

RSM Richter

**First Report to Court of
RSM Richter Inc. as Receiver of E.M.B.
Asset Group Inc. and Robert Mander**

RSM Richter Inc.
Toronto, March 29, 2010

Table of Contents

1.	INTRODUCTION.....	1
1.1	Purposes of this Report	2
1.2	Currency	2
1.3	Restrictions	3
2.	BACKGROUND	3
3.	RELATED ENTITIES.....	5
3.1	Stonebury	6
3.2	Gallery	6
3.3	Trafalgar	7
3.4	Other Related or Potentially Related Entities	8
4.	ASSETS	8
4.1	Cash	9
4.2	Trading Accounts	10
4.3	Other Investments	10
4.4	Personal Property	11
4.5	Real Property	11
4.6	Claims Made Against the Real Property	12
5.	“THE NEW YORK PROPERTY”	13
6.	INVESTORS.....	14
7.	DATA REVIEW	14
8.	INTERVIEWS	15
9.	ESTATE ISSUES	16
10.	OTHER ACTIVITIES	16
11.	CONCLUSION AND RECOMMENDATION	17

Index of Appendices

Amended Receivership Order dated March 19, 2010, as amended.....	"A"
Statement of Claim of Tasha Fluke and Related Documents.....	"B"
Black Ink Document.....	"C"
Statutory Declaration.....	"D"

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

B E T W E E N:

SA CAPITAL GROWTH CORP.

Applicant

- and -

ROBERT MANDER AND E.M.B. ASSET GROUP INC.

Respondent

**IN THE MATTER OF RULE 14.05(3)(G) OF THE *RULES OF CIVIL PROCEDURE* AND
SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C. C.43**

**FIRST REPORT OF RSM RICHTER INC.,
AS RECEIVER**

March 29, 2010

1. INTRODUCTION

This report ("Report") is filed by RSM Richter Inc. ("Richter") in its capacity as receiver ("Receiver") pursuant to an order of the Ontario Superior Court of Justice ("Court") dated March 17, 2010, as amended ("Receivership Order").

Richter was appointed Receiver pursuant to an application by SA Capital Growth Corp. ("SA Capital") for the appointment of a receiver over the business and assets of E.M.B. Asset Group Inc. ("EMB") and of Robert Mander ("Mander") (jointly, EMB and Mander are defined as the "Respondents") under Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended.

As a result of the amendments to the Receivership Order, the Receivership Order provides the Receiver authority regarding the business and assets of entities related to, or believed to be related to, the Respondents. As set out below, these entities include Mand Asset Inc., Dunn Street Gallery Inc., Trafalgar Capital Growth Inc. and Mander Group Inc.

The Receiver was appointed to preserve, protect and investigate the affairs of the Respondents. The Receivership Order has been amended on two occasions. A copy of the Second Amended Receivership Order (the “Amended Receivership Order”) is attached as Appendix “A”.

While Mr. Justice Morawetz was preparing his endorsement in chambers in respect of the receivership application on March 17, 2010 – and after having advised counsel that a form of receivership order would be granted - the Receiver was advised that Mander had just been found deceased in his home and that he had committed suicide. Mr. Justice Morawetz was immediately advised by the Receiver’s counsel, Matthew Gottlieb of Davies Ward Phillips & Vineberg LLP (“Davies”), of the information provided to the Receiver.

1.1 Purposes of this Report

The purposes of this Report are to:

- a) Provide background information concerning the Respondents;
- b) Summarize the results of the Receiver’s preliminary investigation in these proceedings; and
- c) Recommend that this Honourable Court issue an order:
 - Amending the Amended Receivership Order so that its terms substantially conform with the model receivership order approved by the Commercial List User’s Committee;
 - Adding Stonebury Inc. (“Stonebury”), a real estate holding company owned by Mander, as one of the companies listed as one of the “Related Entities” in the Receivership Order; and
 - Approving this Report and the Receiver’s activities since the date of its appointment.

1.2 Currency

All currency references are in Canadian dollars unless otherwise specified.

1.3 Restrictions

In preparing this Report, the Receiver has relied upon unaudited financial information and books and records located at the premises of the Respondents as well as at various other locations where Mander carried on business or is believed to have carried on business, maintained an office, files or a safe, whether presently, in the past and/or periodically, and documents, records and information provided by various individuals and financial institutions. The Receiver has not performed an audit or other verification of the documents and information it has accumulated. The Receiver expresses no opinion or other form of assurance with respect to the accuracy of any information, documents and financial information presented in and/or discussed in this Report, or relied upon by the Receiver in preparing this Report.

Because of Mander's death, the Receiver has not had the benefit of speaking with the one individual - Mander - who could give firsthand information regarding the businesses he conducted. As a result, the Receiver has been required to conduct its investigation by reviewing documents and meeting with individuals with knowledge of Mander and his businesses. Therefore, this Report is preliminary and subject to change based on new findings - changes may be material.

2. BACKGROUND

EMB is an investment company incorporated in February, 2008 which borrowed funds from a number of companies and private individuals ("Investors") for investment purposes. Some Investors also loaned money directly to Mander for investment purposes. In certain instances, Investors, such as SA Capital, the Applicant in these proceedings, invested/loaned money they appear to have received from third parties.

The loan agreements between the Investors and the Respondents provide for significant rates of return, many between 17% and 30%, annually. To date, Investors have advised that they invested collectively well in excess of \$40 million with the Respondents.

Mander is not believed to have had significant net worth prior to commencing his first investment business in 2003. Based on interviews with family members and other individuals, Mander's family is from a humble background.

Through the fall of 2003, Mander worked as an insurance salesperson at Freedom 55. In and around that time, he and Tasha Fluke ("Fluke"), an associate he knew at Freedom 55, incorporated an investment company, FM Market Capital Inc. ("FM Capital"). In July, 2007 Fluke commenced an action against Mander, Mander entities and others related to various investment irregularities and other matters. Fluke's allegations are similar in many respects to the SA Capital application. A copy of Fluke's Statement of Claim, Mander's Statement of Defence and Counterclaim, Fluke's Reply and Defence to Counterclaim and Mander's Reply to the Defence to the Counterclaim is provided in Appendix "B".

EMB was owned by Mander, who was EMB's sole director and officer. Based on information provided to the Receiver, all decision making and investing at EMB was done solely by Mander. Among other things, Mander had exclusive cheque-signing authority over EMB's bank accounts and over his personal accounts. All parties with whom the Receiver has spoken deny knowledge of substantially all transactions undertaken by the Respondents. The Respondents did not provide the Investors with statements summarizing the individual holdings or the performance of their "portfolios".

EMB operated from 225 Church Street, Oakville (“225 Church”). It appears that Mander may have also conducted business from 223 Church Street, Oakville (“223 Church”), home of Dunn Street Gallery Inc. (the “Gallery”) and periodically, or in the past, at 239 Church Street, Oakville (“239 Church”). (225 Church and 223 Church are referred to as the “Church Properties”). The Church Properties are owned by EMB. The Respondents do not appear to have an interest in 239 Church.

Additional background information concerning these receivership proceedings is included in an affidavit sworn by Davide Amato on March 15, 2010 (“Amato Affidavit”). The Amato Affidavit is available on the Receiver’s website at www.rsmrichter.com.

3. RELATED ENTITIES

In addition to EMB, the Receiver has identified the following companies owned, controlled or associated with Mander¹ (the “Related Entities”). The Related Entities are listed below.

Entity	Mander Ownership
Stonebury	100%
Gallery	90%
Trafalgar Capital Growth Corp. (“Trafalgar”)	50%
Mander Group Inc.	Unknown
Mand Asset Inc.	Unknown
Mander-Walton Market Capital	Unknown
FM Capital	50%
1198677 Ontario Limited (“119”, a company with Tom Obradovich)	Unknown

A summary of these entities is provided in the following sections.

¹ Paragraph 3 (a.1) of the Amended Receivership Order reads “Related Entities include in particular, but is not limited to, the following corporations: Mand Asset Inc.; Dunn Street Gallery Inc.; Trafalgar Capital Growth Inc. and Mander Group Inc.” thus covering the entities noted in that paragraph specifically and, indirectly, other entities related to Mander and EMB.

3.1 Stonebury

In July, 2007 Mander incorporated 2142179 Ontario Inc., which subsequently changed its name to Stonebury. Stonebury's office is located at 225 Church. It had three employees and is owned by Mander. Mander is its sole director and officer. It appears that Stonebury is a company that holds real estate for Mander.

Stonebury's real estate includes Mander's personal residence, a piece of vacant land and a property under development. None of this real estate generates revenue. Stonebury required funding from other sources in order to pay its expenses, such as utilities, taxes, insurance, upkeep and for development purposes. Based on interviews and a review of the Respondent's bank accounts at HSBC Bank Canada ("HSBC") for the period September, 2009 to February, 2010, Stonebury's operations were funded by Mander and EMB.

