

Court File No.: CV-17-11689-00CL
Court File No.: CV-17-589078-00CL
Court File No.: CV-16-11567-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC., AND TEXTBOOK (555 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK (445 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK ROSS PARK INC., TEXTBOOK (774 BRONSON AVENUE) INC. AND MCMURRAY STREET INVESTMENTS INC.

MOTION RECORD OF THE COURT-APPOINTED RECEIVER
VOLUME 1 OF 3
(Returnable April 21, 2023)

April 12, 2023

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C	Third Amended Statement of Claim
D	Arsenault Settlement Agreement dated February 7, 2022
E	Cane Settlement Agreement dated January 17, 2023
F	Thompson Settlement Agreement dated March 31, 2023
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G	Fee Affidavit of Noah Goldstein sworn April 12, 2023
VOLUME 3 OF 3	
H	Fee Affidavit of Sean Zweig sworn April 10, 2023
3	Order (Fee and Activity Approval)

TAB 1

Court File No.: CV-17-11689-00CL
Court File No.: CV-17-589078-00CL
Court File No.: CV-16-11567-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC., AND TEXTBOOK (555 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK (445 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK ROSS PARK INC., TEXTBOOK (774 BRONSON AVENUE) INC. AND MCMURRAY STREET INVESTMENTS INC.

NOTICE OF MOTION
(Returnable April 21, 2023)

KSV Restructuring Inc. ("**KSV**"),¹ in its capacity as the court-appointed receiver (in such capacity, the "**Receiver**") of certain property of Scollard Development Corporation ("**Scollard**"), Memory Care Investments (Kitchener) Ltd. ("**Kitchener**"), Memory Care Investments (Oakville) Ltd. ("**Oakville**"), 1703858 Ontario Inc. ("**Burlington**"), Legacy Lane Investments Ltd. ("**Legacy Lane**"), Textbook (525 Princess Street) Inc. ("**525 Princess**"), Textbook (555 Princess Street) Inc. ("**555 Princess**"), Textbook (445 Princess Street) Inc. ("**445 Princess**"), Textbook (774 Bronson Avenue) Inc. ("**Bronson**"), Textbook Ross Park Inc. ("**Ross Park**") and McMurray Street Investments Inc. ("**McMurray**") (collectively, the "**Receivership Companies**"), will make a

¹ Effective August 31, 2020, KSV Kofman Inc. changed its name to KSV Restructuring Inc.

motion before the Honourable Madam Justice Conway of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on April 21, 2023 at 10:00 a.m. or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING: The motion is to be heard:

- In writing under subrule 37.12.1(1).
- In writing as an opposed motion under subrule 37.12.1(4).
- In person.
- By telephone conference.
- By video conference.

At a Zoom link to be provided by the Court in advance of the motion.

THE MOTION IS FOR:

1. An order substantially in the form of the draft order attached at Tab 3 of the Receiver's Motion Record (the "**Approval Order**"), *inter alia*:
 - (a) to the extent necessary, abridging the time for and validating the service of this motion, the Motion Record and the Twenty-Second Report of the Receiver dated April 12, 2023 (the "**Twenty-Second Report**"), and dispensing with service on any other person other than those served;
 - (b) approving the fees and disbursements of the Receiver and its counsel as set out in the Fee Affidavits (as defined below); and
 - (c) approving the Twenty-Second Report and the activities of the Receiver set out therein.
2. Such further and other relief as counsel may request and the Court deems just.

THE GROUNDS FOR THE MOTION ARE:**Background**

3. On October 27, 2016, Grant Thornton Limited was appointed trustee (in such capacity, the "**Trustee**") of eleven corporations (collectively, the "**Trustee Corporations**") that raised monies from investors (collectively, the "**Investors**") through syndicated mortgages investments (the "**SMIs**"). The Trustee Corporations were special purpose entities required to hold the SMIs in trust for the Investors and to act in a fiduciary capacity to administer and enforce the SMIs.

4. Eight of the Trustee Corporations advanced monies raised from the Investors on a secured basis pursuant to loan agreements between the Trustee Corporations and the Receivership Companies.

5. On February 2, 2017, the Trustee obtained an order (the "**First Receivership Order**"), *inter alia*, appointing KSV as receiver and manager of Scollard and the assets, undertakings and property of Scollard.

6. On April 18, 2017, the Trustee sought an order (the "**A&R Order**") amending and restating the First Receivership Order to, among other things, appoint KSV as Receiver of the assets, undertakings and property of 525 Princess, 555 Princess, Legacy Lane, Burlington, Oakville and Kitchener. The Court granted the A&R Order on April 28, 2017, and amended the A&R Order on May 2, 2017.

7. Following the granting of the A&R Order:
- (a) KingSett Mortgage Corporation, a secured creditor of 445 Princess, sought and, on January 9, 2018, obtained an order (the "**445 Order**") appointing KSV as Receiver of the assets, undertakings and property of 445 Princess; and
 - (b) the Trustee sought and, on May 30, 2018, obtained an order (collectively with the First Receivership Order, the A&R Order and the 445 Order, the "**Receivership Orders**"), appointing KSV as Receiver of certain of the assets, undertakings and property of Bronson, Ross Park and McMurray for the purpose of permitting the Receiver to represent their respective interests in any litigation pursued by the Receiver.
8. Among other things, the Receivership Orders empower and authorize the Receiver to initiate, prosecute and continue the prosecution of any and all proceedings on behalf of the Receivership Companies. Further, the Receivership Orders empower and authorize the Receiver to settle or compromise any such proceedings.

The Litigation

9. The Receiver commenced a review of the receipts and disbursements of the Receivership Companies after the granting of the A&R Order (excluding 445 Princess, Bronson, Ross Park and McMurray, which were not subject to these receivership proceedings at the time). At the request of the Trustee, the Receiver also reviewed the receipts and disbursements of 445 Princess, Ross Park and McMurray.

10. The Receiver's review of the receipts and disbursements of the Receivership Companies revealed extensive transfers of monies from certain of the Receivership Companies to their shareholders and various related parties, including entities controlled by John Davies ("**Mr. Davies**"), a director and officer of each of the Receivership Companies.

11. Based on the Receiver's findings, the Receiver commenced an action (the "**Initial Litigation**") against Mr. Davies and his holding company, Aeolian Investments Ltd. ("**Aeolian**", and together with Mr. Davies, the "**Davies Defendants**"). The Initial Litigation alleged, *inter alia*, fraud, breach of fiduciary duty and negligence.

12. After determining that the Davies Defendants inappropriately transferred assets received from the Receivership Companies to Mr. Davies' spouse, Judith Davies ("**Ms. Davies**"), the Davies Family Trust and the Davies Arizona Trust (together, the "**Trusts**"), the Receiver sought leave to amend its statement of claim in the Initial Litigation (as amended, the "**Amended Statement of Claim**").

13. The Amended Statement of Claim added as defendants to the Initial Litigation Mr. Davies, in his capacity as the trustee and/or representative of the Trusts, Ms. Davies in her personal capacity and in her capacity as trustee and/or representative of the Davies Family Trust, and Gregory Harris ("**Mr. Harris**") in his capacity as trustee and/or representative of the Davies Family Trust.

14. On October 3, 2018, the Trustee and the Receiver jointly commenced a new action against all of the principals of the Trustee Corporations and the Receivership Companies, as well as certain related persons and entities and their advisors (the "**Litigation**"), including:

- (a) certain directors and officers of the Receivership Companies and the Trustee Corporations, including Mr. Davies, Bruce Stewart, Jude Cassimy, and certain related persons and entities such as Ms. Davies, Aeolian and the Trusts;
- (b) Bahktraj Singh ("**Mr. Singh**"), and certain related corporations, including Tier 1 Transaction Advisory Services Inc. ("**Tier 1**"), and RS Consulting Group Inc. (together with Mr. Singh and Tier 1, the "**Singh Defendants**");
- (c) certain other directors and officers of the Receivership Companies, including Walter Thompson ("**Mr. Thompson**"), James Grace ("**Mr. Grace**") and David Arsenault ("**Mr. Arsenault**"), and certain related corporations such as 1321805 Ontario Inc. (together with Mr. Thompson, the "**Thompson Defendants**");
- (d) Mr. Harris and his law firm, Harris + Harris LLP, which acted for the Receivership Companies and the Trustee Corporations;
- (e) Nancy Elliott and Elliott Law Professional Corporation (together, the "**Elliott Defendants**"), which ostensibly acted as legal counsel for the Trustee Corporations; and
- (f) Michael Cane ("**Mr. Cane**"), who prepared appraisals of the real property on which the SMIs were raised.

15. The damages sought in the Litigation, among other relief, represent the anticipated amount of the principal lost by the Investors from their aggregate investment of approximately \$131 million in the SMIs. At this time, the Litigation remains ongoing.

The Receiver's Activities

16. As described in the Twenty-Second Report, since the granting of the First Receivership Order, the Receiver, with the assistance of its counsel and in consultation with the Trustee, has diligently advanced these receivership proceedings and the Litigation in the interests of the Receivership Companies' stakeholders, including by, *inter alia*:

- (a) taking steps to preserve and, where appropriate, monetize the Receivership Companies' property, including by entering into Court-approved transactions for the sale of the Receivership Companies' real property;
- (b) liaising with the Receivership Companies' stakeholders and corresponding directly with the Investors;
- (c) negotiating funding from The Marshall Zehr Group Inc. and Downing Street Financial Inc. to repay various first mortgages on certain of the Receivership Companies' projects and to fund the costs of the underlying receiverships;
- (d) conducting an extensive financial review and analysis of the Receivership Companies' bank statements and other financial records;
- (e) reviewing background information concerning all of the Receivership Companies' development projects, including development plans, and sales and appraisals information;
- (f) preparing for and attending case conferences, motions and other appearances in these receivership proceedings;

- (g) seeking and obtaining a Mareva order and settling issues related thereto;
- (h) negotiating and entering into Court-approved settlement agreements with certain of the defendants to the Litigation, including the Singh Defendants, Mr. Grace and the Elliott Defendants; and
- (i) preparing and filing twenty-two reports to Court as well as numerous supplements thereto, and submitting reports required by the Office of the Superintendent of Bankruptcy.

17. Since filing the Receiver's Twenty-First Report dated May 5, 2021, the Receiver has continued to diligently advance these receivership proceedings and the Litigation in the interests of the Receivership Companies' stakeholders. To this end, the Receiver has, with the assistance of its counsel and in consultation with the Trustee, among other things:

- (a) prepared for and attended numerous examinations for discovery;
- (b) continued to liaise with the Receivership Companies' stakeholders and correspond directly with the Investors;
- (c) negotiated and entered into additional settlement agreements with Mr. Arsenault, Mr. Cane, and the Thompson Defendants, which settlements remain subject to Court approval, and if approved, will result in, among other things, the payment of \$5,050,000 to the Receiver and the Trustee in the Litigation;²

² In agreeing to resolve the Litigation, the Thompson Defendants, Mr. Cane and Mr. Arsenault continue to deny any liability to the Trustee and the Receiver and no findings of liability to the Trustee and the Receiver against the Thompson Defendants, Mr. Cane or Mr. Arsenault have been made by the Court. Each of the settlement agreements with the Thompson Defendants, Mr. Arsenault and Mr. Cane, makes clear that it shall not in any way be construed as an admission of liability by any party thereto.

- (d) maintained and updated the Receiver's case website;
- (e) prepared the Twenty-Second Report and the additional materials filed in support of the within motion;
- (f) attended to all matters relating to the Litigation; and
- (g) consulted with the Trustee and its legal counsel, Aird & Berlis LLP, concerning all matters in these receivership proceedings and the Litigation.

18. Pursuant to the proposed Approval Order, the Receiver is seeking approval of its activities, as described in the Twenty-Second Report. The Receiver's activities in these receivership proceedings, including those referenced above, have been carried out efficiently, transparently, fairly and in a commercially reasonable manner.

The Fees and Disbursements of the Receiver and its Counsel

19. The Receiver and its counsel, Bennett Jones LLP ("**Bennett Jones**"), last sought and obtained approval of their respective fees and disbursements, for the period ended March 31, 2021, pursuant to an order of the Court dated May 13, 2021 (the "**Ancillary Order**"). The Receiver has not sought further fee or disbursement approval for itself or Bennett Jones since the Ancillary Order was granted.

20. Pursuant to the proposed Approval Order, the Receiver is seeking approval of its fees and disbursements as well as the fees and disbursements of Bennett Jones incurred since March 31, 2021. The fees and disbursements of the Receiver and Bennett Jones are set out in the affidavits

of Noah Goldstein and Sean Zweig attached to the Twenty-Second Report as Appendices "G" and "H" (together, the "**Fee Affidavits**"), respectively.

21. The fees and disbursements of the Receiver and Bennett Jones, as described in the Fee Affidavits and the Twenty-Second Report, are reasonable in the circumstances and commensurate with the size, scope and complexity of these receivership proceedings and the Receiver's significant efforts to advance the Litigation and maximize value for the Receivership Companies' stakeholders.

Other Grounds

22. The provisions of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and the inherent and equitable jurisdiction of the Court.

23. Rules 1.04, 1.05, 2.01, 2.03, 3.02, 16, 37 and 39 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, and the provisions of the *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended.

24. Such further and other grounds as counsel may advise and the Court may permit.

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

25. The Twenty-Second Report and the appendices thereto.

26. Such further and other material as counsel may advise and the Court may permit.

April 12, 2023

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TO: THE SERVICE LISTS

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC., AND TEXTBOOK (555 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK (445 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK ROSS PARK INC., TEXTBOOK (774 BRONSON AVENUE) INC. AND MCMURRAY STREET INVESTMENTS INC.

Court File No.: CV-17-11689-00CL

Court File No.: CV-17-589078-00CL

Court File No.: CV-16-11567-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceedings commenced in Toronto

NOTICE OF MOTION

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TAB 2

**Twenty-Second Report of
KSV Restructuring Inc.
as Receiver and Manager of Certain Property
of Scollard Development Corporation, Memory
Care Investments (Kitchener) Ltd., Memory
Care Investments (Oakville) Ltd., 1703858
Ontario Inc., Legacy Lane Investments Ltd.,
Textbook (525 Princess Street) Inc. and
Textbook (555 Princess Street) Inc.**

April 12, 2023

and

**Tenth Report of KSV Restructuring Inc. as
Receiver and Manager of Certain Property of
Textbook (445 Princess Street) Inc.**

and

**Seventh Report of KSV Restructuring Inc. as
Receiver of Certain Property of Textbook (774
Bronson Avenue) Inc., Textbook Ross Park
Inc. and McMurray Street Investments Inc.**

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COURT FILE NO: CV-17-589078-00CL
COURT FILE NO.: CV-16-11822-00CL
COURT FILE NO.: CV-18-606314-00CL

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

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK (445 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK ROSS PARK INC., TEXTBOOK (774 BRONSON AVENUE) INC. AND MCMURRAY STREET INVESTMENTS INC.

**TWENTY-SECOND REPORT OF KSV RESTRUCTURING INC.
AS RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.**

AND

**TENTH REPORT OF KSV RESTRUCTURING INC.
AS RECEIVER AND MANAGER OF CERTAIN PROPERTY OF
TEXTBOOK (445 PRINCESS STREET) INC.**

AND

**SEVENTH REPORT OF KSV RESTRUCTURING INC. AS RECEIVER
OF TEXTBOOK ROSS PARK INC., TEXTBOOK (774 BRONSON AVENUE) INC. AND
MCMURRAY STREET INVESTMENTS INC.**

APRIL 12, 2023

1. Introduction

1. This report (“Report”) is filed by KSV Restructuring Inc.¹ (“KSV”) in its capacity as receiver of certain property of Scollard Development Corporation (“Scollard”), Memory Care Investments (Kitchener) Ltd. (“Kitchener”), Memory Care Investments (Oakville) Ltd. (“Oakville”), 1703858 Ontario Inc. (“Burlington”), Legacy Lane Investments Ltd. (“Legacy Lane”), Textbook (525 Princess Street) Inc. (“525 Princess”), Textbook (555 Princess Street) Inc. (“555 Princess”), Textbook (445 Princess Street) Inc. (“445 Princess”), Textbook (774 Bronson Avenue) Inc. (“Bronson”), Textbook Ross Park Inc. (“Ross Park”) and McMurray Street Investments Inc. (“McMurray”) (collectively, the “Receivership Companies”).
2. Pursuant to an order (the “Trustee Appointment Order”) of the Ontario Superior Court of Justice (Commercial List) (the “Court”) dated October 27, 2016, Grant Thornton Limited was appointed Trustee (in such capacity, the “Trustee”) of eleven entities² (collectively, the “Trustee Corporations”), which raised monies from investors (the “Investors”) through syndicated mortgage investments (the “SMIs”).³ Eight of the Trustee Corporations then advanced these monies on a secured basis pursuant to loan agreements (the “Loan Agreements”) between the Trustee Corporations and the Receivership Companies.
3. On January 21, 2017, the Trustee brought a motion for an order (the “Initial Receivership Order”) appointing KSV as receiver and manager (in such capacity, the “Receiver”) of the real property owned by Scollard and the assets, undertaking and property of Scollard acquired for or used in relation to the real property. On February 2, 2017, the Court made the Initial Receivership Order.
4. On April 18, 2017, the Trustee brought a motion, *inter alia*, seeking an order amending and restating the Initial Receivership Order to include the real property registered on title as being owned by Kitchener, Oakville, Burlington, Legacy Lane, 555 Princess and 525 Princess, and the assets, undertaking and property of these entities acquired for or used in relation to their real property (the “Amended and Restated Receivership Order”). On April 28, 2017, the Court made the Amended and Restated Receivership Order. The Amended and Restated Receivership Order was further amended by Court order on May 2, 2017 to address certain clerical errors.

¹ Effective August 31, 2020, KSV Kofman Inc. changed its name to KSV Restructuring Inc.

² Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation.

³ Individuals who hold their mortgage investment in a Registered Retirement Savings Plan have a mortgage with Olympia Trust instead of the applicable Trustee Corporation.

5. On January 3, 2018, KingSett Mortgage Corporation (“KingSett”), a secured creditor of 445 Princess, brought a motion for an order (the “445 Receivership Order”) in a separate Court proceeding appointing KSV as Receiver of the real property owned by 445 Princess and the assets, undertaking and property of 445 Princess acquired for or used in relation to the real property. On January 9, 2018, the Court made the 445 Receivership Order.
6. On February 26, 2018, the Trustee brought a motion for an order (the “Ross Park Receivership Order”) appointing MNP Ltd. (“MNP”) as receiver of the real property owned by Ross Park and certain related assets, undertaking and property of Ross Park. On March 1, 2018, the Court made the Ross Park Receivership Order. Pursuant to the Ross Park Receivership Order, MNP is not permitted to deal with the litigation that is the subject of the Receiver’s various reports to Court.
7. On May 17, 2018, the Trustee brought a motion for an order (the “Bronson-Ross Park-McMurray Receivership Order”) appointing KSV as Receiver of certain assets, undertaking and property of Bronson, Ross Park and McMurray for the primary purpose of including them and representing their interest in any litigation pursued by the Receiver. On May 30, 2018, the Court made the Bronson-Ross Park-McMurray Receivership Order. The Initial Receivership Order, the Amended and Restated Receivership Order, the 445 Receivership Order and the Bronson-Ross Park-McMurray Receivership Order are collectively referred to below as the “Receivership Orders” and are attached as Appendix “A”.
8. The Receivership Orders expressly empower and authorize the Receiver to initiate, prosecute and continue the prosecution of any and all proceedings on behalf of the companies subject to the Receivership Orders (i.e., the Receivership Companies). Under the Receivership Orders, the Receiver is also empowered and authorized to settle or compromise any such proceedings. The Receivership Orders further provide that the Receiver is at liberty and authorized and empowered to apply to any court for assistance in carrying out the terms of the Receivership Orders.

1.1 Litigation

1. Following the issuance of the Amended and Restated Receivership Order, the Receiver commenced a review of, *inter alia*, the receipts and disbursements of the Receivership Companies (other than 445 Princess, Bronson, Ross Park and McMurray, which were not in receivership at the time) (the “Review”). Additionally, at the request of the Trustee, the Receiver reviewed the receipts and disbursements of the balance of the Receivership Companies, namely 445 Princess, Bronson, Ross Park and McMurray.
2. On June 6, 2017, the Receiver filed its Fourth Report to Court (the “Fourth Report”), which provided the Court with the Receiver’s findings regarding the Review. The Fourth Report reflected that, *inter alia*, millions of dollars were paid by the Receivership Companies to their shareholders and related parties in respect of management fees, consulting fees, dividends, loans and other amounts.

3. Based on the Receiver's findings as set out in the Fourth Report, the Receiver commenced an action (the "Initial Litigation") by way of statement of claim (the "Statement of Claim") against John Davies ("Davies") and Aeolian Investments Ltd. ("Aeolian", and together with Davies, the "Davies Defendants") alleging, *inter alia*, fraud, breach of fiduciary duty and negligence. Davies is a director and officer of each of the Receivership Companies. Aeolian is owned by Davies' wife, Judith Davies, and his children. Aeolian's sole director and officer is Davies. Aeolian is a direct or an indirect shareholder of each of the Receivership Companies other than McMurray, which is owned, in part, by the Davies Family Trust (the "Family Trust").
4. Corporate charts for each of the Receivership Companies are collectively attached as Appendix "B".
5. On July 12, 2017, the Receiver filed its Sixth Report to Court. The Sixth Report detailed, *inter alia*, that Davies and Aeolian inappropriately transferred assets received from the Receivership Companies to Judith Davies, the Family Trust and the Davies Arizona Trust (the "Arizona Trust" and together with the Family Trust, the "Trusts").
6. On August 31, 2017, the Court granted the Receiver leave to amend its Statement of Claim (the "Amended Statement of Claim") to add as defendants Davies in his capacity as the trustee and/or representative of the Trusts, Judith Davies in her personal capacity and in her capacity as trustee and/or representative of the Family Trust, and Gregory Harris, solely in his capacity as trustee and/or representative of the Family Trust.
7. On October 3, 2018, the Trustee and the Receiver jointly commenced a new action (the "Litigation") by way of Statement of Claim (the "Fresh Statement of Claim") against, among others, all the principals of the Receivership Companies and the Trustee Corporations, certain related persons, companies and entities, and several of their advisors and related companies and entities, including:
 - James Grace ("Grace"), a former officer of 445 Princess;
 - Raj Singh ("Singh"), Tier 1 Transaction Advisory Services Inc. ("Tier 1"), and RS Consulting Group Inc. ("RSCG", and collectively with Singh and Tier 1, the "Singh Defendants");
 - Nancy Elliott ("Elliott") and Elliott Law Professional Corporation ("Elliott Co.", and together with Elliott, the "Elliott Defendants"), which ostensibly acted as legal counsel for the Trustee Corporations;
 - the Davies Defendants, Judith Davies and the Trusts;
 - Davies' business partner, Walter Thompson ("Thompson"), and Thompson's holding corporation, 1321805 Ontario Inc. ("Thompson Co.", and together with Thompson, the "Thompson Defendants");

- certain other current and former directors and officers of the Trustee Corporations, the Receivership Companies and Tier 1, including, Bruce Stewart, Jude Cassimy, David Arsenault (“Arsenault”) and certain related corporations;
 - Gregory Harris and his law firm, Harris & Harris LLP, which acted for the Receivership Companies and the Trustee Corporations; and
 - Michael Cane (“Cane”), who prepared appraisals of the real property on which the SMIs were raised (the foregoing, other than the Singh Defendants, Grace, the Elliott Defendants, Arsenault, the Thompson Defendants, and Cane are collectively referred to as the “Non-Settling Defendants”).
8. A total of \$106 million in damages is sought in the Litigation (among other relief), representing the anticipated amount of the principal lost by the Investors from their aggregate investment of approximately \$131.3 million in the SMIs.
 9. Since its issuance, the Fresh Statement of Claim has been amended on three occasions in connection with the Mareva Settlement, the Singh Settlement and the Grace Settlement (all as defined and described in more detail below). A copy of the Third Amended Statement of Claim is attached as Appendix “C”.
 10. The Receiver and the Trustee have diligently advanced the Litigation in the best interests of the Trustee Corporations, the Receivership Companies and their respective stakeholders.

1.2 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information with respect to the Litigation in these proceedings;
 - b) summarize the terms of the proposed settlement between the Receiver and the Trustee, on the one hand, and Arsenault, on the other hand (the “Arsenault Settlement”), as set out in the settlement agreement between such parties (the “Arsenault Settlement Agreement”);
 - c) summarize the terms of the proposed settlement between the Receiver and the Trustee, on the one hand, and Cane, on the other hand (the “Cane Settlement”), as set out in the settlement agreement between such parties (the “Cane Settlement Agreement”);
 - d) summarize the terms of the proposed settlement between the Receiver and the Trustee, on the one hand, and the Thompson Defendants, on the other hand (the “Thompson Settlement”), as set out in the settlement agreement between such parties (the “Thompson Settlement Agreement”);
 - e) summarize and seek approval of the fees and disbursements of KSV, as Receiver of the Receivership Companies, and the Receiver’s counsel, Bennett Jones LLP (“Bennett Jones”), for the periods referenced below; and

- f) recommend that the Court issue orders, *inter alia*:
 - i) approving the Arsenault Settlement, the Cane Settlement and the Thompson Settlement (collectively, the “Settlements”), as set out in the Arsenault Settlement Agreement, the Cane Settlement Agreement and the Thompson Settlement Agreement (collectively, the “Settlement Agreements”), respectively;
 - ii) authorizing and directing the Receiver and the Trustee to take any and all steps necessary to give effect to the Settlements;
 - iii) granting leave to amend the Third Amended Statement of Claim;
 - iv) approving this Report and the activities of the Receiver described herein; and
 - v) approving the fees and disbursements of the Receiver and Bennett Jones, as set out in this Report.
- 2. Nothing in this Report or its enclosures is intended to constitute a waiver of any privilege. The Receiver expressly preserves all privileges, including in respect of all matters relating to the Litigation.

2. Background

- 1. The Davies Developers were developers of student residences, accommodations for people suffering from various forms of cognitive impairment and low-rise condominiums (collectively, the “Projects”, and each a “Project”).
- 2. The Davies Developers borrowed \$119.940 million, comprised of \$93.675 million in secured debt owing to the Trustee Corporations (being monies raised by the Trustee Corporations from the Investors) and \$23.675 million owing to mortgage lenders (the “Other Lenders”). The Receiver understands that the obligations owing to the Other Lenders rank in priority to the Trustee Corporations.
- 3. The funds advanced to the Davies Developers from the Trustee Corporations were to be used to purchase real property and to pay “soft costs” associated with the development of the Projects.
- 4. Further background to this Report is set out in the Receiver’s previous reports to Court, including, in particular, its Fourth Report, Sixth Report, Supplement to the Sixth Report, Seventeenth Report, Eighteenth Report, Nineteenth Report and Twentieth Report. All of the reports and other materials previously filed in these proceedings can be found on the Receiver’s website at: <https://www.ksvadvisory.com/experience/case/scollard-development-corporation>.

2.1 Prior Settlements

2.1.1 Settlement with Alan Harris, Erika Harris and Dachstein Holdings Inc.

1. In connection with the Initial Litigation, the Receiver contemplated further amending the Amended Statement of Claim to name additional defendants, including Dachstein Holdings Inc. (“Dachstein”), Alan Harris (“A. Harris”) and Erika Harris (“Ms. Harris”) (collectively, the “Harris Settling Defendants”). A. Harris and Ms. Harris are the parents of Gregory Harris.
2. The Receiver engaged in negotiations with A. Harris, as representative for the Harris Settling Defendants, regarding the claims against them by the applicable Receivership Companies, particularly regarding Dachstein’s receipt of dividends totalling \$1 million, comprised of \$250,000 from each of 555 Princess, 525 Princess, Bronson and Ross Park.
3. Those discussions and negotiations culminated in a settlement (the “Harris Settlement”) between the Receiver and the Trustee, on the one hand, and the Harris Settling Defendants, on the other hand, as set out in the settlement agreement between these parties (the “Harris Settlement Agreement”).
4. Pursuant to the Harris Settlement Agreement, the Receiver and the Trustee agreed to resolve all known claims that they have against the Harris Settling Defendants in exchange for a payment of \$1 million, representing a return of amounts that the Harris Settling Defendants received from the Receivership Companies (which amount was confirmed by an investigation conducted by the Receiver and further confirmed in a series of sworn declarations provided to the Receiver and the Trustee by the Harris Settling Defendants).
5. On May 30, 2018, the Court approved the Harris Settlement. The Receiver has been paid all amounts due and owing by the Harris Settling Defendants under the Harris Settlement Agreement. The proceeds of this settlement were allocated equally to 555 Princess, 525 Princess, Bronson and Ross Park.

2.1.2 The Mareva Settlement with Davies, Judith Davies and the Trusts

1. On August 30, 2017, the Court issued an order (the “Mareva Order”) against Davies in his personal capacity and in his capacity as trustee of the Family Trust and the Arizona Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Family Trust, Aeolian (collectively, the “Davies Mareva Defendants”) and Gregory Harris, solely in his capacity as trustee of the Family Trust.
2. The Mareva Order restricted the Davies Mareva Defendants and Gregory Harris, as trustee of the Family Trust, from selling their assets, including the real estate owned by the Arizona Trust located at 35410 North 66th Place, Carefree, Arizona, 85377 (the “Arizona Real Property”).
3. On January 19, 2018, the Davies Mareva Defendants obtained leave to appeal the Mareva Order (the “Mareva Appeal”).

4. In early November 2018, the Arizona Trust sold the Arizona Real Property for USD\$1.65 million along with the furnishings in the Arizona Real Property for a further USD\$150,000. The net proceeds generated from the sale (after payment of transaction expenses and the liens on the property) totalled US\$862,568, which amount was then reduced by virtue of Davies accessing living expenses of \$7,500 per month, as permitted pursuant to an order issued by the Court. Net of the amounts used by Davies for his living expenses, the remaining proceeds from the sale of the Arizona Real Property was US\$828,172 (the "Proceeds"). The Davies Mareva Defendants provided financial disclosure to the Receiver, which indicated that the Proceeds represented a significant portion of the Davies Mareva Defendants' assets.
5. The Receiver, in consultation with the Trustee, negotiated with the Davies Mareva Defendants concerning the Mareva Order. These negotiations culminated in a settlement of the Mareva issues only (the "Mareva Settlement"), which was approved by the Court on May 2, 2019.
6. Pursuant to the Mareva Settlement, all the Mareva-related issues were resolved in exchange for payment of 72.5% of the Proceeds to the Receiver, with the balance paid to Davies. Accordingly, the Receiver was to receive a total of US\$584,027.69 under the Mareva Settlement (the "Mareva Settlement Proceeds").
7. The Receiver has received all the Mareva Settlement Proceeds and allocated the proceeds equally across all of the Receivership Companies. The Receiver subsequently distributed approximately US\$425,000 of the Mareva Settlement Proceeds to the Trustee.
8. As required under the Mareva Settlement, the Receiver lifted the Mareva Order and the parties dismissed the Mareva Appeal on consent, subject to the condition that the Mareva Order would be immediately reinstated in the event of, among other things, any misrepresentations in the disclosure provided to the Receiver and the Trustee by the Davies Mareva Defendants in connection with the Mareva Settlement.
9. Pursuant to the Mareva Settlement, no releases were provided to any of the Davies Mareva Defendants in respect of the Litigation or otherwise. The Receiver and the Trustee preserved all of their rights to continue their claims and pursue recovery against the Davies Mareva Defendants for the matters in the Litigation and otherwise.

2.1.3 Settlement with the Singh Defendants

1. Singh was the sole director, officer and shareholder of all but two of the Trustee Corporations, and he was responsible for, among other things, administering and enforcing the SMIs on behalf of the applicable Trustee Corporations. Singh was also the principal of Tier 1 and RSCG. Tier 1 promoted and sold the SMIs to the Investors. RSCG held an indirect ownership interest in several of the Receivership Companies.
2. The Receiver's Fourth Report sets out that the Singh Defendants received a net amount of \$9.407 million from the Receivership Companies. Singh advised the Receiver that most of the monies paid to the Singh Defendants were paid to brokers who raised monies from the Investors in connection with the SMIs.

3. The Receiver and Trustee entered into a settlement agreement with the Singh Defendants (the “Singh Settlement”). Pursuant to the terms of the Singh Settlement, the Receiver and Trustee agreed to resolve all known claims that they have against the Singh Defendants in exchange for a payment of \$2.1 million. On November 18, 2019, the Court approved the Singh Settlement. Of the Singh Settlement proceeds, the Receiver received \$525,000, which amount was allocated equally across the Receivership Companies, and the Trustee received the balance of the proceeds.
4. Pursuant to the terms of the Singh Settlement, the Singh Defendants also agreed to cooperate with the Trustee and the Receiver in relation to their claims and proceedings against the Non-Settling Defendants (as defined in the Singh Settlement).

2.1.4 Grace Settlement

1. Grace was employed as the Vice President of Finance for Textbook Suites Inc. (“TSI”). TSI is not a Receivership Company. TSI is the parent company of several of the Receivership Companies, including 445 Princess, Bronson and Textbook (256 Rideau St) Inc. (“Rideau”). Rideau is the subject of receivership proceedings commenced by KingSett in a separate but related proceeding.
2. Grace was also formally listed as an officer (Vice President) on the corporate profile report for 445 Princess. Based on the Receiver’s investigations, Grace appears to have had no other roles in respect of the other Receivership Companies and related entities. Based on the Receiver’s and Trustee’s review, Grace received approximately \$112,000 from TSI and Textbook Student Suites Inc. (“TSSI”), which are not Receivership Companies. The Receiver and Trustee did not identify any payments to Grace from the Receivership Companies.
3. Following the commencement of the Litigation, the Receiver and the Trustee engaged in negotiations with Grace. After investigations and due diligence, those negotiations culminated in a settlement between the Trustee and the Receiver, on the one hand, and Grace, on the other hand (the “Grace Settlement”) in accordance with the terms of a settlement agreement among such parties (the “Grace Settlement Agreement”). Pursuant to the terms of the Grace Settlement, in exchange for the dismissal of the Litigation as against Grace, and a release from the Receiver and the Trustee, Grace paid \$450,000 to the Trustee and the Receiver. On July 14, 2020, the Court approved the Grace Settlement. Of the Grace Settlement proceeds, the Receiver received \$135,000, which amount was allocated equally across the Receivership Companies, and the Trustee received the balance of the proceeds.
4. Pursuant to the terms of the Grace Settlement Agreement, Grace also agreed to cooperate with the Trustee and the Receiver in relation to their claims and the proceedings against the Non-Settling Defendants (as defined in the Grace Settlement Agreement).

2.1.5 Settlement with the Elliott Defendants

1. Elliott is a licensed Ontario lawyer in private practice and the principal and sole director of Elliott Co. Elliott Co. is a professional corporation incorporated under the laws of Ontario. The Elliott Defendants specialize in Canadian immigration law, providing immigration and related legal services to individual and corporate clients.
2. The Elliott Defendants acted as the solicitors for the Trustee Corporations,⁴ including in connection with the Loan Agreements. Although under the applicable Loan Agreements, the “Lender’s Solicitors” are defined to mean Elliott, at or around the time that funds were advanced by the applicable Trustee Corporations to the applicable Receivership Companies, Elliott delegated substantially all of her duties to Harris & Harris LLP, the borrower’s solicitors.
3. The Receivership Companies paid approximately \$354,000 in fees to the Elliott Defendants for legal services purportedly rendered by them to the applicable Trustee Corporations in connection with the Loan Agreements. However, in connection with its review of the Receivership Companies’ records, the Receiver did not uncover any records that indicate that the Elliott Defendants intentionally or knowingly orchestrated or facilitated the SMI scheme, and the Elliott Defendants also advised that they had no knowledge of any of the alleged unlawful conduct relating to the SMI scheme.
4. Following the commencement of the Litigation, the Receiver and the Trustee engaged in negotiations with the Elliott Defendants. After investigations and due diligence, those negotiations culminated in a settlement between the Trustee and the Receiver, on the one hand, and the Elliott Defendants, on the other hand (the “Elliott Settlement”) in accordance with the terms of a settlement agreement among such parties (the “Elliott Settlement Agreement”).
5. The Elliott Settlement Agreement provides for a no costs dismissal of the Litigation as against the Elliott Defendants, as well as an exchange of full and final mutual releases between the Receiver and the Trustee, on the one hand, and the Elliott Defendants, on the other hand. In exchange for the dismissal of the Litigation as against the Elliott Defendants, and the release from the Receiver and the Trustee, the Elliott Defendants agreed to pay \$680,000 (the “Guaranteed Settlement Funds”) and fifty percent (50%) of any amounts remaining under a LAWPRO policy of insurance with limits of \$1,000,000 (the “Policy”) after resolution of two ongoing investor actions against the Elliott Defendants (the “Contingent Settlement Funds”).
6. The Elliott Settlement Agreement was approved by the Court on May 13, 2021. As the Trustee, on behalf of the Trustee Corporations, is the only plaintiff to the Litigation to have asserted claims against the Elliott Defendants, the Trustee received the entirety of the Guaranteed Settlement Funds. Following the resolution of the aforementioned investor actions against the Elliott Defendants, no amounts remained under the Policy. Accordingly, the Trustee did not receive the Contingent Settlement Funds.

⁴ In addition to the Trustee Corporations that advanced funds to the Receivership Companies, the Elliott Defendants also provided services to other trustee corporations subject to the Trustee Appointment Order. The Trustee also settled those claims as part of the Elliott Settlement Agreement.

7. Pursuant to the terms of the Elliott Settlement Agreement, the Elliott Defendants also agreed to cooperate with the Trustee and the Receiver in relation to their claims and proceedings against the Non-Settling Defendants (as defined in the Elliott Settlement Agreement).

3. The Additional Settling Defendants

1. Since the approval of the Elliott Settlement Agreement and the filing of the Receiver's Twenty-First Report to Court, the Receiver and the Trustee have negotiated and entered into the Settlements on the terms of the Settlement Agreements. The Settlements and the Settlement Agreements, which have been disclosed to the Non-Settling Defendants, are discussed below. Each of the Settlements remains subject to Court approval.

3.1 Arsenault

1. Arsenault carries on business as an architect through Arsenault Architect Inc. ("Arsenault Inc."). Arsenault Inc. was retained by Davies to provide certain architectural services for the Project to be undertaken by McMurray. Arsenault was also listed as an officer of McMurray on its corporate profile report, and D. Arsenault Holdings Inc., Arsenault's holding company, was listed as a shareholder of McMurray on its corporate share register. Arsenault was named as a defendant in the Litigation on the basis of him being an officer of McMurray.
2. The claims against Arsenault are set out in the Third Amended Statement of Claim. They include a claim for a constructive trust and/or damages in the amount of \$3.5 million (representing the expected investor losses in relation to McMurray) for negligence, breach of fiduciary duty, knowing assistance in breach of fiduciary duty and/or unjust enrichment, arising from allegations that Arsenault, among other things:
 - a) failed to act in a competent or diligent manner in his capacity as an officer of McMurray, as he preferred the interests of management, including Davies, in contravention of his duties owed to McMurray;
 - b) allowed Davies to engage in gross misconduct and treat McMurray as his own personal fiefdom, without due regard for transparency, disclosure, the avoidance of self-dealing and conflicts of interest or corporate separateness; and
 - c) failed to ensure that McMurray conducted itself in a competent and lawful manner.
3. No claims were asserted against Arsenault in respect of the architectural services he provided to McMurray through Arsenault Inc.
4. On discovery, Arsenault testified that he was never asked nor agreed to be an officer of McMurray despite him being listed as such on the corporate profile report for McMurray. Based on the Receiver's review, Arsenault's position in this regard is supported by the documentary record.

3.2 The Proposed Settlement with Arsenault

1. The Arsenault Settlement Agreement is attached as Appendix “D”. The Arsenault Settlement Agreement contemplates a no costs dismissal of the Litigation as against Arsenault, as well as an exchange of full and final mutual releases between the Receiver and the Trustee, on the one hand, and Arsenault, on the other hand. In exchange for the dismissal of the Litigation as against Arsenault, and the release from the Receiver and the Trustee, Arsenault has agreed to pay \$50,000.
2. Pursuant to the Arsenault Settlement Agreement, all of the Receiver’s and the Trustee’s claims, rights and remedies as against all of the Non-Settling Defendants⁵ in the Litigation and otherwise are preserved. If the Court awards damages or any other monetary relief (“Monetary Relief”) to the Receiver or the Trustee against the Non-Settling Defendants and finds that the Non-Settling Defendants have the right to pass any liability for such relief on to Arsenault, the Trustee and the Receiver have agreed to waive their right to recover such Monetary Relief with respect to such portion attributable to Arsenault. Relatedly, the Arsenault Settlement provides a bar order with respect to the potential exposure of the Non-Settling Defendants to claims of joint responsibility with Arsenault, thereby leaving the Non-Settling Defendants responsible only for the losses they are proved to have caused.
3. Under the terms of the Arsenault Settlement Agreement, Arsenault will also cooperate with the Trustee and the Receiver in relation to their claims and proceedings against the Non-Settling Defendants. Arsenault has already made production in the Litigation of an affidavit of documents and the relevant non-privileged documents and records in respect of which Arsenault has possession, power and/or control, including records relating to his available insurance coverage. Arsenault was also examined for discovery prior to the Arsenault Settlement being negotiated and the Arsenault Settlement Agreement being agreed to.
4. Pursuant to its terms, the Arsenault Settlement Agreement shall not in any way be construed as an admission of liability by any party thereto.

3.3 Cane

1. Cane is an appraiser of real property, with over forty years of experience, who focuses on the valuation of commercial real estate on behalf of developers, mortgage lenders and others. Cane is a member of the Appraisal Institute of Canada, a Professional Land Economist from the Association of Ontario Land Economists, and a retired member of the Royal Institution of Chartered Surveyors. Cane acted as the appraiser for each of the Receivership Companies in respect of their real property and Projects.

⁵ The term “Non-Settling Defendants”, when used in this Section 3.3, has the meaning ascribed to it in the Arsenault Settlement Agreement.

2. To support the amounts raised by way of the SMIs, the Receivership Companies and certain of the Development Companies (as defined in the Third Amended Statement of Claim) retained Cane as an appraiser to provide estimated hypothetical market values of the applicable real property, assuming it could be developed. The appraisals prepared by Cane were based on several assumptions, including that all necessary planning approvals would be obtained in a timely manner and that the development would likewise be commenced and completed in a timely manner.
3. The claims against Cane are set out in the Third Amended Statement of Claim. They include a claim for damages in the amount of \$88 million and disgorgement of all costs and fees paid by the Receivership Companies to Cane for professional negligence and breach of contract arising from allegations that Cane, among other things:
 - a) failed to adequately identify the scope of work employed in the appraisal reports;
 - b) grossly overstated the values of the applicable properties;
 - c) failed to obtain comparative support for revenues and operating expenses in the development pro formas relied on;
 - d) based his appraisal reports on unreasonable, irrational and unrealistic assumptions;
 - e) failed to adequately disclose extraordinary assumptions and hypothetical conditions;
 - f) prepared appraisal reports that were flawed by inconsistencies, typos, incongruent procedures and incorrect arithmetical results;
 - g) failed to use as many appraisal methodologies as possible to arrive at answers to the inquiries from different approaches so that the most accurate market derived determinations of the ultimate issues were obtained and provided;
 - h) employed a hybrid valuation methodology and/or other valuation approaches that were not common, proper or appropriate for the given assignments;
 - i) failed to provide proper opinions as to whether the analyses and conclusions in the reports were appropriate, reasonable and suitable for reliance by the intended user for the intended use; and
 - j) ignored or, alternatively, failed to identify major red flags that ought to have caused heightened caution with respect to the Projects.
4. While the Third Amended Statement of Claim asserts that the SMI scheme and other misconduct would not have occurred (or would not have occurred to the same degree or extent) had Cane fulfilled his duties and professional obligations, the Receiver's review of the Receivership Companies' records has not uncovered anything to suggest that Cane intentionally or knowingly orchestrated or facilitated the SMI scheme.

