule B companies. This Inspector will report on this work as soon as it is able to do so.

Management Fees

9. Rose & Thistle charged a management fee to the Schedule B companies based upon 4% of the gross revenues of individual properties that generated revenue. The agreements between the Applicant and the Respondents do not specifically state that the fee is to be charged. However, the agreements generally state that Walton (as defined in each agreement) is responsible for managing the properties, including all finance, bookkeeping, office administration, accounting, information technology provision. The Inspector has no comment on the legal issue of whether Rose & Thistle is entitled to charge for those services under the terms of the various agreements as they may be duly interpreted. The Inspector is of the opinion that a

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 \$1million 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.

18. The items identified above will be more fully explained in future reports as the Inspector continues its analysis and discovery.

IV. 44 PARK LANE CIRCLE

19. On January 6, 2014, counsel to Ms Walton advised that she intended to bring a motion for, among other things, permission to refinance the property at 44 Park Lane Circle in Toronto (the "Park Lane Property"). In connection with this motion, the Inspector has sought to ascertain the source of the funds used to pay for the purchase of the Park Lane Property. By e-mail dated January 10, 2014, counsel to the Inspector asked Todd Holmes of Devry Smith Frank LLP, the lawyer that acted for Mr. and Ms Walton on the purchase of the Park Lane Property for a trust reconciliation and statement of flow of funds relating to the purchase. This request was repeated by e-mail dated January 13, 2014. To date, no response has been received to these inquiries. Copies of the e-mails to Mr. Holmes are attached as Appendix "E".

Unpaid Inspector Fees

20. By Order dated November 1, 2013 and attached as Appendix "F", the Respondents were ordered to pay the Inspector's fees and disbursements as set out therein. The Inspector demanded that the Respondents fulfill their payment obligations by correspondence dated November 15, 2013, November 20, 2013 and January 8, 2014 but the Respondents have not made any payment. By e-mail dated January 10, 2014, counsel to Ms Walton advised that her "hands were tied" and that she hoped to refinance or sell "non-Bernstein" properties to satisfy her obligations. A copy of this e-mail is attached as Appendix "G".

21. The Inspector has commenced other enforcement efforts to seek payment under the terms of the November 1, 2013 Order. However, should the Court allow a refinancing of the Park Lane Property, the Inspector respectfully recommends that any of its approved fees and disbursements that remain outstanding should be paid from the proceeds of the refinancing.

All of which is respectfully submitted this 15th day of January, 2014.

Schonfeld Inc.

In its capacity as Inspector pursuant to section 161(2) of the *Business Corporations Act* (Ontario)

Per: _____

S Harlan Schonfeld CPA, CA, CIRP

A

AGREEMENT

Between:

DBDC Red Door Developments Inc. and DBDC Red Door Lands Inc.
"Bernstein"

- and -

Ron and Norma Walton
"Walton"

- and -

Red Door Developments Inc. and Red Door Lands Ltd.
the "Company" or "Companies"

WHEREAS Bernstein and Walton intend to purchase 875 and 887 Queen Street East, Toronto, Ontario (the "Property") on or about June 20, 2012 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 a total of 2,320,963 shares in the Companies, being pro-rated as 1,483,322 shares in Red Door Developments Inc. and 837,641 shares in Red Door Lands Ltd.;

AND WHEREAS Bernstein and Walton will each provide the sum of \$2,320,963 to the Company for the purposes of purchasing, obtaining rezoning and site plan approval to build a 9-storey retail-residential condominium and selling the property for profit (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. Walton has contracted to purchase the Property and the purchase is scheduled to close on June 20, 2012.
2. Walton has met with realtors, planners and consultants as required to complete the Project.

3. Walton intends to close the purchase, find a current tenant a new home nearby while completing rezoning and site plan approval on this Property and sell the Property 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 2,320,963 and Walton has 2,320,963 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 \$4,641,926 will be paid as follows:
 - a. Bernstein will provide to the Company the sum of \$2,320,963 on or before June 20, 2012; and
 - b. Walton will provide the sum of \$2,320,963 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 \$2,320,963 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 renovations of the building 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 to Bernstein the cost consultant's initial report analyzing the Project budget and timelines as soon as received by Walton. 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;
 - b. the bank statement for that month if requested; and
 - c. if the bank statement does not have a copy of cancelled cheques and Bernstein wishes to review them, then Walton will also provide a complete listing of all cheques written, including payees, dates and amounts.

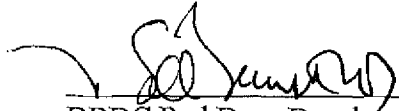
At Bernstein's request, Walton will provide whatever other back-up information he requests.


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 875 and 887 Queen Street East, 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 25th day of JUNE 2012



DBDC Red Door Developments Inc.
Per A.S.O.


DBDC Red Door Lands Inc.
Per A.S.O.


Ron Walton


Red Door Developments Inc.
Per A.S.O.


Red Door Lands Ltd.
Per A.S.O.


Norma Walton