A summary of properties owned by Stonebury is provided in Section 4.5 below.

3.2 Gallery

The Receiver understands that Mander owns 90% of the Gallery. The balance of the Gallery is apparently owned by Colleen Auriemma ("Auriemma"), a Gallery employee.

The majority of the Gallery's art appears to have been accepted on a consignment basis. The Gallery currently has approximately 211 pieces of consignment artwork, 34 pieces of owned artwork and nine pieces of artwork owned by Mander. In addition to Auriemma, the Gallery had one employee.

Based on discussions and a review of the HSBC bank statements, the Gallery's operations appear to have been funded by the Respondents. Auriemma has advised the Receiver that the Gallery was not profitable.

Shortly after the commencement of these proceedings, Auriemma terminated the Gallery's operations. Artists have contacted the Receiver seeking the return of their artwork. The Receiver is in the process of reviewing the consignment documents. Subject to its review of the consignment documentation, and to the approval of this Court, the Receiver intends to return the consignment art to the artists.

3.3 Trafalgar

Trafalgar is an investment company in which Mander and Heather Shantora ("Shantora") each have a 50% ownership interest. Trafalgar's business was similar to SA Capital, but on a smaller scale.

Shantora estimates that Trafalgar is owed approximately \$800,000, excluding interest, from Mander and/or EMB.

Shantora advises that she resigned as a Director of Trafalgar on March 2, 2010 due to her frustrations with Mander. Despite repeated promises to Shantora, Mander failed to repay monies withdrawn by him from Trafalgar. According to Shantora, Mander invested these monies through EMB and his personal account(s). Shantora expressed repeated concerns to Mander over her lack of control of, and information concerning, the invested funds once transferred from Trafalgar. As with other Investors, Trafalgar was never provided with a summary of the performance of the investments. Shantora filed a complaint against Mander with the Ontario Securities Commission in early, 2010.

3.4 Other Related or Potentially Related Entities

Mander has, had or may have an ownership interest in Mander Group Inc.², Mand Asset Inc., Mander-Walton Market Capital and FM Capital. Based on information reviewed by the Receiver, it appears that these entities are no longer active and do not have material assets.

The Respondents appear to also have had a relationship with Tom Obradovich (“Obradovich”), a Toronto-based businessman who has advised the Receiver that he invested approximately \$10 million with either or both of the Respondents, including approximately \$8.5 million personally. The Receiver has also obtained information which indicates that Mander or EMB may have been co-investors with Obradovich through 119 in real estate in Barrie, Ontario. Obradovich has advised that Mander consented to the transfer of his interest in 119 and the Barrie real estate to Obradovich in November, 2009, when Mander was unable to make an interest payment on the Obradovich loans. The Receiver is reviewing this issue to determine whether the Respondents continue to have an interest in 119 and the Barrie real estate.

4. ASSETS

Immediately following its appointment, the Receiver attended at the Church Properties and advised the Respondents’ main bank, HSBC, of its appointment. On March 18, 2010, the Receiver attended at Mander’s personal residence at 17 Stonebury Place, Freelon, Ontario (“17 Stonebury”). The Receiver was unable to gain access to 17 Stonebury until the Hamilton Police (“Police”) had concluded its investigation at that location.

A summary of the assets located by the Receiver as at the writing of this Report is provided below.

² This entity is believed to be owned 100% by Mander; however, the Receiver has not yet confirmed this.

4.1 Cash

The Respondents maintained several accounts at HSBC. The balance in the EMB and Mander bank accounts on or about the date of the Receivership Order totalled approximately \$9,600 and \$90, respectively. Mander also maintained a personal line of credit (“LOC”) at HSBC under which he owed approximately \$25,000. As well, EMB has HSBC MasterCard credit cards under which it owes approximately \$50,000. HSBC has also provided account balances for Stonebury, the Gallery and Trafalgar. The balances in these three bank accounts total approximately \$18,000 and their outstanding HSBC MasterCard credit card balances total approximately \$72,000. The Receiver has requested that HSBC transfer the monies in the EMB, Mander, Stonebury, Gallery and Trafalgar bank accounts to the Receiver’s estate account. HSBC has not yet transferred the funds and has advised that it may seek to set off the monies in EMB’s account against the balance owing under the LOC.

The Receiver has requested that, to the extent possible, HSBC provide details of the accounts from their inception date, including all bank statements, deposits, cancelled cheques and wire transfer details. HSBC is providing this information as accumulated. As of the writing of this Report, the Receiver has received certain of these documents and is in the early stages of its review.

The Respondents also maintained bank accounts at Bank of Nova Scotia (“Scotiabank”). Scotiabank has advised that the balances in the Respondents’ bank accounts on or about the date of the Receivership Order were nominal. Scotiabank is in the process of transferring the funds in the Respondents’ accounts to the Receiver’s estate accounts. The Receiver has also requested that, to the extent possible, Scotiabank provide details of the accounts from their inception date. Scotiabank is providing this information as accumulated.

The Receiver has sent letters to each of the Schedule 1 Canadian banks where Mander, EMB or any of the Related Entities may have transacted. Bank accounts of certain Related Entities have been identified at Bank of Montreal (“BMO”) and Royal Bank of Canada (“RBC”); however, the BMO accounts were closed in 2007 and 2008, and the RBC account has a nominal balance. Any balances have been or are in the process of being transferred to the Receiver’s estate accounts. The Receiver has received confirmation from the Canadian Imperial Bank of Commerce and from TD Bank that neither the Respondents’ nor the Related Entities maintained bank accounts at their institutions.

4.2 Trading Accounts

The Respondents are known to have or had trading accounts with Interactive Brokers (“Interactive”) and Questrade Inc. (“Questrade”). The Receiver is in the process of reviewing account statements it received from Interactive. The Receiver has requested that Questrade provide documentation to it with respect to the Respondent’s accounts. As of the writing of this Report the Receiver has not received this documentation. The Receiver continues to follow up with Questrade. The Receiver has also sent letters to other Canadian brokerages where the Respondents’ or the Related Entities may have transacted. As of the date of this report no other trading accounts have been identified.

4.3 Other Investments

The Receiver understands that either or both of the Respondents invested in certain private or “small cap” public companies. The Receiver is in the process of attempting to locate share certificates and/or confirming the shareholdings of the Respondents in these companies. These investments do not appear to be significant in the context of the amounts potentially owing to Investors.

4.4 Personal Property

The Receiver located the following items at 17 Stonebury, Mander's home:

- Jewellery, including 12 expensive watches. The Receiver has evidence that Mander purchased several additional expensive watches, but has been unable to locate them. Between May, 2007 and September, 2009, Mander purchased approximately \$440,000 of jewellery from an Oakville jeweller ("Jeweller");
- Two vehicles, including a 2010 Land Rover which is subject to an encumbrance in favour of Bank of Montreal and an unencumbered 2010 Jaguar;
- A children's playground rumoured to cost more than \$80,000;
- Several expensive guitars;
- Artwork;
- Several personal computers; and
- Home furnishings.

In addition, the Receiver was advised of three Fabergé eggs owned by Mander and stored at the Jeweller. Mander had requested that the Jeweller attempt to sell the Fabergé eggs on his behalf.

4.5 Real Property

A summary of the real property owned by the Respondents and Stonebury is provided below.

Address	Estimated Mortgage (\$000s)	Mortgagee	Title	Description
1225 Lawrence Crescent, Oakville ("Lawrence Property")	2,000	HSBC	Mander	5,000 sq ft. vacant house.
1650 Highpoint Sideroad, Caledon	-	-	Stonebury	97 acre lot with 1 storey house.
1506 Highpoint Sideroad, Caledon	-	-	Stonebury	1 1/2 acre lot, under construction.
223 Church Street, Oakville	612	Home Trust Company	EMB	2,900 sq. ft. townhouse, commercial.
225 Church Street, Oakville	630	Home Trust Company	EMB	2,900 sq. ft. townhouse, commercial.
17 Stonebury Place, Freelton	633	TD Bank	Stonebury	5 acre lot with 4,600 sq. ft. house

In accordance with the terms of the Receivership Order, the Receivership Order or the Amended Receivership Order (as appropriate) has been registered on title for each of the above locations.

The 225 Church and the Lawrence properties were listed for sale with an agent from Re/Max Del Mar Realty Inc. on February 18, 2010 and January 19, 2010, respectively. The listing prices for 225 Church and the Lawrence Property are \$1.68 million and \$3.28 million, respectively.

As at the writing of this Report, the Receiver is working with a prospective buyer for the Lawrence Property. The Receiver intends to promptly seek the Court's approval of the transaction should the Receiver be in a position to complete this transaction.