3.4 The Proposed Settlement with Cane

1. The Cane Settlement Agreement, absent the Cane Declaration (as defined below), is attached as Appendix “E”. The Cane Settlement Agreement contemplates a no costs dismissal of the Litigation as against Cane, as well as an exchange of full and final mutual releases between the Receiver and the Trustee, on the one hand, and Cane, on the other hand. In exchange for the dismissal of the Litigation as against Cane, and the release from the Receiver and the Trustee, Cane has agreed to pay \$1.5 million. In connection with the Cane Settlement Agreement, Cane has provided the Trustee and the Receiver with a declaration confirming that his personal assets, outside of his personal residence, have a value less than \$1 million (the “Cane Declaration”).
2. Pursuant to the Cane Settlement Agreement, all of the Receiver’s and the Trustee’s claims, rights and remedies as against all of the Non-Settling Defendants⁶ in the Litigation and otherwise are preserved. If the Court awards Monetary Relief to the Receiver or the Trustee against the Non-Settling Defendants and finds that the Non-Settling Defendants have the right to pass any liability for such relief on to Cane, the Trustee and the Receiver have agreed to waive their right to recover such Monetary Relief with respect to such portion attributable to Cane. Additionally, the Cane Settlement includes a bar order with respect to the potential exposure of the Non-Settling Defendants to claims of joint responsibility with Cane, thereby leaving the Non-Settling Defendants responsible only for the losses they are proved to have caused.
3. Under the terms of the Cane Settlement Agreement, Cane will also cooperate with the Trustee and the Receiver in relation to their claims and proceedings against the Non-Settling Defendants. Cane has already made production in the Litigation of an affidavit of documents and the relevant non-privileged documents and records in respect of which Cane has possession, power and/or control, including records relating to his available insurance coverage. Cane was also examined for discovery over the course of two days prior to the Cane Settlement being negotiated and the Cane Settlement Agreement being agreed to.
4. Pursuant to its terms, the Cane Settlement Agreement shall not in any way be construed as an admission by any party thereto.

3.5 The Thompson Defendants

1. Thompson was a director and officer of certain of the Receivership Companies, including 525 Princess, 555 Princess, 445 Princess, Bronson and Ross Park. He was also a director and officer of TSI and TSSI.
2. Thompson’s holding company, Thompson Co., of which Thompson is the sole officer and director, was an indirect shareholder of certain of the Receivership Companies. Namely, Thompson Co. was a shareholder of TSI and TSSI, which are shareholders of 525 Princess, 555 Princess, 445 Princess, Bronson and Ross Park.

⁶ The term “Non-Settling Defendants”, when used in this Section 3.5, has the meaning ascribed to it in the Cane Settlement Agreement.

3. The claims against the Thompson Defendants are set out in the Third Amended Statement of Claim. They include a claim for a constructive trust and/or damages in the amount of \$40 million for unjust enrichment, and as against Thompson, negligence, breach of fiduciary duty, breach of contract, and knowing assistance in breach of fiduciary duty, arising from allegations that Thompson, among other things:
- a) failed to act in the manner that was required of him as a director and officer of 525 Princess, 555 Princess, 445 Princess, Ross Park and Bronson, including to act honestly and in good faith with a view to their best interests;
 - b) was grossly negligent in the performance of his duties as a director and officer of 525 Princess, 555 Princess, 445 Princess, Ross Park and Bronson;
 - c) routinely allowed the Receivership Companies to improperly transfer monies between entities and to affiliates, contrary to the Loan Agreements and his own legal and contractual obligations;
 - d) allowed 525 Princess, 555 Princess, 445 Princess, Ross Park and Bronson to transfer to Aeolian and Thompson Co. amounts, purportedly in respect of management fees, that were prohibited by the Loan Agreements and unreasonable, particularly given that (i) such Receivership Companies never entered into any management agreements with Aeolian or Thompson Co., and (ii) the Receivership Companies from which such funds were advanced had achieved very limited progress on their respective Projects;
 - e) allowed certain of the Receivership Companies to improperly transfer monies to TSI and TSSI;
 - f) caused and/or allowed approximately \$3,540,900 to be improperly transferred to Rideau from 525 Princess, 555 Princess, 445 Princess, Ross Park and Bronson, notwithstanding that such funds were required to be used for the specific Projects to be respectively undertaken by 555 Princess, 525 Princess, Burlington, 445 Princess, Bronson and Ross Park;
 - g) allowed dividends to be paid from 525 Princess, 555 Princess, Bronson and Ross Park to Aeolian, Thompson Co. and Singh Co. immediately after such Receivership Companies received such funds from the applicable Trustee Corporations, and at times when 525 Princess, 555 Princess, Bronson and Ross Park had no profits and insufficient cash to develop their respective Projects;
 - h) treated the Receivership Companies as his own personal fiefdom, without due regard for transparency, disclosure, the avoidance of self-dealing and conflicts of interest, or corporate separateness, among other things; and
 - i) allowed the Davies Defendants to defraud the Receivership Companies, while enriching himself, parties related to him at the expense of the Receivership Companies and their creditors, including the Trustee Corporations.

3.6 The Proposed Settlement with the Thompson Defendants

1. The Thompson Settlement Agreement, absent the Thompson Declaration (as defined below), is attached as Appendix “F”. The Thompson Settlement Agreement contemplates a no costs dismissal of the Litigation as against the Thompson Defendants, as well as an exchange of full and final mutual releases between the Receiver and the Trustee, on the one hand, and the Thompson Defendants, on the other hand. In exchange for the dismissal of the Litigation as against the Thompson Defendants, and the release from the Receiver and the Trustee, the Thompson Defendants have agreed to pay \$3.5 million. In connection with the Thompson Settlement Agreement, the Thompson Defendants have provided the Trustee and the Receiver with a declaration confirming that, among other things, all of the assets held by the Thompson Defendants, outside of Thompson’s personal residence, have a value less than \$1 million (the “Thompson Declaration”).
2. Pursuant to the Thompson Settlement Agreement, all of the Receiver’s and the Trustee’s claims, rights and remedies as against all of the Non-Settling Defendants⁷ in the Litigation and otherwise are preserved. If the Court awards Monetary Relief to the Receiver or the Trustee against the Non-Settling Defendants and finds that the Non-Settling Defendants have the right to pass any liability for such relief on to the Thompson Defendants, the Trustee and the Receiver have agreed to waive their right to recover such Monetary Relief with respect to such portion attributable to the Thompson Defendants. Additionally, the Thompson Settlement includes a bar order with respect to the potential exposure of the Non-Settling Defendants to claims of joint responsibility with the Thompson Defendants, thereby leaving the Non-Settling Defendants responsible only for the losses they are proved to have caused.
3. Under the terms of the Thompson Settlement Agreement, the Thompson Defendants will also cooperate with the Trustee and the Receiver in relation to their claims and proceedings against the Non-Settling Defendants. The Thompson Defendants have already made production in the Litigation of an affidavit of documents and the relevant non-privileged documents and records in respect of which the Thompson Defendants have possession, power and/or control, including records relating to Thompson’s available insurance coverage. Thompson was also examined for discovery over the course of six days prior to the Thompson Settlement being negotiated and the Thompson Settlement Agreement being agreed to.
4. In agreeing to resolve the Litigation pursuant to the terms of the Thompson Settlement Agreement, the Thompson Defendants continue to deny any liability to the Trustee and the Receiver, and no findings of liability to the Trustee and the Receiver against the Thompson Defendants have been made by the Court.⁸ As in the case of the Arsenault Settlement Agreement and the Cane Settlement Agreement, the Thompson Settlement Agreement makes clear that it shall not in any way be construed as an admission of liability by any party thereto.

⁷ The term “Non-Settling Defendants”, when used in this Section 3.7, has the meaning ascribed to it in the Thompson Settlement Agreement.

⁸ In agreeing to resolve the Litigation, Cane and Arsenault similarly continue to deny any liability to the Trustee and the Receiver, and no findings of liability to the Trustee and the Receiver against such defendants have been made by the Court.

3.7 Recommendation

1. The Receiver recommends that the Court issue an order approving the Settlements, as set out in the Settlement Agreements, for the following reasons:
 - a) the Settlements generate immediate proceeds of \$5.05 million in the aggregate, all of which proceeds are coming from Arsenault's, Cane's and Thompson's respective policies of insurance that would otherwise be eroded by Arsenault's, Cane's and Thompson's ongoing defence costs in the Litigation;
 - b) the Settlements avoid protracted, complex and costly litigation with Arsenault, Cane and the Thompson Defendants in respect of the settled matters. Pursuant to the Settlement Agreements, all the claims the Receiver and Trustee have as against Arsenault, Cane and the Thompson Defendants will be fully and finally resolved. The Settlements therefore provide a degree of certainty regarding the costs, benefits, and timing that cannot be expeditiously achieved otherwise;
 - c) with respect to Cane and Thompson, (i) the payments to be made pursuant to the Cane Settlement and the Thompson Settlement, represent significant recoveries under their respective policies of insurance having regard to available limits, and all of the other circumstances, and (ii) based on the Cane Declaration and the Thompson Declaration (the contents of which are confidential), the Receiver and the Trustee are satisfied that Cane's and Thompson's respective policies of insurance represent the only material source of recovery against such defendants to the Litigation;
 - d) the Settlements allow the Receiver and the Trustee to focus on other actors in the SMI scheme in the Litigation, which will increase the efficiency and efficacy with which the Litigation can be advanced, thereby resulting in further costs savings, timing efficiencies and benefits. Moreover, pursuant to the Settlement Agreements, Arsenault, Cane and the Thompson Defendants will also be providing the Receiver and the Trustee with cooperation in connection with the Litigation;
 - e) the Settlements make clear that the Non-Settling Defendants (as defined in the Settlement Agreements) will only be liable for their proportionate share of the losses and contemplate a bar order with respect to their potential exposure to claims of joint responsibility with Arsenault, Cane and the Thompson Defendants, thereby leaving the Non-Settling Defendants (as defined in the Settlement Agreements) responsible only for the losses they can be proved to have caused;
 - f) Arsenault, Cane and the Thompson Defendants will each provide the Receiver and the Trustee with a broad full and final release of all claims they may have against the Receivership Companies and the Trustee Corporations, providing a further degree of certainty and closure with respect to any disputes as between such parties;

- g) the Settlement Agreements are fair and reasonable in the circumstances as the Receiver believes that they represent a commercially reasonable compromise in respect of the claims against Arsenault, Cane and the Thompson Defendants and are in the best interests of the Receivership Companies, the Trustee Corporations and their respective stakeholders;
- h) the terms of the Settlement Agreements, including their respective financial terms, have been disclosed to the Non-Settling Defendants;
- i) the non-financial terms of the Settlement Agreements are materially similar to those previously approved by the Court in these proceedings and the Litigation, including in the Singh Settlement Agreement, the Grace Settlement Agreement and the Elliott Settlement Agreement;
- j) Arsenault, Cane and the Thompson Defendants have already made production in the Litigation of affidavits of documents and the relevant non-privileged documents and records in respect of which such defendants have possession, power and/or control, and have been examined for discovery;
- k) the Settlement Agreements were entered into after extensive investigation, due diligence and negotiation by the Trustee and the Receiver; and
- l) the Trustee has performed its own procedures and undertaken its own due diligence to consider the reasonableness of each of the Settlements and has reached conclusions similar to those of the Receiver. The Trustee has agreed to each of the Settlement Agreements and is also seeking an order of the Court approving them. The Trustee has filed a separate report to Court recommending that the Court approve the Settlements.

4. Activities

1. Since the commencement of these proceedings, the Receiver has sought and obtained approval of its previous twenty-one reports to Court, as well as numerous supplements thereto, and the activities described therein. These activities included, among others:
 - a) reviewing the Trustee's various reports to Court and other motion materials filed in these proceedings;
 - b) negotiating funding from The Marshall Zehr Group Inc. and Downing Street Financial Inc. to repay various first mortgages on certain projects and to fund the costs of the related receiverships;
 - c) reviewing background information regarding all of the Projects, including development plans, sales information, environmental information, appraisals and financial information;
 - d) corresponding with Chaitons LLP, representative counsel to the Investors;
 - e) corresponding directly with the Investors;

- f) responding to calls from real estate agents and prospective purchasers in connection with the seven projects sold by the Receiver (the “Receivership Projects”);
- g) reviewing marketing materials in connection with the Receivership Projects, including teasers and confidential information memoranda;
- h) preparing asset purchase agreements for the Receivership Projects for the purpose of each sale process for the Receivership Projects;
- i) negotiating sale transactions for each of the Receivership Projects;
- j) dealing with the mortgagees on each of the Projects and repaying in full the amounts owing to them under their mortgages from the sale proceeds generated for each of the Receivership Projects;
- k) arranging for the return of deposits to the purchasers on the Scollard property and coordinating a deposit return protocol with counsel to the surety;
- l) conducting an extensive financial review and analysis of the Receivership Companies’ bank statements and other financial records and preparing schedules of receipts and disbursements;
- m) preparing reports and information required to obtain the Mareva Order and dealing extensively with the matters relating to the Mareva Order;
- n) dealing with the sale of Davies’ personal residence, including corresponding with legal counsel to Moskowitz Capital Mortgage Fund II Inc., the first mortgagee on the property;
- o) corresponding with Dentons LLP, counsel to Davies, regarding the Mareva Order and matters related thereto;
- p) preparing a summary of Aeolian’s receipts and disbursements;
- q) reviewing, commenting on and negotiating all settlement materials, including the Harris Settlement, the Mareva Settlement, the Singh Settlement, the Grace Settlement and the Elliott Settlement;
- r) corresponding with Canada Revenue Agency, as required throughout these proceedings;
- s) preparing for and attending Court for the case conferences, motions and other appearances in these proceedings; and
- t) preparing twenty-one reports to Court and numerous supplements thereto.

2. Since the filing of the Receiver's Twenty-First Report, the Receiver has continued to diligently advance these proceedings and the Litigation in the interests of the Receivership Companies and their stakeholders. The Receiver's activities in this regard are detailed in the various invoices attached to the Receiver's Fee Affidavit (as defined below), and include, among others:
- a) preparing for and attending numerous examinations for discovery of the defendants to the Litigation;
 - b) preparing for and being examined for discovery as a plaintiff in the Litigation;
 - c) preparing for and attending the examination for discovery of the Trustee's representative as plaintiff in the Litigation;
 - d) answering undertakings and attending to matters arising from and following examinations for discovery;
 - e) attending to all matters relating to the Litigation;
 - f) continuing to liaise with the Receivership Companies' stakeholders and corresponding directly with the Investors;
 - g) negotiating and entering into the Settlement Agreements;
 - h) maintaining and updating the Receiver's case website;
 - i) reviewing confidential and privileged material prepared by Bennett Jones relating to the Litigation and these proceedings;
 - j) reviewing and assessing Davies' and Judith Davies' quarterly reporting packages, as required in the context of the Mareva Settlement;
 - k) reviewing and commenting on the Court materials filed in these proceedings;
 - l) completing and submitting statutory reports required by the *Office of the Superintendent of Bankruptcy*;
 - m) obtaining Court approval of the Elliott Settlement Agreement;
 - n) maintaining and updating the Receiver's case website;
 - o) preparing monthly harmonized sales tax returns;
 - p) preparing this Report and the additional materials filed in connection with the approval of the Settlement Agreements;
 - q) consulting with the Trustee and Aird & Berlis LLP, concerning all matters in these proceedings and the Litigation; and
 - r) attending to other matters relating to these proceedings.

5. Professional Fees

1. A summary of the professional fees, disbursements and hourly rates of the Receiver and Bennett Jones for the Receivership Companies is provided below.

KSV		(\$)				
Entity	Period	Fees	Disbursements	Total	Average Hourly Rate	
Scollard	April 1/21 to Feb. 28/23	35,327.20	4.78	35,331.98	575.64	
555 Princess	April 1/21 to Feb. 28/23	35,839.10	4.79	35,843.89	538.45	
525 Princess	April 1/21 to Feb. 28/23	35,487.35	4.80	35,492.15	542.54	
Oakville	April 1/21 to Feb. 28/23	35,338.10	4.79	35,342.89	546.86	
Legacy Lane	April 1/21 to Feb. 28/23	35,013.60	4.79	35,018.39	563.83	
445 Princess	April 1/21 to Feb. 28/23	35,616.10	4.80	35,620.90	547.86	
Burlington	April 1/21 to Feb. 28/23	38,560.10	4.79	38,564.89	516.75	
Bronson	April 1/21 to Feb. 28/23	34,576.10	4.79	34,580.89	563.96	
Ross Park	April 1/21 to Feb. 28/23	35,503.10	4.79	35,507.89	533.88	
McMurray	April 1/21 to Feb. 28/23	34,245.60	4.79	34,250.39	574.49	
Kitchener	April 1/21 to Feb. 28/23	35,298.30	4.79	35,303.09	542.88	
Total		390,804.65	52.70	390,857.35		

Bennett Jones		(\$)				
Entity	Period	Fees	Disbursements	Total	Average Hourly Rate	
Scollard	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
555 Princess	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
525 Princess	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
Oakville	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
Legacy Lane	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
445 Princess	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
Burlington	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
Bronson	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
Ross Park	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
McMurray	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
Kitchener	April 1/21 to Feb. 28/23	80,625.60	1,900.20	82,525.80	532.53	
Total		886,881.60	20,902.20	907,783.80		

2. Detailed invoices (redacted for privileged and confidential information) are provided in the affidavits filed by representatives of the Receiver (the "Receiver's Fee Affidavit") and Bennett Jones, which are provided in Appendices "G" and "H", respectively.
3. A significant portion of the activities performed by the Receiver and its counsel are of a general nature, and are not specifically allocable to a project, including time related to the investigation of matters generally relating to the Receivership Companies and the Litigation. The Receiver and its counsel have allocated such time evenly across the relevant Receivership Companies.

4. The Receiver is of the view that the hourly rates charged by Bennett Jones are consistent with the rates charged by large corporate law firms practicing in the area of insolvency and restructuring in the Toronto market, and that Bennett Jones' billings reflect work performed consistent with the Receiver's instructions. Further, the Receiver is of the view that the fees charged by Bennett Jones and the Receiver are fair and reasonable in the circumstances, given, among other things, the complexity of these proceedings and the Litigation, as well as the time spent, the responsibilities assumed and results achieved by the Receiver and Bennett Jones.

6. Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that this Court grant the relief detailed in Section 1.2(1)(f) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

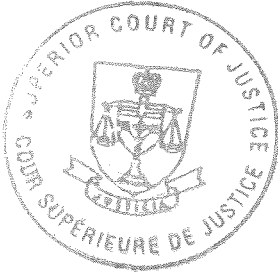
**KSV RESTRUCTURING INC.,
SOLELY IN ITS CAPACITY AS RECEIVER OF
CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE
INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD.,
1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS
STREET) INC., TEXTBOOK (555 PRINCESS STREET) INC. ., TEXTBOOK (445 PRINCESS
STREET) INC., TEXTBOOK ROSS PARK INC., TEXTBOOK (774 BRONSON AVENUE) INC.
AND MCMURRAY STREET INVESTMENTS INC.**

TAB A

Appendix “A”

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

THE HONOURABLE) THURSDAY, THE 2ND
MR. JUSTICE WILTON-SIEGEL)
DAY OF FEBRUARY, 2017



THE SUPERINTENDENT OF FINANCIAL SERVICES

Applicant

- and -

TEXTBOOK STUDENT SUITES (525 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (555 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (ROSS PARK) TRUSTEE CORPORATION, 2223947 ONTARIO LIMITED, MC TRUSTEE (KITCHENER) LTD., SCOLLARD TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE) TRUSTEE CORPORATION, 7743718 CANADA INC., KEELE MEDICAL TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (445 PRINCESS STREET) TRUSTEE CORPORATION and HAZELTON 4070 DIXIE ROAD TRUSTEE CORPORATION

Respondents

**APPLICATION UNDER SECTION 37 OF THE
MORTGAGE BROKERAGES, LENDERS AND ADMINISTRATORS ACT, 2006, S.O. 2006,
c. 29 and SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990 c. C.43**

**ORDER
(appointing Receiver)**

THIS MOTION, made by Grant Thornton Limited ("GTL"), in its capacity as the Court-appointed trustee (in such capacity, the "Trustee") of Scollard Trustee Corporation ("STC"), for an Order, pursuant to subsection 243(1) of the *Bankruptcy and Insolvency Act*,

R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing KSV Kofman Inc. ("**KSV**") as receiver and manager (in such capacity, the "**Receiver**"), without security, of all the real property registered on title as being owned by Scollard Development Corporation (the "**Debtor**") and that is listed on **Schedule "A"** hereto (collectively, the "**Real Property**") and of all the assets, undertakings and properties of the Debtor acquired for or used in relation to the Real Property (together with the Real Property, the "**Property**"), was heard January 31, 2017, February 1, 2017 and this day at 330 University Avenue, Toronto, Ontario.

ON READING the Fourth Report of the Trustee dated January 20, 2017 and the appendices thereto (the "**Fourth Report**"), including, without limitation, the consent of KSV dated January 19, 2017 to act as the Receiver, the Supplement to the Fourth Report dated January 26, 2017 and the appendices thereto (the "**Fourth Report Supplement**") and the Report of the proposed Receiver dated January 30, 2017, and on hearing the submissions of counsel for the Trustee and such other counsel as were present, no one appearing for any other person on the service list although duly served as appears from the affidavits of service of Eunice Baltkois sworn January 20, 2017 and January 26, 2017,

SERVICE

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

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to subsection 243(1) of the BIA and section 101 of the CJA, KSV is hereby appointed Receiver, without security, of the Property.

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality

of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- c) to manage, operate, and carry on the business of the Debtor in respect of the Property, including the powers to enter into any agreements, incur any obligations in the ordinary course of business in respect of the Property, cease to carry on all or any part of the business in respect of the Property, or cease to perform any contracts of the Debtor in respect of the Property;
- d) 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;
- e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor in respect of the Property or any part or parts thereof;
- f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor in respect of the Property and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- g) to settle, extend or compromise any indebtedness owing to the Debtor in respect of the Property;

- h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor in respect of the Property, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of investment, development and/or sale as the Receiver in its discretion may deem appropriate;
- k) subject to paragraphs 33 and 34 of this Order, to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business with the approval of this Court, and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply;
- l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

- o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof in respect to the Property for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for the Property;
- q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have in respect to the Property; and
- r) 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 Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Debtor, (ii) all of its 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, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **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 Property, 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 5 or in paragraph 6 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.

6. **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

7. **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 DEBTOR OR THE PROPERTY

8. **THIS COURT ORDERS** that, subject to paragraph 10 of this Order, no Proceeding against or in respect of the Debtor 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 Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. **THIS COURT ORDERS** that, subject to paragraph 10 of this Order, all rights and remedies against the Debtor, 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 Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor 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.

10. **THIS COURT ORDERS** that nothing in this Order shall prevent Trisura Guarantee Insurance Company ("**Trisura**") from commencing one or more Proceeding(s) against the Debtor and Trisura's other indemnitors (excluding the Debtor, the "**Indemnitors**") where the commencement of such Proceeding(s) against the Debtor is required in order to name the Indemnitors in such Proceeding(s), provided, however, that neither Trisura nor any of the Indemnitors shall be permitted to continue such Proceeding(s) against the Debtor or the Receiver.

NO INTERFERENCE WITH THE RECEIVER

11. **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 Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor 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 Debtor 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 Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's 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 Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever (except deposits from purchasers in respect of sales of condominium units, which shall be delivered to Chaitons LLP to be held and form part of the Deposits (as defined in paragraph 34 of this Order)), including, without limitation, the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. **THIS COURT ORDERS** that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, 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*.

PIPEDA

15. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

16. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in

pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

17. **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.

RECEIVER'S ACCOUNTS

18. **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 unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on all the Property except the Deposits (as defined herein), 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 first charge on all the Property except the Deposits 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.

19. **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.

20. **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 standard 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.

FUNDING OF THE RECEIVERSHIP

21. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$3,500,000 (or such greater amount as this Court may by further Order authorize) (the "**Authorized Sum**") at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property except for the Deposits shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge, the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA and any special priority lien under section 78 of the *Construction Lien Act* in favour of Leeswood Design Build Ltd. (not to exceed \$58,000) that may be determined to exist by the Receiver (the "**Lien**"). If the Lien is determined to exist by the Receiver, the Receiver shall discharge the Lien from the proceeds (not to exceed \$58,000) generated from the Property.

22. **THIS COURT ORDERS** that, without in any way limiting the generality of paragraph 21 of this Order, the Receiver be at liberty and is hereby empowered to borrow the Authorized Sum by way of the Commitment Letter (as defined in the Fourth Report Supplement) (the "**Identified Borrowings**") for the purpose of, amongst other things, discharging any and all encumbrances on title to the Property in favour of Firm Capital Mortgage Fund Inc. ("**Firm Capital**"), which Identified Borrowings shall benefit from the Receiver's Borrowings Charge on the same terms and conditions as provided in paragraph 21 of this Order, and which Commitment Letter, as amended, and the terms and conditions thereof be and are hereby approved by this Court.

23. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be

enforced without leave of this Court; however, the Receiver shall be entitled but not obligated to register the Receiver's Borrowings Charge on title to the Real Property.

24. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Schedule "B"** hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order, including, without limitation, for the Identified Borrowings.

25. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court from the lender named in the Commitment Letter and any and all Receiver's Certificates evidencing the same or any part thereof shall, up to a principal amount of \$3,500,000, rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates, and any additional monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis but immediately subordinate to the borrowings in favour of the lender named in the Commitment Letter, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

26. **THIS COURT ORDERS** that all amounts owing under and secured by the Firm Capital Boathaus Mortgage (as defined in the Fourth Report) in favour of Firm Capital shall be repaid in full by the Receiver within two (2) business days of the date of this Order from the proceeds of the Identified Borrowings. Notwithstanding anything else contained herein, nothing in this Order shall affect the rights, remedies or priority of Firm Capital in respect of the Firm Capital Boathaus Mortgage in the interim period from the making of this Order to the time such mortgage has been repaid in full (the "**Interim Period**"), provided, however, that Firm Capital shall not enforce any of its rights or remedies during the Interim Period in respect of the Firm Capital Boathaus Mortgage without the consent of the Receiver or approval of this Court.

SERVICE AND NOTICE

27. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List

website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.ksvadvisory.com/insolvency-cases/scollard-development-corporation>.

28. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

29. **THIS COURT ORDERS AND DIRECTS** that the within proceedings in respect of the Debtor, the Receiver and the Property (collectively, the "**Receivership Proceedings**") shall, immediately upon the issuance of this Order, be assigned the new Court file number referenced in paragraph 30 of this Order and proceed separately from the proceedings in respect of STC, the Trustee and the assets, properties and undertakings of STC.

30. **THIS COURT ORDERS AND DIRECTS** that the title of proceedings in the Receivership Proceedings shall be as follows:

Court File No. CV-17- 11689 -00CL

AKW

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

**IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT
CORPORATION**

**AND IN THE MATTER OF A MOTION PURSUANT TO SUBSECTION 243(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, AND
SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

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

32. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

33. **THIS COURT ORDERS** that nothing in this Order or the BIA shall now or in the future grant to the Receiver, or be deemed to grant to the Receiver, or create in favour of any Person (including, without limitation, any potential future purchaser of the Property or the Debtor (the "**Future Purchaser**")), any right, title, entitlement, benefit or interest in or to Tarion Bond Nos. TDS0990169 or TDS0990142 issued, respectively, by Everest Insurance Company of Canada ("**Everest**") and Trisura (collectively, the "**Tarion Bonds**"). For greater certainty, neither the Receiver nor any Future Purchaser shall in any way be entitled to the benefit of or rely on the Tarion Bonds for any purpose whatsoever.

34. **THIS COURT ORDERS** that no Future Purchaser of the Property or Debtor shall, without making arrangements to extinguish any liability that Trisura and Everest may have in respect of the Tarion Bonds, be entitled to any right, title, entitlement, benefit or interest, in or to the Property, the Debtor or any pre-sale deposits held in trust by Chaitons LLP and paid by purchasers of the condominium units in respect of pre-sales at the Real Property related to the Tarion Bonds (the "**Deposits**").

35. **THIS COURT ORDERS AND DIRECTS** that Trisura shall be paid, in full, for any and all losses, damages, liabilities, costs and expenses owed to it by the Debtor or to any other Indemnitor pursuant to the Tarion Bonds or Indemnity Agreements defined below from any proceeds of sale resulting from any Transaction (as defined below) in respect of the Property.

36. **THIS COURT ORDERS** that the Receiver is precluded from consummating any Transaction (as defined below) that does not:

- (a) fully and finally discharge Trisura and Everest from any and all liability related to the Tarion Bonds; and
- (b) fully indemnify Trisura under the Indemnity Agreements dated October 19, 2015 and May 11, 2015 (the "**Indemnity Agreements**").

The term "**Transaction**" means any arrangement that provides for the sale of, development of or investment in all or part of the Property.

37. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States 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.

38. **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.

39. **THIS COURT ORDERS** that the Trustee shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of STC's security or, if not so provided by STC's security, then on a substantial indemnity basis to be paid by the Receiver from the Property with such priority and at such time as this Court may determine.

40. **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, to the Trustee 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 "A. Don - M. J.", written over a horizontal line.

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

FEB 02 2017

PER / PAR: A handwritten signature in black ink, appearing to be a stylized letter 'a'.

SCHEDULE "A"**LEGAL DESCRIPTION OF THE REAL PROPERTY**

The real property legally described by the following PINs:

- (a) 26484-0005 (LT);
- (b) 26484-0006 (LT); and
- (c) 26484-0007 (LT).

SCHEDULE "B"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. **THIS IS TO CERTIFY** that KSV Kofman Inc., the receiver and manager (in such capacity, the "**Receiver**") of certain real property registered on title as being owned by Scollard Development Corporation (the "**Debtor**") and that is listed on **Schedule "A"** hereto (collectively, the "**Real Property**") and of all the assets, undertakings and properties of the Debtor acquired for or used in relation to the Real Property (together with the Real Property, the "**Property**"), appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 2nd day of February 2017 (the "**Order**") made in a motion assigned to Court file number CV-17-_____ -00CL, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable [on demand by the Lender][by no later than the ____ day of _____] with interest thereon calculated and compounded [daily][monthly not in advance on the ____ day of each month] after the date hereof at a notional rate per annum equal to the rate of ____ per cent above the prime commercial lending rate of Bank of _____ from time to time plus reasonable and documented fees.

3. Such principal sum with interest and fees thereon is, by the terms of the Order, together with the principal sums and interest and fees thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property except for the Deposits (as defined in the Order), in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal, interest and fees under this certificate are payable at the main office of the Lender at Toronto, Ontario.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.
7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 2017.

KSV Kofman Inc., solely in its capacity as the
Receiver of the Property, and not in its personal
capacity

Per: _____

Name:

Title:

SCHEDULE "A" TO THE RECEIVER'S CERTIFICATE
LEGAL DESCRIPTION OF THE REAL PROPERTY

The real property legally described by the following PINs:

- (a) 26484-0005 (LT);
- (b) 26484-0006 (LT); and
- (c) 26484-0007 (LT).

THE SUPERINTENDENT OF FINANCIAL SERVICES

- and -

TEXTBOOK STUDENT SUITES (525 PRINCESS STREET)
TRUSTEE CORPORATION, ET AL.

Applicant

Respondents

Court File No. CV-16-11567-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)****Proceedings commenced at Toronto****ORDER
(appointing Receiver)****AIRD & BERLIS LLP**
Barristers and Solicitors
Brookfield Place
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9**Steven L. Graff (LSUC # 31871V)**

Tel: (416) 865-7726

Fax: (416) 863-1515

Email: sgraff@airdberlis.com**Ian Aversa (LSUC # 55449N)**

Tel: (416) 865-3082

Fax: (416) 863-1515

Email: iaversa@airdberlis.com**Jeremy Nemers (LSUC # 66410Q)**

Tel: (416) 865-7724

Fax: (416) 863-1515

Email: jnemers@airdberlis.com*Lawyers for Grant Thornton Limited, in its capacity as the court-appointed trustee of Scollard Trustee Corporation*

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

THE HONOURABLE MR.)	TUESDAY, THE 2 nd
)	
JUSTICE MYERS)	DAY OF MAY, 2017

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

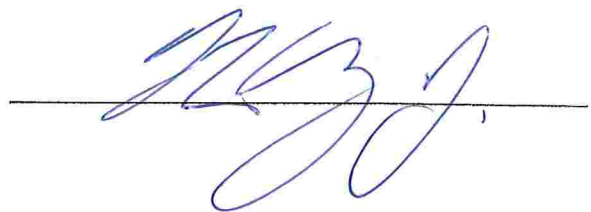
AND IN THE MATTER OF A MOTION PURSUANT TO SUBSECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, AND SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED

ORDER

THIS MOTION, made by KSV Kofman Inc., in its capacity as receiver and manager (the "**Receiver**") of the real property (the "**Real Property**") registered on title as being owned by Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., and Textbook (555 Princess Street) Inc. (collectively, the "**Debtors**") and of all of the assets, undertakings and properties of the Debtors acquired for or used in relation to the Real Property (together with the Real Property, the "**Property**"), for an order, among other things, amending the Amended and Restated Order granted in this proceeding (the "**Amended and Restated Order**") to correct the amounts of the MC Borrowings (as defined in the Amended and Restated Order), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Supplement to the Second Report of the Receiver dated May 1, 2017, and on hearing the submissions of counsel for the Receiver and such other counsel as were present, no one appearing for any other person on the service list,

1. **THIS COURT ORDERS** that the time for service of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that the Amended and Restated Order be and is hereby amended and restated in the form attached hereto as **Schedule "A"**.
3. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States 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.



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ON / BOOK NO:
LE / DANS LE REGISTRE NO:

MAY 02 2017

PER / PAR:



SCHEDULE "A"

Attached.

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

THE HONOURABLE) THURSDAY, THE 2ND
MR. JUSTICE WILTON-SIEGEL) DAY OF FEBRUARY, 2017

THE SUPERINTENDENT OF FINANCIAL SERVICES

Applicant

- and -

TEXTBOOK STUDENT SUITES (525 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (555 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (ROSS PARK) TRUSTEE CORPORATION, 2223947 ONTARIO LIMITED, MC TRUSTEE (KITCHENER) LTD., SCOLLARD TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE) TRUSTEE CORPORATION, 7743718 CANADA INC., KEELE MEDICAL TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (445 PRINCESS STREET) TRUSTEE CORPORATION and HAZELTON 4070 DIXIE ROAD TRUSTEE CORPORATION

Respondents

APPLICATION UNDER SECTION 37 OF THE MORTGAGE BROKERAGES, LENDERS AND ADMINISTRATORS ACT, 2006, S.O. 2006, c. 29 and SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990 c. C.43

**SECOND AMENDED AND RESTATED ORDER
(appointing Receiver)**

THIS MOTION, made by Grant Thornton Limited ("GTL"), in its capacity as the Court-appointed trustee (in such capacity, the "Trustee") of Scollard Trustee Corporation ("STC"), MC Trustee (Kitchener) Ltd., 2223974 Ontario Limited, Textbook Student Suites (525 Princess Street) Trustee Corporation, and Textbook Student Suites (555 Princess Street) Trustee Corporation for an Order, pursuant to subsection 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O.

1990, c. C.43, as amended (the "**CJA**") appointing KSV Kofman Inc. ("**KSV**") as receiver and manager (in such capacity, the "**Receiver**"), without security, of all the real property registered on title as being owned by Scollard Development Corporation (the "**Original Debtor**") and Memory Care Investments (Kitchener) Ltd. ("**MC Kitchener**"), Memory Care Investments (Oakville) Ltd. ("**MC Oakville**"), 1703858 Ontario Inc. ("**MC Burlington**"), Legacy Lane Investments Ltd. ("**Legacy Lane**"), Textbook (525 Princess Street) Inc. ("**525**"), and Textbook (555 Princess Street) Inc. ("**555**", and together with MC Kitchener, MC Oakville, MC Burlington, Legacy Lane and 525, the "**Additional Debtors**", and together with the Original Debtor, the "**Debtors**") and that is listed on **Schedule "A"** hereto (collectively, the "**Real Property**") and of all the assets, undertakings and properties of the Debtors acquired for or used in relation to the Real Property (together with the Real Property, the "**Property**"), was heard January 31, 2017, February 1, 2017, February 2, 2017 and this day at 330 University Avenue, Toronto, Ontario.

ON READING the Fourth Report of the Trustee dated January 20, 2017 and the appendices thereto (the "**Fourth Report**"), including, without limitation, the consent of KSV dated January 19, 2017 to act as the Receiver, the Supplement to the Fourth Report dated January 26, 2017 and the appendices thereto (the "**Fourth Report Supplement**"), the Report of the proposed Receiver dated January 30, 2017, the Sixth Report of the Trustee dated April 18, 2017, including, without limitation, the consent of KSV dated April 18, 2017, the Second Report of the Receiver dated April 21, 2017 and the Supplement to the Second Report of the Receiver dated April 24, 2017, and on hearing the submissions of counsel for the Trustee and such other counsel as were present, no one appearing for any other person on the service list although duly served as appears from the affidavits of service of Eunice Baltkois sworn January 20, 2017 and January 26, 2017 and the affidavit of service of Timothy Jones sworn April 18, 2017,

SERVICE

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

EFFECTIVENESS

2. **THIS COURT ORDERS** that, notwithstanding anything else contained herein, the provisions in this Order that relate to any of the Additional Debtors or any Property owned by any of the Additional Debtors shall only be effective as of April 28, 2017.

APPOINTMENT

3. **THIS COURT ORDERS** that pursuant to subsection 243(1) of the BIA and section 101 of the CJA, KSV is hereby appointed Receiver, without security, of the Property.

RECEIVER'S POWERS

4. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- c) to manage, operate, and carry on the business of the Debtors in respect of the Property, including the powers to enter into any agreements, incur any obligations in the ordinary course of business in respect of the Property, cease to carry on all or any part of the business in respect of the Property, or cease to perform any contracts of the Debtors in respect of the Property;
- d) 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;

- e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtors in respect of the Property or any part or parts thereof;
- f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors in respect of the Property and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- g) to settle, extend or compromise any indebtedness owing to the Debtors in respect of the Property;
- h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of any Debtor, for any purpose pursuant to this Order;
- i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to any Debtor in respect of the Property, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of investment, development and/or sale as the Receiver in its discretion may deem appropriate;
- k) subject to paragraphs 37 and 38 of this Order with respect to the Original Debtor and the Property owned by the Original Debtor only, to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business with the

approval of this Court, and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required;

- l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof in respect to the Property for and on behalf of and, if thought desirable by the Receiver, in the name of any Debtor;
- p) to enter into agreements with any trustee in bankruptcy appointed in respect of any Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for the Property;
- q) to exercise any shareholder, partnership, joint venture or other rights which any Debtor may have in respect to any of the Property; and
- r) 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.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their 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, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

6. **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 Property, 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 6 or in paragraph 7 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.

7. **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

8. **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

9. **THIS COURT ORDERS** that, subject to paragraph 10 of this Order, 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 any Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

10. **THIS COURT ORDERS** that nothing in this Order shall prevent Trisura Guarantee Insurance Company ("**Trisura**") from commencing one or more Proceeding(s) against the Original Debtor and Trisura's other indemnitors (excluding the Original Debtor, the "**Indemnitors**") where the commencement of such Proceeding(s) against the Original Debtor is required in order to name the Indemnitors in such Proceeding(s), provided, however, that neither Trisura nor any of the Indemnitors shall be permitted to continue such Proceeding(s) against the Original Debtor or the Receiver.

NO EXERCISE OF RIGHTS OR REMEDIES

11. **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 any Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or any Debtor 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

12. **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 any Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

13. **THIS COURT ORDERS** that all Persons having oral or written agreements with any Debtor 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 Debtor 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 Receiver, and that the Receiver shall be entitled to the continued use of the Debtors' 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 Receiver 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 Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

14. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever (except deposits from purchasers in respect of sales of condominium units relating to the Original Debtor, which shall be delivered to Chaitons LLP to be held and form part of the Deposits (as defined in paragraph 38 of this Order)), including, without limitation, the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into

existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

15. **THIS COURT ORDERS** that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the applicable Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, 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*.

PIPEDA

16. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the applicable Debtor(s), and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

17. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or

collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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.

RECEIVER'S ACCOUNTS

19. **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 unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on all the Property except the Deposits (as defined herein), 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 first charge on all the Property except the Deposits 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.

20. **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.

21. **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 standard 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.

FUNDING OF THE RECEIVERSHIP

22. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby empowered to borrow the sum of up to \$3,500,000 (or such greater amount as this Court may by further Order authorize) by way of the Commitment Letter (as defined in the Fourth Report Supplement) (the "**Scollard Borrowings**") for the purpose of, amongst other things, discharging any and all encumbrances on title to the Property of the Original Debtor in favour of Firm Capital Mortgage Fund Inc. ("**Firm Capital**"), which Scollard Borrowings shall benefit from a fixed and specific charge on the Property of the Original Debtor as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge, the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, and any special priority lien under section 78 of the *Construction Lien Act* in favour of Leeswood Design Build Ltd. (not to exceed \$58,000) that may be determined to exist by the Receiver (the "**Lien**"). If the Lien is determined to exist by the Receiver, the Receiver shall discharge the Lien from the proceeds (not to exceed \$58,000) generated from the Property owned by the Original Debtor. The Commitment Letter, as amended, and the terms and conditions thereof be and are hereby approved by this Court.

23. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby empowered to borrow the sum of up to ~~\$1,357,000~~ \$1,475,000 (or such greater amount as this Court may by further Order authorize) by way of the MC Kitchener Commitment Letter (as defined in the Sixth Report) (the "**MC Kitchener Borrowings**") for the purpose of, amongst other things, discharging any and all encumbrances on title to the Property of MC Kitchener in favour of 2174217 Ontario Inc. ("**217**"), which MC Kitchener Borrowings shall benefit from a fixed and specific charge on the Property of MC Kitchener as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, and the MC Kitchener Commitment Letter, as amended, and the terms and conditions thereof be and are hereby approved by this Court.

24. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby empowered to borrow the sum of up to ~~\$1,632,000~~ \$1,662,000 (or such greater amount as this Court may by further Order authorize) by way of the MC Oakville Commitment Letter (as defined in the Sixth Report) (the "**MC Oakville Borrowings**") for the purpose of, amongst other things, discharging any and all encumbrances on title to the Property of MC Oakville in favour of 217, which MC Oakville Borrowings shall benefit from a fixed and specific charge on the Property of MC Oakville as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, and the MC Oakville Commitment Letter, as amended, and the terms and conditions thereof be and are hereby approved by this Court.

25. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby empowered to borrow the sum of up to ~~\$1,643,000~~ \$1,775,000 (or such greater amount as this Court may by further Order authorize) by way of the MC Burlington Commitment Letter (as defined in the Sixth Report) (the "**MC Burlington Borrowings**", and together the MC Kitchener Borrowings and the MC Oakville Borrowings, the "**MC Borrowings**") for the purpose of, amongst other things, discharging any and all encumbrances on title to the Property of MC Burlington in favour

of 217, which MC Burlington Borrowings shall benefit from a fixed and specific charge on the Property of MC Burlington as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA, and the MC Burlington Commitment Letter, as amended, and the terms and conditions thereof be and are hereby approved by this Court.

26. **THIS COURT ORDERS** that no security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court; however, the Receiver shall be entitled but not obligated to register the Receiver's Borrowings Charge on title to the applicable Real Property.

27. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Schedule "B"** hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order, including, without limitation, for the Scollard Borrowings, the MC Kitchener Borrowings, the MC Oakville Borrowings, and the MC Burlington Borrowings.

28. **THIS COURT ORDERS** that any additional monies from time to time borrowed by the Receiver pursuant to any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis but immediately subordinate to the borrowings made pursuant to this Order, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

29. **THIS COURT ORDERS** that all amounts owing under and secured by the Firm Capital Boathaus Mortgage (as defined in the Fourth Report) in favour of Firm Capital shall be repaid in full by the Receiver within two (2) business days of the date of this Order from the proceeds of the Scollard Borrowings. Notwithstanding anything else contained herein, nothing in this Order shall affect the rights, remedies or priority of Firm Capital in respect of the Firm Capital Boathaus Mortgage in the interim period from the making of this Order to the time such mortgage has been repaid in full (the "**Interim Period**"), provided, however, that Firm Capital

shall not enforce any of its rights or remedies during the Interim Period in respect of the Firm Capital Boathaus Mortgage without the consent of the Receiver or approval of this Court.

30. **THIS COURT ORDERS** that all amounts owing under and secured by the 217 Memory Care Mortgages (as defined in the Sixth Report) in favour of 217 shall be repaid in full by the Receiver within seven (7) business days following April 28, 2017 from the proceeds of the MC Borrowings. Notwithstanding anything else contained herein, nothing in this Order shall affect the rights, remedies or priority of 217 in respect of the 217 Memory Care Mortgages in the interim period from the making of this Order to the time such mortgages have been repaid in full (the “**217 Interim Period**”), provided, however, that 217 shall not enforce any of its rights or remedies during the 217 Interim Period in respect of the 217 Memory Care Mortgages without the written consent of the Receiver or approval of this Court.

SERVICE AND NOTICE

31. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established for each Debtor in accordance with the Protocol with the following URL: <http://www.ksvadvisory.com/insolvency-cases/>.

32. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors’ creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business

day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

33. **THIS COURT ORDERS AND DIRECTS** that the within proceedings in respect of the Debtors, the Receiver and the Property (collectively, the "**Receivership Proceedings**") shall, immediately upon the issuance of this Order, be assigned the new Court file number referenced in paragraph 34 of this Order and proceed separately from the proceedings in respect of STC, the Trustee and the assets, properties and undertakings of STC.

34. **THIS COURT ORDERS AND DIRECTS** that the title of proceedings in the Receivership Proceedings shall be as follows:

Court File No. CV-17-11689-00CL

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

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC.

AND IN THE MATTER OF A MOTION PURSUANT TO SUBSECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED, AND SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED

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

36. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of any Debtor.

37. **THIS COURT ORDERS** that nothing in this Order or the BIA shall now or in the future grant to the Receiver, or be deemed to grant to the Receiver, or create in favour of any Person

(including, without limitation, any potential future purchaser of the Property or the Original Debtor (the "**Future Purchaser**")), any right, title, entitlement, benefit or interest in or to Tarion Bond Nos. TDS0990169 or TDS0990142 issued, respectively, by Everest Insurance Company of Canada ("**Everest**") and Trisura (collectively, the "**Tarion Bonds**"). For greater certainty, neither the Receiver nor any Future Purchaser shall in any way be entitled to the benefit of or rely on the Tarion Bonds for any purpose whatsoever.

38. **THIS COURT ORDERS** that no Future Purchaser of the Property of the Original Debtor or the Original Debtor shall, without making arrangements to extinguish any liability that Trisura and Everest may have in respect of the Tarion Bonds, be entitled to any right, title, entitlement, benefit or interest, in or to the Property of the Original Debtor, the Original Debtor or any pre-sale deposits held in trust by Chaitons LLP and paid by purchasers of the condominium units in respect of pre-sales at the Real Property related to the Tarion Bonds (the "**Deposits**").

39. **THIS COURT ORDERS AND DIRECTS** that Trisura shall be paid, in full, for any and all losses, damages, liabilities, costs and expenses owed to it by the Original Debtor or to any other Indemnitor pursuant to the Tarion Bonds or Indemnity Agreements defined below from any proceeds of sale resulting from any Transaction (as defined below) in respect of the Property of the Original Debtor.

40. **THIS COURT ORDERS** that the Receiver is precluded from consummating any Transaction (as defined below) that does not:

- (a) fully and finally discharge Trisura and Everest from any and all liability related to the Tarion Bonds; and
- (b) fully indemnify Trisura under the Indemnity Agreements dated October 19, 2015 and May 11, 2015 (the "**Indemnity Agreements**").

The term "**Transaction**" means any arrangement that provides for the sale of, development of or investment in all or part of the Property of the Original Debtor.

41. **THIS COURT ORDERS** that this Amended and Restated Order shall not in any way amend or waive the rights of Trisura as set out in the original Receivership Order dated February 2, 2017. Without limiting the generality of the foregoing, the Amended and Restated Order has no effect on paragraphs 33 to 36 of the Receivership Order (now paragraphs 37 to 40 of this Amended and Restated Order), and this Amended and Restated Order shall not be relied on by the Receiver or any other party to prejudice the rights of Trisura as set out in paragraphs 33 to 36 of the Receivership Order (now paragraphs 37 to 40 of this Amended and Restated Order).

42. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States 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.

43. **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.

44. **THIS COURT ORDERS** that the Trustee shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of STC's security or, if not so provided by STC's security, then on a substantial indemnity basis to be paid by the Receiver from the applicable Properties with such priority and at such time as this Court may determine.

45. **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, to the Trustee 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.

SCHEDULE "A"**LEGAL DESCRIPTION OF THE REAL PROPERTY**

The real property legally described by the following PINs:

- (a) 26484-0005 (LT);
- (b) 26484-0006 (LT);
- (c) 26484-0007 (LT);
- (d) 22507-0109 (LT);
- (e) 24821-0207 (LT);
- (f) 07074-0452 (LT);
- (g) 48079-0670 (LT);
- (h) 36071-0115 (LT), 36071-0116 (LT), 36071-0117 (LT) and 36071-0118 (LT); and
- (i) 36072-0135 (LT).

SCHEDULE "B"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. **THIS IS TO CERTIFY** that KSV Kofman Inc., the receiver and manager (in such capacity, the "**Receiver**") of, among other property, certain real property registered on title as being owned by [applicable Debtor] (the "**Debtor**") and that is listed on **Schedule "A"** hereto (collectively, the "**Real Property**") and of all the assets, undertakings and properties of the Debtor acquired for or used in relation to the Real Property (together with the Real Property, the "**Property**"), appointed by Amended and Restated Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 28th day of April 2017 (the "**Order**") made in a motion assigned to Court file number CV-17-11689-00CL, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$_____, being part of the total principal sum which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable [on demand by the Lender][by no later than the ____ day of _____] with interest thereon calculated and compounded [daily][monthly not in advance on the ____ day of each month] after the date hereof at a notional rate per annum equal to the rate of ____ per cent above the prime commercial lending rate of Bank of _____ from time to time plus reasonable and documented fees.

3. Such principal sum with interest and fees thereon is, by the terms of the Order, together with the principal sums and interest and fees thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property except for the Deposits (as defined in the Order), if applicable, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal, interest and fees under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 2017.

KSV Kofman Inc., solely in its capacity as the Receiver of the Property, and not in its personal capacity

Per: _____

Name:

Title:

SCHEDULE "A" TO THE RECEIVER'S CERTIFICATE
LEGAL DESCRIPTION OF THE REAL PROPERTY

The real property legally described by the following PINs:



THE SUPERINTENDENT OF FINANCIAL SERVICES

Applicant

- and -

TEXTBOOK STUDENT SUITES (525 PRINCESS STREET)
TRUSTEE CORPORATION, ET AL.

Respondents

87

Court File No. CV-16-11567-00CL

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

Proceedings commenced at Toronto

**ORDER
(appointing Receiver)**

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Lawyers for Grant Thornton Limited, in its capacity as the court-appointed trustee of Scollard Trustee Corporation

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD.,
MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET)
INC. AND TEXTBOOK (555 PRINCESS STREET) INC.
AND IN THE MATTER OF A MOTION PURSUANT TO SUBSECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS
AMENDED, AND SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C.43, AS AMENDED

Court File No. CV-17-11689-00CL

ONTARIO

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

Proceedings commenced at Toronto

**ORDER
(May 2, 2017)**

BENNETT JONES LLP
3400 One First Canadian Place
Toronto, ON M5X 1A4

Sean Zweig (LSUC#: 573071)
Tel: (416) 777-6254
Fax: (416) 863-1716

Lawyers for the Receiver, KSV Kofman Inc.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**



THE HONOURABLE)

MR. JUSTICE HAINEY)

BETWEEN:)

TUESDAY, THE 9TH

DAY OF JANUARY, 2018

KINGSETT MORTGAGE CORPORATION

Applicant

and

TEXTBOOK (445 PRINCESS STREET) INC.

Respondent

IN THE MATTER OF THE RECEIVERSHIP OF
TEXTBOOK (445 PRINCESS STREET) INC.

AND IN THE MATTER OF AN APPLICATION UNDER SUBSECTION 243(1) OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED, AND
SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C. C.43, AS AMENDED

**ORDER
(Appointing Receiver)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the “**CJA**”) appointing KSV Kofman Inc. (“**KSV**”) as receiver and manager (in such capacity, the “**Receiver**”) without security, of the real property known as 429 and 445 Princess Street, Kingston, Ontario, (collectively, the “**Real Property**”) the legal description of which is further set out in **Schedule “A”** to this Order, and all other property, assets and undertakings of Textbook (445 Princess Street) Inc. (“**Textbook**

445 Princess” or the **“Debtor”**) acquired for, or used in relation to the Real Property (the **“Property”**), was heard this day at 330 University Avenue, 8th Floor, Toronto, Ontario.

ON READING the Affidavit of Daniel Pollack, sworn January 3, 2018, and the Exhibits thereto, the Pre-Filing Report of KSV dated January 5, 2018 (the **“Pre-Filing Report”**), and on hearing the submissions of counsel for the Applicant and Counsel for KSV, no one else appearing although duly served as appears from the Affidavit of Service of Helen Osijczuk-Pawlyk sworn January 5, 2018, and on reading the Consent of KSV to act as the Receiver,

SERVICE

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

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, KSV is hereby appointed Receiver, without security, of the Property, including all proceeds thereof.

RECEIVER’S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons (each a “**Consultant**”) 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;
- (d) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets as the Receiver deems reasonably necessary in order to carry out the powers conferred on the Receiver in this Order;
- (e) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor with respect to the Property, including, without limitation, rent owing to the Debtor from the Property and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor, including, as may be necessary, to collect funds currently or hereafter in the hands of the Debtor or any Person (as defined below) related thereto;
- (f) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver’s name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;

- (g) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (h) in accordance with paragraphs 28 to 0 herein, to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (i) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business, with the approval of this Court, and in each such case notice under subsection 63(4) of the *Ontario Personal Property Security Act*, or section 31 of the *Ontario Mortgages Act*, as the case may be, shall not be required.
- (j) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (k) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate, on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

- (l) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (m) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (n) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any Property owned or leased by the Debtor;
and
- (o) 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 Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors (including Walter Thompson and John Davies), 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, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. 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 Debtor, 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 5 or in paragraph 6 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.

6. 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

7. 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 DEBTOR OR THE PROPERTY

8. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor 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 Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

9. THIS COURT ORDERS that no party, other than the Receiver or its Consultants shall advertise, market for sale or sell all or any part of the Property, without the written consent of the Receiver and the Applicant, or further order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

10. THIS COURT ORDERS that all rights and remedies against the Debtor, 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 Debtor to carry on any business which the

Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor 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

11. 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 Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor 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 Debtor 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 Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's 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 Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the “**Post Receivership Accounts**”) and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor’s behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*,

the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER’S LIABILITY

16. 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.

RECEIVER’S ACCOUNTS

17. 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 unless otherwise ordered by the Court on the passing of accounts, 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, limited to the amount of \$300,000, 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 first 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. With respect to any amounts in excess of \$300,000, the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a further charge (the “**Subordinated 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 the Subordinated Receiver's Charge shall form a charge on the Property immediately subordinate to the security in favour of the Applicant, but in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person ranking subordinate to the security in favour of the Applicant.

18. THIS COURT ORDERS that, if requested by the Court, the Applicant or any other interested party, 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.

19. 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 standard 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.

FUNDING OF THE RECEIVERSHIP

20. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$200,000 (or such greater amount as this Court may by further Order authorize) (the “**Authorized Sum**”) at

any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the “**Receiver’s Borrowings Charge**”) as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver’s Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. THIS COURT ORDERS that the Receiver be at liberty and is hereby empowered to borrow the Authorized Sum from the Applicant by way of the Commitment Letter (as described in the Pre-Filing Report) (the “**Identified Borrowings**”) which Identified Borrowings shall benefit from the Receiver's Borrowings Charge on the same terms and conditions as provided in paragraph 21 of this Order, and which Commitment Letter and the terms and conditions thereof be and are hereby approved by this Court.

22. THIS COURT ORDERS that neither the Receiver’s Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court; however, the Applicant shall be entitled but not obligated to register the Receiver's Borrowings Charge on title to the Real Property.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as **Schedule “B”** hereto (the “**Receiver’s Certificates**”) for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof, up to the principal amount of \$200,000, shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates, and any additional monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis but immediately subordinate to the borrowings in favour of the Applicant under those Receiver's Certificates, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates..

SERVICE AND NOTICE

25. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: "<http://ksvadvisory.com/insolvency-cases/textbook-445-princess-street-inc/>".


26. THIS COURT ORDERS that the Applicant, the Receiver, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List

from time to time, and the Receiver shall post a copy of all such materials on its website at the URL listed in paragraph 25 above.

ENGAGEMENT OF ENVIRONMENTAL CONSULTANT AND LISTING AGENT

27. THIS COURT ORDERS that the Receiver is hereby authorized to engage Pinchin Inc. (“**Pinchin**”) to carry out and perform an environmental phase two assessment of the Real Property.

28. THIS COURT ORDERS ^{the} that Listing Agreement ~~dated January __, 2018,~~ ^{in substantially form and substance} between the Receiver and Jones Lang LaSalle (“JLL”), attached as **Appendix “B”** to the Pre-Filing Report (the “**Listing Agreement**”) is hereby approved, and the Receiver and JLL are hereby authorized to carry out and perform their respective obligations under the Listing Agreement (including payment of the amounts due to be paid to JLL pursuant to the terms of the Listing Agreement).



APPROVAL OF SALE PROCESS

29. THIS COURT ORDERS AND DECLARES that the sale process (the “**Sale Process**”), as described in Section 3.0 of the Pre-Filing Report, be and is hereby approved.

30. THIS COURT ORDERS that the Receiver and JLL be and are hereby authorized and directed to perform their obligations under and in accordance with the Sale Process, including under the terms of the Listing Agreement, and to take such further steps as they consider necessary or desirable in carrying out the Sale Process.

31. THIS COURT ORDERS that the Receiver and its affiliates, partners, directors, employees, agents, counsel and controlling person shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of the Sale Process, except to the extent such losses, claims, damages or liabilities result from the

gross negligence or willful misconduct of such party in performing its obligations under the Sale Process (as determined by this Court).

PIPEDA

32. THIS COURT ORDERS that, in connection with the Sale Process and pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver and JLL are authorized and permitted to disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a “Sale”). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall (i) return all such information to the Receiver or JLL, as applicable; (ii) destroy all such information; or (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver or JLL, as applicable, or ensure that all other personal information is destroyed.

GENERAL

33. 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.

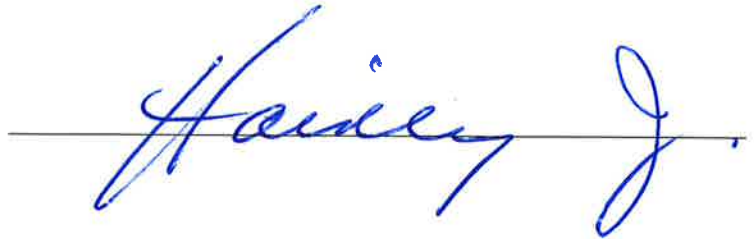
34. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

35. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States 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.

36. 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.

37. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

38. 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.



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

JAN 09 2018

PER / PAR:



SCHEDULE "A"

LEGAL DESCRIPTION OF THE REAL PROPERTY

PIN: 36071-0211 (LT)

Address: 429 Princess Street, Kingston, Ontario

PIN: 36071-0209 (LT)

Address: 445 Princess Street, Kingston, Ontario

SCHEDULE "B"**RECEIVER CERTIFICATE**

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that KSV Kofman Inc., the receiver and manager (the "Receiver") of certain real property registered on title as being owned by Textbook (445 Princess Street) Inc. (the "Debtor") and that is listed on Schedule "A" hereto (collectively, the "Real Property") and of all the assets, undertakings and properties of the Debtor acquired for or used in relation to the Real Property (together with the Real Property, the "Property"), appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 9th day of January, 2018 (the "Order") made in an action having Court file number CV-17-589078-00CL, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$200,000 which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded monthly not in advance on the 1st day of each month after the date hereof at a notional rate per annum equal to the rate of 11.5 per cent per annum.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses. All sums payable in respect of

principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

4. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

5. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

6. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the _____, day of _____, 20__.

KSV KOFMAN INC., solely in its capacity as
Receiver of the Property, and not in its personal
capacity

Per: _____

Name:

Title:

SCHEDULE "A" TO THE RECEIVER'S CERTIFICATE**LEGAL DESCRIPTION OF THE REAL PROPERTY**

PIN: 36071-0211 (LT)

Address: 429 Princess Street, Kingston, Ontario

PIN: 36071-0209 (LT)

Address: 445 Princess Street, Kingston, Ontario

KINGSETT MORTGAGE CORPORATION
Applicant

-and-

TEXTBOOK (445 PRINCESS STREET) INC.
Respondent

Court File No. CV-17-589078-00CL

110

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT
TORONTO

**ORDER
(APPOINTING RECEIVER)**

LAX O'SULLIVAN LISUS GOTTLIEB LLP
Counsel

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Toronto ON M5H 1J8

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mgottlieb@counsel-toronto.com
Tel: 416 644 5353

Andrew Winton LSUC#: 544731
awinton@counsel-toronto.com
Tel: 416 644 5342

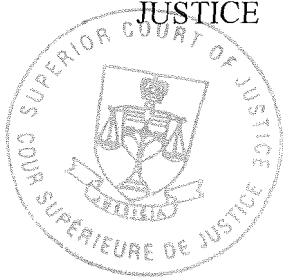
Fax: 416 598 3730

Lawyers for the Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE *Mr.*)
JUSTICE *Myers*)
)

WEDNESDAY, THE 30TH
DAY OF MAY, 2018



THE SUPERINTENDENT OF FINANCIAL SERVICES

Applicant

- and -

TEXTBOOK STUDENT SUITES (525 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (555 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (ROSS PARK) TRUSTEE CORPORATION, 2223947 ONTARIO LIMITED, MC TRUSTEE (KITCHENER) LTD., SCOLLARD TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE) TRUSTEE CORPORATION, 7743718 CANADA INC., KEELE MEDICAL TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (445 PRINCESS STREET) TRUSTEE CORPORATION and HAZELTON 4070 DIXIE ROAD TRUSTEE CORPORATION

Respondents

APPLICATION UNDER SECTION 37 OF THE MORTGAGE BROKERAGES, LENDERS AND ADMINISTRATORS ACT, 2006, S.O. 2006, c. 29 and SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990 c. C.43

ORDER
(appointing Receiver)

THIS MOTION, made by Grant Thornton Limited ("GTL"), in its capacity as the Court-appointed trustee (in such capacity, the "Trustee") of each of the Respondents in the proceedings bearing Court File No. CV-16-11567-00CL (the "Trustee Corporations"), for an

Order, pursuant to subsection 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing KSV Kofman Inc. ("**KSV**") as receiver (in such capacity, the "**Receiver**"), without security, of all the assets, undertakings and properties that are not listed on **Schedule "A"** hereto of Textbook (774 Bronson Avenue) Inc. (the "**Bronson Debtor**"), Textbook Ross Park Inc. (the "**Ross Park Debtor**") and McMurray Street Investments Inc. (the "**McMurray Debtor**", and together with the Bronson Debtor and the Ross Park Debtor, the "**Debtors**", and each being a "**Debtor**") (collectively, excluding the assets, undertakings and properties listed on Schedule "A" hereto, the "**Property**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Ninth Report of the Trustee dated February 26, 2018 (without appendices), the Eight Report of the Trustee dated November 3, 2017 (without appendices), the Sixth Report of the Trustee dated April 18, 2017 (the "**Trustee's Sixth Report**") and certain appendices thereto, the Eleventh Report of KSV dated May 17, 2018 and the appendices thereto, and on hearing the submissions of counsel for the Trustee, counsel for KSV and such other counsel as were present, no one appearing for any other party, although duly served as appears from the affidavits of service of Eunice Baltkois sworn May 17, 2018, and on reading the consent of KSV to act as the Receiver,

SERVICE

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

APPOINTMENT

2. **THIS COURT ORDERS** that, pursuant to section 243(1) of the BIA and section 101 of the CJA, KSV is hereby appointed Receiver, without security, of the Property.

3. **THIS COURT ORDERS** that nothing in this Order and no action by the Receiver shall alter or interfere with any part of the Order (appointing Receiver) of the Honourable Mr. Justice McEwen made in Court File No. CV-16-11567-00CL on March 1, 2018 (the "**MNP Ross Park**

Appointment Order"), the Approval and Vesting Order of the Honourable Mr. Justice McEwen made in Court File Nos. CV-16-11567-00CL and CV-18-593063-00CL on March 1, 2018 (the "**MNP Ross Park Approval and Vesting Order**"), the Ancillary and Discharge Order of the Honourable Mr. Justice McEwen made in Court File Nos. CV-16-11567-00CL and CV-18-593063-00CL on March 1, 2018 (the "**MNP Ross Park Ancillary and Discharge Order**"), and together with the MNP Ross Park Appointment Order and the MNP Ross Park Ancillary and Discharge Order, the "**MNP Ross Park Orders**") or the Order (Holdback Procedure re McMurray) of this Court made today in Court File No. CV-16-11567-00CL (the "**McMurray Holdback Order**"), and together with the MNP Ross Park Orders, the "**Specified Prior Orders**"). For greater certainty, any and all rights, powers, remedies and obligations conferred by any of the Specified Prior Orders to or on any Person (as defined herein), including, without limitation, the Ross Park Debtor, the McMurray Debtor, John Davies, Trisura Insurance Guarantee Company, Everest Insurance Company of Canada, Tarion Warranty Corporation, Chaitons LLP, Viner Kennedy LLP, MNP Ltd., the Trustee, Ross Park Trustee Corporation, McMurray Trustee Corporation, 2377358 Ontario Limited, Creek Crest Holdings Inc., Rise Real Estate Inc., 2411208 Ontario Inc., Computershare Trust Company of Canada, Frontenac Mortgage Investment Corporation, Pillar Financial Services Inc. and any of their respective successors, assigns or agents, shall be and are unaffected by this Order.

RECEIVER'S POWERS

4. **THIS COURT ORDERS** that, subject to paragraph 3 of this Order, the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property;
- (b) to engage 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;

- (c) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of any Debtor, for any purpose pursuant to this Order;
- (d) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (e) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (f) to enter into agreements with the Trustee; and
- (g) 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 applicable Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

5. **THIS COURT ORDERS** that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on their 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 books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the

Property, 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 5 or in paragraph 6 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.

6. **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

7. **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

8. **THIS COURT ORDERS** that, subject to paragraph 3 of this Order, no Proceeding against or in respect of 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 Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. **THIS COURT ORDERS** that, subject to paragraph 3 of this Order, all rights and remedies against 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 any Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or any Debtor 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.

RECEIVER TO HOLD FUNDS

10. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the “**Post Receivership Accounts**”) and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

11. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, 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*.

LIMITATION ON THE RECEIVER'S LIABILITY

12. **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.

RECEIVER'S ACCOUNTS

13. **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 unless otherwise ordered by the Court on the passing of accounts, 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 first 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.

14. **THIS COURT ORDERS** that, if requested by the Trustee, this Court or any other interested party, the Receiver and its legal counsel shall pass their 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.

15. **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 standard 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.

SERVICE AND NOTICE

16. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the Rules of Civil Procedure (the "**Rules**") this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <http://www.ksvadvisory.com>.

17. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the Debtors and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

18. **THIS COURT ORDERS AND DIRECTS** that the within proceedings in respect of the Debtors, the Receiver and the Property (collectively, the "**Receivership Proceedings**") shall, immediately upon the issuance of this Order, be assigned the new Court file number referenced in paragraph 19 of this Order and proceed separately from the proceedings in respect of the Trustee Corporations, the Trustee and the assets, properties and undertakings of the Trustee Corporations.

19. **THIS COURT ORDERS AND DIRECTS** that the title of proceedings in the Receivership Proceedings shall be as follows:

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

B E T W E E N:

**GRANT THORNTON LIMITED IN ITS CAPACITY AS THE COURT-APPOINTED
TRUSTEE OF TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE) TRUSTEE
CORPORATION, TEXTBOOK STUDENT SUITES (ROSS PARK) TRUSTEE
CORPORATION AND 7743718 CANADA INC.**

Applicant

- and -

**TEXTBOOK (774 BRONSON AVENUE) INC., TEXTBOOK ROSS PARK INC.
and MCMURRAY STREET INVESTMENTS INC.**

Respondents

**IN THE MATTER OF A MOTION PURSUANT TO SECTION 243 OF THE
BANKRUPTCY AND INSOLVENCY ACT, RSC 1985, c B-3, AS AMENDED AND
SECTION 101 OF THE *COURTS OF JUSTICE ACT*, RSO 1990, c C 43, AS AMENDED**

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

21. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of any Debtor.

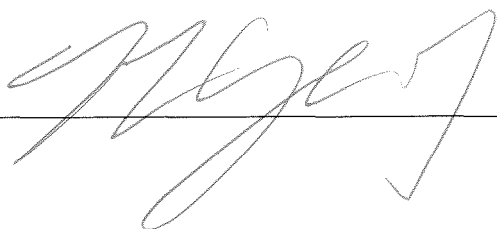
22. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, 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.

23. **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.

24. **THIS COURT ORDERS** that the Trustee shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the security of the Respondent's security or, if not so provided by such security, then 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.

25. **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, to the Trustee 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 be 'M. J. ...', is written over a horizontal line.

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

MAY 30 2018

PER / PAR:

Handwritten initials 'ml' in black ink.

SCHEDULE "A"**EXCLUSIONS FROM THE DEFINITION OF "PROPERTY" IN THIS ORDER**

- (a) All the assets, undertakings and properties over which MNP Ltd. was appointed as receiver pursuant to the MNP Ross Park Appointment Order;
- (b) the Deposits (as defined in the MNP Ross Park Appointment Order);
- (c) the Deposits (as defined in the McMurray Holdback Order);
- (d) the Proceeds (as defined in the McMurray Holdback Order);
- (e) the McMurray Transaction Deposit (as defined in the Trustee's Sixth Report);
- (f) any and all real property, if any, including, without limitation, any and all fixtures, if any;
- (g) any and all goods (as defined in the *Personal Property Security Act* (Ontario) (the "PPSA"), if any; and
- (h) any and all documents of title (as defined in the PPSA), if any.

THE SUPERINTENDENT OF FINANCIAL SERVICES

- and -

TEXTBOOK STUDENT SUITES (525 PRINCESS STREET)
TRUSTEE CORPORATION, ET AL.

Applicant

Respondents

Court File No. CV-16-11567-00CL

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

Proceedings commenced at Toronto

**ORDER
(appointing Receiver)**

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

Steven L. Graff (LSUC # 31871V)
Tel: (416) 865-7726
Fax: (416) 863-1515
Email: sgraff@airdberlis.com

Ian Aversa (LSUC # 55449N)
Tel: (416) 865-3082
Fax: (416) 863-1515
Email: iaversa@airdberlis.com

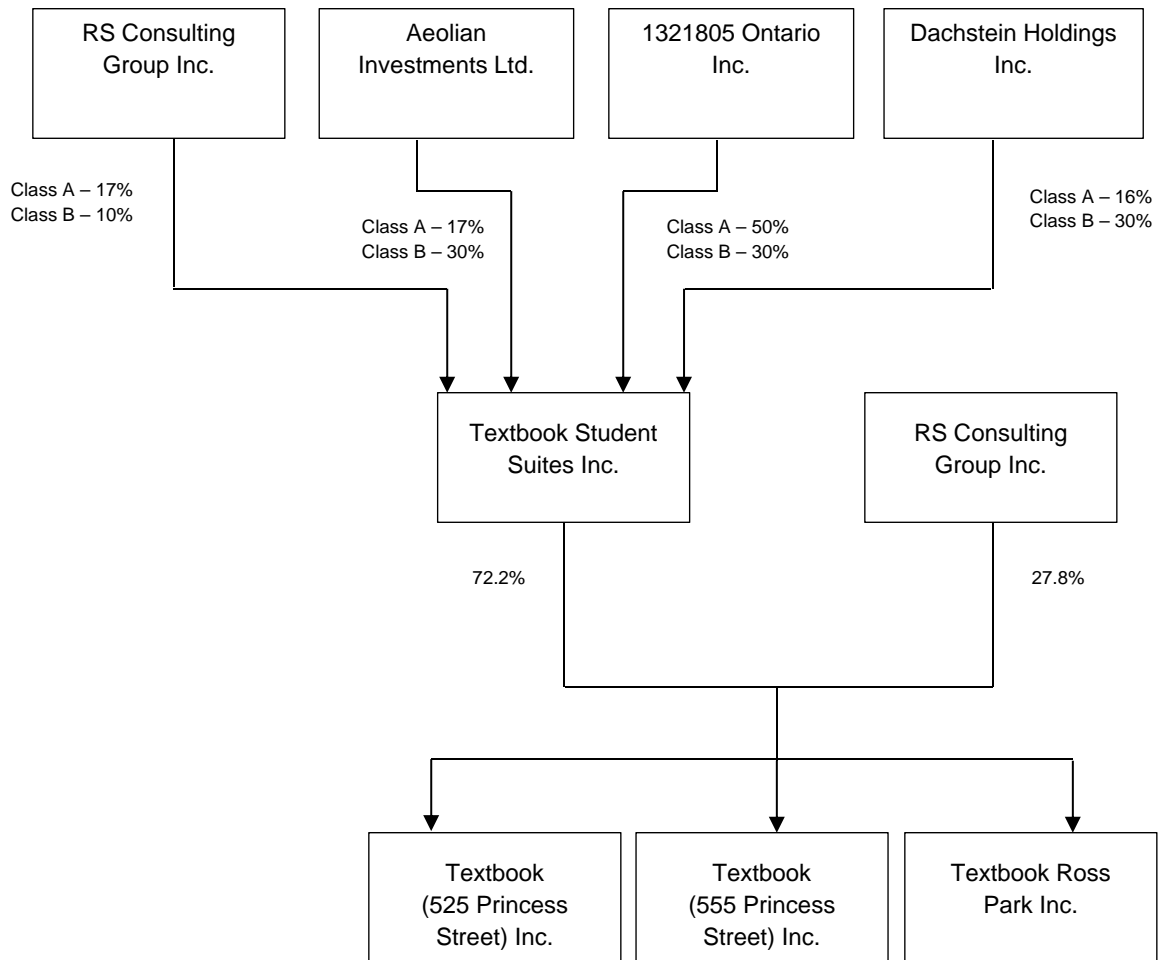
Jeremy Nemers (LSUC # 66410Q)
Tel: (416) 865-7724
Fax: (416) 863-1515
Email: jnemers@airdberlis.com

*Lawyers for Grant Thornton Limited, in its capacity as the court-
appointed trustee of the Respondents*

TAB B

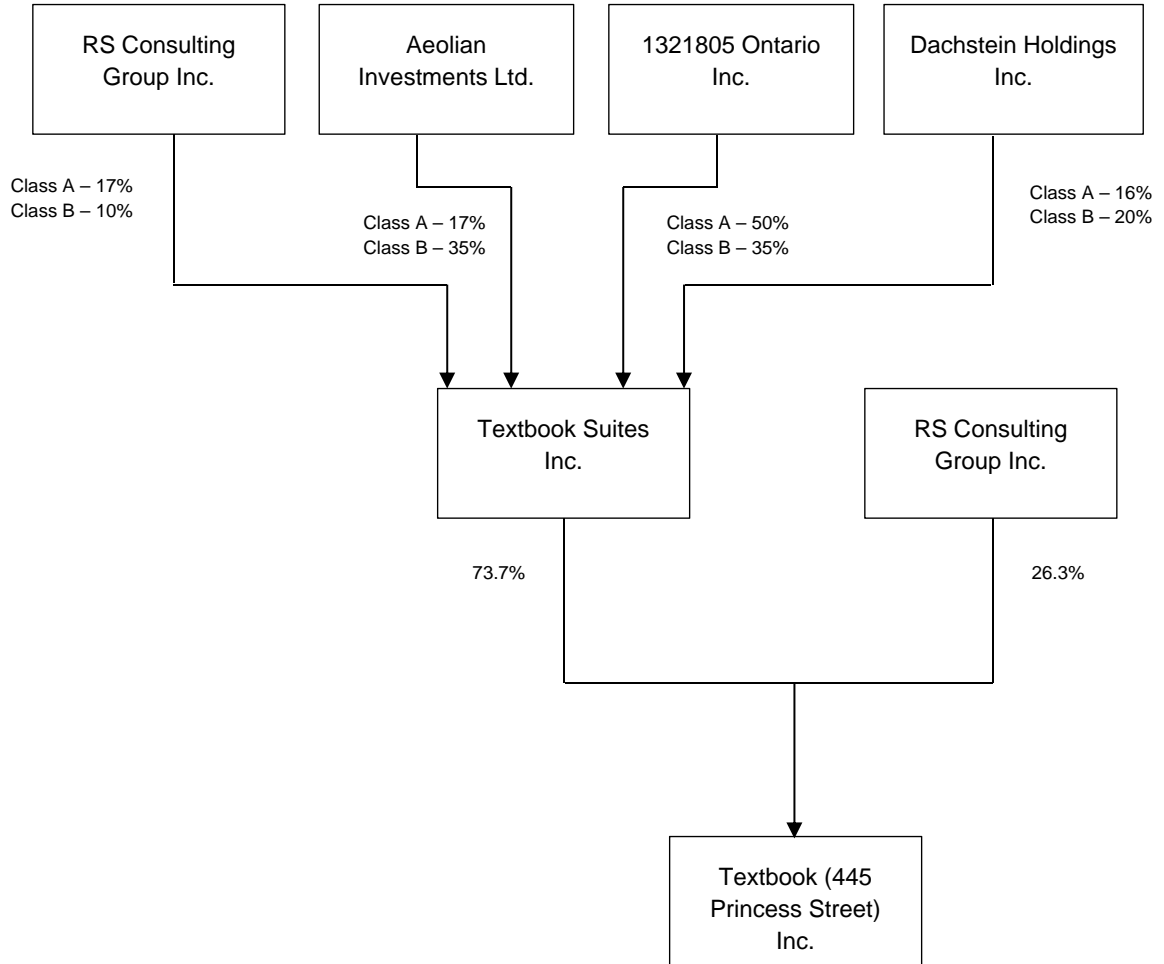
Appendix “B”

Textbook (525 Princess Street) Inc.¹
Textbook (555 Princess Street) Inc.
Textbook Ross Park Inc.



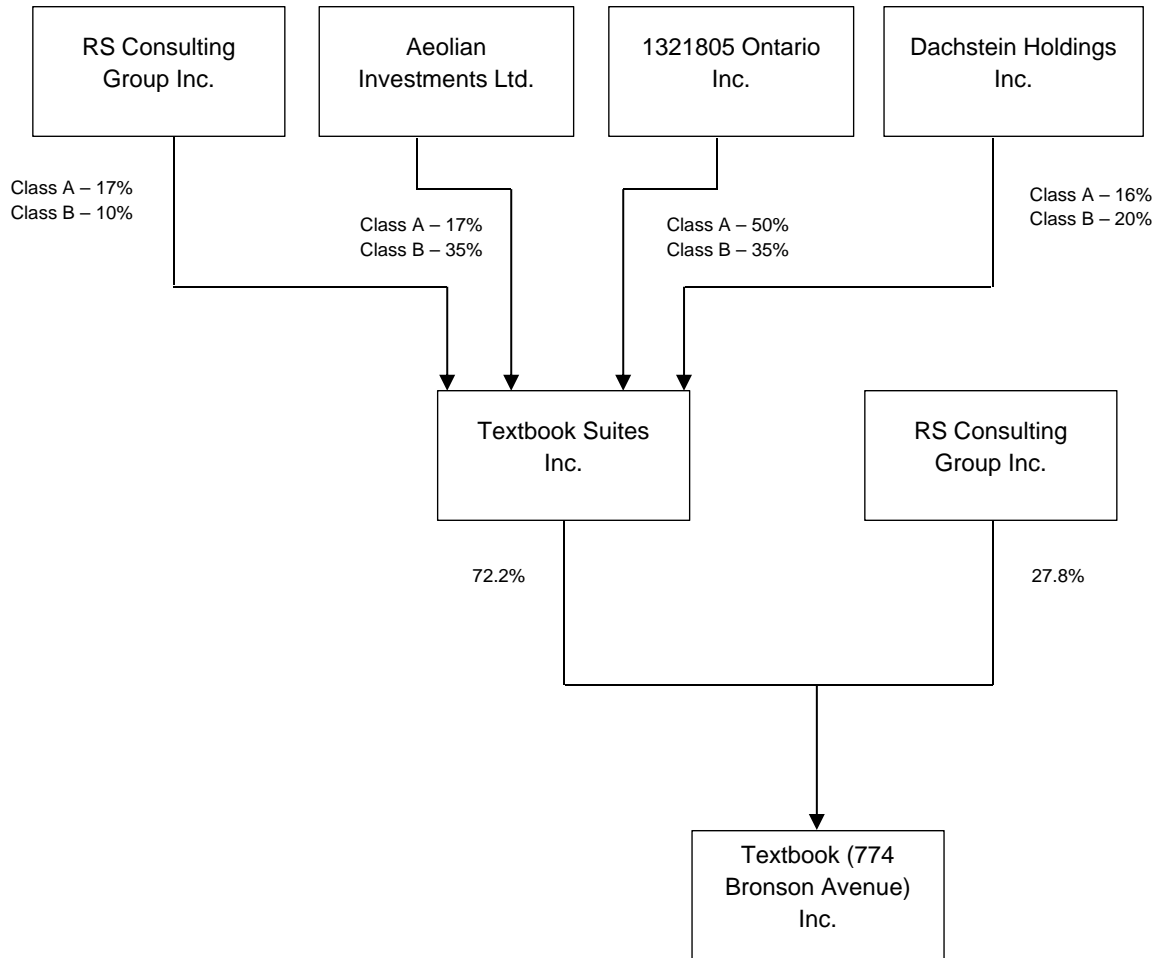
¹ Sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers' application for protection under the *Companies' Creditors Arrangement Act*.

Textbook (445 Princess Street) Inc.¹



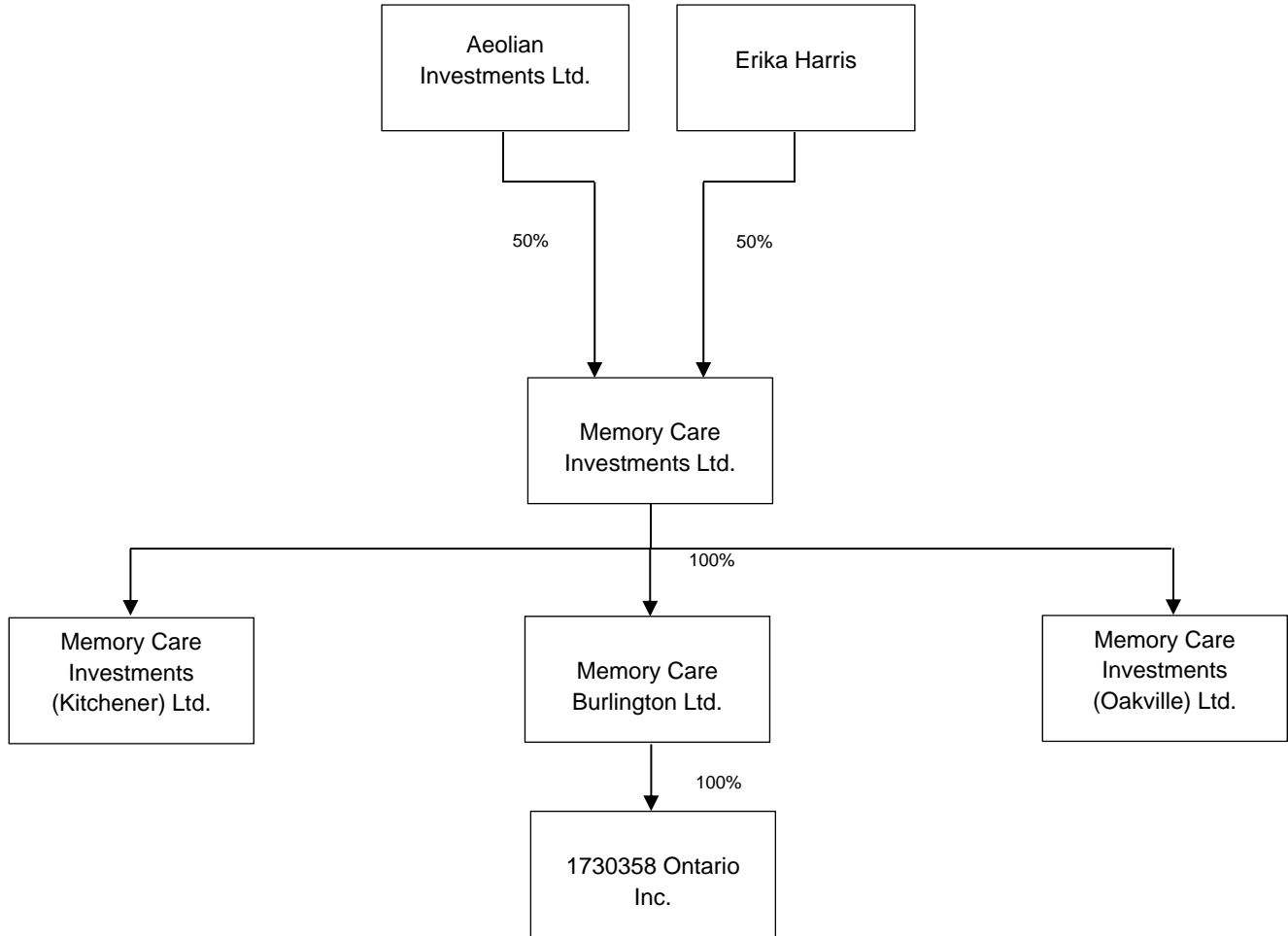
¹ Sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers' application for protection under the *Companies' Creditors Arrangement Act*.

