

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

B E T W E E N:

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

Applicants

- and -

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

Respondents

- and -

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

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

*(Applications returnable June 3, 2016)*

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## **I. Introduction**

1. This is the Supplemental Report to the 40<sup>th</sup> Report of Schonfeld Inc. (the “**Manager**”) in its capacity as Manager of (i) certain companies listed at Schedule “B” to the Order of Justice Newbould (the “**November 5 Order**”) dated November 5, 2013 (the “**Schedule B Companies**”),<sup>1</sup> together with the properties owned by those companies (the “**Schedule “B” Properties**”); and (ii) the properties listed at Schedule “C” to the Judgment and Order of Justice Brown dated August 12, 2014 (the “**Schedule “C” Properties**” and together with the Schedule “B” Properties, the “**Properties**”).

## **II. Purpose of this Report**

2. On April 29, 2016, the Waltons served a factum in support of their so-called “Counter-Application”.<sup>2</sup> The Waltons have alleged that the Manager acted improperly by cooperating with a Toronto Police investigation (the “**Investigation**”) into their activities without disclosing this cooperation to them. The Waltons received a detailed description of the Manager’s interactions with the police but their factum makes no reference to this description, or any other evidence. The purpose of this Supplemental Report is to clarify the Manager’s activities with respect to the Investigation.

## **III. The Manager’s Involvement in the Investigation**

3. At a chambers attendance before Justice Newbould on April 19, 2016, the Waltons’ counsel alleged that the Manager may have improperly induced the police to lay charges against

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

<sup>2</sup> The Manager has been advised by its counsel that a “Counter-Application” is not a document contemplated by the *Rules of Civil Procedure*.

the Waltons. The Waltons had not made any attempt at that stage to determine what (if any) interaction the Manager had with the police.

4. Subsequently, on April 22, 2016, the Waltons' counsel wrote to the Manager's counsel requesting that it provide details of any contact or communication between the Manager and the Toronto Police in relation to the Investigation. This correspondence is attached hereto as Appendix "A".

5. The Manager's counsel responded by letter dated April 25, 2016, which is attached hereto as Appendix "B", and provided a detailed and accurate description of all communications that occurred between the Manager and the Toronto Police. More specifically, the Manager advised that it had been contacted by the Toronto Police and asked for certain information about the Manager's work as well as the tracing performed in its capacity as Inspector. The Manager responded to these requests and provided accurate information to the Toronto Police. Almost all of the information provided was publically available.

6. The Waltons' have not responded to this letter and this correspondence is not referenced in the Waltons' factum.

7. The Manager did not discuss the details of its communications with the Toronto Police with the Applicants, nor did it take any steps at the direction of the Applicants.

8. The Waltons' factum also asserts that the Manager should have reported its contact with the Toronto Police to the Court. The Manager does not agree. The Manager was (and is) of the view that the Toronto Police should be left in control of what information about their investigation was disclosed to the Waltons. Given the Manager's limited involvement in, and

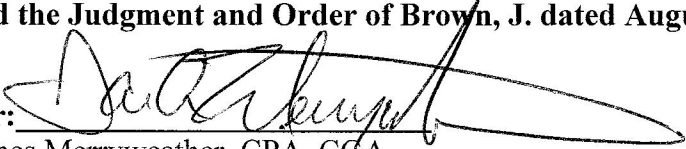
knowledge of, the Toronto Police investigation, any information it could have provided to the Court would have been incomplete in any event.

All of which is respectfully submitted this 18<sup>th</sup> day of May, 2016.

**SCHONFELD INC.**

**In its capacity as Manager pursuant to the Order of Newbould, J. dated November 5, 2013 and the Judgment and Order of Brown, J. dated August 12, 2014**

**Per:**

  
James Merryweather, CPA, CGA  
Authorized Signing Officer

## 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**

## **Fox, Carlie**

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**Subject:** RE: DBDC Spadina Ltd. et al. v. Walton et al.