4.6 Claims Made Against the Real Property

Auriemma claims that pursuant to a document dated December 21, 2009, Mander pledged to Black Ink Capital Growth Ltd. ("Black Ink"), an Investor and a company she owns with her husband, the equity in the Lawrence Property in the event that EMB is unable to fulfill its legal contractual obligations to Black Ink. A copy of the document is attached as Appendix "C". The Receiver believes that this claim does not provide Black Ink with an enforceable secured claim in the equity in the Lawrence Property. The Receiver also believes that this transaction may be attackable under provincial legislation.

The document provided by Mander to Auriemma is consistent with another document provided to the Receiver by Peter Sbaraglia ("Sbaraglia"). Sbaraglia is a principal of CO Capital Growth Corp. ("CO Capital"), another Investor. During an interview with the Receiver and its counsel on March 18, 2010, Sbaraglia provided a Statutory Declaration dated July 15, 2009 indicating that the cash value of the equity in six properties was held in trust for CO Capital in the event that EMB is unable to repay the monies invested by CO Capital. Since the March 18, 2010 meeting, Sbaraglia's

counsel has confirmed that CO Capital does not take the position that it is a secured creditor on the lands referenced in the Statutory Declaration. A copy of the Statutory Declaration is attached as Appendix “D”.

5. “THE NEW YORK PROPERTY”

It appears that in the fall of 2009 and early 2010 the Respondents had difficulty meeting their obligations to Investors and that Investors were becoming increasingly concerned. Mander’s communications during this period were sporadic. To the extent he was communicating with Investors, Mander advised many Investors (and others) that he had invested a \$40 million inheritance from his father with an individual named Arthur who he said was an old high school friend living in New York, but that Arthur had lost and/or absconded with the money. Mander also advised Investors that to make up for the loss, Arthur had transferred to Mander a building in New York City that was in the process of being sold for Arthur by a man named Victor³. The proceeds of the sale were to be paid to Mander, which were to be more than \$40 million, thus allowing Mander to repay the Respondents’ obligations.

The Receiver has recently been advised that Mander’s father was living on his pension at his life’s end and had negligible net worth at the time of his death. The Receiver has also recently learned that Arthur is an old friend of Mander’s sister and that he is an electrician with a small business in California. Family members and others appear to have no recollection or knowledge of Victor. The Receiver has not identified nor been provided with any evidence to suggest that the New York City real estate exists.

³ The Receiver has been advised of variations of this story, including that Victor had obtained a judgement on Arthur’s New York City real estate, which he subsequently enforced. When asked for a copy of the judgement by certain Investors, Mander is said to have responded that it is confidential.

The Receiver notes that Mander's explanation that the proceeds generated from the sale of the New York property would be available to repay his obligations does not answer the question of the location of the Investor funds and the assets in which he invested (or was to invest).

6. INVESTORS

The Receiver is presently aware of six primary Investors, including SA Capital, Black Ink, CO Capital, Trafalgar, J.S. Bradley Inc. and Obradovich. The Receiver has been contacted by other parties who invested lesser amounts. The Receiver is not aware of the number of investors that invested with the Respondents, directly and indirectly. The total amount owing to the Investors at this time is unclear; however, the total claims would appear to exceed \$40 million. It is also unclear whether this is in respect of principal, interest or principal and interest. Based on its review of the HSBC bank statements, it appears that several Investors received significant payments in recent months.

Subject to having sufficient funds to perform a detailed review of the Respondents' activities and transactions, the Receiver intends to perform an analysis of the Respondents' banking and other transactions. In due course, and subject to recoveries in these proceedings, the Receiver would conduct a claims process to confirm the Respondents' creditors and the amounts owing to them.

7. DATA REVIEW

The Respondents do not appear to have maintained complete books and records. With few exceptions, the Receiver has been unable to find correspondence or written communications, other than limited e-mail correspondence. To the extent Mander communicated it appears to have been via several e-mail accounts. The Respondents did not provide Investors with statements detailing the performance of their investments or individual holdings. Investors and employees have advised the Receiver that Mander became agitated when asked about the attributes of his investments.

The Receiver has been advised of a bonfire in late 2009 at which documents are said to have been burned. The Receiver is attempting to verify this. Numerous shredders were located at the Church Properties.

The Receiver is in the process of reviewing e-mail accounts, electronic and other records related to the Respondents and Related Entities. CO Capital and Shantora have also provided the Receiver with documents.

The Receiver located several Blackberrys at Mander's residence, each of which has been erased. Some may never have been used. The Receiver has requested that Research in Motion ("RIM") provide it with any communications that may remain on its servers. The Receiver is awaiting RIM's findings.

The Receiver has been advised that the Police have in their possession a hard drive from one of the computers located at 17 Stonebury. The Receiver requested a mirror image of this hard drive, but a response has not yet been provided. The Receiver intends to follow up with the Police in this regard.

The Receiver is performing a review of the Respondent's various computers and of computers of certain parties that dealt extensively with the Respondents.

8. INTERVIEWS

Since its appointment, the Receiver has conducted preliminary interviews of employees, Investor representatives and certain of Mander's family members. The details provided in this Report are based in part on those interviews. It will be necessary for the Receiver to continue to meet with certain of these individuals as the Receiver's investigation continues.

9. ESTATE ISSUES

The Receiver understands that Mander's will appoints Christine Brooks ("Brooks"), the mother of Mander's son⁴, as the executor of his estate. Through counsel, Brooks has advised that she may renounce this position, but has not yet done so.

The Receiver has also been advised that approximately \$8,000 per month was being paid, or to be paid, by Mander to Brooks in respect of child support payments and that Brooks is seeking to have these support payments continued. The estate does not currently have the money to continue to fund this obligation and it is also uncertain if this obligation is appropriately sustained in the context of an insolvency proceeding and the overall claims against the Respondents.

10. OTHER ACTIVITIES

In addition to the activities detailed above, the Receiver's activities have included:

- Attending at the Church Properties periodically to search for information and assets;
- Retrieving and storing at the Receiver's office documentation and computer equipment from 225 Church and 17 Stonebury;
- Imaging computers from 223 Church and copying documentation, including consignment agreements with artists;
- Corresponding with authorities and regulators, certain of which may have been reviewing in recent months the activities of the Respondents;
- Meeting with the Police to advise of the receivership proceedings and to request an inventory of items removed from Mander's residence;
- Contacting charities to which Mander may have donated;
- Contacting various other parties whom the Receiver was advised may have information regarding the Respondents;

⁴ Mander and Brooks were never married.

- Following up with Interactive and Questrade;
- Corresponding with HSBC and various financial institutions;
- Changing locks and alarm codes at the Church Properties and 17 Stonebury and arranging for security at these locations;
- Reviewing insurance documentation;
- Negotiating a transaction for the Lawrence Property;
- Corresponding with the Respondents' accountant, Tonin & Co LLP;
- Meeting with an appraiser regarding jewellery and other assets;
- Corresponding with the Jeweller;
- Returning to Mander's son certain immaterial personal items, including a ring, a pair of cufflinks and various children's toys;
- Dealing with issues related to Mander's estate; and
- Drafting this Report.

11. CONCLUSION AND RECOMMENDATION

The Receiver believes that the Amended Receivership Order should be amended to conform substantially to the terms of the model receivership order approved by the Commercial List User's Committee. The Receiver believes that it requires additional powers, including the authority to realize upon the assets of the Respondents, including those in the Receiver's possession, and to ultimately distribute any proceeds, net of costs, to the Respondents' creditors, subject to the Court's oversight and approval. The Receiver is not in a position at this time to confirm whether there will be any recoveries to the Respondents' creditors, and if so, the amount of any recoveries.

The Receiver intends to maintain an accounting of the recoveries and costs in these proceedings on an entity basis, noting however, that the Receiver's Charge in the Amended Receivership Order is a court-ordered senior encumbrance over all of the Respondents' businesses and assets without regard to the entity in which realizations are generated.

The Receiver also seeks approval of this Report and its activities from the date it was appointed.

* * *

All of which is respectfully submitted,

A handwritten signature in dark ink, appearing to read "RSM Richter Inc.", written in a cursive, flowing style.

**RSM RICHTER INC.
IN ITS CAPACITY AS RECEIVER OF
E.M.B. ASSET GROUP INC. AND ROBERT MANDER
AND NOT IN ITS PERSONAL CAPACITY**



Court File No. 10-8619-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE
JUSTICE MORAWETZ

) FRIDAY, THE
)
) 19TH DAY OF MARCH, 2010

B E T W E E N :

SA Capital Growth Corp.

Applicant

- and -

Robert Mander and E.M.B. Asset Group Inc.