Textbook (774 Bronson Avenue) Inc.¹



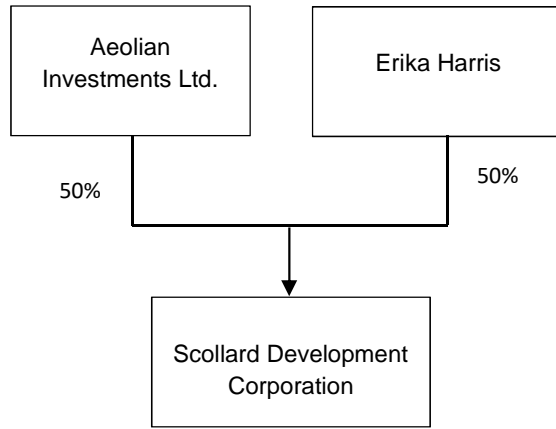
¹ Sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers' application for protection under the *Companies' Creditors Arrangement Act*.

Memory Care Investments (Kitchener) Ltd. ¹
17303858 Ontario Inc.
Memory Care Investments (Oakville) Ltd.

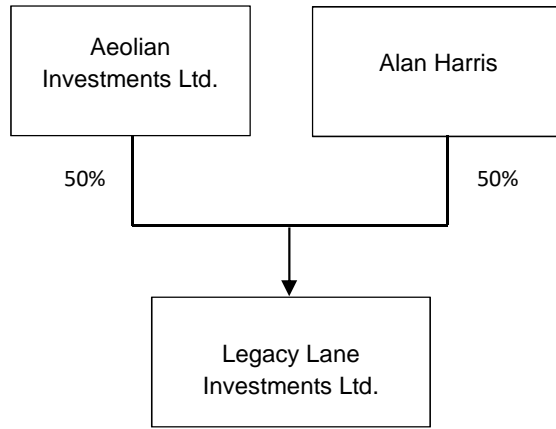


¹ Sourced from the Affidavit of John Davies sworn December 6, 2016 filed in support of the Davies Developers' application for protection under the *Companies' Creditors Arrangement Act*.

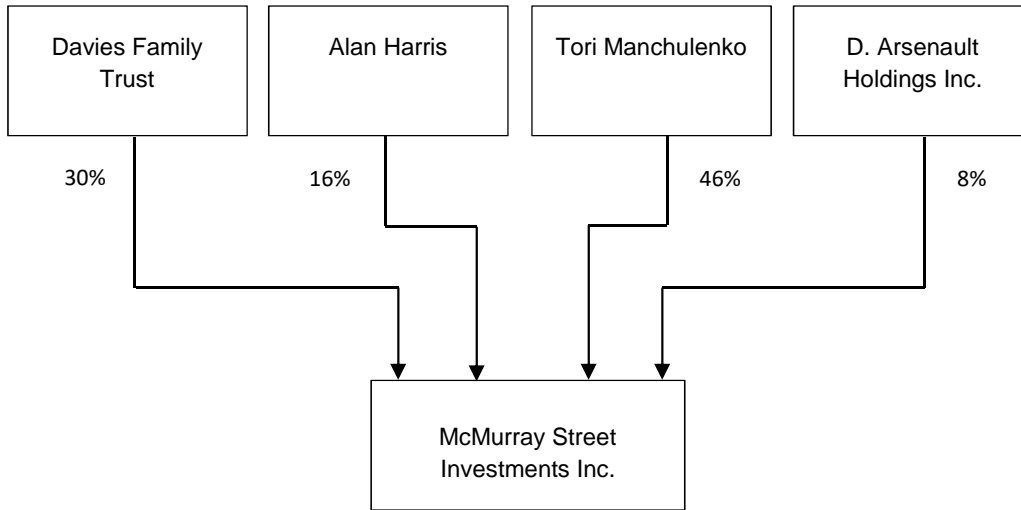
Scollard Development Corporation



Legacy Lane Investments Ltd.



McMurray Street Investments Inc.



TAB C

Appendix “C”

RULE/LA RÈGLE 26.02 (_____)

THE ORDER OF HAINES J
 L'ORDONNANCE DU
DATED/FAIT LE JULY 14, 2020 ONTARIO

Court File No. CV-18-606314-00CL

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

REGISTRAR GREFFIER
SUPERIOR COURT OF JUSTICE COUR SUPÉRIEURE DE JUSTICE

B E T W E E N:

GRANT THORNTON LIMITED, IN ITS CAPACITY AS THE COURT-APPOINTED TRUSTEE OF TEXTBOOK STUDENT SUITES (525 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (555 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (ROSS PARK) TRUSTEE CORPORATION, 2223947 ONTARIO LIMITED, MC TRUSTEE (KITCHENER) LTD., SCOLLARD TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE) TRUSTEE CORPORATION, 7743718 CANADA INC., KEELE MEDICAL TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (445 PRINCESS STREET) TRUSTEE CORPORATION AND HAZELTON 4070 DIXIE ROAD TRUSTEE CORPORATION, AND KSV KOFMAN INC., IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO LTD., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC., TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC. AND TEXTBOOK ROSS PARK INC.

Plaintiffs

- and -

AEOLIAN INVESTMENTS LTD., JOHN DAVIES IN HIS PERSONAL CAPACITY AND IN HIS CAPACITY AS TRUSTEE OF BOTH THE DAVIES ARIZONA TRUST AND THE DAVIES FAMILY TRUST, JUDITH DAVIES IN HER PERSONAL CAPACITY AND IN HER CAPACITY AS TRUSTEE OF THE DAVIES FAMILY TRUST, GREGORY HARRIS IN HIS PERSONAL CAPACITY AND IN HIS CAPACITY AS TRUSTEE OF THE DAVIES FAMILY TRUST, HARRIS + HARRIS LLP, NANCY ELLIOT, ELLIOT LAW PROFESSIONAL CORPORATION, WALTER THOMPSON, 1321805 ONTARIO INC., BRUCE STEWART, THE TRADITIONS DEVELOPMENT COMPANY LTD., DAVID ARSENAULT, ~~JAMES GRACE, BHAKTRAJ SINGH A.K.A. RAJ SINGH, RS CONSULTING GROUP INC., TIER 1 TRANSACTION ADVISORY SERVICES INC.,~~ JUDE CASSIMY, FIRST COMMONWEALTH MORTGAGE CORPORATION, MEMORY CARE INVESTMENTS LTD., TEXTBOOK SUITES INC., TEXTBOOK STUDENT SUITES INC. AND MICHAEL CANE

Defendants

THIRD AMENDED STATEMENT OF CLAIM

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiffs. 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 LEGAL AID OFFICE.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

DATE: October 3, 2018

Issued by: "MAGGIE SAWKA"

Local Registrar

Address of Court Office:
330 University Avenue
9^h Floor
Toronto, Ontario
M5G 1R7

TO: JOHN DAVIES
24 Country Club Drive
King City, ON L7B 1M5

AND TO: AEOLIAN INVESTMENTS LTD.
2355 Skymark Avenue, Suite 300
Mississauga, ON L4W 4Y6

- and -

24 Country Club Drive
King City, ON L7B 1M5

AND TO: JUDITH DAVIES
24 Country Club Drive
King City, ON L7B 1M5

AND TO: GREGORY HARRIS
295 The West Mall, 6th Floor
Etobicoke, ON M9C 4Z4

- and -

95 Loch Erne Lane
Nobleton, ON L0G 1N0

AND TO: HARRIS + HARRIS LLP
295 The West Mall, 6th Floor
Etobicoke, ON M9C 4Z4

AND TO: NANCY ELLIOTT
5000 Yonge Street, Suite 1901
Toronto, ON M2N 7E9

AND TO: ELLIOT LAW PROFESSIONAL CORPORATION
5000 Yonge Street, Suite 1901
Toronto, ON M2N 7E9

AND TO: WALTER THOMPSON
18 Brookfield Road
Toronto, ON M2P 1A9

- and -

1248 Atkins Drive
Newmarket, ON L3X 0C3

AND TO: 1321805 ONTARIO INC.
9140 Leslie Street
Richmond Hill, ON L0H 1G0

AND TO: BRUCE STEWART
127 Teskey Drive, RR2
Clarksburg, ON N0H 1J0

AND TO: THE TRADITIONS DEVELOPMENT COMPANY LTD.
127 Teskey Drive, RR2
Clarksburg, ON N0H 1J0

AND TO: DAVID ARSENAULT
5186 Dundas Street West
Toronto, ON M9A 1C4

~~**AND TO: JAMES GRACE**~~
~~266 Oriole Parkway~~
~~Toronto, ON M5P 2H3~~

~~**AND TO: BHAKTRAJ SINGH A.K.A. RAJ SINGH**~~
~~7 Bowan Court~~
~~Toronto, ON M2K 3A8~~

~~—and—~~

~~20 Damian Drive~~
~~Richmond Hill, ON L4B 3Z9~~

~~**AND TO: RS CONSULTING GROUP INC.**~~
~~20 Damian Drive~~
~~Richmond Hill, ON L4B 3Z9~~

~~—and—~~

~~2355 Skymark Avenue, Suite 300~~
~~Mississauga, ON L4W 4Y6~~

~~—and—~~

~~295 The West Mall, 6th Floor~~
~~Etobicoke, ON M9C 4Z4~~

~~AND TO: TIER 1 TRANSACTION ADVISORY SERVICES INC.
7 Bowam Court
Toronto, ON M2K 3A8~~

~~- and -~~

~~2100 Steeles Avenue East, Suite 902
Markham, ON L3R 8T3~~

AND TO: JUDE CASSIMY
445 Snowball Crescent
Scarborough, ON M1B 1S5

- and -

337 Castlemore Ave.
Markham, ON L6C 2Y1

AND TO: FIRST COMMONWEALTH MORTGAGE CORPORATION
337 Castlemore Ave.
Markham, ON L6C 2Y1

AND TO: MEMORY CARE INVESTMENTS LTD.
51 Caldari Road, Suite #A1M
Concord, ON L4K 4G3

- and -

24 Country Club Drive
King City, ON L7B 1M5

AND TO: TEXTBOOK STUDENT SUITES INC.
2355 Skymark Avenue
Suite 300
Mississauga, ON L4W 4Y6

- and -

51 Caldari Road, Suite #A1M
Concord, ON L4K 4G3

- and -

295 The West Mall, 6th Floor
Etobicoke, ON M9C 4Z4

AND TO: **TEXTBOOK SUITES INC.**
2355 Skymark Avenue
Suite 300
Mississauga, ON L4W 4Y6

- and -

51 Caldari Road, Suite #A1M
Concord, ON L4K 4G3

- and -

295 The West Mall, 6th Floor
Etobicoke, ON M9C 4Z4

AND TO: **MICHAEL CANE**
320 Tweedsmuir Ave, Suite 902
York, ON M5P 2Y3

CLAIM

Definitions

1. The following definitions apply for the purpose of this pleading:
 - (a) “**445 Princess**” means Textbook (445 Princess Street) Inc.;
 - (b) “**445 Trust Co.**” means Textbook Student Suites (445 Princess Street) Trustee Corporation;
 - (c) “**525 Princess**” means Textbook (525 Princess Street) Inc.;
 - (d) “**525 Trust Co.**” means Textbook Student Suites (525 Princess Street) Trustee Corporation;
 - (e) “**555 Princess**” means Textbook (555 Princess Street) Inc.;
 - (f) “**555 Trust Co.**” means Textbook Student Suites (555 Princess Street) Trustee Corporation;
 - (g) “**Aeolian**” means the defendant Aeolian Investments Ltd.;
 - (h) “**Brokers**” means Tier 1 Mortgage and the defendant FCMC;
 - (i) “**Bronson**” means Textbook (774 Bronson Avenue) Inc.;
 - (j) “**Bronson Trust Co.**” means Textbook Student Suites (774 Bronson Avenue) Trustee Corporation;
 - (k) “**Burlington**” means 1703858 Ontario Ltd.;

- (l) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (m) “**Dachstein**” means Dachstein Holdings Inc.;
- (n) “**Davies Children**” means the children of Mr. and Ms. Davies: Jessica Deborah Davies, Sarah Ramona Davies, Andrew John Davies and Walter Robert Jackson Davies;
- (o) “**Davies Defendants**” means Aeolian, Mr. Davies, Ms. Davies and Mr. Harris (solely in his capacity as trustee and representative of the Family Trust and not in his personal capacity or any other capacity):
- (p) “**Davies, Thompson, Stewart and Singh Defendants**” means the Davies Defendants, the Thompson Defendants, the Stewart Defendants and the Singh Former Defendants;
- (q) “**Development Companies**” means the Receivership Companies and the Non-Receivership Development Companies;
- (r) “**Elliot Co.**” means the defendant Elliot Law Professional Corporation;
- (s) “**Elliot Defendants**” means Ms. Elliot and Elliot Co.;
- (t) “**FCMC**” means the defendant First Commonwealth Mortgage Corporation;
- (u) “**Guildwood**” means 1416958 Ontario Inc.;
- (v) “**Grant Thornton**” means Grant Thornton Limited;
- (w) “**Harris Defendants**” means Mr. Harris (in his personal capacity) and Harris LLP;

- (x) “**Harris LLP**” means the defendant Harris + Harris LLP;
- (y) “**Hazelton**” means Hazelton Development Corporation;
- (z) “**Hazelton Trust Co.**” means Hazelton 4070 Dixie Road Trustee Corporation;
- (aa) “**Keele Medical**” means Keele Medical Properties Ltd.;
- (bb) “**Keele Medical Trust Co.**” means Keele Medical Trustee Corporation;
- (cc) “**Kitchener**” means Memory Care Investments (Kitchener) Ltd.;
- (dd) “**Kitchener Trust Co.**” means MC Trustee (Kitchener) Ltd.;
- (ee) “**KSV**” means KSV Kofman Inc.;
- (ff) “**Legacy Lane**” means Legacy Lane Investments Ltd.;
- (gg) “**Loan Agreements**” means the loan agreements respectively between the Development Companies and the Tier 1 Trust Companies;
- (hh) “**MC Burlington**” means Memory Care Investments Burlington Ltd.;
- (ii) “**McMurray**” means McMurray Street Investments Inc.;
- (jj) “**McMurray Trust Co.**” means 7743718 Canada Inc.;
- (kk) “**MCIL**” means the defendant Memory Care Investments Ltd.;
- (ll) “**Moscowitz**” means Moscovitz Capital Mortgage Fund II;
- (mm) “**Mr. Arsenault**” means the defendant David Arsenault;

- (nn) “**Mr. Cane**” means the defendant Michael Cane;
- (oo) “**Mr. Cassimy**” means the defendant Jude Cassimy;
- (pp) “**Mr. Davies**” means the defendant John Davies in his personal capacity and, separately, in his capacity as trustee and/or representative of both the Davies Arizona Trust and the Davies Family Trust;
- (qq) “**Mr. Grace**” means the former defendant James Grace;
- (rr) “**Mr. Harris**” means the defendant Gregory Harris;
- (ss) “**Mr. Singh**” means the former defendant Raj Singh;
- (tt) “**Mr. Stewart**” means the defendant Bruce Stewart;
- (uu) “**Mr. Thompson**” means the defendant Walter Thompson;
- (vv) “**Ms. Davies**” means the defendant Judith Davies in her personal capacity and, separately, in her capacity as trustee and/or representative of the Davies Family Trust;
- (ww) “**Ms. Elliott**” means the defendant Nancy Elliott;
- (xx) “**Ms. Harris**” means Erika Harris;
- (yy) “**Non-Receivership Development Companies**” means Vaughan Crossings, Silver Seven, Keele Medical, Guildwood, and Hazelton;
- (zz) “**Oakville**” means Memory Care Investments (Oakville) Ltd.;

- (aaa) “**Oakville/Burlington/Guildwood/Legacy Lane Trust Co.**” means 2223947 Ontario Limited;
- (bbb) “**Project**” means, for each Development Company, the real estate development project that was to have been developed by such Development Company;
- (ccc) “**Receiver**” means KSV, solely in its capacity as the court-appointed receiver and manager or, as applicable, receiver, of certain property of the Receivership Companies and not in its personal capacity or any other capacity;
- (ddd) “**Receivership Companies**” means 445 Princess, 525 Princess, 555 Princess, Bronson, Burlington, Kitchener, Legacy Lane, McMurray, Oakville, Ross Park and Scollard;
- (eee) “**Ross Park**” means Textbook Ross Park Inc.;
- (fff) “**Ross Park Trust Co.**” means Textbook Student Suites (Ross Park) Trustee Corporation;
- (ggg) “**Scollard**” means Scollard Development Corporation;
- (hhh) “**Scollard/Vaughan Crossings/Silver Seven Trust Co.**” means Scollard Trustee Corporation;
- (iii) “**Silver Seven**” means Silver Seven Corporate Centre Inc.;
- (jjj) “**Singh Co.**” means the former defendant RS Consulting Group Inc.;
- (kkk) “**Singh Former Defendants**” means Mr. Singh, Singh Co. and Tier 1 Advisory;

- (lll) “**SMIs**” means syndicated mortgage investments, specifically in respect of the Tier 1 Trust Companies;
- (mmm) “**Stewart Co.**” means the defendant Traditions Development Company Ltd.;
- (nnn) “**Stewart Defendants**” means Mr. Stewart and Stewart Co.;
- (ooo) “**Thompson Co.**” means the defendant 1321805 Ontario Inc.;
- (ppp) “**Thompson Defendants**” means Mr. Thompson and Thompson Co.;
- (qqq) “**Tier 1 Advisory**” means the former defendant Tier 1 Transaction Advisory Services Inc.;
- (rrr) “**Tier 1 Mortgage**” means Tier 1 Mortgage Corporation;
- (sss) “**Tier 1 Trust Companies**” means 445 Trust Co., 525 Trust Co., 555 Trust Co., Bronson Trust Co., Hazelton Trust Co., Keele Medical Trust Co., Kitchener Trust Co., McMurray Trust Co., Oakville/Burlington/Guildwood/Legacy Lane Trust Co., Ross Park Trust Co, and Scollard/Vaughan Crossings/Silver Seven Trust Co.;
- (ttt) “**Trust Companies**” means 445 Trust Co., 525 Trust Co., 555 Trust Co., Bronson Trust Co., Kitchener Trust Co., McMurray Trust Co., Oakville/Burlington/Guildwood/Legacy Lane Trust Co. (solely in its capacity as lender to Oakville, Burlington and Legacy Lane), Ross Park Trust Co, and Scollard/Vaughan Crossings/Silver Seven Trust Co. (solely in its capacity as lender to Scollard);

- (uuu) “**Trustee**” means Grant Thornton, solely in its capacity as the court appointed trustee of the Trust Companies and not in its personal capacity or any other capacity;
- (vvv) “**TSI**” means the defendant Textbook Suites Inc.;
- (www) “**TSSI**” means the defendant Textbook Student Suites Inc.; and
- (xxx) “**Vaughan Crossings**” means Vaughan Crossings Inc.

Relief Sought

2. The plaintiffs, the Trustee and the Receiver, as applicable, make the following claims as against the defendants on a joint and several basis (as particularized in more detail below):

- (a) ~~As against the Singh Defendants:~~
- (i) ~~a constructive trust and/or damages in the sum of \$106 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for fraud, deceit, conspiracy, conversion and/or unjust enrichment, and, additionally, as against Mr. Singh, for breach of fiduciary duty, knowing assistance in breach of fiduciary duty and/or negligence;~~
- (ii) ~~a declaration that the liability of Mr. Singh in his personal capacity arises out of fraud, embezzlement, misappropriation and/or defalcation while acting in a fiduciary capacity; and/or that the liability of the Singh Defendants arises from obtaining property or services by false pretenses or fraudulent misrepresentation, for purposes of sections 178(1)(d) and/or~~

~~178(1)(c) of the *Bankruptcy and Insolvency Act*, RSC, 1985, c B-3, as amended;~~

- ~~(iii) orders for restitution, an accounting, and disgorgement of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to any of the Singh Defendants or any person, corporation or other entity on any of their behalf;~~
- ~~(iv) a declaration that the plaintiffs are entitled to trace the assets, properties and funds of the Tier 1 Trust Companies and the Receivership Companies into the hands of the Singh Defendants, and a declaration that the Singh Defendants hold these assets, properties, and funds as constructive trustees for the plaintiffs; and~~
- ~~(v) a constructive trust and tracing or following order in respect of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to any of the Singh Defendants or any person, corporation or other entity on any of their behalf, and in respect of all the traceable products thereof~~

(b) As against the Davies Defendants:

- (i) a constructive trust and/or damages in the sum of \$84 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for fraud, deceit, conspiracy, conversion and/or unjust

enrichment, and, additionally, as against Mr. Davies, for breach of fiduciary duty, knowing assistance in breach of fiduciary duty and/or negligence;

- (ii) a declaration that the liability of Mr. Davies in his personal capacity arises out of fraud, embezzlement, misappropriation and/or defalcation while acting in a fiduciary capacity; and/or that the liability of the Davies Defendants arises from obtaining property or services by false pretenses or fraudulent misrepresentation, for purposes of sections 178(1)(d) and/or 178(1)(e) of the *Bankruptcy and Insolvency Act*, RSC, 1985, c B-3, as amended;
- (iii) orders for restitution, an accounting, and disgorgement of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to any of the Davies Defendants or any person, corporation or other entity on any of their behalf;
- (iv) a declaration that the plaintiffs are entitled to trace the assets, properties and funds of the Tier 1 Trust Companies and the Receivership Companies into the hands of the Davies Defendants, and a declaration that the Davies Defendants hold those assets, properties, and funds as constructive trustees for the plaintiffs; and
- (v) a constructive trust and tracing or following order in respect of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to any of the

Davies Defendants or any person, corporation or other entity on any of their behalf, and in respect of all the traceable products thereof; ~~and.~~

~~(vi) an interim, interlocutory and permanent order, in the form of a worldwide *Mareva* injunction, restraining the Davies Defendants, and, as applicable, their respective servants, employees, agents, assigns, officers, directors and anyone else acting on their behalf or in conjunction with any of them, whether directly or indirectly, from selling, liquidating, removing, dissipating, alienating, transferring, assigning, encumbering, or similarly dealing with any of their assets, wherever situated.~~

(c) As against the Stewart Defendants:

- (i) a constructive trust and/or damages in the sum of \$30 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for unjust enrichment, and, additionally, as against Mr. Stewart, for breach of fiduciary duty, knowing assistance in breach of fiduciary duty and negligence;
- (ii) orders for restitution, an accounting, and disgorgement of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to any of the Stewart Defendants or any person, corporation or other entity on any of their behalf;

- (iii) a declaration that the plaintiffs are entitled to trace the assets, properties and funds of the Tier 1 Trust Companies and the Receivership Companies into the hands of the Stewart Defendants, and a declaration that the Stewart Defendants hold those assets, properties, and funds as a constructive trustee for the plaintiffs; and
 - (iv) a constructive trust and tracing or following order in respect of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to any of the Stewart Defendants, or any person, corporation or other entity on any of their behalf, and in respect of all the traceable products thereof.
- (d) As against the Thompson Defendants:
- (i) a constructive trust and/or damages in the sum of \$40 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for unjust enrichment, and, additionally, as against Mr. Thompson for breach of fiduciary duty, knowing assistance in breach of fiduciary duty and negligence;
 - (ii) orders for restitution, an accounting, and disgorgement of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to any of the Thompson Defendants or any person, corporation or other entity on any of their behalf;

- (iii) a declaration that the plaintiffs are entitled to trace the assets, properties and funds of the Tier 1 Trust Companies and the Receivership Companies into the hands of the Thompson Defendants, and a declaration that the Thompson Defendants hold those assets, properties, and funds as a constructive trustee for the plaintiffs; and
 - (iv) a constructive trust and tracing or following order in respect of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to any of the Thompson Defendants, or any person, corporation or other entity on any of their behalf, and in respect of all the traceable products thereof.
- (e) As against Mr. Arsenault:
 - (i) a constructive trust and/or damages in the sum of \$3.5 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for breach of fiduciary duty, knowing assistance in breach of fiduciary duty, negligence and/or unjust enrichment;
 - (ii) orders for restitution, an accounting, and disgorgement of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to Mr. Arsenault or any person, corporation or other entity on his behalf;
 - (iii) a declaration that the plaintiffs are entitled to trace the assets, properties and funds of the Tier 1 Trust Companies and the Receivership Companies into

the hands of Mr. Arsenault, and a declaration that Mr. Arsenault holds those assets, properties, and funds as a constructive trustee for the plaintiffs; and

- (iv) a constructive trust and tracing or following order in respect of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to Mr. Arsenault, or any person, corporation or other entity on his behalf, and in respect of all the traceable products thereof.

(f) ~~As against Mr. Grace:~~

- (i) ~~a constructive trust and/or damages in the sum of \$8.4 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for breach of fiduciary duty, knowing assistance in breach of fiduciary duty, negligence and/or unjust enrichment;~~
- (ii) ~~orders for restitution, an accounting, and disgorgement of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to Mr. Grace or any person, corporation or other entity on his behalf;~~
- (iii) ~~a declaration that the plaintiffs are entitled to trace the assets, properties and funds of the Tier 1 Trust Companies and the Receivership Companies into the hands of Mr. Grace, and a declaration that Mr. Grace holds those assets, properties, and funds as a constructive trustee for the plaintiffs; and~~

- (iv) ~~a constructive trust and tracing or following order in respect of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to Mr. Grace, or any person, corporation or other entity on his behalf, and in respect of all the traceable products thereof.~~
- (g) As against Mr. Cassimy:
- (i) a constructive trust and/or damages in the sum of \$8.4 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for, breach of fiduciary duty, knowing assistance in breach of fiduciary duty, negligence and/or unjust enrichment;
- (ii) orders for restitution, an accounting, and disgorgement of all assets, properties, and funds belonging to the Tier 1 Trust Companies, and improperly diverted by or to Mr. Cassimy or any person, corporation or other entity on his behalf;
- (iii) a declaration that the Trustee is entitled to trace the assets, properties and funds of the Tier 1 Trust Companies into the hands of Mr. Cassimy, and a declaration that Mr. Cassimy holds those assets, properties, and funds as a constructive trustee for the Trustee; and
- (iv) a constructive trust and tracing or following order in respect of all assets, properties, and funds belonging to the Tier 1 Trust Companies, and

improperly diverted by or to Mr. Cassimy, or any person, corporation or other entity on his behalf, and in respect of all the traceable products thereof.

(h) As against FCMC:

- (i) a constructive trust and/or damages in the sum of \$106 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for knowing assistance in breach of fiduciary duty, negligence and/or unjust enrichment;
- (ii) orders for restitution, an accounting, and disgorgement of all assets, properties, and funds belonging to the Tier 1 Trust Companies, and improperly diverted by or to FCMC or any person, corporation or other entity on its behalf;
- (iii) a declaration that the Trustee is entitled to trace the assets, properties and funds of the Tier 1 Trust Companies into the hands of FCMC, and a declaration that FCMC holds those assets, properties, and funds as a constructive trustee for the Trustee; and
- (iv) a constructive trust and tracing or following order in respect of all assets, properties, and funds belonging to the Tier 1 Trust Companies and improperly diverted by or to FCMC, or any person, corporation or other entity on its behalf, and in respect of all the traceable products thereof.

(i) As against each of the Harris Defendants:

- (i) damages in the sum of \$106 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for negligence, breach of contract, breach of fiduciary duty and/or knowing assistance in breach of fiduciary duty; and
 - (ii) disgorgement of all costs and legal fees paid by the Tier 1 Trust Companies and the Receivership Companies to the respective Harris Defendants.
- (j) As against each of the Elliot Defendants:
 - (i) damages in the sum of \$84.6 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for negligence, breach of contract, breach of fiduciary duty and/or knowing assistance in breach of fiduciary duty; and
 - (ii) disgorgement of all costs and legal fees paid by the Tier 1 Trust Companies and the Receivership Companies to the Elliot Defendants.
- (k) As against Mr. Cane:
 - (i) damages in the sum of \$88 million or, in the alternative, damages in an amount to be assessed or determined by this Honourable Court for negligence and breach of contract; and
 - (ii) disgorgement of all costs and fees paid by the Receivership Companies to Mr. Cane.
- (l) As against each of MCIL, TSI and TSSI:

- (i) orders for restitution, an accounting, and disgorgement of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to MCIL, TSI and TSSI, or any person, corporation or other entity on any of their behalf;
 - (ii) a declaration that the plaintiffs are entitled to trace the assets, properties and funds of the Tier 1 Trust Companies and the Receivership Companies into the hands of MCIL, TSI and TSSI, and a declaration that MCIL, TSI and TSSI hold those assets, properties, and funds as constructive trustees for the plaintiffs; and
 - (iii) a constructive trust and tracing or following order in respect of all assets, properties, and funds belonging to the Tier 1 Trust Companies and the Receivership Companies, and improperly diverted by or to MCIL, TSI and TSSI or any person, corporation or other entity on any of their behalf, and in respect of the traceable products thereof.
- (m) In addition to the above, as against each of the Defendants, as applicable:
- (i) special damages, including all costs and expenses arising out of the detection, investigation, and quantification of the losses suffered by the Tier 1 Trust Companies and the Receivership Companies, in an amount to be particularized prior to trial;
 - (ii) punitive and/or exemplary damages in an amount to be particularized prior to trial;

- (iii) pre-judgment and post-judgment interest on a compound basis or, alternatively, pursuant to the *Courts of Justice Act*, RSO 1990, c C 43, as amended;
- (iv) costs of this action, including the costs of any and all interim and interlocutory motions, on a full indemnity or other appropriate scale, including all applicable taxes; and
- (v) such further and other relief, including equitable relief and constructive trusts in favour of the plaintiffs, as this Honourable Court deems just.

Overview

3. This action is in respect of a SMI scheme involving 16 different real estate development Projects, including (1) eleven Projects respectively undertaken by the eleven Receivership Companies (collectively, the “**Receivership Projects**”); and (2) five other distinct Projects respectively undertaken by the five Non- Receivership Development Companies (the “**Non- Receivership Projects**”).

The Receivership Projects

4. As it relates to the Receivership Projects, this action is in respect of a fraudulent scheme whereby the Davies Defendants and Singh Former Defendants conspired with each other to have the Trust Companies, and their underlying investors, loan moneys through SMIs to the Receivership Companies based on false, inaccurate and misleading statements and covenants. The Davies Defendants and Singh Former Defendants then misappropriated tens of millions of dollars of those loans from the Receivership Companies by improperly diverting funds to themselves,

related defendant parties and others through management fees, professional fees, broker and referral fees, consulting fees, dividends and/or other means using corporate structures, directly and/or indirectly controlled by and/or related to them.

5. The Davies Defendants and Singh Former Defendants were aware that appraisals used to promote investment in the SMIs were inflated and inaccurate, and that assurances that money loaned by the Trust Companies to the Receivership Companies would be fully secured were false, inaccurate and misleading. They were further aware that covenants in the applicable Loan Agreements between the Trust Companies and the Receivership Companies restricting the use of loaned funds would not be fully honoured, but instead such funds would be diverted for other purposes to the Defendants' direct and indirect personal benefit.

6. Notwithstanding this knowledge, the Davies Defendants and Singh Former Defendants continued to raise, and/or facilitated the raising of, further funds from public investors which were then advanced by the Trust Companies to Receivership Companies and other related entities they directly or indirectly owned, perpetuating a "Ponzi Scheme".

7. The actions of the Davies Defendants and Singh Former Defendants were facilitated by some or all of the other Defendants, who failed to discharge their respective duties as outlined below, and who, in many cases, benefited financially from their improper actions and from the improper actions taken by the Davies Defendants and Singh Former Defendants.

8. In this action, the Trustee and the Receiver both seek relief in respect of the Receivership Projects.

The Non-Receivership Projects

9. As it relates to the five Non-Receivership Projects, this action is in respect of a scheme whereby the Singh Former Defendants, in conjunction with others, caused the Tier 1 Trust Companies, and their underlying investors, to loan moneys through SMIs to the Non-Receivership Development Companies based on undisclosed conflicts of interest and other false, inaccurate and misleading statements and covenants. The Singh Former Defendants also then improperly diverted funds raised for two of the Non-Receivership Projects to related defendant parties and others. These actions led to millions of dollars of realized or anticipated losses, as applicable, for four of the five SMIs.

10. The Singh Former Defendants were aware that appraisals used to promote investment in three of the five SMIs were inflated and inaccurate, and that assurances that money loaned by at least two of the Tier 1 Trust Companies to the Non-Receivership Development Companies would be fully secure were false, inaccurate and misleading. They were further aware that covenants in the applicable Loan Agreements between at least two of the Tier 1 Trust Companies and the Non-Receivership Development Companies restricting the use of loaned funds would not be fully honoured, but instead such funds would be diverted for other purposes.

11. The actions of the Singh Former Defendants were facilitated by some or all of the other Defendants, who failed to discharge their respective duties as outlined below, and who, in certain cases, benefited financially from their improper actions and from the improper actions taken by the Singh Former Defendants.

12. In this action, only the Trustee seeks relief in respect of the Non-Receivership Projects. The Receiver seeks no relief in respect of the Non-Receivership Projects.

Parties**(a) Plaintiffs**

13. The plaintiff, Grant Thornton, is the court-appointed Trustee, over all of the assets, undertakings and properties of the Tier 1 Trust Companies, appointed pursuant to an order of the Court dated October 27, 2016.

14. The purpose of the Trustee's appointment is to, among other things, protect the interests of the investing public, who were or are (through the Tier 1 Trust Companies and subsequently the Trustee) mortgagees with secured lending positions registered on title to real properties owned by the Development Companies. The mortgages registered on title in favour of the Tier 1 Trust Companies were or are also co-registered in favour of Olympia Trust Company, which acted as administrative agent for RRSP and other registered investments made through the Tier 1 Trust Companies.

15. The plaintiff, KSV, is the court-appointed Receiver of certain property of the Receivership Companies appointed pursuant to orders of the Court dated February 2, April 28 and May 2, 2017 (for all Receivership Companies other than 445 Princess, McMurray, Bronson and Ross Park), January 9, 2018 (for 445 Princess) and May 30, 2018 (for McMurray, Bronson and Ross Park).

16. The Receiver's mandate includes pursuing litigation claims on behalf of the Receivership Companies and maximizing recoveries on behalf of their creditors, including the Trust Companies, which are the largest creditors in each receivership, by far. In this action, the Receiver is seeking relief strictly on behalf of the Receivership Companies and not on behalf of the broader group of Development Companies or any other entities.

(b) Davies Defendants

17. The defendant, Mr. Davies, is an individual residing in King City, Ontario. He was, at all material times, a director and officer of the Receivership Companies. He was also, at all material times, the trustee and/or representative of the Davies Family Trust, together with Ms. Davies and Mr. Harris (further identified below), and the sole trustee and/or representative of the Davies Arizona Trust.

18. The defendant, Ms. Davies, is an individual residing in King City, Ontario. She is Mr. Davies' spouse. She was, at all material times, a trustee and/or representative of the Davies Family Trust, together with Mr. Davies and Mr. Harris.

19. The Davies Family Trust and the Davies Arizona Trust are trusts that were established by, or at the direction of, Mr. Davies in or around 2003 and 2013, respectively. The beneficiaries of the Davies Family Trust are Mr. Davies, Ms. Davies and the Davies Children, as well as any future children and issue of Mr. Davies. The beneficiaries of the Davies Arizona Trust are the Davies Children.

20. The defendant, Aeolian, is a company incorporated pursuant to the laws of Ontario. Aeolian's mailing address is Mr. and Ms. Davies' personal residence in King City, Ontario.

21. Aeolian is directly owned by Ms. Davies and the Davies Children. Mr. Davies is Aeolian's sole officer and director.

22. Aeolian is a direct shareholder of Scollard and Legacy Lane and an indirect shareholder of each of the other Receivership Companies (other than McMurray, which is owned, in part, by the Davies Family Trust).

23. Aeolian is also a shareholder of:

- (a) MCIL, which is a shareholder of Kitchener, Oakville and MC Burlington. MC Burlington is the sole shareholder of Burlington;
- (b) TSSI, which is a shareholder of 525 Princess, 555 Princess and Ross Park; and
- (c) TSI, which is a shareholder of 445 Princess and Bronson.

(c) Thompson Defendants

24. The defendant, Mr. Thompson, is an individual residing in Aurora, Ontario.

25. He was, at all material times, a director and officer of certain of the Receivership Companies, including 525 Princess, 555 Princess, 445 Princess, Bronson and Ross Park.

26. He was also, at all material times, a director and officer of TSI and TSSI.

27. The defendant, Thompson Co., is a company incorporated pursuant to the laws of Ontario. Mr. Thompson is Thompson Co.'s sole officer and director.

28. Thompson Co. is an indirect shareholder of certain of the Receivership Companies. Specifically, Thompson Co. is a shareholder of TSI and TSSI, which are shareholders of 525 Princess, 555 Princess, 445 Princess, Bronson and Ross Park.

(d) Stewart Defendants

29. The defendant, Mr. Stewart, is an individual residing in Clarksburg, Ontario. He was, at all material times, a founder and directing mind of MCIL and associated with certain Receivership Companies.

30. Mr. Stewart previously had an indirect ownership interest in MCIL and Legacy Lane.

31. He was formerly a director and officer of certain Receivership Companies, including Legacy Lane, Kitchener, Burlington and Oakville.

32. The defendant, Stewart Co., is a company incorporated pursuant to the laws of Ontario. Mr. Stewart is a director and officer of Stewart Co.

(e) Singh Former Defendants

33. The former defendant, Mr. Singh, is an individual residing in Richmond Hill, Ontario.

34. He is the sole director, officer and shareholder of each of the Tier 1 Trust Companies (other than 445 Trust Co. and Hazelton Trust Co., for both of which Mr. Cassidy is the sole registered director and officer, although Mr. Singh was a de facto director and officer of these entities).

35. Mr. Singh was also the sole director and officer of three of the five Non-Receivership Development Companies, being Keele Medical, Guildwood and Hazelton.

36. Mr. Singh was also a director and the sole officer of Tier 1 Mortgage, which was a licensed mortgage brokerage firm that promoted and sold the SMIs to public investors.

37. Mr. Singh was also previously a licensed mortgage broker with FCMC, which was also a licensed mortgage brokerage firm that promoted and sold the SMIs to public investors.

38. Mr. Singh's and Tier 1 Mortgage's mortgage brokerage licenses were ultimately revoked by the Financial Services Commission of Ontario in connection with its investigation into the SMIs that form the subject matter of this litigation.

39. The former defendant, Singh Co., is a company incorporated pursuant to the laws of Ontario. Singh Co. is owned by Mr. Singh, and he is the sole director and officer of Singh Co.

40. Singh Co. is a direct shareholder of certain Development Companies, including 555 Princess, 525 Princess, 445 Princess, Bronson and Ross Park, and one or more of the Singh Former Defendants is or was also a shareholder of Vaughan Crossings.

41. Singh Co. is also a shareholder of TSI and TSSI, which are also shareholders of 555 Princess, 525 Princess, 445 Princess, Bronson, and Ross Park.

42. The former defendant, Tier 1 Advisory, is a company incorporated pursuant to the laws of Ontario. Mr. Singh is the sole director, officer and shareholder of Tier 1 Advisory.

43. Tier 1 Advisory arranged and facilitated the SMIs that the Brokers marketed and sold to public investors. In particular, Tier 1 Advisory performed marketing and project development consultation services and structured deals with the Development Companies, it prepared investment information and it developed and presented promotional materials for the various Projects to solicit investments in the Projects.

(f) The defendant Jude Cassimy

44. The defendant, Mr. Cassimy, is an individual residing in Markham, Ontario.

45. He was a director and officer of 445 Trust Co. and Hazelton Trust Co. He was also the sole director and officer of the defendant, FCMC.

46. Mr. Cassimy was a licensed mortgage broker. He was the principal broker of FCMC.

47. Mr. Cassimy's and FCMC's licenses were also ultimately revoked by the Financial Services Commission of Ontario in connection with its investigation into the SMIs that form the subject matter of this litigation.

(g) The defendant FCMC

48. The defendant, FCMC, was formerly a licensed mortgage brokerage firm, which promoted and sold the SMIs to public investors.

(h) The defendant David Arsenault

49. The defendant, Mr. Arsenault, is an individual residing in Toronto, Ontario. At all material times, he was an officer of McMurray. At all material times, he was also an indirect shareholder of McMurray through his holding company, D. Arsenault Holdings Inc.

(i) The former defendant James Grace

50. The former defendant, Mr. Grace, is an individual residing in Toronto, Ontario. At all material times, he was an officer of 445 Princess.

(j) Harris Defendants

51. The defendant, Mr. Harris, is an individual residing in the Town of Nobleton, Ontario.

52. He is a licensed Ontario lawyer in private practice and a partner at Harris LLP.

53. As noted above, Mr. Harris was a trustee and/or representative of the Davies Family Trust, together with Mr. Davies and Ms. Davies. The Receiver has no knowledge of any material facts indicating that Mr. Harris in his capacity as a trustee and/or representative of the Davies Family

Trust engaged in any fraudulent, deceitful or other misconduct relating to the Davies Family Trust. Nevertheless, given that the Davies Family Trust improperly received and retained funds that were initially sourced from SMI monies advanced to the Receivership Companies, one or more of the trustees of the Family Trust caused, directed and/or had knowledge of such improper transfers. The role that each of the trustees played (or did not play) in these improper transfers is known only to the Davies Defendants. In any event, each of the trustees of the Family Trust must be named as a defendant to allow the Receiver to obtain the sought after relief regarding the assets improperly funneled to the Davies Family Trust.

54. Mr. Harris was also legal counsel at all material times to each of the Development Companies except for Vaughan Crossings and Silver Seven, and served as legal counsel providing ongoing legal advice to all the Tier 1 Trust Companies at material times.

55. The defendant, Harris LLP, is an Ontario limited liability partnership of lawyers which carries on business from an office located in Mississauga, Ontario.

56. At all material times, Harris LLP acted as the solicitors for each of the Development Companies except for Vaughan Crossings and Silver Seven.

57. At material times, Harris LLP also acted as the solicitors for each of the Tier 1 Trust Companies and provided ongoing advice and representation to the Tier 1 Trust Companies.

58. Throughout the material period, Harris LLP held itself out as being experienced in advising clients on corporate and real estate law matters, including in relation to commercial real estate transactions, real estate financing, property and asset acquisitions, and general corporate law matters.