**From:** Lesia J. Lawrence [<mailto:Lesia@cohensabsay.com>]

**Sent:** Friday, April 22, 2016 4:20 PM

**To:** Dunn, Mark; Peter Griffin

**Cc:** Howard Cohen; Jessica Parise

**Subject:** DBDC Spadina Ltd. et al. v. Walton et al.

Dear Sirs,

The following is a message delivered on behalf of Mr. Cohen:

"Please provide me with a clear and precise indication, from both of you, as to how, when, where, to what extent and in what form Dr. Bernstein, Harlan Schonfeld, and any and all designates, including those at his law firms, had any contact or communication with the Toronto Police Services—including, particularly, Detective Ruth Moran of the Fraud Squad—in relation to the laying of criminal charges against the Waltons."

Yours truly,

**LESIA J. LAWRENCE**

Licensed Paralegal



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Toronto, Ontario M5H 2T7

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**B**

April 25, 2016

**Delivered via e-mail: [cohen@cohensabsay.com](mailto:cohen@cohensabsay.com)**

Our File No.: 140074

**Cohen, Sabsay LLP**  
357 Bay Street, Suite 901  
Toronto ON  
M5H 2T7

**Attention: Howard Cohen**

Dear Mr. Cohen:

**Re: DBDC Spadina Ltd. et al v. Norma Walton et al**  
**Court File No. 13-10280-00CL**

I write further to our attendance before Justice Newbould on April 19, 2016 and your subsequent demand for information relating to my client's contact with the police on April 22, 2016.

Let me begin by saying that the allegations made before Justice Newbould are unfounded and your decision to raise them in Court before making any attempt to discern the underlying facts is unacceptable and unprofessional. My client's reputation for honesty and integrity is hard-earned and valuable. It is a court officer whose actions have been, repeatedly and without exception, approved by the Court in this case. Each and every one of the Waltons' attacks on my client have been unfounded and recognized as such by the Court.

In these circumstances, it is most troubling that you chose to speculate before Justice Newbould that my client had conspired with Dr. Bernstein to use the criminal justice system to accomplish some (unspecified) civil purpose. As you know, this is a very serious allegation to make against a court officer. It should not have been made without evidence. Worse still, you engaged in lengthy speculation about my client's alleged wrongdoing without even asking what it had actually done. Inexplicably, you requested information to support your allegations three days *after* making them in Court.

In any event, and as I advised in Court, my client did not engage in any effort (at the behest of Dr. Bernstein or otherwise) to induce the police to charge the Waltons with fraud. My client was contacted by the police and asked to provide information relating to the Manager's mandate and its investigation in its capacity as Inspector. The information consisted of material that had already been provided to, and accepted by, the Court. It is summarized below:

- Prior to August 5, 2015, the Manager had no contact with the police. On that date, the Manager was contacted by Detective Ruth Moran by telephone;
- On August 6, 2015, Messrs. Schonfeld and Merryweather met with the police regarding the Inspector's tracing methodology and findings and various aspects of the Inspector's Reports;
- On August 11, 2015 Mr. Schonfeld and Mr. Moulton of Duff & Phelps (who, as you know, assisted the Inspector with the forensic aspects of its work) had a telephone call with the police relating to the Inspector's tracing mandate and methodology;
- On August 11, 2015, in response to a request by the police, Mr. Merryweather sent the police an e-mail attaching a listing of bank accounts of the Schedule "B" Companies, the Schedule "C" Companies and other companies owned or controlled by Norma Walton;
- On August 14, 2015, in response to a request by the police, Mr. Merryweather sent the police an e-mail attaching Appendix "A" to the Fourth Report in electronic form;
- On August 14, 2015, in response to a request by the police, Mr. Merryweather sent the police an email attaching Appendix "C" to the Supplemental Report to the First Interim Report of the Inspector (Property Investment Portfolio);
- On August 14, 2015, Mr. Merryweather had a telephone call with the police regarding the Property Investment Portfolio document;
- On September 23, 2015, Mr. Merryweather sent the police an email attaching the Donalda Nominee Agreement and the Otera loan commitment and answering questions related to the loans to and investments in Donalda; and
- On January 28, 2016, Mr. Merryweather sent an email to police responding to questions regarding the total amount of Dr. Bernstein's investments and recovery.

In summary, my client provided accurate information in response to inquiries from the police. This is entirely consistent with its role as an officer of the Court. In light of the foregoing, I trust that no further allegations will be made against my client – and certainly not without you first having sought to obtain accurate information.

Yours truly,

**Goodmans LLP**



*per* Mark Dunn  
MD/en  
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