Respondents

APPLICATION UNDER Rule 14.05(3)(g) of the *Rules of Civil Procedure*
and section 101 of the *Courts of Justice Act*, R.S.O. 1990. c. C.43, as amended

SECOND AMENDED ORDER

THIS MOTION made by SA Capital Growth Corp. (the "Applicant") for an Order amending the order of this Court dated March 17, 2010 and made pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing RSM Richter Inc. as receiver (in such capacity, the "Receiver") of E.M.B. Asset Group Inc. and Robert Mander (the "Debtors") for the purposes and with the powers set out herein was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Davide Amato sworn March 15, 2010 and the Exhibits thereto, and on hearing the submissions of counsel for the Applicant and those other parties present, no one appearing for any other party although duly served as appears from the affidavits of service of Lillian Symchych and Dwayne MacDonald sworn March 15, 2010 and on reading the consent of RSM Richter Inc. to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 101 of the CJA, RSM Richter Inc. is hereby appointed Receiver of the Debtors for the purposes and with the powers set out herein.

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated to do any of the following where the Receiver considers it necessary or desirable:

(a) subject to paragraph (a.2) below, to take any steps that the Receiver may, in its sole discretion, deem necessary or desirable to prevent any disbursement, withdrawal or transfer of funds by the Debtors or corporations or other entities associated with, related to or controlled by the Debtors ("Related Entities") or sale, encumbrance or transfer of personal or real property of the Debtors or Related Entities including that real property listed in Schedule B hereto (collectively, "Dispositions"), pending further order of this Court;

(a.1) "Related Entities" includes in particular, but is not limited to, the following corporations: Mand Asset Inc.; Dunn Street Gallery Inc.; Trafalger Capital Growth Inc. and Mander Group Inc.;

- (a.2) the Receiver shall forthwith, at the request of Robert Mander, direct in writing financial institutions identified by Robert Mander to withdraw funds to an aggregate maximum of \$5,000 per 7 day period;
- (b) to take any steps that the Receiver may, in its sole discretion, deem necessary or desirable to complete or effect any transactions otherwise undertaken in the ordinary course of the Debtors' business;
- (c) to direct any financial institution, wherever located and including those listed in Schedule A hereto, to cease to allow any withdrawals or transfers from any account that the Debtors or Related Entities, hold with such institution, including those listed in Schedule A hereto, unless otherwise directed by the Receiver in writing or by order of this Court;
- (d) to monitor and investigate the Debtors' and Related Entities affairs;
- (e) to take any steps that the Receiver may, in its sole discretion, deem necessary or desirable to preserve and protect the personal property and real property legally or beneficially owned by the Debtors or Related Entities, including the real property specified in Schedule B hereto (collectively, the "Property"), pending further order of this Court, or any part or parts thereof, including, but not limited to, the changing of locks, security codes and passwords, the engaging of independent security personnel, the taking of physical inventories, and the control of access to the Debtors' and Related Entities' Records (as defined below) or premises;
- (f) to take any steps that the Receiver may, in its sole discretion, deem necessary or desirable to preserve and protect the Records (as defined below), pending further order of this Court;
- (g) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on

whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

- (h) to conduct examinations of any Person (as defined below), if deemed necessary in the Receiver's discretion;
- (i) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property; and
- (j) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations,

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtors, and without interference from any other Person.

4. **THIS COURT ORDERS** that the Receiver shall file with the Court a report outlining its preliminary findings and recommendations with respect to the Debtors within 14 calendar days of the date of this Order.

5. **THIS COURT ORDERS** that the Receiver and any other interested party shall return to the Court within 21 calendar days of the date of this Order to consider the granting of further Orders that may be appropriate in the circumstances.

6. **THIS COURT ORDERS** that the Receiver may, in its sole discretion, apply to the Court at any time, on three (3) days notice, for an order that the Receiver shall be discharged as Receiver.

7. **THIS COURT ORDERS** that, in the event that the Receiver applies for discharge in accordance with paragraph 6, such discharge shall be granted on such terms as this Court deems appropriate.

DEBTORS' ASSETS

8. **THIS COURT ORDERS** that no party shall undertake any Dispositions except with the prior written consent of the Receiver or leave of this Court.

9. **THIS COURT ORDERS** that any transfer, disposition, encumbrance or other dealing with the real property legally or beneficially owned by the Debtors, including that real property specified in Schedule B, following registration of this Order on title to such real property shall be invalid.

10. **THIS COURT ORDERS** that no financial institution, wherever located, with notice of this Order shall permit any transfer or disbursement of any funds whether currently deposited or received in the future in any account held in the name of either of the Debtors without the prior written consent of the Receiver or leave of this Court.

10.1 **THIS COURT ORDERS** that the Receiver may, in its discretion, provide a key to access the premises at 223 Church St., Oakville, to Colleen Auriemma, and in the event that a key is so provided, Colleen Auriemma shall not provide that key or a copy thereof to Robert Mander or to any other person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

11. **THIS COURT ORDERS** that (i) the Debtors or Related Entities, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control.

12. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtors or Related Entities, and any computer programs, computer tapes,

computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 12 or in paragraph 13 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

13. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

14. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTORS OR THE PROPERTY

15. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtors or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in

respect of the Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. **THIS COURT ORDERS** that all rights and remedies against the Debtors, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtors to carry on any business which the Debtors are not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

17. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtors or Related Entities, without written consent of the Receiver or leave of this Court.

LIMITATION ON THE RECEIVER'S LIABILITY

18. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

CONTINUATION OF SERVICES

19. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtors or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized

banking services, payroll services, insurance, transportation services, utility or other services to the Debtors are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Debtors, and that the Debtors shall be entitled to the continued use of their current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Debtors in accordance with normal payment practices of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Debtors, or as may be ordered by this Court.

RECEIVER'S ACCOUNTS

20. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, and also subject to any security interests perfected in accordance with the *Personal Property Security Act* (Ontario) as of the date of this Order or any security interest in any real property of the Debtors, including the real property listed in Schedule B, which has been properly registered on title to such real property as of the date of this Order.

21. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

22. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the

normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

GENERAL

23. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

24. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtors or Related Entities, or either of them.


25. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, in the United States, or elsewhere, to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

26. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

27. **THIS COURT ORDERS** that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, on a substantial indemnity basis to be paid by the Receiver from the Debtors estates with such priority and at such time as this Court may determine.

28. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party

likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

A handwritten signature in black ink, appearing to read "Joanne Nicoara", is written over a horizontal line.

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO..

MAR 19 2010

PER / PAR: JSN

Joanne Nicoara
Registrar, Superior Court of Justice

Schedule A

Banking Institutions

HSBC Bank Canada
102-271 Cornwall Road, Unit A
Oakville, Ontario L6J 7Z5

Account # : 930289 010

HSBC Bank Canada
2500 Appleby Line
Burlington, Ontario L7L 0A2

Account # : 003747 150

EMB Asset Group
Scotia Bank
207 Lakeshore Road East at George
Oakville ON L6J 1N4

Account Number: 30742 00840 18

EMB Asset Group
HSBC Bank Canada
2500 Appleby Line
Burlington, ON L7L 0A2

Account number: 342-013734-001
342-013734-002

Dunn Street Gallery Inc.
HSBC Bank Canada
2500 Appleby Line
Burlington, ON L7L 0A2

Account number: 342-013734-001

Schedule B

Real Property

Lot 1, Plan 466, Oakville, being all of PIN 24796-0025 (LT), Land Registry Office #20, municipally known as 1225 Lawrence Cres., Oakville, Ontario.

Part Lot E, Block 3, Plan 1, Parts 9 and 27, Reference Plan 20R12967, Parts 2 and 4, Reference Plan 20R12968; Oakville, being all of PIN 24813-0327 (LT), Land Registry Office #20, municipally known as 223 Church St., Oakville, Ontario.

Part Lot E, Block 3, Plan 1, Parts 11 and 29, Reference Plan 20R12967, Parts 1 and 3, Reference Plan 20R12968, being all of PIN 24813-0328 (LT), Land Registry Office #20, municipally known as 225 Church St., Oakville, Ontario.

Parcel 8-1, Section 62M547; Lot 8, Plan 62M547; subject to LT235295; subject to LT220459; Flamborough City of Hamilton, being all of PIN 17524-0005 (LT), Land Registry Office #62, municipally known as 17 Stonebury Place, Freelon, Ontario.

Part Lot 26, Concession 3 WHS Caledon as in RO1108476, save and except Part 5 Plan 43R-16764; Caledon, being all of PIN 14280-0322 (LT), Land Registry Office #43, municipally known as 1650 High Point Road, Caledon, Ontario.

Part Lot 26, Concession 3 WHS Caledon, Part 4, Reference Plan 43R16764; Caledon, being all of PIN 14280-0316 (LT), Land Registry Office #43.