59. One or more of the Harris Defendants is or was also a shareholder of Vaughan Crossings.

(k) Elliott Defendants

60. The defendant, Ms. Elliott, is an individual residing in Toronto, Ontario. She is a licensed Ontario lawyer in private practice and the principal and sole director of Elliot Co.

61. The defendant, Elliot Co., is a professional corporation incorporated pursuant to the laws of Ontario.

62. The Elliot Defendants specialize in Canadian immigration law, providing immigration and related legal services to individual and corporate clients.

63. At material times, the Elliott Defendants acted as the solicitors for the Tier 1 Trust Companies except for McMurray Trust Co. and Scollard/Vaughan Crossings/Silver Seven Trust Co. to the extent of its advancement of monies to Vaughan Crossings and Silver Seven. In other words, the Elliot Defendants provided advice and representation to the lenders in respect of their loans to the following Development Companies: 445 Princess, 525 Princess, 555 Princess, Bronson, Scollard, Legacy Lane, Burlington, Ross Park, Oakville, Kitchener, Keele Medical, Guildwood and Hazelton.

(l) The defendant MCIL

64. The defendant, MCIL, is a company incorporated pursuant to the laws of Ontario. Mr. Davies is the sole officer and director of MCIL. MCIL is owned by Aeolian and Ms. Harris. MCIL is a shareholder of Kitchener, Oakville and MC Burlington, which is the sole shareholder of Burlington.

(m) The defendant TSI

65. The defendant, TSI, is a company incorporated pursuant to the laws of Ontario. The only officers and directors of TSI are Messrs. Davies and Thompson.

66. TSI is owned by Aeolian, Thompson Co., Singh Co. and Dachstein.

67. TSI is a shareholder of 445 Princess and Bronson.

(n) The defendant TSSI

68. The defendant, TSSI, is a company incorporated pursuant to the laws of Ontario. The only officers and directors of TSSI are Messrs. Davies and Thompson.

69. TSSI is owned by Aeolian, Thompson Co., Singh Co. and Dachstein.

70. TSSI is a shareholder of 525 Princess, 555 Princess and Ross Park.

(o) The defendant Michael Cane

71. The defendant, Mr. Cane, is an individual residing in the City of Toronto, Ontario.

72. He is an appraiser of real property, with over 40 years of experience, who focuses on the valuation of commercial real estate on behalf of developers, mortgage lenders and others.

73. He is a member of the Appraiser Institute of Canada, a fellow of the Royal Institution of Chartered Surveyors and Professional Land Economist from the Association of Ontario Land Economists, among other professional accreditations.

74. At all material times, he acted as the appraiser for each of the Development Companies in respect of their real properties and related Projects, except for Vaughan Crossings and Silver Seven. Mr. Cane was aware that his appraisals were used and relied upon to promote and solicit the SMIs in the various Projects.

Capital Raised Through SMIs

75. SMIs are mortgages for which there are more than one lender or investor. SMIs are a financial instrument used by real estate developers to finance real estate development.

76. The Brokers, in conjunction with Tier 1 Advisory, promoted and sold SMIs to investors in relation to the Projects.

77. The Tier 1 Trust Companies were incorporated to hold the SMIs in trust and to administer the SMIs on behalf of investors.

78. The Tier 1 Trust Companies are distinct entities from the Development Companies. They are the lenders to the Development Companies.

79. Approximately \$131 million was raised through SMIs administered by the Tier 1 Trust Companies and advanced for the benefit of the Development Companies' in respect of their Projects, of which approximately \$94 million was advanced, on a secured basis, by the Trust Companies for the benefit of the Receivership Companies. The Development Companies further raised an additional amount of approximately \$62 million from other mortgage lenders, for a combined total of approximately \$193 million in secured loans.

Mortgages by the Tier 1 Trust Companies to the Development Companies

80. The relevant mortgages between the Tier 1 Trust Companies and the Development Companies are as follows:

Real Property Project	Development Company (Mortgagee)	Tier 1 Trust Company (Mortgagor)	Approximate Principal Amount of SMI
445 Princess Street	445 Princess	445 Trust Co.	\$8.4 million
525 Princess Street	525 Princess	525 Trust Co.	\$6.4 million
555 Princess Street	555 Princess	555 Trust Co.	\$7.9 million
Bronson Ave.	Bronson	Bronson Trust Co.	\$10.8 million
Scollard Project	Scollard	Scollard/Vaughan Crossings/Silver Seven Trust Co.	\$13.6 million
Legacy Lane Project	Legacy Lane	Oakville / Burlington / Guildwood / Legacy Trust Co.	\$3.5 million
Memory Care Burlington	MC Burlington	Oakville / Burlington / Guildwood / Legacy Trust Co.	\$8.3 million
Memory Care Oakville	Oakville	Oakville / Burlington / Guildwood / Legacy Trust Co.	\$9 million
Memory Care Kitchener	Kitchener	Kitchener Trust Co.	\$10.6 million
McMurray Street	McMurray	McMurray Trust Co.	\$3.5 million
Ross Park	Ross Park	Ross Park Trust Co.	\$11.6 million
TOTAL FOR ALL RECEIVERSHIP COMPANIES			\$93.6 million
Keele Medical Project	Keele Medical	Keele Medical Trust Co.	\$4.1 million
Highlands Mississauga	Hazelton	Hazelton Trust Co.	\$6.4 million
Guildwood Project	Guildwood	Oakville / Burlington / Guildwood / Legacy Trust Co.	\$6.4 million

Real Property Project	Development Company (Mortgagee)	Tier 1 Trust Company (Mortgagor)	Approximate Principal Amount of SMI
Silver Seven Project	Silver Seven	Scollard/Vaughan Crossings/Silver Seven Trust Co.	\$6 million
Vaughan Crossings Project	Vaughan Crossings	Scollard/Vaughan Crossings/Silver Seven Trust Co.	\$14.8 million
TOTAL FOR ALL NON-RECEIVERSHIP DEVELOPMENT COMPANIES			\$37.7 million
TOTAL FOR ALL DEVELOPMENT COMPANIES			\$131.3 million

81. As described further below, these various Development Companies continue to owe, in each case, millions of dollars to the corresponding Tier 1 Trust Companies without the means to satisfy such indebtedness (other than Hazelton, which paid its indebtedness in respect of the Hazelton SMI, and Guildwood and Silver Seven, which entered into settlement agreements to pay less than the indebtedness owing in respect of the Guildwood SMI and the Silver Seven SMI). Apart from the Hazelton SMI, the other SMIs, including all of the SMIs for which the Receivership Companies were borrowers, were effectively doomed to fail from the outset, and they did in fact fail. In this action, the plaintiffs seek no relief from any of the Defendants with respect to the Hazelton SMI (which was the only SMI that was repaid in full) or the Guildwood SMI (the settlement agreement for which treats the Guildwood SMI’s indebtedness as having been repaid in full).

Faulty and Misleading Appraisals

82. To support the amounts raised for the SMIs, all the Receivership Companies and certain of the Development Companies retained the defendant Mr. Cane as an appraiser to provide estimated hypothetical market values of the subject sites, assuming they could be developed.

83. The appraisals were based on several other assumptions, including: (i) development costs, as estimated by the applicable Development Company and as set out in the applicable Project pro forma, remaining consistent with the budget; (ii) the necessary planning approvals being obtained in a timely manner; and (iii) the development being commenced, and completed, in a timely manner.

84. Importantly, certain of the Project pro formas on which the appraisals were based contained false, inaccurate and/or materially misleading information. For instance, certain of the pro formas:

- (a) reflected an equity injection by the shareholders of the respective Development Company in cases where no such equity contribution was ever made by Mr. Davies, Aeolian, Mr. Thompson, Thompson Co., Mr. Stewart, Stewart Co., Mr. Singh, Singh Co., Mr. Arsenault, D. Arsenault Holdings Inc., or any of the other shareholders of the applicable Development Companies;¹
- (b) failed to account for a significant portion of the initial costs, consisting of fees payable to Tier 1, amounts paid or payable to agents who sold the SMIs to investors, professional costs and amounts to fund a one-year interest reserve; and

¹ Oakville raised \$1 million from five individuals through the issuance of preference shares. These individuals were also investors in the Oakville SMI.

- (c) did not reflect the payment of dividends, which, as described in more detail below, were paid from the initial SMI advances for each of 525 Princess, 555 Princess, Bronson and Ross Park.

85. Further, certain appraisals were based on unrealistic and unattainable development plans that could never come to fruition given, among other things, zoning, planning and other restrictions.

86. Other appraisal reports contained development timelines that had already lapsed by the time Mr. Cane was asked to prepare a further appraisal report for that same property at a higher value.

SMIs Under Secured

87. Each SMI was registered on title in favour of the applicable Tier 1 Trust Company (and, as set out above, Olympia Trust for administrative purposes).

88. The Singh Former Defendants and/or Mr. Davies (in the latter case in relation to the Receivership Companies), and/or individuals and/or entities acting on their instruction or behalf, led the SMI investors to believe that the advances from the Tier 1 Trust Companies to the Development Companies would be used for, and fully secured against, specific real property projects of the applicable Development Companies with a first-ranking security interest (which would only be subordinated to construction financing intended to advance the applicable Project).

89. Based on these assurances, investors invested in the SMIs and the Tier 1 Trust Companies advanced the funds raised from investors through SMIs to the Development Companies.

90. However, contrary to the above representations made to investors and the Tier 1 Trust Companies that the SMIs would have first-ranking security, certain Development Companies, including Scollard, Oakville, Kitchener, Burlington and McMurray, borrowed funds on a first-ranking secured basis against the applicable real property after funding for the SMIs was raised and advanced.

91. Furthermore, and more generally, each SMI, together with any applicable pre-existing encumbrances, significantly exceeded the purchase price of the real property, resulting in the advances from each of the Tier 1 Trust Companies to the Development Companies being under-secured from the day they were made.

92. In particular, at all material times, the only assets of material value owned by the Development Companies were their real properties, for which they paid, collectively, approximately \$77 million.

93. All of the Receivership Companies' properties remain in the pre-construction phase, with the exception of Burlington, which has footings and foundations.

94. Of the approximately \$94 million advanced by the Trust Companies to the Receivership Companies, only approximately \$12.4 million was spent on development costs.

95. With the exception of Oakville (which was purchased for \$1.945 million and sold for \$4.25 million during the receivership proceedings), none of the Receivership Companies' properties has increased materially in value from the time it was purchased, including as a result of any development activities undertaken by the Receivership Companies. The increase in Oakville's value is not attributable to any activity performed by the Davies Developers but, rather, it is mainly

a result of the increase in the value of real estate in the Greater Toronto Area during the relevant period.

96. Further, as at each of the respective receivership dates, none of the Receivership Companies had any cash or any access to capital to further develop their Projects.

97. All the Receivership Companies, and some of the non-Receivership Development Companies, were insolvent from the date of the first SMI advance, and the Projects undertaken by these Development Companies had virtually no prospect of success due to, among other things, the lack of capital (which necessitated further borrowing to advance the Projects), the significant initial costs, the improper use of monies to fund expenses on other unrelated projects and the front-end loading of excessive dividends, management fees and other undue payments directly or indirectly to some or all of the Davies, Thompson, Stewart and Singh Former Defendants and Mr. Cassimy and to affiliates of, and persons related to, the Davies, Thompson, Stewart and Singh Former Defendants and Mr. Cassimy, as well as others, as described in more detail below.

98. Had there not been new financings in other projects that raised additional funds from new investors, which funds were loaned to and among the Receivership Companies to fund pre-existing liabilities and future costs, the Receivership Companies would have been unable much earlier to service interest and other obligations they were required to pay. Accordingly, the scheme as among the Receivership Companies had the hallmarks of a Ponzi scheme as its continuance was dependent upon the raising of ever-increasing sums of new money.

Restrictions on Use of Advanced Funds under the Loan Agreements

99. Under the Loan Agreements between the respective Development Companies and the applicable Tier 1 Trust Companies, the funds advanced from the Tier 1 Trust Companies to the Development Companies were to be used to purchase real property and to pay the soft costs associated with the Projects for which the funds were invested and advanced.

100. Under the Loan Agreements, the Development Companies covenanted that they would not, without the consent of the applicable Tier 1 Trust Company (subject to certain limited exceptions), “use the proceeds of any Loan Instalment for any purposes other than the development and construction of the project on the Property”.

101. Despite these restrictions, as particularized below, the Defendants collectively received at least \$45 million from the Development Companies making use of the funds advanced under the SMIs

(a) Prohibited Management Fees

102. Pursuant to Section 7.02(c) of the Loan Agreements with Scollard, Oakville, Kitchener, Burlington, Legacy Lane, McMurray, Silver Seven and Vaughan Crossings, the payment of management fees to shareholders is prohibited absent the written consent of the applicable Tier 1 Trust Company.

103. Pursuant to Section 7.02(c) of the Loan Agreements with 525 Princess, 555 Princess, 445 Princess, Ross Park, Bronson and Keele Medical, ordinary course payments to shareholders for amounts related to the management, development and operation of the property are permitted, but

only if such payments are reasonable in relation to the services rendered, unless the written consent of the applicable Tier 1 Trust Company is obtained.

104. Contrary to the terms of these Loan Agreements and the Receivership Companies' other legal obligations, and contrary to Messrs. Davies', Thompson's and Stewarts' respective fiduciary and other obligations, Mr. Davies caused, and Messrs. Thompson and/or Stewart allowed, certain Receivership Companies to improperly pay millions of dollars in management fees directly to Aeolian, Thompson Co. and Stewart Co., notwithstanding that, among other things, the Receivership Companies never:

- (a) received the written consent of the Trust Companies for these payments (or, alternatively, to the extent such consent was provided, it was provided unlawfully given the clear conflict of interest of Mr. Singh who was the controlling mind of the Trust Companies and simultaneously held a financial interest in each of the Receivership Companies to which the funds were advanced by the Trust Companies);
- (b) entered into any management services agreements; or
- (c) received services that would justify such payments.

105. Specifically, Mr. Davies caused, and in some instances Mr. Stewart allowed, certain Receivership Companies, including Scollard, Oakville, Kitchener, Burlington, Legacy Lane and McMurray, to transfer approximately \$4.069 million in prohibited management fees directly to Aeolian, as follows:

- (a) Scollard transferred approximately \$1,244,000;

- (b) Oakville transferred approximately \$1,112,000;
- (c) Kitchener transferred approximately \$506,000;
- (d) Burlington transferred approximately \$592,000;
- (e) Legacy Lane transferred approximately \$341,000; and
- (f) McMurray transferred approximately \$274,000.

106. Mr. Davies further caused, and Mr. Stewart allowed, certain Receivership Companies, including Kitchener, Burlington, Oakville and Legacy Lane, to transfer approximately \$1.487 million in prohibited management fees directly to Stewart Co.

107. These payments are all prohibited under the Loan Agreements. In addition, these payments were caused and/or allowed to be made on the basis of knowingly false representations and/or material omissions made by Mr. Davies.

108. Mr. Davies also caused, and Mr. Thompson allowed, 525 Princess, 555 Princess, 445 Princess, Bronson and Ross Park to transfer to Aeolian and Thompson Co. (purportedly in respect of management fees) amounts that are unreasonable, particularly given that these Receivership Companies never entered into any management agreements with Aeolian or Thompson Co., the Projects for which the funds were advanced have achieved very limited progress (they all remain in the pre-development phase), and the intended Projects are unlikely to ever be developed because of, among other things, zoning and other restrictions that preclude such developments. Specifically, Aeolian received approximately \$500,000 and Thompson Co. received

approximately \$947,000 in management fees from 525 Princess, 555 Princess, 445 Princess, Ross Park and/or Bronson.

109. These payments are also all prohibited under the Loan Agreements.

110. The management fees in respect of each of the Projects were also paid at an accelerated rate inconsistent with the stage of development of the Projects.

(b) Improper Transfers to TSI, TSSI and MCIL

111. Contrary to the terms of the Loan Agreements and the Receivership Companies' other legal obligations, Mr. Davies caused, and Messrs. Thompson and/or Stewart allowed, certain of the Receivership Companies to improperly transfer approximately \$5.5 million to TSI, TSSI and MCIL, the parent companies of Kitchener, Oakville, Burlington, 525 Princess, 555 Princess, 445 Princess, Bronson and Ross Park.

112. TSI and TSSI are both owned by Aeolian, Thompson Co., Singh Co. and Dachstein.

113. MCIL is owned by Aeolian and Ms. Harris.

114. Of the approximately \$5.5 million transferred to TSI, TSSI and MCIL, approximately \$4.1 million was transferred by cheque. The memo line on each of the cheques indicated that payment was a "loan", notwithstanding that:

(a) none of these "loans" were documented;

(b) no interest has been received by any of the applicable Receivership Companies on account of any such "loan"; and

- (c) the relevant Loan Agreements do not permit the applicable Receivership Companies to make these loans absent the applicable Trust Company's consent.

115. The balance of approximately \$1.4 million was also transferred by the relevant Receivership Companies to TSI, TSSI and MCIL for which no explanation is available in the books and records of the applicable Receivership Companies or the books and records of TSI, TSSI and MCIL.

(c) Improper Dividends

116. Mr. Davies also caused, and Mr. Thompson allowed, certain Receivership Companies to improperly pay significant dividends to Aeolian, Thompson Co. and Singh Co. Specifically, Mr. Davies caused, and Mr. Thompson allowed, each of 525 Princess, 555 Princess, Bronson and Ross Park to pay:

- (a) \$250,000 in dividends to Aeolian (for a total of \$1 million);
- (b) \$250,000 in dividends to Thompson Co. (for a further total of \$1 million); and
- (c) \$250,000 in dividends to Singh Co. (for a further total of \$1 million).

117. While the payment of dividends is permitted under the Loan Agreements in certain circumstances, dividends are only to be paid from the "excess proceeds after the [real estate development property] has been acquired". In each instance, Mr. Davies caused, and Mr. Thompson allowed, the dividends to be paid to Aeolian, Thompson Co. and Singh Co. immediately after 525 Princess, 555 Princess, Bronson and Ross Park received the funds from the applicable Trust Company at a time when each of 525 Princess, 555 Princess, Bronson and Ross Park had no profits and insufficient cash to develop their respective Projects. As a result of the payment of

dividends and other payments to related parties, 525 Princess, 555 Princess, Bronson and Ross Park essentially had no further monies to advance their respective Projects.

118. The payment of improper dividends as set out above was done on the basis of knowingly false representations and/or material omissions made by Mr. Davies.

119. These dividend distributions caused 525 Princess, 555 Princess, Bronson and Ross Park to become insolvent or contributed to their insolvency (if they were not already insolvent at the time of payment).

120. At or around the same time of the above-noted dividend payments to Aeolian, Thompson Co. and Singh Co., an additional \$250,000 in dividends was paid by each of 525 Princess, 555 Princess, Bronson and Ross Park to Dachstein (for a total payment of \$1 million to Dachstein). The Receiver and the Trustee recently entered into a settlement with Dachstein pursuant to which the full amount of \$1 million was returned to the Receiver and the Trustee by Dachstein. In this action, the plaintiffs seek no relief from any of the Defendants with respect to the dividend payments made by 525 Princess, 555 Princess, Bronson and Ross Park to Dachstein.

(d) Improper Inter-Company Transfers and Transfers to Affiliates

121. In further contravention of the Loan Agreements, and their own legal and contractual obligations, Mr. Davies routinely caused, and/or Messrs. Thompson, Stewart and/or Singh routinely allowed, the Receivership Companies to improperly transfer monies between entities and to affiliates, including over \$17 million to and among the Receivership Companies.

122. Mr. Davies caused, and/or Messrs. Thompson, Stewart and/or Singh allowed, such intercompany transfers to be made as the Receivership Companies' Projects were facing a liquidity

crisis, which necessitated the making of intercompany loans to perpetuate the scheme and avoid defaulting on the loans from the Trust Companies and the Receivership Companies' other obligations. This has the hallmarks of a Ponzi scheme.

123. Mr. Davies caused, and Messrs. Thompson Stewart and/or Singh allowed, certain Receivership Companies to improperly transfer monies to Lafontaine Terrace Management Corporation and Memory Care Investments (Victoria) Ltd. – two companies in respect of which Mr. Davies is the sole director and officer. Specifically:

- (a) Scollard, Legacy Lane, Burlington and Oakville improperly transferred a total of \$324,000 to Lafontaine Terrace Management Corporation; and
- (b) Legacy Lane improperly transferred \$15,000 to Memory Care Investments (Victoria) Ltd.

124. These transfers are prohibited under the applicable Loan Agreements and constitute a breach of the Loan Agreements.

(e) Misappropriation of Funds to Finance the Purchase of the Ottawa Property

125. Mr. Davies improperly diverted and Mr. Thompson allowed the diversion of further funds from 555 Princess, Kitchener and Ross Park (and the respective Projects in which the funds were required to be invested) to a company they controlled, Generx (Byward Hall) Inc. (formerly Textbook (256 Rideau St.) Inc.) (“**Rideau**”), to finance its purchase of real property municipally described as 256 Rideau Street, Ottawa, Ontario and 211 Besserer Street, Ottawa, Ontario (collectively, the “**Ottawa Property**”).

126. The Ottawa Property was purchased by Rideau on or around November 6, 2015 for \$11 million.

127. Immediately prior to Rideau's purchase of the Ottawa Property, on October 27, 2015, Mr. Davies caused, and Mr. Thompson allowed, 555 Princess to improperly transfer \$1.39 million to Rideau, Mr. Davies caused Kitchener to improperly transfer \$111,000 to Rideau, and Mr. Davies caused, and Mr. Thompson allowed, Ross Park to transfer approximately \$1.25 million to Rideau, all by way of cheque. The cheques were all signed by Mr. Davies. These monies were used to fund the purchase price of the Ottawa Property. The balance of the purchase price was funded by way of a mortgage.

128. The funds were transferred from 555 Princess, Kitchener and Ross Park to Rideau for no consideration, with no security, for an illegitimate business purpose and in contravention of the relevant Loan Agreements.

129. Despite the fact that the funds were required to be used for specific projects to be respectively undertaken by 555 Princess, Kitchener and Ross Park, Mr. Davies caused, and Mr. Thompson allowed, the funds to be transferred to Rideau with complete disregard for the separate corporate identities of 555 Princess, Kitchener, Ross Park and Rideau and the contractual and other legal obligations of the parties, which had the result of sheltering assets and frustrating creditors of each of 555 Princess, Kitchener and Ross Park.

130. Following Rideau's acquisition of the Ottawa Property, Mr. Davies and/or Mr. Thompson caused and/or allowed a further \$900,900 to be improperly transferred to Rideau from 555 Princess, 525 Princess, Burlington, 445 Princess, Bronson and Ross Park by way of cheques, each

of which was also signed by Mr. Davies. Specifically, Mr. Davies caused, and Mr. Thompson allowed, these Receivership Companies to transfer the following amounts to Rideau:

(unaudited; \$)	
Transferor	Amount
445 Princess	766,500
Bronson	56,200
555 Princess	43,000
Ross Park	17,000
525 Princess	16,000
Burlington	2,200
Total	900,900

131. Despite the fact that these funds were required to be used for the specific Projects to be respectively undertaken by 555 Princess, 525 Princess, Burlington, 445 Princess, Bronson and Ross Park, the \$900,900 was transferred to Rideau for no consideration, with no security, for an illegitimate business purpose and in contravention of the relevant Loan Agreements.

132. The above misappropriations were based on knowingly false representations and/or material omissions made by Mr. Davies.

133. The Ottawa Property was recently sold through a Court-approved receivership sale, and, given the purchase price and the quantum of the liens registered against the property, there are no funds available to satisfy any of the plaintiffs’ claims with respect to this property.

(f) Improper Payments to Mr. Davies’ Family Members

134. Mr. Davies also caused certain of the Receivership Companies to make further payments, totaling approximately \$423,000 to Ms. Davies and certain Davies Children for services purportedly rendered by them in connection with the Projects. To the extent these services were

not provided, or the payments in respect of any services that were provided are unreasonable, these payments are prohibited under the applicable Loan Agreements and constitute a breach of the Loan Agreements.

(g) Prohibited Payments in Respect of Mr. and Ms. Davies' Mortgage on their Personal Residence

135. Mr. Davies improperly caused McMurray to make prohibited payments in the total amount of approximately \$935,000 to Moscowitz, a mortgage lender. Moscowitz is not a mortgagee on the property owned by McMurray; however, it is a mortgagee on Mr. and Ms. Davies' personal residence (and formerly on their cottage, which they recently sold). The Loan Agreement between McMurray and McMurray Trust Co. prohibits these payments. There is no legitimate reason why SMI funds were used to service Mr. Davies' mortgage payments, or any of the other personal obligations of Mr. and Ms. Davies.

(h) The Arizona Property

136. Mr. Davies, in his capacity as sole trustee of the Davies Arizona Trust, owns, among other things, real property municipally described as 35411 N. 66th Place in Carefree, Arizona, United States (the "**Arizona Property**"), that was acquired with funds from Aeolian, which were initially sourced from SMI monies advanced to the Receivership Companies.

137. The Arizona Property was purchased by the Davies Arizona Trust for US\$1.2 million. The funds used to purchase the Arizona Property came from Aeolian, with the BofI Federal Bank having a US\$600,000 mortgage on the Arizona Property. Almost US\$2 million was spent to renovate the Arizona Property following its acquisition.

138. Aeolian funded a substantial portion of the costs to purchase and renovate the Arizona Property (at least in part through the Davies Family Trust and the Davies Arizona Trust), which funds came from the Receivership Companies.

139. Ms. Davies and Mr. Harris in their capacities as trustees and/or representatives of the Davies Family Trust had knowledge of, facilitated and/or allowed some of these payments.

(i) Aeolian and Ms. Davies

140. Aeolian's only source of income and/or receipts was from the Davies Developers. Aeolian transferred over \$2.5 million, which it received from the Receivership Companies, directly to Ms. Davies, purportedly in respect of management fees, although she performed no work for or on behalf of Aeolian or any of the Receivership Companies. Aeolian further used approximately \$1.3 million, which it received from the Receivership Companies, to service an American Express card used by Mr. and Ms. Davies to fund their personal day-to-day and other expenses. Additionally, as described above, the Receivership Companies' funds went from Aeolian toward the purchase and renovation of the Arizona Property. Mr. and Ms. Davies had no personal bank accounts and they used Aeolian's account for their own personal banking.

141. At all material times, Aeolian and Ms. Davies knowingly acted as a conduit for Mr. Davies to improperly divert and funnel millions of dollars from the Receivership Companies to himself and his family members for their own personal use and benefit.

(j) Repayment of Purported Loan to Mr. Singh

142. Mr. Singh received \$650,000 from Kitchener, which is characterized in Kitchener's books and records as a loan repayment. To the extent Singh did not advance funds to Kitchener, or to the

extent such funds were advanced but not in an amount commensurate to the repayment, Singh's receipt of such funds from Kitchener was improper.

(k) Improper Broker and Referral Fees Paid to Parties related to Mr. Singh

143. Each of the Loan Agreements includes a provision requiring the Development Companies to pay the following brokerage and referral fees (collectively, the "**Broker and Referral Fees**"):

- (a) 1% of the amounts raised by the relevant Trust Companies as a brokerage fee to the Brokers; and
- (b) 15% to 16% of the amounts raised by the Tier 1 Trust Companies as a referral fee to an entity directed by the Brokers;
- (c) Except for:
 - (i) the McMurray Loan Agreement, which provides fixed referral fees of \$445,000 (i.e., 12.7% of the funds raised);
 - (ii) the Silver Seven Loan Agreement, which provides for a 16.5% broker fee and no referral fee;
 - (iii) the Vaughan Crossings Loan Agreement, which provides for a 16% broker fee and a 2% referral fee; and
 - (iv) the Keele Medical Loan Agreement, which provides for a 1% broker fee and a 17% referral fee.

144. The Broker and Referral Fees paid to the Brokers and/or Tier 1 Advisory in respect of Kitchener, Burlington, Silver Seven and Vaughan Crossings are, cumulatively, approximately \$272,000 greater than permitted under the Loan Agreements.

145. In total, entities related to Mr. Singh received Broker and Referral Fees of approximately \$21.9 million from the Development Companies comprised of approximately \$11.9 million to Tier 1 Advisory, \$9.8 million to FCMC and \$200,000 to other referring brokers.

146. Mr. Singh, as a director, officer and/or shareholder of Tier 1 Advisory and FCMC, was also an officer, director and/or shareholder (directly or indirectly) and/or had other financial interests in many of the Development Companies that borrowed investor funds from the Tier 1 Trust Companies. As such, Mr. Singh not only benefitted from the Broker and Referral Fees, but he also benefitted from his financial interests in the Development Companies (which were not disclosed to the investors from whom the SMI funds were raised).

147. Mr. Singh also authorized approximately \$2 million of monies raised by Scollard/Vaughan Crossings/Silver Seven Trust Co. to be diverted to certain shareholders of Vaughan Crossings and a further amount of approximately \$5 million of monies raised by Scollard/Vaughan Crossings/Silver Seven Trust Co. to be diverted to pay another mortgagee, when, according to the applicable Loan Agreement, these monies should have been used for the sole purpose of developing and constructing a commercial/office development on the Vaughan Crossings property.

(l) Improper Consulting and Diligence Fees Paid to Parties related to Mr. Singh

148. Approximately \$1.485 million in purported consulting and diligence fees were paid by the Receivership Companies to Singh Co. and/or Tier 1 Advisory. These amounts were not referenced or disclosed in any of the Loan Agreements or the ancillary documents. As such, these payments constitute a breach of the applicable Loan Agreements.

(m) Improper Notary Fees Paid to Parties related to Mr. Singh

149. Approximately \$420,000 in purported notary fees were paid by the Development Companies and related entities to Tier 1 Advisory to have each investor's loan documents notarized, notwithstanding that these amounts are unreasonable.

Causes of Action

(a) Causes of Action Asserted by the Receiver Alone

Messrs. Davies', Thompson's and/or Stewart's Breach of Fiduciary Duty, Negligence, Breach of Contract and Knowing Assistance in Breach of Fiduciary Duty

150. By virtue of the positions Messrs. Davies, Thompson and Stewart respectively held, Mr. Davies was a fiduciary of each of the Receivership Companies, Mr. Thompson was a fiduciary of 525 Princess, 555 Princess, 445 Princess, Bronson and Ross Park and Mr. Stewart was a fiduciary of Legacy Lane, Kitchener, Burlington and Oakville, and they respectively owed the applicable Receivership Companies fiduciary duties, contractual duties, statutory duties (including pursuant to sections 71 and 134 of the *Business Corporations Act*, RSO 1990, c B 16, as amended) and a duty of care to, among other things:

- (a) act honestly and in good faith with a view to their best interests;

- (b) avoid improper self-dealing;
- (c) avoid conflicts of interest; and
- (d) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

151. By reason of the facts described above, Messrs. Davies, Thompson and Stewart breached these duties and failed to act in a manner that was required of them as directors and officers of the applicable companies.

152. The applicable companies were vulnerable to the unilateral exercise of Messrs. Davies', Thompson's and Stewart's respective discretion and power, particularly given that they were the controlling minds and management of the applicable companies. By reason of the facts described above, Messrs. Davies, Thompson and Stewart breached their respective duties to the companies, including their fiduciary and other duties owed, including but not limited to their duties of good faith, honest performance and loyalty.

153. By reason of the facts described above, Messrs. Davies, Thompson and Stewart also breached express and/or implied terms of their employment agreements with the respective companies. Among other things, Messrs. Davies, Thompson and Stewart were, at a minimum, required to conduct themselves and the operations of the applicable companies in a competent and lawful manner, which they failed to do. Additionally, Messrs. Davies', Thompson's and Stewart's conduct breached the standard of care required of them and they were grossly negligent in the performance of their duties as officers and directors of the applicable companies.

154. Messrs. Davies, Thompson and/or Stewart effectively treated the respective companies as their own personal fiefdoms, without due regard for transparency, disclosure, the avoidance of self-dealing and conflicts of interest, or corporate separateness, amongst other things. Messrs. Davies, Thompson and/or Stewart effectively operated the applicable companies as their own personal corporations and saw the respective corporations' assets as their own. This resulted in their failure to act in the best interests of the companies, including by Messrs. Thompson and Stewart allowing the Davies Defendants to defraud the Receivership Companies, all the while enriching themselves, parties related to them, and parties working with them, at the expense of the Receivership Companies and their creditors, including the Trust Companies.

155. Like Mr. Davies, Messrs. Thompson and Stewart were both compensated handsomely for facilitating the Davies Defendants' fraudulent scheme in breach of their respective fiduciary, contractual and other duties owed to the applicable Receivership Companies. Mr. Thompson and entities related to him (including Thompson Co., TSI and/or TSSI) received undue management fees (which exceeded \$900,000 from the Receivership Companies), dividends (\$1 million from the Receivership Companies) and/or other amounts to which they were not properly entitled. Mr. Stewart and entities related to him (including Stewart Co., Lafontaine and/or MC Victoria) received undue management fees (which exceeded \$1.48 million from the Receivership Companies) and/or other amounts to which they were not properly entitled.

156. Messrs. Davies, Thompson and Stewart each had knowledge of one another's fiduciary duties owed to the applicable Receivership Companies. By virtue of their acts and omissions as described above, each of Messrs. Davies, Thompson and Stewart assisted one another in breaching their respective fiduciary duties owed to the applicable Receivership Companies.

Mr. Arsenault's Breach of Fiduciary Duty, Negligence, Breach of Contract and Knowing Assistance in Breach of Fiduciary Duty

157. As an officer of McMurray, Mr. Arsenault was a fiduciary of McMurray and owed it fiduciary duties, contractual duties, statutory duties (including pursuant to sections 71 and 134 of the *Business Corporations Act*, RSO 1990, c B 16, as amended) and a common law duty of care to, among other things, act competently, diligently and in its best interests. In particular, Mr. Arsenault was, at a minimum, required to have a rudimentary knowledge of McMurray's business and exercise a degree of monitoring in order to keep himself apprised of and familiar with the general affairs of the company, including the financial status of the company.

158. Mr. Arsenault failed to act in a competent or diligent manner, or in the company's best interests, as he preferred the interests of management, including Mr. Davies, over the interests of the company itself, in contravention of his duties owed to McMurray. Mr. Arsenault allowed Mr. Davies to engage in gross misconduct and treat McMurray as his own personal fiefdom, without due regard for transparency, disclosure, the avoidance of self-dealing and conflicts of interest, or corporate separateness, amongst other things. Mr. Arsenault's conduct breached the standard of care required of him and he was negligent in the performance of his duties as an officer of McMurray. Mr. Arsenault also assisted Mr. Davies' breach of fiduciary and other legal duties owed to McMurray, and the wider group of Receivership Companies.

159. By reason of the facts described above, Mr. Arsenault also breached express and/or implied terms of his employment agreement with McMurray. Among other things, Mr. Arsenault was, at a minimum, required to ensure that McMurray conducted itself in a competent and lawful manner, which he failed to do.

160. Mr. Arsenault's failure to fulfill his fiduciary, contractual, statutory and other obligations as an officer of McMurray allowed Mr. Davies to perpetrate the fraudulent scheme described herein and caused damages to McMurray and the other Receivership Companies.

Mr. Grace's Breach of Fiduciary Duty, Negligence, Breach of Contract and Knowing Assistance in Breach of Fiduciary Duty

161. As an officer of 445 Princess, Mr. Grace was a fiduciary of 445 Princess and owed it fiduciary duties, contractual duties, statutory duties (including pursuant to sections 71 and 134 of the *Business Corporations Act*, RSO 1990, c B 16, as amended) and a common law duty of care to, among other things, act competently, diligently and in its best interests. In particular, Mr. Grace was, at a minimum, required to have a rudimentary knowledge of 445 Princess' business and exercise a degree of monitoring in order to keep himself apprised of and familiar with the general affairs of the company, including the financial status of the company.

162. Mr. Grace failed to act in a competent or diligent manner, or in the company's best interests, as he preferred the interests of management, including Mr. Davies, over the interests of the company itself, in contravention of his duties owed to 445 Princess. Mr. Grace allowed Mr. Davies to engage in gross misconduct and treat 445 Princess as his own personal fiefdom, without due regard for transparency, disclosure, the avoidance of self-dealing and conflicts of interest, or corporate separateness, amongst other things. Mr. Grace's conduct breached the standard of care required of him and he was negligent in the performance of his duties as an officer of 445 Princess. Mr. Grace also assisted Messrs. Davies' and Thompson's breach of their fiduciary and other legal duties owed to 445 Princess, and the wider group of Receivership Companies.

163. By reason of the facts described above, Mr. Grace also breached express and/or implied terms of his employment agreements with 445 Princess. Among other things, Mr. Grace was, at a minimum, required to ensure that 445 Princess conducted itself in a competent and lawful manner, which he failed to do.

164. Mr. Grace's failure to fulfill his fiduciary, contractual, statutory and other obligations as an officer of 445 Princess allowed Mr. Davies to perpetrate the fraudulent scheme described herein and caused damages to 445 Princess and the other Receivership Companies.

(b) Causes of Action Jointly and Severally Asserted by the Receiver on behalf of the Receivership Companies and the Trustee exclusively on behalf of the Trust Companies

Fraud and Deceit

165. The Davies Defendants and Singh Former Defendants perpetrated the fraudulent scheme described herein. Although the precise particulars of the fraudulent scheme are only fully known to some or all of the Davies Defendants and Singh Former Defendants at this time, they include, without limitation:

- (a) intentionally and knowingly/recklessly creating, facilitating and/or allowing the creation of Project pro formas containing false information that in no way reflected commercial reality to obtain artificially inflated appraisals that were used in connection with the SMI offerings and the raising of funds from investors;
- (b) intentionally and knowingly/recklessly creating, using and/or allowing inaccurate and/or misleading appraisals containing false information to be created and/or used to raise funds from investors;

- (c) knowingly or recklessly and falsely misrepresenting the nature of the Projects and the potential for the Projects to be successfully executed in a timely manner, or at all, including the likelihood of obtaining the necessary zoning and planning approvals;
- (d) knowingly or recklessly and falsely misrepresenting other facts and omitting material risks in order to raise and/or facilitate the raising of funds from investors;
- (e) knowingly and falsely representing, and making material omissions regarding, the capital structure of the Receivership Companies, including the purported equity injections that would be made by their shareholders;
- (f) intentionally, deceitfully and knowingly/recklessly making false representations to raise and/or facilitate the raising of funds from investors, and diverting those funds from the Receivership Companies to which they were advanced (and, in at least two cases, from the Non- Receivership Development Companies to which they were advanced), for purposes inconsistent with their intended use;
- (g) knowingly and falsely representing, and/or knowingly/recklessly making material omissions regarding, the relationships between themselves and other related, non-arm's length parties;
- (h) knowingly/recklessly and falsely directing, causing, facilitating and/or allowing prohibited payments and transfers to be made by certain of the Development Companies to such related, non-arm's length parties, including payments and

transfers for which no goods or services, or no goods or services of any material value, were provided;

- (i) knowingly, falsely and dishonestly diverting funds from certain of the Development Companies to shell corporations and a network of non-arm's length parties and others to obtain secret profits for their own benefits;
- (j) intentionally, deceitfully and knowingly/recklessly making false representations to direct and/or facilitate payments to shell corporations and a network of non-arm's length parties to covertly divert funds from the Receivership Companies, shelter the funds, avoid detection and thwart recovery attempts;
- (k) knowingly receiving, retaining and/or using funds, which rightfully belonged to the Development Companies;
- (l) intentionally and knowingly/recklessly making the false representations and undertaking the acts and omissions with respect to prohibited management fees as set out above;
- (m) intentionally and knowingly/recklessly making the false representations and undertaking the acts and omissions with respect to improper dividends as set out above;
- (n) intentionally and knowingly/recklessly making the false representations and undertaking the acts and omissions with respect to the misappropriation of funds as set out above; and/or

- (o) making material omissions, failing to take any steps, or any reasonable or sufficient steps, to stop the improper conduct or mitigate the harm being caused by it.

166. All of the above acts, false representations and material omissions were intended to and did cause the Trust Companies and the Receivership Companies to act.

167. All of the above acts, false representations and material omissions caused detriment and deprivation to each of the Trust Companies and the Receivership Companies, as further set out below.

168. The Davies Defendants and Singh Former Defendants perpetrated and/or facilitated the fraudulent scheme described herein in order to profit, and continue to profit, through the receipt of millions in undue fees, dividends, and/or other amounts to which they were not properly entitled.

Conspiracy

169. The Davies Defendants and Singh Former Defendants acted in combination or in concert, by agreement or with a common design, to perpetrate the scheme described herein. The full particulars of the agreement or common design are only fully known to these Defendants at this time, but further particulars will be provided in advance of trial.

170. The conduct of these Defendants in perpetrating the scheme was unlawful (including the torts and other wrongful acts and omissions described herein) and directed towards the Trust Companies, the Receivership Companies and the innocent investors whose funds they misappropriated. As described herein, for which further particulars will be provided in advance of trial as such particulars are currently only known to these Defendants at this time, these Defendants each committed overt acts in furtherance of the agreement. These Defendants knew that injury to

the Trust Companies, the Receivership Companies and the innocent investors whose funds they misappropriated was likely to result in the circumstances, and such injury did result.

171. The predominant purpose of these Defendants' conduct was to intentionally harm the Trust Companies, the Receivership Companies and/or the innocent investors whose funds they misappropriated, and the conduct of these Defendants did harm them.

172. As further described below, as a result of the above, each of the Trust Companies and the Receivership Companies suffered injury and damage.

173. These Defendants are liable to the Trust Companies and the Receivership Companies for predominant purpose conspiracy and unlawful act conspiracy, amongst other things.

Conversion

174. The Receivership Companies were in possession of, or entitled to immediate possession of, the specific and identifiable funds described above. The Davies Defendants and Singh Former Defendants intentionally and wrongfully converted and/or facilitated the conversion of the Receivership Companies' funds inconsistent with the Receivership Companies' right of possession and other rights, and thereby deprived the Receivership Companies and their creditors, including the Trust Companies, of the benefit of the funds, exposing them to significant liabilities. The Receivership Companies, for the benefit of their creditors, including the Trust Companies, are entitled to recover the amounts that these Defendants have converted.

(c) **Causes of Action Jointly and Severally Asserted by the Receiver on behalf of the Receivership Companies and the Trustee on behalf of all Tier 1 Trust Companies**

Unjust Enrichment

175. As particularized above, some or all of the Defendants received by improper means or purposes monies from the Tier 1 Trust Companies and the Receivership Companies, enriching these Defendants.

176. The Tier 1 Trust Companies and the Receivership Companies have suffered a corresponding deprivation.

177. There is no juristic reason for these Defendants' enrichment or for the Tier 1 Trust Companies' and the Receivership Companies' corresponding deprivation.

178. These Defendants should be held to account for their enrichment and for the corresponding deprivation they have caused.

Constructive Trust(s)

179. Some or all of the Defendants received and retained the Tier 1 Trust Companies' and/or the Development Companies' funds with full knowledge of some or all of the unlawful acts pleaded herein, including Messrs. Davies', Thompson's, Stewart's, Arsenault's, Grace's, Singh's and/or Cassimy's breach of their respective fiduciary and other legal duties owed to the Tier 1 Trust Companies and the Development Companies, as applicable.

