

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

Contents

I.	Introduction.....	2
II.	Purpose of this Report.....	2
III.	Mortgage review.....	2
IV.	Proposed Use of Proceeds.....	3
V.	Conclusion and Recommendations	4

I. Introduction

1. This is the Supplemental Report to the Sixth Report of Schonfeld Inc. (the “**Manager**”) dated April 4, 2014 (the “**Sixth Report**”) in its capacity as Manager of certain companies listed at Schedule “B” to the Order of Justice Newbould dated November 5, 2013 (the “**Companies**”)¹, together with the real estate properties owned by the Companies (the “**Properties**”).

2. Capitalized terms not otherwise defined below have the meanings ascribed to them in the Sixth Report.

3. The terms of reference set out in the Sixth Report apply to this Supplemental Report.

II. Purpose of this Report

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

III. Mortgage review

5. The Highway 7 Mortgage registered on title to the Highway 7 Property is described at paragraph 9 of the Sixth Report.

6. The Manager has requested a payout statement from Harbour Mortgage Corp. (“**Harbour**”) with respect to the Highway 7 Property, a copy of which is attached as Appendix 1.

7. For ease of reference, the Highway 7 Mortgage is summarized as follows:

Property	Mortgagee	Registered Amount	Amount set out on payout statement
5770 and 5780 Highway 7 West, Vaughan, Ontario²	The Equitable Trust Company, as trustee for Harbour Mortgage Corp.	\$11,600,000.00	\$11,571,521.45³

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

² The following documents relating to this property are attached as Appendix “2”: (i) registered charge and related mortgage terms.

³ This amount includes principal and interest to April 24, 2014 as well as the claim for Additional Interest, as defined below.

8. The Manager instructed its counsel, Goodmans LLP (“**Goodmans**”), to conduct a review of the Highway 7 Mortgage. Goodmans has advised the Manager that the Highway 7 Mortgage is validly registered.

9. The Manager has also reviewed the amounts set out on the payout statement provided by Harbour. The amounts claimed by Harbour are:

- (a) principal (\$11,344,056.16) and interest (\$30,063.31) up to the anticipated closing date;
- (b) an additional three-month interest payment of \$161,369.23 (the “**Additional Interest**”) with respect to the period after the Highway 7 Mortgage is paid out pursuant to clause 29 of the Highway 7 Mortgage; and
- (c) legal fees totalling \$35,780.75.

IV. Proposed Use of Proceeds

10. The Manager recommends that the Proceeds of the Transaction, net of closing costs, be used to satisfy amounts owed pursuant to the Highway 7 Mortgage, including the amounts described in sup-paragraphs 9(a), (c) and (d) and that any excess proceeds be held in trust by the Manager pending further Order of the Court after the Manager has conducted a claims process to identify creditors entitled to payment by Royal Agincourt Corp. (“**RAC**”), owner of the Highway 7 Property.

11. The Manager is not satisfied that the Additional Interest is due pursuant to the terms of the Highway 7 Mortgage, which is attached as Appendix 2. The Highway 7 Mortgage matured on January 1, 2013 and Harbour claims the Additional Interest as compensation for RAC’s failure to pay off the Highway 7 Mortgage when it matured based on the following clause in the Highway 7 Mortgage:

After default in the payment of part or all of the Principal Amount, the Chargee shall not be required to accept payment in satisfaction of the outstanding Principal Amount without, in addition to all monies payable under the Charge, a bonus equal to 3 months’ Interest in advance on the Principal Amount outstanding. The Chargor shall not be entitled to a discharge of the Charge without payment of such bonus or 3 months’ written notice of such payment in lieu thereof. Nothing in this section shall, however, affect or limit the right of the Chargee to recover by action or otherwise the Principal Amount in arrears.

12. The Manager is of the view that the Additional Interest may be a fine or penalty prohibited by section 8 of the *Interest Act*. Accordingly, the Manager does not recommend that the Additional Interest be paid at this time.

V. Conclusion and Recommendations

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

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

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

Per: _____
Harlan Schonfeld CPA•CIRP



SCHEDULE "A" COMPANIES

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

SCHEDULE "B" COMPANIES

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

33. El-Ad (1500 Don Mills) Limited

34. 165 Bathurst Inc.

6319683