SA Capital Growth Corp.
Applicant

and

E.M.B. Asset Group Inc., et al.
Respondents

Court File No: 10-861900CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

SECOND AMENDED ORDER

Ogilvy Renault LLP

Suite 3800

Royal Bank Plaza, South Tower

200 Bay Street, P.O. Box 84

Toronto, Ontario M5J 2Z4

Alan Merskey LSUC#: 41377I

Tel: (416) 216-4805

Fax: (416) 216-3930

Evan Cobb LSUC#: 55787N

Tel: (416) 216-1929

Fax: (416) 216-3930

Lawyers for the Applicant

BELLMORE & MOORE

Barristers and Solicitors
393 University Avenue
Suite 1600
Toronto, Ontario
M5G 1E6
tel: 581-1818 fax: 581-1279

fax:

to: Matthew P. Gottlieb
Davies Ward Phillips & Vineberg LLP

fax #: 416-863-0871

from: Brian P. Bellmore
Bellmore & Moore

date: March 19 2010

subject: Robert Mander

pages: 27

Bellmore & Moore

393 University Avenue
Suite 1600
Toronto, Ontario
M5G 1E6

Brian P. Bellmore, B.Sc., LL.B., LL.M.

Tel: (416) 581-1818 ext. 221

Fax: (416) 581-1279

brian@bellmore.ca

March 18, 2010

Via fax: 416-863-0871

Matthew P. Gottlieb
Davies Ward Philips & Vineberg LLP
1 First Canadian Place
Toronto, Ontario
M5X 1B1

Dear Gottlieb:

Re: Robert Mander and E.M.B. Asset Group Inc.

The Order made by Mr. Justice Morowetz appointing a Receiver on March 17, 2010 has come to our attention. I understand you act for the Receiver, RSM Richter.

We act for a plaintiff in a pending action against Mr. Mander and others with respect to sums of money that he procured from her through false and misleading misrepresentations.

We enclose for your information a copy of the following pleadings:

Statement of Claim
Statement of Defence and Counterclaim
Reply and Defence to Counterclaim
Reply to the Defence to the Counterclaim

The action has not yet come to trial.

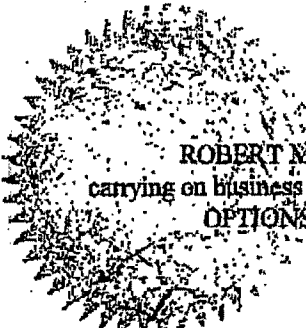
We wish to put the Receiver on notice of our client's claims and to offer any assistance we are able to provide in his investigation.

Yours sincerely,

BELLMORE & MOORE

Brian P. Bellmore
per: mg
Brian P. Bellmore

BPB:mg
encls.

Court File No. **07CV-336612-10****ONTARIO
SUPERIOR COURT OF JUSTICE****BETWEEN****TASHA FLUKE****Plaintiff****- and -****ROBERT MANDER, MANDER GROUP INC., ROBERT MANDER
carrying on business as MANDER CAPITAL, TRADE FREEDOM SECURITIES INC.,
OPTIONS EXPRESS INC. and QUESTTRADE INC. TORONTO****Defendants****STATEMENT OF CLAIM****TO THE DEFENDANT:**

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the Plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a Statement of Defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the Plaintiff's lawyer or, where the Plaintiff does not have a lawyer, serve it on the Plaintiff, and file it, with proof of service, in this court office, **WITHIN TWENTY DAYS** after this Statement of Claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your Statement of Defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

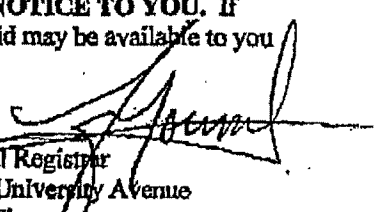
Instead of serving and filing a Statement of Defence, you may serve and file a Notice of Intent to Defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your Statement of Defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. If you wish to defend this proceeding but are unable to pay legal fees, legal aid may be available to you by contacting a local Legal Aid office.

DATE: **July 16/2007**

Issued by:

Address of Court office:


Local Registrar
393 University Avenue
10th Floor
Toronto, ON M5G 1E6

../2

TO: ROBERT MANDER
2511 Boros Road
Suite 39
Burlington, ON L7M 5B2

MANDER GROUP INC.
2511 Boros Road
Suite 39
Burlington, ON L7M 5B2

ROBERT MANDER ooh as MANDER CAPITAL
2511 Boros Road
Suite 39
Burlington, ON L7M 5B2

TRADE FREEDOM SECURITIES INC.
2001 McGill College, Suite 1310
Montreal, QC
H3A 1G1

OPTIONSXPRESS INC.
P.O. Box 2197
Chicago, IL 60690-2197

QUESTTRADE INC. TORONTO
North American Centre
5650 Yonge Street, Suite 1700
Toronto, ON M2M 4G3

.../3

CLAIM

1. The Plaintiff claims against Robert Mander, Mander Group Inc., Mander Capital:
 - (a) general damages in the amount of \$1,500,000.00;
 - (b) a Declaration that all monies being held in accounts in the name Robert Mander, being held in favour of the Plaintiff;
 - (c) an accounting of all monies taken and invested on behalf of the Plaintiff;
 - (d) pre-judgment interest pursuant to the *Courts of Justice Act*, R.S.O. 1990, as amended;
2. The Plaintiff claims as against Questtrade, TradeFreedom Securities, OptionsXpress Inc.:
 - (a) an Order declaring that all monies in the accounts held at the above-mentioned firms in the name of Robert Mander, Mander Capital, Mander Group Inc., are trust monies of the Plaintiff.
 - (b) a declaration and tracing Order that the Plaintiff is entitled to those funds and an interim and a permanent injunction freezing those monies pending an accounting to be completed by the Court.
 - (c) such further and other relief as this Honourable Court may deem just.
2. The Plaintiff, is an individual residing in the Town of Oakville in the Province of Ontario.
3. The Defendant Robert Mander is an individual residing in the Town of Burlington.
4. The Defendant Mander Group is both an incorporated and unincorporated entity. Robert Mander is the sole officer and director of Mander Group Inc. and was at all times the principal and driving force behind Mander Capital.
5. The Defendant Robert Mander also carries on business under the name Mander Capital.

.. /4

6. The Defendant Questtrade Inc. is a company incorporated pursuant to the Laws of Canada and carries on business as a broker of securities.
7. The Plaintiff states that in or about 2003 after completing a financial advisor course, the Plaintiff was employed by Freedom 55 Financial ("Freedom 55") owned by London Life. The Plaintiff worked with the Defendant Mander. During that time the Plaintiff and Defendant developed a strong working relationship whereby Mander who was substantially more senior than the Plaintiff convinced the Plaintiff that he was an expert in trading securities and the two of them could set up a business whereby Mander would trade securities on the parties behalf and the Plaintiff would solicit investors in a new company to be formed. Thus formed the genesis of F.M. Markets Capital Inc.
8. In or about August 2003 the Plaintiff and Defendant incorporated FM Market Capital Inc. whereby the Plaintiff and Defendant Robert Mander each held a 50% interest. The parties rented office space and opened an office at 239 Church Street, Suite 300, Oakville, Ontario.
9. The Plaintiff subsequently solicited her family and friends to invest in the company. Mander met most, if not all of the Plaintiff's family and friends and convinced them that he was an expert trader in options and warrants and had consistently achieved returns on an annualized basis at close to 100% per annum. He advised that he and his father before him were members of a special group of traders who held their own Nasdaq and NYSE seat and they were capable of writing their own options. He further advised that he was close with Dr. Alexander Elder, a well-known author on trading securities in capital markets. This, the Plaintiff later found out to be false.
10. Clients of FM were asked to loan monies to the company and were given written loan documents promising returns of anywhere from 25% to 50% per annum. Mander would invest the monies in his developed trading strategy. Mander was also supposed to be looking after the bookkeeping and accounting for the business.

.. /5

11. After the initial investments (loans) from many of F.M. customers, the Plaintiff soon learned that Mander was slowly directing these clients to a company solely controlled by him. This company was called Mander Capital Inc. or Mander Group Inc.
12. The parties carried on business through FM and continued to provide returns to their customers. Eventually in 2003, as a result of her relationship as a business partner was also convinced by Mander of his substantial success and provided her own personal capital to the Defendant Mander. Particulars of the investments are as follows:
 - a) January 10, 2006 - \$24,500.00 cdn bank draft to Robert J. Mander, for initial warrants investment.
 - b) January 10, 2006 - receipt created and issued by Robert J. Mander for \$24,500.00 cdn from Jan 10/06 - Feb 10/06.
 - c) February 9, 2006 - \$31,605.00 cdn, bank transfer of these warrants principle plus the return of 29% from January 2006 from Robert Mander's personal chequing account into the Plaintiff's chequing account.
 - d) February 22, 2006 - the Plaintiff provided Mander with \$36,500.00 and received a receipt created and issued by Robert Mander for \$36,500.00 cdn
 - e) February 2006 to March 20 2006 the Plaintiff was advised by Robert Mander that her rate of return earned for month of February 2006 was 28.5%. The Plaintiff and Mander agreed to a more thorough revised February receipt to include the rate of return earned (28.5%) and any monies withdrawn on March 20, 2006 being \$6,902.50. Mander also asked that the Plaintiff include in the revised February 2006 receipt to be dated an accurate 31 days (1 month) prior to March 20, 2006 and that all further receipts would use this date time line.
 - f) In March 2006 the Plaintiff received \$6,902.50 from the Warrants Investment, from Mander, and then roll over with Mander an even amount of \$40,000.00 cdn into March 20, 2006 Warrant Investment. On March 20, 2006 a receipt was created and issued by Robert J. Mander for \$40,000.00 cdn in favour of the Plaintiff.
 - g) On April 20, 2006 the Plaintiff again rolled over her investment \$45,000.00 cdn and received a receipt from Mander with a return earned for March 2006 of 28.5% and a withdrawal of \$6,400.00 cdn.