180. By virtue of the facts described herein, these Defendants hold all assets, properties, and funds that they diverted, misappropriated and improperly received from the Tier 1 Trust

Companies and the Development Companies, and all traceable products thereof, as trustees of a constructive trust (or trusts) for the benefit of the plaintiffs.

Mr. Cane's Professional Negligence and Breach of Contract

181. As the appraiser for certain of the Development Companies' respective real properties (including, without limitation, all the Receivership Companies' respective real properties), Mr. Cane owed these Development Companies contractual, common law, regulatory, professional and other duties, which required him to bring reasonable care, skill and knowledge to the performance of his professional services in order to meet the standards of a reasonable, competent appraiser.

182. The legal standards of conduct that applied to Mr. Cane are informed by, among other things, the Canadian Uniform Standards of Professional Appraisal Practice, which provide, among other things, that:

- (a) members shall carry out work with integrity, due skill, care and diligence and with proper regard for the technical standards expected of them;
- (b) members shall carry out work in a timely manner and avoid conflicts of interests and situations inconsistent with their professional obligations;
- (c) members shall have the competence for any professional services assignment undertaken; and
- (d) members shall comply with the applicable legislative and/or licensing requirements for all types of professional services assignments undertaken.

183. Mr. Cane knew that his appraisal reports would be used by most of the Development Companies and relied on by the Tier 1 Trust Companies in raising funds from investors and advancing those funds to these Development Companies. Given Mr. Cane's knowledge and all of the other circumstances, he was, and is, subject to a higher standard in performing professional services for these Development Companies.

184. The engagement agreements between Mr. Cane and these Development Companies also contained express and/or implied terms that required Mr. Cane to, among other things, perform his services in a competent, skilled, diligent and workmanlike manner.

185. Mr. Cane breached his contractual, common law, regulatory, professional and other duties owed to each of these Development Companies. Mr. Cane is liable for his acts and omissions as the appraiser for these Development Companies' Projects.

186. The particulars of Mr. Cane's breach of contract, breach of duty and professional negligence include but are not limited to the following errors and omissions made in the course of preparing his appraisal reports and rendering professional services to these Development Companies, many of which are unrelated and gave rise to discrete losses specific to each of these Development Companies and the Tier 1 Trust Companies (other than in respect to the Hazelton Project, for which no losses have been suffered, or the Guildwood Project, the settlement agreement for which treats the Guildwood SMI's indebtedness as having been repaid in full):

- (a) failing to adequately identify the scope of work employed in the appraisal reports;

- (b) failing to make thorough inquiries of the actions of marketplace participants to obtain market derived data that might be relevant to answering the appraisal questions in issue;
- (c) failing to provide market support for supply analysis;
- (d) failing to provide market support for absorption of the proposed units over the development timelines;
- (e) failing to obtain adequate support for the costs of development;
- (f) failing to obtain comparative support for revenues and operating expenses in the development pro formas relied on;
- (g) failing to adequately vet the purported construction costs and other relevant financial information;
- (h) failing to adequately disclose any vetting and/or investigations of factual and/or unaudited information upon which the appraisal reports were based;
- (i) failing to describe and analyze all data relevant to the assignments;
- (j) failing to use comparables and failing to make such inquiries and investigations as were necessary with respect to the use of such comparables;
- (k) failing to take sufficient steps to inform himself about the values of relevant properties and the relevant circumstances which affect the properties;
- (l) basing his appraisal reports on unreasonable, irrational and unrealistic assumptions;

- (m) failing to adequately disclose extraordinary assumptions and hypothetical conditions;
- (n) failing to explore different appraisal techniques that were available in the toolbox of appraisal theory and practice that would have assisted in answering the ultimate questions of value;
- (o) failing to use as many appraisal methodologies as possible to arrive at answers to the inquiries from different approaches so that the most accurate market derived determinations of the ultimate issues were obtained and provided;
- (p) failing to describe and apply the appraisal procedures relevant to the assignments and support the reasons for the exclusion of any of the usual valuation procedures;
- (q) failing to adequately disclose extraordinary limiting conditions necessary for the exclusion of certain valuation approaches in valuing the properties through comparative analyses;
- (r) employing a hybrid valuation methodology and/or other valuation approaches that were not common, proper or appropriate for the given assignments;
- (s) using questionable inputs in the Argus Developer software modelling used in connection with the appraisals;
- (t) relying on unsupported results from the Argus Developer software;
- (u) failing to properly detail the reasoning supporting the analyses, opinions and conclusions of the employed valuation approaches;

- (v) failing to make reasoned reconciliations of the indicators to obtain the best estimates of the answers to the ultimate issues of value;
- (w) failing to provide proper opinions as to whether the analyses and conclusions in the reports were appropriate, reasonable and suitable for reliance by the intended user for the intended use;
- (x) preparing reports that were flawed by inconsistencies, typos, incongruent procedures and incorrect arithmetical results;
- (y) grossly overstating the values of the applicable properties; and/or
- (z) ignoring or, alternatively, failing to identify major red flags which ought to have caused heightened caution relating to the Development Companies' Projects.

187. Further particulars may be provided prior to trial.

188. By virtue of his acts and omissions as described above, Mr. Cane failed to meet the standards of a reasonable, competent appraiser and he was professionally negligent. Mr. Cane also breached express and/or implied terms of his agreements with the applicable Development Companies to provide appraisals with integrity, due skill, care and diligence and with proper regard for the technical standards expected of him. Mr. Cane's failure to appropriately discharge his contractual, common law, regulatory, professional and other duties and obligations owed to these Development Companies allowed a multi-million dollar fraud to be perpetrated by the Davies Defendants and Singh Former Defendants and caused significant damage to these Development Companies and their creditors, including the Tier 1 Trust Companies.

189. Had Mr. Cane fulfilled his duties and professional obligations, the fraud and other misconduct would not have occurred, or it would not have occurred to the same degree or extent.

Harris LLP's and its Lawyers' Breach of Duties, Professional Negligence, Breach of Contract and Knowing Assistance in Breach of Fiduciary Duty

190. Mr. Harris introduced Mr. Davies to Tier 1, which helped set in motion the wheels of the SMI scheme.

191. Harris LLP and its lawyers then provided professional legal services and acted as the solicitors for each of the non-Vaughan Crossings and non-Silver Seven Development Companies in connection with the loan transactions pursuant to which approximately \$131 million in SMI monies were loaned by the Tier 1 Trust Companies to the Development Companies for purposes of purchasing real estate and developing projects thereon.

192. Pursuant to the Loan Agreements, Harris was to charge fees ranging from \$25,000 to \$35,000 on the first advance under a Loan Agreement and \$15,000 to \$20,000 on subsequent advances.

193. Section 2.01 of the Loan Agreements provide that:

- (a) "Borrower's Solicitors" shall mean Harris + Harris LLP, or such other solicitors that the Borrower may in writing designate (except in the case of the Loan Agreements for Vaughan Crossings and Silver Seven, where a third-party law firm is listed as "Borrower's Solicitors"); and
- (b) "Lender's Solicitors" shall mean Nancy Elliot, Barrister & Solicitor, or such other solicitors that the Lender may in writing designate (except in the case of the Loan

Agreements for McMurray, where Harris LLP is listed as both “Lender’s Solicitors” and “Borrower’s Solicitors”, and Vaughan Crossings and Silver Seven, where Harris LLP is listed as “Lender’s Solicitors”).

194. Pursuant to delegation agreements between Harris LLP and Ms. Elliot, certain mortgage administration and facilitation responsibilities were delegated by Ms. Elliot to Harris LLP in connection with the loan transactions. Under these delegation agreements, Harris LLP was delegated the responsibilities of, among other things, holding the Interest Reserve (as defined in the Loan Agreements) in trust for the benefit of the SMI lenders (the Tier 1 Trust Companies) and disbursing the Interest Reserve proceeds to the SMI lenders from its trust account.

195. Harris LLP and, in particular, Mr. Harris, also performed further functions on behalf of the Tier 1 Trust Companies and/or Mr. Singh, including providing ongoing advice and representation to the Tier 1 Trust Companies and/or Mr. Singh with respect to the Loan Agreements and the other affairs and operations of the Tier 1 Trust Companies, including their ongoing relations with the Development Companies and their rights under the Loan Agreements. For these services, Harris LLP was paid by the Development Corporations.

196. Harris LLP and its lawyers, including but not limited to Mr. Harris, also provided ongoing advice and representation to each of the Development Companies (except for Vaughan Crossings and Silver Seven) in respect of other matters unrelated to the loan transactions both before and after funds were advanced to the Development Companies, including advice and representation with respect to incorporation, property acquisitions, property development, zoning, planning and other discrete matters. Essentially, Harris LLP and its lawyers provided ongoing advice and

representation to each of the Development Companies (except for Vaughan Crossings and Silver Seven) in respect of substantially all legal matters relating to the companies and their business.

197. Throughout the retainers, several lawyers at Harris LLP provided legal advice and performed legal services for the various applicable Development Companies, including not only Mr. Harris but also Peter Matukas, Amy Lok and Mark McMackin. Other staff of Harris LLP, including articling students and law clerks, also performed services for the various applicable Development Companies.

198. Each of the Tier 1 Trust Companies and the Development Companies (except in the latter case for Vaughan Crossings and Silver Seven) as well as their respective management were highly reliant upon the legal advice and professional services provided by Harris LLP. At all material times, the Tier 1 Trust Companies and these Development Companies effectively had no other legal counsel advising them other than lawyers of Harris LLP. This fact was well known to Harris LLP and Mr. Harris.

199. Harris LLP and its lawyers owed these Development Companies contractual, professional and other duties, which required them to bring reasonable care, skill and knowledge to the performance of their professional services.

200. Harris LLP held itself out as having “significant experience in commercial real estate transactions, including real estate financing using syndicated mortgages”. It further held itself out as having “extensive experience in buying, selling and financing all types of commercial real estate and all its concomitant perils and nuances.” As the Harris Defendants were hired to provide legal services in the areas of, among other things, real estate law, corporate law and corporate finance requiring expertise, which it and its lawyers claimed to possess, and given all the other

circumstances, the Harris Defendants were, and are, subject to a higher standard in performing legal services for these Development Companies.

201. The legal standards of conduct that applied to Harris LLP and its lawyers are informed by, among other things, the Rules of Professional Conduct of the Law Society of Upper Canada (the “**Rules**”). The Rules state, among other things, that:

- (a) a lawyer is required to perform any legal services undertaken on behalf of a client to the standard of a competent lawyer (Rule 3.1(2));
- (b) when retained by a corporation, a lawyer must recognize that the client is the corporation itself, not the individual members of management or the board of directors (Rule 3.2(3));
- (c) a lawyer shall not knowingly assist in or encourage any dishonesty, fraud, crime, or illegal conduct, or do or omit to do anything that the lawyer ought to know assists in, encourages or facilitates any dishonesty, fraud, crime, or illegal conduct by a client or any other person (Rule 3.2(7));
- (d) a lawyer has a duty to avoid conflicts of interest (Rule 3.4); and
- (e) a lawyer, or two or more lawyers practising in partnership or association, must not act for or otherwise represent both lender and borrower in a mortgage or loan transaction (Rule 3.4(11)).

202. In performing its duties, Harris LLP and its lawyers were also required to:

- (a) make reasonable efforts to ascertain the purpose and objectives of the retainer and to obtain information about the client necessary to fulfill this obligation (Rule 3.2(7.2));
- (b) be on guard against being used as the tool or dupe of an unscrupulous client or persons associated with such a client or any other person (Commentary to Rule 3.2(7)); and
- (c) be vigilant in identifying the presence of 'red flags' in their areas of practice and make inquiries to determine whether a proposed retainer relates to a bona fide transaction (Commentary to Rule 3.2(7)).

203. The retainer agreements between Harris LLP and the respective Tier 1 Trust Companies and Development Companies contained express and/or implied terms that required Harris LLP and its lawyers to, among other things, perform services in a competent manner, act in the best interests of each of the companies and avoid conflicts of interest.

204. Similarly, as fiduciaries, Harris LLP and its lawyers were required to protect and act in the best interests of each of the Tier 1 Trust Companies and the applicable Development Companies while avoiding conflicts of interest.

205. Harris LLP and its lawyers breached their contractual, common law and other duties owed to each of the respective Tier 1 Trust Companies and non-Vaughan Crossings and non-Silver Seven Development Companies. Harris LLP and its lawyers are liable for their acts and/or omissions as the lawyers for the respective Tier 1 Trust Companies and these Development

Companies, which have caused damages to the Tier 1 Trust Companies and the Receivership Companies.

206. The particulars of the Harris Defendants' breach of contract, breach of duty and professional negligence include but are not limited to the following errors and omissions, many of which are unrelated and gave rise to discrete losses specific to each of the Receivership Companies and the Tier 1 Trust Companies (other than in respect to the Hazelton Project, for which no losses have been suffered, or the Guildwood Project, the settlement agreement for which treats the Guildwood SMI's indebtedness as having been repaid in full):

- (a) entering into delegation agreements and/or other formal arrangements pursuant to which Harris LLP and its lawyers acted for both the borrowers and the lenders in connection with certain or all aspects of the various loan transactions;
- (b) acting in the cases set out above for both the Development Companies as borrowers and the Tier 1 Trust Companies as lenders, in a conflict of interest, in connection with certain aspects of the various loan transactions and the ongoing relations between these Development Companies and the Tier 1 Trust Companies;
- (c) providing ongoing advice and representation to the Tier 1 Trust Companies and Tier 1 and/or its representatives, including Mr. Singh, while simultaneously providing ongoing advice and representation to the applicable Development Companies, despite conflicts of interest at the outset and/or the emergence of diverging and conflicting interests;

- (d) failing to recognize when potential conflicts of interest, referred to above, ripened into actual conflicts or, in the alternative, failing to take steps to appropriately avoid or resolve those conflicts;
- (e) failing to recognize inaccuracies and materially misleading information in marketing material being used in connection with the SMI offerings and/or having recognized such inaccuracies and/or materially misleading information and failing to take any adequate steps to correct the information and/or ensure that representations regarding the Tier 1 Trust Companies, the applicable Development Companies and their affairs were true and accurate;
- (f) failing to properly consider and/or advise the Tier 1 Trust Companies of the statutory requirements under relevant legislation, including, for instance, the *Loan and Trust Corporations Act*, R.S.O. 1990, c. L.25, as amended;
- (g) failing to take steps at the outset to properly structure the SMIs and the subsequent loans by the Tier 1 Trust Companies to the Development Companies with appropriate controls to safeguard funds;
- (h) failing to properly consider and/or advise the applicable Development Companies of the regulatory, planning, zoning and other perils and nuances associated with their acquisitions of various real properties;
- (i) failing to recognize and/or to take appropriate steps to ensure that the security of certain of the SMIs was secured on a first-ranked basis against the real property for which the investments were made and the funds were advanced;

- (j) failing to recognize that some of the borrowing of funds by the Development Companies on a first-ranking secured basis was contrary to the representations made to investors in the respective SMIs and/or failing to take appropriate and/or any steps to ensure that such borrowing was appropriately secured;
- (k) failing to advise of and recommend to the applicable Development Companies and Tier 1 Trust Companies appropriate, or any, corporate governance safeguards;
- (l) failing to prevent, facilitating, suggesting and/or directing that intercompany loans be made by certain Receivership Companies to other Receivership Companies in order to fund ongoing interest payment obligations and/or other costs and liabilities;
- (m) failing to prevent, facilitating, suggesting and/or directing that intercompany loans be made by certain Development Companies to non-Development Companies;
- (n) acting for both borrowers and lenders in connection with such intercompany loan transactions (including (1) between and among the Receivership Companies, and (2) between and among the Development Companies and non-Development Companies);
- (o) failing to properly document such intercompany loans;
- (p) failing to ensure such intercompany loans were made on reasonable terms;
- (q) failing to ensure that reasonable or sufficient security was obtained by the lending Development Companies in respect of such intercompany loans;

- (r) disbursing and/or facilitating the disbursement of interest payments to the SMI lenders in respect of one Receivership Company with funds obtained from another Receivership Company, while failing to recognize that this was inappropriate and/or contrary to representations made to investors and the covenants given to the Trust Companies;
- (s) failing to prevent and/or facilitating the funding of liabilities of one Receivership Company with funds obtained from another Receivership Company, while failing to recognize that this was inappropriate and/or contrary to representations made to investors and the covenants given to the Trust Companies;
- (t) acting, and continuing to act, for all of the Development Companies (other than Vaughan Crossings and Silver Seven) notwithstanding the emergence of diverging and conflicting interests between and among them;
- (u) failing to terminate the retainers with the applicable Development Companies when conflicts arose and circumstances rendered the continued representation of some or all of the applicable Development Companies inappropriate;
- (v) ignoring or, alternatively, failing to identify major red flags which ought to have caused heightened caution relating to the Development Companies and their affairs;
- (w) failing to make the requisite inquiries regarding the highly unusual business practices of the Development Companies, the Tier 1 Trust Companies and others;

- (x) failing to insist on the verification of the legitimacy of the Development Companies' business, development Projects, representations and financial condition in light of all the red flags;
- (y) failing to provide appropriate advice regarding the raising of SMI monies in circumstances where it was known that such monies could be applied and used in a manner inconsistent with representations made to investors, brokers and others;
- (z) failing to provide appropriate advice and/or take reasonable, appropriate or adequate steps to address the highly unusual business practices of the Development Companies, the Tier 1 Trust Companies and others; and/or
- (aa) failing to guide the Development Companies and the Tier 1 Trust Companies to act in ways that were ethical and consistent with their responsibilities to their stakeholders and to the public.

207. The Harris Defendants' failure to appropriately discharge the duties owed to the Development Companies (except for Vaughan Crossings and Silver Seven) and the Tier 1 Trust Companies constituted a breach of their duties as these Development Companies' counsel and the Tier 1 Trust Companies' counsel and allowed a multi-million dollar fraud to be perpetrated by the Davies Defendants and Singh Former Defendants on the Receivership Companies and the Tier 1 Trust Companies.

208. By virtue of their positions as lawyers for these Development Companies and the Tier 1 Trust Companies, the Harris Defendants had knowledge of Messrs. Davies', Thompson's, Stewart's, Arsenault's, Grace's, Singh's and Cassimy's fiduciary duties respectively owed to the

Tier 1 Trust Companies and/or the Receivership Companies, as applicable. By virtue of the Harris Defendants' acts and omissions as described above, they knowingly assisted Messrs. Davies, Thompson, Stewart, Aresenault, Grace, Singh and/or Cassimy in breaching their respective fiduciary duties owed to the Tier 1 Trust Companies and Receivership Companies, as applicable.

209. Had the Harris Defendants fulfilled their duties and professional obligations as the lawyers for the Tier 1 Trust Companies and the Receivership Companies, provided proper advice and taken steps to address the misconduct by management of the Tier 1 Trust Companies and the Receivership Companies, the fraud and other misconduct would not have occurred, or it would not have occurred to the same degree or extent.

210. Through their negligent acts and omissions, the Harris Defendants breached their duties and obligations owed to the Development Companies (except for Vaughan Crossings and Silver Seven) and the Tier 1 Trust Companies. As a result, the Receivership Companies and the Tier 1 Trust Companies (and thereby their respective creditors, including public investors), suffered significant damages for which the Harris Defendants are jointly and severally responsible.

Improper Legal Fees Paid to the Harris Defendants

211. The Development Companies improperly paid over \$3.1 million in fees to the Harris Defendants for legal services purportedly rendered by them in connection with the Projects, of which approximately \$2.4 million was paid by the Receivership Companies for which the plaintiffs are seeking recovery, notwithstanding that the Loan Agreements provide a combined estimate for Harris LLP's fees in an amount well-below that.

(d) **Additional Causes of Action Asserted by the Trustee Alone**

Breach of Fiduciary Duty and Duty of Care Owed by Directors & Officers of the Tier 1 Trust Companies

212. The Tier 1 Trust Companies were special purpose entities required to hold the mortgages in trust for the investors and to act in a fiduciary capacity to administer and enforce the mortgages.

213. At all material times, Mr. Singh was the sole director and officer of each of the Tier 1 Trust Companies (other than 445 Trust Co. and Hazelton Trust Co.).

214. At all material times, Mr. Cassimy was a director and officer of 445 Trust Co. and Hazelton Trust Co. However, Mr. Singh also served as a de facto director and officer of 445 Trust Co. and Hazelton Trust Co.

215. By virtue of the positions held by Mr. Singh and Mr. Cassimy, they respectively owed fiduciary duties and duties of care both at common law and pursuant to statute (including pursuant to sections 71 and 134 of the *Business Corporations Act*, RSO 1990, c B 16, as amended, and sections 120 and 122 of the *Canada Business Corporations Act*, RSC, 1985, c C-44, as amended) to the applicable Tier 1 Trust Companies.

216. These duties also formed part of the terms of their employment with the Tier 1 Trust Companies.

217. Their duties required that they, among other things, act diligently and in the Tier 1 Trust Companies' best interests while avoiding conflicts of interest and improper self-dealing.

218. By reason of the facts described above and further summarized below, Mr. Singh and Mr. Cassimy each breached these duties and failed to act in a manner that was required of them.

219. Mr. Singh's and Mr. Cassimy's duties required that they each administer and enforce the applicable SMIs on behalf of the applicable Tier 1 Trust Companies against the applicable Development Companies in the best interests of the Tier 1 Trust Companies' investors.

220. Instead of fulfilling their duties, Mr. Singh and Mr. Cassimy, solicited and/or knowingly obtained appraisal reports that did not reflect the as-is value of the applicable real properties at the time of the SMIs but, rather, reflected the hypothetical value of the fully developed Projects (premised on the successful completion of the proposed developments), such that the Tier 1 Trust Companies and their investors were presented a false and/or misleading appraisal value that failed to disclose to the Tier 1 Trust Companies and their investors that the true values of the properties and corresponding security were inadequate to cover the respective SMIs.

221. They each also failed to notify the investors of numerous Events of Default as defined in the applicable Loan Agreements (for instance, under section 6.01 the Loan Agreements, in which the applicable Development Companies represented that they had obtained all material licences, permits and approvals, which were required and which would allow for the development of the applicable property, which they had not, in fact, obtained). By virtue of their respective failures to properly administer and enforce some or all of the SMIs as required, they caused the Tier 1 Trust Companies to suffer significant losses and harm.

222. Furthermore, they each knowingly and/or recklessly permitted the funds advanced by the Tier 1 Trust Companies to the Development Companies to be used for purposes other than for which they were intended pursuant to the applicable Loan Agreements.

223. As described above, among the improper uses of such funds, were payments and transfers directly or indirectly to Mr. Singh or entities in which he had a financial interest, including but not

limited to certain Receivership Companies. Specifically, Mr. Singh and entities related to him (including Singh Co., Tier 1 Advisory and the Brokers) received undue Broker and Referral fees (approximately \$15.848 million), undue consulting and diligence fees (approximately \$1.45 million), dividends (\$1 million) and/or other amounts to which they were not properly entitled.

224. Mr. Singh and Mr. Cassimy also facilitated and/or furthered Mr. Davies' gross mismanagement and other misconduct vis-à-vis the Receivership Companies, including with respect to the making of improper inter-company transfers as between the Receivership Companies and to affiliates and other related entities.

225. Mr. Singh, who simultaneously to his positions with the Tier 1 Trust Companies, was (i) the President, the CEO and a shareholder of Tier 1 Advisory, (ii) a mortgage agent of FCMC, and (iii) a director, officer, shareholder (either directly or indirectly) and/or a financial interest holder in some or all of the Development Companies. As such, he was in a clear conflict of interest position, which was not properly disclosed to the investors. Among other non-disclosures, Mr. Singh did not disclose that he would benefit from the loans to the entities in which he had a financial interest.

226. Mr. Cassimy, who simultaneously to his positions with 445 Trust Co. and Hazelton Trust Co., was (i) the sole director and officer of FCMC and (ii) the principal mortgage agent of FCMC, was also in a clear conflict of interest position, which was not properly disclosed to the investors.

227. Rather than properly administering and enforcing the SMIs as required, Mr. Singh and/or Mr. Cassimy were instead driven to further market SMIs and raise as much money as possible from further investors in order to obtain further Broker and Referral Fees, consulting and diligence

fees and other compensation while simultaneously feeding more funds to the Development Companies in which Mr. Singh had a financial interest.

228. Mr. Cassimy and entities related to him (including FCMC) received undue Broker and Referral fees totaling \$9.8 million and/or other amounts to which they were not properly entitled.

229. The Tier 1 Trust Companies were vulnerable to the unilateral exercise of Mr. Singh's and Mr. Cassimy's discretion and power, particularly given that they were the controlling mind of the applicable Tier 1 Trust Companies.

230. They effectively treated the applicable Tier 1 Trust Companies as their own personal fiefdom, without due regard for transparency, disclosure, the avoidance of self-dealing and conflicts of interest.

231. By reason of the facts described above, Mr. Singh and Mr. Cassimy breached their respective statutory, common law and employment duties to the applicable Tier 1 Trust Companies including, but not limited to, their fiduciary duties of good faith, honest performance and loyalty and their duties of care.

232. Mr. Singh, and the companies which he owned, directed and/or managed (including the Brokers), failed to comply with minimum standards of practice, including failing to provide investors with proper disclosure of material risks, and failing to conduct proper suitability analyses to ensure that the SMIs were suitable for the investors to whom they were presented, marketed and sold.

233. Mr. Singh also conducted the business of the Trust Companies in a manner that contravened applicable statutes and regulations. Among other things, the Trust Companies were

required to be licensed under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, S.O. 2006, c. 29, as amended (the “**MBLAA**”) because they performed mortgage administration functions; however, contrary to the MBLAA, the Trust Companies were never licensed as required. Likewise, Mr. Singh himself was never licensed as a mortgage administrator under the MBLAA, yet this is the very function he was required to perform.

234. The Trust Companies were also not licensed to carry on business as trust corporations in Ontario. Consequently, Mr. Singh conducted their business in a manner that contravened the *Loan and Trust Corporations Act*, R.S.O. 1990, c. L.25, as amended.

235. Mr. Singh also caused and/or allowed the Trust Companies and the Development Companies to engage in business with companies that he owned, directed and/or managed (including Tier 1 Advisory and the Brokers), which had widespread, systematic and recurrent failures to abide by the basic consumer protection measures put in place by the MBLAA, which resulted in, among other things, the Superintendent of Financial Services revoking the licenses of the Brokers and Mr. Singh (amongst others), preventing them from dealing or trading in mortgages in Ontario. Likewise, Tier 1 Advisory was ordered by the regulator to cease and desist its operations for improperly soliciting persons or entities to borrow or lend money on the security of real property; providing information about a prospective borrower to a prospective lender; assessing prospective borrowers on behalf of prospective lenders; negotiating or arranging SMIs on behalf of another person and entity; and/or providing fees and remuneration to licensed and unlicensed individuals.

Knowing Assistance in Breach of Fiduciary Duty

236. FCMC knew of Messrs. Singh's and Cassimy's fiduciary duties owed to the applicable Tier 1 Trust Companies.

237. Notwithstanding its knowledge, FCMC willfully induced and/or assisted these Defendants to breach their respective fiduciary duties owed to the applicable Tier 1 Trust Companies, including by, among other things, encouraging and/or causing them to raise funds from investors and not enforce or properly administer the SMIs such that certain Tier 1 Trust Companies and Development Companies could solicit and obtain further funds from investors and FCMC could continue to earn further Broker and Referral fees. FCMC knowingly participated in, and assisted, Messrs. Singh's and Cassimy's conduct in this respect.

238. The Trustee has suffered damages as a direct result of FCMC's inducement and assistance, and Messrs. Singh's and Cassimy's corresponding breach of their fiduciary duties owed to the applicable Tier 1 Trust Companies.

239. As such, FCMC holds any proceeds of the scheme, including all Broker and Referral fees, as a constructive trustee for the Trustee.

240. The Trustee claims the return of those proceeds in whatever form to which they can be traced and claim damages against FCMC to the extent that such proceeds have been dissipated.

241. Besides FCMC, the defendants Messrs. Singh and Cassimy were aware of each other's fiduciary duties owed to the applicable Tier 1 Trust Companies, yet willfully induced and/or assisted one another in breaching their respective fiduciary duties.

242. These defendants are jointly and several liable to the applicable Tier 1 Trust Companies for all losses resulting from such breaches of fiduciary duties and other misconduct.

The Elliot Defendants' Negligence, Breach of Contract, Breach of Fiduciary Duty and Knowing Assistance in Breach of Fiduciary Duty

243. The Elliot Defendants purported to render professional legal services and act as the solicitors for all the Tier 1 Trust Companies except for McMurray Trust Co. (and Scollard/Vaughan Crossings/Silver Seven Trust Co. to the extent of its advancement of monies to Vaughan Crossings and Silver Seven) in connection with the loan transactions pursuant to which approximately \$107 million in SMI monies were loaned by these Tier 1 Trust Companies to these Development Companies for purposes of purchasing real estate and developing the Projects thereon.

244. Although under the applicable Loan Agreements, the "Lender's Solicitors" are defined to mean Ms. Elliot, at or around the time that funds were advanced by the applicable Tier 1 Trust Companies to the applicable Development Companies, Ms. Elliot delegated substantially all of her duties to Harris LLP, the borrower's solicitors. In doing so, she created, facilitated the creation of and/or furthered a conflict of interest situation in which Harris LLP and its lawyers acted for both borrowers and lenders under the applicable Loan Agreements.

245. Ms. Elliot effectively acted as a "straw man" under the applicable Loan Agreements in order to lend these Loan Agreements an air of legitimacy and create the false impression of an arm's length relationship between the borrowers and lenders when, in fact, the applicable Tier 1 Trust Companies and Development Companies were not at arm's length and were being directed by persons with conflicts of interest.

246. The Elliot Defendants owed the applicable Tier 1 Trust Companies duties in contract and at common law, which required them to, among other things, bring reasonable care, skill and knowledge to the performance of their professional services.

247. As immigration law practitioners, the Elliot Defendants were not qualified to act as corporate counsel to the applicable Tier 1 Trust Companies under the Loan Agreements and they failed to meet the requisite degree of care, skill and knowledge required of them in the performance, if any, of their professional services.

248. The Elliot Defendants failed to provide appropriate advice to the applicable Tier 1 Trust Companies and/or take reasonable, appropriate or adequate steps to protect their interests, including by, among other things, making the following errors and omissions, many of which are unrelated and gave rise to discrete losses specific to each of the applicable Tier 1 Trust Companies (other than in respect to the Hazelton Project, for which no losses have been suffered, or the Guildwood Project, the settlement agreement for which treats the Guildwood SMI's indebtedness as having been repaid in full):

- (a) failing to advise the applicable Tier 1 Trust Companies of the perils of having the Harris Defendants act for both them as lenders and the Development Companies as borrowers in connection with the Loan Agreements and the related matters thereunder;
- (b) failing to ensure the applicable Tier 1 Trust Companies received appropriate, independent advice and representation in connection with the Loan Agreements and the related matters thereunder; and

- (c) failing to appropriate diligence the applicable loan transactions to adequately protect the interests of the Tier 1 Trust Companies, including against, among other things, (i) transactions proceeding with what was clearly inadequate security to satisfy the amount of the mortgage loans and (ii) inter-company transfers and other payments being made by the Development Companies in the face of contractual provisions in the Loan Agreements prohibiting such transfers.

249. By virtue of their acts and omissions, the Elliot Defendants breached their duties and obligations owed to the applicable Tier 1 Trust Companies. Had the Elliot Defendants fulfilled their duties and professional obligations as the lawyers for the applicable Tier 1 Trust Companies, provided proper advice and taken steps to address the misconduct by management of the Tier 1 Trust Companies and the Harris Defendants, the damages claimed would not have been suffered, or they would not have suffered to the same degree or extent.

250. The Elliot Defendants also knowingly assisted the Harris Defendants' breach of their fiduciary and other legal duties owed to the Development Companies by delegating certain responsibilities to Harris LLP and allowing the Harris Defendants to act for both the Development Companies, as borrowers, and the Tier 1 Trust Companies, as lenders, on virtually all aspects of the loan transactions and the ongoing relations as between these companies. As a result, the Tier 1 Trust Companies, the Development Companies and their creditors, including public investors, suffered significant damages for which the Elliot Defendants are jointly and severally responsible.

Improper Legal Fees Paid to the Elliot Defendants

251. The Development Companies paid approximately \$410,000 in fees to the Elliot Defendants for legal services purportedly rendered by them to the applicable Tier 1 Trust Companies in

connection with the Loan Agreements, of which approximately \$354,000 was paid by the Receivership Companies to the Elliot Defendants. However, the Elliot Defendants delegated all, or substantially all, of their responsibilities to Harris LLP and performed virtually no services, or no services of value, for the Tier 1 Trust Companies and the Development Companies. These are fees to which the Elliot Defendants are not properly entitled.

Losses and Harm

252. The conduct of the Defendants as described above has caused, and is continuing to cause, reasonably foreseeable and proximate damage to the Tier 1 Trust Companies, the Receivership Companies and their respective creditors, including financial losses and loss of profitable business opportunities, the full extent of which has not yet fully materialized and is not yet fully known to the plaintiffs at this time.

253. Specifically:

- (a) Scollard/Vaughan Crossings/Silver Seven Trust Co.:
 - (i) held an SMI in the principal amount of \$13.6 million over Scollard's real property, which was registered on title behind encumbrances of approximately \$2.5 million. The Receiver conducted a thorough marketing and sale process for Scollard's real property, resulting in a Court-approved sale for approximately \$11.1 million;
 - (ii) held an SMI in the principal amount of approximately \$14.8 million over Vaughan Crossings' real property, which was registered on title behind encumbrances in excess of \$11.5 million. Vaughan Crossings' real property

was worth no more than \$15 million. To preserve the SMI investors' interest in Vaughan Crossings' real property in some capacity, the Court approved a \$15 million sale transaction pursuant to which, in substance, the SMI was partially converted into an equity position in the purchaser (which purchaser had to borrow \$15 million against the real property to fund the transaction), with the balance of the SMI retained by Scollard/Vaughan Crossings/Silver Seven Trust Co. on an entirely unsecured basis (for which balance of the SMI Vaughan Crossings has no assets to satisfy). The Court ordered that the Trustee has no further interests, duties or obligations in respect of the purchaser of Vaughan Crossings' real property; and

- (iii) held an SMI in the principal amount of approximately \$6 million over Silver Seven's real property, which was registered on title behind encumbrances in excess of \$15 million. The Court approved a settlement transaction pursuant to which Silver Seven paid approximately \$2.9 million to the Trustee in exchange for certain conditional releases and an assignment.
- (b) Kitchener Trust Co. holds an SMI in the principal amount of approximately \$10.6 million over Kitchener's real property, which is registered on title behind encumbrances of approximately \$1.5 million. No transaction has resulted to date from the Receiver's thorough marketing and sale process for Kitchener's real property, which real property was purchased by Kitchener in 2014 for \$3.95 million.
- (c) Oakville/Burlington/Guildwood/Legacy Lane Trust Co.:

- (i) held an SMI in the principal amount of approximately \$9 million over Oakville's real property, which was registered on title behind encumbrances in excess of \$1 million. The Receiver conducted a thorough marketing and sale process for Oakville's real property, resulting in a Court-approved sale for approximately \$4.2 million;
 - (ii) held an SMI in the principal amount of approximately \$8.3 million over Burlington's real property, which is registered on title behind encumbrances of approximately \$2 million. The Receiver conducted a thorough marketing and sale process for Burlington's real property, resulting in a Court-approved sale for approximately \$3.4 million;
 - (iii) held an SMI in the principal amount of approximately \$6 million over Guildwood's real property, which was registered on title behind encumbrances in excess of \$1 million. The Court approved a settlement transaction pursuant to which Guildwood paid approximately \$4.1 million to the Trustee in exchange for certain releases; and
 - (iv) held an SMI in the principal amount of approximately \$3.5 million over Legacy Lane's real property. The Receiver conducted a thorough marketing and sale process for Legacy Lane's real property, resulting in a Court-approved sale for approximately \$650,000.
- (d) 525 Trust Co. held an SMI in the principal amount of approximately \$6.4 million over 525 Princess' real property. The Receiver conducted a thorough marketing

and sale process for 525 Princess' real property, resulting in a Court-approved sale for approximately \$2.1 million.

- (e) 555 Trust Co. held an SMI in the principal amount of approximately \$8 million over 555 Princess' real property. The Receiver conducted a thorough marketing and sale process for 555 Princess' real property, resulting in a Court-approved sale for approximately \$2.1 million.
- (f) 445 Trust Co. held an SMI in the principal amount of approximately \$8.5 million over certain of 445 Princess' real property, which was registered on title behind encumbrances of approximately \$7 million. The Receiver conducted a thorough marketing and sale process for 445 Princess' applicable real property, resulting in a Court-approved sale for approximately \$7.55 million.
- (g) McMurray Trust Co. held an SMI in the principal amount of approximately \$3.5 million over McMurray's real property, which was registered on title behind encumbrances in excess of \$2 million. McMurray's real property was sold by private sale by a prior-ranking mortgagee for approximately \$2.8 million.
- (h) Bronson Trust Co. held an SMI in the principal amount of approximately \$10.9 million over Bronson's real property, which was registered on title behind encumbrances in excess of \$5.5 million. Bronson's real property was sold by private sale by a prior-ranking mortgagee for approximately \$7.2 million.
- (i) Ross Park Trust Co. holds an SMI in the principal amount of approximately \$11.6 million over Ross Park's real property, which is registered on title behind a

conditional \$4 million mortgage and certain other encumbrances. The Court has approved a sale transaction for \$7.25 million (of which only approximately \$2.25 million in cash is to be paid on closing, with the balance satisfied by a new mortgage) that is to be shared between the two mortgages, which sale transaction has closed.

- (j) Keele Medical Trust Co. holds an SMI in the principal amount of approximately \$4.0 million over Keele Medical's real property, which is registered on title behind encumbrances of approximately \$6 million and certain additional liens. Keele Medical purchased its real property in 2012 and 2014 for the aggregate of approximately \$10.2 million.
- (k) Hazelton Trust Co. held an SMI in the principal amount of approximately \$6.3 million over Hazelton's real property, which was registered on title behind encumbrances in excess of \$2 million. The Court approved a settlement transaction pursuant to which Hazelton paid approximately \$6.6 million to the Trustee in exchange for certain releases.

254. The Defendants' conduct has exposed most of the Development Companies, including all of the Receivership Companies, to significant liabilities in the form of claims for damages and losses from their creditors, including, most notably, the applicable Tier 1 Trust Companies on behalf of the innocent investors whose funds were misappropriated.

255. At the commencement of the initial receivership proceeding for Scollard in February 2017, the secured debt obligations of the Receivership Companies alone totalled approximately \$120 million, including approximately \$94 million owing to the Trust Companies prior to interest and

costs (being monies raised by the Trust Companies from investors), and the balance owing to other lenders, primarily mortgagees.

256. Payments to date to secured lenders of the Receivership Companies total approximately \$33 million, including approximately \$11 million to the Trust Companies (being only approximately 12% of the total funds advanced by the Trust Companies to the Receivership Companies).

257. The payments to the Trust Companies have been used to cover the professional costs in those proceedings and to repay a small portion of the investor debt on certain projects, which amounts will be determined through the Receivership proceedings.

258. As at September 26, 2018, the only realizable assets of the Receivership Companies to satisfy the remaining secured debt obligations (and all the other debt obligations and liabilities of the Receivership Companies) are the unsold real properties for which the Receivership Companies collectively paid approximately \$3.95 million, or the undistributed proceeds from the sales of the real properties.

259. Some or all of the Defendants not only stripped the Receivership Companies of millions of dollars and preferred their own interests over those of the Receivership Companies and their creditors (including the investing public), but they also deprived the Receivership Companies of the opportunity to pursue legitimate and profitable real estate development and other revenue-generating business opportunities, causing considerable additional losses and damages to the Receivership Companies.

260. The plaintiffs have incurred, and are continuing to incur, costs and out-of-pocket expenses relating to investigations into the Defendants' acts and omissions, which special damages shall be particularized prior to trial.

261. Full particulars of the Tier 1 Trust Companies' and the Receivership Companies' damages will be provided prior to trial.

262. As a result of a court-approved settlement reached between the Trustee and the Receiver, on the one hand, and the Singh Former Defendants, on the other hand, as well as a court-approved settlement between the Trustee and the Receiver, on the one hand, and Mr. Grace, on the other hand, the Trustee and the Receiver seek no damages or other relief attributable to the Singh Former Defendants or Mr. Grace. The Trustee and the Receiver seek damages and other relief solely as against the remaining Defendants on a several basis from the Singh Former Defendants and Mr. Grace (though on a joint and several basis as between all remaining Defendants, excluding the Singh Former Defendants and Mr. Grace).

Punitive Damages

~~262.~~ 263. The Davies Defendants' and Singh Former Defendants' actions constitute a wanton, callous, high-handed and outrageous disregard for the Tier 1 Trust Companies' and the Development Companies' rights and interests, and for the rights and interests of their creditors, particularly the investing public whose funds were misappropriated. These Defendants deliberately and willfully undertook the fraudulent and unlawful activities described herein in an underhanded manner, knowing that their conduct was wrong and would cause harm to the Tier 1 Trust Companies, the Development Companies and their creditors. The Thompson, Stewart, Harris, Elliot and Cane Defendants, as well as MCIL, TSI and TSSI were financially incentivized

to allow this fraud to proceed in breach of the fiduciary, contractual, common law, professional, equitable and/or other duties they respectively owed. The conduct of these Defendants ought to therefore attract the disapproval of this Honourable Court and result in a material award of punitive and/or exemplary damages as well as costs on an elevated scale.

Mareva Injunction

~~263.— Following their improper conduct as described above, and after the commencement of the initial receivership proceeding for Scollard in February 2017, Mr. and Ms. Davies embarked on a course of conduct designed to liquidate their assets and put them beyond the reach of the Receivership Companies and their creditors. Among other things, on April 25, 2017, Mr. Davies sold his family cottage located in Gravenhurst, Ontario for approximately \$3 million.~~

~~264.— Mr. and Ms. Davies also attempted, and continue to attempt, to sell their personal residence located in King City, Ontario, which they jointly own in their capacities as trustees of the Davies Family Trust, as well as their personal belongings, such as art, jewelry and other assets.~~

~~265.— Given the duplicitous and deceitful manner in which Mr. Davies, Ms. Davies and Aeolian have acted, together with all the surrounding circumstances, including Mr. Davies' sale of the family cottage and Mr. and Ms. Davies' attempted sale of their personal residence as well as their sale and transferring of other personal assets, there is a real and demonstrated risk that Mr. and Ms. Davies as well as Aeolian, the Davies Family Trust and the Davies Arizona Trust (all three of which are controlled by Mr. Davies and/or Ms. Davies) will dissipate assets and/or permanently abscond with the Receivership Companies' funds to avoid enforcement of any judgment the plaintiffs may ultimately obtain. In all the circumstances, interim, interlocutory and permanent~~

~~injunctive relief, *inter alia*, enjoining these Defendants from accessing, liquidating, dissipating, alienating or otherwise dealing with their assets is necessary, just and appropriate.~~

~~266. The conduct of the Davies Defendants as described above has also caused, and is continuing to cause, irreparable harm to the Receivership Companies and their creditors. In the absence of relief from this Honourable Court, the Davies Defendants will be able to liquidate and alienate assets, and/or continue to liquidate and alienate assets, thereby causing the Receivership Companies and their creditors further harm which would not be compensable in damages alone.~~

Legislation

~~267. 263. 264.~~ The plaintiffs plead and rely on all of the provisions of the following statutes, among others, all as amended:

- (a) *Assignments and Preferences Act*, RSO 1990, c A 33;
- (b) *Bankruptcy and Insolvency Act*, RSC 1985, c B-3;
- (c) *Business Corporations Act*, RSO 1990, c B 16;
- (d) *Canada Business Corporations Act*, RSC 1985, c C-44;
- (e) *Fraudulent Conveyances Act*, RSO 1990, Chapter F 29;
- (f) *Loan and Trust Corporations Act*, RSO 1990, c L 25; and
- (g) *Mortgage Brokerages, Lenders and Administrators Act, 2006*, SO 2006, c 29.

Place of Trial

~~268.~~ ~~264.~~ 265. The plaintiffs propose that the trial of this action take place in the City of Toronto in the Province of Ontario.

October 3, 2018
May 29, 2019
December 17, 2019
August 11, 2020

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Lawyers for the Plaintiff, KSV Kofman Inc., in its
capacity as court-appointed Receiver

**GRANT THORNTON LIMITED, in its capacity as Trustee of
Textbook Student Suites (525 Princess Street) Trustee
Corporation et al.**

v.

JOHN DAVIES et al.

Plaintiffs

Defendants

Court File No: CV-18-606314-00CL

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

PROCEEDING COMMENCED AT TORONTO

THIRD AMENDED STATEMENT OF CLAIM

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appointed Receiver

Lawyers for the Plaintiff, Grant Thornton
Limited, in its capacity as court-
appointed Trustee

TAB D

Appendix “D”

SETTLEMENT AGREEMENT

THIS AGREEMENT, effective this 7th day of February, 2022

AMONGST:

KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC., TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.

(in such capacity, the "**Receiver**")

-and-

GRANT THORNTON LIMITED, IN ITS CAPACITY AS THE COURT-APPOINTED TRUSTEE OF TEXTBOOK STUDENT SUITES (525 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (555 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (ROSS PARK) TRUSTEE CORPORATION, 2223947 ONTARIO LIMITED, MC TRUSTEE (KITCHENER) LTD., SCOLLARD TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE) TRUSTEE CORPORATION, 7743718 CANADA INC., KEELE MEDICAL TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (445 PRINCESS STREET) TRUSTEE CORPORATION AND HAZELTON 4070 DIXIE ROAD TRUSTEE CORPORATION

(in such capacity, the "**Trustee**")

-and-

DAVID ARSENAULT

("Mr. Arsenault" or the "**Settling Defendant**")

WHEREAS:

- A. Grant Thornton Limited was appointed as the Trustee pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued on October 27, 2016 (the "**Trustee Proceedings**");
- B. KSV Restructuring Inc. (f/k/a KSV Kofman Inc.) was appointed as the Receiver pursuant to Orders of the Court issued on February 2, 2017, April 28, 2017, May 2, 2017, January 9, 2018 and May 30, 2018 (the "**Receiver Proceedings**");
- C. The Trustee and the Receiver commenced an action in the Court by the issuance of a Statement of Claim dated October 3, 2018 in Court File No. CV-18-606314-00CL (the "**Action**") against the Settling Defendant and the following parties: Bhaktraj Singh a.k.a. Raj Singh, RS Consulting Group Inc., Tier 1 Transaction Advisory Services Inc., Aeolian Investments Ltd., John Davies in his personal capacity and in his capacity as trustee of both the Davies Arizona Trust and the Davies Family Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Davies Family Trust, Gregory Harris in his personal capacity and in his capacity as trustee of the Davies Family Trust, Harris + Harris LLP, Nancy Elliot, Elliot Law Professional Corporation, Walter Thompson, 1321805 Ontario Inc., Bruce Stewart, the Traditions Development Company Ltd., James Grace, Jude Cassimy, First Commonwealth Mortgage Corporation, Memory Care Investments Ltd., Textbook Suites Inc., Textbook Student Suites Inc. and Michael Cane;
- D. The Trustee and the Receiver previously entered into a settlement with Bhaktraj Singh a.k.a. Raj Singh, RS Consulting Group Inc. and Tier 1 Transaction Advisory Services Inc., which was approved by the Court pursuant to the Order of Justice Hainey dated November 18, 2019;
- E. The Trustee and the Receiver previously entered into a settlement with James Grace, which was approved by the Court pursuant to the Order of Justice Hainey dated July 14, 2020;
- F. The Trustee and the Receiver previously entered into a settlement with Nancy Elliot and Elliot Law Professional Corporation, which was approved by the Court pursuant to the Order of Justice Hainey dated May 13, 2021;
- G. The Trustee and the Receiver intend to continue the Action and potentially commence, continue and pursue other claims and proceedings against the following parties, among others: Aeolian Investments Ltd., John Davies in his personal capacity and in his capacity as trustee of both the Davies Arizona Trust and the Davies Family Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Davies Family Trust, Gregory Harris in his personal capacity and in his capacity as trustee of the Davies Family Trust, Harris + Harris LLP, Walter Thompson, 1321805 Ontario Inc., Bruce Stewart, the Traditions Development Company Ltd., Jude Cassimy, First Commonwealth Mortgage Corporation, Memory Care Investments Ltd., Textbook Suites Inc., Textbook Student Suites Inc. and Michael Cane (collectively, in any and all capacities, and together with any and all other parties or potential parties in the Action and in any other claims and proceedings commenced, continued or pursued by the Trustee or the Receiver, but excluding Mr. Arsenault in any and all capacities, the "**Non-Settling Defendants**");

- H. The Trustee and the Receiver, on the one hand, and the Settling Defendant, on the other hand, wish to resolve all of the known and unknown facts and issues in dispute amongst them and all of the known and unknown claims that have been or could be commenced or asserted by the Trustee or the Receiver against the Settling Defendant, whether in the Action or in a separate claim or proceeding, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action;
- I. In that regard, the Settling Defendant has agreed to, among other things (and subject to and in accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto), pay the Trustee and the Receiver, or as they may direct, the all-inclusive sum of fifty thousand dollars in lawful Canadian currency (CDN \$50,000.00), including all costs and applicable taxes (the "**Settlement Funds**"), and provide cooperation to the Trustee and the Receiver in connection with the Action and any of their other claims and proceedings against the Non-Settling Defendants;
- J. In turn, the Trustee and the Receiver have agreed to, among other things (and subject to and in accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto):
- i. accept the Settlement Funds in full and final satisfaction of the Action, and any other potential claims and proceedings, against the Settling Defendant;
 - ii. discontinue the Action as against the Settling Defendant on a strictly with prejudice, without costs basis;
 - iii. refrain from commencing or continuing claims or proceedings against the Settling Defendant; and
 - iv. fully and finally release the Settling Defendant; and
- L. The Trustee and the Receiver intend to preserve all of their rights and remedies, and all claims they have in the Action or otherwise, against the Non-Settling Defendants, continue the Action against the Non-Settling Defendants and possibly continue, commence and pursue further claims and proceedings against all or some of the Non-Settling Defendants, subject to and in accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto.

NOW THEREFORE in consideration of the promises set forth herein, the mutual covenants and agreements contained herein, and for further and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The above recitals are true and accurate, and form part of this Agreement together with the Schedules attached hereto.
2. The Trustee and the Receiver shall apply to the Court for, and recommend, an order approving and giving full effect to this Agreement, including all of the Schedules attached hereto (the "**Order**"). The Order shall include language substantially in the form of the draft language attached hereto as **Schedule "B"**. In the event the Court declines to issue the Order, this Agreement, including the Schedules attached hereto, shall be null and void and of no further force or effect.

3. Prior to the issuance of the Order, the Trustee and the Receiver shall each provide the Settling Defendant with an executed full and final release substantially in the form attached hereto as Schedule "A" (the "**Full and Final Release**"), which shall be held in escrow by counsel to the Settling Defendant, and not released, unless and until the Order is issued by the Court.
4. The Settling Defendant shall pay, or cause to be paid, the Settlement Funds to the Trustee and the Receiver, or as they may direct, within three (3) weeks of the Order being issued by the Court.
5. In the event of a material failure by the Settling Defendant to pay the Settlement Funds in accordance with this Agreement, the Trustee and the Receiver shall notify the Settling Defendant of the default in writing within fourteen (14) days. If the Settling Defendant remedies any default within seven (7) days of the notice, the default shall be considered cured. If a material failure by the Settling Defendant to pay the Settlement Funds in accordance with the terms of this Agreement is not cured, the Full and Final Release will be immediately revocable at the option of the Trustee and the Receiver and, upon revocation, of no further force or effect.
6. As soon as reasonably possible following both the issuance of the Order and the payment of the Settlement Funds in accordance with paragraph 4 hereof, the Trustee and the Receiver shall discontinue the Action as against the Settling Defendant on a strictly with prejudice and without costs basis, and shall amend their statement of claim in the Action so as to continue the Action against the Non-Settling Defendants only.
7. In accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto, the Receiver and Trustee shall not be entitled to recover from the Non-Settling Defendants any damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief ("**Monetary Relief**") that corresponds to the proportion of any judgment that, had the Settling Defendant not settled, the Court would have apportioned to him. The Receiver and Trustee shall be entitled to recover from the Non-Settling Defendants only such claims for Monetary Relief attributable to the aggregate of the several liability of the Non-Settling Defendants. For greater certainty, if the Court ultimately awards Monetary Relief to the Receiver or the Trustee against the Non-Settling Defendants and finds, holds, orders, or declares that the Non-Settling Defendants have the right or ability to pass any liability for such Monetary Relief or a portion thereof onto the Settling Defendant, or the right or ability to seek or claim contribution or indemnity for such Monetary Relief or a portion thereof from the Settling Defendant, the Trustee and the Receiver waive their rights to recover such Monetary Relief with respect to such portion attributable to the Settling Defendant and this paragraph and Agreement shall act as a complete estoppel of any recovery sought by the Receiver or Trustee against any person on such basis.
8. The Settling Defendant shall provide the following cooperation to the Trustee and the Receiver in relation to their claims and proceedings against the Non-Settling Defendants, including, but not limited to, in the Action:
 - (a) Two (2) 4-hour sessions with the Receiver and the Trustee at which the Settling Defendant will, in a question and answer format, provide an account of the facts known to him that are relevant to such claims and proceedings; and

- (b) Produce relevant non-privileged documents, records and information over which the Settling Defendant has possession, power or control that have not yet been disclosed in his affidavit of documents or otherwise produced in the Action.

In no way is this paragraph or this Agreement intended to be, nor is it, a waiver of any privilege that the Settling Defendant has over such information, documents and records, and the Receiver and the Trustee are not entitled to receive any privileged information of the Settling Defendant by virtue of this paragraph or this Agreement. Given the Trustee's and the Receiver's desire to limit costs and maximize recovery for stakeholders, the Settling Defendant's agreement to cooperate is a material factor influencing the Trustee's and the Receiver's respective decisions to enter into and execute this Agreement and compromise their claims against the Settling Defendant.

9. This Agreement is entered into for purposes of settlement and compromise only. This Agreement will not in any way be construed as an admission by any party, and the parties hereto each specifically disclaim any liability in connection with the Action.
10. The parties to this Agreement hereby declare, represent and warrant that they have consulted with and been advised by independent legal counsel with respect to the terms of the settlement set forth herein, that they have read and fully understand all of the terms and consequences of this Agreement, including all of the Schedules attached hereto, and that they enter into this Agreement freely and voluntarily, without coercion or duress, and without reliance upon any representation, warranty, condition or agreement, whether written or oral, other than as expressly set out or referred to herein.
11. The parties to this Agreement shall execute all documents and take all steps as are necessary and reasonable to accomplish the objectives of this Agreement, including its Schedules, and give effect thereto.
12. All notices contemplated herein are to be delivered by email to the Receiver at bellj@bennettjones.com / blinickj@bennettjones.com, to the Trustee at iaversa@airdberlis.com / mspence@airdberlis.com, and to the Settling Defendant at ccaruana@wvllp.ca / darsenault64@gmail.com.
13. This Agreement may not be altered, amended or modified except by written agreement of the parties to this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Any dispute arising out of or in connection with this Agreement shall be exclusively and finally determined by the Court.
14. The terms of this Agreement shall enure to the benefit of, and be binding upon, the parties hereto and their respective heirs, successors and assigns, as applicable.
15. This Agreement, including the Schedules attached hereto, constitutes the entire agreement among the parties, and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.
16. This Agreement, including the Schedules attached hereto, may be executed in counterparts, all of which taken together shall be deemed to constitute one and the same instrument, and a facsimile, email or electronically transmitted or electronically

executed signature shall be deemed an original signature and of equally binding force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective this 7th day of February, 2022, notwithstanding the actual date of execution:

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE
COURT-APPOINTED TRUSTEE
OF TEXTBOOK STUDENT
SUITES (525 PRINCESS
STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (555
PRINCESS STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (ROSS PARK)
TRUSTEE CORPORATION,
2223947 ONTARIO LIMITED,
MC TRUSTEE (KITCHENER)
LTD., SCOLLARD TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (774
BRONSON AVENUE) TRUSTEE
CORPORATION, 7743718
CANADA INC., KEELE
MEDICAL TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (445
PRINCESS STREET) TRUSTEE
CORPORATION AND
HAZELTON 4070 DIXIE ROAD
TRUSTEE CORPORATION**

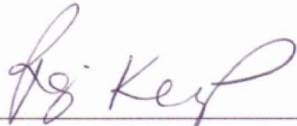


Witness Name: Miranda Spence



**Name: J. Krieger
Title: Sr. Vice President**

KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.



Witness Name: Raj Kashyap



Name: Bobby Kofman
Title: Managing Director

Witness Name:

DAVID ARSENAULT



KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.

Witness Name:

Witness Name:

Leslie Arsenault

Name:

Title:

DAVID ARSENAULT

SCHEDULE "A"
FORM OF FULL AND FINAL RELEASE

WHEREAS this is a mutual Full and Final Release between:

Grant Thornton Limited, in its capacity as the court-appointed Trustee of Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation (the "**Trustee**") and KSV Restructuring Inc. (f/k/a KSV Kofman Inc.), in its capacity as the court-appointed Receiver and Manager of certain property of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (445 Princess Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street Investments Inc. (the "**Receiver**")

-and-

David Arsenault and all predecessors, successors, heirs and assigns (collectively referred to as "**Mr. Arsenault**" or the "**Settling Defendant**", and, together with the Receiver and the Trustee, the "**Parties**" and, individually, a "**Party**")

relating to: (1) the proceedings, exclusively as against the Settling Defendant, in the Ontario Superior Court of Justice (Commercial List) in Toronto bearing Court File No. CV-18-606314-00CL (the "**Action**"); (2) all of the known and unknown facts and issues in dispute amongst the Parties and all of the known and unknown claims that have been or could be commenced or asserted by the Trustee or the Receiver against the Settling Defendant, whether in the Action or in a separate claim or proceeding, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action, and (3) facts and issues arising from or relating to the Settling Defendant's involvement in: (i) the syndicated mortgage investments with Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation (collectively, the "**Trustee Companies**"); and (ii) the real estate development projects of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (445 Princess Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street Investments Inc. (collectively, the "**Development Companies**") (collectively, the "**Released Matters**");

AND WHEREAS the Trustee and the Receiver, on the one hand, and the Settling Defendant, on the other hand, wish to fully and finally resolve and settle the Released Matters insofar as they

relate to the Released Parties (as defined below) and have agreed to release each other from any and all manners of Claims (as defined below) relating to the Released Matters, subject to the terms and conditions of the Settlement Agreement to which this Full and Final Release is attached as **Schedule "A"**,

NOW THEREFORE in consideration of the mutual covenants contained in this Full and Final Release and the terms set out in the Settlement Agreement to which this Full and Final Release is attached as **Schedule "A"**, and for other good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged by the Parties:

1. The recitals set out above are true and accurate, and form part of this Full and Final Release.
2. The Receiver and the Trustee, on the one hand, and the Settling Defendant, on the other, hereby fully and forever release, remise, acquit and discharge each other and, as applicable, their respective predecessors, successors, heirs and assigns (collectively, the "**Released Parties**"), from any and all manners of action, causes of action, suits, claims, proceedings, debts, covenants, obligations, penalties, indemnities, demands, issues, damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief, losses, injuries and liabilities of any and every nature whatsoever, whether in law or in equity (each a "**Claim**", and collectively, the "**Claims**") arising out of or in any way relating to the Released Matters (the "**Released Claims**"), provided, however, that nothing in this Full and Final Release shall in any way release or affect, or shall be considered, construed or deemed to release or affect any of the Parties' rights or obligations under the Settlement Agreement, including but not limited to the Trustee's and the Receiver's rights to revoke this Full and Final Release in accordance with the terms of the Settlement Agreement or the Trustee's and Receiver's rights to pursue Claims as against parties other than the Settling Defendant.
3. If any Released Claims are advanced against the Settling Defendant for any cause, matter, or thing relating to the Released Matters dealt with in the Full and Final Release, this Full and Final Release may be raised as a complete bar to any such Claim and may be relied upon in any effort to dismiss the Claim on a summary basis and no objection will be raised by either the Receiver or the Trustee that any of the parties in the subsequent action or other proceeding were not privy to the formation of this Full and Final Release.
4. The Receiver and Trustee warrant that they have not assigned to any person, firm, corporation or other entity any right of action or application, cause of action nor application or claims which are released by this Full and Final Release.
5. Without limiting the generality of the foregoing, the Parties declare that the intent of this Full and Final Release is to conclude all issues in respect of, relating to or arising out of the Released Claims and it is understood and agreed that this Full and Final Release is intended to cover, and does cover, not only all known injuries, losses and damages in respect of the Released Claims, but also injuries, losses and damages in respect of the Released Claims not now known or anticipated but which may later be discovered, including all the effects and consequences thereof. For greater clarity, the releases provided in paragraph 2 hereof shall in no way be considered, construed or deemed in any way to release or affect any claim arising from future events, or any claim based on past events that the Trustee or the Receiver have against any persons, corporations, or entities other than the Released Parties.

6. The Parties each covenant and agree that this Full and Final Release shall be binding upon and shall enure to the benefit of the respective successors, assigns and legal or personal representatives of the Parties, as applicable.
7. The Parties understand, acknowledge and agree that this Full and Final Release shall be effective upon the issuance of a court order approving the settlement as contemplated under the terms of the Settlement Agreement.
8. The Parties agree that this Full and Final Release shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada as applicable therein. Any dispute arising from or relating to the interpretation, application or enforcement of this Full and Final Release shall be exclusively within the jurisdiction of the Ontario Superior Court of Justice (Commercial List), and the Parties hereby irrevocably attorn to the exclusive jurisdiction of such Court with respect to any and all matters covered by, or in any way relating to, this Full and Final Release.
9. The Parties each covenant and agree that each part and provision of this Full and Final Release is distinct and severable and if, in any jurisdiction, any part or provision of this Full and Final Release or its application to any Party or circumstance is restricted, prohibited or unenforceable, for public policy reasons or otherwise, that that part or provision shall be interpreted in a manner so as to not make it unenforceable at law, but if such interpretation is not possible, the Parties agree that the part or provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining parts and provisions hereof and without affecting the validity or enforceability of such part or provision in any other jurisdiction or its application to other parties or circumstances.
10. The Parties each hereby expressly acknowledge, declare and agree that they have had an opportunity to fully review this Full and Final Release and they have consulted with independent legal counsel. The Parties each acknowledge, declare and agree that they fully understand the meaning and effect of each paragraph of this Full and Final Release and freely and voluntarily agree to its terms for the purpose of making full and final compromise, adjustment and settlement of the Released Matters. The Parties each further expressly acknowledge, declare and agree that there is no condition, express or implied, or collateral agreement affecting their respective abilities to enter into this Full and Final Release, other than those set out in the Settlement Agreement to which this Full and Final Release is attached. The Parties further acknowledge and agree that any statute, case law, or rule of interpretation or construction that would or might cause any part or provision of this Full and Final Release to be construed against the drafters of this Full and Final Release shall be of no force or effect.
11. The Parties each agree that this Full and Final Release may be executed in any number of counterparts, all of which taken together shall be deemed to constitute one and the same instrument, and a facsimile, email or electronically transmitted or electronically executed signature shall be deemed an original signature and of equally binding force and effect.

[Remainder of Page Intentionally Left Blank]

The parties hereto have duly executed this Full and Final Release effective this 7th day of February, 2022, notwithstanding the actual date of execution:

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE
COURT-APPOINTED TRUSTEE
OF TEXTBOOK STUDENT
SUITES (525 PRINCESS
STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (555
PRINCESS STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (ROSS PARK)
TRUSTEE CORPORATION,
2223947 ONTARIO LIMITED,
MC TRUSTEE (KITCHENER)
LTD., SCOLLARD TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (774
BRONSON AVENUE) TRUSTEE
CORPORATION, 7743718
CANADA INC., KEELE
MEDICAL TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (445
PRINCESS STREET) TRUSTEE
CORPORATION AND
HAZELTON 4070 DIXIE ROAD
TRUSTEE CORPORATION**

Witness Name:

Name:

Title:

**KSV RESTRUCTURING INC. (F/K/A
KSV KOFMAN INC.), IN ITS
CAPACITY AS THE COURT-
APPOINTED RECEIVER AND
MANAGER OF CERTAIN PROPERTY
OF SCOLLARD DEVELOPMENT
CORPORATION, MEMORY CARE
INVESTMENTS (KITCHENER) LTD.,
MEMORY CARE INVESTMENTS
(OAKVILLE) LTD., 1703858 ONTARIO
INC., LEGACY LANE INVESTMENTS
LTD., TEXTBOOK (525 PRINCESS
STREET) INC. AND TEXTBOOK (555
PRINCESS STREET) INC.,
TEXTBOOK (445 PRINCESS STREET)
INC., MCMURRAY STREET
INVESTMENTS INC., TEXTBOOK (774
BRONSON AVENUE) INC., AND
TEXTBOOK ROSS PARK INC.**

Witness Name:

Name:
Title:

Witness Name:

DAVID ARSENAULT

SCHEDULE "B"**FORM OF DRAFT LANGUAGE TO BE INCORPORATED INTO DRAFT ORDER**

1. **THIS COURT ORDERS AND DECLARES** that David Arsenault (the "**Settling Defendant**") and his predecessors, successors and heirs (collectively, the "**Released Parties**") are hereby fully and finally released and discharged (subject to and in accordance with the terms, conditions and exceptions provided in the Settlement Agreement dated February 7, 2022, including the schedules attached thereto (the "**Agreement**")) from any and all manners of action, causes of action, suits, claims, proceedings, debts, covenants, obligations, penalties, indemnities, demands, issues, damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief, losses, injuries and liabilities of any and every nature whatsoever, whether in law or in equity (each a "**Claim**", and collectively, the "**Claims**") that the Trustee (as defined in the Agreement) and/or the Receiver (as defined in the Agreement) has or may have against them arising out of or in any way relating to the Released Matters (as defined below).

2. **THIS COURT ORDERS AND DECLARES** that the Released Parties are hereby fully and finally released and discharged (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) from any Claim or Claims that the Non-Settling Defendants (as defined in the Agreement) or any one of them, including Aeolian Investments Ltd., John Davies in his personal capacity and in his capacity as trustee of both the Davies Arizona Trust and the Davies Family Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Davies Family Trust, Gregory Harris in his personal capacity and in his capacity as trustee of the Davies Family Trust, Harris + Harris LLP, Walter Thompson, 1321805 Ontario Inc., Bruce Stewart, the Traditions Development Company Ltd., Jude Cassimy, First Commonwealth Mortgage Corporation, Memory Care Investments Ltd., Textbook Suites Inc., Textbook Student Suites Inc., and/or Michael Cane, has or may have against them for contribution or indemnity in the Action or in a separate claim or proceeding commenced by the Trustee or the Receiver, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action or which in any way relate to the Released Matters (as defined below).

3. **THIS COURT ORDERS AND DECLARES** that the Receiver and the Trustee shall not be entitled to recover from the Non-Settling Defendants (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached

thereto) any damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief ("**Monetary Relief**") that corresponds to the proportion of any judgment that, had the Settling Defendant not settled, the Court would have apportioned to the Settling Defendant. The Receiver and the Trustee shall (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) only be entitled to recover from the Non-Settling Defendants such claims for Monetary Relief attributable to the aggregate of the several liability of the Non-Settling Defendants. For greater certainty, if the Court ultimately awards Monetary Relief to the Receiver or the Trustee against the Non-Settling Defendants, the Trustee and the Receiver shall (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) have no right to recover any such portion of such Monetary Relief attributable to the Settling Defendant.

4. **THIS COURT ORDERS AND DECLARES** that, for the purposes of this Order, the "**Released Matters**" means: (1) the proceedings in the Ontario Superior Court of Justice (Commercial List) in Toronto bearing Court File No. CV-18-606314-00CL (the "**Action**"); (2) all of the known and unknown facts and issues in dispute amongst the Trustee (as defined in the Agreement) and the Receiver (as defined in the Agreement), on the one hand, and the Released Parties, on the other hand, and all of the known and unknown Claims that have been or could be commenced or asserted by the Trustee or the Receiver against the Settling Defendant, whether in the Action or in a separate claim or proceeding, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action; and (3) facts and issues arising from or relating to: (i) the syndicated mortgage investments with Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation (collectively, the "**Trustee Companies**"); and (ii) the real estate development projects of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (445 Princess Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street

Investments Inc. (collectively, the "**Development Companies**") (collectively, the "**Released Matters**").

5. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of the Trustee Proceedings (as defined in the Agreement);
- (b) the pendency of the Receiver Proceedings (as defined in the Agreement);
- (c) the pendency of the Action;
- (d) any applications for any bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of one or more of any of the Settling Defendant, the Non-Settling Defendants, the Trustee Companies, the Development Companies or any of their respective predecessors, successors or heirs (collectively, the "**Identified Parties**"), and any bankruptcy order issued pursuant to any such applications; and
- (e) any assignment in bankruptcy made in respect of any of the Identified Parties.

the payment to the Trustee and the Receiver, or as they may direct, of the Settlement Funds (as defined in the Agreement) shall be binding on any trustee in bankruptcy that is now or that may be appointed in respect of any of the Identified Parties and shall not be void or voidable by creditors of any of the Identified Parties, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) at any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

6. **THIS COURT ORDERS** that, in respect of the policy of insurance issued by AIG Canada ("**AIG**") bearing Policy # 01-592-49-06 and effective July 28, 2016 to July 28, 2017 (the "**Policy**"):

- (a) The payment made on behalf of the Settling Defendant pursuant to the Agreement (the "**Payment**") does not violate the interests of any person or entity potentially covered under the Policy;
- (b) The Payment constitutes covered Loss as defined in the Policy;
- (c) The Payment reduces the Separate Limit of Liability (as defined in the Policy) under the Policy for all purposes, regardless of any subsequent finding by any court, tribunal, administrative body or arbitrator, in any proceeding or action, that Settling Defendant engaged in conduct that triggered or may have triggered any exclusion, term or condition of the Policy, or any of them, so as to disentitle him to coverage under the Policy;

- (d) The Payment is without prejudice to any coverage position or reservations of rights taken by AIG in relation to any other matter advised to AIG or any other Claim (as defined in the Policy) made or yet to be made against the Insured, provided that neither coverage nor the Payment in respect of the settlement of this action will be voided or impacted by any such coverage position or reservation of rights;
- (e) The Payment fully and finally releases AIG from any further obligation, and from any and all claims against it under or in relation to the Policy, solely in respect of the portion of the Separate Limit of Liability that was expended to fund the Payment; and
- (f) AIG is directed to make the Payment on behalf of the Settling Defendant in full satisfaction of the Settling Defendant's payment obligations under the Agreement.

7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Trustee, the Receiver and their respective 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 Trustee and the Receiver, as officers of this Court, as may be necessary or desirable to give effect to this order or to assist the Trustee, the Receiver and their respective agents in carrying out the terms of this Order.

T A B L E

Appendix “E”

SETTLEMENT AGREEMENT

THIS AGREEMENT, effective this 17th day of January, 2023

AMONGST:

KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC., TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.

(in such capacity, the "**Receiver**")

-and-

GRANT THORNTON LIMITED, IN ITS CAPACITY AS THE COURT-APPOINTED TRUSTEE OF TEXTBOOK STUDENT SUITES (525 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (555 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (ROSS PARK) TRUSTEE CORPORATION, 2223947 ONTARIO LIMITED, MC TRUSTEE (KITCHENER) LTD., SCOLLARD TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE) TRUSTEE CORPORATION, 7743718 CANADA INC., KEELE MEDICAL TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (445 PRINCESS STREET) TRUSTEE CORPORATION AND HAZELTON 4070 DIXIE ROAD TRUSTEE CORPORATION

(in such capacity, the "**Trustee**")

-and-

MICHAEL CANE

("Mr. Cane" or the "**Settling Defendant**")

WHEREAS:

- A. Grant Thornton Limited was appointed as the Trustee pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued on October 27, 2016 (the "**Trustee Proceedings**");
- B. KSV Restructuring Inc. (f/k/a KSV Kofman Inc.) was appointed as the Receiver pursuant to Orders of the Court issued on February 2, 2017, April 28, 2017, May 2, 2017, January 9, 2018 and May 30, 2018 (the "**Receiver Proceedings**");
- C. The Trustee and the Receiver commenced an action in the Court by the issuance of a Statement of Claim dated October 3, 2018 in Court File No. CV-18-606314-00CL (the "**Action**") against the Settling Defendant and the following parties: Bhaktraj Singh a.k.a. Raj Singh, RS Consulting Group Inc., Tier 1 Transaction Advisory Services Inc., Aeolian Investments Ltd., John Davies in his personal capacity and in his capacity as trustee of both the Davies Arizona Trust and the Davies Family Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Davies Family Trust, Gregory Harris in his personal capacity and in his capacity as trustee of the Davies Family Trust, Harris + Harris LLP, Nancy Elliot, Elliot Law Professional Corporation, Walter Thompson, 1321805 Ontario Inc., Bruce Stewart, the Traditions Development Company Ltd., David Arsenault, James Grace, Jude Cassimy, First Commonwealth Mortgage Corporation, Memory Care Investments Ltd., Textbook Suites Inc. and Textbook Student Suites Inc.;
- D. The Trustee and the Receiver previously entered into a settlement with Bhaktraj Singh a.k.a. Raj Singh, RS Consulting Group Inc. and Tier 1 Transaction Advisory Services Inc., which was approved by the Court pursuant to the Order of Justice Hainey dated November 18, 2019;
- E. The Trustee and the Receiver previously entered into a settlement with James Grace, which was approved by the Court pursuant to the Order of Justice Hainey dated July 14, 2020;
- F. The Trustee and the Receiver previously entered into a settlement with Nancy Elliott and Elliott Law Professional Corporation, which was approved by the Court pursuant to the Order of Justice Hainey dated May 13, 2021;
- G. The Trustee and the Receiver previously entered into a settlement with David Arsenault, which has not yet been approved by the Court but for which court-approval will be sought in due course;
- H. The Trustee and the Receiver intend to continue the Action and potentially commence, continue and pursue other claims and proceedings against the following parties, among others: Aeolian Investments Ltd., John Davies in his personal capacity and in his capacity as trustee of both the Davies Arizona Trust and the Davies Family Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Davies Family Trust, Gregory Harris in his personal capacity and in his capacity as trustee of the Davies Family Trust, Harris + Harris LLP, Walter Thompson, 1321805 Ontario Inc., Bruce Stewart, the Traditions Development Company Ltd., Jude Cassimy, First Commonwealth Mortgage Corporation, Memory Care Investments Ltd., Textbook

Suites Inc., and Textbook Student Suites Inc. (collectively, in any and all capacities, and together with any and all other parties or potential parties in the Action and in any other claims and proceedings commenced, continued or pursued by the Trustee or the Receiver, but excluding Mr. Cane in any and all capacities, the "**Non-Settling Defendants**");

- I. The Trustee and the Receiver, on the one hand, and the Settling Defendant, on the other hand, wish to resolve all of the known and unknown facts and issues in dispute amongst them and all of the known and unknown claims that have been or could be commenced or asserted by the Trustee or the Receiver against the Settling Defendant, whether in the Action or in a separate claim or proceeding, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action;
- J. In that regard, the Settling Defendant has agreed to, among other things (and subject to and in accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto), pay the Trustee and the Receiver, or as they may direct, the all-inclusive sum of one million five hundred thousand dollars in lawful Canadian currency (CDN \$1,500,000.00), including all costs and applicable taxes (the "**Settlement Funds**"), and provide cooperation to the Trustee and the Receiver in connection with the Action and any of their other claims and proceedings against the Non-Settling Defendants;
- K. In turn, the Trustee and the Receiver have agreed to, among other things (and subject to and in accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto):
 - i. accept the Settlement Funds in full and final satisfaction of the Action, and any other potential claims and proceedings, against the Settling Defendant;
 - ii. discontinue the Action as against the Settling Defendant on a strictly with prejudice, without costs basis;
 - iii. refrain from commencing or continuing claims or proceedings against the Settling Defendant; and
 - iv. fully and finally release the Settling Defendant; and
- L. The Trustee and the Receiver intend to preserve all of their rights and remedies, and all claims they have in the Action or otherwise, against the Non-Settling Defendants, continue the Action against the Non-Settling Defendants and possibly continue, commence and pursue further claims and proceedings against all or some of the Non-Settling Defendants, subject to and in accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto.

NOW THEREFORE in consideration of the promises set forth herein, the mutual covenants and agreements contained herein, and for further and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The above recitals are true and accurate, and form part of this Agreement together with the Schedules attached hereto.
2. The Trustee and the Receiver shall apply to the Court for, and recommend, an order approving and giving full effect to this Agreement, including all of the Schedules attached hereto (the "**Order**"). The Order shall include language substantially in the form of the draft language attached hereto as **Schedule "B"**. In the event the Court declines to issue the Order, this Agreement, including the Schedules attached hereto, shall be null and void and of no further force or effect.
3. Prior to the issuance of the Order:
 - (a) Mr. Cane shall provide the Trustee and the Receiver with a declaration in the form of an affidavit or a statutory declaration (the "**Declaration**") confirming that his personal assets, outside of his personal residence, are less than one million Canadian dollars (CDN\$1,000,000.00), in the form attached hereto as **Schedule "C"**. The Declaration is a material factor influencing the Trustee's and the Receiver's respective decisions to enter into and execute this Agreement and compromise their claims against the Settling Defendant; and
 - (b) the Trustee and the Receiver shall each provide the Settling Defendant with an executed full and final release substantially in the form attached hereto as **Schedule "A"** (the "**Full and Final Release**"), which shall be held in escrow by counsel to the Settling Defendant, and not released, unless and until the Order is issued by the Court.
4. The Trustee and the Receiver each agree to keep the Declaration confidential and to not disclose the Declaration or the information therein except if such disclosure is required by law.
5. The Settling Defendant shall pay, or cause to be paid, the Settlement Funds to the Trustee and the Receiver, or as they may direct, within thirty (30) days of the Order being issued by the Court.
6. In the event of a material failure by the Settling Defendant to pay the Settlement Funds in accordance with this Agreement, the Trustee and the Receiver shall notify the Settling Defendant of the default in writing. If the Settling Defendant remedies any default within seven (7) days of the notice, the default shall be considered cured. If a material failure by the Settling Defendant to pay the Settlement Funds in accordance with the terms of this Agreement is not cured, the Full and Final Release will be immediately revocable at the option of the Trustee and the Receiver and, upon revocation, of no further force or effect.
7. As soon as reasonably possible following both the issuance of the Order and the payment of the Settlement Funds in accordance with paragraph 5 hereof, the Trustee and the Receiver shall discontinue the Action as against the Settling Defendant on a strictly with prejudice and without costs basis, and shall amend their statement of claim in the Action so as to continue the Action against the Non-Settling Defendants only.

8. In accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto, the Receiver and the Trustee shall not be entitled to recover from the Non-Settling Defendants any damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief ("**Monetary Relief**") that corresponds to the proportion of any judgment that, had the Settling Defendant not settled, the Court would have apportioned to him. The Receiver and the Trustee shall be entitled to recover from the Non-Settling Defendants only such claims for Monetary Relief attributable to the aggregate of the several liability of the Non-Settling Defendants. For greater certainty, if the Court ultimately awards Monetary Relief to the Receiver or the Trustee against the Non-Settling Defendants and finds, holds, orders, or declares that the Non-Settling Defendants have the right or ability to pass any liability for such Monetary Relief or a portion thereof onto the Settling Defendant, or the right or ability to seek or claim contribution or indemnity for such Monetary Relief or a portion thereof from the Settling Defendant, the Trustee and the Receiver waive their rights to recover such Monetary Relief with respect to such portion attributable to the Settling Defendant and this paragraph and Agreement shall act as a complete estoppel of any recovery sought by the Receiver or the Trustee against any person on such basis.
9. The Settling Defendant shall provide the following cooperation to the Trustee and the Receiver in relation to their claims and proceedings against the Non-Settling Defendants, including, but not limited to, in the Action:
 - (a) Two (2) 2-hour sessions with the Receiver and the Trustee, at which the Settling Defendant's counsel shall be entitled to be present, at which the Settling Defendant will, in a question and answer format, provide an account of the facts known to him that are relevant to such claims and proceedings; and

In no way is this paragraph or this Agreement intended to be, nor is it, a waiver of any privilege that the Settling Defendant has over any information, documents and records, and the Receiver and the Trustee are not entitled to receive any privileged information of the Settling Defendant by virtue of this paragraph or this Agreement. Given the Trustee's and the Receiver's desire to limit costs and maximize recovery for stakeholders, the Settling Defendant's agreement to cooperate is a material factor influencing the Trustee's and the Receiver's respective decisions to enter into and execute this Agreement and compromise their claims against the Settling Defendant.

10. This Agreement is entered into for purposes of settlement and compromise only. This Agreement will not in any way be construed as an admission by any party, and the parties hereto each specifically disclaim any liability in connection with the Action.
11. The parties to this Agreement hereby declare, represent and warrant that they have consulted with and been advised by independent legal counsel with respect to the terms of the settlement set forth herein, that they have read and fully understand all of the terms and consequences of this Agreement, including all of the Schedules attached hereto, and that they enter into this Agreement freely and voluntarily, without coercion or duress, and without reliance upon any representation, warranty, condition or agreement, whether written or oral, other than as expressly set out or referred to herein. The parties to this Agreement further acknowledge and agree that any statute, case law, or rule of interpretation or construction that would or might cause any part or provision

of this Agreement to be construed against the drafters of this Agreement shall be of no force or effect.

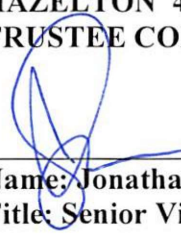
12. The parties to this Agreement shall execute all documents and take all steps as are necessary and reasonable to accomplish the objectives of this Agreement, including its Schedules, and give effect thereto.
13. All notices contemplated herein are to be delivered by email to the Receiver at bellj@bennettjones.com / blinickj@bennettjones.com, to the Trustee at iaversa@airdberlis.com / mspence@airdberlis.com, and to the Settling Defendant at cafonso@sblegal.ca.
14. This Agreement may not be altered, amended or modified except by written agreement of the parties to this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Any dispute arising out of or in connection with this Agreement shall be exclusively and finally determined by the Court, and the parties to this Agreement hereby irrevocably attorn to the exclusive jurisdiction of such Court with respect to any and all matters covered by, or in any way relating to, this Agreement.
15. The parties to this Agreement each covenant and agree that each part and provision of this Agreement is distinct and severable and if, in any jurisdiction, any part or provision of this Agreement or its application to any party to this Agreement or circumstance is restricted, prohibited or unenforceable, for public policy reasons or otherwise, that that part or provision shall be interpreted in a manner so as to not make it unenforceable at law, but if such interpretation is not possible, the parties to this Agreement agree that the part or provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining parts and provisions hereof and without affecting the validity or enforceability of such part or provision in any other jurisdiction or its application to other parties or circumstances.
16. The terms of this Agreement shall enure to the benefit of, and be binding upon, the parties hereto and their respective heirs, successors and assigns, as applicable.
17. This Agreement, including the Schedules attached hereto, constitutes the entire agreement among the parties, and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.
18. This Agreement, including the Schedules attached hereto, may be executed in counterparts, all of which taken together shall be deemed to constitute one and the same instrument, and a facsimile, email or electronically transmitted or electronically executed signature shall be deemed an original signature and of equally binding force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective this 17th day of January, 2023, notwithstanding the actual date of execution:

GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE
COURT-APPOINTED TRUSTEE
OF TEXTBOOK STUDENT
SUITES (525 PRINCESS
STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (555
PRINCESS STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (ROSS PARK)
TRUSTEE CORPORATION,
2223947 ONTARIO LIMITED,
MC TRUSTEE (KITCHENER)
LTD., SCOLLARD TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (774
BRONSON AVENUE) TRUSTEE
CORPORATION, 7743718
CANADA INC., KEELE
MEDICAL TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (445
PRINCESS STREET) TRUSTEE
CORPORATION AND
HAZELTON 4070 DIXIE ROAD
TRUSTEE CORPORATION



Witness Name: Ian Aversa



Name: Jonathan Krieger
Title: Senior Vice President

KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.



Witness Name: Raj Kashyap



Name: Bobby Kofman
Title: Managing Director

Witness Name:

MICHAEL CANE

KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.