.../6

- h) On April 24, 2006 \$65,000.00 cdn, a revised receipt was provided to the Plaintiff for April 20, 2006 with an additional \$20,000.00 CDN added from the Plaintiff's Options Investment with Mander.
- i) On May 20, 2006 the Plaintiff again rolled over her investment in the amount of \$72,550.00 cdn, the Plaintiff received a receipt with a return earned for April 2006 of 27% and a withdrawal of \$10,000.00 cdn.
- j) On June 20, 2006 \$79,962.00 cdn, the Plaintiff again reinvested and received a receipt with for returns earned in May 2006 of 24% and a withdrawal of \$10,000.00 cdn
- k) On July 20, 2006 \$84,153.00 cdn, the Plaintiff again reinvested and received a receipt with interest earned June 2006 of 24% and a withdrawal of \$15,000.00 cdn.
- l) On August 20, 2006 the Plaintiff was owed a \$104,350.00 cdn the Plaintiff received a receipt.
- m) The Plaintiff claims she is owed \$104,350.00 which funds are in the Mander accounts.

13. In addition, the Plaintiff made what Mander called as "option investments" commencing in May of 2003 which investments were as follows:

May 27, 2003	\$15,640.12
September 7, 2003	7,000.00
October 6, 2003	6,400.00
November 2, 2003	11,500.00
December 3, 2003	17,193.00
January 6, 2004	22,752.00
February 6, 2004	57,700.00
March 3, 2004	36,000.00
March 7, 2004	43,586.00
April 3, 2004	43,200.00
April 8, 2004	59,765.00
May 5, 2004	51,840.00
May 11, 2004	100,724.00

.. /7

August 8, 2005 20,000.00

February 22, 2006 6,500.00

14. Mander confirmed that the Plaintiff's investments through options as of August 2006 had a value of \$1,043,452.00. These monies were in the Mander trading accounts and Mander made a practice of soliciting public funds and trading client's accounts contrary to the *Securities Act* as he has no license to do so.
15. On August 23, 2006 the Defendant confirmed to the Plaintiff by email that "your warrant money has been sitting with me since the beginning of August.
16. In addition to the above the Plaintiff had options invested with Mander which amounts were confirmed by email in excess of \$1,000,000.00 which are in securities in Mander's accounts.
17. Despite continued requests, the Defendant have refused to repay the Plaintiff's sums he claims to be holding on her behalf.
18. The Plaintiff further pleads and relies upon Rules 17.02 (f), (g) (h) and (n) in support of the service of this Claim outside of the Province of Ontario.

The Plaintiff requests that this action be tried at Toronto.

LEVINE, SHERKIN, BOUSSIDAN
A Professional Corporation of Barristers
4211 Yonge Street, Suite 200
Toronto, ON M2P 2A9

Kevin D. Sherkin
Tel: (416) 224-2400
Fax: (416) 224-2408
Solicitors for the Plaintiff

Court File No. 07-CV-336612 PD2

**ONTARIO
SUPERIOR COURT OF JUSTICE****BETWEEN:****TASHA FLUKE****PLAINTIFF****and****ROBERT MANDER, MANDER GROUP INC., ROBERT MANDER
carrying on business as MANDER CAPITAL, TRADE FREEDOM
SECURITIES INC., OPTIONS EXPRESS INC.
and QUESTTRADE INC. TORONTO****DEFENDANTS****STATEMENT OF DEFENCE AND COUNTERCLAIM**

1. The Defendants Robert Mander, Mander Group Inc. and Robert Mander carrying on business as Mander Capital (collectively referred to as the "Mander Defendants") admit the allegations contained in Paragraph 8 of the Statement of Claim to the extent that the Plaintiff Tasha Fluke ("Fluke") and the Mander Defendants incorporated FM Market Capital Inc. ("FM") and that each hold a 50% interest in FM. The Mander Defendants specifically deny the second sentence of Paragraph 8 of the Statement of Claim.
2. The Mander Defendants deny the allegations contained in Paragraphs 1, 2 (the first of two paragraphs designated as paragraph "2"), 3, 4, 5, 9, 10, 11, 12, 13, 14, 15, 16, 17 and 18 of the Statement of Claim.
3. The Mander Defendants have no knowledge in respect of the allegations contained in Paragraphs 2 (the second of two paragraphs designated as paragraph "2") and 6 of the Statement of Claim.

4. The Mander Defendants have no knowledge as to the first sentence of Paragraph 7 of the Statement of Claim. The Mander Defendants specifically deny the second and third sentences of Paragraph 7 of the Statement of Claim.

THE PARTIES

5. The Defendant Robert Mander ("Mander") is an individual who resides in Burlington, in the Province of Ontario. Mander is an entrepreneur and was at all material times carrying on the business of investing in small companies.

6. The Mander Defendants specifically deny that Mander at any time represented himself to the Plaintiff or anyone else to be a trader of securities, of being an "expert in trading securities" or any of the other allegations set out more particularly in paragraphs 7 and 9 of the Statement of Claim. Moreover, the Mander Defendants deny that Mander at any time acted in contravention of any applicable securities law, including but not limited to the *Securities Act*, R.S.O. 1990, c. S.5, as amended.

7. Mander Group Inc. ("MGI") is a corporation duly incorporated pursuant to the laws of the Province of Ontario and carries on the business of managing the portfolio of FM.

8. The Mander Defendants state that to their knowledge, the Defendant Mander Capital does not exist.

CREATION OF FM

9. In or around 2001 to 2003, Mander and Fluke were both employed by London Life. Mander and Fluke did not work together but were located in adjacent offices.

10. On or around September 16th, 2003, Mander determined that he was leaving London Life to start his own business of managing an investment portfolio. He mentioned his plans to Fluke.

11. Shortly thereafter, Fluke proposed that Mander and Fluke partner in a new venture as Fluke thought that her close friends and family would likely be interested in investing in Mander's venture. Fluke further suggested that Mander provide the investment strategy and Fluke would identify potential clients from among her family and close friends.

12. Mander agreed to the proposition and Fluke and Mander caused to be incorporated FM on or around August 25th, 2003. Mander and Fluke were equal shareholders in FM.

13. Mander rented office space for FM in October, 2003. Fluke had no funds to put into FM and, as a result, all initial outlays of capital to start-up FM were contributed by Mander, including but not limited to office equipment, stationary and letterhead, computing equipment, lease payments and related utilities expenses. Mander estimates the start-up costs of FM to be \$60,000.00.

PROMISSORY NOTES

14. Following the incorporation of FM, Fluke proceeded to contact her close friends and family. In the event that the friends and family were interested in the venture, they would lend FM money guaranteed by a promissory note. FM would then utilize the borrowed funds to trade securities and options through trading accounts set up in the name of FM via a licensed investment dealer.

15. Except for Fluke's mother, Fluke's brother Sean Fluke and Fluke's boyfriends, Mander did not initially meet any of the individuals Fluke approached or the individuals who lent FM money.
16. Fluke drafted and signed all promissory notes on behalf of FM. Mander at no time contributed to the drafting of the promissory notes. Fluke frequently would determine the rate of interest of the promissory notes independent of Mander but on some limited occasions, she would determine the rate of interest in co-operation with Mander.
17. The promissory notes bore varying rates of interest, of anywhere between 20% to 50% interest and had a one year term.
18. The monies loaned to FM were initially deposited directly into FM's bank account. Eventually, Fluke deposited the loaned monies directly into her account and in turn, would write a check to FM. Mander does not know if 100% of the funds provided to Fluke were transferred to FM or if any were retained by Fluke in whole or in part.
19. Given FM's success in investing the borrowed funds and meeting all interest commitments thereon, at the end of the first year, most investors opted to roll-over their loan along with the interest accrued into a new promissory note for an additional one-year term. However, at least three lenders approached Mander personally and stated that they no longer wanted to deal with Fluke but wanted to deal directly with Mander as they thought Fluke was not dealing with them fairly.
20. Over one and a half years, the relationship between Mander and Fluke deteriorated. Based on Fluke's behaviour, Mander became concerned that Fluke was refusing to disclose to

him what, if any, work she was doing for the company and copies of any financial dealings she was negotiating on behalf of FM. As a result, in or around July, 2006, Mander determined that FM should be disbanded and advised Fluke in or around July, 2006 of his decision.