Witness Name:

Name: Bobby Kofman
Title: Managing Director

Lorraine Cane

Witness Name:

Michael Cane

MICHAEL CANE

SCHEDULE "A"
FORM OF FULL AND FINAL RELEASE

WHEREAS this is a mutual Full and Final Release between:

Grant Thornton Limited, in its capacity as the court-appointed Trustee of Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation (the "**Trustee**") and KSV Restructuring Inc. (f/k/a KSV Kofman Inc.) in its capacity as the court-appointed Receiver and Manager of certain property of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (445 Princess Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street Investments Inc. (the "**Receiver**")

-and-

Michael Cane (the "**Settling Defendant**" and, together with the Receiver and the Trustee, the "**Parties**" and, individually, a "**Party**")

relating to: (1) the proceedings, exclusively as against the Settling Defendant, in the Ontario Superior Court of Justice (Commercial List) in Toronto bearing Court File No. CV-18-606314-00CL (the "**Action**"); (2) all of the known and unknown facts and issues in dispute amongst the Parties and all of the known and unknown claims that have been or could be commenced or asserted by the Trustee or the Receiver against the Settling Defendant, whether in the Action or in a separate claim or proceeding, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action, and (3) facts and issues arising from or relating to the Settling Defendant's involvement in: (i) the syndicated mortgage investments with Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation (collectively, the "**Trustee Companies**"); and (ii) the real estate development projects of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (445 Princess Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street Investments Inc. (collectively, the "**Development Companies**") (collectively, the "**Released Matters**");

AND WHEREAS the Trustee and the Receiver, on the one hand, and the Settling Defendant, on the other hand, wish to fully and finally resolve and settle the Released Matters insofar as they relate to the Released Parties (as defined below) and have agreed to release each other from any and all manners of Claims (as defined below) relating to the Released Matters, subject to the terms and conditions of the Settlement Agreement to which this Full and Final Release is attached as Schedule "A",

NOW THEREFORE in consideration of the mutual covenants contained in this Full and Final Release and the terms set out in the Settlement Agreement to which this Full and Final Release is attached as Schedule "A", and for other good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged by the Parties:

1. The recitals set out above are true and accurate, and form part of this Full and Final Release.
2. The Receiver and the Trustee, on the one hand, and the Settling Defendant, on the other, hereby fully and forever release, remise, acquit and discharge each other and, as applicable, their respective predecessors, successors, heirs and assigns (collectively, the "**Released Parties**"), from any and all manners of action, causes of action, suits, claims, proceedings, debts, covenants, obligations, penalties, indemnities, demands, issues, damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief, losses, injuries and liabilities of any and every nature whatsoever, whether in law or in equity (each a "**Claim**", and collectively, the "**Claims**") arising out of or in any way relating to the Released Matters (the "**Released Claims**"), provided, however, that nothing in this Full and Final Release shall in any way release or affect, or shall be considered, construed or deemed to release or affect any of the Parties' rights or obligations under the Settlement Agreement, including but not limited to the Trustee's and the Receiver's rights to revoke this Full and Final Release in accordance with the terms of the Settlement Agreement, and the Trustee's and the Receiver's rights to pursue Claims as against parties other than the Settling Defendant.
3. Without limiting the generality of the foregoing, the Parties declare that the intent of this Full and Final Release is to conclude all issues in respect of, relating to or arising out of the Released Claims and it is understood and agreed that this Full and Final Release is intended to cover, and does cover, not only all known injuries, losses and damages in respect of the Released Claims, but also injuries, losses and damages in respect of the Released Claims not now known or anticipated but which may later be discovered, including all the effects and consequences thereof. For greater clarity, the releases provided in paragraph 2 hereof shall in no way be considered, construed or deemed in any way to release or affect any claim arising from future events, or any claim based on past events that the Trustee or the Receiver have against any persons, corporations, or entities other than the Released Parties.
4. In the event the Trustee and the Receiver commence any new proceedings related to the Released Claims or seek to add any new defendants to the Action, whereby the parties to such new proceeding or any such new defendants in the Action might claim contribution from or seek to be indemnified by the Settling Defendant, under the provisions of any statute, common law, equity or otherwise, the Trustee and the Receiver agree that they will not be entitled to recover any portion of liability that is attributed to the Settling Defendant, subject to and in accordance with paragraph 8 of the Settlement Agreement to which this Full and Final Release is attached.

5. The Trustee and the Receiver hereby warrant and confirm that they have not assigned to any person or entity any right of action, cause of action, claim, suit, judgment or demand that is released by the terms of this Full and Final Release.
6. The Parties each covenant and agree that this Full and Final Release shall be binding upon and shall enure to the benefit of the respective successors, assigns and legal or personal representatives of the Parties, as applicable.
7. The Parties understand, acknowledge and agree that this Full and Final Release shall be effective upon the issuance of a court order approving the settlement as contemplated under the terms of the Settlement Agreement.
8. The Parties agree that this Full and Final Release shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada as applicable therein. Any dispute arising from or relating to the interpretation, application or enforcement of this Full and Final Release shall be exclusively within the jurisdiction of the Ontario Superior Court of Justice (Commercial List), and the Parties hereby irrevocably attorn to the exclusive jurisdiction of such Court with respect to any and all matters covered by, or in any way relating to, this Full and Final Release.
9. The Parties each covenant and agree that each part and provision of this Full and Final Release is distinct and severable and if, in any jurisdiction, any part or provision of this Full and Final Release or its application to any Party or circumstance is restricted, prohibited or unenforceable, for public policy reasons or otherwise, that that part or provision shall be interpreted in a manner so as to not make it unenforceable at law, but if such interpretation is not possible, the Parties agree that the part or provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining parts and provisions hereof and without affecting the validity or enforceability of such part or provision in any other jurisdiction or its application to other parties or circumstances.
10. The Parties each hereby expressly acknowledge, declare and agree that they have had an opportunity to fully review this Full and Final Release and they have consulted with independent legal counsel. The Parties each acknowledge, declare and agree that they fully understand the meaning and effect of each paragraph of this Full and Final Release and freely and voluntarily agree to its terms for the purpose of making full and final compromise, adjustment and settlement of the Released Matters. The Parties each further expressly acknowledge, declare and agree that there is no condition, express or implied, or collateral agreement affecting their respective abilities to enter into this Full and Final Release, other than those set out in the Settlement Agreement to which this Full and Final Release is attached. The Parties further acknowledge and agree that any statute, case law, or rule of interpretation or construction that would or might cause any part or provision of this Full and Final Release to be construed against the drafters of this Full and Final Release shall be of no force or effect.
11. The Parties each agree that this Full and Final Release may be executed in any number of counterparts, all of which taken together shall be deemed to constitute one and the same instrument, and a facsimile, email or electronically transmitted signature shall be deemed an original signature and of equally binding force and effect.

12. By their signatures below, the Trustee and the Receiver authorize and direct the Settling Defendant to make payment of any amounts due under the Settlement Agreement to counsel for the Trustee, Aird & Berlis LLP in Trust.

The Parties have duly executed this Full and Final Release effective this 17th day of January, 2023 notwithstanding the actual date of execution:

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE
COURT-APPOINTED TRUSTEE
OF TEXTBOOK STUDENT
SUITES (525 PRINCESS
STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (555
PRINCESS STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (ROSS PARK)
TRUSTEE CORPORATION,
2223947 ONTARIO LIMITED,
MC TRUSTEE (KITCHENER)
LTD., SCOLLARD TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (774
BRONSON AVENUE) TRUSTEE
CORPORATION, 7743718
CANADA INC., KEELE
MEDICAL TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (445
PRINCESS STREET) TRUSTEE
CORPORATION AND
HAZELTON 4070 DIXIE ROAD
TRUSTEE CORPORATION**

Witness Name:

**Name: Jonathan Krieger
Title: Senior Vice President**

KSV KOFMAN INC., IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.

Witness Name:

Name: Bobby Kofman
Title: Managing Director

Witness Name:

MICHAEL CANE

SCHEDULE "B"**FORM OF DRAFT LANGUAGE TO BE INCORPORATED INTO DRAFT ORDER**

1. **THIS COURT ORDERS AND DECLARES** that Michael Cane (the "**Settling Defendant**") and his predecessors, successors and heirs (collectively, the "**Released Parties**") are hereby fully and finally released and discharged (subject to and in accordance with the terms, conditions and exceptions provided in the Settlement Agreement dated January 17, 2023, including the Schedules attached thereto (the "**Agreement**")) from any and all manners of action, causes of action, suits, claims, proceedings, debts, covenants, obligations, penalties, indemnities, demands, issues, damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief, losses, injuries and liabilities of any and every nature whatsoever, whether in law or in equity (each a "**Claim**", and collectively, the "**Claims**") that the Trustee (as defined in the Agreement) and/or the Receiver (as defined in the Agreement) has or may have against them arising out of or in any way relating to the Released Matters (as defined below).

2. **THIS COURT ORDERS AND DECLARES** that the Released Parties are hereby fully and finally released and discharged (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) from any Claim or Claims that the Non-Settling Defendants (as defined in the Agreement) or any one of them, including Aeolian Investments Ltd., John Davies in his personal capacity and in his capacity as trustee of both the Davies Arizona Trust and the Davies Family Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Davies Family Trust, Gregory Harris in his personal capacity and in his capacity as trustee of the Davies Family Trust, Harris + Harris LLP, Walter Thompson, 1321805 Ontario Inc., Bruce Stewart, the Traditions Development Company Ltd., Jude Cassimy, First Commonwealth Mortgage Corporation, Memory Care Investments Ltd., Textbook Suites Inc. and/or Textbook Student Suites Inc., has or may have against them for contribution or indemnity in the Action or in a separate claim or proceeding commenced by the Trustee or the Receiver, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action or which in any way relate to the Released Matters (as defined below).

3. **THIS COURT ORDERS AND DECLARES** that the Receiver and the Trustee shall not be entitled to recover from the Non-Settling Defendants (subject to and in accordance with the

terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) any damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief ("**Monetary Relief**") that corresponds to the proportion of any judgment that, had the Settling Defendant not settled, the Court would have apportioned to the Settling Defendant. The Receiver and the Trustee shall (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) only be entitled to recover from the Non-Settling Defendants such claims for Monetary Relief attributable to the aggregate of the several liability of the Non-Settling Defendants. For greater certainty, if the Court ultimately awards Monetary Relief to the Receiver or the Trustee against the Non-Settling Defendants, the Trustee and the Receiver shall (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) have no right to recover any such portion of such Monetary Relief attributable to the Settling Defendant.

4. **THIS COURT ORDERS AND DECLARES** that, for the purposes of this Order, the "**Released Matters**" means, collectively: (1) the proceedings in the Ontario Superior Court of Justice (Commercial List) in Toronto bearing Court File No. CV-18-606314-00CL (the "**Action**"); (2) all of the known and unknown facts and issues in dispute amongst the Trustee (as defined in the Agreement) and the Receiver (as defined in the Agreement), on the one hand, and the Released Parties, on the other hand, and all of the known and unknown Claims that have been or could be commenced or asserted by the Trustee or the Receiver against the Settling Defendant, whether in the Action or in a separate claim or proceeding, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action; and (3) facts and issues arising from or relating to: (i) the syndicated mortgage investments with Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation (collectively, the "**Trustee Companies**"); and (ii) the real estate development projects of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (445 Princess

Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street Investments Inc. (collectively, the "**Development Companies**").

5. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of the Trustee Proceedings (as defined in the Agreement);
- (b) the pendency of the Receiver Proceedings (as defined in the Agreement);
- (c) the pendency of the Action;
- (d) any applications for any bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of one or more of any of the Settling Defendant, the Non-Settling Defendants, the Trustee Companies, the Development Companies or any of their respective predecessors, successors or heirs (collectively, the "**Identified Parties**"), and any bankruptcy order issued pursuant to any such applications; and
- (e) any assignment in bankruptcy made in respect of any of the Identified Parties.

the payment to the Trustee and the Receiver, or as they may direct, of the Settlement Funds (as defined in the Agreement) shall be binding on any trustee in bankruptcy that is now or that may be appointed in respect of any of the Identified Parties and shall not be void or voidable by creditors of any of the Identified Parties, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) at any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

6. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Trustee, the Receiver and their respective 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 Trustee and the Receiver, as officers of this Court, as may be necessary or desirable to give effect to this order or to assist the Trustee, the Receiver and their respective agents in carrying out the terms of this Order.

TAB F

Appendix “F”

SETTLEMENT AGREEMENT

THIS AGREEMENT, effective this 31st day of March, 2023

AMONGST:

KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC., TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.

(in such capacity, the "**Receiver**")

-and-

GRANT THORNTON LIMITED, IN ITS CAPACITY AS THE COURT-APPOINTED TRUSTEE OF TEXTBOOK STUDENT SUITES (525 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (555 PRINCESS STREET) TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (ROSS PARK) TRUSTEE CORPORATION, 2223947 ONTARIO LIMITED, MC TRUSTEE (KITCHENER) LTD., SCOLLARD TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (774 BRONSON AVENUE) TRUSTEE CORPORATION, 7743718 CANADA INC., KEELE MEDICAL TRUSTEE CORPORATION, TEXTBOOK STUDENT SUITES (445 PRINCESS STREET) TRUSTEE CORPORATION AND HAZELTON 4070 DIXIE ROAD TRUSTEE CORPORATION

(in such capacity, the "**Trustee**")

-and-

WALTER THOMPSON and 1321805 ONTARIO INC.

(respectively, "**Mr. Thompson**" and "**Hold Co.**" and, collectively, the "**Settling Defendants**")

WHEREAS:

- A. Grant Thornton Limited was appointed as the Trustee pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued on October 27, 2016 (the "**Trustee Proceedings**");
- B. KSV Restructuring Inc. (f/k/a KSV Kofman Inc.) was appointed as the Receiver pursuant to Orders of the Court issued on February 2, 2017, April 28, 2017, May 2, 2017, January 9, 2018 and May 30, 2018 (the "**Receiver Proceedings**");
- C. The Trustee and the Receiver commenced an action in the Court by the issuance of a Statement of Claim dated October 3, 2018 in Court File No. CV-18-606314-00CL (the "**Action**") against the Settling Defendants and the following parties: Bhaktraj Singh a.k.a. Raj Singh, RS Consulting Group Inc., Tier 1 Transaction Advisory Services Inc., Aeolian Investments Ltd., John Davies in his personal capacity and in his capacity as trustee of both the Davies Arizona Trust and the Davies Family Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Davies Family Trust, Gregory Harris in his personal capacity and in his capacity as trustee of the Davies Family Trust, Harris + Harris LLP, Nancy Elliot, Elliot Law Professional Corporation, Bruce Stewart, the Traditions Development Company Ltd., David Arsenault, James Grace, Jude Cassimy, First Commonwealth Mortgage Corporation, Memory Care Investments Ltd., Textbook Suites Inc., Textbook Student Suites Inc. and Michael Cane;
- D. The Trustee and the Receiver previously entered into a settlement with Bhaktraj Singh a.k.a. Raj Singh, RS Consulting Group Inc. and Tier 1 Transaction Advisory Services Inc., which was approved by the Court pursuant to the Order of Justice Hainey dated November 18, 2019;
- E. The Trustee and the Receiver previously entered into a settlement with James Grace, which was approved by the Court pursuant to the Order of Justice Hainey dated July 14, 2020;
- F. The Trustee and the Receiver previously entered into a settlement with Nancy Elliot and Elliot Law Professional Corporation, which was approved by the Court pursuant to the Order of Justice Hainey dated May 13, 2021;
- G. The Trustee and the Receiver previously entered into a settlement with David Arsenault, which has not yet been approved by the Court but for which court-approval will be sought in due course;
- H. The Trustee and the Receiver previously entered into a settlement with Michael Cane, which has not yet been approved by the Court but for which court-approval will be sought in due course;
- I. The Trustee and the Receiver intend to continue the Action and potentially commence, continue and pursue other claims and proceedings against the following parties, among others: Aeolian Investments Ltd., John Davies in his personal capacity and in his capacity as trustee of both the Davies Arizona Trust and the Davies Family Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Davies Family Trust, Gregory Harris in his personal capacity and in his capacity as trustee of the Davies Family Trust, Harris + Harris LLP, Bruce Stewart, the Traditions Development

Company Ltd., Jude Cassimy, First Commonwealth Mortgage Corporation, Memory Care Investments Ltd., Textbook Suites Inc. and Textbook Student Suites Inc. (collectively, in any and all capacities, and together with any and all other parties or potential parties in the Action and in any other claims and proceedings commenced, continued or pursued by the Trustee or the Receiver, but excluding Mr. Thompson and Hold Co. in any and all capacities, the "**Non-Settling Defendants**");

- J. The Trustee and the Receiver, on the one hand, and the Settling Defendants, on the other hand, wish to resolve all of the known and unknown facts and issues in dispute amongst them and all of the known and unknown claims that have been or could be commenced or asserted by the Trustee or the Receiver against the Settling Defendants, whether in the Action or in a separate claim or proceeding, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action;
- K. In that regard, the Settling Defendants have agreed to, among other things (and subject to and in accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto), pay the Trustee and the Receiver, or as they may direct, the all-inclusive sum of three million five hundred thousand dollars in lawful Canadian currency (CDN \$3,500,000.00), inclusive of all costs and applicable taxes (the "**Settlement Funds**"), and provide cooperation to the Trustee and the Receiver in connection with the Action and any of their other claims and proceedings against the Non-Settling Defendants in accordance with the terms set out herein;
- L. In turn, the Trustee and the Receiver have agreed to, among other things (and subject to and in accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto):
- i. accept the Settlement Funds in full and final satisfaction of the Action, and any other potential claims and proceedings, against the Settling Defendants;
 - ii. discontinue the Action as against the Settling Defendants on a strictly with prejudice, without costs basis;
 - iii. refrain from commencing or continuing claims or proceedings against the Settling Defendants; and
 - iv. fully and finally release the Settling Defendants; and
- L. The Trustee and the Receiver intend to preserve all of their rights and remedies, and all claims they have in the Action or otherwise, against the Non-Settling Defendants, continue the Action against the Non-Settling Defendants and possibly continue, commence and pursue further claims and proceedings against all or some of the Non-Settling Defendants, subject to and in accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto.

NOW THEREFORE in consideration of the promises set forth herein, the mutual covenants and agreements contained herein, and for further and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. The above recitals are true and accurate, and form part of this Agreement together with the Schedules attached hereto.

2. The Trustee and the Receiver shall apply to the Court for, and recommend, an order approving and giving full effect to this Agreement, including all of the Schedules attached hereto (the "**Order**"). The Order shall include language substantially in the form of the draft language attached hereto as **Schedule "B"**. In the event the Court declines to issue the Order, this Agreement, including the Schedules attached hereto, shall be null and void and of no further force or effect.
3. Prior to the issuance of the Order:
 - (a) Mr. Thompson, on his own behalf and on behalf of Hold Co., shall provide the Trustee and the Receiver with a declaration in the form of an affidavit or a statutory declaration (the "**Declaration**") confirming that all of their assets, wherever situated worldwide, whether owned or held directly or indirectly, outside of Mr. Thompson's primary personal residence, are less than CAD\$1,000,000.00, in the form attached hereto as **Schedule "C"**, which shall be held in escrow by counsel to the Trustee and counsel to the Receiver, and not released, unless and until the Order is issued by the Court; and
 - (b) the Trustee and the Receiver shall each provide the Settling Defendants with an executed full and final release substantially in the form attached hereto as **Schedule "A"** (the "**Full and Final Release**"), which shall be held in escrow by counsel to the Settling Defendants, and not released, unless and until the Order is issued by the Court.
4. The Trustee and the Receiver agree to hold the Declaration in strict confidence at all times, and to not disclose the Declaration or the content of the Declaration to the Court or any party, unless required to do so by law or for purposes of enforcing their rights under this Agreement.
5. In the event that disclosure of the Declaration and/or any of the information set out in the Declaration is required of the Trustee and/or the Receiver by law, to the extent possible, the Trustee and Receiver shall redact all personal and financial information set out therein, in which case the Trustee and Receiver shall disclose only the minimum portions of the Declaration and the information set out in the Declaration that is required to be disclosed by law.
6. If within three (3) years of this Settlement Agreement being approved by the Court, the Trustee and the Receiver believe there was a material misrepresentation in the Declaration, the Trustee and the Receiver may seek a determination from the Court regarding whether there was a material misrepresentation in the Declaration. In the event the Court determines that there was a material misrepresentation in the Declaration, the Full and Final Release will be immediately revocable at the option of the Trustee and the Receiver and, upon such revocation, of no further force or effect.
7. The Settling Defendants shall pay, or cause to be paid, the Settlement Funds to the Trustee and the Receiver, or as they may direct, provided there is no appeal from the Order being issued by the Court within seven (7) weeks of the Order being issued by the Court or, in the event there is an appeal or are appeals of the Order being issued by the Court, within three weeks of all appellate courts' dispositions being rendered and made final with no further rights of appeal being available;

8. In the event of a material failure by the Settling Defendants to pay the Settlement Funds in accordance with this Agreement, the Trustee and the Receiver shall notify the Settling Defendants of the default in writing within fourteen (14) days. If the Settling Defendants remedy any default within seven (7) days of the notice, the default shall be considered cured. If a material failure by the Settling Defendants to pay the Settlement Funds in accordance with the terms of this Agreement is not cured, the Full and Final Release will be immediately revocable at the option of the Trustee and the Receiver and, upon revocation, of no further force or effect.
9. Within five (5) days of both the issuance of the Order and the payment of the Settlement Funds in accordance with paragraph 7 hereof, the Trustee and the Receiver shall discontinue the Action as against the Settling Defendants on a strictly with prejudice and without costs basis, and shall amend their statement of claim in the Action so as to continue the Action against the Non-Settling Defendants only.
10. In accordance with the terms, conditions and exceptions provided in this Agreement, including the Schedules attached hereto, the Receiver and Trustee shall not be entitled to recover from the Non-Settling Defendants any damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief ("**Monetary Relief**") that corresponds to the proportion of any judgment that, had the Settling Defendants not settled, the Court would have apportioned to him. The Receiver and Trustee shall be entitled to recover from the Non-Settling Defendants only such claims for Monetary Relief attributable to the aggregate of the several liability of the Non-Settling Defendants. For greater certainty, if the Court ultimately awards Monetary Relief to the Receiver or the Trustee against the Non-Settling Defendants and finds, holds, orders, or declares that the Non-Settling Defendants have the right or ability to pass any liability for such Monetary Relief or a portion thereof onto the Settling Defendants, or the right or ability to seek or claim contribution or indemnity for such Monetary Relief or a portion thereof from the Settling Defendants, the Trustee and the Receiver waive their rights to recover such Monetary Relief with respect to such portion attributable to the Settling Defendants and this paragraph and Agreement shall act as a complete estoppel of any recovery sought by the Receiver or Trustee against any person on such basis.
11. The Settling Defendants shall provide the following cooperation to the Trustee and the Receiver in relation to their claims and proceedings against the Non-Settling Defendants, including, but not limited to, in the Action:
 - (a) one (1) 4-hour session with the Receiver and the Trustee at which the Settling Defendants will, in a question and answer format, provide an account of the facts known to them that are relevant to such claims and proceedings; and
 - (b) produce relevant non-privileged documents, records and information over which the Settling Defendants have possession, power or control that have not yet been disclosed or produced in the Action.

In no way is this paragraph or this Agreement intended to be, nor is it, a waiver of any privilege that the Settling Defendants have over such information, documents and records, and the Receiver and the Trustee are not entitled to receive any privileged information of the Settling Defendants by virtue of this paragraph or this Agreement. Given the Trustee's and the Receiver's desire to limit costs and maximize recovery for stakeholders, the Settling Defendants' agreement to cooperate is a material factor

influencing the Trustee's and the Receiver's respective decisions to enter into and execute this Agreement and compromise their claims against the Settling Defendants.

12. This Agreement is entered into for purposes of settlement and compromise only. This Agreement will not in any way be construed as an admission by any party, and the parties hereto each specifically disclaim any liability in connection with the Action and confirm that no finding of liability against any of the Settling Defendants has been made by the Court.
13. The plaintiffs agree to include the following statement in any disclosure of the settlement: "In agreeing to resolve the litigation, Walter Thompson and 1321805 Ontario Inc. continued to deny any liability to the plaintiffs and no findings of liability against these parties was ever made by the Court." The Settling Defendants acknowledge and agree that the Receiver and the Trustee may disclose the (i) Agreement and its terms to the Non-Settling Defendants and other parties with an interest in the Action including, without limitation, investors who made syndicated mortgage investments through the trustee corporations in respect of which the Trustee was appointed, and (ii) may disclose the terms of this Agreement in all Court materials and documents prepared by the Receiver and/or the Trustee in connection with the Trustee Proceedings, the Receiver Proceedings or the Action.
14. The parties to this Agreement hereby declare, represent and warrant that they have consulted with and been advised by independent legal counsel with respect to the terms of the settlement set forth herein, that they have read and fully understand all of the terms and consequences of this Agreement, including all of the Schedules attached hereto, and that they enter into this Agreement freely and voluntarily, without coercion or duress, and without reliance upon any representation, warranty, condition or agreement, whether written or oral, other than as expressly set out or referred to herein.
15. The parties to this Agreement shall execute all documents and take all steps as are necessary and reasonable to accomplish the objectives of this Agreement, including its Schedules, and give effect thereto.
16. All notices contemplated herein are to be delivered by email to the Receiver at bellj@bennettjones.com / blinickj@bennettjones.com, to the Trustee at iaversa@airdberlis.com / mspence@airdberlis.com, and to the Settling Defendants at jzibarras@millერთhompson.com / astephens@millერთhompson.com.
17. This Agreement may not be altered, amended or modified except by written agreement of the parties to this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Any dispute arising out of or in connection with this Agreement shall be exclusively and finally determined by the Court.
18. The terms of this Agreement shall enure to the benefit of, and be binding upon, the parties hereto and their respective heirs, successors and assigns, as applicable.
19. This Agreement, including the Schedules attached hereto, constitutes the entire agreement among the parties, and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.


- 20. This Agreement, including the Schedules attached hereto, may be executed in counterparts, all of which taken together shall be deemed to constitute one and the same instrument, and a facsimile, email or electronically transmitted or electronically executed signature shall be deemed an original signature and of equally binding force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective this 31st day of March, 2023, notwithstanding the actual date of execution:

**GRANT THORNTON LIMITED,
 IN ITS CAPACITY AS THE
 COURT-APPOINTED TRUSTEE
 OF TEXTBOOK STUDENT
 SUITES (525 PRINCESS
 STREET) TRUSTEE
 CORPORATION, TEXTBOOK
 STUDENT SUITES (555
 PRINCESS STREET) TRUSTEE
 CORPORATION, TEXTBOOK
 STUDENT SUITES (ROSS PARK)
 TRUSTEE CORPORATION,
 2223947 ONTARIO LIMITED,
 MC TRUSTEE (KITCHENER)
 LTD., SCOLLARD TRUSTEE
 CORPORATION, TEXTBOOK
 STUDENT SUITES (774
 BRONSON AVENUE) TRUSTEE
 CORPORATION, 7743718
 CANADA INC., KEELE
 MEDICAL TRUSTEE
 CORPORATION, TEXTBOOK
 STUDENT SUITES (445
 PRINCESS STREET) TRUSTEE
 CORPORATION AND
 HAZELTON 4070 DIXIE ROAD
 TRUSTEE CORPORATION**

Lucia Pileggi

 Witness Name: Lucia Pileggi



 Name: *J. Krudick*
 Title: *SR. VICE PRESIDENT*

KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.



Witness Name: Raj Kashyap



Name: Bobby Kofman
Title: President and Managing Director

Witness Name:

WALTER THOMPSON

1321805 ONTARIO INC.

Witness Name:


Name: Walter Thompson
Title:

KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.

Witness Name:

Name:
Title:

DocuSigned by:
Kaitlin Doggett
4E76184952E74DD...


DocuSigned by:

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Witness Name: Kaitlin Doggett

WALTER THOMPSON

1321805 ONTARIO INC.

DocuSigned by:
Kaitlin Doggett
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DocuSigned by:

43B740D29B59450...

Witness Name: Kaitlin Doggett

Name: Walter Thompson
Title: PRESIDENT

SCHEDULE "A"

FORM OF FULL AND FINAL RELEASE

WHEREAS this is a mutual Full and Final Release between:

Grant Thornton Limited, in its capacity as the court-appointed Trustee of Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation (the "**Trustee**") and KSV Restructuring Inc. (f/k/a KSV Kofman Inc.), in its capacity as the court-appointed Receiver and Manager of certain property of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (445 Princess Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street Investments Inc. (the "**Receiver**")

-and-

Walter Thompson ("**Mr. Thompson**") and 1321805 Ontario Inc. (together with Mr. Thompson, the "**Settling Defendants**", and, together with the Receiver and the Trustee, the "**Parties**" and, individually, a "**Party**")

relating to: (1) the proceedings, exclusively as against the Settling Defendants, in the Ontario Superior Court of Justice (Commercial List) in Toronto bearing Court File No. CV-18-606314-00CL (the "**Action**"); (2) all of the known and unknown facts and issues in dispute amongst the Parties and all of the known and unknown claims that have been or could be commenced or asserted by the Trustee or the Receiver against the Settling Defendants, whether in the Action or in a separate claim or proceeding, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action, and (3) facts and issues arising from or relating to the Settling Defendants' involvement in: (i) the syndicated mortgage investments with Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation; and (ii) the real estate development projects of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (445 Princess Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street Investments Inc. (collectively, the "**Released Matters**");

AND WHEREAS the Trustee and the Receiver, on the one hand, and the Settling Defendants, on the other hand, wish to fully and finally resolve and settle the Released Matters insofar as they relate to the Released Parties (as defined below) and have agreed to release each other from any

and all manners of Claims (as defined below) relating to the Released Matters, subject to the terms and conditions of the Settlement Agreement to which this Full and Final Release is attached as **Schedule "A"**,

NOW THEREFORE in consideration of the mutual covenants contained in this Full and Final Release and the terms set out in the Settlement Agreement to which this Full and Final Release is attached as **Schedule "A"**, and for other good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged by the Parties:

1. The recitals set out above are true and accurate, and form part of this Full and Final Release.
2. The Receiver and the Trustee, on the one hand, and the Settling Defendants, on the other, hereby fully and forever release, remise, acquit and discharge each other and, as applicable, their respective predecessors, successors, heirs, assigns and insurers (collectively, the "**Released Parties**"), from any and all manners of action, causes of action, suits, claims, proceedings, debts, covenants, obligations, penalties, indemnities, demands, issues, damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief, losses, injuries and liabilities of any and every nature whatsoever, whether in law or in equity (each a "**Claim**", and collectively, the "**Claims**") arising out of or in any way relating to the Released Matters (the "**Released Claims**"), provided, however, that nothing in this Full and Final Release shall in any way release or affect, or shall be considered, construed or deemed to release or affect any of the Parties' rights or obligations under the Settlement Agreement, including but not limited to the Trustee's and the Receiver's rights to revoke this Full and Final Release in accordance with the terms of the Settlement Agreement or the Trustee's and Receiver's rights to pursue Claims as against parties other than the Settling Defendants.
3. If any Released Claims are advanced against the Settling Defendants for any cause, matter, or thing relating to the Released Matters dealt with in the Full and Final Release, this Full and Final Release may be raised as a complete bar to any such Claim and may be relied upon in any effort to dismiss the Claim on a summary basis and no objection will be raised by either the Receiver or the Trustee that any of the parties in the subsequent action or other proceeding were not privy to the formation of this Full and Final Release.
4. The Receiver and Trustee warrant that they have not assigned to any person, firm, corporation or other entity any right of action or application, cause of action nor application or claims which are released by this Full and Final Release.
5. Without limiting the generality of the foregoing, the Parties declare that the intent of this Full and Final Release is to conclude all issues in respect of, relating to or arising out of the Released Claims and it is understood and agreed that this Full and Final Release is intended to cover, and does cover, not only all known injuries, losses and damages in respect of the Released Claims, but also injuries, losses and damages in respect of the Released Claims not now known or anticipated but which may later be discovered, including all the effects and consequences thereof. For greater clarity, the releases provided in paragraph 2 hereof shall in no way be considered, construed or deemed in any way to release or affect any claim arising from future events, or any claim based on past events that the Trustee or the Receiver have against any persons, corporations, or entities other than the Released Parties.

6. The Parties each covenant and agree that this Full and Final Release shall be binding upon and shall enure to the benefit of the respective successors, assigns and legal or personal representatives of the Parties, as applicable.
7. The Parties understand, acknowledge and agree that this Full and Final Release shall be effective upon the issuance of a court order approving the settlement as contemplated under the terms of the Settlement Agreement.
8. The Parties agree that this Full and Final Release shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada as applicable therein. Any dispute arising from or relating to the interpretation, application or enforcement of this Full and Final Release shall be exclusively within the jurisdiction of the Ontario Superior Court of Justice (Commercial List), and the Parties hereby irrevocably attorn to the exclusive jurisdiction of such Court with respect to any and all matters covered by, or in any way relating to, this Full and Final Release.
9. The Parties each covenant and agree that each part and provision of this Full and Final Release is distinct and severable and if, in any jurisdiction, any part or provision of this Full and Final Release or its application to any Party or circumstance is restricted, prohibited or unenforceable, for public policy reasons or otherwise, that that part or provision shall be interpreted in a manner so as to not make it unenforceable at law, but if such interpretation is not possible, the Parties agree that the part or provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining parts and provisions hereof and without affecting the validity or enforceability of such part or provision in any other jurisdiction or its application to other parties or circumstances.
10. The Parties each hereby expressly acknowledge, declare and agree that they have had an opportunity to fully review this Full and Final Release and they have consulted with independent legal counsel. The Parties each acknowledge, declare and agree that they fully understand the meaning and effect of each paragraph of this Full and Final Release and freely and voluntarily agree to its terms for the purpose of making full and final compromise, adjustment and settlement of the Released Matters. The Parties each further expressly acknowledge, declare and agree that there is no condition, express or implied, or collateral agreement affecting their respective abilities to enter into this Full and Final Release, other than those set out in the Settlement Agreement to which this Full and Final Release is attached. The Parties further acknowledge and agree that any statute, case law, or rule of interpretation or construction that would or might cause any part or provision of this Full and Final Release to be construed against the drafters of this Full and Final Release shall be of no force or effect.
11. The Parties each agree that this Full and Final Release may be executed in any number of counterparts, all of which taken together shall be deemed to constitute one and the same instrument, and a facsimile, email or electronically transmitted or electronically executed signature shall be deemed an original signature and of equally binding force and effect.

[Remainder of Page Intentionally Left Blank]

The parties hereto have duly executed this Full and Final Release effective this 31st day of March, 2023, notwithstanding the actual date of execution:

**GRANT THORNTON LIMITED,
IN ITS CAPACITY AS THE
COURT-APPOINTED TRUSTEE
OF TEXTBOOK STUDENT
SUITES (525 PRINCESS
STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (555
PRINCESS STREET) TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (ROSS PARK)
TRUSTEE CORPORATION,
2223947 ONTARIO LIMITED,
MC TRUSTEE (KITCHENER)
LTD., SCOLLARD TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (774
BRONSON AVENUE) TRUSTEE
CORPORATION, 7743718
CANADA INC., KEELE
MEDICAL TRUSTEE
CORPORATION, TEXTBOOK
STUDENT SUITES (445
PRINCESS STREET) TRUSTEE
CORPORATION AND
HAZELTON 4070 DIXIE ROAD
TRUSTEE CORPORATION**

Witness Name:

Name:

Title:

KSV RESTRUCTURING INC. (F/K/A KSV KOFMAN INC.), IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER AND MANAGER OF CERTAIN PROPERTY OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC. AND TEXTBOOK (555 PRINCESS STREET) INC., TEXTBOOK (445 PRINCESS STREET) INC., MCMURRAY STREET INVESTMENTS INC., TEXTBOOK (774 BRONSON AVENUE) INC., AND TEXTBOOK ROSS PARK INC.

Witness Name:

Name:
Title:

Witness Name:

WALTER THOMPSON

1321805 ONTARIO INC.

Witness Name:

Name: Walter Thompson
Title:

SCHEDULE "B"**FORM OF DRAFT LANGUAGE TO BE INCORPORATED INTO DRAFT ORDER**

1. **THIS COURT ORDERS AND DECLARES** that in consenting to this Order, Walter Thompson ("**Mr. Thompson**") and 1321805 Ontario Inc. (together with Mr. Thompson, the "**Settling Defendants**") continue to deny any liability to the plaintiffs and no finding of liability against any of the Settling Defendants has been made by the Court.
2. **THIS COURT ORDERS AND DECLARES** that the Settling Defendants and, as applicable, their predecessors, successors, heirs and insurers (collectively, the "**Released Parties**") are hereby fully and finally released and discharged (subject to and in accordance with the terms, conditions and exceptions provided in the Settlement Agreement dated _____, 2023, including the schedules attached thereto (the "**Agreement**")) from any and all manners of action, causes of action, suits, claims, proceedings, debts, covenants, obligations, penalties, indemnities, demands, issues, damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief, losses, injuries and liabilities of any and every nature whatsoever, whether in law or in equity (each a "**Claim**", and collectively, the "**Claims**") that the Trustee (as defined in the Agreement) and/or the Receiver (as defined in the Agreement) has or may have against them arising out of or in any way relating to the Released Matters (as defined below).
3. **THIS COURT ORDERS AND DECLARES** that the Released Parties are hereby fully and finally released and discharged (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) from any Claim or Claims that the Non-Settling Defendants (as defined in the Agreement) or any one of them, including Aeolian Investments Ltd., John Davies in his personal capacity and in his capacity as trustee of both the Davies Arizona Trust and the Davies Family Trust, Judith Davies in her personal capacity and in her capacity as trustee of the Davies Family Trust, Gregory Harris in his personal capacity and in his capacity as trustee of the Davies Family Trust, Harris + Harris LLP, Bruce Stewart, the Traditions Development Company Ltd., Jude Cassimy, First Commonwealth Mortgage Corporation, Memory Care Investments Ltd., Textbook Suites Inc., and/or Textbook Student Suites Inc., has or may have against them for contribution or indemnity in the Action or in a separate claim or proceeding commenced by the Trustee or the Receiver, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action or which in any way relate to the Released Matters (as defined below).

4. **THIS COURT ORDERS AND DECLARES** that the Receiver and the Trustee shall not be entitled to recover from the Non-Settling Defendants (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) any damages, restitution, an accounting, disgorgement, interest, costs, or any other monetary relief ("**Monetary Relief**") that corresponds to the proportion of any judgment that, had the Settling Defendants not settled, the Court would have apportioned to the Settling Defendants. The Receiver and the Trustee shall (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) only be entitled to recover from the Non-Settling Defendants such claims for Monetary Relief attributable to the aggregate of the several liability of the Non-Settling Defendants. For greater certainty, if the Court ultimately awards Monetary Relief to the Receiver or the Trustee against the Non-Settling Defendants, the Trustee and the Receiver shall (subject to and in accordance with the terms, conditions and exceptions provided in the Agreement, including the schedules attached thereto) have no right to recover any such portion of such Monetary Relief attributable to the Settling Defendants.

5. **THIS COURT ORDERS AND DECLARES** that, for the purposes of this Order, the "**Released Matters**" means: (1) the proceedings in the Ontario Superior Court of Justice (Commercial List) in Toronto bearing Court File No. CV-18-6063 14-00CL (the "**Action**"); (2) all of the known and unknown facts and issues in dispute amongst the Trustee and the Receiver, on the one hand, and the Released Parties, on the other hand, and all of the known and unknown Claims that have been or could be commenced or asserted by the Trustee or the Receiver against the Settling Defendants, whether in the Action or in a separate claim or proceeding, which arise from or relate to the facts alleged or issues raised, or which could have been alleged or raised, in the Action; and (3) facts and issues arising from or relating to: (i) the syndicated mortgage investments with Textbook Student Suites (525 Princess Street) Trustee Corporation, Textbook Student Suites (555 Princess Street) Trustee Corporation, Textbook Student Suites (Ross Park) Trustee Corporation, 2223947 Ontario Limited, MC Trustee (Kitchener) Ltd., Scollard Trustee Corporation, Textbook Student Suites (774 Bronson Avenue) Trustee Corporation, 7743718 Canada Inc., Keele Medical Trustee Corporation, Textbook Student Suites (445 Princess Street) Trustee Corporation and Hazelton 4070 Dixie Road Trustee Corporation (collectively, the "**Trustee Companies**"); and (ii) the real estate development projects of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc.,

Textbook (555 Princess Street) Inc., Textbook (445 Princess Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street Investments Inc. (collectively, the "**Development Companies**") (collectively, the "**Released Matters**").

6. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of the Trustee Proceedings (as defined in the Agreement);
- (b) the pendency of the Receiver Proceedings (as defined in the Agreement);
- (c) the pendency of the Action;
- (d) any applications for any bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of one or more of any of the Settling Defendants, the Non-Settling Defendants, the Trustee Companies, the Development Companies or any of their respective predecessors, successors or heirs (collectively, the "**Identified Parties**"), and any bankruptcy order issued pursuant to any such applications; and
- (e) any assignment in bankruptcy made in respect of any of the Identified Parties.

the payment to the Trustee and the Receiver, or as they may direct, of the Settlement Funds (as defined in the Agreement) shall be binding on any trustee in bankruptcy that is now or that may be appointed in respect of any of the Identified Parties and shall not be void or voidable by creditors of any of the Identified Parties, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) at any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

7. **THIS COURT ORDERS** that, in respect of the policy of insurance issued by Travelers Insurance Company of Canada ("**Travelers**") bearing Policy # 10383958 and effective July 28, 2016 to July 28, 2017 and extended by Endorsement to October 28, 2017 and by further Endorsement to December 28, 2017 (the "**Policy**"):

- (a) the payment made on behalf of Mr. Thompson does not violate the interests of any person or entity potentially covered under the Policy;
- (b) the payment constitutes a covered Loss as defined in the Policy;
- (c) the payment reduces the Private Company Directors and Officers Liability Limit of Liability (as defined in the Policy) under the Policy for all purposes, regardless of any subsequent finding by any court, tribunal, administrative body or arbitrator, in any proceeding or action, that Mr. Thompson engaged in conduct that triggered or

may have triggered any exclusion, term or condition of the Policy, or any of them, so as to disentitle him to coverage under the Policy;

- (d) the payment is without prejudice to any coverage position or reservations of rights taken by Travelers in relation to any other matter advised to Travelers or any other Claim (as defined in the Policy) made or yet to be made against Mr. Thompson, provided that neither coverage nor payment in respect of the settlement of this action will be voided or impacted by any such coverage position or reservation of rights;
- (e) the payment fully and finally releases Travelers from any further obligation, and from any and all claims against it under or in relation to the Policy, in respect of the portion of the Private Company Directors and Officers Liability Limit of Liability that were expended to fund the payment; and
- (f) Travelers is directed to pay the settlement amount on behalf of Mr. Thompson in full satisfaction of the Agreement.

8. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Trustee, the Receiver and their respective 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 Trustee and the Receiver, as officers of this Court, as may be necessary or desirable to give effect to this order or to assist the Trustee, the Receiver and their respective agents in carrying out the terms of this Order.

IN THE MATTER OF THE RECEIVERSHIP OF SCOLLARD DEVELOPMENT CORPORATION, MEMORY CARE INVESTMENTS (KITCHENER) LTD., MEMORY CARE INVESTMENTS (OAKVILLE) LTD., 1703858 ONTARIO INC., LEGACY LANE INVESTMENTS LTD., TEXTBOOK (525 PRINCESS STREET) INC., AND TEXTBOOK (555 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK (445 PRINCESS STREET) INC.

AND IN THE MATTER OF THE RECEIVERSHIP OF TEXTBOOK ROSS PARK INC., TEXTBOOK (774 BRONSON AVENUE) INC. AND MCMURRAY STREET INVESTMENTS INC.

Court File No.: CV-17-11689-00CL
Court File No.: CV-17-589078-00CL
Court File No.: CV-16-11567-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceedings commenced in Toronto

MOTION RECORD OF THE COURT-APPOINTED RECEIVER
(VOLUME 1 OF 3)

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario M5X 1A4

Sean Zweig (LSO# 573071)

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Joseph N. Blinick (LSO# 64325B)

Joshua Foster (LSO# 79447K)

Lawyers for KSV Restructuring Inc., in its capacity as the Court-appointed Receiver of certain property of Scollard Development Corporation, Memory Care Investments (Kitchener) Ltd., Memory Care Investments (Oakville) Ltd., 1703858 Ontario Inc., Legacy Lane Investments Ltd., Textbook (525 Princess Street) Inc., Textbook (555 Princess Street) Inc., Textbook (445 Princess Street) Inc., Textbook (774 Bronson Avenue) Inc., Textbook Ross Park Inc. and McMurray Street Investments Inc.