PAYMENT OF ALL PROMISSORY NOTES

21. Upon the demise of FM, FM's trading accounts held a total balance of approximately \$600,000.00.

22. In total, FM had \$1,800,000.00 in outstanding promissory notes.

23. All lenders holding promissory notes were paid in full with Mander personally paying the shortfall of \$1,200,000.00. Fluke at no time contributed to the debts of FM in spite of being an equal shareholder.

24. To date, Fluke is the only alleged debtor of FM.

RECORDS AND BOOKKEEPING OF FM

25. The Mander Defendants specifically deny the allegation at paragraph 10 of the Statement of Claim and state that at all material times, Fluke was solely responsible for maintaining the bank accounts, financial records and for dealing with all administrative needs of FM.

26. Initially, Fluke worked out of FM's offices. Eventually, Fluke conducted most of her work from home and maintained some files at home and some at FM's offices.

27. Immediately after advising Fluke that FM was to be disbanded, Mander discovered that Fluke had attended at FM's offices and removed all financial and administrative files.

REMOVAL OF FUNDS FROM FM BY FLUKE

28. The Mander Defendants state that Fluke, without authorization and/or the knowledge and/or acquiesce of Mander, removed funds from FM for her personal use.

THREATS

29. Mander states that in or about June, 2006, Sean Fluke, Fluke's brother, left a threatening message on his voicemail at work that made threats against Mander's personal safety and that of his family.

30. In or about June, 2006, a former information technology employee of FM also received a threatening telephone call from Sean Fluke.

31. The Mander Defendants state that the above-mentioned threats were made at the instigation of Fluke who provided information to Sean Fluke as to the location and contact details of Mander and the employee.

32. In the alternative, the Mander Defendants state that Fluke knew of and co-operated in the delivery of the above-referenced threats.

33. The police have been contacted and have acted in due course.

DAMAGES

34. The Mander Defendants specifically deny that they are in law responsible for the damages as alleged by the Plaintiff.

35. The Mander Defendants state that at no time did Fluke personally loan money to FM as alleged in the Statement of Claim because she had no money to lend. The Mander Defendants state that instead, Fluke had significant personal debts. Ultimately, Fluke withdrew approximately \$200,000.00 from FM, some of which was used to meet her financial commitments including credit card debts and student loans.

36. The Mander Defendants specifically deny that the monies set out more particularly at paragraph 12 of the Statement of Claim are Fluke's personal monies and that such monies were advanced by Fluke. The Mander Defendants state that the advancement of these monies to FM, such advancement not admitted but specifically denied, are in fact monies advanced to Fluke by her friends and family to loan to FM and that Fluke is attempting to claim these loans as personal loans to FM. All claims by investors for money loaned to FM through Fluke's personal account have been paid by Mander personally. The money claimed by Fluke was investors' money, not hers, and have already been repaid.

37. The Mander Defendants further state that the monies claimed at paragraph 13 of the Statement of Claim were never advanced to FM or any of the Mander Defendants by Fluke. The Mander Defendants state that Fluke at no time invested in any "option investments" as alleged and puts the Plaintiff to the strict proof thereof.

38. The Mander Defendants specifically deny that the Plaintiff has suffered damages as alleged and puts the Plaintiff to the strict proof thereof.

39. In the alternative, to the extent that the Plaintiff has suffered any damages, which is not admitted but denied, the Mander Defendants state that;

- (a) they were not caused or contributed to by any conduct of the Mander Defendants, its agents or employees;
- (b) they are excessive and/or remote;
- (c) the Mander Defendants are not at law responsible for them; and/or
- (d) the Plaintiff has failed to take all reasonable and sufficient steps to mitigate said damages.

40. The Defendants therefore request that this action as against them be dismissed with costs.

COUNTERCLAIM

1. The Mander Defendants, Plaintiffs by Counterclaim, claim:

- (a) the sum of \$200,000.00 representing monies removed from FM unlawfully by Duke;
- (b) the sum of \$600,000.00 representing 50% of the monies paid by Mander to meet the debts of FM;
- (c) special damages, the particulars of which to be provided prior to trial;
- (d) aggravated, exemplary and punitive damages in the amount of \$50,000.00;
- (e) pre and post-judgment interest pursuant to the *Courts of Justice Act*, R.S.O. 1990, c. c-43, as amended; and

- (f) costs of this Counterclaim on a full indemnity basis together with any Goods and Services Tax which may be payable on any amount pursuant to the *Excise Tax Act*, R.S.C. 1985, as amended; and
- (g) Such other relief as this Honourable Court may deem just.

2. The Mander Defendants, Plaintiffs by Counterclaim, repeat and rely upon the allegations in the Statement of Defence in support of the counterclaim.

3. The Plaintiffs by Counterclaim ask that this action be tried at the same time and place as the main action.

September 17th, 2007

AYLESWORTH LLP
P.O. Box 124, 18th Floor
222 Bay Street
Toronto, ON M5K 1H1

Michael Miller (14441G)
Darcy Davison-Roberts (48496V)
Tel : 416-777-0101
Fax: 416-865-1398
Solicitors for the Mander Defendants,
Plaintiffs by Counterclaim

TO: **LEVINE, SHERKIN, BOUSSIDAN**
A Professional Corporation of Barristers
23 Lesmill Road
Suite 300
Toronto, ON M3B 3P6

Kevin D. Sherkin (27099B)
Tel: 416-224-2400
Fax: 416-224-2408

Solicitors for the Plaintiff

AND TO:

TRADE FREEDOM SECURITIES INC.
2001 McGill College, Suite 1310
Montreal, QC H3A 1G1

Defendant

OPTIONS EXPRESS INC.
P.O. Box 2197
Chicago, IL 60690-2197
U.S.A.

Defendant

AND TO

QUESTTRADE INC. TORONTO
North American Centre
5650 Yonge Street
Suite 1700
Toronto, ON M2M 4G3

Defendant

Court file No: 07-CV-336612 PD2

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

TASHA FLUKE

Plaintiff

-and-

**ROBERT MANDER, MANDER GROUP INC., ROBERT MANDER
carrying on business as MANDER CAPITAL, TRADE FREEDOM
SECURITIES INC., OPTIONS EXPRESS INC.
and QUESTRAD INC. TORONTO**

Defendants

REPLY AND DEFENCE TO COUNTERCLAIM

1. By way of reply to the Statement of Defence and Counterclaim, the Plaintiff repeats and relies on the allegations in the Statement of Claim.
2. The Plaintiff admits the allegations contained in paragraphs 5, 7 and 9 of the Statement of Defence.
3. The Plaintiff denies the allegations contained in the last sentence of paragraph 1 and paragraphs 2, 4, 6, 8 and 10-40 of the Statement of Defence.
4. The Plaintiff specifically denies the allegations in paragraph 35 of the Statement of Defence and states that she personally advanced the funds referred to in the amounts and on the dates described in paragraph 12 of the

Statement of Claim to Robert J. Mander ("Mander") in his personal capacity.

Mander stated that the funds would be invested by him in what he called warrants and agreed in writing that the advance together with a stipulated return would fall due and be paid by him in one month. The amounts due were rolled over at the end of each month, in whole or in part, and similar written agreements were entered for the succeeding month between the Plaintiff and Mander which were signed by Mander. The amount due to the Plaintiff in respect of the warrant advances as of August 20, 2006 was \$104,350.00. The Plaintiff has demanded payment of the balance due and payable by Mander but has failed to make payment of same.

5. The Plaintiff specifically denies the allegations contained in paragraph 36 of the Statement of Defence. The Plaintiff states that she personally advanced funds in the amounts and on the dates referred to in paragraph 13 of the Statement of Claim to Mander in his personal capacity. Mander stated the funds would be invested by him in what he called options. He further agreed in writing that the advance together with a stipulated return would fall due and be paid by him in one month. The amounts due were rolled over, in whole or in part at the end of each month and new agreements in writing were entered each month between the Plaintiff and Mander which were acknowledged in writing by Mander. The amount due to the Plaintiff in respect of the option loans as of August 2006 was \$1,043,452.00. The Plaintiff has demanded payment of the balance due and payable by Mander but he has failed to make payment of same.

6. The Plaintiff will rely on the above written agreements and acknowledgments of indebtedness by Mander at the trial of this action.

DEFENCE TO COUNTERCLAIM

7. The Defendant by Counterclaim denies the allegations in the Counterclaim.

8. The Defendant by Counterclaim specifically denies the allegation in paragraph 1(a) of the counterclaim that she unlawfully removed the sum of \$200,000 from FM. The Defendant by Counterclaim puts the Plaintiff to the strictest proof of this allegation.

9. With reference to the allegations in paragraph 1(b) of the Counterclaim, the Plaintiff states and the fact is that there is no agreement or other legal obligation for the Plaintiff to pay Mander 50% of the monies paid by him to meet the debts of FM. There were funds on deposit in the accounts of FM at the time of the termination of the business relationship between the Plaintiff and Mander in July 2006 in excess of the \$1,616,685 owing to FM's clients. Mander had sole control over these funds as Treasurer of FM and has failed or refused to provide any accounting or financial statements for FM to the Plaintiff notwithstanding that the Plaintiff owns 50% of the shares of FM.

10. The Defendant by Counterclaim requests that this action be dismissed with costs on a substantial indemnity basis.

March 13, 2008

BELLMORE & MOORE
Barristers and Solicitors
393 University Avenue
Suite 1600
Toronto, Ontario
M5G 1E6

Brian P. Bellmore (11828J)
Tel: 416-581-1818 ext 221
Fax: 416-581-1279

Solicitor for the Plaintiff

TO: **AYLESWORTH LLP**
Barristers and Solicitors
P.O. Box 124, 18th floor
222 Bay Street
Toronto, Ontario
M5K 1H1

Michael Miller (14441G)
Darcy Davison-Roberts (48496V)
Tel: 416-777-0101
Fax: 416-865-1398

Solicitors for the Defendants, Robert Mander,
Mander Group Inc. and Robert Mander carrying
on business as Mander Capital

AND TO: BORDEN LADNER GERVAIS LLP

Barristers and Solicitors
40 King Street West
Scotia Plaza
Toronto, Ontario
M5H 3Y4

James D.G. Douglas (20569H)
Tel: 416-367-6029
Fax: 416-361-2747

Solicitors for the Defendant
Trade Freedom Securities Inc.

AND TO: MINDEN GROSS LLP

Barristers and Solicitors
2200 - 145 King Street West
Toronto, Ontario
M5H 4G2

A. Irvin Schein (20055K)
Tel: 416-369-4135
Fax: 416-864-9223

Solicitors for the Defendant, Questtrade Inc. Toronto

Court File No. 07-CV-336612 PD2

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:**TASHA FLUKE****Plaintiff****and**

**ROBERT MANDER, MANDER GROUP INC., ROBERT MANDER
CARRYING ON BUSINESS AS MANDER CAPITAL, TRADE FREEDOM
SECURITIES INC., OPTIONS EXPRESS INC. and QUESTTRADE INC.
TORONTO**

Defendants**AND BETWEEN:**

**ROBERT MANDER, MANDER GROUP INC. and ROBERT MANDER
CARRYING ON BUSINESS AS MANDER CAPITAL**

Plaintiffs by Counterclaim**and****TASHA FLUKE****Defendant to the Counterclaim**

**REPLY
TO THE DEFENCE TO THE COUNTERCLAIM**

1. The Defendants, Robert Mander and Mander Group Inc. (collectively referred to as the "Mander Defendants") deny Paragraphs 7, 8, 9 and 10 of Tasha Fluke's Defence to Counterclaim. The Mander Defendants plead and rely on the pleadings set out in their Statement of Defence and Counterclaim.

-2-

2. The Mander Defendants specifically deny the allegations in paragraph 9 of the Defence to Counterclaim and state that Tasha Fluke was a signatory on FM Market Capital Inc.'s bank accounts and, as such, Robert J. Mander did not have sole control of FM Market Capital Inc.'s funds.

3. The Defendant Robert Mander states that at no time did he carry on business as Mander Capital, nor does any such organization exist to his knowledge.

April 28, 2008

AYLESWORTH LLP
P.O. Box 124, 18th Floor
222 Bay Street
Toronto, ON M5K 1H1

Michael Miller (14441G)
Thomas Arndt (43417K)
Tel : 416-777-0101
Fax: 416-865-1398
Solicitors for the Defendants, Plaintiffs by
Counterclaim Robert Mander and Mander
Group Inc.

TO: **BELLMORE & MOORE**
Barristers & Solicitors
393 University Avenue
Suite 1600
Toronto, ON M5G 1E6

Brian P. Bellmore
Tel : 416-581-1818 Ext. 221
Fax: 416-581-1279

Solicitors for the Plaintiff (Defendant to the Counterclaim)
Tasha Fluke

-3-

AND TO: **OPTIONS EXPRESS INC.**
P.O. Box 2197
Chicago, IL 60690-2197
U.S.A.

Defendant

To: Colleen Auriemma, President, Black Ink Capital Growth Ltd.

And

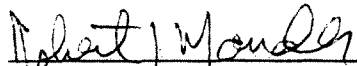
To: John Auriemma, Vice President, Secretary Treasurer, Black Ink Capital Growth Ltd.

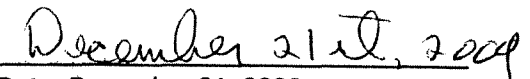
From: Robert J. Mander

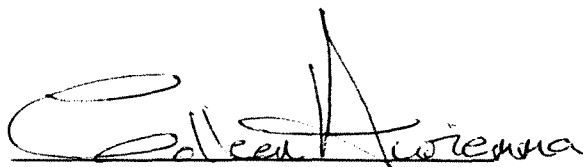
Re: Equity in Property at 1225 Lawrence Crescent, Oakville pledged to secure Loan Agreements between Black Ink Capital Growth Ltd. and E.M.B. Asset Group Inc.

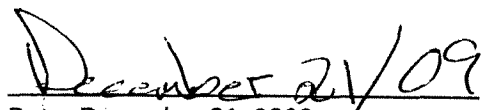
I, Robert J. Mander, own real estate property at the address of 1225 Lawrence Crescent in Oakville, Ontario, Canada.


In the event that E.M.B. Asset Group Inc. is unable to fulfill its legal contractual obligations to Black Ink Capital Growth Ltd. (Loan Agreements), I personally pledge all equity in the property at 1225 Lawrence Crescent, Oakville, Ontario to Black Ink Capital Growth Ltd.



Robert J. Mander


Date: December 21, 2009


Colleen Auriemma


Date: December 21, 2009


Deryl Ward, Witness


Date: December 21, 2009


STATUTORY DECLARATION

I, Robert J. Mander of the City of Toronto, in the Province of Ontario, **SOLEMNLY DECLARE THAT:**

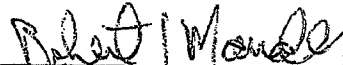
1. I am the sole shareholder and President of EMB Asset Group Inc. and of Stonebury Inc. (formerly 2142179 Ontario Inc., and I am the beneficial owner of a 50% interest in a property acquired by 1198677 Ontario Limited, all of which are good and valid subsisting corporations and are the legal owners of the assets listed in schedule A.
2. I hereby declare and acknowledge that the cash value of these assets is held in trust as security for the repayment of loans under promissory notes of EMB Asset Group Inc. to CO Capital Growth Inc. as they become due.

AND I MAKE this solemn Declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath.

SEVERALLY DECLARED before)
me at the City of Toronto, in the)
Province of Ontario, this 15th day of)
July, 2009.)
)
)
)
)
)
)
)
)
)



Julia Dublin
A Commissioner for Oaths, etc.



Robert J. Mander

SCHEDULE A

Property	Owner	Purchase Price	Description	Approximate Value	Appraiser
Caledon Land Con 3 WHS PT W LOT 26 RP 43R16764 Part 4	2142179 Ontario Inc. (StoneBury Inc.)	\$190,000.00	1.5 Acres Vacant Land	\$235,000.00 Appraisal to come	Hendren Appraisals, Brampton, Ont.
1650 Highpoint Side Road Caledon, Ontario L7K 0J8.	2142179 Ontario Inc. (StoneBury Inc.)	\$2,000,000.00	97 Acres + Home Approx. 3000 Sq feet	\$2,400,000.00 Appraisal to come	Andy Pollock
225 Church Street Oakville, Ontario L6J 1N4	E.M.B. Asset Group Inc.	\$1,460,000.00	Freehold Townhouse 2,911 Sq feet	\$1,525,000.00 Appraised	Humphrey Appraisal Services Inc., 128 Jackson St E., Hamilton
223 Church Street Oakville, Ontario L6J 1N4	E.M.B. Asset Group Inc.	\$1,200,000.00	Freehold Townhouse 2,911 Sq feet	\$1,280,000.00 Appraised	Catherine Martin
17 Stonebury Place Freelton, Ontario L0R 1K0	2142179 Ontario Inc. (StoneBury Inc.)	\$939,000.00	5.33 Acres + Home 4,609 Sq feet	\$975,000.00 Appraised	Antec Appraisal Group Inc. 20 Hughes St. S., Hamilton Ont. Eugene Catania
Barrie Land Part of Lot 1 Concession 4&5 Part of Original Concession 4&5 Township of Oro- Medonte Simcoe County (50% interest)	2142179 Ontario Inc. (Stonebury Inc.)	\$1,700,000.00	24 Acres	\$3,000,000.00 Appraisal to come	Andrew, Thompson and Associates, Barrie Ont. Doug Loftus